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MMK AT A GLANCE
Source: Company data, Metal Expert research agency
1. According to Metal Expert research agency, in 2018, MMK had the largest share of steel shipments in Russia (17.5% of total shipments)
2. High Value Added
MMK Group’s key production segments are MMK-Steel (Russian and Turkish Steel Segments) and MMK-Ugol (Coal Mining Segment). The Russian Steel Segment includes the Magnitogorsk Iron and Steel Works, the key production unit of the Group.

**Magnitogorsk Iron and Steel Works (MMK)**
- Crude steel production: 12.7 mln t
- 100% coke self-sufficiency
- 4 power generation plants production: 4.5 bln kWh

**Lysva Plant**
- Acquired in 2017
- Coated steel production: up to 0.35 mln t
- 3% growth of HVA products share

**MMK Ugol**
- Coking coal concentrate production: 3.0 mln t
- 88% of raw coal was supplied by own mines
- 86% of coking coal concentrate was delivered to MMK

**MMK’s inputs self-sufficiency, FY 2018**
- 19% Iron ore
- 43% Coal
- 78% Electricity

Finished goods production: 0.8 mln t
- 67% of Hot Rolled Coil was supplied by MMK

Source: Company data as at FY 2018
**MMK Group is a leading Russian steel company with full production cycle and robust end market demand**

- **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 Mining Segment
- **High margin business with sales** in industrial regions of Russia, including Central Federal District, Ural, Siberia, and Volga regions
- **Highly qualified workforce**
- The Group applies best practices in occupational health and environmental safety

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**Steel production in Russia, 2018**

- MMK #2 by production: NLMK 18.2%, MMK 16.9%, EVRAZ 12.8%, SVS 15.1%
- MMK #1 by shipments: MMK 17.5%, SVS 14.4%, NLMK 8.7%, Mechel 4.3%, Import 12.8%, Other 37.0%

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**Steel sales in Russia, 2018**

- MMK #2 by production: NLMK 18.2%, MMK 16.9%, EVRAZ 12.8%, SVS 15.1%
- MMK #1 by shipments: MMK 17.5%, SVS 14.4%, NLMK 8.7%, Mechel 4.3%, Import 12.8%, Other 42.3%

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**HVA products share growth**

- Total steel production growth: +34%
- MMK share of HVA products: 2000 26.6%, 2010 34.7%, 2018 46.5%

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**Source:** IFRS report, Company data, Metal Expert research agency

1. Adjusted EBITDA is 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. Adjusted EBITDA Margin for any period represents Adjusted EBITDA for the relevant period divided by total revenue for the relevant period and expressed as a percentage
3. Normalized Adjusted EBITDA Margin reflecting the adjustment for sale of FMG stake is shown for 2016
4. Net Debt is calculated as total debt (the sum of long- and short-term borrowings, current portion of long-term borrowings and obligations under finance leases) less total cash and cash equivalents and short-term deposits
5. Total Debt / Adjusted EBITDA is total debt (the sum of long- and short-term borrowings, current portion of long-term borrowings and obligations under leases and finance leases) as at the end of the relevant period divided by Adjusted EBITDA for the relevant period. Total Debt/Adjusted EBITDA for three months ended 31 March 2019 and 2018 is represented by Total Debt as at the end of the reporting period and Adjusted EBITDA for 12 months ended 31 March 2019 and 2018, respectively
6. Metal Expert. Data for MMK aligned based on internal accounts
**Cost reduction initiatives have placed MMK in the 1st quartile on the world HRC cash cost curve and protect the company against price volatility**

- **MMK is a strong steel player on the Russian market**
- **Non-reliance on export market** insures the Group from potential tariffs and trade wars
- **MMK Group supplies the widest range of HVA steel products** in Russia
- **Efficiency of production** improved sharply over the last 10 years due to the extensive upgrade of production facilities. Progress continues as the Group 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 is increasing capacity utilisation**

<table>
<thead>
<tr>
<th>Year</th>
<th>Crude steel</th>
<th>HRC</th>
<th>Galvanised steel</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>89%</td>
<td>93%</td>
<td>99%</td>
</tr>
<tr>
<td>2017</td>
<td>92%</td>
<td>97%</td>
<td>96%</td>
</tr>
<tr>
<td>2018</td>
<td>94%</td>
<td>95%</td>
<td>96%</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 2018 according to CRU
MMK has one of the best financial profiles among global Metals and Mining players

- 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, characterised by a substantial price premium, and diligent cost optimisation, allows MMK Group 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 cash flow from operating activities and prudent financial policy
- MMK is committed to a target of <1.0x Net Leverage\(^1\) and <2.0x under a stress-case scenario

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

**Strong credit standing with low leverage**
- Commitment to deleveraging and implementation of prudent financial policies resulted in a considerable improvement in leverage metrics

**Strong cash flow generation**
- Sustainable free cash flow generation has created a comfortable liquidity cushion

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Source: Company Data, IFRS results
1. Net Leverage ratio is calculated as Net Debt divided by Adjusted EBITDA
2. Normalised Adjusted EBITDA Margin is shown for 2016 to reflect the effect from Fortescue Metals Group (FMG) stake sale
MMK Group has the most robust leverage and cash flow coverage metrics among its Russian and global peers

**Leverage**
Total Debt / Adjusted EBITDA

- MMK
  - 0.2x
- Severstal
  - 0.5x
- NLMK
  - 0.6x
- ArcelorMittal
  - 1.0x
- EVRAZ
  - 1.2x
- Gerdau
  - 2.2x
- POSCO
  - 2.3x
- Nippon Steel & Sumitomo Metal
  - 3.2x
- ThyssenKrupp
  - 3.8x

**Free Cash Flow level**
FCF / Total Debt

- MMK
  - 1.9x
- Severstal
  - 1.1x
- NLMK
  - 1.0x
- EVRAZ
  - 0.4x
- Gerdau
  - 0.17x
- POSCO
  - 0.16x
- ArcelorMittal
  - 0.07x
- Nippon Steel & Sumitomo Metal
  - 0.03x

**Credit Ratings**

<table>
<thead>
<tr>
<th>Source</th>
<th>Moody’s</th>
<th>S&amp;P</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia’s largest steel producers and Russian Sovereign</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MMK Group’s credit ratings stand high in the Russian Metals and Mining and overall Corporate space</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **MMK:**
  - Baa2 (stable)
  - BBB- (stable)
  - BBB (stable)

- **Severstal:**
  - Baa2 (stable)
  - BBB- (stable)
  - BBB (stable)

- **NLMK:**
  - Baa2 (stable)
  - BBB- (stable)
  - BBB (stable)

- **EVRAZ:**
  - Ba1 (stable)
  - BB+ (stable)
  - BB+ (stable)

- **Gerdau:**
  - Baa3 (stable)
  - BBB- (stable)
  - BBB- (positive)

Source: Moody’s, S&P, Fitch. Financial reports and investor presentations of the companies mentioned. Ratios are calculated on the basis of reporting currency. Data as of FY2018 results ending on 31 December 2018, except for Nippon Steel as of 31 March 2019. Metrics as reported by the respective companies.

1. Free Cash Flow is calculated as the net cash flows generated by operating activities less cash used for purchase of property, plant and equipment.
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**

- Board of Directors approved new dividend policy, increasing dividend payouts to 50% of FCF
- New dividend policy is approved – no less than 30% of FCF based on H1 and FY results
- The Company payed 100% of FCF as dividend for 2018

* The recommended amount of payments for Q4 2018 will be RUB 1.589 per share, subject to approval by the Annual General Shareholders’ Meeting

Source: MMK
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 practices are aimed at ensuring MMK’s long-term prosperity
- **Minimisation of the Group's environmental impact**

**Structure of PJSC MMK Board of Directors**

- **40%** Independent
- **20%** Executive
- **10 Members of Board of Directors**

**Victor Rashnikov**
Chairman of Board of Directors since 2005

- Started his career with MMK as a fitter in the metallurgical equipment repair shop
- Has worked in MMK since 1967
- A member of the Board of Directors of the World Steel Association

Source: Company data. As at 31 March 2019

1. Beneficial ownership via Minhta Holding limited
GLOBAL STEEL CONSUMPTION CONTINUED TO GROW IN 2018, SUPPORTING SUSTAINABLE DEMAND FOR STEEL PRODUCTS DESPITE GROWING PROTECTIONIST SENTIMENTS

Closure of excess capacity in China in 2016-2017 supported steel price recovery to its peak levels in mid-2018

- By 2018 the plan on China steel capacity cuts has been largely fulfilled. Chinese Government is expected to continue to tighten its environmental policies, including regulations to curb emissions from steelmaking.
- Chinese export has continued to shrink on the back of protectionist measures and sustainable domestic demand. Relatively high prices on raw materials sustain the current level of prices of steel products in China.
- In H2 2018, trade tariffs and steel consumption contraction in Turkey and Europe reversed the positive steel prices trend which prevailed across early 2018. In Q1 2019 steel prices continued their downward trend, though March has seen a strong rebound.

Share of countries in total steel production volumes, FY 2018¹

<table>
<thead>
<tr>
<th>Country</th>
<th>Share of Total Steel Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>52%</td>
</tr>
<tr>
<td>S.Korea</td>
<td>4%</td>
</tr>
<tr>
<td>Russia</td>
<td>4%</td>
</tr>
<tr>
<td>USA</td>
<td>5%</td>
</tr>
<tr>
<td>India</td>
<td>6%</td>
</tr>
<tr>
<td>Japan</td>
<td>6%</td>
</tr>
<tr>
<td>Other</td>
<td>23%</td>
</tr>
</tbody>
</table>

China steel export (mln t)¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Export (mln t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>96</td>
</tr>
<tr>
<td>2017</td>
<td>75</td>
</tr>
<tr>
<td>2018</td>
<td>69</td>
</tr>
</tbody>
</table>

Steel demand and supply (mln t)¹

<table>
<thead>
<tr>
<th>Year</th>
<th>Global Production</th>
<th>Global Demand</th>
<th>China Production</th>
<th>China Demand</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,627</td>
<td>1,521</td>
<td>808</td>
<td>781</td>
</tr>
<tr>
<td>2017</td>
<td>1,730</td>
<td>1,595</td>
<td>681</td>
<td>713</td>
</tr>
<tr>
<td>2018</td>
<td>1,809</td>
<td>1,658</td>
<td>928</td>
<td>781</td>
</tr>
</tbody>
</table>

World prices ($ / t)²

<table>
<thead>
<tr>
<th>Year</th>
<th>Coking coal</th>
<th>Iron ore</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: World Steel, Bloomberg, Company data

¹. World Steel
². Bloomberg, Company data
Positive global dynamics and improved market environment in Russia are expected to benefit local players

- Consumption of rolled steel in Russia is mainly driven by construction, automotive industry and pipe production.
- During the past years, consumption of rolled steel and high value added products was declining, however in 2017-2018, the recovery in the Russian economy led to a moderate growth in steel consumption. Demand for galvanised steel was relatively stable in 2016-2018.
- Projected growth in real income together with state-backed infrastructure projects are expected to support the construction and automotive sectors going forward.

### Industry steel consumption by volume in Russia

**Consumption of rolled steel (mln t)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>40,8</td>
<td>43,6</td>
<td>44,0</td>
<td>44,4</td>
</tr>
</tbody>
</table>

**Consumption of galvanised steel (mln t)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>8,6</td>
<td>8,6</td>
<td>9,0</td>
<td>9,1</td>
</tr>
</tbody>
</table>

**Consumption of HVA products (mln t)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>3,2</td>
<td>3,2</td>
<td>3,2</td>
<td>3,3</td>
</tr>
</tbody>
</table>

Sources: Company data, Metal Courier. Forecasts of the Company.

1. 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, structural, hot rolled, cold rolled products and galvanized steel. Construction includes wire rod, bars, rebar, structural, plate, hot rolled, cold rolled products, galvanized and coated steel.
STRATEGY OVERVIEW

1. MMK at a Glance
2. Market Overview
3. Operational and Financial Performance Overview
4. Appendix
MMK’S HISTORICAL MILESTONES

- **MMK acquires Belon** (coal asset) in 2004.
- **Thick-plate Mill 5000** launched in 2006.
- **Listing of GDRs on the London Stock Exchange** in 2007: Purpose: to raise capital to implement the second stage of the 2000-2013 Strategy.
- **Successful implementation of investment projects** in 2008.
- **Construction of a steelmaking facility in Turkey with capacity of 2.3 mln t of hot-rolled products per year completed** in 2009.
- **Launch of galvanizing unit and modernisation of Mill 2000 for hot-rolled products** in 2010.
- **Two lines of Mill 2000 for cold-rolled products launched** in 2011.
- **Acquired Lysvenskiy Metallurgical Plant** in 2013.
- **The Company presented its 2013 Growth Strategy as part of a roadshow** in 2014.
- **Listing of GDRs on the London Stock Exchange** in 2015.
- **Purpose: to raise capital to implement the second stage of the 2000-2013 Strategy** in 2016.
- **Successful implementation of investment projects** in 2017.
- **Listing on the Moscow Stock Exchange** in 2018.

Source: Company data
<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 2.2 mln t for production of galvanized metal and 0.6 mln t - 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. **Enhancing presence in the domestic market** | ✓ Supply to Russian and CIS market increased 2.7 times (from 3.5 mln t in 2000 to 9.5 mln t in 2014)  
  ✓ Balanced product line to fully meet the needs of customers |
| 3. **Strengthening in key segments** | ✓ Increased sales to pipe manufacturers  
  ✓ Increased exposure to the construction sector  
  ✓ Strengthened positions 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 Metal Supply and Sales Magazine
OVERVIEW OF INVESTMENT PROJECTS OVER 2000-2013

$ 4,900 mln
Spent on capital investments

24%
Average IRR of projects

> $ 1,000 mln
Average annual impact on EBITDA

• Modernisation of five blast furnaces
• Construction of agglomerate stabilisation units
• Construction of an oxygen unit
• Construction of facilities for slag processing

Source: Company data, public IFRS disclosure
**OVERVIEW OF 2016 – 2025 STRATEGY**

### 1 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**
- Structural surplus of key raw materials in the local market
- Customer proximity and low transport costs
- Low prices for energy inputs

### 2 Further increase in efficiency and productivity

**Strategic projects**
- 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

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**Sustained price differential to raw materials**

Average price spread maintained in the range of **270-380 $/t** allows MMK to keep its Adjusted EBITDA Margin above **25%**

---

**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 level of <1.0x for Net Debt/Adjusted EBITDA or <2.0x in a stress-case scenario

Overview of high potential investment projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Description and targets</th>
<th>Capacity</th>
<th>Targeted effect on Adjusted EBITDA</th>
<th>Indicative capex</th>
<th>Indicative Timeframe</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>5.0 mln tpa of HRC (from current 3.7 mln tpa)</td>
<td>$ 64 mln per annum</td>
<td>$ 223 mln</td>
<td>2017-2020</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>5.5 mln tpa of sinter (from current 4.5 mln tpa)</td>
<td>$ 38 mln per annum</td>
<td>$ 311 mln</td>
<td>2016-2019</td>
</tr>
<tr>
<td>New coke battery</td>
<td>Battery renewal; increase in coke quality; reduction of environmental impact</td>
<td>2.5 mln tpa of coke (to replace 5 old coke batteries)</td>
<td>$ 60 mln per annum</td>
<td>$ 466 mln</td>
<td>2018-2020</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>3.5 mln tpa of cast iron (to replace 3 BOFs)</td>
<td>$ 106 mln per annum</td>
<td>$ 393 mln</td>
<td>2020-2023</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>-</td>
<td>-</td>
<td>$ 153 mln</td>
<td>2020-2023</td>
</tr>
</tbody>
</table>

Capex levels maintained in the range of $ 0.4-0.9 bln in 2015-2018. MMK intends to keep capex at conservative levels in the future.

Capex ($ bln)


2.2 1.2 0.7 0.6 0.5 0.4 0.5 0.7 0.9 0.9

1. Set out in late 2015 as part of 2016-2025 Strategy; targeted effect on Adjusted EBITDA was estimated as a part of the overall planned Strategy update undertaken by the Group in the beginning of 2018 and is based, among other things, on the selling prices of the Group’s products and average prices of raw materials in 2017 and the first quarter for 2018 and projections related to steel prices, raw materials costs, inflation rates and exchange rates for the projected periods. Targeted effect on Adjusted EBITDA presented herein is a projection (a forward-looking statement), which involves inherent risks and uncertainties; actual results could differ materially. For more information on forward-looking statements, see the Disclaimer set out on p. 1 of this document.
4 Enhanced emphasis on protecting the environment

**Atmospheric emissions**

- **Green production is a key priority of MMK’s activities**
- As part of the 2016-2025 Strategy, MMK aims to:
  - Cut atmospheric emissions by 10% by 2025
  - Reduce effluent discharge by 70% by 2025
  - Continue reducing slag heap volumes
  - Invest around RUB 40 bln (eq. ca. $ 620 mln) in environmental projects

**Effluent discharges**

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
OPERATIONAL AND FINANCIAL PERFORMANCE OVERVIEW
The Group has partial integration in coal and iron ore. To reduce the risk of adverse changes in the supply of key raw materials, the Group previously concluded 3-5 year long-term contracts with major suppliers of iron ore and coking coal.
WELL DIVERSIFIED PRODUCT PORTFOLIO SUPPORTS MMK GROUP’S PRESENCE ON LOCAL MARKET

Leading positions on the Russian market allow MMK Group to be less sensitive to global volatility

- Domestic market remains strategically important for MMK Group
- Strong focus on the local market mitigates impacts of EU and US anti-dumping actions
- MMK Group’s key product is rolled steel, 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 remains the key priority
- The Company constantly expands its product range, e.g. in December 2017 MMK Group acquired Lysva Metallurgical Plant, which specializes in galvanised steel production

Sales breakdown by sector\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Metal trade</th>
<th>Construction sector</th>
<th>Automotive manufacturers</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>35%</td>
<td>77%</td>
<td>26%</td>
<td>6%</td>
</tr>
<tr>
<td>2017</td>
<td>34%</td>
<td>77%</td>
<td>26%</td>
<td>7%</td>
</tr>
<tr>
<td>2018</td>
<td>32%</td>
<td>77%</td>
<td>26%</td>
<td>9%</td>
</tr>
<tr>
<td>Q1 19</td>
<td>34%</td>
<td>77%</td>
<td>26%</td>
<td>11%</td>
</tr>
</tbody>
</table>

Sales breakdown by region\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Russia and the CIS</th>
<th>Middle East</th>
<th>Africa</th>
<th>Europe</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>86%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>8%</td>
</tr>
<tr>
<td>2017</td>
<td>86%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>8%</td>
</tr>
<tr>
<td>2018</td>
<td>86%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>8%</td>
</tr>
<tr>
<td>Q1 19</td>
<td>86%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: IFRS financial statements, Company data

1. As percentage of sales in tonnes for MMK, does not take into account the external sales outside of Russia and CIS
2. As a percentage of total revenue for MMK Group
MMK's robust profitability across volatile commodities cycles has been supported by its advantageous product mix and leading positions on the domestic and international markets, as well as stable raw materials supply and efficiency enhancement policy.

Adjusted EBITDA Margins have remained above 25% on a full-year basis, representing one of the highest levels among other global metals and mining producers.

MMK has historically maintained a price spread in the range of 270-380 $/t, having benefitted from higher sales price offsetting the effect of higher raw materials prices.

MMK has expressed its commitment to increasing operational efficiency as one of the key pillars of its 2016-2025 Strategy.

**Sustainable EBITDA progression**

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue yoy growth</th>
<th>Cost of Sales</th>
<th>Selling &amp; distribution expenses</th>
<th>G&amp;A expenses</th>
<th>Other</th>
<th>Adj. EBITDA Margin 2017</th>
<th>Adj. EBITDA 2017</th>
<th>Adj. EBITDA Margin 2018</th>
<th>Adj. EBITDA 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$1,641 mln</td>
<td>-1,451 mln</td>
<td>-119 mln</td>
<td>-31 mln</td>
<td>-239 mln</td>
<td>$2,032 mln</td>
<td>Adj. EBITDA Margin 26.9%</td>
<td>$2,418 mln</td>
<td>Adj. EBITDA Margin 29.4%</td>
</tr>
</tbody>
</table>

Source: Company data

1. Normalised Adjusted EBITDA means Adjusted EBITDA for 2016 adjusted for gain from disposal of shares in FMG. Normalised Adjusted EBITDA Margin means Normalised Adjusted EBITDA divided by total revenue for the relevant period and expressed as a percentage.
STABLE FREE CASH FLOW GENERATION AND EFFICIENT WORKING CAPITAL MANAGEMENT

- Working capital management is an important cash flow control tool:
  - Benchmark targeting on an ongoing basis
  - Identification of optimisation reserves based on analysis of individual types of current assets
- Policy brought tangible results as Net Working Capital turnover has remained relatively stable in recent years
- Overall Net Working Capital in 2018 stood at $1,149 mln and its share in revenue amounted to 14.0%
- MMK maintained a robust conversion of Adjusted EBITDA to Free Cash Flow on the back of moderate CAPEX and lower financial costs

Net Working Capital turnover\(^1\) (days)

<table>
<thead>
<tr>
<th></th>
<th>31/12/2016</th>
<th>31/12/2017</th>
<th>31/12/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inventories</strong></td>
<td>92</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td><strong>Buyers</strong></td>
<td>19</td>
<td>24</td>
<td>30</td>
</tr>
<tr>
<td><strong>Suppliers</strong></td>
<td>24</td>
<td>30</td>
<td>28</td>
</tr>
<tr>
<td><strong>NWC</strong></td>
<td>58</td>
<td>61</td>
<td>53</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
2. Free Cash Flow in Q1 2019 amounted to $260 mln

Free Cash Flow bridge\(^2\) ($ mln)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted EBITDA</td>
<td>1,956</td>
<td>2,032</td>
<td>2,418</td>
</tr>
<tr>
<td>Δ Working Capital</td>
<td>-57</td>
<td>-294</td>
<td>-62</td>
</tr>
<tr>
<td>Financial costs, taxes &amp; other</td>
<td>-708</td>
<td>-380</td>
<td>-469</td>
</tr>
<tr>
<td>Net Cash from Operating activities</td>
<td>1,191</td>
<td>1,358</td>
<td>1,887</td>
</tr>
<tr>
<td>CAPEX</td>
<td>-463</td>
<td>-664</td>
<td>-860</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>728</td>
<td>694</td>
<td>1,027</td>
</tr>
</tbody>
</table>

Source: Company data
Leverage

The Group achieved significant reduction in debt in recent years, with Net Debt/Adjusted EBITDA falling to 0.1x in 2016 and further to (0.09x) as of 31 March 2019.

This level represents one of the lowest leverage metrics among the Group’s Russian and international peers.

The share of debt which is denominated in EUR is around 64%, while USD-denominated debt stands at 3%. The remaining debt is denominated in RUB.

Existing liquidity substantially exceeds near-term maturities.

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

Liquidity as of 31/03/2019 ($ mln)

- Cash and cash equivalents: $1,349
- Short-term Debt: $710
- Unused credit lines: $431

Debt maturity profile as of 31/03/2019¹ ($ mln)

- Total Debt stands at $510 mln

Source: IFRS financial statements

¹. Debt maturity profile reflects only long-term debt, including long-term borrowings and the current portion of long-term borrowings. Short-term borrowings, excluding current portion of long-term borrowings, amount to $246 mln.
MMK VS PEERS: LIQUIDITY COVERAGE

MMK’s ability to service debt is superior to that of its peers

Liquidity position
Available liquidity¹ / Total Debt

Source: Companies’ data, ratios are calculated on the basis of reporting currency. Data as of FY2018 ending on 31 December 2018, except for Nippon Steel as of 31 March 2019

1. Available liquidity is equal to the sum of cash and cash equivalents, short-term investments and total undrawn credit lines
MMK Credit Rating Evolution

- MMK’s credit ratings have been improving consistently over the last 18 years, remaining resilient to downturns in global commodity markets.
- MMK’s credit ratings remain among the highest in the Russian corporate universe, with Moody’s and Fitch one notch above and S&P in line with the rating for the sovereign.

Sources: Moody’s, S&P, Fitch
# MMK Key Financials

(in $ mln, unless stated otherwise)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Q1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income statement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues</td>
<td>5,630</td>
<td>7,546</td>
<td>8,214</td>
<td>1,836</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>650</td>
<td>800</td>
<td>829</td>
<td>192</td>
</tr>
<tr>
<td>Adjusted EBITDA</td>
<td>1,956</td>
<td>2,032</td>
<td>2,418</td>
<td>440</td>
</tr>
<tr>
<td>Tax expenses</td>
<td>231</td>
<td>306</td>
<td>458</td>
<td>55</td>
</tr>
<tr>
<td>Profit</td>
<td>1,111</td>
<td>1,189</td>
<td>1,317</td>
<td>225</td>
</tr>
<tr>
<td><strong>Balance sheet</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>266</td>
<td>556</td>
<td>739</td>
<td>710</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,067</td>
<td>1,421</td>
<td>1,217</td>
<td>1,225</td>
</tr>
<tr>
<td>Property, plant &amp; equipment</td>
<td>4,345</td>
<td>4,874</td>
<td>4,370</td>
<td>4,716</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>6,501</td>
<td>7,924</td>
<td>7,205</td>
<td>7,600</td>
</tr>
<tr>
<td>Short term debt</td>
<td>320</td>
<td>308</td>
<td>269</td>
<td>431</td>
</tr>
<tr>
<td>Total debt</td>
<td>500</td>
<td>544</td>
<td>536</td>
<td>510</td>
</tr>
<tr>
<td>Net debt</td>
<td>192</td>
<td>(12)</td>
<td>(203)</td>
<td>(200)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,790</td>
<td>2,427</td>
<td>2,196</td>
<td>2,027</td>
</tr>
<tr>
<td>Equity attributed to shareholders of the parent company</td>
<td>4,693</td>
<td>5,473</td>
<td>4,988</td>
<td>5,549</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>4,711</td>
<td>5,497</td>
<td>5,009</td>
<td>5,573</td>
</tr>
<tr>
<td><strong>Cash flow statement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Cash flow from operations (CFO)</td>
<td>1,191</td>
<td>1,358</td>
<td>1,887</td>
<td>418</td>
</tr>
<tr>
<td>CAPEX</td>
<td>463</td>
<td>664</td>
<td>860</td>
<td>158</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>180</td>
<td>413</td>
<td>833</td>
<td>282</td>
</tr>
<tr>
<td><strong>Key ratios</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted EBITDA Margin (%)</td>
<td>29.1%</td>
<td>26.9%</td>
<td>29.4%</td>
<td>24.0%</td>
</tr>
<tr>
<td>Net Debt / Adjusted EBITDA (x)</td>
<td>0.1x</td>
<td>(0.01x)</td>
<td>(0.08x)</td>
<td>(0.09x)</td>
</tr>
<tr>
<td>Free Cash Flow / Total debt (x)</td>
<td>1.5x</td>
<td>1.3x</td>
<td>1.9x</td>
<td>2.2x</td>
</tr>
</tbody>
</table>

Sources: IFRS financials

1. EBITDA margin is adjusted for FMG stake sale
SOFTER MARKET BACKDROP PREVAILED ACROSS Q1 2019, THOUGH THE GROUP’S FLEXIBILITY ALLOWED TO RELOCATE TO THE MARKETS WITH HIGHEST MARGINS

**The Group partially compensated the lower steel prices by higher sales to domestic market and continued to improve its product mix**

**Sales by customer diversification**

<table>
<thead>
<tr>
<th>Area</th>
<th>Q1 2018</th>
<th>Q1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia and CIS</td>
<td>75%</td>
<td>86%</td>
</tr>
<tr>
<td>Asia</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Africa</td>
<td>4%</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Sales by principal industries**

<table>
<thead>
<tr>
<th>Category</th>
<th>Q1 2018</th>
<th>Q1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metal trade</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>Construction</td>
<td>7%</td>
<td>7%</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>10%</td>
<td>12%</td>
</tr>
<tr>
<td>Hardware and parts</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Automotive</td>
<td>31%</td>
<td>26%</td>
</tr>
<tr>
<td>Other</td>
<td>31%</td>
<td>34%</td>
</tr>
<tr>
<td>Russia and CIS</td>
<td>31%</td>
<td>34%</td>
</tr>
<tr>
<td>Middle East</td>
<td>86%</td>
<td>86%</td>
</tr>
</tbody>
</table>

**Revenue and Adjusted EBITDA lower yoy due to market backdrop**

<table>
<thead>
<tr>
<th>Region</th>
<th>Revenue ($ mln)</th>
<th>Adjusted EBITDA ($ mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2018</td>
<td>2 055</td>
<td>560</td>
</tr>
<tr>
<td>Q1 2019</td>
<td>1 836</td>
<td>440</td>
</tr>
<tr>
<td>Middle East</td>
<td>27,3%</td>
<td>24,0%</td>
</tr>
<tr>
<td>Asia</td>
<td>31%</td>
<td>26%</td>
</tr>
<tr>
<td>Europe</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Africa</td>
<td>4%</td>
<td>7%</td>
</tr>
</tbody>
</table>

**The Group continued deleveraging**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net Debt ($ mln)</th>
<th>Net Debt / Adjusted EBITDA (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2018</td>
<td>76</td>
<td>0,04x</td>
</tr>
<tr>
<td>Q4 2018</td>
<td>-203</td>
<td>-0,08x</td>
</tr>
<tr>
<td>Q1 2019</td>
<td>-200</td>
<td>-0,09x</td>
</tr>
</tbody>
</table>

**Cash Flow Generation even stronger**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Net cash generated by operating activities ($ mln)</th>
<th>Capex ($ mln)</th>
<th>Free Cash Flow ($ mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2018</td>
<td>366</td>
<td>145</td>
<td>221</td>
</tr>
<tr>
<td>Q1 2019</td>
<td>418</td>
<td>158</td>
<td>260</td>
</tr>
</tbody>
</table>

Source: IFRS financial statements, Company data
1. As a percentage of total revenue for MMK Group
2. As percentage of sales in tonnes for MMK, does not take into account the external sales outside of Russia and CIS
MMK earned strong investor sentiment. Since 2015 its GDR price grew by around 4x.