



MMK GROUP IFRS FINANCIAL RESULTS

FOR Q1 2021

21 APRIL 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 Q1 2021.



MMK GROUP FINANCIAL RESULTS

Q1 2021

USD mln	Q1 2021	Q4 2020	%	Q1 2021	Q1 2020	%
Revenue	2,185	1,852	18.0%	2,185	1,710	27.8%
EBITDA	726	474	53.2%	726	442	64.3%
EBITDA margin, %	33.2%	25.6%	7.6 p.p.	33.2%	25.8%	7.4 p.p.
Profit for the period	477	313	52.4%	477	131	264.1%
Free cash flow ¹	125	125	0.0%	125	115	8.7%
Net debt	145	-88	-	145	30	-
Net debt/EBITDA	0.08x	- 0.06x	-	0.08x	0.02x	-
Net working capital	1,050	745	40.9%	1,050	882	19.0%
L3M Net working capital/revenue	12.0%	10.1%	1.9 p.p.	12.0%	12.9%	- 0.9 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 Q1 2021 VS Q4 2020

- MMK Group's revenue increased by 18.0% quarter-on-quarter (q-o-q) to USD 2,185 mln, which reflects a growth in steel prices in Russia and globally.
- EBITDA for Q1 2021 grew to USD 726 mln, up 53.2% q-o-q, reflecting revenue growth fuelled by favourable market developments. EBITDA margin increased by 7.6 p.p. to 33.2%.
- Net profit was USD 477 mln, up 52.4% q-o-q as a result of higher margins.
- FCF for the quarter remained flat at USD 125 mln, driven by working capital build-up amid higher prices for metal products and an increase in the share of export sales with longer sales realisation period, as well as restocking ahead of the construction season.



KEY FINANCIAL INDICATORS

**FOR Q1 2021
VS Q1 2020**

- MMK Group's revenue increased by 27.8% year-on-year (y-o-y), driven by higher sales due to the completion of the modernisation at Hot-Rolling Mill 2500 and an upward trend in market prices for metal products.
- EBITDA increased by 64.3% y-o-y reflecting higher revenues. EBITDA margin was up 7.4 p.p. to 33.2%.
- Net profit for Q1 2021 more than tripled year-on-year reflecting the increased business margins amid the recovering global markets.
- FCF for the quarter increased by 8.7% year-on-year and amounted to USD 125 mln.

COMMENT BY MMK'S CEO

CEO
PAVEL SHILYAEV



Dear shareholders and colleagues,

The gradual recovery of Russia's economy that took shape at the end of the last year continued into the first quarter of 2021. The government's stimulus package launched last year continued to support all sectors of the economy, which in turn had a positive impact on apparent steel use and helped us demonstrate strong financial performance, corroborating once again that we are on a right track in our strategic development.

Ensuring a safe working environment remains our top priority. For instance, our LTISR substantially decreased in the first quarter year-on-year, witnessing a notable decline in the injury rate. I am pleased to note that our efforts to foster and improve our sustainability practices are recognised by wider community. In March 2021, the ISS international rating agency changed its ESG Corporate Rating outlook for MMK from "D+" to "C". The rating upgrade reflects our continued strong performance and commitment to UN corporate responsibility and sustainability initiatives.

In the first quarter, demand for steel was significantly driven by the continuing effect of the pent-up demand generated last year and supported by economic stimulus packages launched by governments around the world. In Russia, key steel consumers during the first quarter included the automotive industry and the construction sector. As for our sales structure, during the first quarter our domestic sales (Russia and CIS) were 73% and sales of premium products – 40% of total sales.

During the first quarter, we continued working on the new coke-oven battery project as well as performing preparatory works for the Cold-Rolling Mill 1700 start-up. The launch of the mill is tentatively slated for May. The revamped mill will boost our annual output of premium products by 0.8 mln tonnes. Previously announced plans for CAPEX expected in 2021 remain unchanged at USD 1 bn.

Financial stability remains a top priority for the Company. MMK's debt leverage remains among the industry's lowest at 0.08x Net Debt/EBITDA as of the end of the first quarter. The Group's high level of available liquidity (USD 1.4 bn) provides it with a strong cushion to successfully meet its strategic commitments.



MMK consistently generates sufficient cash flow and reiterates its commitment to our 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 Q1 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 1.795 per ordinary share (212% of FCF) for Q1 2021, in line with the Company's strategic commitment to maximize TSR.





MMK GROUP'S PERFORMANCE ACROSS CORE SEGMENTS

STEEL SEGMENT RUSSIA

USD mln	Q1 2021	Q4 2020	%	Q1 2021	Q1 2020	%
Revenue	2,105	1,734	21.4%	2,105	1,602	31.2%
EBITDA	707	447	58.2%	707	421	67.9%
EBITDA margin, %	33.6%	25.8%	7.8 p.p.	33.6%	26.3%	7.3 p.p.
Cash cost of slab, USD/t	340	285	19.3%	340	267	27.3%

+ 21.4% q-o-q

REVENUE

The Russian steel segment's revenue for Q1 2021 increased by 21.4% to USD 2,105 mln driven by the growth in global prices for metal products and the continuing strong demand. The increase in revenue by 31.2% y-o-y was caused by the global business recovery and favourable pricing.

+ 58.2% q-o-q

EBITDA

The segment's **EBITDA** for Q1 2021 grew by 58.2% q-o-q to USD 707 mln, as a result of growing sales margins amid an increase in global prices for metal products. EBITDA grew by 67.9% y-o-y, following the increase in revenue.

The Group's Q1 2021 profitability saw a positive boost to the sum of USD 11 mln for the quarter from the operational efficiency and cost optimisation programmes under our updated strategic initiatives.

+ 19.3% q-o-q

SLAB CASH COST

The slab cash cost in Q1 2021 increased by 19.3% to USD 340 per tonne, mainly reflecting the rising prices for key raw materials. The slab cash cost grew by 27.3% y-o-y.



STEEL SEGMENT TURKEY

USD mln	Q1 2021	Q4 2020	%	Q1 2021	Q1 2020	%
Revenue	166	165	0.6%	166	113	46.9%
EBITDA	27	21	28.6%	27	3	9x
EBITDA margin, %	16.3%	12.7%	3.6 p.p.	16.3%	2.7%	13.6 p.p.

+ 0.6% q-o-q

REVENUE

The Turkish steel segment's revenue for Q1 2021 almost remained flat q-o-q to USD 166 mln, as higher steel prices fully offset lower sales. Revenue grew by 46.9% y-o-y, reflecting higher sales volumes and a favourable market environment.

The favourable environment coupled with measures to improve business efficiency increased **the segment's EBITDA** for Q1 2021 by 28.6% to USD 27 mln. Year-on-year, the Turkish steel segment's EBITDA grew ninefold to USD 27 mln due to the last year's low base caused by the pandemic and lockdown restrictions.

COAL MINING SEGMENT

USD mln	Q1 2021	Q4 2020	%	Q1 2021	Q1 2020	%
Revenue	60	46	30.4%	60	54	11.1%
EBITDA	25	7	257.1%	25	16	56.3%
EBITDA margin, %	41.7%	15.2%	26.5 p.p.	41.7%	29.6%	12.1 p.p.

+ 30.4% q-o-q

REVENUE

The coal mining segment's revenue for Q1 2021 increased by 30.4% q-o-q to USD 60 mln as a result of growing sales and prices for coal concentrate amid favourable market conditions. The segment's revenue grew 11.1% y-o-y.

Supported by higher prices for coal concentrate, **the segment's EBITDA** for Q1 2021 more than tripled to USD 25 mln. The segment's EBITDA grew 56.3% y-o-y.



CASH FLOW AND FINANCIAL POSITION OF MMK GROUP

CAPEX AND CASH FLOW

- In Q1 2021, CAPEX decreased by 38.0% q-o-q to USD 142 mln, following the project implementation schedule, and grew 9.2% y-o-y.
- The increase in export sales and inventory stockpiling ahead of the construction season driven by higher steel prices resulted in a USD 360 mln working capital build-up in Q1 2021, with the net working capital to revenue ratio for Q1 2021 rising by 1.9 p.p. to 12.0%.
- FCF for Q1 2021 remained flat quarter-on-quarter at USD 125 mln, as a result of an increase in working capital. FCF increased by 8.7% year-on-year.

DEBT BURDEN

- The Group's total debt for Q1 2021 was USD 955 mln, down from USD 970 mln in Q4 2020. The Group's debt slightly grew year-on-year from USD 899 mln.
- As of the end of Q1 2021, the Group held USD 810 mln in cash and deposits in its accounts.
- The Group's net debt as of the end of Q1 2021 totalled USD 145 mln, while its net debt/EBITDA ratio was 0.08x, 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 that CAPEX for the year will exceed the normalised level, and given 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 1.795 per share (212% of FCF for the quarter) for Q1 2021.

OUTLOOK

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- The favourable conditions in global markets coupled with seasonal growth in demand in Russia will positively impact the Group's sales in Q2 2021. In May 2021, the reverse Cold-Rolling Mill 1700 is expected to be commissioned. Given 100% utilisation rate of our premium products facilities, we expect to see a further improvement in the structure of the Group's sales portfolio.
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- The start of the construction season in Russia along with positive dynamics of global steel prices on the back of the remaining deficit in international markets will support the growth of MMK Group's steel product prices in Q2 2021.
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- CAPEX for Q2 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 our updated strategy will further boost the Group's profitability in Q2 2021.



CONFERENCE CALL

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

- **Date:**
21 April 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	+44 330 336 9125	+1 929 477 0402
Toll free	8 800 500 9283	0800 358 6377	888 204 4368

- **Conference ID:**

in Russian – 9577666
in English – 2042374

- **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 – 9577666
in English – 2042374

	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/



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%.

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

27 April	Integrated Annual Report 2020.
27–28 April	Non-deal roadshow (NDR), online
17–18 May	WOOD Prague Spring Symposium: ESG, online
18–20 May	BofA Global Metals, Mining & Steel Conference, online
19–21 May	Sberbank CIB Annual Investor Conference, online