



# MMK GROUP IFRS FINANCIAL RESULTS

FOR Q4 2021 AND  
12M 2021

**28 FEBRUARY 2022**

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 Q4 and 12M 2021.



## MMK GROUP FINANCIAL RESULTS

### Q4 2021

USD mln	Q4 2021	Q3 2021	%	12M 2021	12M 2020	%
Revenue	3,398	3,031	12.1	11,869	6,395	85.6
EBITDA	972	1,157	- 16.0	4,290	1,492	187.5
EBITDA margin, %	28.6%	38.2%	- 9.6 p.p.	36.1%	23.3%	12.8 p.p.
Profit for the period	794	819	- 3.1	3,121	604	416.7
Free cash flow <sup>1</sup>	534	409	30.6	1,613	557	189.6
Net debt	- 393	141	-	- 393	- 88	-
Net debt/EBITDA	- 0.09x	0.04x	-	- 0.09x	- 0.03x	-
Net working capital	1,432	1,643	-12.8	1,432	745	92.2
L3M Net working capital/revenue	10.5%	13.6%	- 3.1 p.p.	10.5%	10.7%	- 0.2 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 Q4 2021 VS Q3 2021

- MMK Group's revenue increased by 12.1% quarter-on-quarter (q-o-q) to USD 3,398 mln, which reflects an increase in sales volumes partially offset by a correction in global steel prices.
- EBITDA declined by 16.0% q-o-q to USD 972 mln, mainly due to lower global steel prices. EBITDA margin decreased by 9.6 p.p. to 28.6%.
- Net profit declined by 3.1% q-o-q to USD 794 mln. At the same time, the effect of the price decrease was partially offset by the restoration of the provision for the impairment of the Turkish asset in the amount of USD 250 mln.
- Free cash flow grew 30.6% q-o-q to USD 534 mln, reflecting an inflow from working capital amid lower inventories.

#### KEY FINANCIAL INDICATORS

### FOR 12M 2021 VS 12M 2020

- MMK Group's revenue for 12M 2021 increased by 85.6% year-on-year (y-o-y) to USD 11,869 mln, reflecting higher sales due to the completion of Hot-Rolling Mill 2500's modernisation and an upward trend in global price indices on the steel market.
- In 2021, EBITDA more than doubled year-on-year to USD 4,290 mln, reflecting stronger revenue and a low base in 2020. EBITDA margin was up 12.8 p.p. to 36.1%.



- Net profit for 12M 2021 increased significantly year-on-year to USD 3,121 mln, mainly reflecting increased production volumes and sales efficiency amid positive trends in global markets.
- Free cash flow for 12M 2021 more than doubled to USD 1,613 mln due to stronger EBITDA.

#### COMMENT BY MMK'S CEO

CEO  
**PAVEL SHILYAEV**



*Dear shareholders and colleagues,*

*The occupational health and safety of MMK employees remains our top priority. Our open and proactive communication with MMK employees and contractors on the importance of vaccination continues to yield results. By the end of the fourth quarter, about 90% of all employees had been vaccinated, while the percentage of boosted employees was about 28%.*

All structural units of MMK focus on improving their occupational safety culture while continuously tackling the root causes of accidents, which reflects a decrease in the LTIFR by 6.1% to 0.62 y-o-y.

Looking at our environmental responsibility, specific air emissions fell 7.8% y-o-y in 2021 to 14.1 kg per tonne of crude steel, driven by an increase in the share of scrap in the steelmaking charge on the back of increased EAF steel output. I am proud to note that in the fourth quarter MMK ranked first in the ESG transparency ranking of companies and banks by the rating agency Expert RA.

By ramping up Hot-Rolling Mill 2500 to full capacity in 2021, we boosted our sales of hot-rolled products by 37% y-o-y, which was also reflected in our sales mix by region and by product. The share of domestic sales (Russia and CIS) was 72%, down 9 p.p. y-o-y, amid recovery of traditional export volumes of hot-rolled products. At the same time, despite higher sales of premium products in absolute terms, their share in the 2021 sales mix was 42%, down 7.5 p.p. y-o-y amid increased output of hot-rolled products. We expect the growth in demand from the pipe industry observed in the fourth quarter to continue through 2022, supporting sales of premium products.

In Q4 2021, we continued the construction of the coke-oven battery No. 12 and decided to employ syngas injection technology to reduce CO<sub>2</sub> emissions in partnership with SMS Group during the construction of Blast Furnace No. 11. Apart from our operational excellence goals, we expect that the commissioning of both facilities will reduce our CO<sub>2</sub> emissions by more than 2.8 mln tonnes, which will bring us even closer to our decarbonisation targets.

Financial stability remains a top priority for the Company. MMK's debt leverage remains among the industry's lowest at -0.09x Net Debt/EBITDA as of the end of the fourth quarter, while the Group's high level of available liquidity (USD 3.1 bn) provides it with a strong cushion to successfully meet its strategic commitments.

*MMK consistently generates a sufficient cash flow and reiterates its commitment to its stated 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 Q4 2021 results, coupled with our confidence in our financial outlook, the Board of Directors can recommend that MMK shareholders approve a dividend of RUB 3.550 per ordinary share (100% of FCF) for Q4 2021, in line with the Company's strategic commitment to maximise TSR.*



## MMK GROUP'S PERFORMANCE ACROSS CORE SEGMENTS

### STEEL SEGMENT RUSSIA

USD mln	Q4 2021	Q3 2021	%	12M 2021	12M 2020	%
Revenue	2,956	2,860	3.4	11,100	5,972	85.9
EBITDA	749	1,050	- 28.7	3,909	1,440	171.5
EBITDA margin, %	25.3%	36.7%	- 11.4 p.p.	35.2%	24.1%	- 11.1 p.p.
Cash cost of slab, USD/t	431	437	- 1.4	400	269	48.7

**+ 3.4%** q-o-q

REVENUE

**The Russian steel segment's revenue** for Q4 2021 grew 3.4% to USD 2,956 mln, driven by higher sales amid strong demand in Russia and globally. The year-on-year increase in revenue by 85.9% to USD 11,100 mln was driven by the global recovery in demand and a growth of market quotes.

**- 28.7%** q-o-q

EBITDA

The segment's **EBITDA** for Q4 2021 declined by 28.7% q-o-q to USD 749 mln due to global price correction and the impact of export duties. EBITDA for 12M 2021 more than doubled year-on-year to USD 3,909 mln from last year's low base, reflecting positive dynamics of demand and market quotes.

The Group's Q4 2021 profitability saw a positive boost from the operational efficiency and cost optimisation programmes under our updated strategic initiatives. In Q4 2021, the impact of these programmes totalled USD 28 mln.

**- 1.4%** q-o-q

SLAB CASH COST

**The slab cash cost** in Q4 2021 decreased by 1.4% to USD 431 per tonne, driven by an increase in the share of iron ore in the blast furnace charge amid falling global prices. In 2021, the slab cash cost grew 48.7% y-o-y to USD 400 per tonne, reflecting a surge in the prices for key raw materials driven by macroeconomic trends.

## STEEL SEGMENT TURKEY

USD mln	Q4 2021	Q3 2021	%	12M 2021	12M 2020	%
Revenue	452	330	37.0	1,184	518	128.6
EBITDA	59	67	- 11.9	203	34	497.1
EBITDA margin, %	13.1%	20.3%	- 7.2 p.p.	17.1%	6.6%	10.6 p.p.

**+ 37.0%** q-o-q

REVENUE

**The Turkish steel segment's revenue** for Q4 2021 increased by 37.0% q-o-q to USD 452 mln, reflecting higher sales amid the restart of hot-rolled coil production. The segment's revenue for 2021 more than doubled to USD 1,184 mln due to stronger sales amid the launch of HRC production and a favourable global pricing environment.

**- 11.9%** q-o-q

EBITDA

**The segment's EBITDA** dropped 11.9% to USD 59 mln in Q4 2021, driven by a correction in steel prices amid a slowdown in business activity. The segment's EBITDA for 2021 totalled USD 203 mln, almost six times up from the previous year's low base, backed by stronger steel demand and favourable global market conditions.

## COAL MINING SEGMENT

USD mln	Q4 2021	Q3 2021	%	12M 2021	12M 2020	%
Revenue	192	116	65.5	445	179	148.6
EBITDA	118	62	90.3	235	13	1,707.7
EBITDA margin, %	61.5%	53.4%	8.1 p.p.	52.8%	7.3%	45.5 p.p.

**+ 65.5%** q-o-q

REVENUE

**The coal mining segment's revenue** for Q4 2021 increased by 65.5% q-o-q to USD 192 mln as a result of higher coal concentrate prices amid favourable global pricing. In 2021, revenue more than doubled year-on-year to USD 445 mln, spurred on by the recovery of business activity in Russia and globally, as well as growing global coal prices.

**The segment's EBITDA** for Q4 2021 almost doubled to USD 118 mln, supported by the continued upward trend in global prices for coal concentrate. Our 2021 EBITDA grew to USD 235 mln thanks to higher coal concentrate prices and sales amid the global market recovery.

## CASH FLOW AND FINANCIAL POSITION OF MMK GROUP

### CAPEX AND CASH FLOW

- In Q4 2021, CAPEX increased by 77.9% q-o-q to USD 418 mln, reflecting the implementation and financing schedule for projects pursued under the Group's strategy. Year-on-year, CAPEX grew 63.1% to USD 1,132 mln.
- In Q4 2021, the net working capital to revenue ratio decreased by 3.1 p.p. to 10.5%, primarily due to depleted inventories of finished products amid steady demand from customers.
- FCF for Q4 2021 grew 30.6% to USD 534 million, primarily driven by an inflow from working capital amid lower inventories. In 2021, FCF almost tripled year-on-year to USD 1,613 mln.

### DEBT BURDEN

- The Group's total debt for Q4 2021 was USD 971 mln, down from USD 1,040 mln in Q3 2021. The debt burden for 12M 2021 stood flat year-on-year (USD 970 mln).
- At year-end 2021, the Group held USD 1,364 mln in cash and deposits in its accounts.
- The Group's net debt in 2021 dipped below zero to negative USD 393 mln, while its net debt/EBITDA ratio was negative 0.09x, 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 3.550 per share (100% of FCF for the quarter) for Q4 2021.

## OUTLOOK

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- Higher steel output at the Turkish asset in Q1 2022 will have a positive impact on the Group's sales volumes, offsetting the costs to overhaul blast furnace and converter facilities in Magnitogorsk.
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- Stable demand in Russia combined with high utilisation rates for facilities manufacturing premium products will positively impact the Group's sales mix.
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- CAPEX for Q1 2022 is expected to decrease significantly 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 Q1 2022.



## CONFERENCE CALL

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

- **Date:**  
28 February 2022

- **Time:**  
4:30 pm Moscow time  
1:30 pm London time  
8:30 am New York time

	Russia	UK	USA
Local access	+7 495 646 5137	+44 (0) 330 336 9601	+1 646 828 8073
Toll free	8 10 800 2865 5011	0800 279 6877	800 289 0720

- **Conference ID:**  
  
in Russian – 3424814  
in English – 2306036

- **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 – 3424814  
in English – 2306036

	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 2021, MMK produced 13.6 mln tonnes of crude steel and sold 12.5 mln tonnes of commercial steel products.

MMK is an industry leader in terms of production costs and margins. Group revenue in 2020 totalled USD 11,869 mln, with an EBITDA of USD 4,290 mln. MMK boasts the industry's lowest debt burden. Net debt/EBITDA ratio was -0.09x at the end of 2021. 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%.

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 2022

### FINANCIAL CALENDAR

**23–24 March** Non-deal roadshow (NDR), online