CONTENTS

CORPORATE GOVERNANCE DEVELOPMENTS 3

STATEMENT BY THE CHAIRMAN OF THE BoD 7

MARKET OVERVIEW 14

IMPLEMENTATION OF STRATEGY 2016-2025 19

OVERVIEW OF MMK GROUP’S FINANCIAL POSITION 32

CONCLUDING REMARKS 39
Tav Morgan
Independent member of the Board of Directors, Chairman of the Committee on Health, Safety and Environment

CORPORATE GOVERNANCE DEVELOPMENTS
CORPORATE GOVERNANCE FOCUSED ON DELIVERING ON SHAREHOLDER PRIORITIES

Audit Committee

- Improving internal & external reporting
- Reduce reporting times
- Advancing risk management system
- Overseeing dividend policy changes

All committee members are independent directors (including the chair)

HSE Committee

- Improvement of safety practices and education
- Pursuit of best practice in environmental management
- Initiation of ESG reporting

2 of 4 members are independent directors (including the chair)

Nominations and Remuneration Committee

- Professional personal development
- KPI development for top management

2 of 3 members are independent directors (including the chair)

Strategic Planning Committee

- Continuous monitoring of CAPEX programmes
- Improving delivery of client services

Includes non-executive and independent directors
**MAIN AREAS OF THE BOARD OF DIRECTORS’ WORK**

**Operational efficiency and cost reduction**
- Optimization of production and logistic processes and costs
- Reorganization and streamlining of headcount
- Prioritization of digitalization initiatives

**Brand strengthening**
- Continuous improvement of customer service delivery
- Building customer and supplier loyalty
- Broadening MMK’s brand recognition

**High standards of corporate governance**
- Protection of minority shareholder rights
- Focus on TSR and ESG
- Continuous review of investment portfolio to pursue highest IRR projects
- Timely and transparent disclosure of information
- Creation of new Board Committee on Health, Safety and Environment

**Development of human capital**
- Hiring highly qualified staff
- Improvement of personnel motivation system
- Continuous staff development in cooperation with a specialised regional university
- R&D centre

**Effective risk management**
- Continuous development of risk management practices
- Conduct of independent assessment of Board’s work and setting of new goals
FOCUS ON SUSTAINABLE DEVELOPMENT

Environmental sphere:
- Reducing impact of operations on environment
- Managing environmental risks
- Efficient use of natural resources

Economic sphere:
- Sustainable economic performance
- Reduction of working capital through supply chain improvements
- Boosting development of localities company operates in
- Institution of best business practices, including transparency in contracting

Social sphere and production safety:
- Focus on instituting leading health and safety practices
- Emphasis on safety culture reforms through newest available tools
- Baselining and tracking socio-economic impact

A sustainable business = A successful business

Goals for 2020
1. Preparation of a sustainability report
2. Obtaining ESG ratings from leading international agencies
STATEMENT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Victor Rashnikov
Chairman of the Board of Directors
### MMK: A LEADER IN THE RUSSIAN STEEL INDUSTRY

<table>
<thead>
<tr>
<th>Leading positions in terms of production of steel in Russia with a focus on HVA products</th>
<th>№1 producer of HVA products in Russia</th>
<th>Market share in Russia, 2018</th>
<th>17.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-quality asset base with globally competitive low-cost production</td>
<td>First quartile on the global cost curve</td>
<td>Production costs of hot rolled coil (C1 cost)</td>
<td>$408/t</td>
</tr>
<tr>
<td>Prudent, stable financial policies and strong credit ratings</td>
<td>Net debt/EBITDA, 9 months 2019</td>
<td>Moody’s</td>
<td>Baa2</td>
</tr>
<tr>
<td>Sharp focus on total return to shareholders</td>
<td>Dividend policy tied to free cash flow</td>
<td>Standard &amp; Poor’s</td>
<td>BBB–</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fitch Ratings</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Corporate governance:
- Moody’s $4 bln
- $408/t
- 25–30%
- (0.04x)
- Baa2
- BBB–
- >10%
- >10%
MAXIMISING SHAREHOLDER RETURN

Total shareholder return (TSR) for the last 5 years

Source: Bloomberg, Reuters as of 8 November 2019

1 Russia includes Severstal, NLMK and Evraz
2 North America includes Nucor, US Steel, Steel Dynamics, AK Steel and Commercial Metals
3 Latin America includes Gerdau, CSN, Usiminas, CAP and Ternium
4 Asia includes POSCO, Tata Steel, Jindal, JSW Steel, Baosteel and Nippon Steel & Sumitomo Metal Corporation
5 Europe includes ArcelorMittal, ThyssenKrupp, Voestalpine, Edermr and SSAB

1. MMK free float increased by 3% (September 2017)
2. MMK included in MSCI Index (November 2017)
3. MMK dividends reach 100% of free cash flow (starting Q1 2018)
4. Total Shareholder Return a key performance indicator for MMK top management
5. Highest total shareholder return among Russian and international steelmakers

319.3% Russia
6.4% North America
158.7% Latin America
3.5% Asia
(7.3%) Europe
(28.2%)
Sound investments:

1. Additional CAPEX will not affect dividend payments

2. Strict DCF and risk assessment of potential projects, followed by prioritized planning and sequencing

3. Increasingly flexible approach to CAPEX implementation based on prevailing market conditions

4. Investments do not exceed operating profit

5. Targeting >20% IRR on all investment projects

MMK CAPEX ($ bln)

- Avg. 2016-2018: 0.7
- 2019F: 0.9
- 2020-2023F: 0.9*
- 2024-2025F: 0.7*

Maintenance 2020–2025: $0.3 bln annually

Source: MMK
### PERFORMANCE OF KEY INVESTMENT PROJECTS, 2016-2025 STRATEGY

<table>
<thead>
<tr>
<th>Volume growth, improved product mix</th>
<th>Launch date</th>
<th>CAPEX 2016–2025</th>
<th>EBITDA*</th>
<th>IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔ New galvanising unit</td>
<td>2017</td>
<td>$82 mln</td>
<td>$85 mln</td>
<td>73%</td>
</tr>
<tr>
<td>✔ New polymer coated plant</td>
<td>2017</td>
<td>$71 mln</td>
<td>$92 mln</td>
<td>61%</td>
</tr>
<tr>
<td>✔ Metalware capacities upgrade</td>
<td>2019</td>
<td>$63 mln</td>
<td>$31 mln</td>
<td>32%</td>
</tr>
<tr>
<td>✔ Transition to monograde ‘Zh’ (pure fat coal concentrate), beneficiation plant upgrade</td>
<td>2018–2019</td>
<td>$40 mln</td>
<td>$25 mln</td>
<td>50%</td>
</tr>
</tbody>
</table>

Completed projects

Reconstruction of Hot Rolled Products Mill 2500
2020
$287 mln
$103 mln
26%

<table>
<thead>
<tr>
<th>Cost leadership, environmental performance</th>
<th>Launch date</th>
<th>CAPEX 2016–2025</th>
<th>EBITDA*</th>
<th>IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>✔ New oxygen unit (No 5)</td>
<td>2018</td>
<td>$88 mln</td>
<td>$18 mln</td>
<td>26%</td>
</tr>
<tr>
<td>✔ New sinter plant</td>
<td>2019</td>
<td>$400 mln</td>
<td>$47 mln**</td>
<td>23%</td>
</tr>
</tbody>
</table>

New coke and by-product plant: coke-oven battery No 12, by-product recovery and processing shop, biochemical plant
2021–2022
$785 mln
$54 mln**
24%

New blast furnace, new steam turbine power station
2024
$694 mln
$119 mln
36%

New oxygen unit (No 9)
2025
$167 mln
$51 mln
21%

Other development projects
2020–2025
$202 mln
$61 mln
>22%

Total
$2,879 mln
$686 mln

---

* Average annual impact based on estimates under current macroeconomic conditions
** Excluding the impact of production losses
EVOLUTION OF DIVIDEND POLICY

2016
30%+ of FCF

2017–2018
50%+ of FCF

2019
100%+ of FCF:

≥ 100% of FCF if Net Debt/EBITDA < 1.0x

≥ 50% of FCF if Net Debt/EBITDA > 1.0x

NEW
FURTHER DEVELOPMENT – SUSTAINABLE VALUE CREATION THROUGH …

Maximising shareholder return

- Leadership in sales of HVA products
- Leadership in the domestic market
- Maintaining leadership in terms of product portfolio and customer service
- High EBITDA margin
- Continuous ongoing operational improvements
- Impactful CAPEX and M&A
- Consistently high FCF
- Low debt burden

Sustainable development

- Leading positions among Russian companies in terms of occupational health and safety
- Significant decrease in environmental impact through the use of best available technologies
- Effective management team and continuous staff development
- Leadership in sales of HVA products
- Leadership in the domestic market
- Maintaining leadership in terms of product portfolio and customer service
- High EBITDA margin
- Continuous ongoing operational improvements
- Impactful CAPEX and M&A
- Consistently high FCF
- Low debt burden

Leading ESG rating (sustainable development rating) and Total Shareholder Return
Pavel Shilyaev
CEO

MARKET OVERVIEW
The key drivers behind increasing consumption of steel products will be the ASEAN countries and India.

The utilisation of steelmaking capacities globally and in China has improved considerably to a rate that is higher than it has been historically.

Exports of steel products from China will remain at a relatively low level.
STABLE GROWTH IN THE RUSSIAN ECONOMY IS EXPECTED, MEANING INCREASED CONSUMPTION OF STEEL PRODUCTS

Russian GDP in 2019–2020 expected to be approaching 2% (%)

Consumption of steel products in Russia to recover to pre-crisis levels, and further growth is expected (mln t)

1. Investment growth in fixed capital is expected, partially due to national infrastructure projects and increased consumer demand.

2. Import substitution is ongoing alongside expected growth in domestic consumption of steel products.

3. Utilisation of steelmaking capacities in Russia is 85%, which is considerably higher than the global average.

Source: Ministry of Economic Development of the Russian Federation

Source: WorldSteel (October 2019)
MMK has achieved a strong position in the Russian market and employs strong export capabilities.

1. MMK is the leader in the Russian market and the No 1 supplier of HVA products:
   - The leader in steel supplies to automakers in Russia
   - The only producer of tinplate in Russia

2. Leadership in the Russian market on the back of MMK’s unique capabilities – high-quality product mix, efficient logistics and customer focus

3. Additional stability thanks to MMK’s flexible sales system, which allows the Group to quickly refocus on exports

More than 45% of Russian steel consumption takes place in MMK’s home regions**

MMK’s home regions** account for 74% of the Company’s sales in Russia

1. Leading position in the Russian market, effective export capabilities
   The weakening of Russia’s domestic market in 2015–2016 was successfully balanced by increased exports

2. Leader in high tech steel supply to Russian customers
   - No 1 producer of HVA* products in Russia

3. Additional stability thanks to MMK’s flexible sales system, which allows the Group to quickly refocus on exports

* Includes thick plate Mill 5000, cold-rolled steel, galvanised steel, polymer-coated steel, tin plate, formed sections, tubes, and cold-rolled bands
** Home regions are regions close to MMK where the Company has a logistical advantage
SUSTAINABLE AND STABLE OPERATIONS
AT ALL PRICE CYCLE STAGES

Iron ore price dynamics ($/t)

Coking coal price dynamics ($/t)

Highly stable price corridor – spreads between MMK raw material basket and HRC price* ($/t)

1. High degree of correlation between prices for raw materials and steel allows MMK to maintain a sizable stable spread at all stages of price cycle

2. Russian iron ore and coking coal markets are characterised by surplus domestic production, minimising risks related to raw material supply

3. Pellet and high-quality iron ore prices dropped in H2 2019, providing MMK with an advantage over peers with a higher integration into raw materials production

* The cost of the raw materials basket for 1 tonne of steel is calculated as the sum of the products of consumption indices and the average purchase price for iron ore, pellets, coking coal concentrate and scrap metal
Pavel Shilyaev
CEO
IMPLEMENTATION OF STRATEGY 2016-2025
STRATEGY 2016-2025: MAIN FOCUS

SUSTAINABLE DEVELOPMENT

A1 Safe production
A2 Social strategy and environmental responsibility
A3 Professional development

VALUE CREATION FOR SHAREHOLDERS

B1 Strengthening positions in key markets
B2 Improving operational efficiency
B3 Improving investment attractiveness
SAFE PRODUCTION IS THE COMPANY’S TOP PRIORITY

Steady decrease in LTIFR...*

<table>
<thead>
<tr>
<th>Year</th>
<th>LTIFR</th>
<th>Industry average**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1.16</td>
<td>1.03</td>
</tr>
<tr>
<td>2018</td>
<td>1.02</td>
<td></td>
</tr>
<tr>
<td>09M19</td>
<td>0.81</td>
<td>-30% since 2016</td>
</tr>
<tr>
<td>2025</td>
<td>0.58</td>
<td>-50% since 2016</td>
</tr>
</tbody>
</table>

...and LTISR***

<table>
<thead>
<tr>
<th>Year</th>
<th>LTISR</th>
<th>Industry average**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>44.16</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>32.04</td>
<td></td>
</tr>
<tr>
<td>09M19</td>
<td>25.05</td>
<td>-43% since 2016</td>
</tr>
<tr>
<td>2025</td>
<td>22.08</td>
<td>-50% since 2016</td>
</tr>
</tbody>
</table>

Source: MMK

* LTIFR (lost time injury frequency rate)
** WSA (WorldSteel Association) - Russian and International steelmakers data
*** LTISR (lost time injury severity rate)

MAIN ACHIEVEMENTS:
1. Achieved LTIFR score below industry average**
2. Created the Safety School training facility – unique in Russia
3. Applied digital technologies (VR/AI) in the area of occupational health and industrial safety

STRATEGIC INITIATIVES:
“Zero tolerance for safety violations”
- Staff incentive system tied to safe production
- Staff assessment and training focused on maintenance of workplace safety
- Machine vision systems and the installation of robotic equipment

KEY TARGETS:
1. LTIFR -50% ↓ LTISR -50% ↓ by 2025 compared with 2016
2. Zero fatalities
3. Zero tolerance for safety violations and corporate culture promoting safety at all levels
4. Compliance with the requirements of ISO 45001
MAIN ACHIEVEMENTS:
1. Based on 2018 results, Russia’s Ministry of Natural Resources removed Magnitogorsk from its list of cities with the worst air pollution
2. The Magnitogorsk reservoir on the Ural River has been recognized as a fishery basin of the highest class

STRATEGIC INITIATIVES:
• Constant monitoring of emissions; introduction of an environmental dispatch facility
• Investment programme aimed at improving operational efficiency and environmental performance

PRIMARY TARGETS:
1. Complete elimination of discharges of industrial wastewater into natural bodies of water by 2025
2. Stored solid waste from steelmaking -63% ↓ by 2025
1. **89%** of employees have vocational education

2. **Staff development**: Training at the best Russian and international business schools

3. **Maintaining a pool of candidates**: Earning a second qualification and providing employees with on-the-job training in other departments

4. **Hiring talented young people**: Over 2,000 students completed internships within the Group in 2018

5. **International Conferences for Young Professionals**: More than 600 young professionals take part in the International Conferences annually

6. **350 programmes** at the Corporate Training Centre, 50 areas of specialisation at education centres in Magnitogorsk

7. **95%** of top managers were trained within the Group

8. **31%** female employees in 2018

Source: MMK
LEADERSHIP IN PRIORITY MARKETS…

1. Leader in the HVA market
   - No 1 producer of HVA products in Russia

2. Key supplier to automakers
   - >50% market share of rolled steel for the automotive industry in Russia
   - 3x growth in sales to foreign automakers with localised production\(^1\)

3. Wide range of products
   - New coated metal production capacities
     - New galvanising unit and MMK – Lysvensky Metallurgical Plant
   - MAGSTRONG: High-strength, wear-resistant
   - Steel Art: texturised polymer coatings
   - Top 3 metalware producer
     - MMK-Metiz

Source: MMK
\(^1\) Sales growth compared to 2016
Consumption of high-value-added products in Russia (mln t)

2014–2020F CAGR = +0.7%

1.8 mln t of HVA products (20% of consumption) imported into Russia in 2018

Source: Metal Expert, MMK projections

Sales of HVA products by MMK Group (mln t)

Steady growth of sales and share of HVA products

Source: MMK

* Includes thick plate Mill 5000, cold-rolled steel, galvanised steel, polymer-coated steel, tin plate, formed sections, tubes, and cold-rolled bands

1. Russian HVA products consumption is recovering and import substitution is observed (still accounts for a significant share of the market)

2. As part of its strategy to increase HVA products sales, MMK is expanding its capacities and product range:
   - Creation of a modern metalware production facility at MMK-Metiz
   - Production capacity ramp-up at MMK – Lysvensky Metallurgical Plant
## Continuous Improvement of Customer Service

Sales on time. Quality and customer service.

<table>
<thead>
<tr>
<th>Marketing and planning</th>
<th>Mobile sales assistant – pricing management</th>
<th>Agile teams for customer groups</th>
<th>Automation of operational management</th>
<th>Development of e-commerce platform to improve customer range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement and production</td>
<td>Minimum lead time between production and orders delivery in the industry</td>
<td>OTIF – this KPI was introduced for sales and production departments. Target of 12% increase in OTIF by 2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Logistics and sales</td>
<td></td>
<td>Closer to customers – development of logistics infrastructure and a joint venture with Coşkunöz (a steel service centre for automakers in Russia)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooperation and customer management</td>
<td>iClient MMK – mobile app for orders management</td>
<td>One point of contact to meet customer needs in terms of production process, delivery times and product quality</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: MMK
## GROWTH LEADING TO LOWER COSTS AND GREATER EFFICIENCY

### Increase use of own coal concentrate

<table>
<thead>
<tr>
<th>Initiative</th>
<th>2016</th>
<th>2018</th>
<th>2023 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentrate from own coal (mln t)</td>
<td>1.9</td>
<td>2.6</td>
<td>3.2</td>
</tr>
<tr>
<td>Concentrate from purchased coal (mln t)</td>
<td>1.9</td>
<td>0.4</td>
<td>3.2</td>
</tr>
</tbody>
</table>

- Transition to uniform quality coking coal concentrate
- Reconstruction of processing plant

### Increase sinter production

- Sinter (mln t)
  - 2018: 10.5
  - 2020 target: 11.5

- Impact of new sinter plant (mln t)
  - 2020 target: +1.0
  - 2025 target: +1.0

- Impact of new blast furnace (mln t)
  - 2025 target: +0.6

### Increase pig iron production

- Pig iron (mln t)
  - 2018: 10.2
  - 2020 target: 10.4
  - 2025 target: 10.8

- Impact of new sinter plant (mln t)
  - 2020 target: +10%

- Impact of new blast furnace (mln t)
  - 2025 target: +6%

### Increase production of own electricity

- Production of own electricity (MW)
  - 2018: 657
  - 2023 target: 857

- Impact of new sinter plant
- New sinter plant
- New coke and by-product plant
- New blast furnace

### Impact

- Production costs reduction
- Reduction in procurement of third-party coal
- Pig iron cash costs reduction
- Improved quality of pig iron
- Slab cash costs reduction

### Slab cash costs reduction

- Replacement of natural gas with secondary resources
- Electricity self-sufficiency up to 85%
- Slab cash costs reduction

### Source: MMK
IMPROVED OPERATIONAL AND FUNCTIONAL EFFICIENCY (1/3)
OVERALL STRATEGY: BUSINESS SYSTEM ‘EVOLUTION’

Customer focus
- Deliveries on time
- Quality control
- Development of customer service

Industry 4.0 and digitalization
- Big Data
- Data Mining and extracting value from information
- Business and production processes modeling

Industrial Internet of things (IIoT)
- Supplementing automated control systems with control points
- Rapid deployment of advanced production management systems
- Lower equipment ownership costs

Materials management
- Value chain control
- Managing production bottlenecks
- Ensuring that data is clean and reliable

Operational efficiency
- Supply management
- Maintenance and quality management
- Sales management

Source: MMK
In 2016–2019, business system ‘Evolution’ enabled cost savings of $350 mln

By area ($ mln)
- Organisational and technical measures: 194
- Digitalization: 45
- Baby CAPEX: 51
- Invention and innovation: 25

By resource ($ mln)
- Raw and other key materials: 41
- Maintenance: 94
- Fuel and energy: 29
- G&A: 186

2-3% per year – target reduction in production costs through operating efficiency improvements measures

Source: MMK
EXISTING INFORMATION SYSTEMS WILL FORM THE BASIS FOR THE DEPLOYMENT OF OUR DIGITALIZATION STRATEGY

**Digital enterprise**

- **Production life-cycle management**
  - Optimisation of product life-cycle management with help of digital technologies

- **Smart factory**
  - Cost reduction through usage of modern technologies, models and capacities

- **Smart supply chain**
  - Improving the quality of customer service, establishing uninterrupted work with customers from expression of interest to fulfillment

- **Industrial Internet of things**
  - Emergence of new opportunities through creation of flexible, proactive and unified production facilities

- **Safety and security**
  - Safety and security issues related to various aspects of operations: information security, industrial safety, the environment

- **HR engineering**
  - Increasing labour productivity through usage of modern teaching techniques

**Project impact**

>$25 mln by 2019

**Expected impact of digitalization**

$140–160 mln by 2025
## Examples of Projects Carried Out Under MMK’s Industry 4.0 Strategic Initiative

<table>
<thead>
<tr>
<th>Objective</th>
<th>Solution</th>
<th>Expected Impact in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Big Data and artificial intelligence</strong></td>
<td>Reducing expenses on high-priced materials used in steelmaking</td>
<td><strong>Model for calculating</strong> the converter smelting parameters based on <strong>physical and chemical models</strong> of thermodynamic equilibrium and <strong>mathematical analysis</strong></td>
</tr>
<tr>
<td>Project &quot;Sniper&quot;</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Modelling and optimisation</strong></td>
<td>Reducing pig iron production costs</td>
<td>Selection of optimal values in terms of <strong>coke quality and amount of sinter</strong>, taking into account market conditions, as well as the blast furnaces’ <strong>actual operating modes</strong></td>
</tr>
<tr>
<td>Production process optimisation models</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| **Energy-efficient technologies** | Reducing consumption of natural gas and **improving the reliability** of steam boilers operations | **Automated control** of all key operational parameters of steam boilers, **optimisation of boilers efficiency** in terms of minimum consumption of natural gas | **$1.8 mln annually**
| Automated control system for cogeneration plant steam boilers | Increased safety | |
| **Digital twins** | Creation of an optimisation model for energy efficiency and an **assessment of risks** of accidents involving turbine generators | **Automated control** of turbine generator parameters, **improved technical and economic efficiency** of the load control, **improved reliability** of operation and **reduced risk** of unplanned maintenance and turbine generator downtime | **$1.2 mln annually**
| Digital twins of turbine generators with a combined capacity of 464 MW | Increased safety | |

Source: MMK
Andrey Eremin
CFO

OVERVIEW OF MMK GROUP'S FINANCIAL POSITION
FINANCIAL POLICY AIMED AT MAXIMISING CASH FLOW AND INVESTOR RETURNS

A. Focus on business performance

B. NET DEBT/EBITDA
   Investment rating
   Goal: <1.0x

C. Proactive management of working capital
   Goal: 14-15% net working capital/revenue L3M

D. New Dividends
   ≥ 100% FCF if Net Debt/EBITDA < 1.0x
   ≥ 50% FCF if Net Debt/EBITDA > 1.0x
FOCUS ON BUSINESS PERFORMANCE

One of the cost leaders in the industry

No 1 in terms of profitability among Russian peers in steel segment

Leading positions among largest steelmakers in terms of EBITDA margin

MMK is at the beginning of the cost curve
Global cost curve for the production of hot-rolled coils in 2018 ($/t)

Consistently high EBITDA margin

MMK’s position on a cost curve

Average cost $488/t

Source: CRU Steel Costs (Q2 2019)

MMK Group’s EBITDA margin
Average EBITDA margin among largest steelmakers

EBITDA, $ bln

Source: Bloomberg, CapIQ, MMK

1 Based on 9M 2019 results
2 Based on H1 2019 results
3 Excluding profit from the sale of FMG shares
4 Median indicator for the following group of companies: Severstal, NLMK, EVRAZ, Nucor, US Steel, Steel Dynamics, AK Steel and Commercial Metals, Gerdau, CSN, Usiminas, CAP and Ternium, POSCO, Tata Steel, Jindal, JSW Steel, Baosteel and Nippon Steel & Sumitomo Metal Corporation, ArcelorMittal, ThyssenKrupp, Voestalpine, Edemir and SSAB. Data for Q3 2019 is not publicly available.
### IMPACTFUL INVESTMENTS AND ONGOING OPERATIONAL IMPROVEMENTS

**Implementation of projects to improve operational efficiency and product mix**

**New projects impact on EBITDA**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>CAPEX</td>
<td>$742 mln</td>
<td>$2,137 mln</td>
</tr>
<tr>
<td>EBITDA* improvement</td>
<td>203</td>
<td>328</td>
</tr>
<tr>
<td>Volume growth, $ mln</td>
<td>181</td>
<td>483</td>
</tr>
<tr>
<td>Improved efficiency, $ mln</td>
<td>22</td>
<td>155</td>
</tr>
</tbody>
</table>

**Focus on slab cash cost reduction**

Impact of investment projects and operational improvements on slab cash cost, $/t

<table>
<thead>
<tr>
<th>Project</th>
<th>Impact on EBITDA (2019–2025)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New sinter plant</td>
<td>(9)</td>
</tr>
<tr>
<td>New coke and by-product plant</td>
<td>(9)</td>
</tr>
<tr>
<td>New blast furnace</td>
<td>(29)</td>
</tr>
</tbody>
</table>

**9M 2019 slab cash cost**

- Goal 2025: 266

* Preliminary data in prevailing market conditions

- Phase of investments in production expansion has essentially been completed
- Further investments are focused on efficiency improvement

**Case cost decrease of $47 per tonne**

- Volume growth, $ mln
- Improved efficiency, $ mln
MMK GROUP HAS THE LOWEST DEBT BURDEN IN THE INDUSTRY, AS WELL AS INVESTMENT GRADE CREDIT RATINGS

**Low debt burden**

1. **Significant debt reduction**
2. Available lines of credit significantly exceed the level of short-term debt
3. **3.09%** average rate on debt as of 30/09/2019
4. Closed currency position
5. In June 2019, MMK made a successful return to the Eurobond market
6. MMK Group’s credit ratings are some of the highest in Russia (at or above the sovereign rating), particularly in the Metals & Mining sector

**Comfortable repayment schedule and a considerable cash position**

**Debt, $ bln**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sources of liquidity</td>
<td>0.67x</td>
<td>0.10x</td>
<td>(0.01x)</td>
<td>(0.08x)</td>
<td>(0.04x)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt as of 30/09/19</td>
<td>1.1</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.9</td>
<td>0.2</td>
<td>(0.1)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Available lines of credit**

<table>
<thead>
<tr>
<th>Source of liquidity</th>
<th>Debt as of 30/09/19</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023–2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and deposits</td>
<td>0.94</td>
<td>0.05</td>
<td>0.29</td>
<td>0.04</td>
<td>0.04</td>
<td>0.45</td>
</tr>
<tr>
<td>Available lines of credit</td>
<td>1.51</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Sources of liquidity**

- Debt as of 30/09/19
- Cash and deposits
- Available lines of credit

**Net debt / EBITDA <1.0X**

**DEBT, $ bln**

- **Baa2 (stable)**
- **BBB- (stable)**
- **BBB (stable)**

**Net debt, $ bln**
The Company aims to maintain working capital at the level no higher than 14%–15% of revenue.

**Target:**
Net working capital as % of quarterly revenue

Net working capital, $ mln

1. Calculated as: Provisions + accounts receivable (including other receivables and taxes) – accounts payable (excluding dividends)
2. Revenue for the latest quarter * 4
STABLE FCF AND AN INCREMENTAL INCREASE IN DIVIDEND PAYMENTS

1. Stable generation of FCF under any market conditions

2. Operating cash flow significantly exceeds CAPEX

3. Maintaining maximum dividend payments

Stable FCF ($ mln)

FCF structure: 9M 2019 ($ mln)
CONCLUDING REMARKS

**MMK today**

- Leading steelmaker in Russia
- High-quality asset base with some of the lowest production costs in the world
- Sustainable high margins and cash-flow generation
- Conservative financial policy and high credit rating
- Focus on total shareholder returns

Implementation of strategy 2016–2025

Sustainable development and maximising shareholder return
## PERFORMANCE OF KEY INVESTMENT PROJECTS UNDER STRATEGY 2016–2025

### Volume growth, improved product mix

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Launch Date</th>
<th>CAPEX 2016–2025</th>
<th>EBITDA*</th>
<th>IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>New galvanising unit</td>
<td>2017</td>
<td>$82 mln</td>
<td>$85 mln</td>
<td>73%</td>
</tr>
<tr>
<td>New polymer coated plant</td>
<td>2017</td>
<td>$71 mln</td>
<td>$92 mln</td>
<td>61%</td>
</tr>
<tr>
<td>Metalware capacities upgrade</td>
<td>2019</td>
<td>$63 mln</td>
<td>$31 mln</td>
<td>32%</td>
</tr>
<tr>
<td>Transition to monograde ‘Zh’ (pure fat coal concentrate), beneficiation plant upgrade</td>
<td>2018–2019</td>
<td>$40 mln</td>
<td>$25 mln</td>
<td>50%</td>
</tr>
<tr>
<td>Reconstruction of Hot Rolled Products Mill 2500</td>
<td>2020</td>
<td>$287 mln</td>
<td>$103 mln</td>
<td>26%</td>
</tr>
</tbody>
</table>

### Cost leadership, environmental performance

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Launch Date</th>
<th>CAPEX 2016–2025</th>
<th>EBITDA*</th>
<th>IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>New oxygen unit (No 5)</td>
<td>2018</td>
<td>$88 mln</td>
<td>$18 mln</td>
<td>26%</td>
</tr>
<tr>
<td>New sinter plant</td>
<td>2019</td>
<td>$400 mln</td>
<td>$47 mln**</td>
<td>23%</td>
</tr>
<tr>
<td>New coke and by-product plant: coke-oven battery No 12, by-product recovery and processing shop, biochemical plant</td>
<td>2021–2022</td>
<td>$785 mln</td>
<td>$54 mln**</td>
<td>24%</td>
</tr>
<tr>
<td>New blast furnace, new steam turbine power station</td>
<td>2024</td>
<td>$694 mln</td>
<td>$119 mln</td>
<td>36%</td>
</tr>
<tr>
<td>New oxygen unit (No 9)</td>
<td>2025</td>
<td>$167 mln</td>
<td>$51 mln</td>
<td>21%</td>
</tr>
<tr>
<td>Other development projects</td>
<td>2020–2025</td>
<td>$202 mln</td>
<td>$61 mln</td>
<td>&gt;22%</td>
</tr>
</tbody>
</table>

### Completed projects

*Average annual impact based on estimates under current macroeconomic conditions

**Excluding the impact of production losses

<table>
<thead>
<tr>
<th>Total</th>
<th>$2,879 mln</th>
<th>$686 mln</th>
</tr>
</thead>
</table>
### IMPACTFUL INVESTMENTS AND ONGOING OPERATIONAL IMPROVEMENTS

**2016 – 2018**

<table>
<thead>
<tr>
<th>Project</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>New oxygen unit (No 5)</td>
<td>$88 mln</td>
</tr>
<tr>
<td>New polymer coated plant</td>
<td>$71 mln</td>
</tr>
<tr>
<td>New galvanizing unit</td>
<td>$82 mln</td>
</tr>
<tr>
<td>Metalware capacities upgrade</td>
<td>$56 mln</td>
</tr>
<tr>
<td>New sinter plant</td>
<td>$333 mln</td>
</tr>
<tr>
<td>Reconstruction of hot-rolled products Mill 2500</td>
<td>$59 mln</td>
</tr>
<tr>
<td>New coke and by-product plant</td>
<td>$1 mln</td>
</tr>
<tr>
<td>New blast furnace</td>
<td></td>
</tr>
<tr>
<td>New oxygen unit (No 9)</td>
<td></td>
</tr>
<tr>
<td>Other development projects</td>
<td>$52 mln</td>
</tr>
<tr>
<td><strong>Total CAPEX</strong></td>
<td><strong>$742 mln</strong></td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td><strong>+$203 mln</strong></td>
</tr>
</tbody>
</table>

### 2019 – 2025

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$7 mln</td>
</tr>
<tr>
<td>2020</td>
<td>$67 mln</td>
</tr>
<tr>
<td>2021</td>
<td>$228 mln</td>
</tr>
<tr>
<td>2022</td>
<td>$784 mln</td>
</tr>
<tr>
<td>2023</td>
<td>$694 mln</td>
</tr>
<tr>
<td>2024</td>
<td>$167 mln</td>
</tr>
<tr>
<td>2025</td>
<td>$190 mln</td>
</tr>
</tbody>
</table>

**2019 – 2025 Total:** +$2,137 mln

**2019 – 2025 EBITDA:** +$483 mln

- **+$181 mln**: Volume growth, improved product mix
- **+$22 mln**: Cost leadership
- **+$155 mln**: Volume growth, improved product mix
- **+$328 mln**: Cost leadership