



# MMK GROUP IFRS FINANCIAL RESULTS

FOR Q1 2020

29 APRIL 2020  
Magnitogorsk, Russia

PJSC Magnitogorsk Iron & Steel Works' ("MMK", or "the Group") (MICEX-RTS: MAGN; LSE: MMK), one of the world's largest steel producers, announces its financial results for Q1 2020.



## MMK GROUP FINANCIAL RESULTS

### Q1 2020

| USD mln                         | Q1 2020      | Q4 2019 | %         | Q1 2020      | Q4 2019 | %         |
|---------------------------------|--------------|---------|-----------|--------------|---------|-----------|
| Revenue                         | <b>1,710</b> | 1,722   | -0.7%     | <b>1,710</b> | 1,836   | -6.9%     |
| EBITDA                          | <b>442</b>   | 335     | 31.9%     | <b>442</b>   | 440     | 0.5%      |
| EBITDA margin, %                | <b>25.8%</b> | 19.5%   | 6.3 p.p.  | <b>25.8%</b> | 24.0%   | 1.8 p.p.  |
| Profit for the period           | <b>131</b>   | 88      | 48.6%     | <b>131</b>   | 225     | -41.8%    |
| Free cash flow                  | <b>110</b>   | 272     | -59.6%    | <b>110</b>   | 260     | -57.7%    |
| Net debt                        | <b>30</b>    | -235    | -         | <b>30</b>    | -200    | -         |
| Net debt/EBITDA                 | <b>0.02</b>  | -0.13   | -         | <b>0.02</b>  | -0.09   | -         |
| Net working capital             | <b>882</b>   | 953     | -7.5%     | <b>882</b>   | 1,133   | -22.2%    |
| Net working capital/Revenue L3m | <b>12.9%</b> | 13.8%   | -0.9 p.p. | <b>12.9%</b> | 15.4%   | -2.5 p.p. |

#### KEY FINANCIAL INDICATORS

### FOR Q1 2020 IN COMPARISON TO Q4 2019

- MMK Group's revenue slightly declined by 0.7% quarter-on-quarter (q-o-q) and amounted to \$1,710 mln due to a decline in sales volumes amid the scheduled reconstruction of hot-rolling Mill 2500.
- EBITDA increased 31.9% q-o-q and amounted to \$442 mln, mainly due to higher prices for metal products. EBITDA margin increased by 6.3 p.p. to 25.8%.
- Net profit for Q1 2020 amounted to \$131 mln, up 48.6% q-o-q amid rouble devaluation at the end of Q1 2020.
- Free cash flow (FCF) amounted to \$110 mln, down 59.6% q-o-q, due to working capital build up as a result of low base effect at the end of 2019.



## KEY FINANCIAL INDICATORS

**FOR Q1 2020  
IN COMPARISON  
TO Q1 2019**

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- MMK Group's revenue declined by 6.9% year-on-year (y-o-y) due to a decline in sales volumes amid correction in global steel prices.
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- EBITDA increased 0.5% y-o-y. Lower cost of sales compared to Q1 2019 offset lower steel prices. EBITDA margin increased by 1.8 p.p. to 25.8%.
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- Net profit declined by 41.8% year-on-year (y-o-y) due to foreign exchange differences of USD 77 million amid the rouble devaluation at the end of Q1 2020.
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- Free cash flow (FCF) amounted to \$110 mln, down 57.7% y-o-y.



## MMK GROUP HIGHLIGHTS BY SEGMENTS

### STEEL SEGMENT (RUSSIA)

| USD mln                  | Q1 2020 | Q4 2019 | %        | Q1 2020 | Q1 2019 | %        |
|--------------------------|---------|---------|----------|---------|---------|----------|
| Revenue                  | 1,602   | 1,660   | -3.5%    | 1,602   | 1,783   | -10.2%   |
| EBITDA                   | 421     | 327     | 28.7%    | 421     | 418     | 0.7%     |
| EBITDA margin, %         | 26.3%   | 19.7%   | 6.6 p.p. | 26.3%   | 23.4%   | 2.9 p.p. |
| Slab cash-cost, \$/tonne | 267     | 283     | -5.7%    | 267     | 304     | -12.2%   |

**- 3.5%** q-o-q  
REVENUE

**Revenue of the Russian steel segment** for Q1 2020 amounted to \$1,602 mln, down 3.5% q-o-q as a result of a decrease in sales volumes amid the scheduled repairs of rolling equipment. Revenue declined 10.2% y-o-y due to a decrease in sales volumes amid low global steel prices.

**+ 28.7%** q-o-q  
EBITDA

The segment's **EBITDA** for Q1 2020 amounted to \$421 mln, up 28.7% q-o-q, mainly due to stronger domestic sales amid higher steel prices. EBITDA grew 0.7% y-o-y due to the correction in market prices for key raw materials amid lower steel prices.

The Group's profitability over Q1 2020 saw a positive effect from the operational efficiency and cost optimisation programme which amounted to \$23 mln in the reporting quarter.

**- 5.7%** q-o-q  
THE COST OF SALES  
FOR A TONNE OF SLAB

**The slab cash-cost** in Q1 2020 amounted to \$267, down 5.7% q-o-q. This decline was mainly due to higher share of sinter in the blast furnace charge as a result of commissioning of sinter plant No. 5 in mid-2019. Another positive factor was the correction in prices for iron ore and coal concentrate. The slab cash-cost declined 12.2% y-o-y, reflecting significant decline in prices for key raw materials and improved structure of the blast furnace charge.



## STEEL SEGMENT (TURKEY)

| USD mln          | Q1 2020 | Q1 2019 | %        | Q1 2020 | Q1 2019 | %        |
|------------------|---------|---------|----------|---------|---------|----------|
| Revenue          | 113     | 110     | 2.7%     | 113     | 130     | -13.1%   |
| EBITDA           | 3       | 1       | 300%     | 3       | -7      | -        |
| EBITDA margin, % | 2.7%    | 0.9%    | 1.8 p.p. | 2.7%    | -5.4%   | 8.1 p.p. |

**+ 2.7%** q-o-q  
REVENUE

**The segment's revenue** for Q1 2020 amounted to \$113 mln, up 2.7% q-o-q. This growth reflected expansion of the product portfolio and partial recovery in prices for metal products in Turkey. Revenue declined 13.1% y-o-y, mainly due to lower sales volumes for polymer-coated steel due to the early termination of EU imports quotas amid correction in global steel prices.

**The segment's EBITDA** grew in Q1 2020 and amounted to \$3 mln due to higher prices for coated rolled steel on the domestic market amid lower prices for procured hot-rolled steel. The segment showed profitability growth compared to Q1 2019, as prices for hot-rolled metal declined faster than prices for the company's products amid significant correction in global steel prices.

## COAL SEGMENT

| USD MLN.         | Q1 2020 | Q1 2019 | %         | Q1 2020 | Q1 2019 | %          |
|------------------|---------|---------|-----------|---------|---------|------------|
| Revenue          | 54      | 59      | -8.5%     | 54      | 80      | -32.5%     |
| EBITDA           | 16      | 10      | 60.0%     | 16      | 32      | -50.0%     |
| EBITDA margin, % | 29.6%   | 16.9%   | 12.7 p.p. | 29.6%   | 40.0%   | -10.4 p.p. |

**- 8.5%** q-o-q  
REVENUE

**Revenue of the segment** in Q1 2020 declined 8.5% q-o-q and amounted to \$54 mln, mainly due to the continued correction in coal concentrate prices. Revenue declined 32.5% y-o-y.

**+ 60.0%** q-o-q  
EBITDA

The segment's **EBITDA** for Q1 2020 grew 60.0% y-o-y to \$16 mln due to higher sales volumes of coal concentrate and lower costs for current repairs. EBITDA declined 50.0% y-o-y due to the significant correction in prices for coal concentrate.



## CASH FLOW AND FINANCIAL POSITION

### CAPITAL EXPENDITURE AND CASH FLOW

- In Q1 2020, capital expenditure decreased by 46.5% q-o-q and amounted to \$129 mln, which is in line with the Group's investment programme schedule. CAPEX declined 18.4% y-o-y.
- In Q1 2020, cash inflow to working capital amounted to \$141 mln, mainly due to higher advances from customers received at 2019 year-end. At the same time, the net working capital to revenue ratio declined to 12.9%.
- Strong margin in Q1 2020 coupled with lower capital expenditure largely offset inflow to working capital. As a result, FCF for Q1 2020 amounted to \$110 mln, down 59.6% q-o-q and down 57.7% y-o-y.

### DEBT

- As of the end of Q1 2020, MMK Group's total debt amounted to \$899 mln, up from the end of 2019 (\$870 mln). The debt also grew compared to the end of Q1 2019 due to the placement of Eurobonds in June 2019.
- As of the end of Q1 2020, the Group had \$869 mln in cash and deposits on its accounts.
- The Group's net debt as of the end of Q1 2020 amounted to \$30 mln, while the net debt/EBITDA ratio was 0.02x – the lowest debt load among global steelmakers.



## MEASURES TAKEN BY MMK GROUP'S MANAGEMENT IN RESPONSE TO COVID-19

- MMK Group is taking active measures to prevent the spread and reduce the risk of coronavirus infection.
- Office employees have been shifted to work remotely, while the number of personnel at production sites has been reduced. Shifts are being separated by pauses in order to minimise contact between employees.
- The hotline and special headquarters have been established under the leadership of the Group CEO to take active measures to prevent the spread and reduce the risk of the coronavirus infection.
- Employees have their body temperature measured by contactless thermometers throughout MMK Group's divisions.
- Dispensers with antiseptic solution have been placed in administrative buildings and in public areas, while specialised disinfecting equipment has been put in place and sanitary treatments are being carried out regularly.
- In-person meetings, negotiations and business trips have been replaced by online communications using the appropriate technology.

## OUTLOOK

- In Q2 2020, the Group sees risks of declining sales volumes amid weaker business activity due to the unfavourable epidemiologic situation in Russia and the world. In Q2 2020, MMK Group will continue the scheduled equipment repairs which leads to lower production volumes.
- Market uncertainty amid the COVID-19 pandemic is expected to put significant pressure on global prices for metal products in Q2 2020.
- CAPEX in Q2 2020 is expected to be higher than in Q1 2020 due to the completion of the reconstruction of hot-rolling Mill 2500 and is fully in line with the schedule of investment project implementation under the Group's strategy.
- Despite the economic headwinds, the Group's performance in Q2 2020 will be supported by measures to increase operational efficiency.



## CONFERENCE CALL

**MMK management will hold a conference call on these financial statements on 29 April 2020 at 2 pm Moscow time (12 pm London time, 7 am New York time).**

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- **Date:**  
29 April 2020

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- **Time:**  
14:00 Moscow time  
12:00 London time  
7:00 New York time

|                     | Russia          | UK                  | USA             |
|---------------------|-----------------|---------------------|-----------------|
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| <b>Toll free</b>    | 8 800 500 9271  | 0800 358 6374       | 800-581-5838    |

- 
- **Conference ID:**  
474530

- 
- **Webcast:**  
To register for the webcast please use the following [link](#).  
  
The call recording will be available for seven days via the following numbers:  
  
Call recording ID: 1073839

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

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- 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 high-value-added products. In 2019, MMK produced 12.5 mln tonnes of crude steel and 11.3 mln tonnes of commercial steel products.

MMK is an industry leader in terms of production costs and margin. MMK Group had revenue in 2019 of USD 7,566 mln and EBITDA of USD 1,797 mln. MMK's debt load is the lowest for the industry. Net debt/EBITDA ratio was -0.13x at the end of 2019. The Group's investment-grade rating is confirmed by the leading global rating agencies Fitch, Moody's, S&P.

MMK's ordinary shares are traded on Moscow Exchange, while its depositary receipts are traded on the London Stock Exchange. Free float amounts to 15.7%.

Subscribe to our **official MMK channel in Telegram**, to be the first to know about key MMK news.

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## KEY UPCOMING EVENTS IN 2020 FINANCIAL CALENDAR

|                   |                                |
|-------------------|--------------------------------|
| <b>29 April</b>   | Q1 2020 IFRS financials        |
| <b>29 May</b>     | AGM                            |
| <b>14 July</b>    | Q2 and 6M 2020 Trading Update  |
| <b>29 July</b>    | Q2 and 6M 2020 IFRS financials |
| <b>13 October</b> | Q3 and 9M 2020 Trading Update  |
| <b>22 October</b> | Q3 and 9M 2020 IFRS financials |