

## METALLOINVEST ANNOUNCES IFRS FINANCIAL RESULTS FOR H1 2020

---

**Moscow, Russia – 20 August 2020** – Metalloinvest ('the Company'), a leading global iron ore and HBI producer, and one of the regional producers of high-quality steel, today announces its IFRS financial results for the half year ended 30 June 2020.

### **Management comments**

Alexey Voronov, Deputy CEO – Chief Financial Officer of Management Company Metalloinvest, commented:

“In the first half of 2020, the Company’s revenue decreased by 14% to USD 3.1 bn. This is mainly related to a significant decline in average prices for all product types caused by the COVID-19 pandemic and a decrease in economic activity in the global market. However, the Company successfully redistributed its product flows in the reporting period and retained a solid EBITDA margin of 36.5%.

We are pleased to note that in the first half of 2020, the Company’s Net Debt decreased by 9% to USD 3.4 bn. Thus, the Company maintained a comfortable level of leverage, with Net Debt / EBITDA LTM at 1.6x at the end of the reporting period. A debt repayment schedule with a minor proportion of short-term debt, of around 7%, secures a sustainable financial position of the Company.”

### **FINANCIAL HIGHLIGHTS**

- Revenue USD 3,075 mn (-14.2% y-o-y<sup>1</sup>)
- EBITDA<sup>2</sup> USD 1,059 mn (-24.9%)
- EBITDA margin<sup>3</sup> 36.5% vs. 41.6% in H1 2019
- Net Income USD 530 mn (-48.0%)
- Net Debt USD 3,409 mn (-9.2% compared to 31 December 2019)
- Net Debt / EBITDA LTM<sup>4</sup> 1.6x vs. 1.5x as at 31 December 2019
- Capital Expenditure USD 209 mn (-5.4%)

### **PRODUCTION HIGHLIGHTS**

- Iron ore<sup>5</sup> 20.2 mn tonnes (+2.6%)
- Pellets 14.2 mn tonnes (+0.6%)
- HBI/DRI<sup>6</sup> 4.1 mn tonnes (+1.6%)
- Hot metal 1.3 mn tonnes (-7.2%)
- Crude steel 2.5 mn tonnes (+4.6%)

---

<sup>1</sup> Hereinafter comparison with H1 2019 unless indicated otherwise

<sup>2</sup> Hereinafter EBITDA stands for EBITDA adjusted according to IFRS requirements

<sup>3</sup> EBITDA margin is calculated on the basis of Revenue net of Transportation services

<sup>4</sup> The indicator is for information only and does not contain adjustments as per the loan documentation; EBITDA LTM stands for EBITDA for the last 12 months

<sup>5</sup> Hereinafter iron ore refers to iron ore concentrate and sintering ore

<sup>6</sup> Direct reduced iron

## **KEY CORPORATE HIGHLIGHTS**

### **Operational developments and capital expenditure**

- Launch of CCM<sup>7</sup> #3 at OEMK following the completion of its technical re-equipping
- Modernisation of the beneficiation plant at MGOK to increase the plant's iron ore concentrate production
- Reconstruction of Pellet Plant #3 at MGOK for implementing advanced technology of additional concentrate grinding

### **Financing**

- Placement of BO-04 series and BO-10 series RUB-denominated bonds in the amount of RUB 10 bn and RUB 5 bn accordingly
- Signing of an agreement with ING Bank for ECA backed financing in the amount of EUR 11.7 mn
- Opening of a credit line at the International Bank for Economic Co-operation (IBEC) in the amount of up to EUR 40 mn
- Confirmation of the Company's "ruAA" rating with a stable outlook by the Expert RA rating agency

### **Sustainable development**

- Approval of the 2020–2025 Environmental Programme with RUB 21 bn in investments
- Increase of the payroll fund by 5% (or RUB 1.7 bn taking into account deductions for social insurance contributions)
- Approval of social partnership programmes for 2020
- One-time financial aid to support the employees during the COVID-19 pandemic (approximately RUB 600 mn)
- Support for the healthcare system in the regions where the Company operates (in the total amount of over RUB 2.4 bn)

### **Corporate governance**

- New appointments to management positions – Nazim Efendiev (CEO), Alexey Voronov (Deputy CEO – Chief Financial Officer), Andrey Belyshev (Deputy CEO – Organisational Development and Human Resources Director), Yulia Shutkina (Digital Transformation Director), Oleg Krestinin (Deputy CEO – Sales Director), Anton Zakharov (Managing Director of MGOK)

## **INCOME STATEMENT**

USD mn	H1 2020	H1 2019	Change, y-o-y
Revenue	<b>3,075</b>	3,584	-14.2%
Revenue (net) <sup>8</sup>	<b>2,899</b>	3,392	-14.5%
EBITDA	<b>1,059</b>	1,410	-24.9%
EBITDA margin <sup>9</sup>	<b>36.5%</b>	41.6%	-5.1 p.p.
Net Income	<b>530</b>	1,020	-48.0%

<sup>7</sup> Continuous Casting Machine

<sup>8</sup> Revenue net of transportation services as stated in the Note 10 of the IFRS Statements for H1 2020

<sup>9</sup> EBITDA margin is calculated on the basis of Revenue (net)

## **Revenue**

In H1 2020, the Company's revenue amounted to USD 3,075 mn, a 14.2% decrease y-o-y. Negative dynamics is mainly related to a decline in iron ore and steel product prices in line with a decrease in global prices. In the reporting period revenue from the Mining Segment declined by 27.2% to USD 1,516 mn, while revenue from the Steel Segment decreased by 17.2% to USD 1,267 mn.

In H1 2020, domestic sales declined to 35.4% of the Company's total revenue. The proportion of sales in Europe and MENA accounted for 22.4% and 10.2% respectively. Meanwhile, sales in Asia rose to 19.6% of total revenue (compared to 8.9% in H1 2019) as a result of revenue growth from shipments to China by 4 times.

## **Cost of sales, distribution and general and administrative expenses**

In H1 2020, the Company's cost of sales amounted to USD 1,395 mn, a 13.7% decrease y-o-y. This is related to changes in prices for raw materials, the introduction of new technologies and cost optimisation. The cost of sales as a proportion of overall revenue amounted to 45.4%, remaining unchanged compared with H1 2019.

Distribution, general and administrative expenses in the reporting period totalled USD 712 mn, a 13.9% increase y-o-y. This is mainly related to the growth in transportation costs driven by a redirection of shipments to more distant markets, primarily China. The share of distribution, general and administrative expenses in the Company's total revenue increased to 23.2% (vs. 17.4% in H1 2019).

## **Profitability**

In H1 2020, the Company's EBITDA decreased by 24.9% to USD 1,059 mn compared to H1 2019. This is related to a negative dynamics of the Mining Segment EBITDA (-36.9% y-o-y) in line with a decrease in iron ore product prices. The Steel Segment EBITDA amounted to USD 134 mn in H1 2020 accounting for 12.7% of the Company's consolidated EBITDA.

Due to the redistribution of product flows to the regions with more stable demand for iron ore and steel products, as well as a decrease in production costs, the Company maintained its EBITDA margin at 36.5% in the reporting period.

Net income in H1 2020 amounted to USD 530 mn compared to USD 1,020 mn in H1 2019, mainly due to the different trends of the ruble exchange rates used in accounting for the Company's foreign currency debt in the reported periods (foreign exchange loss in the amount of USD 214 mn in H1 2020 and foreign exchange gain in the amount of USD 197 mn in H1 2019).

## **FINANCIAL POSITION**

As of 30 June 2020, the Company's Total Debt decreased by 4.4% compared to 31 December 2019 and amounted to USD 3,882 mn. Long-term debt prevailed in the loan portfolio structure – 93% of total debt as at 30 June 2020. Short-term debt amounted to USD 288 mn at the reporting date.

As of 30 June 2020, the Company's cash and cash equivalents amounted to USD 473 mn compared with USD 304 mn as of 31 December 2019.

The Company's Net Debt decreased by 9.2% to USD 3,409 mn as at the reporting date (compared to USD 3,755 mn as at the end of 2019). Net Debt / EBITDA LTM ratio was 1.6x as of 30 June 2020 vs. 1.5x as of 31 December 2019.

In May 2020, the Expert RA rating agency confirmed the Company's "ruAA" rating with a stable outlook.

## **LIQUIDITY AND CAPITAL RESOURCES**

In H1 2020, Metalloinvest has continued improving the repayment schedule and optimising its debt portfolio:

- In February 2020, the Company placed its BO-04 series bonds for a total amount of RUB 10 bn through a public offering. The coupon rate for the period of 6 years was set at 6.55%<sup>10</sup>
- In May 2020, Metalloinvest opened a credit line at the International Bank for Economic Co-operation (IBEC) in the amount of up to EUR 40 mn with a repayment within 7 years and a grace period of 5 years. The utilisation period under the agreement is 3 years. The interest rate is fixed for the entire loan period. The funds will be used to finance expenditures related to the import of production equipment
- In June 2020, the Company priced its BO-10 series bonds for a total amount of RUB 5 bn through a public offering. The coupon rate for the period of 5 years was set at 5.70%<sup>11</sup>
- In June 2020, Metalloinvest signed an agreement with ING Bank for ECA backed financing in the amount of EUR 11.7 mn. The agreement took place under the existing framework agreement signed with twelve international banks in August 2019. The loan provided under the agreement with ING Bank will be repaid in equal semi-annual payments over the course of 10 years. The credit line will be used to finance previously incurred expenses under the contract with Danieli Centro Combustion S.p.A. for the equipment supply under the investment project for the construction of the heat treatment facility for hot-rolled steel at OEMK

In March 2020, based on the results for 12 months of 2019, the Company announced its dividends in the amount of RUB 78.5 bn, the majority of which was returned to the Company for the settlement of intragroup transactions.

## **OPERATIONAL RESULTS**

### **Production by product**

tonnes '000	H1 2020	H1 2019	Change, %
Iron ore	20,183	19,665	+2.6%
Pellets	14,156	14,071	+0.6%
HBI/DRI	4,113	4,049	+1.6%
Hot metal	1,264	1,362	-7.2%
Crude steel	2,542	2,430	+4.6%

### **Shipments<sup>12</sup> by product**

tonnes '000	H1 2020	H1 2019	Change, %
Iron ore	3,438	3,171	+8.4%
Pellets	7,532	6,890	+9.3%
HBI/DRI	2,375	2,322	+2.3%
Pig iron	703	926	-24.1%
Steel products	2,456	2,294	+7.1%

<sup>10</sup> According to the issue parameters, there is a call option at the bond's nominal value in 3 years (1,092 days) on the maturity date of the 6<sup>th</sup> coupon

<sup>11</sup> According to the issue parameters, there is a put option at the bond's nominal value in 5 years

<sup>12</sup> Due to the transition to a new integrated financial and business operations management system based on SAP S/4HANA it was changed the methodology to disclose shipments. Starting from 01.01.2020 the export supplies are presented as the shipments to the final customer from the warehouses of Metalloinvest Trading AG (until 31.12.2019, exports are represented by shipments from the warehouses of plants)

In H1 2020, the Company produced 20.2 mn tonnes of iron ore, a 2.6% increase y-o-y. This was due to an increase in productivity due to the processing of higher quality ore and the reduction of iron ore consumption for concentrate.

Pellet production increased by 0.6% y-o-y and amounted to 14.2 mn tonnes mainly as a result of an increase in productivity due to a change in the pellet product mix.

The Company produced 4.1 mn tonnes of HBI/DRI, which represents 1.6% growth y-o-y. The increase is mainly explained by growth in productivity.

Metalloinvest produced 1.3 mn tonnes of hot metal, which represents 7.2% decrease y-o-y. This is mainly due to a decrease in productivity of Blast Furnace #3 at Ural Steel.

Crude steel production increased by 4.6% y-o-y to 2.5 mn tonnes. This growth was mainly a result of the reconstruction of FMF #2 at Ural Steel in H1 2019 and the increase in productivity following a change in the product mix at OEMK.

### **CAPEX PROGRAMME**

In H1 2020, the Company's capital expenditure amounted to USD 209 mn and was mainly allocated to the following projects:

- Technical re-equipping of the open-pit mines through the purchase of specialist equipment – mining dump trucks with a lifting capacity of 180–220 tonnes, heavy-duty excavators with bucket capacities of up to 32 m<sup>3</sup>, locomotives, dump cars and others
- Development projects including the construction of a crushing and conveyor facility, fine screening technology, and modernisation of pellet plants at MGOK; purchase of technical equipment for the beneficiation plant; the implementation of the cyclical and continuous transportation system and construction of external electric power supply facilities at LGOK; modernisation of Blast Furnace #2 and Blast Furnace #3, and construction of medium pressure CHP<sup>13</sup> boilers at Ural Steel; and construction of the grinding ball mill at OEMK
- Finalisation of the integration of the business transformation programme to create an integrated financial and business management system based on Industry 4.0 at all of the Company's production sites

In March 2020, Metalloinvest launched CCM #3 at OEMK's Electric Arc Furnace Shop following the completion of its technical re-equipping.

As part of the Company's comprehensive development programme, Metalloinvest is modernising the beneficiation plant at MGOK to increase the plant's production volumes by increasing iron extraction. The project is scheduled to be completed in December 2020.

Metalloinvest is reconstructing Pellet Plant #3 (PP-3) at MGOK in order to implement the advanced technology of grinding concentrate on high-pressure rolls in its mining process. Most of the modernisation work will be carried out during the planned shutdown of PP-3 in August-September 2020. The modernised plant is scheduled to be put into pilot operation in Q4 2020. As a result of the implementation of all measures, productivity of the pellet plant is expected to increase by 5%: from 630 tonnes per hour to 664 tonnes per hour.

---

<sup>13</sup> Combined Heat and Power

## **SUSTAINABLE DEVELOPMENT**

In March 2020, Metalloinvest approved its Environmental Programme for 2020–2025. The programme provides over RUB 21 bn of investments in a range of technological and environmental measures with direct environmental benefits at all of Metalloinvest’s production sites. The key objectives of the Environmental Programme to be achieved by 2025 are as follows:

- A 7% reduction in air emissions
- Full transition of MGOK and OEMK to a closed-loop water recycling system – elimination of wastewater discharges into water bodies
- Gradual transition of LGOK to a closed-loop water recycling system – reduction of wastewater discharges by 50% (Ural Steel operates a closed water recycling system that excludes wastewater discharges)
- 100% processing of technological waste and materials (not including overburden and tailings at LGOK and MGOK)
- A 33% reduction of overburden formation at LGOK and MGOK as a result of the construction of conveyor facilities
- A 1 mn tonne reduction in greenhouse gas emissions (CO<sub>2</sub> equivalent) from Metalloinvest's iron ore product customers

The programme targets will be specified based on the results of an independent environmental audit in 2020.

In February 2020, Metalloinvest’s Social Council decided to increase the wages of its enterprises’ employees from 1 March 2020. The payroll fund was increased by 5% or RUB 1.7 bn, taking into account deductions for social insurance contributions.

In March 2020, Metalloinvest approved the programme of initiatives for 2020 with the governments of the Belgorod, Orenburg and Kursk regions, and the towns of Zheleznogorsk and Novotroitsk, as part of their socio-economic partnerships.

In April 2020, Metalloinvest allocated over RUB 100 mn to purchase medical equipment, equip hospitals and provide residents of Belgorod, Kursk and Orenburg regions with personal protective equipment to help in the fight against coronavirus.

In April 2020, The Company provided extra payments as an additional measure to support its employees during the COVID-19 pandemic. The total amount of a one-time financial aid was about RUB 600 mn.

In May 2020, Metalloinvest allocated RUB 2 bn to support the healthcare system in the regions where it operates.

In June 2020, Metalloinvest allocated RUB 250 mn for the upgrade of a hospital in Zheleznogorsk.

In June 2020, LGOK held online stakeholder consultations around the implementation of the plan for occupational health and safety, industrial safety, and environmental and social governance during the operation of HBI-3 Plant. The 2019 report was presented to participants.

## **OTHER KEY CORPORATE EVENTS**

### **March 2020**

Anton Zakharov appointed Managing Director of MGOK.

### **April 2020**

Nazim Efendiev appointed new CEO of Management Company Metalloinvest after Andrey Varichev sadly passed away unexpectedly. Andrey Varichev headed the Company since October 2013 and held various managerial positions at a number of companies within the Group over the past two decades.

### **May 2020**

Ural Steel finalised the technological aspects of the production of concast billets to be used in the production of 100-metre long rails.

### **June 2020**

Alexey Voronov appointed Deputy CEO – Chief Financial Officer of Management Company Metalloinvest.

Yulia Shutkina appointed Digital Transformation Director of Management Company Metalloinvest.

Oleg Krestinin appointed Deputy CEO – Sales Director of Management Company Metalloinvest.

Andrey Belyshev appointed Deputy CEO – Organisational Development and Human Resources Director of Management Company Metalloinvest.

## **SUBSEQUENT EVENTS**

### **July 2020**

Metalloinvest extended two reserve credit lines with ING Bank for a total amount of USD 200 mn (or EUR equivalent). Following additional agreements, the reserve credit lines will be valid for 3 years. The interest rate of one of the credit line in the amount of USD 100 mn (or EUR equivalent) will remain linked to the Company's Corporate Social Responsibility rating from EcoVadis, the international independent rating agency.

Fitch affirmed Metalloinvest's rating at "BB+" with a stable outlook.

Metalloinvest announced its dividends in the amount of RUB 116.5 bn. To achieve the objective of improving the Company's financial profile, the major part of declared dividends will be returned to the Company's balance to reduce a significant share of intragroup loans.

Evgeny Maslov resigned as Managing Director of Ural Steel for family reasons. Alexey Prosyaniuk, Chief Engineer, assumes the role of interim Managing Director.

### **August 2020**

Metalloinvest opened a new credit line with Sberbank to provide a reserve source of liquidity for the Company. The new committed revolving credit line in the amount of up to RUB 15 bn has a repayment period within 36 months, with a fixed interest rate throughout. The new credit line allows the Company to enhance its liquidity position by increasing its available funds, extending the credit line maturity and improving the commercial conditions of its previous credit line with Sberbank.

Metalloinvest opened a new revolving credit line with CREDIT BANK OF MOSCOW in the amount of RUB 7 bn. The loan has a repayment period within 36 months, the interest rate is floating and linked to the key rate set by the Bank of Russia throughout the term of the credit line. The credit line has been opened to provide a reserve source of liquidity for the Company.

###

*For further information, please contact:*

**Artem Lavrishev**

*Director of Finance and Economics Development Department*

E: [ir@metalloinvest.com](mailto:ir@metalloinvest.com)

T: +7 (495) 981-55-55, ext. 7243

**Anton Troshin**

*Director of Corporate Communications Department*

E: [pr@metalloinvest.com](mailto:pr@metalloinvest.com)

T: +7 (495) 981-55-55, ext. 7629

---

Metalloinvest is a leading global iron ore and merchant HBI producer and supplier, and one of the regional producers of high-quality steel. The Company has the world's second-largest measured iron ore reserve base and is one of the lowest-cost iron ore producers. Metalloinvest is wholly owned by Holding Company USM LLC. Alisher Usmanov is the major beneficiary of Holding Company USM LLC (49%).