



ANSWERS TO THE QUESTIONS RECEIVED DURING MMK.ONLINE Q&A SESSION

22 DECEMBER 2021
Magnitogorsk, Russia



MMK.ONLINE

Q&A SESSION

PRODUCTION

Q: How is the shortage of cold-rolled steel being dealt with at MMK? What is your price outlook (trend) for rolled steel in Q1 2021?

A: We see no shortage of cold-rolled steel at MMK per se, but there are some production constraints due to the repair of Cold-Rolling Mill 1700. The mill will be launched in May 2021. The planned production volume for June and July is about 60 thousand tonnes each month.

Domestic prices will be catching up with foreign market quotes in the coming months. Once foreign market prices stabilise in Q1 2021, domestic prices will continue growing until the premium is restored.

Q: What are MMK's plans for steel output in 2021?

A: In 2021, we plan to increase our steel output by 13% year-on-year. This growth will be supported by a global recovery in demand for metal products, economic stimulus programmes in some countries and a high level of metal consumption in China.

Q: In Q3, blast furnace capacity utilisation stood at 100%. What are your plans for capacity expansion until, say, 2025?

A: In July 2020, MMK launched Hot-Rolling Mill 2500 with a capacity of 5.2 mln tonnes (up by 1.5 mln tonnes) following its reconstruction. Updated in November 2020, MMK Group's strategy envisages the construction of a new blast furnace by 2025 with five older furnaces to be decommissioned, which will boost our pig iron capacity by 0.4 mln tonnes. The BOF capacity upgrade programme will add another 1.0 mln tonnes to MMK's steel capacity by 2025. There are also plans to construct a new tinplate, cold-rolled and galvanised steel facility, which will boost our premium product output by 0.4 mln tonnes by 2026.

Q: The upgrade of Hot-Rolling Mill 2500 was a key milestone for the steelmaking industry in 2020. How do you plan to achieve the design capacity of the mill given the current utilisation of other units and the shortage of hot metal?

A: The full design capacity of Hot-Rolling Mill 2500 is 5.2 million tonnes. Taking into account the current utilisation of another units, the current capacity of Hot-Rolling Mill 2500 is 4.5 million tons. The modernization of the converter production by 2025 will allow to increase steel production by +1.0 million tonnes and increase the load of the Hot-Rolling Mill 2500 up to full design capacity when loading other units.

SALES

Q: Please tell us about the progress on the construction of MMK's production and logistics centre in Togliatti. What will be its strategic goals?

A: The project for the construction of a production and logistics centre in Togliatti is on schedule, we are now working on building the centre and providing it with the required transport infrastructure. The centre is planned for launch by 2021 year-end.

The project will enable a higher quality of fulfilment services for the automotive industry: we will enhance order fulfilment by assembling orders faster and delivering them by road, preserve product quality with



improved container and road deliveries, and optimise production flows by aggregating orders.

MMK's production and logistics centre will supply cold-rolled and galvanised steel to automotive manufacturing plants, focusing on Russia's automotive market and foreign assembly plants in Russia.

Q: A question about the construction industry. With me having a background in production and monolithic construction, we strive to develop new monolithic construction technologies. Pavel reminded us that the construction industry is a major consumer of rolled steel (particularly steel rebars). Does the Company plan to expand its presence in the industry and set up mobile rebar processing lines which will significantly increase MMK's margins and become its competitive advantage? The idea is to supply finished rebar products as per design documentation instead of bundles.

A: We are always interested in projects related to the development of industries with high added value. Development of innovative products is one of the key strategic priorities of MMK. Please send a detailed proposal on your projects to MMK Strategy Department to Zvyagin N.M. (zvyagin.nm@mmk.ru).

STRATEGY AND CAPEX

Q: Why has the prior (2019) EBITDA target of USD 500 mln by 2025 vs 2019 been doubled to USD 1 bn?

A: During the Investor Day in London in 2019, MMK Group demonstrated a portfolio of approved investment projects under its Strategy 2025, which would bring about USD 500 mln to the Group. After the Portfolio of Strategic Initiatives was revised in November 2020, the project portfolio was expanded to include, specifically, a BOF capacity upgrade project (+ 1.0 mtpa of steel) and construction of a tinplate, cold-rolled and galvanised steel facility (+ 0.4 mtpa of premium products), which will bring additional USD 70 mln and USD 110 mln, respectively. The USD 300 mln upside will be achieved through the following initiatives:

- Superior Product Portfolio to boost volumes, improve the sales mix, expand the product mix, offer innovative products for the construction and energy sectors and consolidate the Company's leadership in the automotive industry
- Customer Focus to increase customer satisfaction and develop CRM
- Excellence in Production to drive operational improvements in the production process and product quality
- Excellence in Procurement and Supply Chain Management to enhance procurement performance

The above initiatives also include digitalization projects.

Q: Previously, the Company estimated its total CAPEX for investment projects at about USD 2.140 bn in 2019–2025. What is your updated estimate given the doubled EBITDA growth target?

A: CAPEX for the project to boost steel output by 1.0 mln tonnes and new tinplate, cold-rolled and galvanised steel facility are yet to be updated. A number of other initiatives will be implemented under MMK Group's updated strategy, which will contribute to achieving the Group's target to boost its EBITDA by USD 1.0 bn.

- Superior Product Portfolio to boost volumes, improve the sales mix, expand the product mix, offer innovative products for the construction



and energy sectors and consolidate the Company's leadership in the automotive industry

- Customer Focus to increase customer satisfaction and develop CRM
- Excellence in Production to drive operational improvements in the production process and product quality
- Excellence in Procurement and Supply Chain Management to enhance procurement performance

Q: Please clarify whether the target to increase annual EBITDA by USD 1 bn by 2025 vs 2019 includes the price and FX factors, i.e. the recent considerable rise in steel prices and rouble depreciation vs the average values in 2019? If it does, specify which price/FX effects are included. If it does not, specify the implied forecast prices for steel and feedstock and rouble exchange rate.

A: The incremental effect on EBITDA by 2025 was calculated on the basis of RUB/USD exchange rate of 78 RUB per US dollar. There was no linkage to price and currency factors.

Q: When are you planning to construct Blast Furnace No. 11 and what will be the furnace's capacity?

A: We are planning to complete the construction of the new blast furnace and blast furnace gas power plant by 2025. The furnace's planned capacity is 3.7 mtpa of pig iron. After the decommissioning of three old blast furnaces, our pig iron output will increase by 0.4 mln tonnes.

Q: What happens at the Company? What advantages attract shareholders to MMK?

A: MMK Group is a leading Russian steel company with a 17% market share. Premium products make up almost half of our sales portfolio. MMK is No. 1 in the Russian market for sales of cold-rolled, galvanised and polymer-coated steel. The Group is Russia's only producer of tinplate used in home appliances and the food industry. Focused on Russia's domestic market, MMK Group is among the major beneficiaries of the country's National Projects.

MMK is the leader among Russian steel companies with a 40% TSR generated over the past five years. The industry's lowest leverage coupled with high dividends and one of the highest TSR in the steelmaking industry further enhance the Company's investment case.

Q: The Company's CAPEX peaked in 2008–2010. When do you expect the next investment cycle to start?

A: In late 2015, MMK Group approved its Development Strategy 2025, which covers the investment project portfolio. In November 2020, the Group's strategy was updated with new projects added to the project portfolio. The projects are currently implemented on schedule and fully meet the Group's strategy. Due to the postponement of the project to construct a new coke and by-product plant, our CAPEX are planned at around USD 1.0 bn in 2021, USD 0.9 bn in 2022–2023 and USD 0.75 mln in 2024–2025.

Q: You mentioned employee engagement. In what way will employee engagement change? How will the motivation system change?

A: Increasing employee engagement is one of MMK Group's priority tasks. We conduct ongoing employee engagement surveys and expand their coverage to determine engagement factors. Based on the findings,

EMPLOYEES



we develop employee relations activities to align the employees' personal and professional goals with the overall corporate goals and the Company's vision and mission.

We are constantly analysing and improving the personnel motivation system, bringing it in line with current trends and satisfying the needs and expectations of our stakeholders. Achievement of operational and strategic goals set for the employees is incorporated into existing bonus programmes and incentive schemes. In addition, the Company annually adjusts wage rates and salaries.

IRON ORE

Q: Changes in iron ore prices. Are there any signs indicating that the period of high iron ore prices is coming to an end? What factors influence iron ore prices (China, supplies to Russia, the CIS)? What is the Company's outlook for iron ore prices in 2021?

A: The key factor affecting iron ore prices is the supply and demand balance in the global market, in particular, China's pig iron and steel output. Given stable demand for steel products in China and the recovery of global business activity, iron ore prices are currently at the highest level over the last few years. Blast furnace capacity utilisation rate in China is close to 95%, and according to the Chinese government policy, new facilities can only be commissioned after decommissioning of obsolete ones that are already few in China. In this context, a further increase in China's output at a rate of about 10% per annum does not appear feasible. With additional iron ore exports from Brazil expected to return to the market, iron ore prices should somewhat adjust.

VERTICAL INTEGRATION

Q: Self-sufficiency in raw materials. Do you plan any corporate activities (including M&A) aimed at acquiring control over iron ore and scrap metal producers?

A: We are constantly monitoring iron ore assets with a view to further integration, but there are virtually no targets available and attractive from the investment point of view. We are open to negotiations, but so far integration into the iron ore segment remains an optional strategic opportunity for us. MMK Group comprises scrap metal collection and processing assets that cover the Group's needs.

COAL

Q: Please tell us at what price do you currently buy coal and how much has the price changed quarter-on-quarter?

A: In Q4 2020, coal concentrate prices increased on average by 9%–12% quarter-on-quarter, reflecting the positive dynamics of steel demand in Russia and globally.

DEBT

Q: Does the Company plan to increase leverage to ensure an accelerated transition to Industry 4.0? Negative debt is not always a good thing, especially when there is room to grow.

A: Digitalization is an enabler for MMK Group's Strategy 2025. MMK is and will continue to be committed to a prudent financial policy. As we announced in November 2019, we plan to borrow money to fund extra CAPEX above the normalised level of USD 700–750 mln. We are constantly monitoring the debt market to raise debt financing on the most favourable terms and optimise the structure of our debt portfolio.



Q: The Company has zero net leverage. With low rates, high profitability, and stable production, we cannot deem this situation “efficient”. This affects the Company’s value and, accordingly, the Company is valued by the market using lower multipliers compared to peers (Severstal, NLMK). Does the Company consider financing CAPEX (or part thereof) by increasing debt to acceptable levels rather than financing it from operating cash flow? What level of debt do you deem acceptable and comfortable?

A: MMK is and will continue to be committed to a prudent financial policy. As we announced in November 2019, we plan to borrow money to fund extra CAPEX above the normalised level of USD 700–750 mln. We are constantly monitoring the debt market to raise debt financing on the most favourable terms and optimise the structure of our debt portfolio.

ENVIRONMENT

Q: How do you see the future of zero-carbon steelmaking? Does MMK plan any projects in this area?

A: We believe that by improving the environment and creating comfortable and safe living conditions in home regions, we care for future generations. MMK Group’s top priority in sustainability is reducing its environmental impact. Each year, the Company grows its investments in environmental protection, innovation and technology development to increase operational efficiency and decrease the human impact.

Decarbonisation is a global trend set by consumers and supported by regulators. So, we understand that steelmakers, MMK in particular, should adapt to the new environmental requirements step-by-step in order to maintain their market positions.

MMK’s aim to meet the overall market demand and satisfy individual customer needs, development of new products, process digitisation, improvement of existing technologies and implementation of new green projects all drive the Company’s evolution today. We consider advanced low and zero-carbon technologies in steelmaking and partner with companies that manufacture equipment for the green steel industry.

SUBSIDIARIES

Q: What are the plans for MMK’s subsidiaries Belon and MMK-METIZ? Does the Company intend to acquire 100% stakes and pay dividends?

A: There has been no decision so far to acquire 100% stakes in Belon and MMK-METIZ in line with Federal Law No. 208-FZ On Joint Stock Companies, but we do not exclude this possibility in the future.

PARTNERS AND COLLABORATION

Q: Microbor, a Russian manufacturer of super-hard cutting tools. We have been supplying our products to MMK on a permanent basis since 2014. Our question is, as there are no Open Days now, how can a Russian manufacturer of tools submit his new effective ceramic and cubic boron nitride solutions for comprehensive testing at Mekhanoremontnyy Komplex?

A: MMK Group is open to mutually beneficial collaboration. For more details, please contact Georgy Larin, Head of MMK’s Functional Centre at Skolkovo, e-mail Larin.GV@mmk.ru.

Q: The global experience shows that improvements and leadership are enabled by partnerships with “supporting” companies that have alternative views and opinions. How does MMK plan to develop its partnerships with companies providing external expertise (product



innovation, including HVA segments, cost reduction and other initiatives with the potential to boost the Company's EBITDA)? How open is the Company to such partnerships? What are the current criteria of a company that MMK would be interested in collaborating with?

A: At the moment, we have innovative collaboration agreements with the Skolkovo Foundation, South Ural State University, Bardin Central Research Institute of Ferrous Metallurgy and a number of other universities. We also have numerous projects with other partners. MMK Group is open to collaboration. For more details, please contact Georgy Larin, Head of MMK's Functional Centre at Skolkovo, e-mail Larin.GV@mmk.ru.

Q: Do you plan to expand your presence in Kazakhstan, for example, by constructing or investing in micro steel mills?

A: MMK Group has solid positions in the Kazakhstan market. We plan to strengthen them by improving sales performance. As to investing in the construction or acquisition of existing facilities in Kazakhstan, MMK Group has no such plans.

Q: Could you please tell us how much have transportation contracts with Globaltrans shrunken in number?

A: Globaltrans is a key freight rail operator that provides its own rolling stock to transport MMK products. MMK and Globaltrans currently have a long-term mutually beneficial agreement. MMK has been using Globaltrans' rolling stock for more than 50% of deliveries since 2012.

COUNTRY RISKS

Q: To what extent do country risks (sanctions) affect the Company?

A: Victor Rashnikov and MMK are not included in the US or EU sanctions lists. MMK has reliable internal controls to identify and prevent potential sanctions risks and takes all measures to comply with applicable laws.



ABOUT MMK

MMK is one of the world's largest steel producers and a leading Russian metals company. The Group's operations in Russia include a large steel-producing unit encompassing the entire production chain, from the preparation of iron ore to downstream processing of rolled steel. MMK turns out a broad range of steel products with a predominant share of high-value-added products. In 2019, MMK produced 12.5 mln tonnes of crude steel and 11.3 mln tonnes of commercial steel products.

MMK is an industry leader in terms of production costs and margin. MMK Group had revenue in 2019 of USD 7,566 mln and EBITDA of USD 1,797 mln. MMK's debt load is the lowest for the industry. Net debt/EBITDA ratio was -0.13x at the end of 2019. The Group's investment-grade rating is confirmed by the leading global rating agencies Fitch, Moody's, S&P.

MMK's ordinary shares are traded on Moscow Exchange, while its depositary receipts are traded on the London Stock Exchange. Free float amounts to 15.7%.

Subscribe to our **official MMK channel in Telegram**, to be the first to know about key MMK news.

INVESTOR RELATIONS DEPARTMENT

Veronika Kryachko
+7 (915) 380-62-66
kryachko.vs@mmk.ru

ESG DEPARTMENT

Yaroslava Vrubel
+7 982 282 9682
vrubel.vs@mmk.ru

COMMUNICATIONS DEPARTMENT

Dmitriy Kuchumov
+7 (499) 238-26-13
kuchumov.do@mmk.ru

Oleg Egorov
+7 (499) 238-26-13
egorov.oa@mmk.ru

KEY UPCOMING EVENTS IN 2021

FINANCIAL CALENDAR

12-14 January	CEEMEA Opportunities Conference, J.P. Morgan, online
26 January	Q4 2020 trading update
4 February	MMK Q4 2020 financial results under IFRS publication and conference call