



IFRS FINANCIAL RESULTS

FOR Q3 & 9M 2021

25 OCTOBER 2021
Magnitogorsk, Russia



2

Q3 2021

EXECUTIVE SUMMARY

Finished products sales,
ths tonnes

		2,742	3,320	2,761
		48.9%	41.9%	44.3%
■ Premium products, %				
	Q3 '20	Q2 '21	Q3 '21	
Revenue, USD mln	1,565	3,255	3,031	
EBITDA margin	22.4%	44.1%	38.2%	
EBITDA, USD mln	350	1,435	1,157	
EBITDA per tonne ⁽¹⁾ , USD/t	127	438	405	
Free cash flow (FCF) ⁽²⁾ , USD mln	335	545	409	
Net Debt/EBITDA, x	-0.03x	0.00x	0.04x	

Change quarter-on-quarter
(q-o-q)

Revenue

- 6.9%

EBITDA margin

- 5.9 p.p.

EBITDA

- 19.4%

FCF

USD 409 mln

Source: IFRS report, Metal Expert.

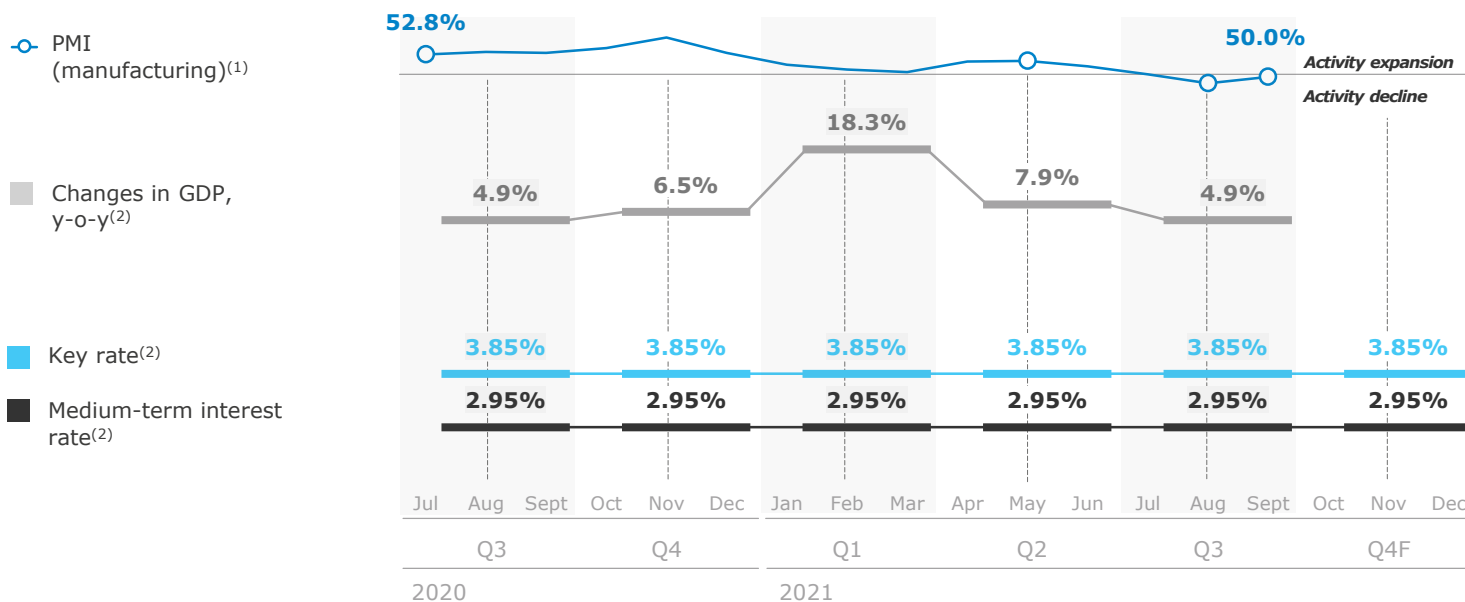
Notes: (1) Calculated as: (Steel Russia + Steel Turkey)/Finished products sales; (2) Calculated as net cash from operating activities plus interest received and proceeds from disposal of PPE and intangible assets, net of purchase of PPE and intangible assets (CAPEX).

MARKET OVERVIEW



Q3 2021

MACROECONOMIC ENVIRONMENT IN CHINA



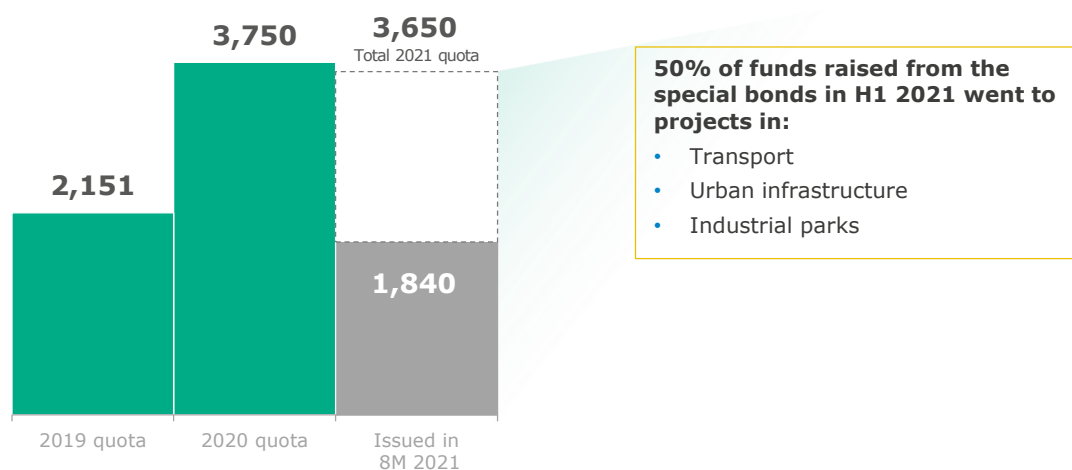
China's GDP growth moderately slowed down in Q3 2021 on the back of the spreading Delta variant and slowing business activity, at the same time increasing 4.9% y-o-y

In 2H 2021, Chinese monetary policy will be focused on ensuring stable macroeconomic environment and exchange rates

The local government bond quota for 2021 remained at RMB 3.65 trln, reflecting a modest fiscal policy tightening when compared to 2020

Special bonds issuance^(3,4)

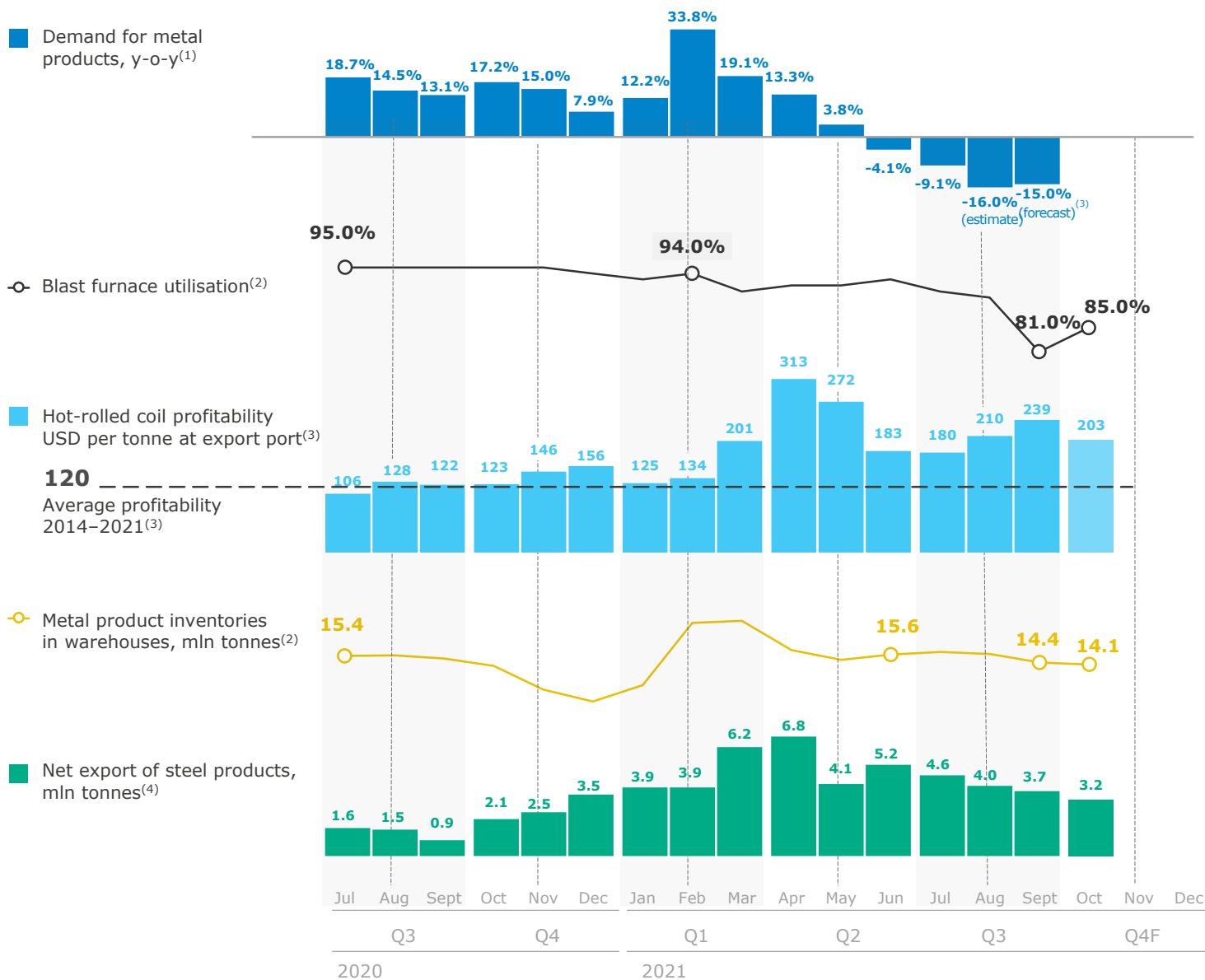
RMB bn



The special bonds issuance programme – initially intended to facilitate economic growth through a wide range of infrastructure projects – will continue to support steel consumption in 2021

Q3 2021

STEEL MARKET IN CHINA



Steel production in China over 9M 2021 grew 2.6% y-o-y to 808 mln tonnes, although it has been trending steadily downwards since June

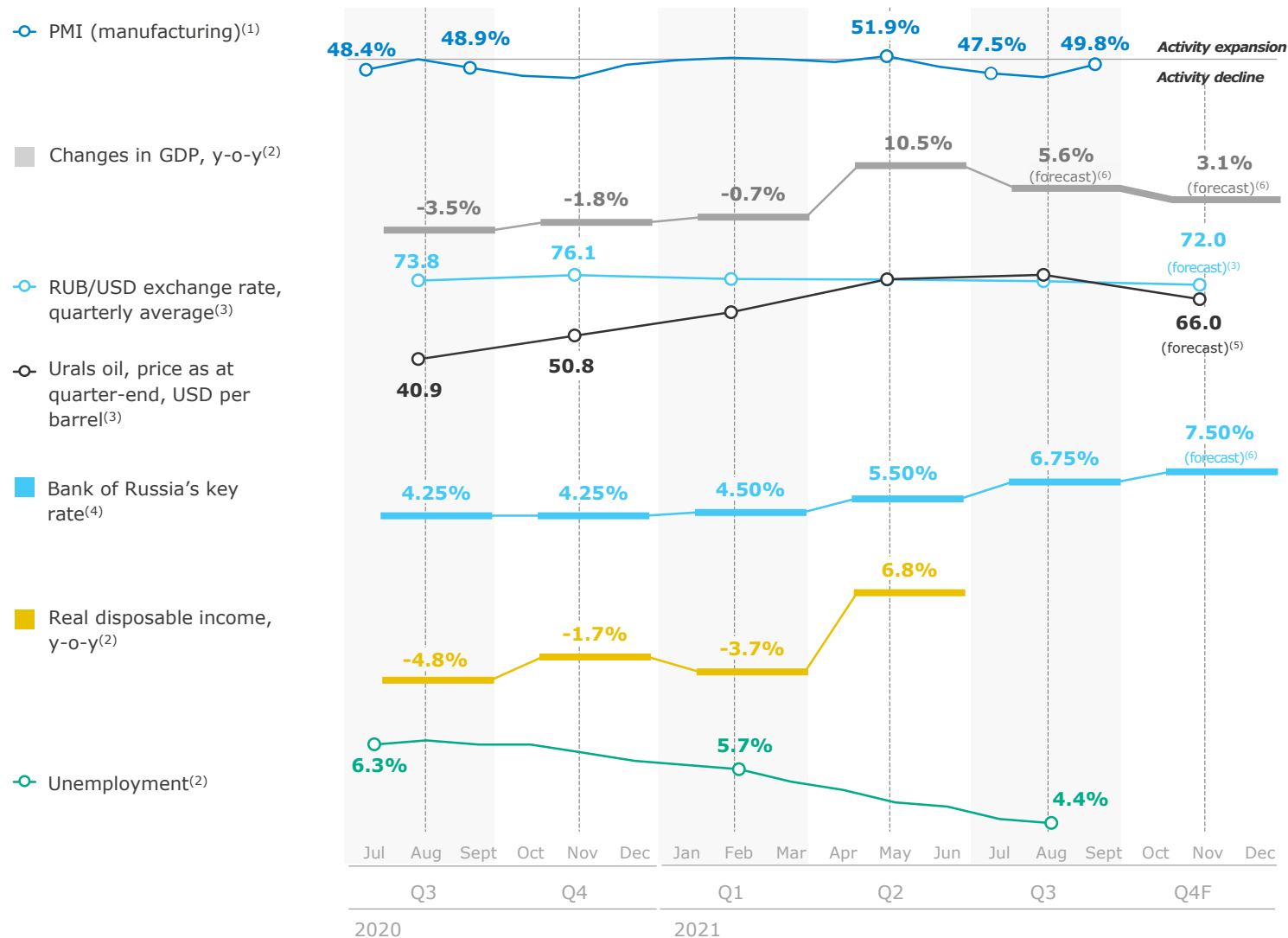
China's consumption decline in Q3 was strongly linked to slowing economic growth and the government's 2021 decision to introduce steel production caps to keep it at 2020 levels in the context of emission reduction targets

Net exports declined in Q3, reflecting the removal of VAT rebate on steel exports and lower steel production

At the same time, steel inventories further declined on the back of strong domestic demand for steel products and ongoing infrastructure projects

Q3 2021

MACROECONOMIC SITUATION IN RUSSIA



Russia's GDP growth is expected to slow down to about 6% y-o-y in Q3 following the business activity recovery curve in the country

The price of oil has fully recovered from its 2020 collapse, with Urals estimated to trade at USD 66 per barrel in 2021 amid worsening global energy shortages

In Q3, the Bank of Russia continued to tighten its monetary policy and raised its key rate by 125 b.p. due to the increased pressures of inflation. In October, the Bank of Russia raised the key rate to 7.5%

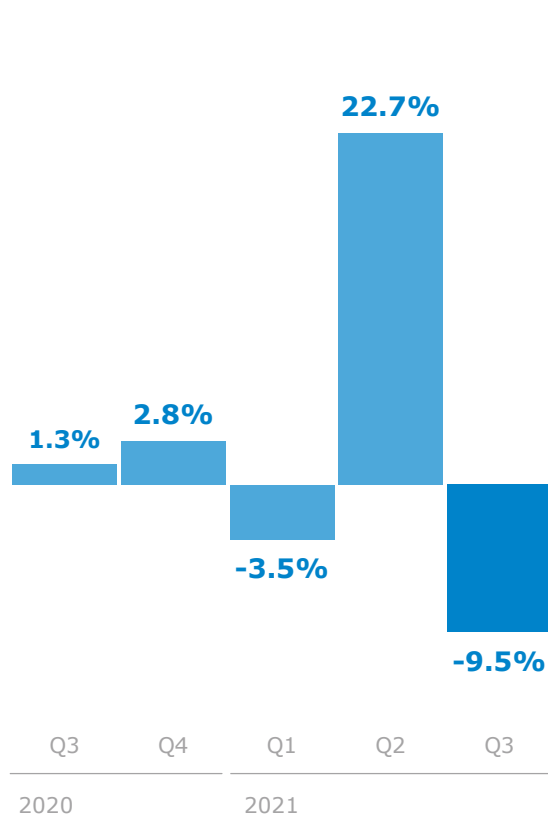
The unemployment rate continued its downward trend, driven by the gradual recovery of the Russian economy to pre-COVID levels

Q3 2021

STEEL MARKET IN RUSSIA

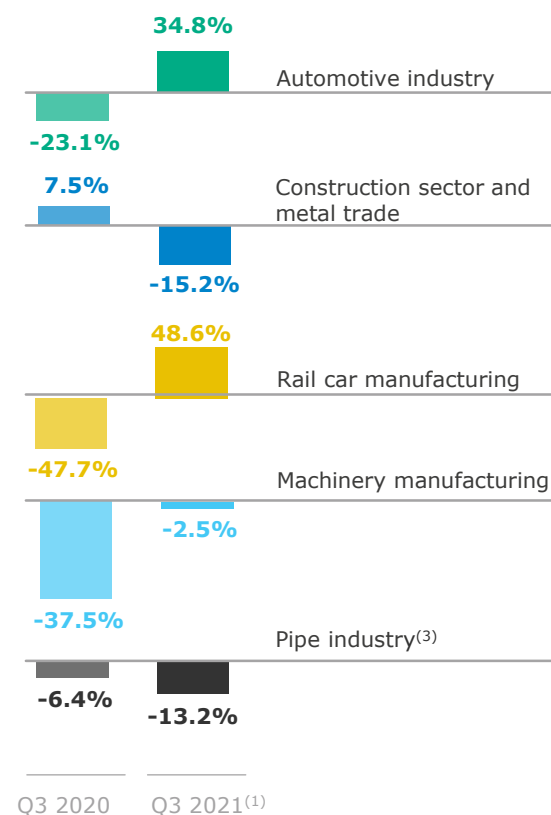
Steel demand⁽¹⁾ declined 9.5% y-o-y in Q3 amid customer expectations of lower prices following new export duties and changes in accumulated inventories

y-o-y



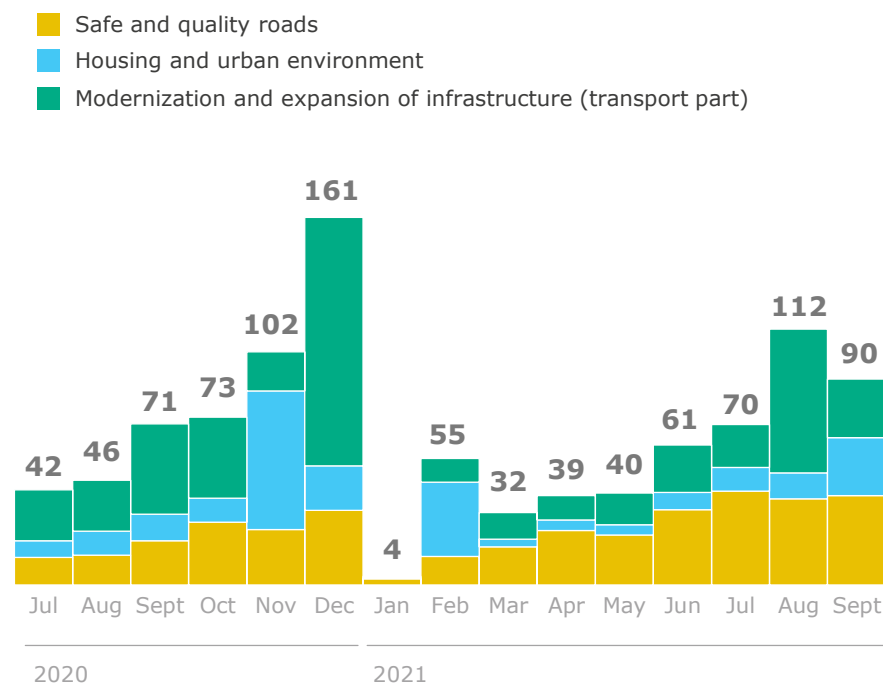
The demand for steel products⁽¹⁾ in Q3 was mainly supported by increased orders from the automotive industry and railcar manufacturers on the back of growing demand for rail services

y-o-y



In Q3, the Government continued the implementation of its national projects⁽²⁾. State budget expenditures from August to September increased year-on-year, mainly driven by the Safe and High-Quality Roads project

RUB bn

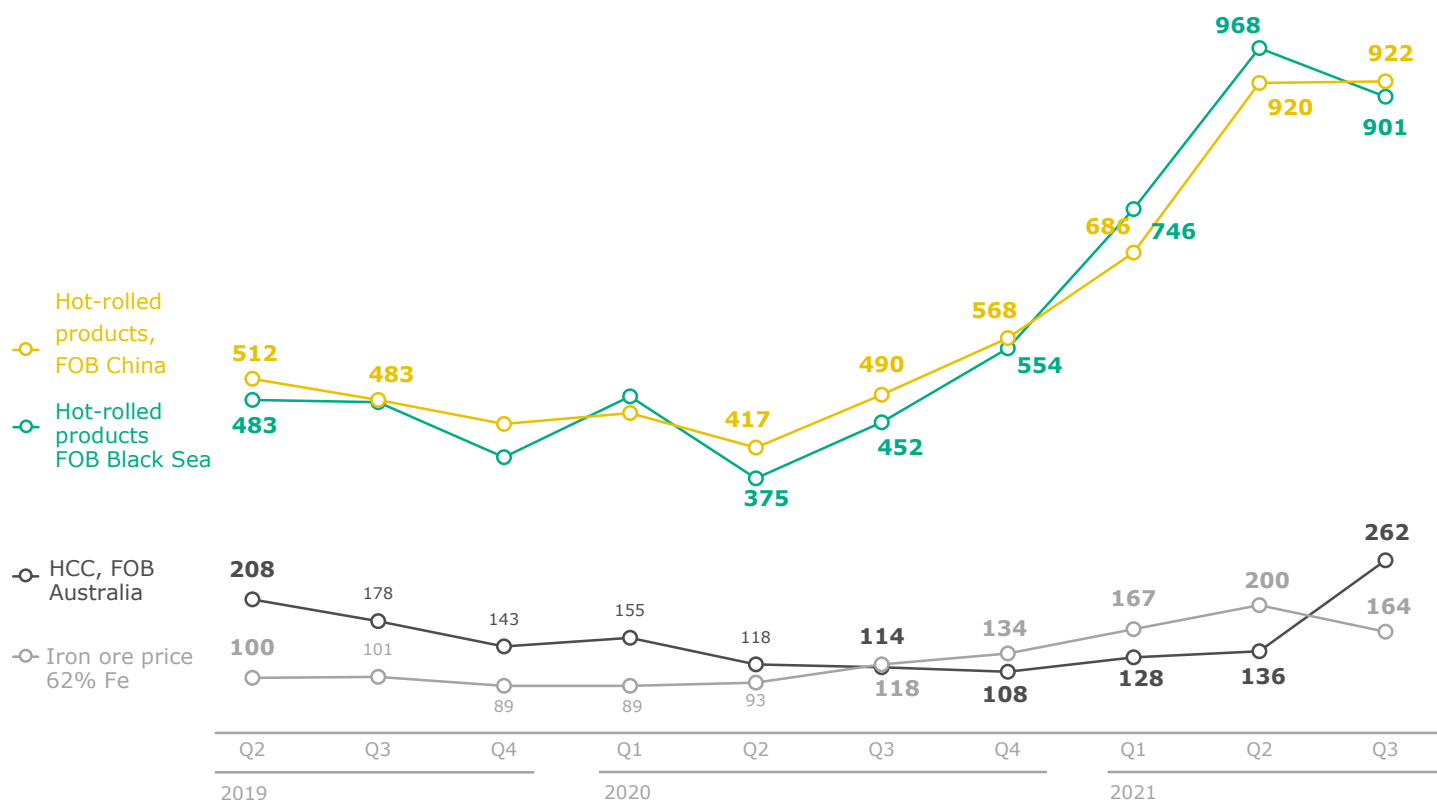


Q3 2021

CHANGES IN PRICES

Prices for metal products and key commodities

USD per tonne



Hot-rolled products

In Q3 2021, global rolled steel supply continued to grow while consumer demand slackened to moderate. At the same time, prices for flat products in the Black Sea region began to retrace. The lower steel supply in China amidst production constraints is beneficial for global competition.

Coking coal

In Q3, spot coking coal prices grew rapidly, driven by even more pronounced shortages of premium grades in China and a deteriorating lack of raw materials for consumers from other countries.

Iron ore

In Q3, the 62% Fe iron ore index saw a significant pullback. Caps on steel output introduced in China this year will lead to a decrease in output by close to 60 million tonnes y-o-y over 2H 2021, creating a glut in the previously undersupplied spot market for iron ore while also undermining the outlook for raw material demand until at least December 2021.

KEY RESULTS

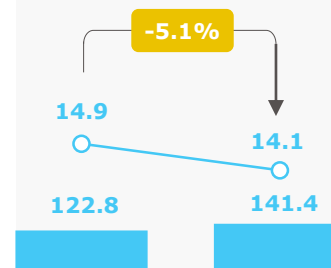
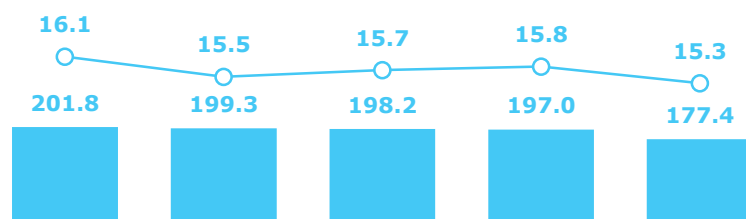


Q3 2021

EMISSION REDUCTION AND INDUSTRIAL SAFETY

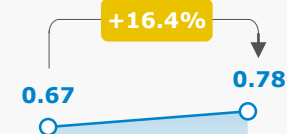
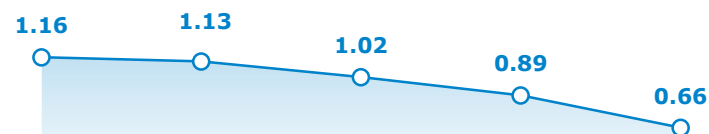
Total air emissions

○ Specific emissions, kg per tonne of crude steel
■ Gross emissions, ths tonnes



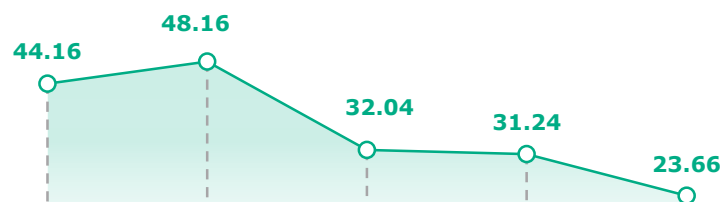
Specific air emissions for 9M 2021 decreased by 5.1% y-o-y to 14.1 kg per tonne of crude steel, driven by an increase in the share of scrap in the charge on the back of increased steel output by the EAF Shop

LTIFR⁽¹⁾



LTIFR for 9M 2021 increased by 16.4% y-o-y to 0.78, reflecting an increase in the number of minor industrial accidents like "falling from the height of their own" in the spring-winter period

LTISR⁽²⁾



LTISR increased by 7.8% y-o-y, reflecting an increase in the number of accidents followed by a growth in the number of days on sick leave

Source: Company data and analysis.

Note: (1) LTIFR – Lost Time Injury Frequency Rate; (2) LTISR – Lost Time Injury Severity Rate.

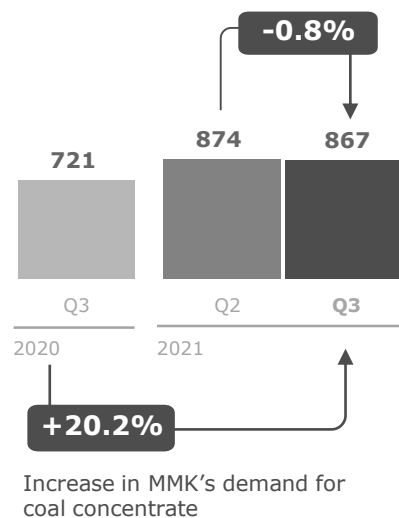
Q3 2021

HIGH CAPACITY UTILISATION OF HIGH-MARGIN PRODUCTION UNITS

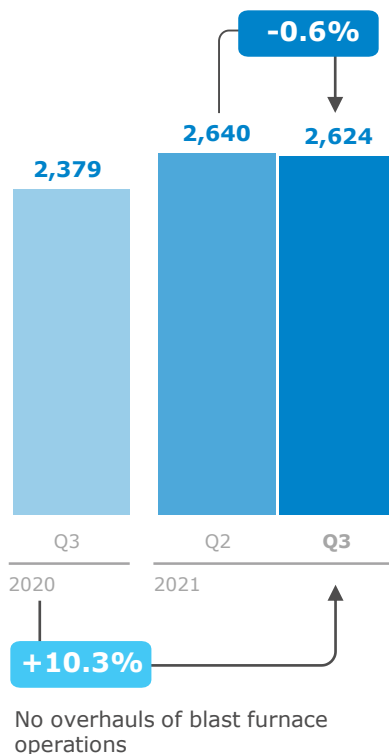
Key production indicators

→ Quarterly dynamics, 2019–2021
ths tonnes

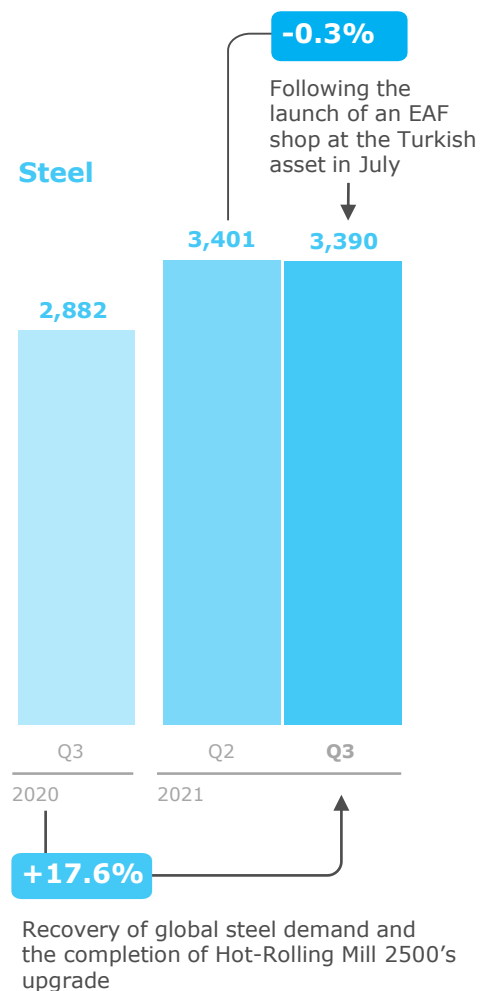
Coking coal concentrate



Pig iron

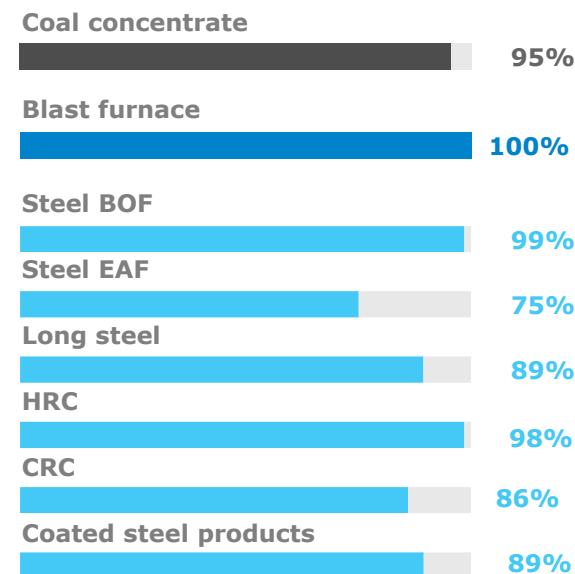


Steel



Key capacity utilisation rates

Q3 2021, %



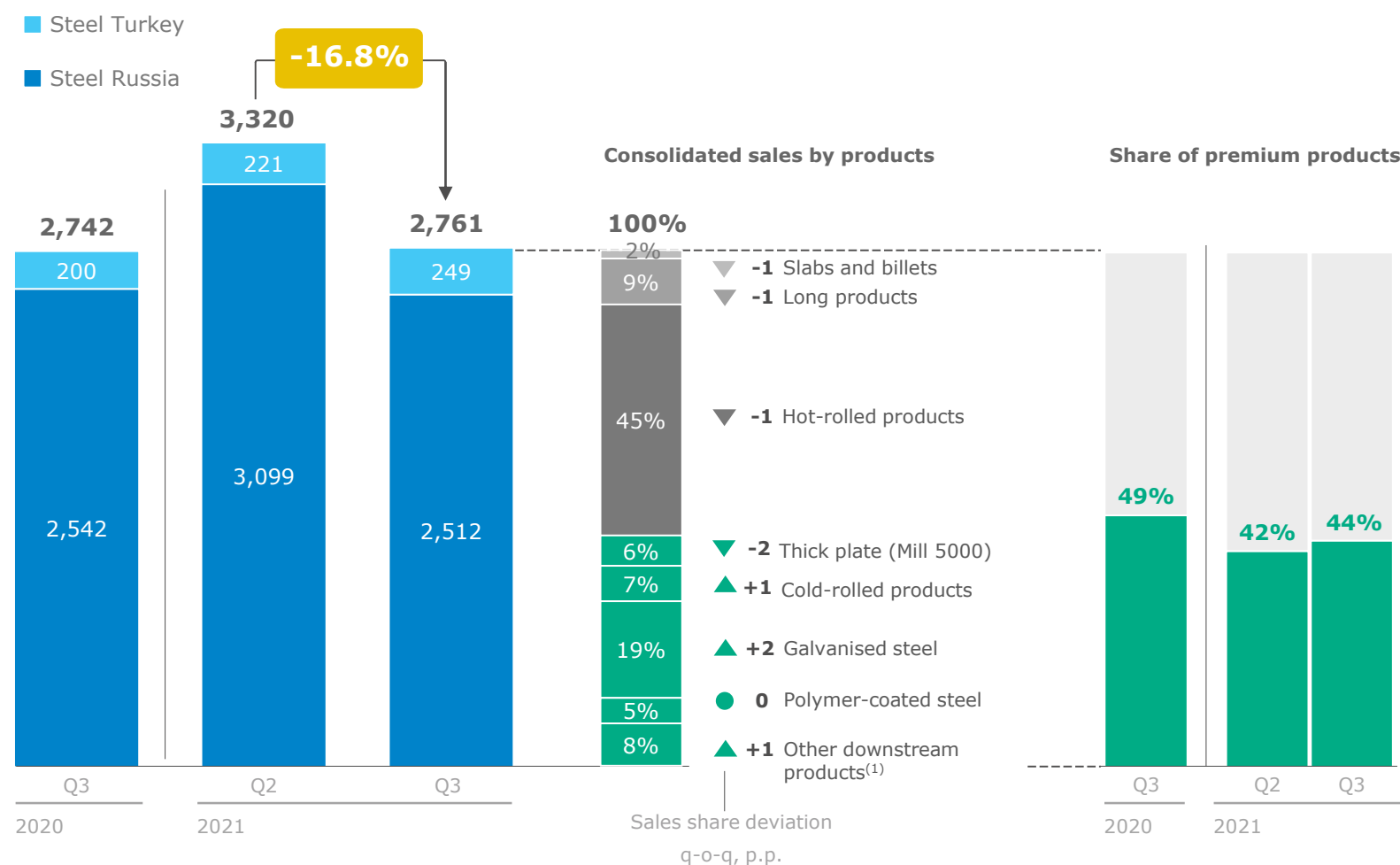
High-margin production unit utilisation rates remain high

Q3 2021

FINISHED PRODUCTS SALES

MMK Group finished products sales dynamics

ths tonnes



Consolidated sales were down **16.8%** q-o-q, driven by higher export sales with longer lead times

Sales of premium products were down **12.9%** to **1,213** thousand tonnes, driven by the overhaul of Mill 5000 and growth in exports of cold-rolled and galvanised steel with longer lead times.

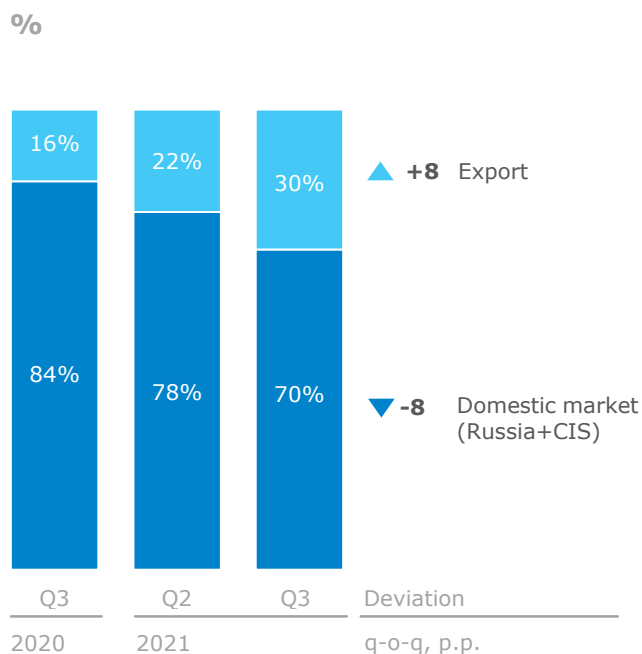
Source: Company data and analysis.

Notes: (1) Including: tin plate, band, formed section, pipes, metallware and other metal products.

Q3 2021

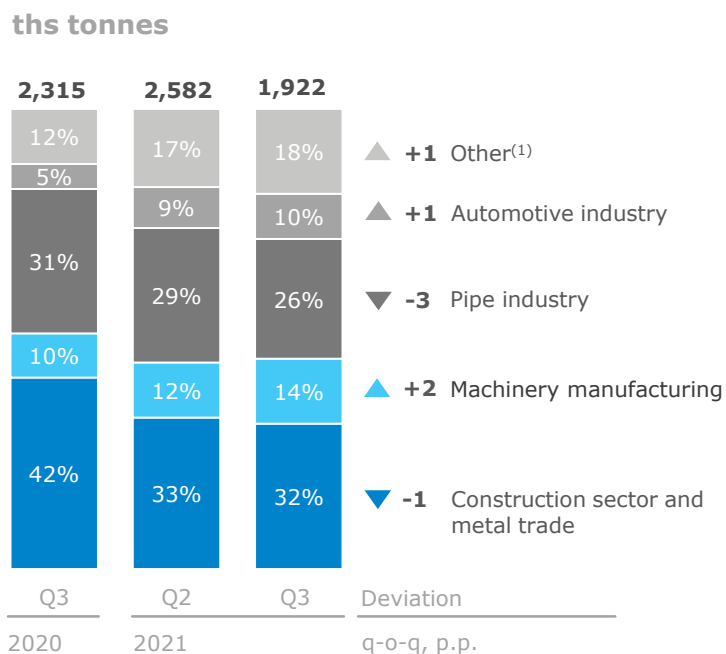
THE DOMESTIC MARKET AND EXPORT SALES BREAKDOWN

MMK Group's sale share by market



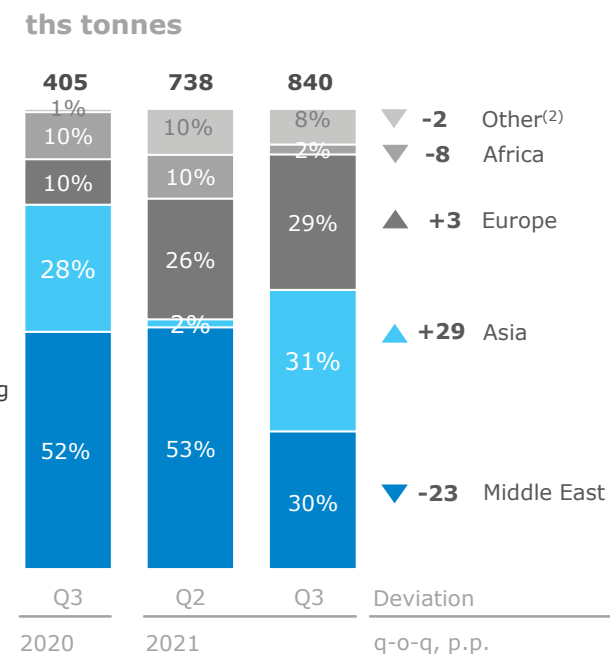
The slowdown in demand in Russia amid consumer expectations of a price retracement in the domestic market led to a decline in the share of domestic sales to 70% in Q3 2021...

Russia and CIS market sales by sector



...while construction, metals trading and the pipe industry saw the sharpest decline.

International market sales by region



The slowing demand in Africa and the Middle East in Q3 facilitated sales to Europe and Asia as these markets became a more favourable environment.

Q3 2021

KEY PROJECTS

Blast furnace No. 9



Production capacity 3,900 tonnes per day,
dust emission reduction 250 tonnes per year

Expected impact

+8

USD mln
to EBITDA⁽¹⁾

The project initiation

2022⁽²⁾

Completed in Q3 2021

Preparation of design documents

Cold-Rolling Mill 1700 reconstruction



0.7 mln t effective addition of CRC

0.7

mln tonnes
of premium products

May 2021

Guaranteed performance achieved at Cold-Rolling
Mill 1700

Coke and by-product plant



Replacement of five batteries, reduction in
CO₂ emissions by > 1.1 mln tonnes per year
reduction of gross emissions of pollutants into
the atmosphere by 11.35 mln tonnes per year

-29

USD/tonne
on slab cash cost

2022-2023

Design documents were greenlit by the Main
Department of State Expertise. Construction and
installation works for foundations are ongoing

Source: Company data and analysis.

Notes: (1) The average annual impact based on estimates in the current macroeconomic situation; (2) The work is scheduled to start in December 2021.

OUTLOOK

Q4 2021



Finished products output

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



Capital expenditures

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

The Group's performance will be further boosted by:

- Operational excellence initiatives under the Evolution Business System
- Maximum capacity utilisation of high-margin production units

FINANCIAL RESULTS

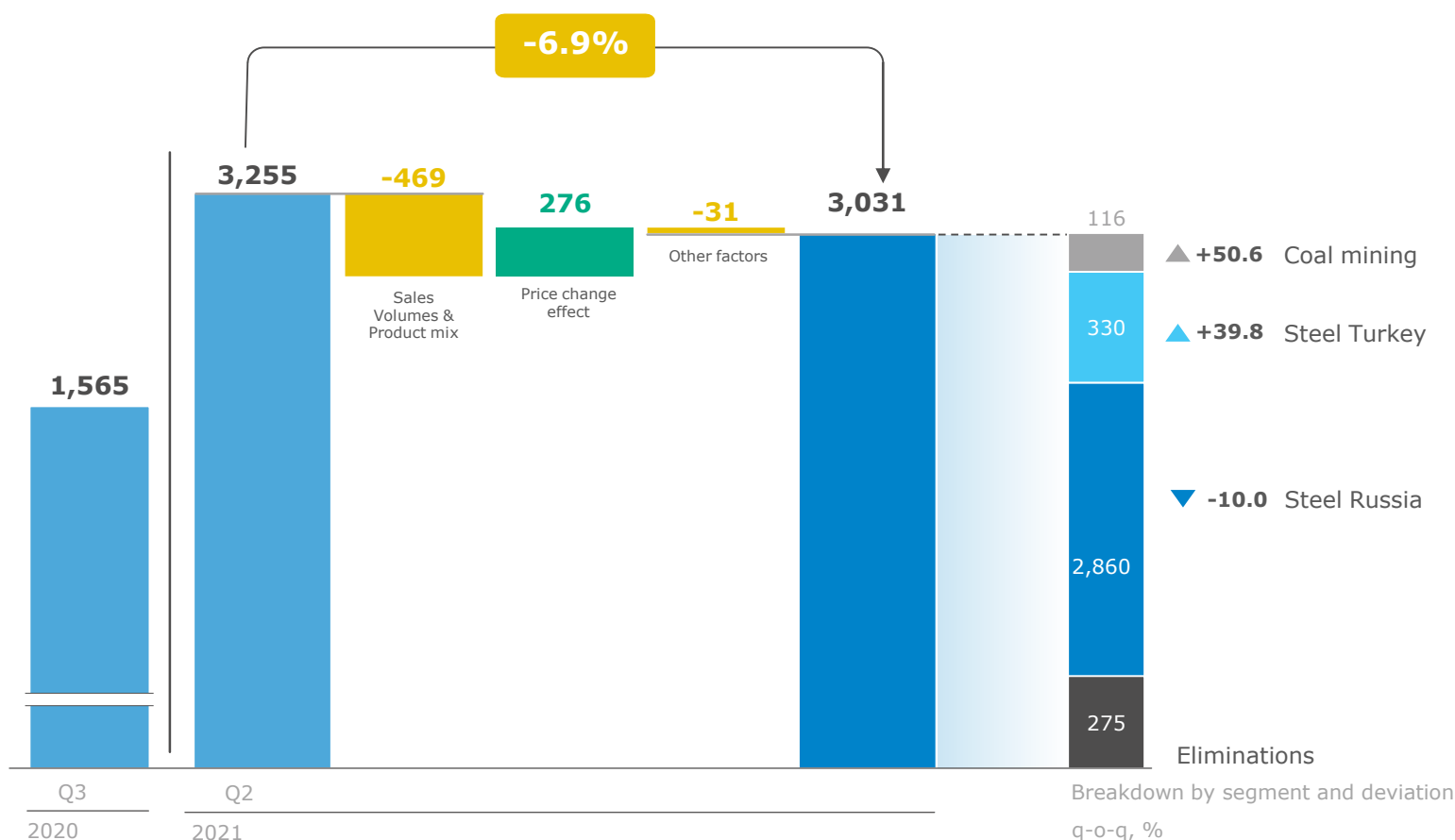


Q3 2021

REVENUE

Key revenue drivers

q-o-q, USD mln



The Russian steel segment's revenue dropped by

-10.0%

reflecting growth of export sales with longer lead times amid slowing demand in Russia

The Turkish steel segment's revenue grew by

+39.8%

reflecting higher sales volumes and steel prices

The coal mining segment's revenue increased by

+50.6%

boosted by the continued rally in coal concentrate prices in a rising market

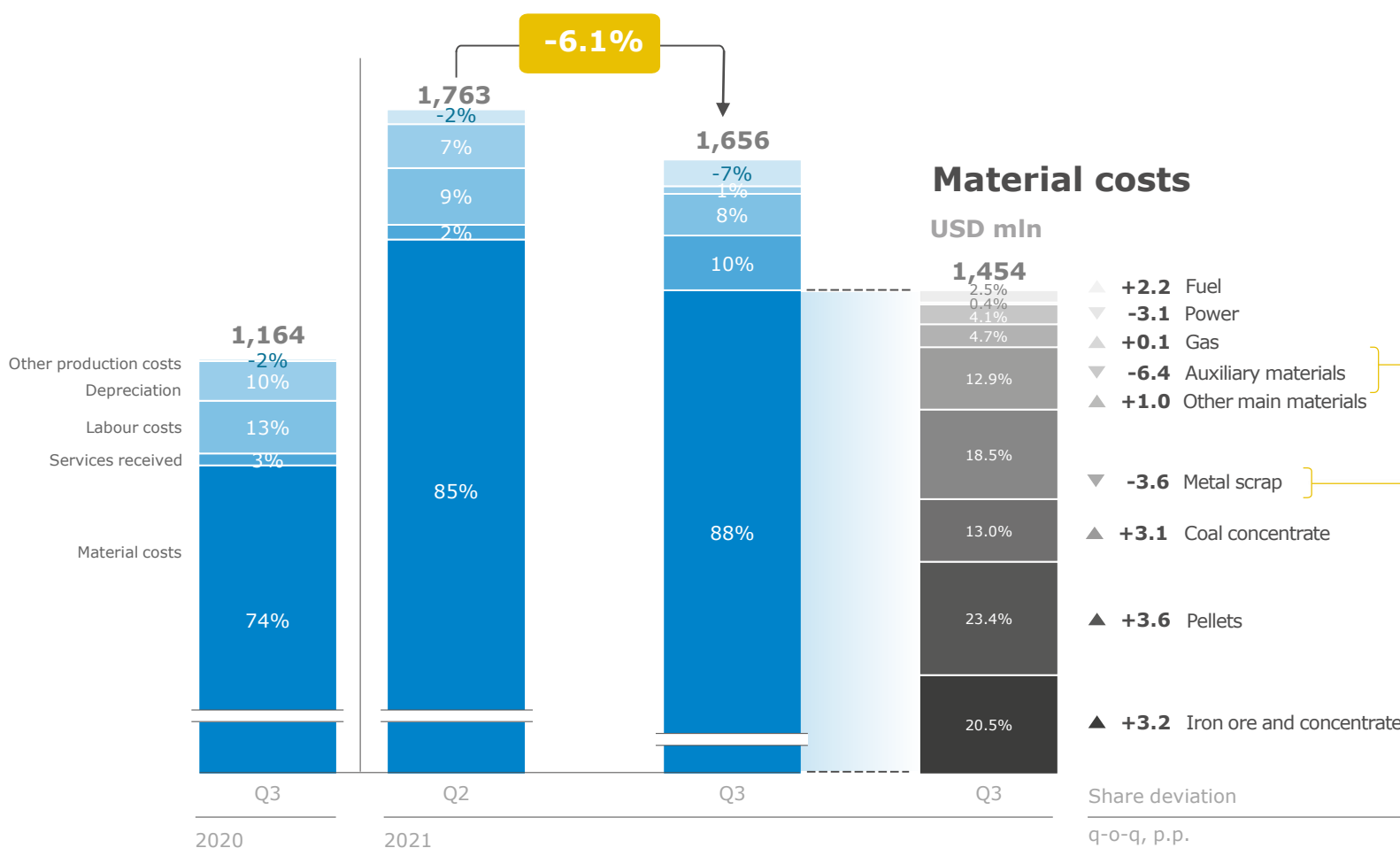
→ Historical dynamics 2019 — 2021

Q3 2021

COST OF SALES

MMK Group's cost of sales

USD mln



- USD 107 mln

MMK Group's cost of sales decreased reflecting changes in sales volumes

The share of other materials decreased

following a decline in purchases of hot-rolled products from third-party suppliers at Steel Turkey

The share of scrap decreased

due to the growing share of iron ore in the production cost amid higher purchase prices

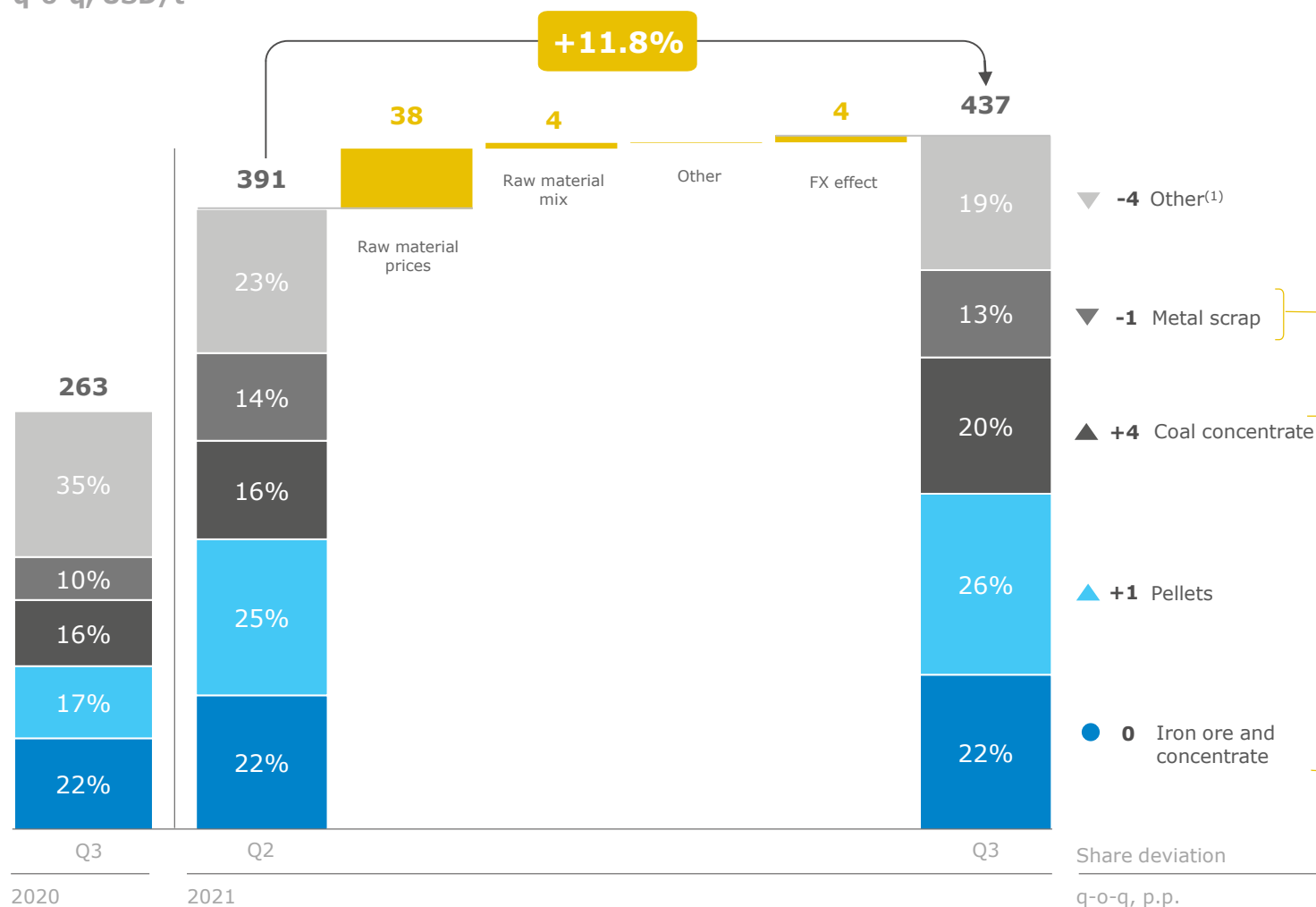
→ Cost allocation

Q3 2021

SLAB CASH-COST

Slab cash-cost,

q-o-q, USD/t



Slab cash cost increased
q-o-q

+46 USD/t

+4 USD/t

as the rouble pulled back against the US dollar

+4 USD/t

due to a higher share of iron ore in the steelmaking charge

+38 USD/t

increase in prices for iron ore and coal concentrate

→ Historical dynamics 2018-2021

Source: Company data and analysis.

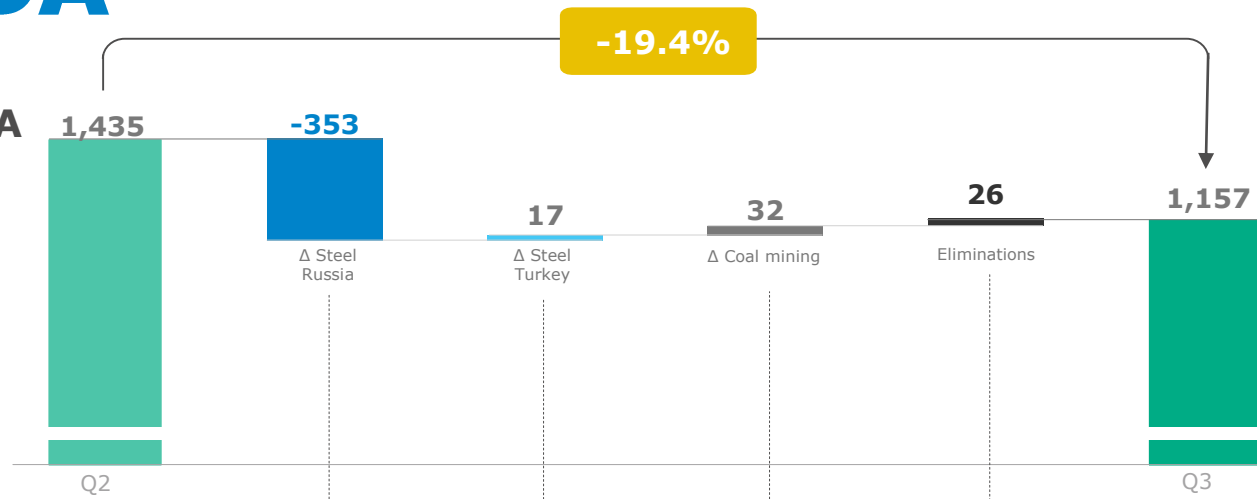
Notes: (1) Other: ferroalloys, gas & power, auxiliary & other materials.

Q3 2021

EBITDA

Key EBITDA drivers

Q-o-q, USD mln

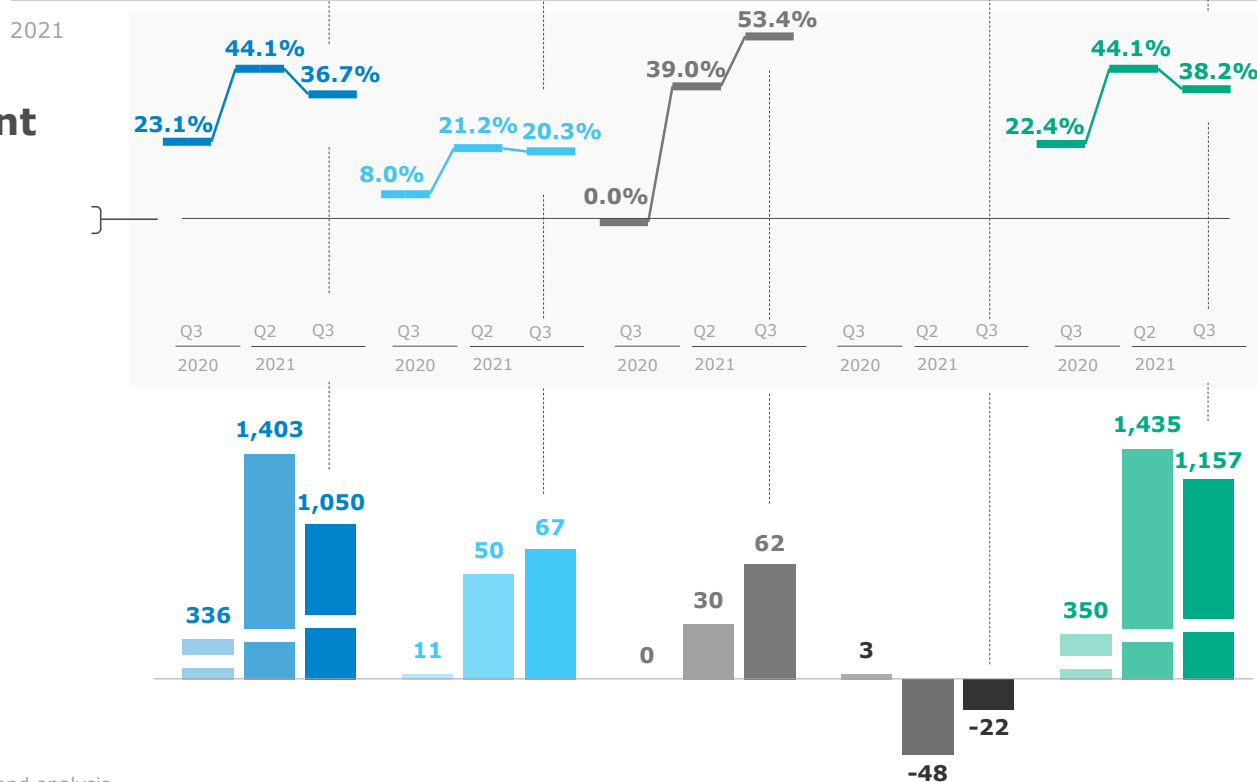


EBITDA by key segment

USD mln

EBITDA margin

- Steel Russia
- Steel Turkey
- Coal mining
- Eliminations
- MMK Group



Key changes

- Sales volumes
- Sales mix
- Prices

Steel Russia

- ▼ **Sales volumes decreased** amid weaker domestic demand and sales being redirected to export destinations
- ▼ **Decrease in the share** of domestic sales
- ▲ **Pricing became stronger** due to rising market prices for metal products

Steel Turkey

- ▲ **Sales growth** due to a favourable market environment and the launch of a hot-rolling complex in July
- ▼ Galvanised and coated steels accounted for **89% of sales amid the recovering production of hot-rolled products**

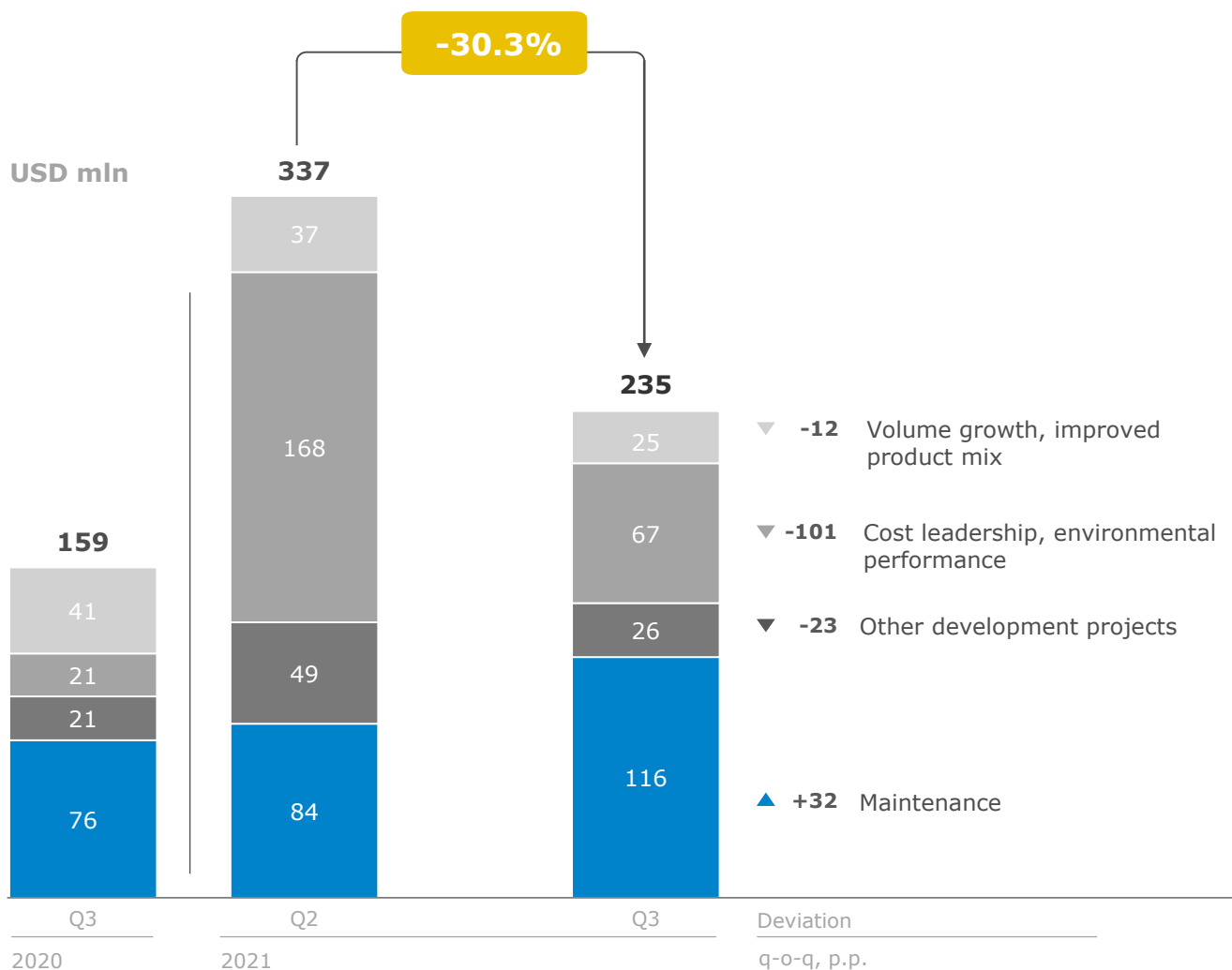
- ▲ **Higher prices** amid a favourable global market environment

Coal mining

- **Volumes remained flat** on the back of MMK's high demand for coal concentrate
- ▲ **Stronger pricing** for coal concentrate due to favourable market conditions

Q3 2021

CAPEX BREAKDOWN



→ Historical dynamics, 2012–2021

Source: Company data and analysis.

Q-o-q decrease in CAPEX

- 30.3 %

in line with the Group's schedule for implementing and financing investment projects under the Group's strategy

Q3 2021 highlights:

Cost leadership, environmental performance:

- The new coke and by-product plant: construction and installation works for foundations are ongoing

Volume growth, improved product mix:

- Guaranteed performance achieved at Cold-Rolling Mill 1700

Q3 2021

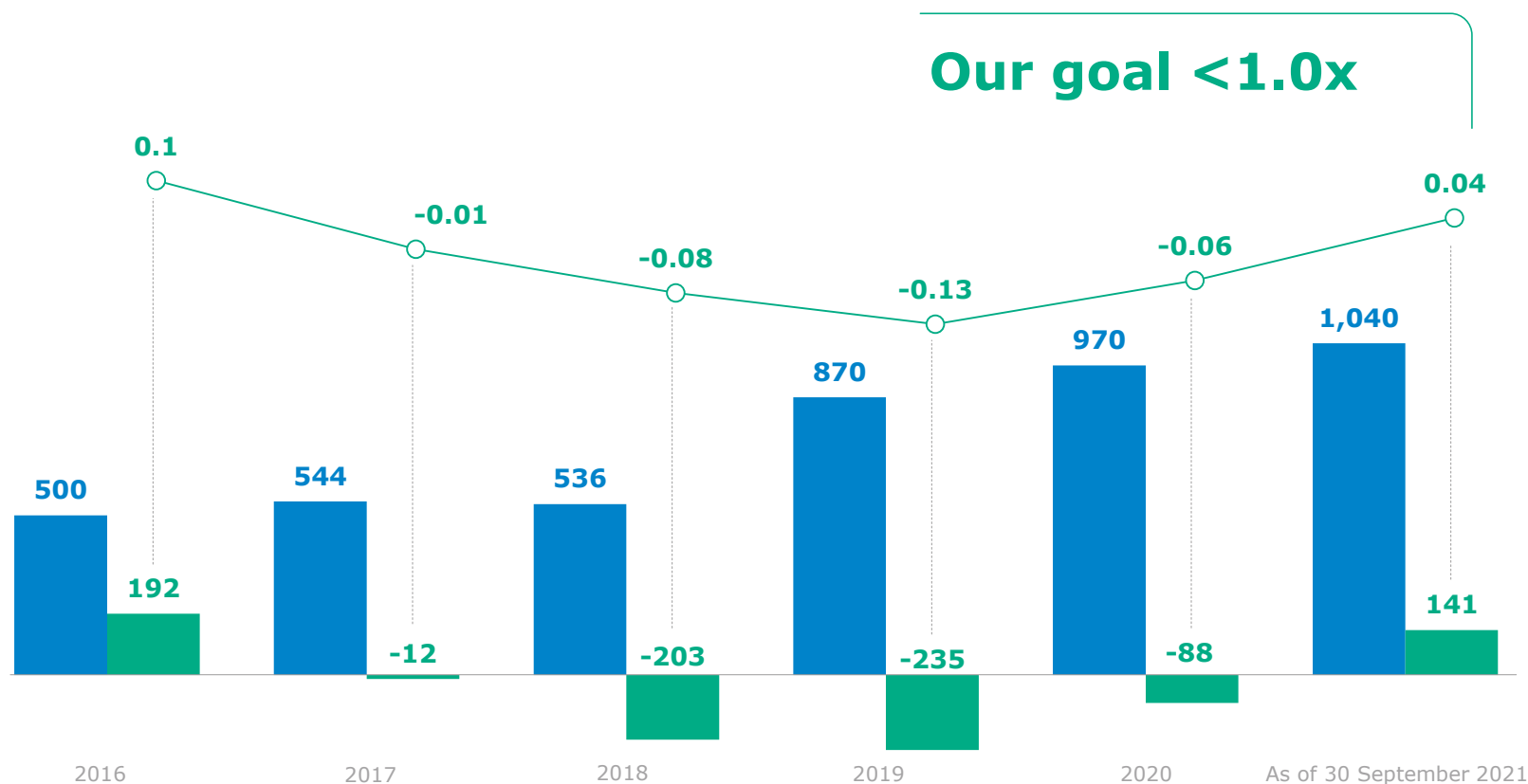
DEBT BURDEN AND CREDIT RATINGS

Strong financial profile

USD mln

■ Debt ■ Net Debt

○ Net Debt / EBITDA



Credit rating at or higher than the sovereign rating

Standard & Poor's

BBB-

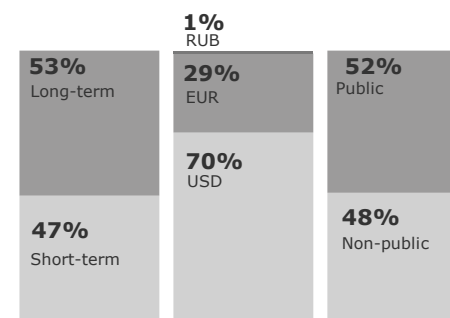
Moody's

BAA2

Fitch Group

BBB

Debt structure



Q3 2021

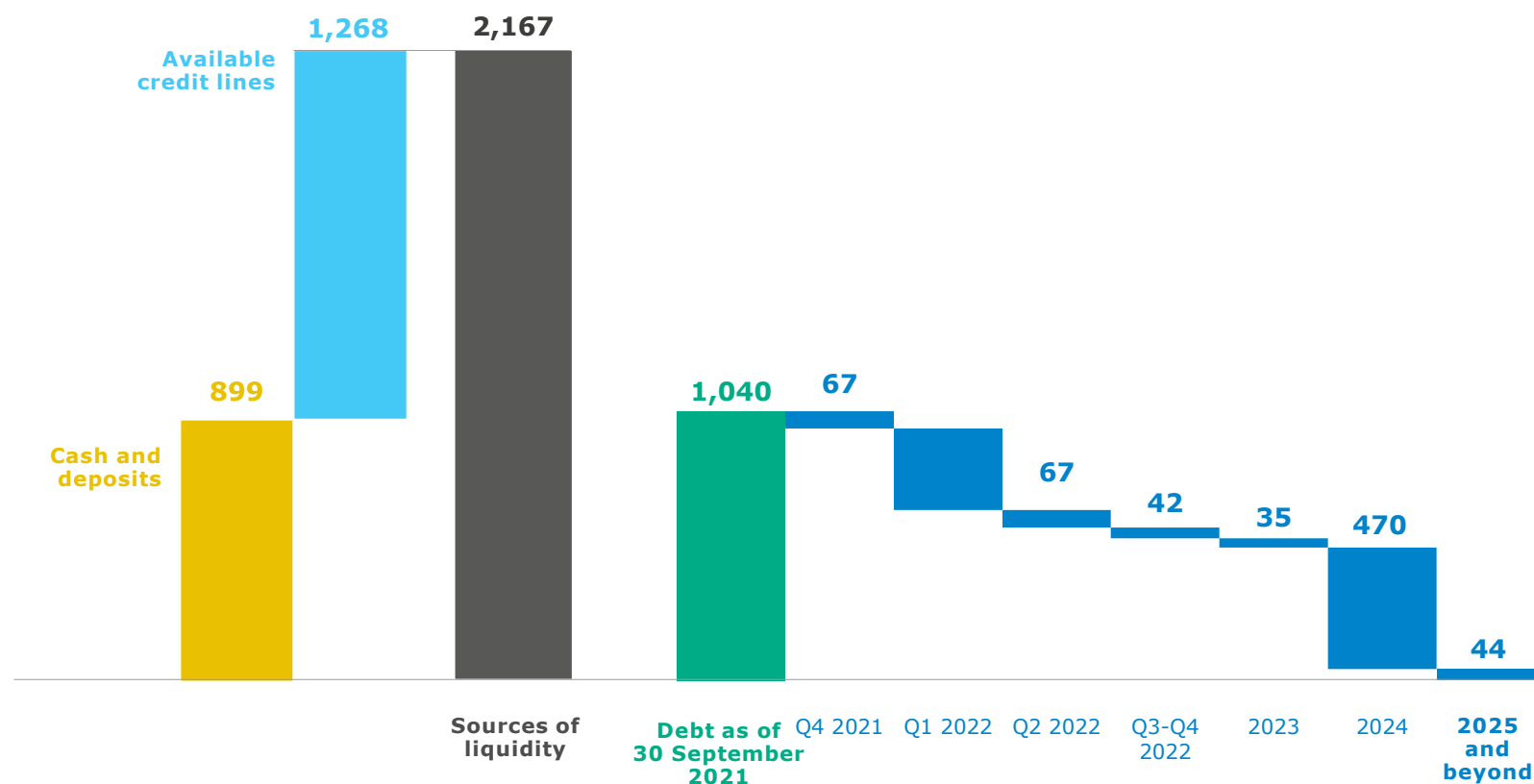
CREDIT PORTFOLIO AND REPAYMENT SCHEDULE

Available liquidity analysis

USD mln

Debt repayment schedule

USD mln

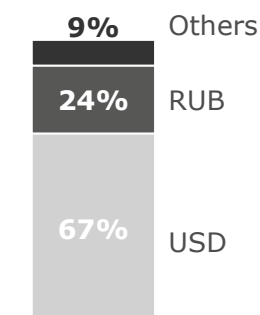


2.47%

average cost of debt
as of 30 September 2021

Significant liquidity cushion
and a comfortable
repayment schedule

Cash and deposits structure

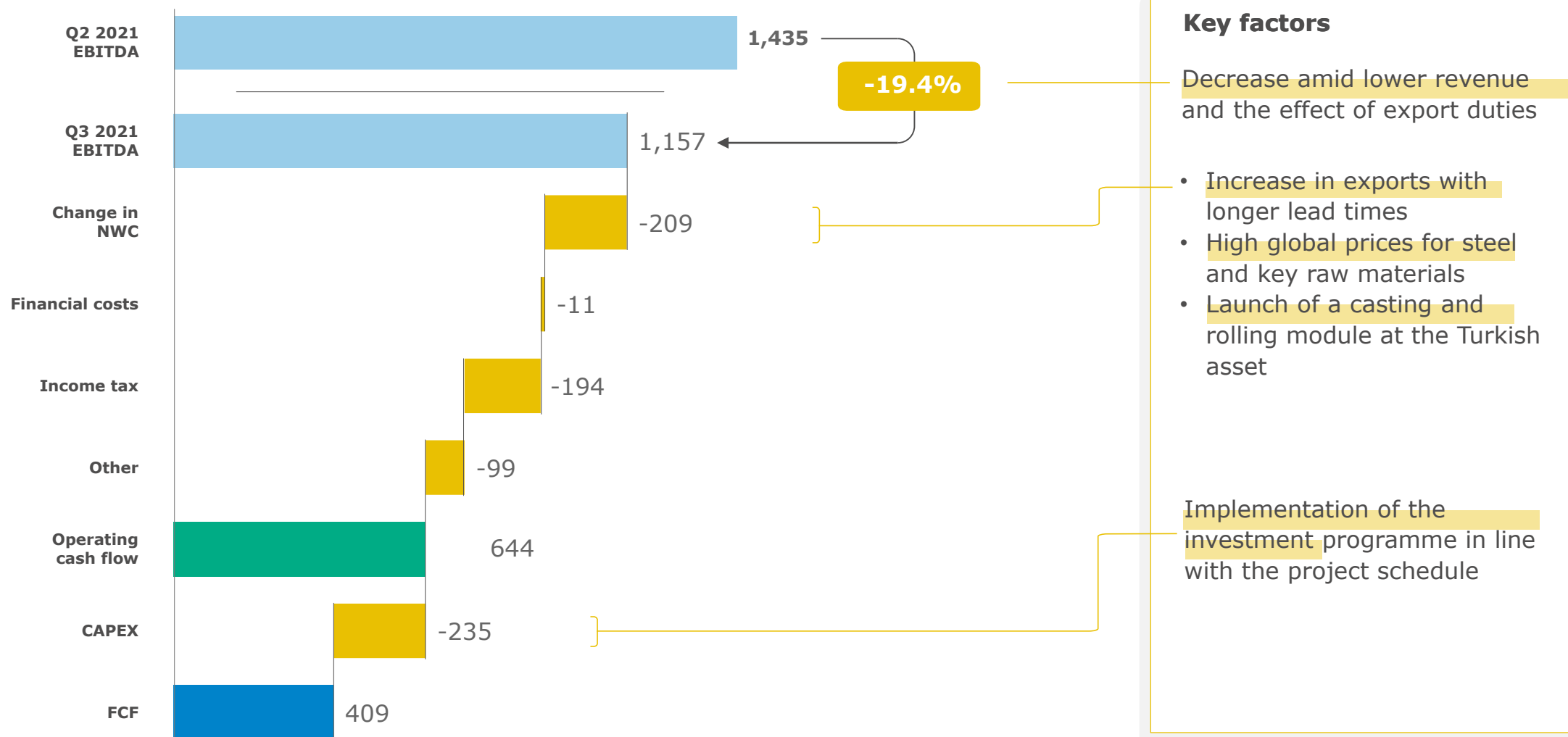


Q3 2021

FREE CASH FLOW

Free cash flow structure

USD mln

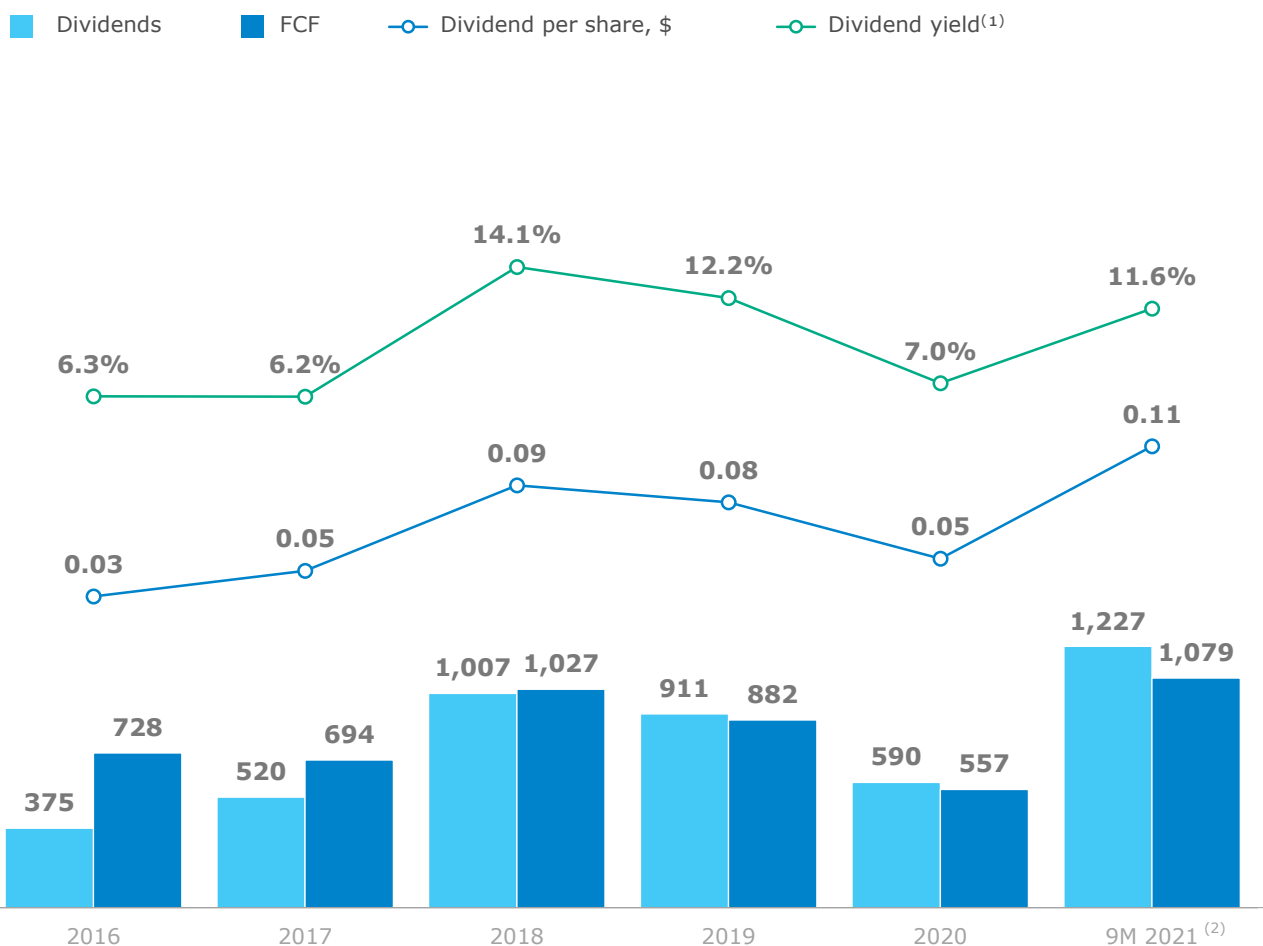


Q3 2021

DIVIDENDS

Dividends payout dynamics

USD mln



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.

Source: Company data and analysis.

Notes: (1) The ratio of dividends accrued to the Company's market capitalization at the end of the period. (2) Dividends accrued for H1 2021 + the dividend recommended by the Board of Directors for Q3 2021.

APPENDIX



HISTORICAL DYNAMICS

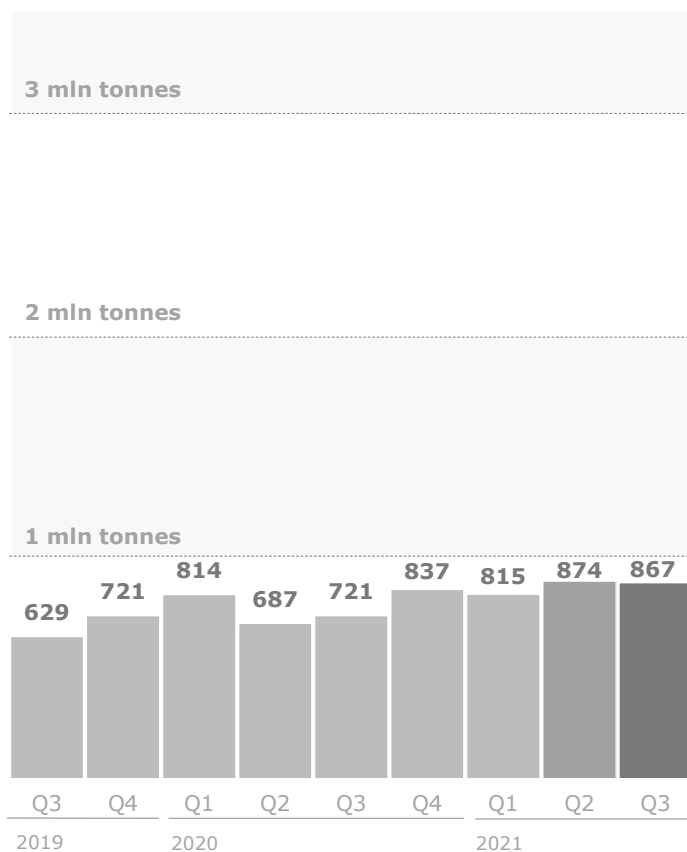
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KEY PRODUCTION HIGHLIGHTS

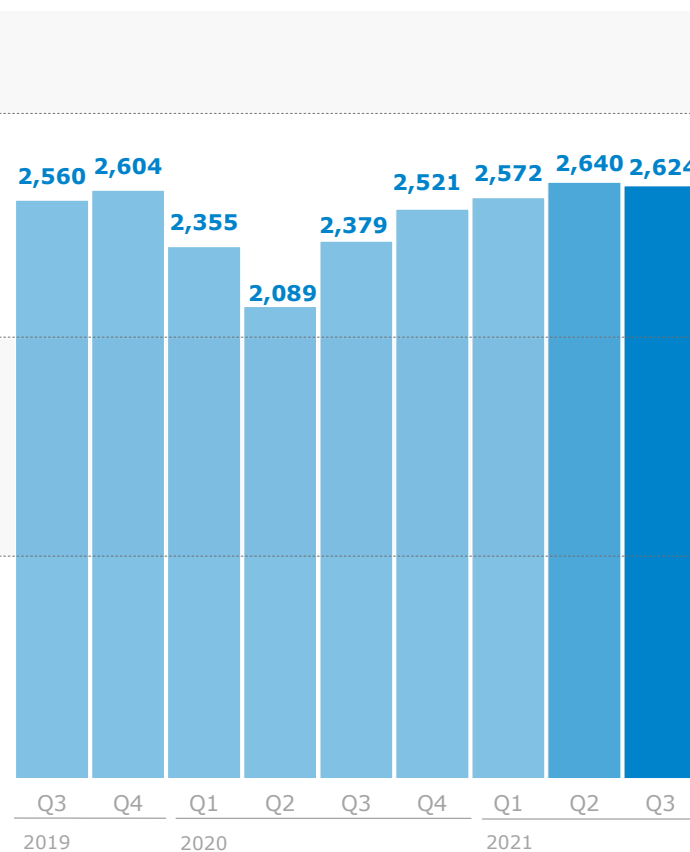
2019-2021 quarter dynamics

ths tonnes

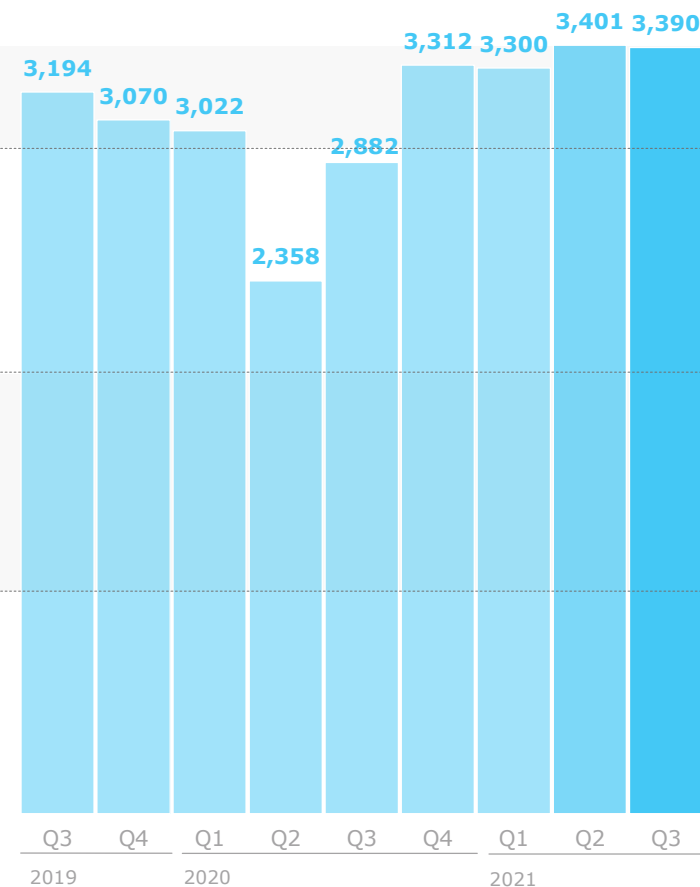
Coal concentrate



Pig iron



Steel



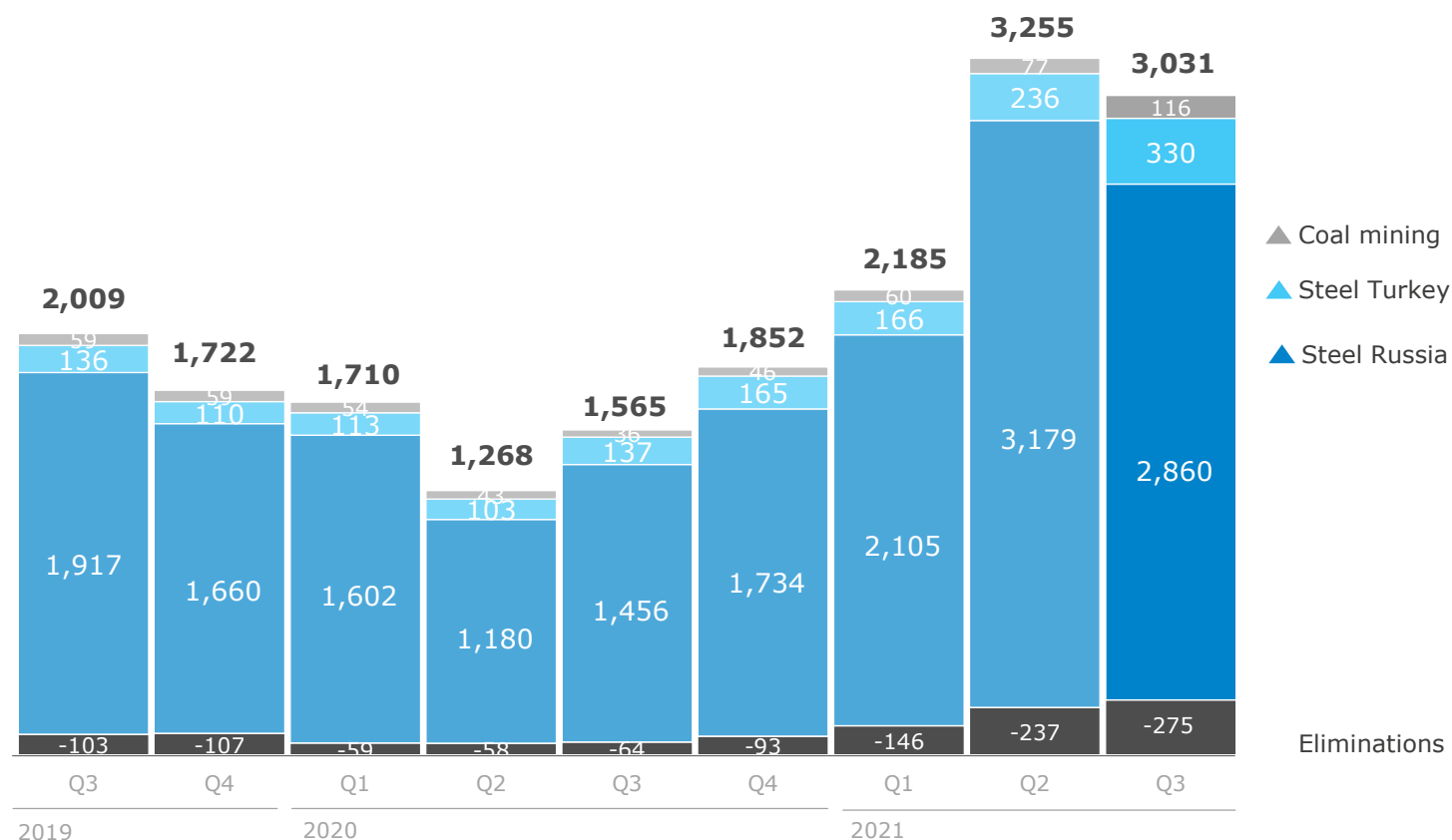
Q3 2021

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REVENUE

MMK Group revenue breakdown by segments

USD mln



HISTORICAL DYNAMICS

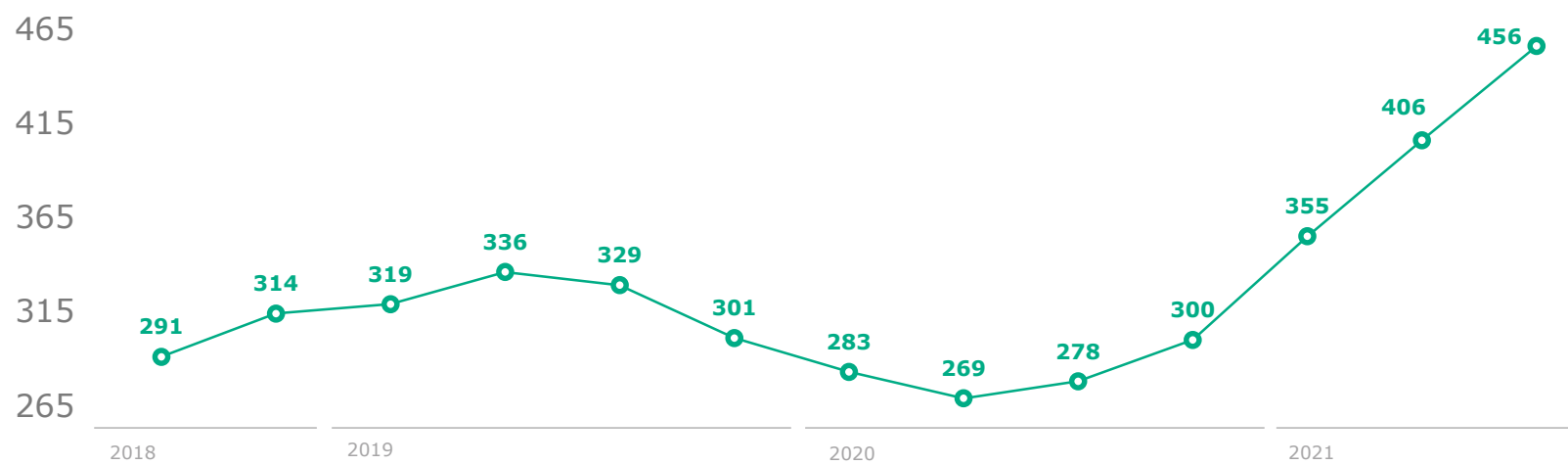
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SLAB CASH-COST

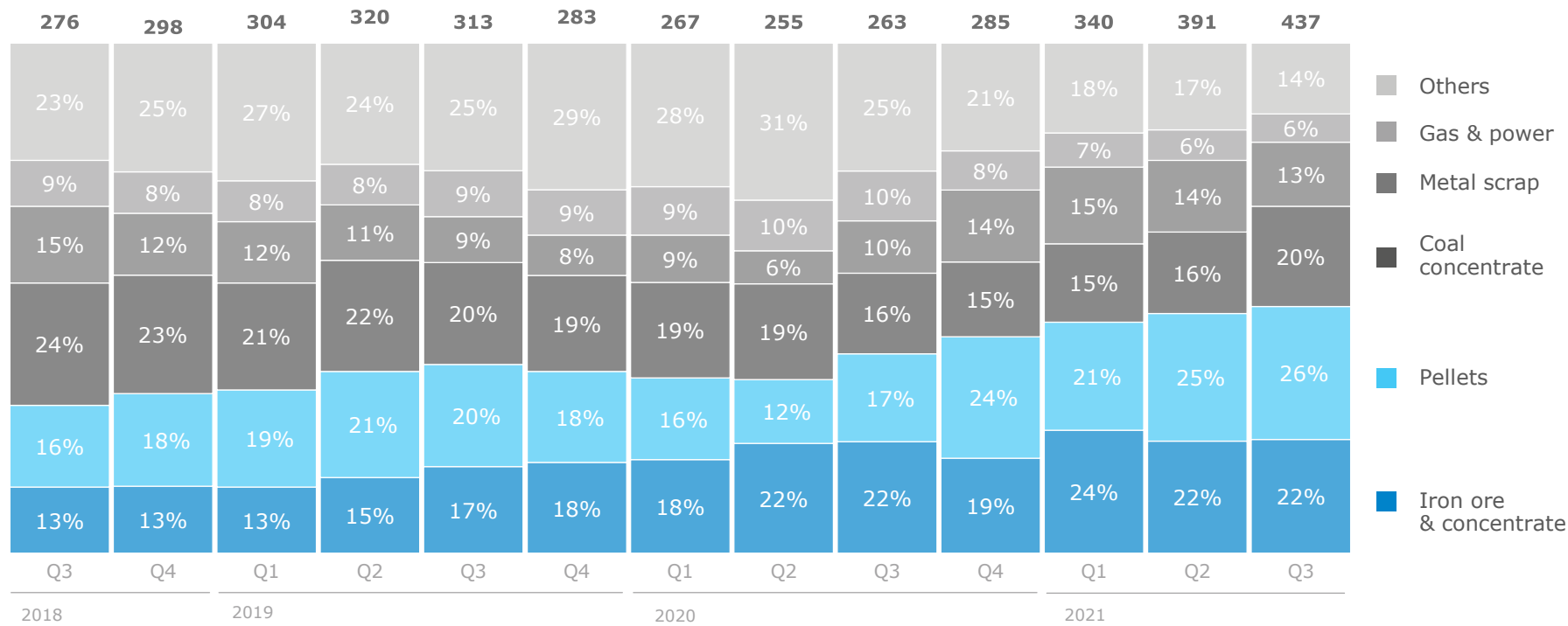
Cash-cost
historical
dynamics

USD/t

—●— HRC

Slab cash-cost
historical
dynamics
and structure

USD/t



HISTORICAL DYNAMICS

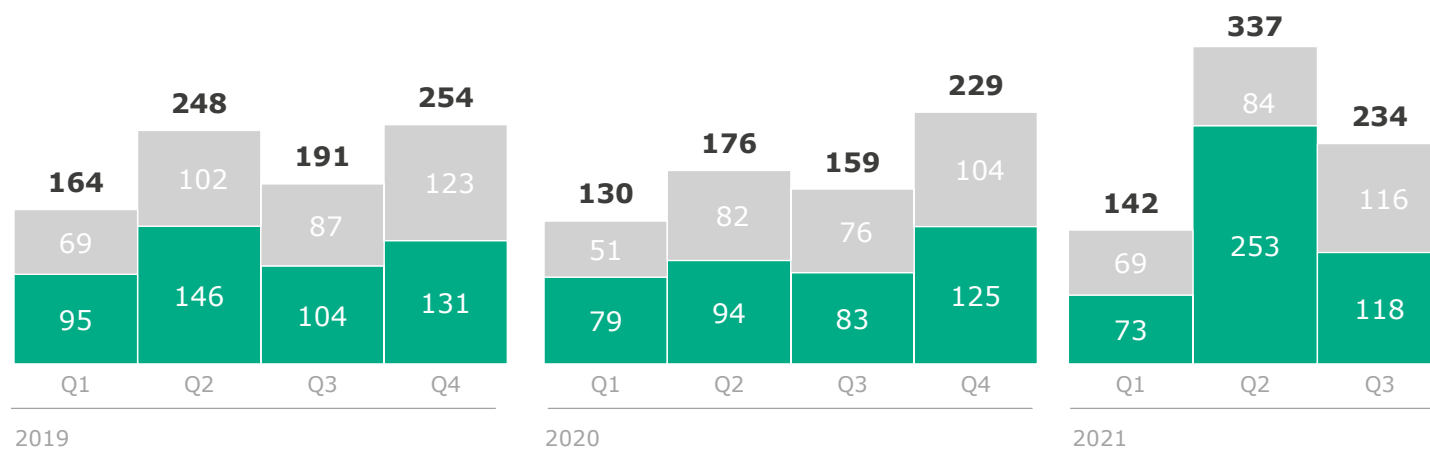
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CAPITAL EXPENDITURES

Quarterly dynamics

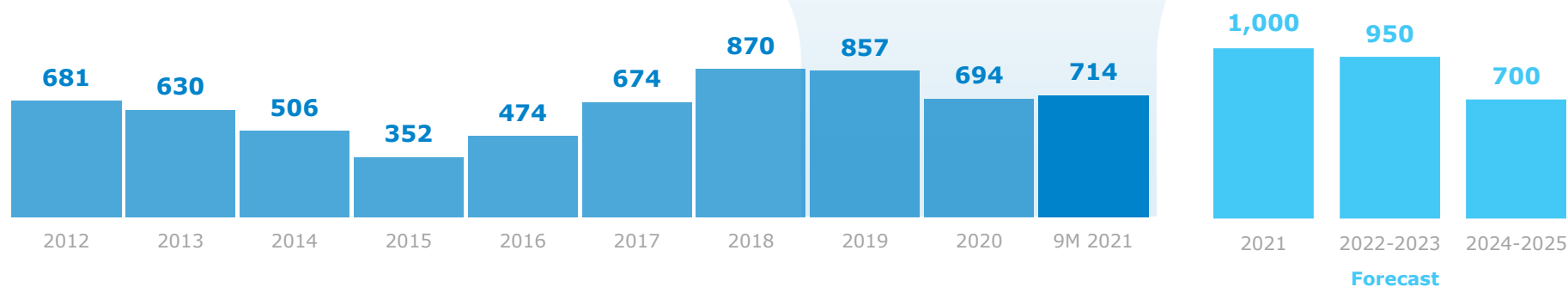
USD mln

■ Maintenance
■ Development



Yearly dynamics

USD mln

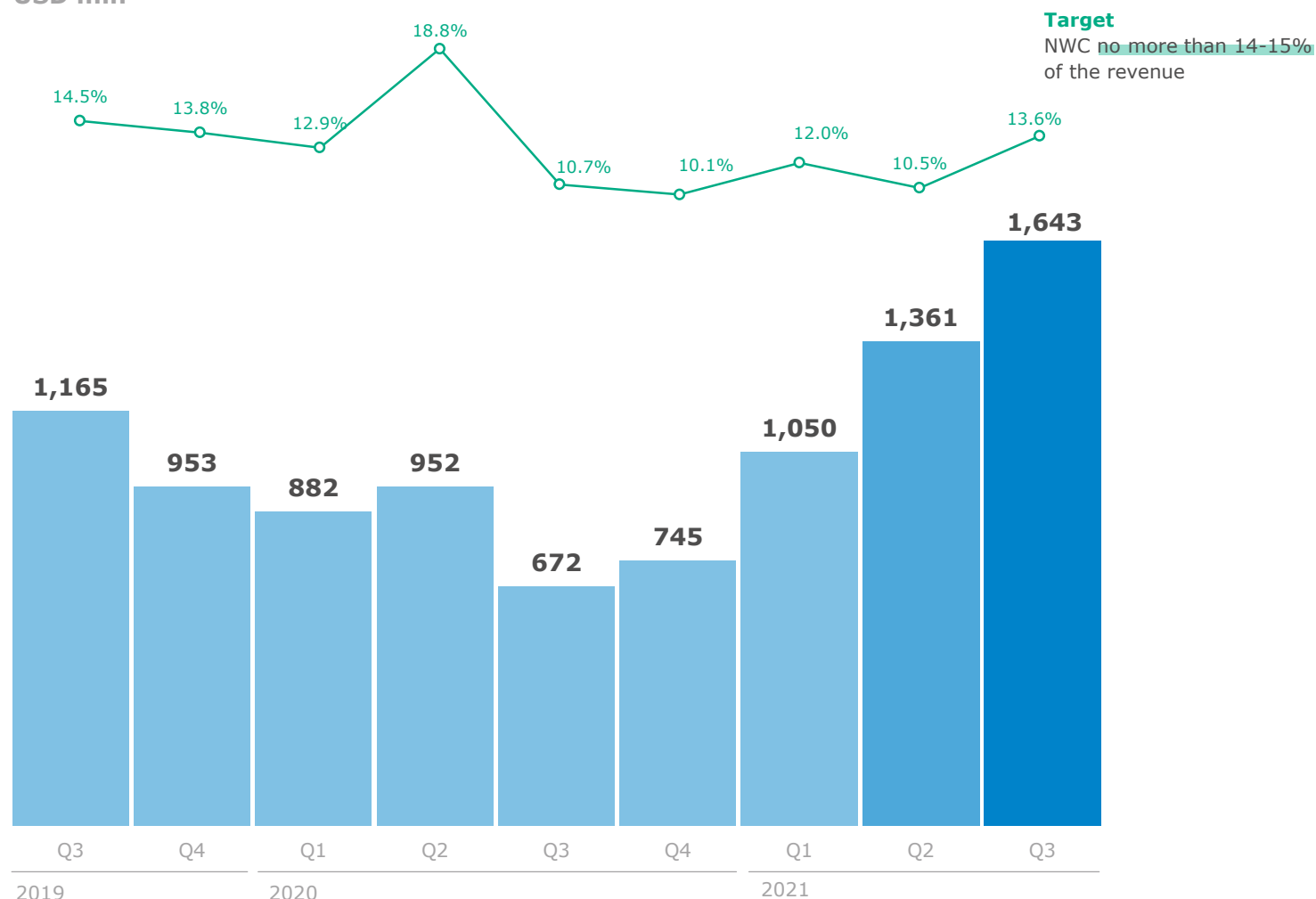


Q3 2021

NET WORKING CAPITAL

Net Working Capital dynamics

USD mln



The working capital build-up in Q3 2021 was

USD 209 mln

due to the 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

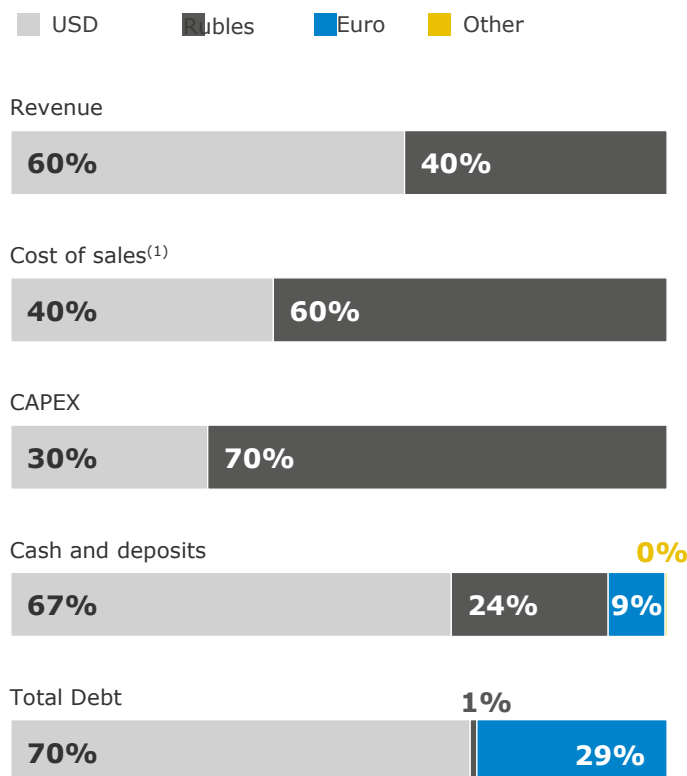
At the same time, the NWC/revenue ratio decreased to 13.6% as of 30 September 2021

Q3 2021

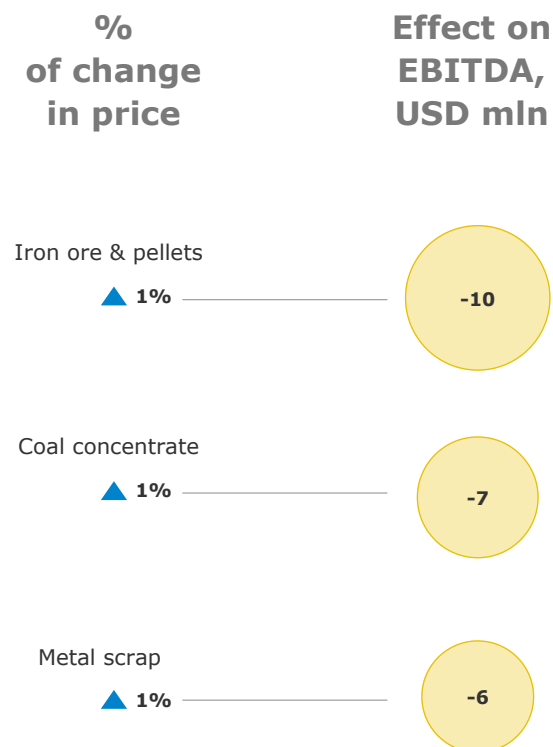
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SENSITIVITY AND KEY INDICATORS BREAKDOWN

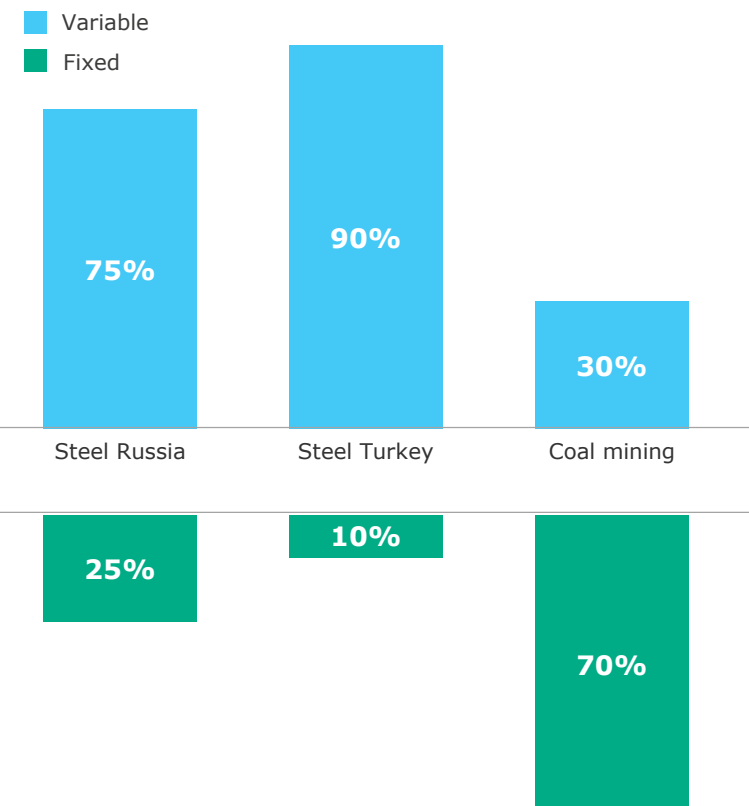
Key indicators breakdown by currency



EBITDA sensitivity



Cost of sales breakdown



Source: Company data and analysis.

Notes: (1) Including the ruble costs tied to the contracts set in foreign currency.

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