MAGNITOGORSK IRON AND STEEL WORKS

Agenda item No. 2 – Annual General Shareholders Meeting, MMK PJSC.

EXPLANATORY NOTE

"Distribution of profit, including payment (declaration) of dividends upon the results of 2025 reporting year"

Substantiation of the proposed distribution of net profit, and assessment of its consistency with the company's dividend policy.

Pursuant to the Federal Law "On Joint Stock Companies", decisions on profit distribution, including payment (declaration) of dividends based on the results of the reporting year, fall within the competence of the General Meeting of Shareholders of PJSC MMK. At the same time, recommendations on the size of dividends on shares and the procedure for their payment are within the competence of the Board of Directors.

The MMK dividend policy is based on the balance of interests of the Company and its shareholders, on increasing the Company's investment attractiveness and its capitalization, on respecting and strict observance of shareholder rights stipulated by the current legislation of the Russian Federation, the Company's Charter and by the Company's Corporate Governance Code.

The dividends shall be paid out of the Company's net profits determined in accordance with accounting (financial) statements of the Company.

In accordance with the current dividend policy, when formulating recommendations on the size of a dividend, the Board of Directors is guided by the following principles:

- Provided that the net debt / EBITDA ratio calculated on the basis of the consolidated financial statements is below 1.0x, the amount of funds allocated to the payment of dividends will normally be at least 100% of the free cash flow calculated on the basis of consolidated financial statements of PJSC MMK prepared in accordance with International Financial Reporting Standards;
- If the net debt / EBITDA ratio exceeds 1.0x, the amount of funds allocated to the payment of dividends will normally be at least 50% of the free cash flow calculated on the basis of the consolidated financial statements of PJSC MMK, prepared in accordance with the International Financial Reporting Standards.

When making recommendations on the amount of dividends, the Company's Board of Directors may use indicators other than free cash flow, calculated on the basis of MMK's consolidated financial statements prepared in accordance with International Financial Reporting Standards. The following indicators may be used for such purposes: net profit determined on the basis of the Company's consolidated financial statements prepared in accordance with international financial reporting standards, or the net profit determined on the basis of the Company's accounting (financial) statements drawn up in accordance with Russian accounting standards.

Pursuant to paragraph 1, Article 42 of the Federal Law "On Joint-Stock Companies" and paragraph 1.6 of the MMK PJSC Dividend Policy Regulation, the Company has the right, but not the obligation, to declare and pay dividends on its shares.

Given the negative industry situation caused by declining steel consumption in the Russian Federation, correction of rolled metal prices, high interest rates, and the consequent decrease in MMK profits, the Board of Directors of recommended that the annual general shareholders' meeting decide not to pay dividends on the issued ordinary shares for the 2025 reporting year and to approve the Company's profit distribution for the 2025 reporting year (Minutes No. 11 dated April 24, 2026).

Draft resolution:

Dividends on PJSC MMK's placed ordinary shares based on the results of MMK's performance in 2025 reporting year shall not be paid. Approve MMK's profit distribution for 2025 reporting year as recommended by MMK's Board of Directors.