



MMK GROUP TRADING UPDATE

FOR Q4 AND 12M 2021

28 FEBRUARY 2022

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 2021.



HIGHLIGHTS

Q4 2021
VS Q3 2021

- Pig iron output decreased by 1.5% quarter-on-quarter (q-o-q) to 2,583 thousand tonnes due to the shutdown of Blast Furnace No. 9 for an overhaul at year-end.
- Steel output increased by 3.3% q-o-q to 3,501 thousand tonnes, reflecting a higher steel output at the Turkish asset in line with announced plans.
- MMK Group's sales of metal products increased by 26.6% q-o-q to 3,495 thousand tonnes, driven by favourable market conditions, higher production volumes at the Turkish asset and run-down inventories.
- MMK Group's sales of premium products were up 19.8% to 1,452 thousand tonnes, driven primarily by higher sales of cold-rolled products and Mill 5000 thick plate.
- MMK Coal's coal concentrate production totalled 888 thousand tonnes, up 2.5% q-o-q, due to the increased processing of own coals.

HIGHLIGHTS

12M 2021
VS 12M 2020

- Pig iron output increased by 11.5% year-on-year (y-o-y) to 10,420 thousand tonnes as no long-lasting overhauls took place at blast furnace operations.
- Steel output increased by 17.4% y-o-y to 13,592 thousand tonnes, as converter facilities were not being overhauled during this period, and the electric arc furnace facility was launched at the Turkish asset.
- MMK Group's sales of metal products increased by 16.0% y-o-y to 12,480 thousand tonnes, driven by favourable market conditions and the high utilisation rate of Mill 2500 after its modernisation in 2020.
- Sales of premium products grew by 1.3% y-o-y to 5,211 thousand tonnes amid strong demand for galvanised steel in export markets.
- Production of coal concentrate increased by 12.6% y-o-y to 3,445 thousand tonnes, driven by stronger demand from MMK amid favourable market conditions.



MARKET OVERVIEW

Global steel products market: In Q4 2021, rolled steel prices in the global market continued their correction, reflecting the impact of earlier imbalances between supply and demand on the back of an increase in steel output outside China. In China, production declined rapidly in the fourth quarter, following the dynamics of domestic demand, leading to a 3% y-o-y reduction in steel output.

Russian steel products market: In Russia, prices in the secondary market for rolled products in Q4 2021 bounced following their correction in the third quarter reflecting robust end use demand on the back of lower steel inventories of trading companies.

Global iron ore market: In the beginning of the fourth quarter, the 62% Fe index declined, reaching a low at about USD 85 per tonne CFR China. During that period, caps on steel output in China drove a decrease in the end use demand for iron ore and an increase in inventories of it at Chinese ports. However, the recovery of China's pig iron production that started in December, coupled with projected further growth in spring 2022, resulted in rising demand in China and growing iron ore prices.

Russian iron ore market: Due to weaker demand from Chinese steelmakers and delays at border crossings with China, the availability of concentrate in the domestic market increased in the fourth quarter. In the blast furnace pellet and direct reduced iron pellet segment, the Russian market remained balanced amid stable exports.

Global coking coal market: In the middle of the fourth quarter, China's domestic prices and import prices fell by about 40% in a single month. The trend spread to other markets around the world, but was halted by weather issues in Australia, where the cyclone season limited logistics and exports in December. By 2021-end, prices continued upwards on the back of unfavourable weather forecasts.

Russian coking coal market: Prices for the fourth quarter in Russia rose dramatically, driven by the rapid growth of global prices in the third quarter. After the price correction in China in November, some Russian consumers negotiated lower prices under certain agreements within the period.

Russian metal scrap market: In the fourth quarter, the choppy price action persisted, reflecting rebar price volatility in Russia. By 2021-end, Russian steelmakers had accumulated sufficient inventories of raw materials, triggering a correction.



MMK GROUP'S CONSOLIDATED RESULTS

thousand tonnes	Q4 2021	Q3 2021	%	12M 2021	12M 2020	%
Crude steel production	3,501	3,390	3.3	13,592	11,574	17.4
Steel segment Russia	3,246	3,331	- 2.6	13,278	11,574	14.7
Steel segment Turkey	255	59	334.2	314	-	-
Pig iron production	2,583	2,624	- 1.5	10,420	9,344	11.5
Coal concentrate production	888	867	2.5	3,445	3,059	12.6
Iron ore production	691	802	- 13.8	2,913	2,893	0.7
Finished products sales, including:	3,495	2,761	26.6	12,480	10,755	16.0
Slabs and billets	22	45	- 51.4	194	20	885.5
Long products	327	249	31.4	1,161	1,275	- 9.0
Flat hot-rolled products	1,694	1,255	35.0	5,914	4,317	37.0
Premium products, including:	1,452	1,213	19.8	5,211	5,143	1.3
Thick plate (Mill 5000)	250	164	52.6	829	841	- 1.4
Flat cold-rolled products	300	186	61.8	873	889	- 1.8
Downstream products, including:	903	864	4.5	3,509	3,414	2.8
Tinplate	40	42	- 6.7	169	168	0.1
Galvanised steel	502	514	- 2.2	1,992	1,735	14.8
Polymer-coated steel	175	131	34.0	614	717	- 14.3
Band	37	30	22.7	137	130	4.9
Formed section	11	21	- 47.1	76	122	- 38.1
Pipe	21	14	46.3	72	83	- 13.2
Metalware	114	109	4.5	438	418	4.8
Other metal products	3	2	21.2	11	39	- 72.2
Share of premium products	41.6%	43.9%		41.8%	47.8%	



CONSOLIDATED PRICES FOR METAL PRODUCTS

USD/tonne	Q4 2021	Q3 2021	%	12M 2021	12M 2020	%
Average price per tonne:	919	1,057	– 13.1	909	558	62.9
Slabs and billets	578	612	– 5.6	601	255	135.7
Long products	792	845	– 6.3	758	472	60.6
Flat hot-rolled products	820	942	– 13.0	818	479	70.8
Premium products, including:	1,069	1,237	– 13.6	1,057	646	63.6
Thick plate (Mill 5000)	862	918	– 6.1	799	595	34.3
Flat cold-rolled products	939	1,088	– 13.7	938	558	68.1
Downstream products, including:	1,169	1,329	– 12.0	1,147	682	68.2
Tinplate	1,145	1,109	3.2	955	711	34.3
Galvanised steel	1,171	1,356	– 13.6	1,156	656	76.2
Polymer-coated steel	1,328	1,605	– 17.3	1,376	804	71.1
Band	1,002	1,207	– 17.0	1,001	607	64.9
Formed section	1,005	1,156	– 13.1	1,033	659	56.8
Pipe	823	1,004	– 18.0	888	521	70.4
Metalware	1,050	1,058	– 0.8	958	629	52.3
Other metal products	1,600	1,763	– 9.2	1,486	708	109.9

– 13.1% q-o-q

AVERAGE SELLING PRICE

Average selling prices for Q4 2021 reduced by 13.1% q-o-q to USD 919 per tonne, reflecting a correction of global prices for metal products and a slowdown in global demand. In 12M 2021, prices grew by 62.9% y-o-y to USD 909 per tonne, driven by an increase in global steel demand and market indices amid last year's low base.



MMK GROUP'S PERFORMANCE ACROSS CORE SEGMENTS

STEEL SEGMENT RUSSIA

thousand tonnes	Q4 2021	Q3 2021	%	12M 2021	12M 2020	%
Crude steel production	3,246	3,331	- 2.6	13,278	11,574	14.7
Pig iron production	2,583	2,624	- 1.5	10,420	9,344	11.5
Finished products sales, including:	3,144	2,692	16.8	11,977	10,268	16.6
Slabs and billets	22	45	- 51.4	194	20	885.5
Long products	327	249	31.4	1,161	1,275	- 9.0
Flat hot-rolled products	1,577	1,396	13.0	6,264	4,542	37.9
Premium products, including:	1,218	1,003	21.4	4,359	4,431	- 1.6
Thick plate (Mill 5000)	250	164	52.6	829	841	- 1.4
Flat cold-rolled products	311	199	56.4	896	899	- 0.3
Downstream products, including:	658	641	2.6	2,633	2,692	- 2.2
Tinplate	40	42	- 6.7	169	168	0.1
Galvanised steel	311	325	- 4.2	1,257	1,195	5.2
Polymer-coated steel	122	97	25.2	475	536	- 11.4
Band	37	30	22.7	137	130	4.9
Formed section	11	21	- 47.1	76	122	- 38.1
Pipe	21	14	46.3	72	83	- 13.2
Metalware	114	109	4.5	438	418	4.8
Other metal products	3	2	21.2	10	38	- 73.3
Share of premium products	38.7%	37.3%		36.4%	43.2%	

+ 16.8% q-o-q

SALES OF FINISHED PRODUCTS

In Q4 2021, sales of metal products were up 16.8% q-o-q to 3,144 thousand tonnes, due to stronger domestic and external demand. The 16.6% y-o-y increase in sales to 11,977 thousand tonnes was due to the completion of Hot-Rolling Mill 2500's upgrade and a favourable environment in global steel markets.

+ 31.4% q-o-q

SALES OF LONG PRODUCTS

The 31.4% q-o-q **rise in long product sales in Q4 2021** to 327 thousand tonnes was due to a recovery in demand on Russian market from the construction industry and the metals trading companies. Year-on-year, sales decreased by 9.0% in 12M 2021 to 1,161 thousand tonnes amidst scheduled repairs of rolling equipment.

+ 13.0% q-o-q

SALES OF HOT-ROLLED PRODUCTS

In Q4 2021, sales of hot-rolled products increased by 13.0% q-o-q to 1,577 thousand tonnes, mainly due to growing demand from the pipe industry. The 37.9% y-o-y increase in sales for 12M 2021 to 6,264 thousand tonnes was driven by the production growth at Hot-Rolling Mill 2500 following its modernisation in mid-2020.



+ 21.4% q-o-q

SALES OF PREMIUM PRODUCTS

Sales of premium products in Q4 2021 amounted to 1,218 thousand tonnes, up 21.4% q-o-q, amid growing sales of cold-rolled products and Mill 5000 thick plate. The share of premium products grew to 38.7% of the sales portfolio. Year-on-year, sales decreased by 1.6% in 12M 2021 to 4,359 thousand tonnes, mainly due to lower demand for formed sections.

+ 52.6% q-o-q

SALES OF MILL 5000 PRODUCTS

Sales of thick plates from Mill 5000 were up 52.6% q-o-q to 250 thousand tonnes, driven by growing demand from LDP manufacturers and the completion of equipment overhauls. A marginal 1.4% y-o-y decrease in sales in 12M 2021 to 829 thousand tonnes was due to equipment overhauls during the year.

+ 56.4% q-o-q

SALES OF COLD-ROLLED PRODUCTS

The 56.4% q-o-q **increase in sales of cold-rolled products in Q4 2021** to 311 thousand tonnes reflects higher export sales and a stronger demand from the pipe industry and the metals trading companies. Sales of cold-rolled products in 12M 2021 remained flat year-on-year and amounted to 896 thousand tonnes.

- 6.7% q-o-q

SALES OF TINPLATE

Sales of tinplate in Q4 2021 decreased by 6.7% q-o-q to 40 thousand tonnes reflecting scheduled equipment maintenance works amid ongoing highs in equipment utilisation. Sales of tinplate in 12M 2021 remained flat year-on-year and amounted to 169 thousand tonnes.

- 4.2% q-o-q

SALES OF GALVANISED STEEL

The decrease in **sales of galvanised steel in Q4 2021** by 4.2% q-o-q to 311 thousand tonnes was due to the increase in sales of polymer-coated steel, promising higher margins. For 12M 2021, sales increased by 5.2% y-o-y to 1,257 thousand tonnes, supported by favourable market conditions.

+ 25.2% q-o-q

SALES OF POLYMER-COATED STEEL

Sales of polymer-coated steel increased by 25.2% q-o-q to 122 thousand tonnes, reflecting strong demand from the construction industry and the metal trading companies. Year-on-year, sales were down 11.4% in 12M 2021 to 475 thousand tonnes, due to the increase in sales of galvanised steel, promising higher margins

STEEL SEGMENT TURKEY

thousand tonnes	Q4 2021	Q3 2021	%	12M 2021	12M 2020	%
Crude steel production	255	59	334.2	314	-	-
Finished products sales, including:	379	249	52.2	1,045	741	40.9
Flat hot-rolled products	134	26	408.5	169	19	777.3
Premium products, including:	245	223	10.0	876	722	21.3
Flat cold-rolled products	-	-	-	-	-	-
Downstream products, including:	245	223	10.0	876	722	21.3
Galvanised steel	191	189	1.2	736	540	36.1
Polymer-coated steel	54	34	59.3	139	181	- 23.0
Share of premium products	64.6%	89.4%		83.8%	97.4%	
Intersegment sales from Steel segment Russia	28	180	- 84.3	542	255	112.8

+ 52.2% q-o-q

SALES OF FINISHED PRODUCTS

Sales of metal products in the Turkish steel segment in Q4 2021 were up 52.2% to 379 thousand tonnes, mainly due to growing sales of hot-rolled products amid the midyear launch of the hot-rolling complex. **Sales of premium products in Q4 2021 increased by 10.0% q-o-q** to 245 thousand tonnes, driven by the release of pent-up demand for polymer-coated steel in the Turkish market.

The 40.9% y-o-y growth in sales in 12M 2021 to 1,045 thousand tonnes reflects a higher demand in global markets following the relaunch of the hot-rolling complex in mid-2021.

COAL MINING SEGMENT

thousand tonnes	Q4 2021	Q3 2021	%	12M 2021	12M 2020	%
Coking coal mining	1,388	1,232	12.6	5,000	4,418	13.2
Coking coal processing	1,593	1,483	7.4	5,929	5,291	12.1
Mined	1,348	1,206	11.8	4,800	4,777	0.5
Purchased	207	212	- 2.1	890	477	86.7
Toll	38	66	- 42.7	239	37	537.2
Coking coal concentrate	888	867	2.5	3,445	3,059	12.6

+ 12.6% q-o-q

CKOKING COAL PRODUCTION

Coking coal production in Q4 2021 amounted to 1,388 thousand tonnes, up 12.6% q-o-q, due to the completion of face transfer operations at the Chertinskaya-Koksovaya mine. In 12M 2021, coking coal production increased by 13.2% y-o-y to 5,000 thousand tonnes, driven by MMK's growing demand for concentrate and in accordance with mining plan.



+ 2.5% Q-o-Q

COKING COAL CONCENTRATE
PRODUCTION

Coking coal concentrate production in Q4 2021 increased by 2.5% q-o-q to 888 thousand tonnes. In 12M 2021, coal concentrate production was up 12.6% y-o-y to 3,445 thousand tonnes amid higher demand from MMK.

MMK GROUP'S SUSTAINABILITY PERFORMANCE (ESG)

HIGHLIGHTS

- MMK topped the rating agency Expert RA's ESG transparency ranking of companies and banks.
- MMK ranked third in the Best Disclosure of Information on Sustainability in the Annual Report category of the Moscow Exchange's Annual Report Contest.
- MMK climbed into top 4 in WWF Russia's 2021 Environmental Transparency Rating of Mining and Metals Companies in Russia.
- Magnitogorsk Iron and Steel Works took first place in the "Eco-Environmental Enterprise" category of the "Clean Air" National Award because of large-scale modernisation and implementation of environmental initiatives.

	Q4 2021	Q3 2021	%	12M 2021	12M 2020	%
LTIFR¹	0.58	0.48	20.8	0.62	0.66	- 6.1
Gross air emissions, thousand tonnes	45.9	47.2	- 2.8	187.1	177.4	5.5
Specific air emissions, kg/tonne	14.1	14.2	- 0.3	14.1	15.3	- 7.8

¹ – At the end of 2021, a methodology for calculating injury rates was introduced. The calculation was made for accidents registered on the territory of MMK Group's industrial site, taking into account third-party organisations.

- 6.1% Y-o-Y

LTIFR

In 12M 2021, LTIFR decreased by 6.1% y-o-y to 0.62. The Group continues to implement initiatives to address the root causes of accidents and improve the production safety culture.

- 7.8% Y-o-Y

SPECIFIC AIR EMISSIONS

Specific air emissions for 12M 2021 decreased by 7.8% y-o-y to 14.1 kg per tonne, driven by an increase in the share of scrap in the charge on the back of increased steel output by the EAF Shop. Specific air emissions remained flat q-o-q at 14.1 kg per tonne.



OUTLOOK

- Higher steel output at the Turkish asset in Q1 2022 will have a positive impact on the Group's sales volumes, offsetting the effect of overhaul of blast furnace and converter facilities in Magnitogorsk.
- Stable demand in Russia combined with a high utilisation of equipment manufacturing premium products will positively impact the Group's sales mix.
- CAPEX for Q1 2022 is expected to decrease significantly q-o-q, in line with the implementation schedule for projects pursued under the Group's strategy.
- Operational excellence measures implemented under MMK's updated strategic initiatives will further boost the Group's profitability in Q1 2022.



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 premium products. In 2021, MMK produced 13.6 mln tonnes of crude steel and sold 12.5 mln tonnes of commercial steel products.

MMK is an industry leader in terms of production costs and margins. Group revenue in 2020 totalled USD 11,869 mln, with an EBITDA of USD 4,290 mln. MMK boasts the industry's lowest debt burden. Net debt/EBITDA ratio was -0.09x at the end of 2021. 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 20.2%.

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KEY UPCOMING EVENTS

FINANCIAL CALENDAR

23-24 March Non-deal roadshow (NDR), online

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