MMK AT A GLANCE

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KEY CREDIT HIGHLIGHTS

1. Strong profitability
2. High product diversification
3. Efficient cost optimization
4. Sophisticated HVA² 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 Russia¹

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.

**Magnitogorsk Iron and Steel Works (MMK)**
- Crude steel production: 12.9 mln t
- 100% coke self-sufficiency
- 4 power generation plants production: 4.6 bln kWh

**Lysva Plant**
- Coated steel production: up to 0.35 mln t
- 3% growth of HVA products share

**MMK Metalurji**
- Finished goods production: 0.9 mln t
- 69% of crude steel was supplied by MMK

**MMK’s self-sufficiency, FY 2017**
- Iron ore: 19%
- Coal: 37%
- Electricity: 61%

**MMK Ugol**
- Coking coal concentrate production: 2.7 mln t
- 71.0% of raw coal was supplied by own mines
- 99.7% of coking coal was delivered to MMK

Source: Company data. As at FY 2017
* - total capacities
**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**

### Steel shipments in Russia, 2017

- MMK #1 by shipments: 16.6%
- Other: 41.2%
  - Mechel: 5.3%
  - NLMK: 9.1%
  - SVS: 14.9%
  - Import: 12.9%

### Steel production in Russia, 2017

- MMK #2 by production: 17.1%
  - EVRAZ: 15.4%
  - SVS: 15.4%
  - Other: 34.3%
  - Mechel: 5.3%
  - NLMK: 17.8%

### HVA products share growth

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

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

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
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

**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>89%</td>
<td>92%</td>
<td>97%</td>
</tr>
<tr>
<td>2016</td>
<td>88%</td>
<td>93%</td>
<td>97%</td>
<td>96%</td>
</tr>
<tr>
<td>2017</td>
<td>97%</td>
<td>99%</td>
<td>92%</td>
<td>96%</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></td>
<td>11.2</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td>11.6</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td>11.6</td>
</tr>
</tbody>
</table>

**Leading cash cost position of MMK**

<table>
<thead>
<tr>
<th>Year</th>
<th>HRC cash cost $293/t</th>
<th>Cumulative volume of production, mln t</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**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>9M 2018</td>
<td>228</td>
</tr>
</tbody>
</table>

Areas of investments and cost reduction, mln $

- Org.& tech. improvements: 63%
- Energy efficiency: 10%
- Innovation: 15%
- Baby CAPEX: 12%

Total savings of $228 mln for 2016-2018

Source: Company data
SUSTAINABLE EBITDA MARGIN LEADERSHIP

MMK Historic EBITDA (USD million)

**MMK EBITDA margin**

**Average EBITDA margin, top-25 producers**

Source: Bloomberg, MMK
STRONG FINANCIAL PERFORMANCE

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

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

**Shutdown of capacities in China and decrease of Chinese export led to growth of steel prices and producers’ margin**

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**Share of countries in the total steel production volumes, FY 2017**

- China: 49%
- Japan: 6%
- India: 6%
- USA: 5%
- Russia: 4%
- S.Korea: 4%
- Other: 25%

**Steel demand and supply (mln t)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Global</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,621</td>
<td>804</td>
</tr>
<tr>
<td>2016</td>
<td>1,500</td>
<td>672</td>
</tr>
<tr>
<td>2017</td>
<td>1,515</td>
<td>681</td>
</tr>
</tbody>
</table>

**World prices ($) / t**

- **Raw materials prices**
  - Coking Coal
  - Iron Ore

- **Steel prices**
  - HRC Russia Domestic price
  - HRC export price

**Source:** WorldSteel, Bloomberg, Company data

1. World Steel
2. According to Bloomberg, Company data
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

Imports of HVA products in Russia (mln t)

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

MMK acquires Belon OJSC (coal asset)

Thick-plate Mill 5000 is launched

Start of the first phase of the 2000-2007-2013 Strategy: creating a new image for the Company

The Company presented its 2013 Growth Strategy as part of a roadshow

Two lines of Mill 2000 for cold-rolled products are launched

Construction of a steelmaking facility in Turkey with capacity of 2.3 mln t of hot-rolled products per year is completed

MMK acquires Belon OJSC (coal asset)

Listing on the Moscow Stock Exchange

Purpose: to raise share capital to implement the second stage of the 2000-2007-2013 Strategy

Successful implementation of investment projects until 2007

Listing of GDRs on the London Stock Exchange

Purpose: to raise share capital to implement the second stage of the 2000-2007-2013 Strategy

2000

2001

2002

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

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

External Factors

Sustained price differential to raw materials

Average price spread maintained in the range of **270-355 USD/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

Source: Company data
### 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

#### 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.

#### 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 needs for 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><strong>2018-2020 → 2021</strong></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><strong>2020-2023 → 2024</strong></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><strong>2020-2023 → 2024</strong></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
## MMK MAIN INVESTMENT PROJECTS, 2018-2025

### Parameters

<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>USD 110 mln for the period of construction</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</td>
<td>Lower emissions</td>
<td>Lower emissions</td>
<td>- Lower emissions</td>
<td>- Lower emissions</td>
</tr>
<tr>
<td></td>
<td>Lower effluent discharges</td>
<td>Additional electric power generation</td>
<td>- Lower effluent discharges</td>
<td>- Additional electric power generation</td>
<td>- Ferrum containing dust reuse</td>
</tr>
<tr>
<td></td>
<td>Lower sludge from the sinter plant</td>
<td></td>
<td></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><strong>Capacity</strong></td>
<td>428 th tpa</td>
<td>+350 th tpa of coated steel</td>
<td>+1.6 mln tpa of coal Mono-grade “G” 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

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

**Atmospheric emissions**

- Total emissions (kt)
- Emissions per unit (kg/t)

<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>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>2025</td>
<td>182.7</td>
<td>15.2</td>
</tr>
</tbody>
</table>

**Effluent discharges**

- Total discharge (kt)
- Discharge per unit (kg/t)

<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>772</td>
<td>7.0</td>
</tr>
<tr>
<td>2016</td>
<td>629</td>
<td>5.6</td>
</tr>
<tr>
<td>2017</td>
<td>62.2</td>
<td>5.4</td>
</tr>
<tr>
<td>...</td>
<td>...</td>
<td>...</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>

**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

Source: Company data
Investments in environmental protection activities

Total investments in environmental protection in 2014-2018 will exceed RUB 15.5 bln.

Investments into environmental protection activities in 2018 - 2025

Mission. PJSC MMK Group is committed to the environmentally-conscious development of its production potential to meet the needs of the present and future generations of Magnitogorsk in a favourable environment.
Reducing the impact on the atmosphere

Reconstruction of production facilities from 2000 to 2017 resulted in reducing air emissions by 119.2 thousand tonnes (or by 37.4%).

Reconstruction of the 1st processing stage in 2017-2025 should result in reducing emissions by 16.6 thousand tonnes.
Reducing the impact on the atmosphere

From 2000 to 2017, the reconstruction of the existing sulphur capture unit in the sinter plant took place.

From 2017 to 2019 the construction of a new sinter plant will take place.
Reduction on the impact on the water facilities

Since 2016, the water supply system has been reconstructed with the expansion of the cooling reservoir.

The project will result in reducing the amount of sewage water that flows into the Magnitogorsk reservoir by 11 times.
2.3 million tonnes of waste are annually used in the sinter production burden

- screenings of raw materials: 35%
- dust and sludge from gas cleaning: 24%
- metal fraction after slag processing: 22%
- iron oxide after the recovery of pickling solutions: 1%
- oxide: 13%
- slurry in sludge depository № 2: 5%

11 million tonnes of slag are processed every year, including more than 5 million tonnes of waste slag.

2018 - completion of processing of the total volume of open hearth slag.

2019 - start of processing of dump blast furnace slags.

Reduction in the amount of slag in slag heaps, processing of current slag, million tonnes
In 2016, remediation of the sludge depository No. 1, which had been decommissioned in 1951, with an area of 290 thousand m², was completed.

Currently, the Western quarry of Magnitnaya mountain is being rehabilitated. The total reforestation territory is 154 thousand m². 5,600 tree seedlings and 5,900 shrubs were planted.
Urban landscaping in Magnitogorsk

In 2017, MMK planted:

- 1,000 ash and maple seedlings in 77 schools and kindergartens;
- 460 biennial Siberian spruce in the southern suburban districts of the city.

In 2018 MMK planted:

- 300 maple leaf seedlings in 13 schools and kindergartens;
- 315 ash, 160 birches, and 3,250 cotoneaster plants along the Verkhneuralsky highway.

In the autumn of 2018 the urban landscaping will continue and 1,300 tree seedlings will be planted.
As a result of the implementation of the Kyoto Protocol projects, MMK reduced CO2 emissions by 2.257 million tonnes.

RUB 443.8 million were received through the sale of carbon credits.

**Projects implemented in accordance with the Kyoto Protocol**

**Sludge dewatering complex oxygen-converter shop**

Receipt of up to 180 thousand tonnes of dehydrated sludge per year, with an iron content of up to 60%.

**Closed heat exchanger of the coke gas cooling cycle (capture unit No.1) Coke and By-product Plant**

Reduction in hazardous pollutants (including phenol, benzene, naphthalene) by 300 t per year.
OPERATIONAL AND FINANCIAL PERFORMANCE OVERVIEW
WELL DIVERSIFIED PRODUCT PORTFOLIO SUPPORTS MMK GROUP PRESENCE ON LOCAL MARKET

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 sector

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%</td>
<td>35%</td>
<td>34%</td>
</tr>
<tr>
<td>Metal trading and steel service centre</td>
<td>Pipe making industry</td>
<td>Hardware and non-integrated plants</td>
</tr>
<tr>
<td>Construction sector</td>
<td>Machinery and other sectors</td>
<td>Other</td>
</tr>
</tbody>
</table>

Sales breakdown by region

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>77%</td>
<td>77%</td>
<td>77%</td>
</tr>
<tr>
<td>Russian Federation and the CIS</td>
<td>Middle East</td>
<td>Europe</td>
</tr>
<tr>
<td>Africa</td>
<td>North America</td>
<td>Asia</td>
</tr>
</tbody>
</table>

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

**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,</td>
<td>-329</td>
<td>-708</td>
<td>-380</td>
</tr>
<tr>
<td>taxes &amp; other</td>
<td></td>
<td></td>
<td></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>

**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>

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
STRONG DEBT PROFILE AND LIQUIDITY

- 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**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Debt ($ mln)</th>
<th>Net Debt ($ mln)</th>
<th>Net Debt / Adjusted EBITDA (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>4,416</td>
<td>3,992</td>
<td>3.0x</td>
</tr>
<tr>
<td>2015</td>
<td>1,847</td>
<td>1,124</td>
<td>0.7x</td>
</tr>
<tr>
<td>2016</td>
<td>500</td>
<td>192</td>
<td>0.1x</td>
</tr>
<tr>
<td>2017</td>
<td>544</td>
<td>-12</td>
<td>(0.01x)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount ($ mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term Debt</td>
<td>308</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,287</td>
</tr>
<tr>
<td>Unused Credit lines</td>
<td>556</td>
</tr>
</tbody>
</table>

**Debt maturity profile ($ mln)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>308</td>
</tr>
<tr>
<td>2019</td>
<td>7</td>
</tr>
<tr>
<td>2020</td>
<td>221</td>
</tr>
<tr>
<td>2021 and beyond</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: IFRS report
MMK GROUP VS. PEERS: PROFITABILITY

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

**EBITDA margin**

33% 27% 26% 23% 14% 13% 12% 12% 11% 9% 6%

Severstal MMK NLMK Evraz Tata Steel Nucor Posco ArcelorMittal Gerdau Nippon Steel ThyssenKrupp

**EBITDA per tonne of sales ($ / t)**

175 162 161 153 152 107 98 81

TATA STEEL Severstal EVRAZ NLMK


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.
<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
</table>
| MMK at a glance | Market overview | Strategy overview | Operational and Financial Performance overview | **APPENDIX**
MMK CREDIT RATINGS OVERVIEW

Rating Evolution

- 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 and S&P ratings one notch above and Fitch in line with the rating of the sovereign.

Source: Bloomberg

Baa3 (positive) / Moody’s
BBB- (stable) / S&P
BBB- (stable) / Fitch
### 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>Revenue</strong></td>
<td>5,839</td>
<td>5,630</td>
<td>7,546</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td>669</td>
<td>650</td>
<td>800</td>
</tr>
<tr>
<td><strong>Adjusted EBITDA</strong></td>
<td>1,668</td>
<td>1,956</td>
<td>2,032</td>
</tr>
<tr>
<td><strong>Tax expenses</strong></td>
<td>192</td>
<td>231</td>
<td>306</td>
</tr>
<tr>
<td><strong>Net Profit</strong></td>
<td>421</td>
<td>1,111</td>
<td>1,189</td>
</tr>
</tbody>
</table>

**Balance Sheet**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<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</td>
<td>3,307</td>
<td>4,693</td>
<td>5,473</td>
</tr>
<tr>
<td>of shareholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>3,320</td>
<td>4,711</td>
<td>5,497</td>
</tr>
</tbody>
</table>

**Cash Flow Statement**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from</td>
<td>1,356</td>
<td>1,191</td>
<td>1,358</td>
</tr>
<tr>
<td>operations (CFO)</td>
<td></td>
<td></td>
<td></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>
</tbody>
</table>

**Key ratios**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA margin (%)</td>
<td>29%</td>
<td>29%&lt;sup&gt;1&lt;/sup&gt;</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

<sup>1</sup> Normalised Adjusted EBITDA margin is shown to reflect the effect from Fortescue Metals Group (FMG) stake sale.
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