



ANSWERS TO THE QUESTIONS RECEIVED DURING CMD

31 JANUARY 2022
MAGNITOGORSK, RUSSIA



CMD

Q & A

SALES

Q: Independent metal traders control a significant share of rolled product supplies in Russia. Why does it seem like MMK does not prioritise developing its sales network and opening new warehouses in other regions? What is the current sales volume on MMK's marketplace? And what is your forecast of the share of online sales for the next year?

A: The development of our own sales network is an objective under the Customer focus strategic initiative, in line with our goal To be the best supplier. In 2021, MMK Trade House demonstrated sales growth, including through the opening of new B2B and B2C units across Russia, expanding the share of direct sales to end customers, and adding pipe and tubular products to its product range. To date, MMK Trade House is present in 33 cities of Russia. Our 2025 sales development plan includes opening more B2B and B2C units and expanding warehouse capacities.

Sales through the marketplace from April to September 2021 amounted to 10,000 tonnes across a total of more than 2,000 orders, and we plan to significantly increase sales in 2022. To further boost online sales, we plan to expand on auctions and attract third-party suppliers and more credit institutions, all while expanding our product mix, increasing order processing speeds, and reducing employee workload.

STRATEGY AND CAPEX

Q: At what base steel price do you plan to achieve EBITDA of USD 3 billion by 2025?

A: Our strategic goal is to achieve USD 1 billion EBITDA growth by 2025 by implementing our portfolio of strategic initiatives. Project efficiency calculations are based on average steel prices over the past three years. The published figures have been adjusted for macro factors, including inflation, exchange rate variation, and growth in metal product prices.

Q: Can you please tell us more about the projects that drive the significant growth in environment-related capex (slide 15)?

A: We continue to invest in green technologies. Capital expenditure increased primarily due to a change in plans to build Blast Furnace No. 11. The list of environmental projects for 2022–2025 also includes the construction of Coke-Oven Battery No. 12, the steam turbine power station, the utilisation of syngas in the blast furnace, and many more.

Q: Can you estimate the unit cost of syngas production? You estimate the syngas project to generate 34% IRR. What net cost savings per tonne of steel do you expect to achieve?

A: The production cost of synthesis gas is expected to be USD 30 per thousand m³, with net savings at USD 3.4 per tonne of BOF steel.

Q: Does the Company plan to hedge the risks of primary commodity price volatility, and if so, how?

A: At the moment, we are not considering hedging as a tool to mitigate the risks of primary commodity price volatility.

**ESG**

Q: Some Russian companies have demerged or sold coal assets amid the global decarbonization trend. Would MMK consider such a possibility?

A: Looking at our coal asset, we take a balanced and pragmatic approach. As of today, we do not see any way for large integrated steel producers in Russia to quickly give up coal concentrate, although we carefully examine all possible technological options as part of the ESG agenda.

MMK-COAL is vital to ensure the smooth operation of MMK. With its carbon footprint kept within the Group's perimeter, the enterprise also contributes to our most immediate, digitised target of reducing emissions to 1.8 tonnes of CO₂ per tonne of steel by 2025.

To achieve this, we continue to pursue our policy of actively implementing the most environmentally friendly technologies throughout MMK Group's entire production chain. This also applies to environmental projects at MMK-COAL. We had been adhering to this strategy even before the term "ESG" came to Russia, and we still see this area as extremely important and relevant. The Company will make a green transition in line with our country's commitments to the global community.

TAXES

Q: Can you break down the new taxes (steel export tax + MET) the Company will pay in 2022?

A: We estimate that in 2022 the steel excise duty will stand at about USD 200 million and MET at about USD 30 million.

TURKEY

Q: How has the Turkish asset been affected by the depreciation of the Turkish lira?

A: The depreciation of the Turkish lira has a strong impact on the country's economy. However, MMK Metalurji's sales mix comprises a significant share of export sales. In addition, all contracts of our Turkish asset are US dollar-denominated.

EMPLOYEES

Q: Today, there are fewer and fewer workers, and the average employee is over 35 years old. It is no secret that young people are not particularly eager to work in a factory: college and university graduates prefer alternative ways of earning money. Please explain how you attract young people, the measures in place, etc.

A: We hold regular career guidance events at schools, universities and colleges, and we sign targeted training contracts with students. We are open about the fact that we offer a career path from blue-collar employee to CEO, supported by a chain of management schools preparing a talent pool of managers, from supervisors to top managers. On behalf of the Company, the Union of Young Metallurgists regularly holds various large-scale events involving good numbers of local young people, which also raises our employer image. We have introduced a Recruitment Bot to accept online job applications from candidates with relevant professional experience, no matter where they are in the world or which device they are using.

As a result of our career guidance efforts, we meet our annual targets for attracting young specialists to the Company and rank among the top three industry players in terms of the share of graduates among employees.



ABOUT MMK

MMK is a 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 premium products. In 2021, MMK produced 13.6 mln tonnes of crude steel and sold 12.5 mln tonnes of commercial steel products.

Group revenue in 2021 totalled USD 11,869 mln, with an EBITDA of USD 4,290 mln. MMK boasts the industry's lowest debt burden. Net debt/EBITDA ratio was -0.09x at the end of 2021.

MMK's ordinary shares are traded on the Moscow Exchange, while its depositary receipts are traded on the London Stock Exchange. Free float amounts to 20.2%.

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.ys@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 2022

FINANCIAL CALENDAR

13 April Q1 2022 Trading Update

19 April Q1 2022 IFRS financials