



MMK GROUP TRADING UPDATE

FOR Q4 AND
12M 2020

26 JANUARY 2021
Magnitogorsk, Russia

PJSC Magnitogorsk Iron & Steel Works ("MMK", or the "Group") (MICEX-RTS: MAGN; LSE: MMK), one of the world's largest steel producers, is pleased to announce its Trading Update for Q4 and 12M 2020.



HIGHLIGHTS

Q4 2020**VS Q3 2020**

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- Pig iron output increased by 6.0% quarter-on-quarter (q-o-q) to 2,521 thousand tonnes, driven by increased steel demand and increased production volumes.
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- Steel output was up 14.9% q-o-q at 3,312 thousand tonnes due to stronger demand and production ramp-up of Hot-Rolling Mill 2500 after its scheduled reconstruction in Q3.
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- MMK Group's total sales of finished products amounted to 3,045 thousand tonnes, up 11.1% q-o-q.
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- MMK Group's sales of premium products stayed flat q-o-q at 1,343 thousand tonnes (44.1% of total sales).
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- MMK Coal's coal concentrate production totalled 837 thousand tonnes, up 16.0% q-o-q due to the decommissioning of an underperforming coal face and the launch of a new one.

HIGHLIGHTS

12M 2020**VS 12M 2019**

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- Pig iron output decreased by 6.7% year-on-year (y-o-y) to 9,344 thousand tonnes, due to a longer period of scheduled maintenance at blast furnace facilities and lower demand amid the coronavirus pandemic.
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- Steel output in 12M 2020 was down 7.1% y-o-y to 11,574 thousand tonnes, affected by the scheduled reconstruction of Hot-Rolling Mill 2500 and the slowdown in business activity due to the pandemic.
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- MMK Group's total sales of finished products fell by 5.0% y-o-y to 10,755 thousand tonnes.
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- Premium product sales dropped by 6.1% y-o-y to 5,143 thousand tonnes. The share of premium products in total sales decreased to 47.8%.
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- Coal concentrate output in 12M 2020 amounted to 3,059 thousand tonnes, up by 17.0% y-o-y, due to the completion of a beneficiation plant upgrade, which took place throughout 2019, as well as the increased processing of purchased coals.



MARKET OVERVIEW

Global steel products market: In Q4 2020, global prices reached their multi-year highs, fuelled by shortages in key markets. Spurred by continuing infrastructure investment, China's economic recovery supported high domestic demand and prices for rolled steel throughout 2020. In Q4, strong pent-up demand for rolled steel built up in the US and Europe, due to low inventories and an import supply gap. Turkish steelmakers were able to put a significant premium on their products amid growing demand in the domestic and international markets.

Russian steel products market: In late Q4 2020, the Russian warehousing market saw a surge in prices for rolled steel, spurred on by frantic demand from end consumers and increased global prices for metal products. An unexpectedly strong growth in feedstock prices also had a substantial impact on the growth in prices for rolled products.

Global iron ore market: In Q4 2020, iron ore prices soared driven by persistently high demand for feedstock in China and improved demand in other regions. In late 2020, iron ore exports were somewhat lower compared to late 2019, which also supported price growth. In Q1 2021, it is expected that the volume of supply and demand in the iron ore market will decline due to seasonal factors, which may lead to a correction in iron ore prices.

Russian iron ore market: Demand for iron ore in Russia and in the EU grew in late 2020 along with an increase in steelmaking capacity utilisation. As a result, exports of Russian iron ore to China dwindled, with suppliers returning to their traditional consumers. Base prices in Russia are following Chinese indices, adjusted for changes in the USD/RUB rate, with discounts offered to domestic consumers in late 2020 remaining stable overall. In roubles, however, Russian prices for iron ore hit record high levels.

Global coking coal market: In Q4, the global market found itself in a unique position as China suspended imports of coking coals from Australia, its key feedstock supplier. As a result, prices for alternative supplies to China grew to USD 200 per tonne, while Australian prices stayed slightly above USD 100 per tonne, reflecting the supply-side pressure. The further trend will depend on when China will lift its suspension and on weather in Australia.

Russian coking coal market: Russian prices grew slightly in Q4 2020, but at a much lower rate than for other types of feedstock and metal products. Russian coal companies have everything they need to raise their contract prices for Q1 2021, although price growth rates will vary across product grades as usual.

Russian metal scrap market: In Q4 2020, scrap prices in Russia significantly grew, by 35%–40%, while the demand from Russian steelmakers for scrap was not fully covered. An increased duty for scrap exports from Russia will come into force in late January. However, no considerable decline in prices is expected in Q1 2021, given the low availability of scrap in winter.



MMK GROUP'S CONSOLIDATED RESULTS

thousand tonnes	Q4 2020	Q3 2020	%	12M 2020	12M 2019	%
Crude steel production	3,312	2,882	14.9	11,574	12,463	- 7.1
Pig iron production	2,521	2,379	6.0	9,344	10,013	- 6.7
Coal concentrate production	837	721	16.0	3,059	2,614	17.0
Iron ore production	638	811	- 21.3	2,893	2,769	4.5
Finished products sales, including:	3,045	2,742	11.1	10,755	11,316	- 5.0
Semi-finished products	0	0	-	20	0	-
Long products	297	349	- 14.7	1,275	1,352	- 5.7
Flat hot-rolled products	1,404	1,052	33.4	4,317	4,486	- 3.8
Premium products, including:	1,343	1,341	0.2	5,143	5,477	- 6.1
Thick plate (Mill 5000)	202	195	3.2	841	1,036	- 18.8
Flat cold-rolled products	226	226	- 0.1	889	1,006	- 11.7
Downstream products, including:	916	919	- 0.3	3,414	3,435	- 0.6
Tinplate	38	44	- 15.2	168	141	19.7
Galvanised steel	460	454	1.3	1,735	1,813	- 4.3
Polymer-coated steel	200	220	- 9.2	717	666	7.7
Band	42	29	42.6	130	120	9.0
Formed section	36	20	77.8	122	167	- 26.7
Pipe	24	28	- 14.4	83	57	47.1
Metalware	111	109	1.9	418	416	0.4
Other metal products	6	14	- 56.3	39	56	- 30.9
Share of premium products	44.1%	48.9%		47.8%	48.4%	



CONSOLIDATED PRICES FOR METAL PRODUCTS

USD/tonne	Q4 2020	Q3 2020	%	12M 2020	12M 2019	%
Average price per tonne:	575	535	7.5	558	628	- 11.1
Semi-finished products	-	-	-	255	0	-
Long products	493	453	8.8	472	530	- 10.9
Flat hot-rolled products	514	439	17.1	479	530	- 9.6
Premium products, including:	657	633	2.4	646	733	- 11.9
Thick plate (Mill 5000)	593	554	3.8	595	730	- 18.5
Flat cold-rolled products	573	517	10.8	558	626	- 10.9
Downstream products, including:	691	678	1.9	682	765	- 10.9
Tinplate	672	696	- 3.4	711	813	- 12.6
Galvanised steel	659	679	2.9	656	728	- 9.9
Polymer-coated steel	852	760	12.1	804	899	- 10.6
Band	600	567	5.8	607	693	- 12.4
Formed section	621	571	8.8	659	781	- 15.6
Pipe	538	494	8.9	521	577	- 9.7
Metalware	627	593	5.7	629	728	- 13.6
Other metal products	777	713	9.0	708	803	- 11.8

+ 7.5% q-o-q

AVERAGE SELLING PRICE

The average selling price in US dollars grew by 7.5% q-o-q in Q4 2020 to USD 575 per tonne, driven by the increase in global prices for metal products and iron ore. The 11.1% y-o-y fall in the average selling price in 12M 2020 was caused by a drop in global steel prices due to the COVID-19 pandemic.



MMK GROUP'S PERFORMANCE ACROSS CORE SEGMENTS

STEEL SEGMENT RUSSIA

thousand tonnes	Q4 2020	Q3 2020	%	12M 2020	12M 2019	%
Crude steel production	3,312	2,882	14.9	11,574	12,463	- 7.1
Pig iron production	2,521	2,379	6.0	9,344	10,013	- 6.7
Finished products sales, including:	2,933	2,617	12.1	10,268	11,001	- 6.7
Semi-finished products	0	0	-	20	0	-
Long products	297	349	- 14.7	1,275	1,352	- 5.7
Flat hot-rolled products	1,505	1,112	35.4	4,542	4,876	- 6.8
Premium products, including:	1,131	1,156	- 2.2	4,431	4,773	- 7.2
Thick plate (Mill 5000)	202	195	3.2	841	1,036	- 18.8
Flat cold-rolled products	226	237	- 4.5	899	1,003	- 10.4
Downstream products, including:	703	725	- 3.0	2,692	2,735	- 1.6
Tinplate	38	44	- 15.2	168	141	19.7
Galvanised steel	298	321	- 7.3	1,195	1,257	- 4.9
Polymer-coated steel	150	159	- 5.9	536	522	2.7
Band	42	29	42.6	130	120	9.0
Formed section	36	20	77.8	122	167	- 26.7
Pipe	24	28	- 14.4	83	57	47.1
Metalware	111	109	1.9	418	416	0.4
Other metal products	6	14	- 56.8	38	56	- 31.3
Share of premium products	38.5%	44.2%		43.2%	43.4%	

+ 12.1% q-o-q

SALES OF FINISHED PRODUCTS

The increase in the sales volume of finished products in Q4

2020 by 12.1% q-o-q to 2,933 thousand tonnes was due to the production ramp-up of Hot-Rolling Mill 2500 after its scheduled reconstruction and a high demand for steel in global markets. The 6.7% decrease in product sales y-o-y to 10,268 thousand tonnes was driven by long scheduled reconstruction of Hot-Rolling Mill 2500 and a worsening market environment on the back of the coronavirus pandemic.

- 14.7% q-o-q

SALES OF LONG PRODUCTS

Sales of long products in Q4 2020 were down

by 14.7% q-o-q to 297 thousand tonnes due to a high base in the previous quarter and the seasonal decline in demand. Year-on-year, sales were down 5.7% to 1,275 thousand tonnes in Q4 2020, reflecting the slowdown in business activity.

+ 35.4% q-o-q

SALES OF HOT-ROLLED PRODUCTS

The volume of sales of hot-rolled products in Q4 2020 increased by 35.4% q-o-q to 1,505 thousand tonnes. This was due to the production ramp-up of Hot-Rolling Mill 2500 after its scheduled reconstruction, combined with a growing demand for steel in global markets. Year-on-year, sales of hot-rolled products dropped by 6.8% to 4,542 thousand tonnes in 12M 2020, affected by scheduled reconstruction of Hot-Rolling Mill 2500.

- 2.2% q-o-q

SALES OF PREMIUM PRODUCTS

In Q4 2020, sales of premium products were down by 2.2% to 1,131 thousand tonnes, and their share of total sales reached 38.5%, reflecting the growing share of hot-rolled products. Year-on-year, sales of premium products were down 7.2% to 4,431 thousand tonnes in 2020, while their share of total sales slipped slightly to 43.2%. The major drivers of the change were a decline in sales of Mill 5000 thick plate and the slowdown in business activity.

+ 3.2% q-o-q

SALES OF MILL 5000 PRODUCTS

The 3.2% increase in sales volumes of Mill 5000 products q-o-q to 202 thousand tonnes was due to the growth in orders from pipe manufacturers. The 18.8% y-o-y decline in Mill 5000 thick plate sales to 841 thousand tonnes in 12M 2020 was due to changes in order mix amid a 100% capacity utilisation rate.

- 4.5% q-o-q

SALES OF COLD-ROLLED PRODUCTS

Sales of cold-rolled products in Q4 2020 were down by 4.5% q-o-q to 226 thousand tonnes, due to a more complex product mix. Year-on-year, sales were down 10.4% to 899 thousand tonnes in 12M 2020, due to the slowdown in business activity along with an accident at the reverse Cold-Rolling Mill 1700 in February 2020.

- 15.2% q-o-q

SALES OF TINPLATE

In Q4 2020, tinplate sales decreased by 15.2% to 38 thousand tonnes due to an equipment overhaul. The 19.7% y-o-y growth in tinplate sales in 2020 to 168 thousand tonnes reflects a higher demand from the food industry.

- 7.3% q-o-q

SALES OF GALVANISED STEEL

The decrease in the sales of galvanised steel in Q4 2020 by 7.3% q-o-q to 298 thousand tonnes was due to a higher base in Q3 and a more complex product mix. Year-on-year, sales declined by 4.9% to 1,195 thousand tonnes in 12M 2020.

- 5.9% q-o-q

SALES OF POLYMER-COATED STEEL

In Q4 2020, sales of polymer-coated steel reduced by 5.9% q-o-q to 150 thousand tonnes, driven by an equipment overhaul. Year-on-year, sales of polymer-coated steel grew by 2.7% to 536 thousand tonnes in 2020, driven by a year-on-year growth in pent-up demand in Q4 2020.



STEEL SEGMENT TURKEY

thousand tonnes	Q4 2020	Q3 2020	%	12M 2020	12M 2019	%
Finished products sales, including:	220	200	10.1	741	721	2.8
Flat hot-rolled products	7	5	34.1	19	16	23.8
Premium products, including:	213	194	9.4	721	705	2.4
Flat cold-rolled products	-	-	-	-	4	-
Downstream products, including:	213	194	9.4	721	701	3.0
Galvanised steel	163	133	21.8	540	556	- 2.9
Polymer-coated steel	50	61	- 17.9	181	144	25.5
Share of premium products	96.8%	97.4%		97.4%	97.8%	
Intersegment sales from Steel segment Russia	108	75	43.8	255	406	- 37.3

+ 10.1% q-o-q

SALES OF FINISHED PRODUCTS

The Turkish steel segment's sales of finished products in Q4 2020 were up 10.1% q-o-q at 220 thousand tonnes, reflecting a growing demand from Turkish and European consumers, driven by a limited supply in the market and the replenishment of inventories. In Q4 2020, the Turkish steel segment continued its sales diversification strategy and almost doubled its galvanised steel exports to 97 thousand tonnes.

The increase in 2020 sales by 2.8% y-o-y to 741 thousand tonnes reflects the product portfolio diversification strategy of the Turkish steel segment and is linked to the significant growth in polymer-coated steel sales volumes by 25.5% y-o-y to 181 thousand tonnes.

COAL MINING SEGMENT

thousand tonnes	Q4 2020	Q3 2020	%	12M 2020	12M 2019	%
Coking coal mining	1,246	965	29.1	4,354	4,811	- 9.5
Coking coal processing	1,404	1,242	13.1	5,291	4,710	12.3
Mined	1,208	1,149	5.2	4,777	4,438	7.6
Purchased	159	93	69.9	477	258	85.1
Toll	37	-	-	37	14	166.2
Coking coal concentrate	837	721	16.0	3,059	2,614	17.0

+ 29.1% q-o-q

COKING COAL PRODUCTION

Coking coal production in Q4 2020 amounted to 1,246 thousand tonnes, an increase of 29.1% q-o-q, after the decommissioning of an underperforming coal face and the launch of a new one. Year-on-year, coking coal production was down 9.5% to 4,354 thousand tonnes in



+ 16.0% Q-o-Q

COKING COAL CONCENTRATE PRODUCTION

2020, due to the challenging geological conditions at the Chertinskaya-Koksovaya mine and the suspension of mine operations following an accident in September.

Coking coal concentrate production in Q4 2020 grew by 16.0% q-o-q to 837 thousand tonnes, driven by higher coking coal production. The 17.0% y-o-y growth in coal concentrate output to 3,059 thousand tonnes in 2020 was driven by the completion of a beneficiation plant upgrade, which took place throughout 2019, as well as the increased processing of purchased coals.

MMK GROUP'S SUSTAINABILITY PERFORMANCE (ESG)

HIGHLIGHTS

- In Q3, MMK Group established its ESG department. The department is responsible for all stakeholder communications as well as the development and execution of the Group's sustainability strategy.
- On 8 July 2020, MMK published a corporate Sustainability Report prepared under Global Reporting Initiative (GRI) standards. The publication of this Report reflects MMK's commitment to its mission and core principles of sustainable development, including the achievement of the UN's Sustainable Development Goals.
- The newly-reconstructed Blast Furnace No. 2, with its advanced dust exhausting units at cast and stock houses, was put into operation, which will significantly reduce future dust emissions.
- In February 2020, an appraisal audit was successfully conducted for compliance with the international standard ISO 45001:2018.

	Q4 2020	Q3 2020	%	12M 2020	12M 2019	%
LTIFR	0.53	0.68	- 22.1	0.66	0.89	- 25.8
Gross air emissions, thousand tonnes	54.6	45.4	20.3	177.4	197.0	- 9.9
Specific air emissions, kg/tonne	17.40	17.68	- 1.6	17.15	17.98	- 4.6

- 25.8% Y-o-Y

LTIFR

In 2020, lost-time-injury frequency rate (LTIFR) decreased year-on-year by 25.8% to 0.66, reflecting a decrease in the number of accidents due to the implementation of measures aimed at improving the production safety culture and eliminating the root causes of accidents.

- 4.6% Y-o-Y

SPECIFIC AIR EMISSIONS

Specific air emissions in 12M 2020 were down 4.6% y-o-y to 17.15 kg per tonne, driven by the construction and launch of Sinter Plant No. 5 in mid-2019, which boasts an advanced gas-cleaning



system, coupled with the subsequent decommissioning of Sinter Plant No. 4.

In Q4 2020, specific air emissions decreased by 1.6% q-o-q to 17.4 kg/tonne on the back of higher share of EAF steel in the total steel output.

COVID-19 RESPONSE

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- The COVID-19 response centre established at MMK and led by the CEO has continued to operate. In line with all the measures introduced in spring, office employees work remotely, the number of personnel at production sites is reduced, and shifts are separated by pauses.
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- The Group continuously monitors the situation and takes all necessary steps to prevent the spread and reduce the risk of coronavirus infection.

OUTLOOK

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- The stable demand in the domestic and international markets will support sales in Q1 2021. The premium product capacity utilisation rate will remain at 100%.
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- The major increase in metallurgical raw material prices and positive dynamics of global prices for metal products will support the growth of prices for MMK Group's metal products in Q1 2021.
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- CAPEX for Q1 2021 is expected to grow q-o-q, in line with the implementation schedule for projects pursued under the Group's strategy.
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- Operational excellence initiatives under the updated strategic initiatives will further boost the Group's profitability in Q1 2021.



ABOUT MMK

MMK is one of the world's largest steel producers and a leading Russian metals company. The Group's operations in Russia include a large steel-producing unit encompassing the entire production chain, from the preparation of iron ore to downstream processing of rolled steel. MMK turns out a broad range of steel products, with a predominant share of high-value-added products. In 2019, MMK produced 12.5 mln tonnes of crude steel and 11.3 mln tonnes of commercial steel products.

MMK is an industry leader in terms of production costs and margins. Group revenue in 2019 totalled USD 7,566 mln, with an EBITDA of USD 1,797 mln. MMK boasts the industry's lowest debt burden. Net debt/EBITDA ratio was -0.13x at the end of 2019. The Group's investment-grade rating is confirmed by the leading global rating agencies Fitch, Moody's and S&P.

MMK's ordinary shares are traded on the Moscow Exchange, while its depositary receipts are traded on the London Stock Exchange. Free float amounts to 15.7%.

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INVESTOR RELATIONS DEPARTMENT

Veronika Kryachko
+7 915 380 6266
kryachko.vs@mmk.ru

ESG DEPARTMENT

Yaroslava Vrubel
+7 982 282 9682
vrubel.ys@mmk.ru

COMMUNICATIONS DEPARTMENT

Dmitry Kuchumov
+7 985 219 2874
kuchumov.do@mmk.ru

Oleg Egorov
+7 903 971 8837
egorov.oa@mmk.ru

KEY UPCOMING EVENTS IN 2021

FINANCIAL CALENDAR

27 January	Video conference for retail investors, Finam
2 February	Q4 and 12M 2020 IFRS financials
10 February	Citi virtual Russia Credit Investor Day
25 February	Video conference for retail investors, Smart-lab