



# MMK GROUP IFRS FINANCIAL RESULTS

FOR Q2 2021 AND  
H1 2021

**22 JULY 2021**

Magnitogorsk, Russia

Public Joint Stock Company 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 financial results for Q2 and H1 2021.



## MMK GROUP FINANCIAL RESULTS

### Q2 2021

USD mln	Q2 2021	Q1 2021	%	H1 2021	H1 2020	%
Revenue	<b>3,255</b>	2,185	49.0%	<b>5,440</b>	2,978	82.7%
EBITDA	<b>1,435</b>	726	97.7%	<b>2,161</b>	668	223.5%
EBITDA margin, %	<b>44.1%</b>	33.2%	10.9 p.p.	<b>39.7%</b>	22.4%	17.3 p.p.
Profit for the period	<b>1,031</b>	477	116.1%	<b>1,508</b>	189	697.9%
Free cash flow <sup>1</sup>	<b>545</b>	125	336.0%	<b>670</b>	97	590.7%
Net debt	<b>6</b>	145	-	<b>6</b>	237	-
Net debt/EBITDA	<b>0.00x</b>	0.08x	-	<b>0.00x</b>	0.16	-
Net working capital	<b>1,361</b>	1,050	29.6%	<b>1,361</b>	952	43.0%
L3M Net working capital/revenue	<b>10.5%</b>	12.0%	- 1.5 p.p.	<b>10.5%</b>	18.8%	- 8.3 p.p.

<sup>1</sup> – Free cash flow is calculated as net cash from operating activities plus interest received and proceeds from disposal of PPE and intangible assets, net of purchase of PPE and intangible assets (CAPEX).

#### KEY FINANCIAL INDICATORS

### FOR Q2 2021 VS Q1 2021

- MMK Group's revenue increased by 49.0% quarter-on-quarter (q-o-q) to USD 3,255 mln, which reflects a growth in sales volumes amid higher global steel prices.
- EBITDA for Q2 2021 almost doubled q-o-q to USD 1,435 mln, reflecting revenue growth fuelled by favourable market developments. EBITDA margin increased by 10.9 p.p. to 44.1%.
- Net profit was USD 1,031 mln, more than double q-o-q as a result of higher margins on the back of favourable market conditions.
- FCF for the quarter amounted to USD 545 mln, more than quadrupling on the back of positive dynamics in global markets and last quarter's low base. At the same time, the growth was partially offset by working capital build-up amid upward movements in global prices for raw materials and metal products throughout the quarter and higher sales volumes.



## KEY FINANCIAL INDICATORS

**FOR H1 2021  
VS H1 2020**

- MMK Group's revenue increased by 82.7% year-on-year (y-o-y) to USD 5,440 mln, reflecting higher sales due to the completion of Hot-Rolling Mill 2500's modernisation and an upward trend in market prices for metal products.
- EBITDA more than tripled y-o-y to \$2,161 mln due to revenue growth and last year's low base. EBITDA margin was up 17.3 p.p. to 39.7%.
- Net profit increased significantly y-o-y to USD 1,508 mln, mainly reflecting increased business margins amid the recovering global markets.
- FCF for the quarter increased to USD 670 mln amid positive market developments.

**COMMENT BY MMK'S CEO**

CEO  
**PAVEL SHILYAEV**



*Dear shareholders and colleagues,*

*In the second quarter, the Russian economy maintained the trend of rapid recovery, what positively affected apparent consumption of rolled metal and unlocked strong results for MMK.*

Protecting the health of our people remains a top priority for us. Throughout the quarter, we continued raising awareness about the importance of vaccination among MMK employees and contractors. The share of our employees immune to COVID-19 currently stands at over 60%. Looking at our environmental responsibility, specific air emissions fell 4.9% quarter-on-quarter to 13.7 kg per tonne, driven by an increase in the share of scrap in the charge on the back of increased EAF steel output. I would also like to highlight that we have received a BSI verification certificate for the Group's GHG emissions. In a move that confirms our commitment to Russia's sustainable development and the social well-being of our people, we joined the Russian Union of Industrialists and Entrepreneurs' (RSPP's) Social Charter of Russian Business in Q2 2021.

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. As for our sales mix, during the quarter, domestic sales (Russia and the CIS) were 78% and sales of premium products stood at 42% of total sales. We expect our sales of premium products to grow by the year-end, driven by the successful launch of Reverse Cold-Rolling Mill 1700.

In the second quarter, Russia's Main Department of State Expertise greenlit the construction of a coke-oven battery. The new facility will boast an annual capacity of 2.5 mln tonnes of dry coke, which will allow us to shut down five obsolete and worn-out batteries, all while reducing gross greenhouse gas emissions. The ensuing reduction in CO<sub>2</sub> emissions will amount to over 1.1 mln tonnes, cutting our carbon footprint by 0.21 tonnes of CO<sub>2</sub> per tonne of coke (-21%), which will further align us with our decarbonisation goals.

I am pleased to report that in late June, we signed a contract for the construction of Blast Furnace No. 11 with an annual capacity of 3.7 mln tonnes. We aim to reduce our annual CO<sub>2</sub>



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emissions by 1.1 mln tonnes by 2025 using best available technologies to construct and decommission obsolete furnaces.

Financial stability remains a top priority for the Company. MMK's debt leverage remains among the industry's lowest at 0.00x Net Debt/EBITDA as of the end of the second quarter, while the Group's high level of available liquidity (USD 2.3 bn) provides it with a strong cushion to successfully meet its strategic commitments.

*MMK consistently generates sufficient cash flow and reiterates its commitment to its dividend policy. Reliable dividend payouts are a key element of our operations, aimed at creating more value for all shareholders of the Company. Considering the Q2 2021 results, coupled with our confidence in our financial outlook amid the further economic recovery both in Russia and globally, the Board of Directors can recommend that MMK shareholders approve a dividend of RUB 3.530 per ordinary share (100% of FCF) for Q2 2021, in line with the Company's strategic commitment to maximise TSR.*





## MMK GROUP'S PERFORMANCE ACROSS CORE SEGMENTS

### STEEL SEGMENT RUSSIA

USD mln	Q2 2021	Q1 2021	%	H1 2021	H1 2020	%
Revenue	3,179	2,105	51.0%	5,284	2,782	89.9%
EBITDA	1,403	707	98.4%	2,110	657	221.2%
EBITDA margin, %	44.1%	33.6%	10.5 p.p.	39.9%	23.6%	16.3 p.p.
Cash cost of slab, USD/t	391	340	15.0%	365	261	39.8%

**+ 51.0%** q-o-q

REVENUE

**The Russian steel segment's revenue** for Q2 2021 increased by 51.0% to USD 3,179 mln, reflecting strong demand and positive global price trends. The increase in revenue by 89.9% y-o-y to USD 5,284 mln was caused by the global recovery of business activity and favourable pricing.

**+ 98.4%** q-o-q

EBITDA

The segment's **EBITDA** for Q2 2021 nearly doubled q-o-q to USD 1,403 million due to higher sales volumes and favourable pricing. EBITDA more than tripled y-o-y to USD 2,110 million, reflecting favourable market developments against last year's low base.

The Group's Q2 2021 profitability saw a positive boost to the sum of USD 25 mln for the quarter from the operational efficiency and cost optimisation programmes under our updated strategic initiatives.

**+ 15.0%** q-o-q

SLAB CASH COST

**The slab cash cost** in Q2 2021 increased by 15.0% to USD 391 per tonne, reflecting a significant increase in prices for key raw materials. The slab cash cost grew by 39.8% y-o-y to USD 365 per tonne.



### STEEL SEGMENT TURKEY

USD mln	Q2 2021	Q1 2021	%	H1 2021	H1 2020	%
Revenue	236	166	42.2%	402	216	86.1%
EBITDA	50	27	85.2%	77	2	38.5x
EBITDA margin, %	21.2%	16.3%	4.9 p.p.	19.2%	0.9%	18.3 p.p.

## + 42.2% q-o-q

REVENUE

**The Turkish steel segment's revenue** for Q2 2021 increased by 42.2% q-o-q to USD 236 mln, reflecting higher sales volumes and steel prices. Revenue grew by 86.1% y-o-y to USD 402 mln, reflecting higher sales volumes and a favourable market environment amid the stabilisation of the COVID-19 situation.

The segment's **EBITDA** in Q2 2021 grew by 85.2% to USD 50 mln driven by higher sales volumes and margins. Year-on-year, the Turkish steel segment's EBITDA grew considerably to USD 77 mln thanks to last year's low-base effect caused by the pandemic and higher demand for steel amid an upward trend in global market prices for metal products.

### COAL MINING SEGMENT

USD mln	Q2 2021	Q1 2021	%	H1 2021	H1 2020	%
Revenue	77	60	28.3%	137	97	41.2%
EBITDA	30	25	20.0%	55	6	816.7%
EBITDA margin, %	39.0%	41.7%	- 2.7 p.p.	40.1%	6.2%	33.9 p.p.

## + 28.3% q-o-q

REVENUE

**The coal mining segment's revenue** for Q2 2021 increased by 28.3% q-o-q to USD 77 mln as a result of sustainably growing prices for coal concentrate amid favourable market dynamics. The segment's revenue grew 41.2% y-o-y to USD 137 mln.

Supported by higher prices for coal concentrate, **the segment's EBITDA** for Q2 2021 grew by 20.0% to USD 30 mln. EBITDA for H1 2021 increased to USD 55 mln due to higher sales volumes and prices for coal concentrate.



## CASH FLOW AND FINANCIAL POSITION OF MMK GROUP

### CAPEX AND CASH FLOW

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- In Q2 2021, CAPEX increased by 137.3% q-o-q to USD 337 mln, following the implementation and financing schedule for projects pursued under the Group's strategy. CAPEX grew 56.5% y-o-y to USD 479 mln.
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- Sales growth amid high global prices for steel and key raw materials drove working capital build-up amounting to USD 324 mln in Q2. The net working capital to revenue ratio declined by 1.5 p.p. q-o-q to 10.5%.
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- FCF for Q2 2021 more than quadrupled to USD 545 mln. At the same time, the growth was partially offset by working capital build-up. Year-on-year, FCF grew more than six-fold to USD 670 mln.

### DEBT BURDEN

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- The Group's total debt for Q2 2021 was USD 996 mln, up from USD 955 mln in Q1 2021. Year-on-year, the debt burden also increased (from USD 894 mln in H1 2020).
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- As of the end of Q2 2021, the Group held USD 990 mln in cash and deposits in its accounts.
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- The Group's net debt as of the end of Q2 2021 totalled USD 6 mln, while its net debt/EBITDA ratio was 0.00x, which is one of the best results among global peers.



## DIVIDENDS OF MMK GROUP

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- The Group remains committed to its dividend policy and previous statements. Considering our high margins, the Board of Directors is convinced that the Group sits in a stable position and can recommend the shareholders to approve the payment of a dividend of RUB 3.530 per share (100% of FCF for the quarter) for Q2 2021.

## 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 will reflect 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.



## CONFERENCE CALL

**MMK Management will hold a conference call to discuss these financial results**

- **Date:**  
22 June 2021

- **Time:**  
4:30 pm Moscow time  
2:30 pm London time  
9:30 am New York time

	Russia	UK	USA
Local access	+7 495 646 9190	+44 330 336 9434	+1 646 828 8143
Toll free	8 10 8002 867 5011	0800 279 7209	800 263 0877

- **Conference ID:**  
  
in Russian – 6926579  
in English – 2525738

- **Webcast:**  
To register for the webcast, please use this [link](#).  
  
The call recording will be available for seven days on the following numbers:  
  
Call recording ID:  
in Russian – 6926579  
in English – 2525738

	Russia	UK	USA
Local access	8 10 800 2702 1012	+44 207 660 0134	+1 719 457 0820

- A presentation of the financial results and the IFRS financial statements can be found at: [http://mmk.ru/for\\_investor/financial\\_statements/](http://mmk.ru/for_investor/financial_statements/)



## 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 18.7%.

Please subscribe to our **official MMK channel on Telegram** to be the first to know about key MMK news.

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## KEY UPCOMING EVENTS IN 2021

### FINANCIAL CALENDAR

<b>27 July</b>	Conference for retail investors, VTB Capital, online
<b>28–29 July</b>	Non-deal roadshow (NDR), online