



MMK GROUP IFRS FINANCIAL RESULTS

FOR Q3 2021 AND
9M 2021

25 OCTOBER 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 Q3 and 9M 2021.



MMK GROUP FINANCIAL RESULTS

Q3 2021

USD mln	Q3 2021	Q2 2021	%	9M 2021	9M 2020	%
Revenue	3,031	3,255	- 6.9%	8,471	4,543	86.5%
EBITDA	1,157	1,435	- 19.4%	3,318	1,018	225.9%
EBITDA margin, %	38.2%	44.1%	- 5.9 p.p.	39.2%	22.4%	16.8 p.p.
Profit for the period	819	1,031	- 20.6%	2,327	291	699.7%
Free cash flow ¹	409	545	- 25.0%	1,079	432	149.8%
Net debt	141	6	-	141	- 34	-
Net debt/EBITDA	0.04x	0.00x	-	0.04x	- 0.03x	-
Net working capital	1,643	1,361	20.7%	1,643	672	144.5%
L3M Net working capital/revenue	13.6%	10.5%	3.1 p.p.	13.6%	10.7%	2.9 p.p.

¹ - 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 Q3 2021 VS Q2 2021

- MMK Group's revenue decreased by 6.9% quarter-on-quarter (q-o-q) to USD 3,031 mln, which reflects a decline in sales volumes partially offset by higher global steel prices.
- EBITDA declined by 19.4% q-o-q to USD 1,157 mln, mainly due to lower revenue and the impact of export duties. EBITDA margin decreased by 5.9 p.p. to 38.2%.
- Net profit was USD 819 mln, down 20.6% q-o-q as a result of lower margins.
- FCF decreased by 25.0% q-o-q to USD 409 mln, reflecting EBITDA adjustments and working capital build-up due to higher export sales with longer lead times amid higher average prices.



KEY FINANCIAL INDICATORS

**FOR 9M 2021
VS 9M 2020**

- MMK Group's revenue for 9M 2021 increased by 86.5% year-on-year (y-o-y) to USD 8,471 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 year-on-year to USD 3,318 mln due to revenue growth and last year's low base. EBITDA margin was up 16.8 p.p. to 39.2%.
- Net profit increased significantly year-on-year to USD 2,327 mln, mainly reflecting increased business margins amid positive trends in global markets.
- FCF for 9M 2021 increased to USD 1,079 mln amid positive market dynamics.

COMMENT BY MMK'S CEO

CEO
PAVEL SHILYAEV



Dear shareholders and colleagues,

The health and safety of our people remains our top priority amid continuing COVID-19 outbreak. Our strong awareness campaign on the importance of vaccination for MMK employees and contractors has proved successful. Close to 80% of Group employees were vaccinated by the end of Q3 2021.

We continue to implement initiatives to address the root causes of accidents and improve the production safety culture. For example, despite the 16.4% increase in LTIFR over 9M 2021 amid an increase in the number of minor industrial accidents in the spring-winter period, the injury rate continued to decline in the third quarter, down 47.4% quarter-on-quarter.

Looking at our environmental responsibility, specific air emissions fell 5.1% for 9M 2021 to 14.1 kg per tonne, driven by an increase in the share of scrap in the charge on the back of increased EAF steel output. I am proud to report that in August 2021, MMK's sustainability report made it into the top 5 among global steelmakers. The ESG Reporting Awards 2021 by ESG Investing recognised MMK Group's non-financial reporting among the world's best in the Metals & Mining category.

Provisional export duties introduced in early August, coupled with a slowdown in business activity in the domestic market, led to a downward price trend in the Russian rolled steel market, which was reflected in our sales mix. During the reporting period, domestic sales (Russia and the CIS) were 70% of total sales and sales of premium products stood at 44%. We expect that our sales of premium products at the end of the year will be supported by an increase in orders pipeline for a thick plate Mill 5000 driven by a stronger demand from the pipe industry.

In Q3 2021, we continued 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 CO2 emissions will amount to over 1.1 mln tonnes, cutting our carbon



footprint by 0.21 tonnes of CO₂ per tonne of coke (– 21%), which will further align us with our decarbonisation goals.

In the third quarter, MMK and SMS group GmbH signed a Memorandum of Understanding that states both companies' intention to cooperate in order to further reduce – potentially to zero – CO₂ emissions.

Financial stability remains a top priority for the Company. MMK's debt leverage remains among the industry's lowest at 0.04x Net Debt/EBITDA as of the end of the third quarter, while the Group's high level of available liquidity (USD 2.2 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 Q3 2021 results, coupled with our confidence in our financial outlook, the Board of Directors can recommend that MMK shareholders approve a dividend of RUB 2.663 per ordinary share (100% of FCF) for Q3 2021, in line with the Company's strategic commitment to maximise TSR.





MMK GROUP'S PERFORMANCE ACROSS CORE SEGMENTS

STEEL SEGMENT RUSSIA

USD mln	Q3 2021	Q2 2021	%	9M 2021	9M 2020	%
Revenue	2,860	3,179	- 10.0%	8,144	4,238	92.2%
EBITDA	1,050	1,403	- 25.2%	3,160	993	218.2%
EBITDA margin, %	36.7%	44.1%	- 7.4 p.p.	38.8%	23.4%	15.4 p.p.
Cash cost of slab, USD/t	437	391	11.8%	389	262	48.5%

- 10.0% q-o-q

REVENUE

The Russian steel segment's revenue for Q3 2021 declined by 10.0% to USD 2,860 mln, reflecting higher export sales with longer lead times amid slowing demand in Russia. The increase in revenue for 9M 2021 by 92.2% y-o-y to USD 8,144 mln was driven by the global recovery in business activity and favourable pricing.

- 25.2% q-o-q

EBITDA

The segment's **EBITDA** for Q3 2021 declined by 25.2% q-o-q to USD 1,050 mln due to lower sales volumes and the impact of export duties. EBITDA for 9M 2021 more than tripled y-o-y to USD 3,160 mln from last year's low base, reflecting favourable market conditions.

The Group's Q3 2021 profitability saw a positive boost from the operational efficiency and cost optimisation programmes under our updated strategic initiatives. In Q3 2021, the impact of these programmes totalled USD 26 mln.

+ 11.8% q-o-q

SLAB CASH COST

The slab cash cost in Q3 2021 increased by 11.8% to USD 437 per tonne, reflecting a significant increase in prices for key raw materials driven by global market trends. In 9M 2021, the slab cash cost grew by 48.5% y-o-y to USD 389 per tonne.



STEEL SEGMENT TURKEY

USD mln	Q3 2021	Q2 2021	%	9M 2021	9M 2020	%
Revenue	330	236	39.8%	732	353	107.4%
EBITDA	67	50	34.0%	144	13	11.1x
EBITDA margin, %	20.3%	21.2%	- 0.9 p.p.	19.7%	3.7%	16.0 p.p.

+ 39.8% q-o-q

REVENUE

The Turkish steel segment's revenue for Q3 2021 increased by 39.8% q-o-q to USD 330 mln, reflecting higher sales volumes and steel prices. Revenue for 9M 2021 more than doubled y-o-y to USD 732 mln due to higher sales volumes and a favourable market environment amid the stabilisation of the COVID-19 situation.

The segment's EBITDA grew by 34.0% to USD 67 mln in Q3 2021, driven by higher sales volumes and margins. Year-on-year, the Turkish steel segment's EBITDA for 9M 2021 grew more than 11 times to USD 144 mln off last year's low base during the pandemic, reflecting a higher demand for steel amid an upward trend in global prices for metal products.

COAL MINING SEGMENT

USD mln	Q3 2021	Q2 2021	%	9M 2021	9M 2020	%
Revenue	116	77	50.6%	253	133	90.2%
EBITDA	62	30	106.7%	117	6	19.5x
EBITDA margin, %	53.4%	39.0%	14.4 p.p.	46.2%	4.5%	41.7 p.p.

+ 50.6% q-o-q

REVENUE

The coal mining segment's revenue for Q3 2021 increased by 50.6% q-o-q to USD 116 mln as a result of higher coal concentrate prices amid favourable market dynamics. Revenue for 9M 2021 grew by 90.2% y-o-y to USD 253 mln.

The segment's EBITDA for Q3 2021 more than doubled to USD 62 mln, supported by current positive dynamics in coal concentrate prices in global markets. EBITDA for 9M 2021 increased to USD 117 mln, driven by higher prices and sales volumes of coal concentrate.



CASH FLOW AND FINANCIAL POSITION OF MMK GROUP

CAPEX AND CASH FLOW

- In Q3 2021, CAPEX decreased by 30.3% q-o-q to USD 235 mln, reflecting the implementation and financing schedule for projects pursued under the Group's strategy. Year-on-year, CAPEX grew 53.5% to USD 714 mln.
- An increase in export sales with longer lead times amid high global prices for steel and key raw materials, along with the launch of a casting and rolling module at our Turkish asset, resulted in a USD 209 mln working capital build-up in Q3 2021. The net working capital to revenue ratio increased by 3.1 p.p. q-o-q in Q3 2021 to 13.6%.
- FCF for Q3 2021 decreased by 25.0% q-o-q to USD 409 mln. Year-on-year, FCF grew by almost 2.5 times to USD 1,079 mln in 9M 2021.

DEBT BURDEN

- The Group's total debt at the end of Q3 2021 was USD 1,040 mln, up from USD 996 mln in Q2 2021. Year-on-year, the debt burden for 9M 2021 also increased (from USD 946 mln in 9M 2020).
- As at the end of Q3 2021, the Group held USD 899 mln in cash and deposits in its accounts.
- The Group's net debt as at the end of Q3 2021 totalled USD 141 mln while its net debt/EBITDA ratio was 0.04x, one of the lowest among leading global steelmakers.



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 2.663 per share (100% of FCF for the quarter) for Q3 2021.

OUTLOOK

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- A retracement in the global market coupled with the seasonal business slowdown in Russia, will exert pressure on the Group's sales in the fourth quarter. However, the increase in output by the Turkish asset will support sales.
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- High utilisation of equipment that manufactures premium products will be beneficial for the Group's sales portfolio, including an increase in capacity utilisation rate of Mill 5000 amid higher demand from pipe industry.
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- CAPEX for Q4 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 measures implemented under MMK's updated strategic initiatives will further boost the Group's profitability in Q4 2021.



CONFERENCE CALL

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

- **Date:**
25 October 2021

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

	Russia	UK	USA
Local access	+7 495 213 1767	+44 (0) 330 336 9125	+1 929-477-0324
Toll free	8 800 500 9283	0800 358 6377	800-458-4121

- **Conference ID:**

in Russian – 6442628
in English – 8216043

- **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 – 6442628
in English – 8216043

	Russia	UK	USA
Local access	8 10 800 2702 1012	+44 (0) 207 660 0134	+1 719-457-0820

- A presentation of the financial results and the IFRS financial statements can be found at: <https://mmk.ru/en/investor/results-and-reports/financial-results/>



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 20.2%.

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KEY UPCOMING EVENTS IN 2021

FINANCIAL CALENDAR

26–28 October	Non-deal roadshow (NDR), online
8-9 November	GS 13 th Annual CEEMEA 1x1 Conference, online
8-9 November	10 th Global Natural Resources Conference, online