



MMK GROUP TRADING UPDATE

FOR Q2 AND
H1 2021

14 JULY 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 Q2 and H1 2021.



HIGHLIGHTS

**Q2 2021
VS Q1 2021**

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- Pig iron output increased by 2.6% quarter-on-quarter (q-o-q) to 2,640 thousand tonnes, driven by the increase in productivity of blast furnaces amid continuing high steel demand.
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- Steel output grew 3.1% q-o-q to 3,401 thousand tonnes, reflecting favourable market conditions.
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- MMK Group's sales of steel products totalled 3,320 thousand tonnes, up 14.3% q-o-q, driven by high steel demand.
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- Sales of the Group's premium products were up 20.6% to 1,392 thousand tonnes, driven by seasonal growth in demand.
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- MMK Coal's coal concentrate production totalled 874 thousand tonnes, up 7.3% q-o-q, due to stronger procurement of ROM coals amid higher demand from MMK.

HIGHLIGHTS

**H1 2021
VS H1 2020**

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- Pig iron output increased by 17.3% year-on-year (y-o-y) to 5,213 thousand tonnes, as blast furnace operations were not being overhauled over these six months.
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- Steel output increased by 24.5% y-o-y, as no overhauls took place at converter facilities, as well as the completion of Hot-Rolling Mill 2500's modernisation.
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- MMK Group's sales of finished products increased by 25.3% y-o-y to 6,224 thousand tonnes driven by favourable market conditions and the high utilisation rate of Hot-Rolling Mill 2500 after its modernisation.
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- Sales of premium products grew by 3.5% y-o-y to 2,546 thousand tonnes on the back of positive market trends.
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- Production of coal concentrate increased by 12.6% y-o-y to 1,690 thousand tonnes, driven by stronger demand from MMK amid favourable market conditions.



MARKET OVERVIEW

Global steel products market: In Q2 2021, global steel output was steadily recovering after the drop of 2020. According to WorldSteel, 837.5 mln tonnes of steel were produced in the first five months of 2021, up 14.5% y-o-y and up 9% compared to 2019. Demand for rolled steel in key world regions stayed higher than supply, with prices steadily rising. In May, Chinese authorities hardened their rhetoric concerning high prices in their domestic market for rolled steel, which led to a short price pullback.

Russian steel products market: In Russia, demand for rolled steel in Q2 2021 stayed high, supported by the continuing recovery of the Russian economy after the recession of 2020. According to Metal Expert, during the first five months of 2021, apparent steel use of rolled steel in Russia grew 6.5% y-o-y, with May figures up as high as 35.9% y-o-y. The growing seasonal demand in the construction industry, ongoing national projects and easing of pandemic-related restrictions were the key drivers for the Russian steel products market in Q2 2021.

Global iron ore market: In the second quarter, the 62% Fe index hit a new all-time high amid a price rally in global steel products markets. China's pig iron output grew at about 10% y-o-y, slightly outpacing key commodity exporters' capacities. As a result, prices for steel products in China were supported by already-high prices for iron ore at the end of the second quarter.

Russian iron ore market: In the second quarter, demand for raw materials remained relatively strong both in the domestic and key export markets, while iron ore exports from Russia continued to grow in traditional target markets, leaving domestic prices no other route than to follow global market trends and increase rapidly.

Global coking coal market: Spot coal prices showed strong growth in the second quarter, reflecting the rising prices on related raw materials and rolled products markets. Demand in the steel industries of developed countries has approached pre-COVID levels, while the supply of raw materials for coking has not increased for a number of reasons.

Russian coking coal market: Following the strong growth of early 2021, domestic prices increased only slightly in the second quarter. Given the patterns of changes in coal prices, the dynamics that took place in global indices in Q2 2021 will not affect Russian market prices until the next quarter.

Russian metal scrap market: In the second quarter scrap prices on the Russian market continued growing during peak demand within the country, albeit fluctuating during the quarter. It is expected that the market will be impacted by the new increase of scrap export duties from Russia and the adoption of export duties for steel products.



MMK GROUP'S CONSOLIDATED RESULTS

thousand tonnes	Q2 2021	Q1 2021	%	H1 2021	H1 2020	%
Crude steel production	3,401	3,300	3.1	6,701	5,381	24.5
Pig iron production	2,640	2,572	2.6	5,213	4,444	17.3
Coal concentrate production	874	815	7.3	1,690	1,501	12.6
Iron ore production	790	631	25.2	1 421	1 445	- 1.7
Finished products sales, including:	3,320	2,904	14.3	6,224	4,968	25.3
Slabs and billets	74	53	38.3	127	20	546.6
Long products	316	268	17.9	585	628	- 7.0
Flat hot-rolled products	1,538	1,428	7.7	2,966	1,861	59.4
Premium products, including:	1,392	1,154	20.6	2,546	2,459	3.5
Thick plate (Mill 5000)	251	165	52.8	416	444	- 6.3
Flat cold-rolled products	203	184	10.0	387	437	- 11.3
Downstream products, including:	938	805	16.5	1,743	1,578	10.4
Tinplate	43	43	0.0	87	86	0.4
Galvanised steel	538	439	22.5	976	821	19.0
Polymer-coated steel	158	150	5.0	308	297	3.8
Band	35	35	- 2.1	70	59	18.1
Formed section	17	26	- 31.7	43	67	- 35.6
Pipe	24	12	97.0	37	31	18.0
Metalware	118	97	21.2	215	198	8.6
Other metal products	4	2	148.8	6	19	- 68.4
Share of premium products	41.9%	39.7%		40.9%	49.5%	



CONSOLIDATED PRICES FOR METAL PRODUCTS

USD/tonne	Q2 2021	Q1 2021	%	H1 2021	H1 2020	%
Average price per tonne:	944	713	32.4	836	560	49.3
Slabs and billets	626	568	10.2	602	255	136.1
Long products	762	633	20.4	702	472	48.7
Flat hot-rolled products	880	638	37.9	764	475	60.8
Premium products, including:	1,073	832	29.0	964	648	48.8
Thick plate (Mill 5000)	746	667	11.8	714	615	16.1
Flat cold-rolled products	989	731	35.3	866	572	51.4
Downstream products, including:	1,179	889	32.6	1,045	679	53.9
Tinplate	849	736	15.4	792	736	7.6
Galvanised steel	1,198	853	40.4	1,043	641	62.7
Polymer-coated steel	1,482	1,121	32.2	1,306	808	61.6
Band	1,028	798	28.8	912	631	44.5
Formed section	1,149	863	33.1	979	706	38.7
Pipe	969	706	37.3	880	531	65.7
Metalware	893	820	8.9	860	649	32.5
Other metal products	1,426	1,100	29.6	1,332	682	95.3

+ 32.4% q-o-q

AVERAGE SELLING PRICE

Average selling prices for Q2 2021 grew by 32.4% q-o-q to USD 944 per tonne, driven by an upward trend in global prices for metal products amid continued global supply constraints. In H1 2021, prices grew by 49.3% y-o-y to USD 836 per tonne, driven by favourable market dynamics amid last year's low base.



MMK GROUP'S PERFORMANCE ACROSS CORE SEGMENTS

STEEL SEGMENT RUSSIA

thousand tonnes	Q2 2021	Q1 2021	%	H1 2021	H1 2020	%
Crude steel production	3,401	3,300	3.1	6,701	5,381	24.5
Pig iron production	2,640	2,572	2.6	5,213	4,444	17.3
Finished products sales, including:	3,288	2,853	15.3	6,141	4,719	30.1
Slabs and billets	74	53	38.3	127	20	546.6
Long products	316	268	17.9	585	628	- 7.0
Flat hot-rolled products	1,721	1,570	9.6	3,291	1,926	70.9
Premium products, including:	1,177	961	22.5	2,138	2,145	- 0.3
Thick plate (Mill 5000)	251	165	52.8	416	444	- 6.3
Flat cold-rolled products	203	184	10.0	387	437	- 11.3
Downstream products, including:	723	612	18.1	1,335	1,264	5.6
Tinplate	43	43	0.0	87	86	0.4
Galvanised steel	350	270	29.5	621	576	7.7
Polymer-coated steel	131	126	3.9	256	227	12.9
Band	35	35	- 2.1	70	59	18.1
Formed section	17	26	- 31.7	43	67	- 35.6
Pipe	24	12	97.0	37	31	18.0
Metalware	118	97	21.2	215	198	8.6
Other metal products	4	2	148.8	6	19	- 68.4
Share of premium products	35.8%	33.7%		34.8%	45.4%	

+ 15.3% q-o-q

SALES OF FINISHED PRODUCTS

Sales of finished steel products in Q2 2021 increased by 15.3% q-o-q to 3,288 thousand tonnes, driven by favourable market conditions. The 30.1% y-o-y increase in sales to 6,141 thousand tonnes in H1 2021 was due to the completion of Hot Rolling Mill 2500's modernisation.

+ 17.9% q-o-q

SALES OF LONG PRODUCTS

Sales of long products in Q2 2021 were up 17.9% q-o-q to 316 thousand tonnes reflecting the seasonal growth in demand. Year-on-year, sales decreased by 7.0% to 585 thousand tonnes amidst scheduled repairs of rolling equipment.

+ 9.6% q-o-q

SALES OF HOT-ROLLED PRODUCTS

Sales of hot-rolled products grew 9.6% q-o-q in Q2 2021 q-o-q to 1,721 thousand tonnes, coming on the back of seasonal recovery in demand. Sales were up 70.9% y-o-y to 3,291 thousand tonnes, driven by the production growth at Hot-Rolling Mill 2500 following its modernisation.

**+ 22.5%** q-o-q

SALES OF PREMIUM PRODUCTS

Sales of premium products in Q2 2021 increased by 22.5% q-o-q to 1,177 thousand tonnes following the reconstruction of Reverse Cold-Rolling Mill 1700. The share of premium products grew to 35.8% of the sales portfolio. Year-on-year, sales decreased slightly to 2,138 thousand tonnes.

+ 52.8% q-o-q

SALES OF MILL 5000 PRODUCTS

Sales volumes of thick plates from Mill 5000 were up 52.8% q-o-q to 251 thousand tonnes, driven by the growth in orders from pipe manufacturers. Y-o-Y sales fell 6.3% to 416 thousand tonnes, following a change in the order mix.

+ 10.0% q-o-q

SALES OF COLD-ROLLED PRODUCTS

Sales of cold-rolled products in Q2 2021 were up 10.0% q-o-q to 203 thousand tonnes following the reconstruction of Reverse Cold-Rolling Mill 1700. Sales dropped 11.3% y-o-y to 387 thousand tonnes due to higher sales of coated steel amid higher margins.

0.0% q-o-q

SALES OF TINPLATE

Sales of tinplate in Q2 2021 remained flat q-o-q at 43 thousand tonnes, reflecting full capacity utilisation. Sales of tinplate increased slightly year-on-year to 87 thousand tonnes.

+ 29.5% q-o-q

SALES OF GALVANISED STEEL

The increase in the sales of galvanised steel in Q2 2021 by 29.5% q-o-q to 350 thousand tonnes was due to seasonal growth in demand and higher equipment productivity. In H1 2021, sales increased by 7.7% y-o-y to 621 thousand tonnes.

+ 3.9% q-o-q

SALES OF POLYMER-COATED STEEL

Sales of polymer-coated steel increased by 3.9% q-o-q to 131 thousand tonnes due to seasonal factors. Year-on-year, sales were up 12.9% to 256 thousand tonnes, reflecting a low 2020 base amid the spread of the COVID-19 pandemic.



STEEL SEGMENT TURKEY

thousand tonnes	Q2 2021	Q1 2021	%	H1 2021	H1 2020	%
Finished products sales, including:	221	196	12.7	416	322	29.5
Flat hot-rolled products	6	3	103.8	9	7	17.5
Premium products, including:	215	193	11.4	408	314	29.8%
Flat cold-rolled products	-	-	-	-	-	-
Downstream products, including:	215	193	11.4	408	314	29.8%
Galvanised steel	187	168	11.4	356	244	45.5
Polymer-coated steel	27	25	10.9	52	70	- 25.7
Share of premium products	97.4%	98.5%		97.9%	97.7%	
Intersegment sales from Steel segment Russia	189	145	30.0	334	72	362.1

+ 12.7% q-o-q

SALES OF FINISHED PRODUCTS

The sales of finished products in the Turkish steel segment in Q2 2021 were up 12.7% q-o-q to 221 thousand tonnes, reflecting the steadying of semi-finished hot-rolled stock shipments and favourable market conditions. At the same time, exports exceeded domestic sales in Turkey.

Sales were up 29.5% y-o-y, reflecting a low 2020 base amid the spread of the pandemic and lockdown restrictions.

COAL MINING SEGMENT

thousand tonnes	Q2 2021	Q1 2021	%	H1 2021	H1 2020	%
Coking coal mining	1,098	1,282	- 14.4	2,380	2,181	9.1
Coking coal processing	1,496	1,356	10.3	2,853	2,644	7.9
Mined	1,068	1,177	- 9.2	2,246	2,419	- 7.2
Purchased	358	114	214.3	471	225	109.5
Toll	70	65	7.2	136	-	-
Coking coal concentrate	874	815	7.3	1,690	1,501	12.6

- 14.4% q-o-q

COKING COAL PRODUCTION

Coking coal production in Q2 2021 amounted to 1,098 thousand tonnes, a decrease of 14.4% q-o-q, due to face transfer operations at the Kostromovskaya mine. Coking coal production increased by 9.1% y-o-y to 2,380 thousand tonnes as MMK's demand for concentrate grew.



+ 7.3% q-o-q

COKING COAL CONCENTRATE
PRODUCTION

Coking coal concentrate production in Q2 2021 was up 7.3% q-o-q due to stronger procurement of ROM coals amid higher demand from MMK. Coal concentrate production was up 12.6% y-o-y to 1,690 thousand tonnes amid higher demand from MMK.

MMK GROUP'S SUSTAINABILITY PERFORMANCE (ESG)

HIGHLIGHTS

- On 8 July 2021, BSI issued a Verification Certificate confirming the reliability of the Group's statement on its greenhouse gas emissions. BSI carried out its verification to the latest revision of ISO 14064-1:2018.
- In Q2 2021, MMK joined the Social Charter of Russian Business. The Social Charter of Russian Business is a new format for assessing the joint contribution of a business and its partners to the country's sustainability and social wellbeing.

	Q2 2021	Q1 2021	%	H1 2021	H1 2020	%
LTIFR	1.16	1.20	- 0.03	1.18	0.69	71.0
Gross air emissions, thousand tonnes	46.6	47.5	- 1.9	94.2	81.5	15.6
Specific air emissions, kg/tonne	13.7	14.4	- 4.9	14.0	15.1	- 7.3

+ 71.0% Y-o-Y

LTIFR

The LTIFR for H1 2021 increased by 71% y-o-y to 1.18, reflecting an increase in the number of ice-related accidents driven by lower temperatures in Q1 2021 compared to the previous year. The Group continues to implement initiatives to address the root causes of accidents and improve the production safety culture.

- 7.3% Y-o-Y

SPECIFIC AIR EMISSIONS

Specific air emissions in H1 2021 decreased by 7.3% y-o-y to 14.0 kg per tonne, driven by an increase in the share of scrap in the charge on the back of increased EAF steel output.

Specific air emissions decreased by 4.9% q-o-q to 13.7 kg per tonne as a result of an increase in EAF steel production.



OUTLOOK

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- Seasonal recovery of demand in Russia and continued favourable conditions in global markets will positively impact the Group's sales in Q3. Sales will be additionally supported by the start of hot tests at the electric arc furnace facility, with a casting and rolling module at the Turkish asset.
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- Completion of the reconstruction of Reverse Cold-Rolling Mill 1700 and 100% utilisation of premium products equipment will positively impact the structure of the Group's sales portfolio.
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- CAPEX for Q3 2021 is expected to decline q-o-q, in line with the implementation schedule for projects pursued under the Group's strategy.
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- Operational excellence measures implemented under MMK's updated strategic initiatives will further boost the Group's profitability in Q3 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 premium products. In 2020, MMK produced 11.6 mln tonnes of crude steel and sold 10.8 mln tonnes of commercial steel products.

MMK is an industry leader in terms of production costs and margins. Group revenue in 2020 totalled USD 6,395 mln, with an EBITDA of USD 1,492 mln. MMK boasts the industry's lowest debt burden. Net debt/EBITDA ratio was -0.06x at the end of 2020. 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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KEY UPCOMING EVENTS IN 2021

FINANCIAL CALENDAR

22 July	Q2 and H1 2021 IFRS financials
27 July	Virtual conference for retail investors, VTB Capital
28-29 July	Non-deal roadshow (NDR), online