



# MMK GROUP IFRS FINANCIAL RESULTS

FOR Q4 AND  
12M 2020

**2 FEBRUARY 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 Q4 and 12M 2020.



## MMK GROUP FINANCIAL RESULTS

### Q4 2020

USD mln	Q4 2020	Q3 2020	%	12M 2020	12M 2019	%
Revenue	<b>1,852</b>	1,565	18.3%	<b>6,395</b>	7,566	- 15.5%
EBITDA	<b>474</b>	350	35.4%	<b>1,492</b>	1,797	- 17.0%
EBITDA margin, %	<b>25.6%</b>	22.4%	3.2 p.p.	<b>23.3%</b>	23.8%	- 0.5 p.p.
Profit for the period	<b>313</b>	102	206.9%	<b>604</b>	856	- 29.4%
Free cash flow <sup>1</sup>	<b>125</b>	335	- 62.9%	<b>557</b>	883	- 36.9%
Net debt	<b>- 88</b>	- 34	-	<b>- 88</b>	- 235	-
Net debt/EBITDA	<b>- 0.06x</b>	- 0.03x	-	<b>- 0.06x</b>	- 0.13x	-
Net working capital	<b>745</b>	672	10.9%	<b>745</b>	953	- 21.8%
L3M Net working capital/revenue	<b>10.1%</b>	10.7%	- 0.6 p.p.	<b>10.1%</b>	13.8%	- 3.7 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 2020 VS Q3 2020

- MMK Group's revenue increased by 18.3% quarter-on-quarter (q-o-q) to USD 1,852 mln, which reflects a growth in sales volumes and a rise in steel prices in Russia and globally.
- EBITDA for Q4 2020 grew to USD 474 mln, up 35.4% q-o-q, driven by higher margins resulting from stronger sales and steel prices trending upwards in key sales markets. EBITDA margin increased by 3.2 p.p. to 25.6%.
- Net profit more than tripled q-o-q to USD 313 mln, mainly due to higher margins and foreign exchange gains.
- FCF for the quarter amounted to USD 125 mln, down 62.9% q-o-q, due to higher CAPEX and the seasonal build-up of raw materials amid growing purchase prices.



## KEY FINANCIAL INDICATORS

**FOR 12M 2020  
VS 12M 2019**

- MMK Group's revenue declined by 15.5% year-on-year (y-o-y) to USD 6,395 mln due to worsening market conditions and the scheduled reconstruction of Hot-Rolling Mill 2500.
- EBITDA decreased by 17.0% y-o-y to USD 1,492 mln due to the impact of the pandemic on business activity and global steel prices. EBITDA margin was down by 0.5 p.p. to 23.3%.
- Net profit declined by 29.4% y-o-y to USD 604 mln, mainly due to worsening market conditions amid the global pandemic.
- FCF amounted to USD 557 mln, down 36.9% y-o-y, reflecting the worsening global macroeconomic environment.

**COMMENT BY MMK'S CEO**

CEO  
**PAVEL SHILYAEV**



*Dear shareholders and colleagues,*

*In 2020, the Russian and global economies were hit by the one-two punch of the COVID-19 pandemic and falling oil prices, with the biggest blow to the Russian economy coming in the second quarter. Nevertheless, as early as in June, when lockdown restrictions were partially lifted and support measures were increased, the trends in GDP and real household income started to reverse. Despite the new wave of the pandemic in the second half of the year, the Russian economy embarked on a path to recovery, which had a positive impact on our fourth quarter performance.*

The launch of a large-scale vaccination programme throughout the country in Q1 2021 has provided the necessary impetus to further stabilise the epidemiological situation. The COVID-19 response centre that I am heading up continues to operate across MMK. Protecting the health of the Group's workers and employees while ensuring the continuity of all business processes remains our top priority.

In the fourth quarter, the traditional impact of seasonal factors on demand for metal products in the Russian market was almost completely offset by predominantly milder weather, as well as the continuing tailwind from the pent-up demand built up during the second quarter. While in November and December our stocks of premium products traditionally increase, ready to be sold typically at the beginning of the following year, the reporting quarter saw a trend reversal due to the continuing recovery in demand from the automotive industry and a strong pipeline of orders from the construction industry. Sales volumes and sales mix in the fourth quarter were also given a serious boost after Hot-Rolling Mill 2500 ramped up to its design capacity. As a result, domestic sales in the fourth quarter (Russia and CIS) amounted to 76%, while the share of premium products in total sales was 44%. In absolute terms, our sales of premium products stayed flat quarter-on-quarter, aligned with our strategic priorities.

In the fourth quarter, we continued realization of the project on a new coke-oven battery construction. In accordance with the project schedule, a number of winter-specific preparatory operations were completed during the quarter. We expect total CAPEX to reach about USD 1 bn in 2021, with the construction period for some parts of the facility postponing from 2020.



---

Financial stability remains a key focus for the Company. MMK's debt leverage remains among the industry's lowest at  $-0.06x$  Net Debt/EBITDA as of the end of the fourth quarter. The Group's high level of available liquidity (USD 2.6 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 Q4 2020 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 0.945 per ordinary share (114% of FCF) for Q4 2020, in line with the Company's strategic commitment to maximise TSR.*





## MMK GROUP'S PERFORMANCE ACROSS CORE SEGMENTS

### STEEL SEGMENT RUSSIA

USD mln	Q4 2020	Q3 2020	%	12M 2020	12M 2019	%
Revenue	1,734	1,456	19.1%	5,972	7,226	- 17.4%
EBITDA	447	336	33.0%	1,440	1,744	- 17.4%
EBITDA margin, %	25.8%	23.1%	2.7 p.p.	24.1%	24.1%	0.0 p.p.
Cash cost of slab, USD/t	285	263	8.4%	269	305	- 11.8%

**+ 19.1%** q-o-q

REVENUE

**The Russian steel segment's revenue** for Q4 2020 totalled USD 1,734 mln, up 19.1% q-o-q driven by sales growth due to strong global demand for steel amid a more favourable pricing environment in key sales markets. The y-o-y decline in revenue by 17.4% to USD 5,972 mln was driven by a significant downturn in market conditions as a result of the pandemic's spread in Russia and globally.

**+ 33.0%** q-o-q

EBITDA

The segment's **EBITDA** for Q4 2020 amounted to USD 447 mln, up 33.0% q-o-q, as a result of growing sales and sales margins. EBITDA declined by 17.4% y-o-y to USD 1,440 mln, reflecting the pandemic's negative impact on business activity and global steel prices.

The Group's Q4 2020 profitability saw a positive boost to the sum of USD 23 mln for the quarter from the operational efficiency and cost optimisation programmes under our updated strategic initiatives. The annual effect of the programmes amounted to USD 83 mln.

**+ 8.4%** q-o-q

SLAB CASH COST

**The slab cash cost** in Q4 2020 amounted to USD 285 per tonne, up 8.4% q-o-q, driven mainly by growing iron ore and scrap prices and the higher share of pellets and scrap in the steelmaking charge. The slab cash cost declined 11.8% y-o-y to USD 269 per tonne, primarily reflecting the impact of the rouble depreciation and decline in prices for coal concentrate.



### STEEL SEGMENT TURKEY

USD mln	Q4 2020	Q3 2020	%	12M 2020	12M 2019	%
Revenue	165	137	20.4%	518	520	- 0.4%
EBITDA	21	11	90.9%	34	- 12	-
EBITDA margin, %	12.7%	8.0%	4.7 p.p.	6.6%	- 2.3%	8.9 p.p.

**+ 20.4%** q-o-q

REVENUE

**The Turkish steel segment's revenue** for Q4 2020 increased by 20.4% q-o-q to USD 165 mln, reflecting stronger demand from Turkish and European consumers amid a rise in global steel prices. Revenue for 12M 2020 totalled USD 518 mln, slightly down y-o-y.

The favourable environment in the market and the growing exports of galvanised steel almost doubled **the segment's EBITDA** to USD 21 mln in Q4 2020. Year-on-year, the Turkish steel segment's EBITDA grew to USD 34 mln due to sales growth as the strategy to diversify and boost sales margins was successfully implemented.

### COAL MINING SEGMENT

USD mln	Q4 2020	Q3 2020	%	12M 2020	12M 2019	%
Revenue	46	36	27.8%	179	246	- 27.2%
EBITDA	7	0	-	13	68	- 80.1%
EBITDA margin, %	15.2%	0.0%	15.2 p.p.	7.3%	27.6%	- 20.3 p.p.

**+ 27.8%** q-o-q

REVENUE

**The coal mining segment's revenue** for Q4 2020 increased by 27.8% q-o-q to USD 46 mln as a result of growing sales and prices for coal concentrate amid favourable market conditions. Revenue for 12M 2020 decreased by 27.2% y-o-y to USD 179 mln following a significant correction in coal concentrate prices.

Supported by the favourable market environment, **the segment's EBITDA** in Q4 2020 rose to USD 7 mln. EBITDA for 12M 2020 decreased by 80.1% y-o-y to USD 13 mln, due to a significant correction in coal concentrate prices and the accrual of provisions.



## CASH FLOW AND FINANCIAL POSITION OF MMK GROUP

### CAPEX AND CASH FLOW

- 
- In Q4 2020, CAPEX increased by 44.0% q-o-q to USD 229 mln, keeping pace with the project implementation schedule. Over 12M 2020, CAPEX decreased by 19.0% y-o-y to USD 694 mln, driven by the rouble depreciation and COVID-related delays to the construction of the new coke-oven battery.
- 
- Rising prices for key steelmaking raw materials amid the seasonal inventory stockpiling led to a USD 50 mln working capital build-up in Q4 2020. The Group management team's effective efforts improved net working capital to revenue ratio of 10.1% in Q4 2020, an 0.6 p.p. decrease q-o-q.
- 
- FCF for Q4 2020 decreased by 62.9% q-o-q to USD 125 mln, following an increase in CAPEX and working capital. FCF for 12M 2020 decreased by 36.9% y-o-y to USD 557 mln, reflecting the pandemic's impact in Q2 2020 and the associated market headwinds.

### DEBT BURDEN

- 
- The Group's total debt for Q4 2020 was USD 970 mln, up from USD 946 mln in Q3 2020 (USD 870 mln for 12M 2019).
- 
- As of the end of Q4 2020, the Group held USD 1,058 mln in cash and deposits in its accounts.
- 
- The Group's net debt as of the end of Q4 2020 totalled negative USD 88 mln, while its net debt/EBITDA ratio was  $-0.06x$ , the lowest among leading global steelmakers.



## DIVIDENDS OF MMK GROUP

- 
- The Group remains committed to its dividend policy. Considering our high margins, paired with our confidence in further business recovery in Russia and globally, the Board of Directors is convinced that the Group sits in a stable position and recommends shareholders to approve the payment of a dividend of RUB 0.945 per share (114% of FCF for the quarter) for Q4 2020.

## OUTLOOK

- 
- The stable demand in the domestic and international markets will support sales in Q1 2021. The premium product capacity utilisation rate will remain at the maximum level.

- 
- The major increase in metallurgical raw material prices and positive dynamics of global prices for metal products will support the growth of prices for MMK Group's metal products in Q1 2021.

- 
- CAPEX for Q1 2021 is expected to grow q-o-q, in line with the implementation schedule for projects pursued under the Group's strategy.

- 
- Operational excellence initiatives under the updated strategic initiatives will further boost the Group's profitability in Q1 2021.





## CONFERENCE CALL

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

- **Date:**  
2 February 2021

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

	Russia	UK	USA
<b>Local access</b>	+7 495 646 9190	+44 3303 369411	+1 323 794 2588
<b>Toll free</b>	8 10 800 2867 5011	0800 279 7204	888 394 8218

- **Conference ID:**  
  
in Russian – 8965121  
in English – 1397890

- **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 – 8965121  
in English – 1397890

	Russia	UK	USA
<b>Local access</b>	8 10 800 2702 1012	+44 2076 600134	+1 719 457 0820

- A presentation of the financial results and the IFRS financial statements can be found at: [http://eng.mmk.ru/for\\_investor/financial\\_statements/](http://eng.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%.

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

## INVESTOR RELATIONS DEPARTMENT

**Veronika Kryachko**  
+7 915 380 6266  
[kryachko.vs@mmk.ru](mailto:kryachko.vs@mmk.ru)

## ESG DEPARTMENT

**Yaroslava Vrubel**  
+7 982 282 9682  
[vrubel.ys@mmk.ru](mailto:vrubel.ys@mmk.ru)

## COMMUNICATIONS DEPARTMENT

**Dmitry Kuchumov**  
+7 985 219 2874  
[kuchumov.do@mmk.ru](mailto:kuchumov.do@mmk.ru)

**Oleg Egorov**  
+7 903 971 8837  
[egorov.oa@mmk.ru](mailto:egorov.oa@mmk.ru)

## KEY UPCOMING EVENTS IN 2021

### FINANCIAL CALENDAR

<b>10 February</b>	Citi virtual Russia Credit Investor Day
<b>25 February</b>	Video conference for retail investors, Smart-lab