December, 2018

INVESTOR PRESENTATION
# KEY CREDIT HIGHLIGHTS

1. Strong profitability
2. High product diversification
3. Efficient cost optimization
4. Sophisticated HVA\(^2\) products production
5. Low leverage
6. High standards of corporate governance
7. High level of liquidity
8. Sustainable cash flow generation

#1 supplier to metal consumers in Russia\(^1\)

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Source: Company data, Metal Expert Research Agency
1. As at FY 2016 according to Metal Expert Research Agency, MMK is #1 company in steel shipments to metal consumers in Russia
2. High Value Added
The key production segments are MMK-Steel (Russian and Turkish Steel Segments) and MMK-Ugol (Coal Segment). The Russian Steel Segment consists of the Magnitogorsk Iron and Steel Works, which is a key asset of the company.
**MMK Group is a leading Russian steel company**

- **Vertically integrated company** with entire production chain from iron-ore processing to downstream production of rolled steel and other HVA products
- **3 business segments:** Steel Production in Russia and Turkey and Coal Segment
- **Sustainable benefits from strong presence** in industrial regions of Russia, including Central, Siberia, Volga and Ural regions
- **Highly qualified workforce**
- The Group applies best practices for occupational health and environmental safety

### MMK Group Snapshot

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finished steel production (mln t)</td>
<td>11.6</td>
<td>11.6</td>
<td>11.2</td>
</tr>
<tr>
<td>Revenue ($ mln)</td>
<td>7,546</td>
<td>5,630</td>
<td>5,839</td>
</tr>
<tr>
<td>Adjusted EBITDA¹ ($ mln)</td>
<td>2,032</td>
<td>1,956</td>
<td>1,668</td>
</tr>
<tr>
<td>Total Debt ($ mln)</td>
<td>544</td>
<td>500</td>
<td>1,847</td>
</tr>
<tr>
<td>Net Debt ($ mln)</td>
<td>(12)</td>
<td>192</td>
<td>1,124</td>
</tr>
<tr>
<td>Total Debt / Adjusted EBITDA (x)</td>
<td>0.3x</td>
<td>0.3x</td>
<td>1.1x</td>
</tr>
</tbody>
</table>

### Steel shipments in Russia, 2017²

- MMK #1 by shipments: 16.6%
- SVS: 14.9%
- NLMK: 17.8%
- Other: 41.2%
- Mechel: 5.3%
- Import: 12.9%

### Steel production in Russia, 2017²

- MMK #2 by production: 17.1%
- NLMK: 17.8%
- Other: 34.3%
- SVS: 15.4%
- EVRAZ: 15.4%

### HVA products share growth

- 2000: 8.7%
- 2010: 11.4%
- 2017: 11.6%

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¹ Calculated as operating profit (loss) adjusted to exclude depreciation and amortization expense and profit (loss) on disposal of property, plant and equipment and include the profit (loss) from investments in associates

² PJSC MMK

Source: IFRS report, Company data, Metal Expert Research Agency, Credit ratings agencies

1. BBB- Fitch Ratings
2. Baa3 Moody’s

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**Note:** PJSC MMK.
**SOLID OPERATIONAL RESULTS**

**MMK’s operational efficiency provides a long-term competitive advantage and protection against market volatility**

- **MMK Group is a strong player on the Russian market**
- **Supplies the widest range of HVA products** in Russia
- **Efficiency of production** improved due to the latest facilities upgrade. The progress continues as the company implements its new 2016-2025 strategy
- **Cost reduction initiatives** have placed **MMK in the 1st quartile on the world HRC cash cost curve** and protect against metal price volatility

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**MMK significant capacity utilisation**

<table>
<thead>
<tr>
<th>Year</th>
<th>Global crude steel capacity utilization</th>
<th>Crude steel</th>
<th>HRC</th>
<th>Galvanised steel</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>84%</td>
<td>97%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>89%</td>
<td>93%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>92%</td>
<td>97%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

**Sustainable share of HVA products in steel production**

<table>
<thead>
<tr>
<th>Year</th>
<th>Steel production (mln t)</th>
<th>HVA share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>11.2</td>
<td>46.7%</td>
</tr>
<tr>
<td>2016</td>
<td>11.6</td>
<td>45.8%</td>
</tr>
<tr>
<td>2017</td>
<td>11.6</td>
<td>46.0%</td>
</tr>
</tbody>
</table>

**Leading cash cost position of MMK**

- **Cost reduction initiatives** have placed MMK in the 1st quartile on the world HRC cash cost curve and protect against metal price volatility
- **MMK’s operational efficiency** provides a long-term competitive advantage and protection against market volatility

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**Source:** Company data, Bloomberg, CRU

1. Total production as a share of total capacities
2. Bloomberg
3. Hot Rolled Coil
4. As at FY 2017 according to CRU
Permanent focus on operational efficiency improvement secures MMK’s leading positions on global and domestic steel markets.

Main areas of focus:
- Support of **innovative process** among Company’s employees (over 5000 initiatives implemented in 2017)
- Higher efficiency of **technological process**
- **Baby Capex** projects realisation (54 projects realised since the beginning of the programme in 2015)
- Higher **energy efficiency**
- Use of **automated systems**, working on the basis of mathematical models

**Cumulative Effect on EBITDA, mln $**

<table>
<thead>
<tr>
<th>Year</th>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>112</td>
</tr>
<tr>
<td>2017</td>
<td>181</td>
</tr>
<tr>
<td>H1 2018</td>
<td>223</td>
</tr>
</tbody>
</table>

**Areas of investments and cost reduction, mln $**

- Total savings of $223 mln for 2016-2018
- Org.& tech. improvements 141
- Energy efficiency 23
- Innovation 32
- Baby CAPEX 27

Source: Company data
SUSTAINABLE EBITDA MARGIN LEADERSHIP

MMK Historic EBITDA (USD million)

Source: Bloomberg, MMK
MMK has one of the best financial profiles among global Metals and Mining peers

- As a result of prudent cost management, working capital control and clear strategy, MMK has managed to develop a stable financial profile
- Focus on the Russian market, which is characterised by a substantial price spread, and diligent cost optimisation, allows MMK to support profitability at industry-leading levels
- MMK’s leverage is one of the lowest in the industry, due to the company’s strong ability to generate high OCF
- MMK is committed to a target of <2.0x Net Leverage\(^1\) under a stress-case scenario, with a strong preference for even lower levels under base-case conditions

Robust leverage
- Commitment to deleveraging and implementation of prudent financial policies resulted in a considerable improvement in leverage metrics

Strong profitability
- Efficient production process and focus on the Russian market results in high EBITDA margins. The decrease in profitability in 2017 was driven by a higher price growth rate for raw materials compared to steel

Strong cash flow generation
- Sustainable free cash flow (FCF) generation ensures the build-up of a liquidity cushion against low leverage

Source: IFRS report
1. Net Leverage ratio is calculated as Net Debt divided by Adjusted EBITDA
2. Normalised Adjusted EBITDA margin is shown to reflect the effect from Fortescue Metals Group (FMG) stake sale
A new dividend story for a rejuvenated Company

- While making significant capital investments (2000-2013) MMK reinvested a significant part of its cash flow into developing production capacity
- New growth points were identified to help the Company successfully navigate this period of economic turbulence and progress to a stage of financial stabilisation
- This fundamentally new Company has many more opportunities to increase shareholder value and to grow dividend payments in the long term

MMK dividend payments, RUB/share

- New dividend policy is approved – no less than 30% of FCF based on H1 and FY results
- Board of Directors approved new dividend policy, increasing dividend payouts to 50% of FCF
- Board of Directors approved switch to quarterly dividend payments
- Board of Directors recommended EGM to pay 100% of FCF as dividend for Q2 2018

* The recommended amount of payments for Q2 2018 will be RUB 1.589 per share, subject to approval by the Annual General Shareholders’ Meeting

Source: MMK
HIGH STANDARDS OF CORPORATE GOVERNANCE AND DEDICATED SHAREHOLDERS

In conducting its business, MMK complies with the best Russian and international corporate governance practices

The principles of MMK’s corporate governance include:

- **Protecting the rights and interests** of shareholders and investors
- **Equal treatment** of all shareholders
- **Mutual trust** and respect for all stakeholders
- **Transparency and timely disclosure** of information on strategy and current activities
- Management practice is aimed at ensuring MMK’s long-term prosperity
- **Minimisation of the Company’s environmental impact**

Source: Company data. As at FY 2017

1. Beneficial ownership via Mintha Holding limited

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Victor Rashnikov
Chairman of Board of Directors since 2005

- Started his career with MMK as a fitter in the metallurgical equipment repair shop

Structure of PJSC MMK Board of Directors

50% Independent

30% Executive

50% Dependent

Free float 16%

Victor Rashnikov 84%

50 years in MMK
MARKET OVERVIEW
In 2017, global steel producers’ margin surged due to tighter market, caused by environmental reforms in China and decrease of Chinese export.

Chinese environmental reforms, enacted in 2016, alleviated global steel oversupply and gave more opportunities to global producers.

Due to growing local demand and EU/US anti-dumping policies, Chinese steel exports decreased.

Growing raw materials prices, supported by China steel mills demand, constrained further margin growth in 2017.
RUSSIAN STEEL MARKET IS EXPECTED TO GROW AMID ECONOMIC RECOVERY

Positive global dynamics and improved market environment in Russia is expected to benefit local players

- According to MMK Group, rolled steel demand is expected to increase by 1.5% in 2018 due to improvement of the economy
- Consumption of rolled steel in Russia is mainly driven by construction, automotive industry and pipe production
- Demand for galvanised steel was stable in FY 2015-2017, though there was a lack of local supply
- Increase in real income and government investments into infrastructure support the construction sector and automotive industry
- Higher global oil prices are expected to support investments in pipeline construction projects

Industry steel consumption by volume in Russia

Steel products consumption in Russia

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption of rolled steel (mln t)</th>
<th>Consumption of HVA (mln t)</th>
<th>Consumption of galvanised steel (mln t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>42.3</td>
<td>8.4</td>
<td>3.0</td>
</tr>
<tr>
<td>2016</td>
<td>40.8</td>
<td>8.6</td>
<td>3.2</td>
</tr>
<tr>
<td>2017</td>
<td>43.6</td>
<td>8.5</td>
<td>3.1</td>
</tr>
<tr>
<td>2018F</td>
<td>45.2</td>
<td>9.1</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Imports of HVA products in Russia (mln t)

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports of HVA products (mln t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.6</td>
</tr>
<tr>
<td>2016</td>
<td>1.8</td>
</tr>
<tr>
<td>2017</td>
<td>2.1</td>
</tr>
<tr>
<td>2018F</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Sources: Company data, Metal Courier. Forecast of the Company
1. According to Metal Courier. The consumption by industries only includes the products, that are produced by MMK Group. Pipe industry consumption includes: plate, hot-rolled and cold rolled flat products. Automotive includes bars, structurals, hot rolled, cold rolled products and galvanized steel. Construction includes wire rod, bars, rebar, structurals, plate, hot rolled, cold rolled products, galvanised and coated steel.
MMK’S HISTORICAL MILESTONES

- **Marketing Milestones**
  - **2000**
    - MMK acquires Belon OJSC (coal asset)
  - **2004**
    - Launch of the galvanizing unit and modernization of Mill 2000 for hot-rolled products
  - **2005**
    - Successful implementation of investment projects until 2007
  - **2006**
    - Thick-plate Mill 5000 is launched
  - **2007**
    - Start of the first phase of the 2000-2007-2013 Strategy: creating a new image for the Company
  - **2008**
    - Listing on the Moscow Stock Exchange
  - **2009**
    - Listing of GDRs on the London Stock Exchange
  - **2010**
    - Purpose: to raise share capital to implement the second stage of the 2000-2007-2013 Strategy
  - **2011**
    - Two lines of Mill 2000 for cold-rolled products are launched
  - **2012**
    - Construction of a steelmaking facility in Turkey with capacity of 2.3 mln t of hot-rolled products per year is completed
  - **2013**
    - New Growth Strategy through 2025 is adopted
  - **2014**
    - The Company presented its 2013 Growth Strategy as part of a roadshow
  - **2015**
    - Listing of GDRs on the London Stock Exchange
  - **2016**
    - The Company presented its 2013 Growth Strategy as part of a roadshow
  - **2017**
    - Purpose: to raise share capital to implement the second stage of the 2000-2007-2013 Strategy

*Source: Company data*
## 2000 – 2013 STRATEGY SUCCESS

<table>
<thead>
<tr>
<th>Strategic priorities</th>
<th>Achievements across 2000-2013</th>
</tr>
</thead>
</table>
| **1** Organic growth | ✓ No. 1 producer of coated products in Russia (In 2017, MMK’s capacities stood at 2.2mt for production of galvanized metal and 0.6mt - for polymer-coated steel)\(^1\)  
✓ Launch of Mill 5000 for thick-plate products in 2009  
✓ Launch of Mill 2000 for cold-rolled products in 2011-2012 |
| **2** Growth of domestic market | ✓ Supply to Russian and CIS market increased by 2.7x (from 3.5 mln tonnes in 2000 to 9.5 mln tonnes in 2014)  
✓ Balanced product line to cater to the needs of customers |
| **3** Strengthening in key segments | ✓ Increased sales to pipe manufacturers  
✓ Increased exposure to the construction sector  
✓ Strengthening position of MMK in the market of localised automakers |
| **4** Reliable supply of resources | ✓ Control over supply of scrap metal  
✓ Stable supply of own coal concentrate  
✓ Maximised use of own iron-containing raw materials |
| **5** Reduction of debt | ✓ Reduction of Net Debt/Adjusted EBITDA ratio  
✓ Reduction of total amount of capital investment  
✓ High liquidity and financial stability during crisis |
| **6** Greener production | ✓ Replacement of open-hearth furnaces with modern electric arc furnaces  
✓ Processing of blast-furnace and metallurgical slags |

Source: Company data, Metal Supply and Sales Magazine
1. According to Metal Supply and Sales Magazine
Creating value through sustainability

**Advantages throughout the business process:**
- Structural surplus of key raw materials in the local market
- Customer proximity and low transport costs
- Low prices for energy inputs

**Internal Factors**
- Economies of scale
- Low operational costs
- High capacity utilisation
- High share of HVA products

**Sustained price differential to raw materials**
Average price spread maintained in the range of **270-355 $/t** allows MMK to keep its EBITDA margin above **25%**

Source: Company data

Further increase in efficiency and productivity

- Just-in-time sales and supplies
- Sustained reduction of and commitment to conservative CAPEX
- Introduction of technological innovations / IoT / Industry 4.0
- Resource management
- Non-core asset divestitures
- Zero tolerance for safety violations
- Clean city programme
- Commitment to high-standard HSE policies, including engagement with local communities
3 Prudent approach to investment

**Principles of the investment programme**

- Strict approach to project selection based on DCF and risk evaluation
- IRR for investment projects above 20%
- Even distribution of capital expenditures by period
- Investments should not exceed operating profit
- Internal comfort levels of <2.0x for Net Debt/Adjusted EBITDA in a stress-case scenario

**Overview of high potential investment projects**

<table>
<thead>
<tr>
<th>Project*</th>
<th>Description and targets</th>
<th>Indicative Timeframe</th>
<th>Indicative CAPEX, mln USD</th>
<th>Maintenance needs for older facilities</th>
<th>CAPEX, adjusted to maintenance of older facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconstruction of hot-rolled products mill</td>
<td>Debottlenecking; new product of better quality; reduction of raw materials consumption</td>
<td>2017-2020</td>
<td>223</td>
<td>-</td>
<td>223</td>
</tr>
<tr>
<td>New sinter plant</td>
<td>Plant renewal; increase in product quality; reduction of pig iron production costs; reduction of environmental impact</td>
<td>2016-2019</td>
<td>311</td>
<td>146</td>
<td>165</td>
</tr>
<tr>
<td>New coke battery</td>
<td>Battery renewal; increase in coke quality; reduction of environmental impact</td>
<td>2018-2020</td>
<td>466</td>
<td>292</td>
<td>174</td>
</tr>
<tr>
<td>New blast furnace</td>
<td>Blast furnace renewal; increase in production volumes; reduction of costs; reduction of environmental impact</td>
<td>2020-2023</td>
<td>393</td>
<td>312</td>
<td>81</td>
</tr>
<tr>
<td>Steam turbine power station</td>
<td>Blast furnace gas recycling; provision of blowing and other energy in blast furnace; electricity generation</td>
<td>2020-2023</td>
<td>153</td>
<td>-</td>
<td>153</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>1,546</strong></td>
<td><strong>750</strong></td>
<td><strong>796</strong></td>
</tr>
</tbody>
</table>

Source: Company data

* Set out in late 2015 as part of 2016-2025 New Strategy

**CAPEX dynamics ($ bln)**

Capex levels maintained in the range of $0.4-0.7 bln in 2015-2017 in comparison to c. $10bln spent over the previous investment cycle. MMK intends to keep it at subdued levels.
## MMK MAIN INVESTMENT PROJECTS, 2018-2025

<table>
<thead>
<tr>
<th>Parameters</th>
<th>H/R Mill 2500 Reconstruction</th>
<th>Sinter Plant</th>
<th>Coke Battery</th>
<th>Blast Furnace</th>
<th>Oxygen Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capacity</strong></td>
<td>5.0 mln tpa of HRC (from current 3.7 mln tpa)</td>
<td>5.5 mln tpa of sinter (from current 4.5 mln tpa)</td>
<td>2.5 mln tpa of coke (to replace 5 old coke batteries)</td>
<td>3.5 mln tpa of cast iron (to replace 3 BOFs)</td>
<td>35 th m3/h</td>
</tr>
<tr>
<td><strong>Effect on EBITDA</strong></td>
<td>USD 64 mln pa</td>
<td>USD 38 mln pa</td>
<td>USD 60 mln pa</td>
<td>USD 106 mln pa</td>
<td>USD 15 mln pa</td>
</tr>
<tr>
<td><strong>Effect on FCF</strong></td>
<td>USD 100 mln for the period of construction</td>
<td>USD 680 mln for 10 year period</td>
<td>USD 110 mln for the period of construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>IRR</strong></td>
<td>25%</td>
<td>24%</td>
<td>31%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Ecology</strong></td>
<td>- Lower dust and SO2 emissions - Lower effluent discharges - Lower sludge from the sinter plant</td>
<td>- Lower emissions - Additional electric power generation</td>
<td>- Lower emissions - Lower effluent discharges - Additional electric power generation - Ferrum containing dust reuse</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Effect on EBITDA up to USD 283* mln per annum**

* All figures are preliminary estimates.

Source: Company data
## MMK GROUP MAIN INVESTMENT PROJECTS, 2018-2025

<table>
<thead>
<tr>
<th>Parameters</th>
<th>MMK Metiz</th>
<th>Lysva Plant</th>
<th>MMK Coal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity</td>
<td>428 th tpa</td>
<td>+350 th tpa of coated steel</td>
<td>+1.6 mln tpa of coal Mono-grade &quot;G&quot; production</td>
</tr>
</tbody>
</table>
| Project description         | - Lower fixed costs due to facilities concentration  
- Facilities update  
- Product mix expansion  
- “Industrial park” establishment  | - Higher share of HVA products  
- MMK’s c/r steel sales volumes secured  
- Higher competitiveness due to niche products output  | - Lower purchase volumes of coal from third parties  
- Lower coke consumption ratio  
- Higher BF productivity  
- Better coal concentrate quality  |
| CAPEX / Project cost        | USD 63 mln                     | USD 77 mln (including debt)           | USD 2 mln                                |
| Effect on EBITDA            | USD 24 mln                     | USD 48 mln pa                         | USD 51 mln pa                            |

**Total Effect on EBITDA up to USD 123* mln per annum**

* All figures are preliminary estimates.
Source: Company data
Priority IT projects: INDUSTRY 4.0

Mathematical modelling of the production processes

Projects
- Creating an integrated information controlling system focused at optimising blast furnace production
- Developing a model for optimising supplies of coal and iron ore raw materials
- Developing a model for optimal ferroalloys consumption
- Developing an automated information system for optimal planning of production buffer intervals based on order volume and execution time

Investments and results
- Based on the planned investment of approx. USD 0.7 mln in 2018, the expected economic effect should amount to over USD 9.5 mln per year.

Adoption of optimisation and predictive analytics systems

Development of the following systems
- Analytics software platform for optimising the maintenance of power equipment
- Systems of data mining and forecasting trends of damage to equipment
- Automated controlling systems for steam boiler modes.

Results
- Savings of more than USD 2.6 mln per year.

Other projects

Project
- Developing and adopting automatic recognition and classification of visible defects
- Developing and introducing exoskeleton technologies to production operations to improve working conditions and increase efficiency
- Developing an industrial Internet of Things. The implementation of the first stage of creating a remote smart monitoring system for operational parameters of the water supply equipment

Results
- Expected economic effect should amount to over USD 1.2 mln per year.
4 **Enhanced emphasis on protecting the environment**

### Atmospheric emissions

<table>
<thead>
<tr>
<th>Year</th>
<th>Total emissions (kt)</th>
<th>Emissions per unit (kg/t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>205,3</td>
<td>18,7</td>
</tr>
<tr>
<td>2016</td>
<td>201,8</td>
<td>17,8</td>
</tr>
<tr>
<td>2017</td>
<td>199,3</td>
<td>17,4</td>
</tr>
<tr>
<td>2025</td>
<td>182,7</td>
<td>15,2</td>
</tr>
</tbody>
</table>

### Effluent discharges

<table>
<thead>
<tr>
<th>Year</th>
<th>Total discharge (kt)</th>
<th>Discharge per unit (kg/t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>77,2</td>
<td>7,0</td>
</tr>
<tr>
<td>2016</td>
<td>62,9</td>
<td>5,6</td>
</tr>
<tr>
<td>2017</td>
<td>62,2</td>
<td>5,4</td>
</tr>
<tr>
<td>2025</td>
<td>20,7</td>
<td>1,7</td>
</tr>
</tbody>
</table>

### Processing of slag heap volumes

- **Reclamation of up to 2.1 million m² of land**

<table>
<thead>
<tr>
<th>Year</th>
<th>Reduction in slag heap volumes (mln t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>12,7</td>
</tr>
<tr>
<td>2016</td>
<td>7,1</td>
</tr>
<tr>
<td>2017</td>
<td>3,1</td>
</tr>
</tbody>
</table>

5 **24/7 safety**

**Goal:** Total elimination of fatal accidents

**Tools for achieving the goal**

- Leadership from MMK’s management in occupational safety matters
- Raising employee awareness
- Responsiveness in occupational safety matters
- Zero tolerance for rule violations
- Continuous improvement of safety systems

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*Source: Company data*
OPERATIONAL AND FINANCIAL PERFORMANCE OVERVIEW

1. MMK at a Glance
2. Market Overview
3. Strategy Overview
4. 
5. Appendix
Leading positions on the Russian market allow MMK Group to be less sensitive to global volatility

- Despite the challenging economic situation, continued focus on domestic customers remains strategically important for MMK Group
- High MMK Group’s focus on the local market mitigate impacts of EU and US anti-dumping actions
- MMK Group’s key product is rolled steel which is actively used in automotive, construction and pipe production industries
- Maintaining and strengthening MMK Group’s positions as a low-cost producer with high energy efficiency, are key priorities
- The company constantly expands its product range, e.g. in December, 2017 MMK Group acquired Lysva Metallurgical Plant, which specializes on galvanised steel production

Sales breakdown by sector¹

Sales breakdown by region²

Source: IFRS report, Company data
1. As percentage of sales in tonnes for PJSC MMK
2. As a percentage of total revenue for MMK Group
STABLE FREE CASH FLOW GENERATION AND EFFICIENT WORKING CAPITAL MANAGEMENT

- Working capital management as a cash flow control tool:
  - Benchmark targeting on an ongoing basis
  - Identification of optimisation reserves based on analysis of individual types of current assets
- The policy brought tangible results as Net working capital turnover has remained stable in recent years
- Overall working capital in 2017 increased to $1,301 mln and its share in revenue amounted to 16.7%
- MMK maintained robust conversion of EBITDA to FCF on the back of moderate CAPEX and lower financial costs

### Net working capital turnover (days)

<table>
<thead>
<tr>
<th></th>
<th>31/12/2015</th>
<th>31/12/2016</th>
<th>31/12/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td>88</td>
<td>92</td>
<td>99</td>
</tr>
<tr>
<td>Buyers</td>
<td>18</td>
<td>19</td>
<td>23</td>
</tr>
<tr>
<td>Suppliers</td>
<td>25</td>
<td>24</td>
<td>29</td>
</tr>
<tr>
<td>NWC</td>
<td>63</td>
<td>58</td>
<td>61</td>
</tr>
</tbody>
</table>

### Free Cash Flow bridge ($ mln)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA</td>
<td>1,668</td>
<td>1,956</td>
<td>2,032</td>
</tr>
<tr>
<td>ΔWC</td>
<td>+17</td>
<td>-57</td>
<td>-294</td>
</tr>
<tr>
<td>Financial costs, taxes &amp; other</td>
<td>-329</td>
<td>-708</td>
<td>-380</td>
</tr>
<tr>
<td>OCF</td>
<td>1,356</td>
<td>1,191</td>
<td>1,358</td>
</tr>
<tr>
<td>CAPEX</td>
<td>-348</td>
<td>-463</td>
<td>-664</td>
</tr>
<tr>
<td>FCF</td>
<td>1,008</td>
<td>728</td>
<td>694</td>
</tr>
</tbody>
</table>

Source: Company data

1. Net working capital means the sum of inventories, VAT recoverable, income tax and short-term trade and other receivables less trade and other payables (except for dividends payable), current portion of retirement benefit obligations, current portion of site restoration provision and income tax payable.
MMK saw significant reduction in debt burden in recent years, with Net Debt/Adjusted EBITDA falling to 0.1x in 2016 and further to (0.01x) in 2017.

This level represents one of the lowest leverage metrics across its Russian and international peers.

The share of debt which is denominated in EUR exceeds 67%, while USD-denominated debt stands at <1%. The remaining debt is denominated in RUB.

Existing liquidity provides for more than sufficient coverage of near-term maturities.

The current debt profile ensures a comfortable repayment schedule without any material one-off repayments.

**Leverage**

- 2011: Total debt $4,416, Net Debt $3,992, Net Debt/Adjusted EBITDA 3.0x
- 2015: Total debt $1,847, Net Debt $1,124, Net Debt/Adjusted EBITDA 0.7x
- 2016: Total debt $500, Net Debt $192, Net Debt/Adjusted EBITDA 0.1x
- 2017: Total debt $544, Net Debt $544, Net Debt/Adjusted EBITDA (0.01x)

**Liquidity as of 31/12/2017 ($ mln)**

- Total liquidity $1,287
- Short-term debt $308
- Cash and cash equivalents $556

**Debt maturity profile ($ mln)**

- 2018: Total debt $308
- 2019: Total debt $7
- 2020: Total debt $221
- 2021 and beyond: Total debt $6

Source: IFRS report

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**MMK Group’s prudent cost control and focus on HVA ensures sustainable profitability**

### EBITDA margin

<table>
<thead>
<tr>
<th>Company</th>
<th>EBITDA Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Severstal</td>
<td>33%</td>
</tr>
<tr>
<td>NLMK</td>
<td>27%</td>
</tr>
<tr>
<td>Evraz</td>
<td>26%</td>
</tr>
<tr>
<td>Tata Steel</td>
<td>23%</td>
</tr>
<tr>
<td>Posco</td>
<td>14%</td>
</tr>
<tr>
<td>Arcelor/Mittal</td>
<td>13%</td>
</tr>
<tr>
<td>Gerdau</td>
<td>12%</td>
</tr>
<tr>
<td>Nippon Steel</td>
<td>12%</td>
</tr>
<tr>
<td>ThyssenKrupp</td>
<td>11%</td>
</tr>
<tr>
<td>Nucor</td>
<td>9%</td>
</tr>
<tr>
<td>MMK</td>
<td>6%</td>
</tr>
</tbody>
</table>


### EBITDA per tonne of sales ($ / t)\(^1\)

<table>
<thead>
<tr>
<th>Company</th>
<th>EBITDA per tonne of sales ($ / t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMK</td>
<td>175</td>
</tr>
<tr>
<td>Tata Steel</td>
<td>162</td>
</tr>
<tr>
<td>Severstal</td>
<td>161</td>
</tr>
<tr>
<td>Evraz</td>
<td>153</td>
</tr>
<tr>
<td>NLMK</td>
<td>152</td>
</tr>
<tr>
<td>Arcelor/Mittal</td>
<td>107</td>
</tr>
<tr>
<td>Gerdau</td>
<td>98</td>
</tr>
<tr>
<td>Nippon Steel</td>
<td>81</td>
</tr>
</tbody>
</table>


1. As at 9M 2017, unless otherwise is mentioned. Evraz as at June, 2017 per tonne of production. MMK, Severstal, Nucor as at FY 2017. Financial year of Tata Steel, Nippon Steel ends on 30th March and are presented as at 30 March 2017. The reporting currencies are translated with average exchange rate for the period.
MMK’s credit ratings have been improving consistently over the last 17 years, proving resilience to global commodities markets downturns and remaining among the highest in the Russian corporate universe, with Moody’s rating one notch above and Fitch in line with the rating of the sovereign.

Source: Bloomberg
## MMK Key Financials

(in $ mln, unless stated otherwise)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income statement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>5,839</td>
<td>5,630</td>
<td>7,546</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>669</td>
<td>650</td>
<td>800</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>1,668</td>
<td>1,956</td>
<td>2,032</td>
</tr>
<tr>
<td>Tax expenses</td>
<td>192</td>
<td>231</td>
<td>306</td>
</tr>
<tr>
<td>Net Profit</td>
<td>421</td>
<td>1,111</td>
<td>1,189</td>
</tr>
<tr>
<td><strong>Balance sheet</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>369</td>
<td>266</td>
<td>556</td>
</tr>
<tr>
<td>Inventories</td>
<td>877</td>
<td>1,067</td>
<td>1,421</td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>3,764</td>
<td>4,345</td>
<td>4,874</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>6,157</td>
<td>6,501</td>
<td>7,924</td>
</tr>
<tr>
<td>Short term debt</td>
<td>893</td>
<td>320</td>
<td>308</td>
</tr>
<tr>
<td>Total debt</td>
<td>1,847</td>
<td>500</td>
<td>544</td>
</tr>
<tr>
<td>Net Debt</td>
<td>1,124</td>
<td>192</td>
<td>-12</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>2,837</td>
<td>1,790</td>
<td>2,427</td>
</tr>
<tr>
<td>Equity attributed to shareholders of the parent company</td>
<td>3,307</td>
<td>4,693</td>
<td>5,473</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>3,320</td>
<td>4,711</td>
<td>5,497</td>
</tr>
<tr>
<td><strong>Cash flow statement</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash flow from operations (CFO)</td>
<td>1,356</td>
<td>1,191</td>
<td>1,358</td>
</tr>
<tr>
<td>CAPEX</td>
<td>348</td>
<td>463</td>
<td>664</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>103</td>
<td>180</td>
<td>413</td>
</tr>
<tr>
<td><strong>Key ratios</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITDA margin (%)</td>
<td>29%</td>
<td>29%¹</td>
<td>27%</td>
</tr>
<tr>
<td>Net Debt / Adjusted EBITDA (x)</td>
<td>0.7x</td>
<td>0.1x</td>
<td>-0.01x</td>
</tr>
<tr>
<td>FCF/ Total debt (x)</td>
<td>0.5x</td>
<td>1.5x</td>
<td>1.3x</td>
</tr>
</tbody>
</table>

Source: IFRS report

¹. Normalised Adjusted EBITDA margin is shown to reflect the effect from Fortescue Metals Group (FMG) stake sale
MMK has a positive sentiment among investors. Since 2015 the GDR price on LSE grew by >4x

Source: Bloomberg
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