



IFRS FINANCIAL RESULTS

FOR Q3 & 9M 2020

22 OCTOBER 2020
Magnitogorsk, Russia





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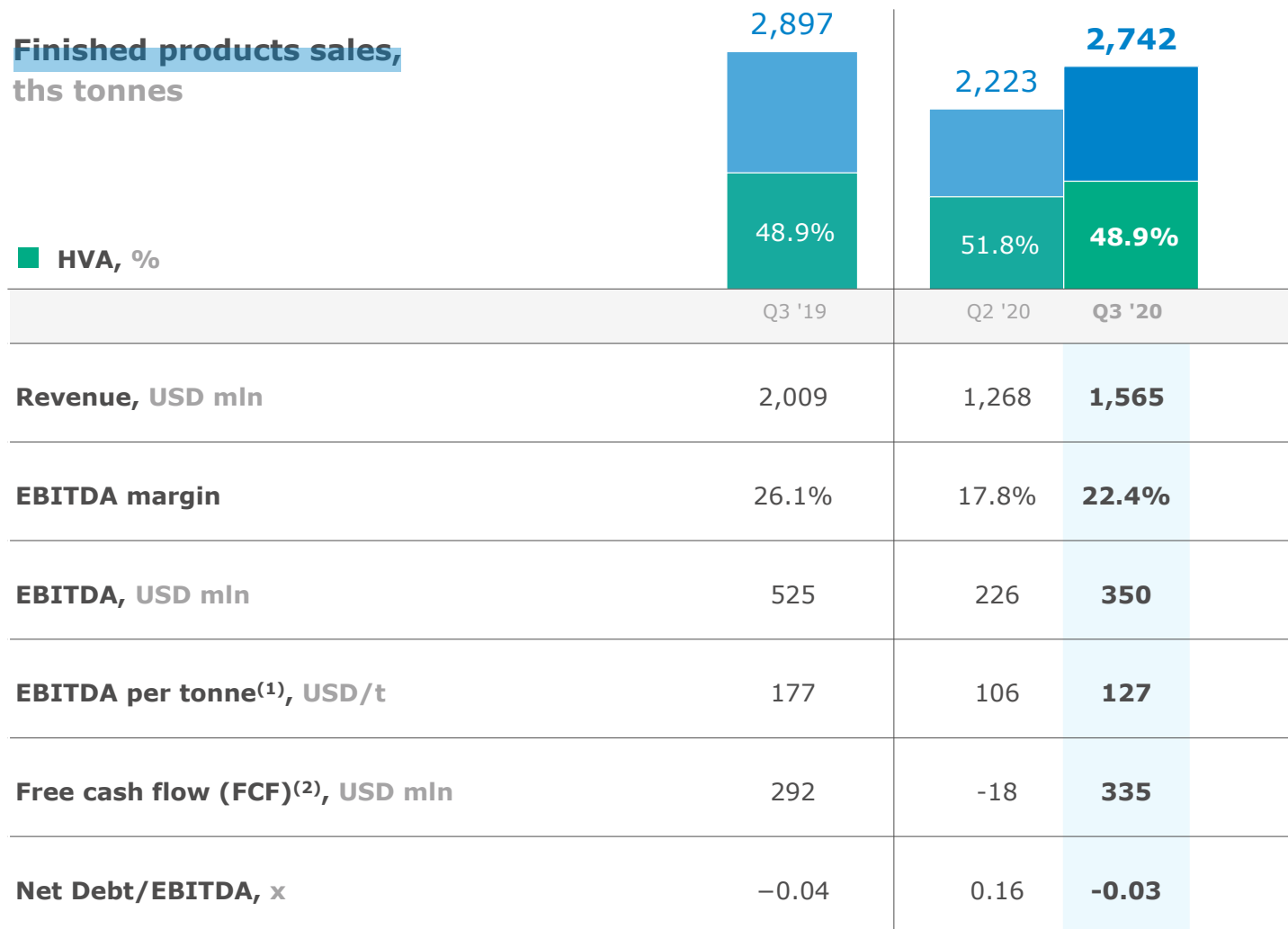
Notes

Series of horizontal lines for notes.

Q3 2020

EXECUTIVE SUMMARY

Finished products sales, thousands tonnes

Change quarter-on-quarter
(q-o-q)

Sales of HVA products

+16.5 p.p.

EBITDA margin

+4.6 p.p.

EBITDA

+54.9%

FCF

USD 335 mln

Source: IFRS report, Metal Expert.

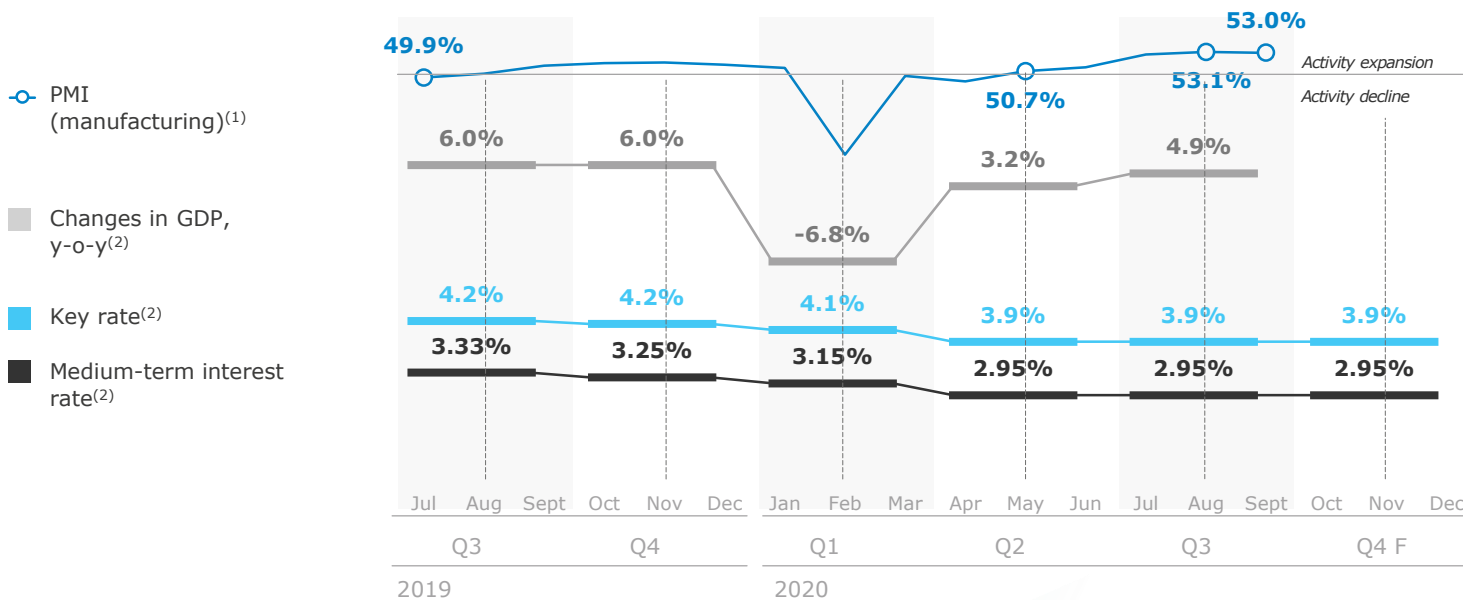
Notes (1) Calculated as: (Steel Russia + Steel Turkey)/Finished products sales; (2) Calculated as net cash from operating activities plus interest received and proceeds from disposal of PPE and intangible assets, net of purchase of PPE and intangible assets (CAPEX).

MARKET OVERVIEW



Q3 2020

MACROECONOMIC ENVIRONMENT IN CHINA

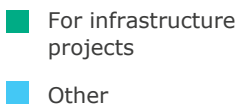


Flexible monetary policy along with targeted measures to support economic recovery helped China to get closer to pre-crisis levels, demonstrating solid GDP growth in Q3 2020

Amid optimistic forecasts for further development of the economy, the key rate and medium-term interest rate remained unchanged in Q3 2020

Special bonds issuance⁽⁴⁾

RMB bn



RMB 3.8 tn earmarked for investment in infrastructure projects in 2020

Projects approved during seven months of 2020:

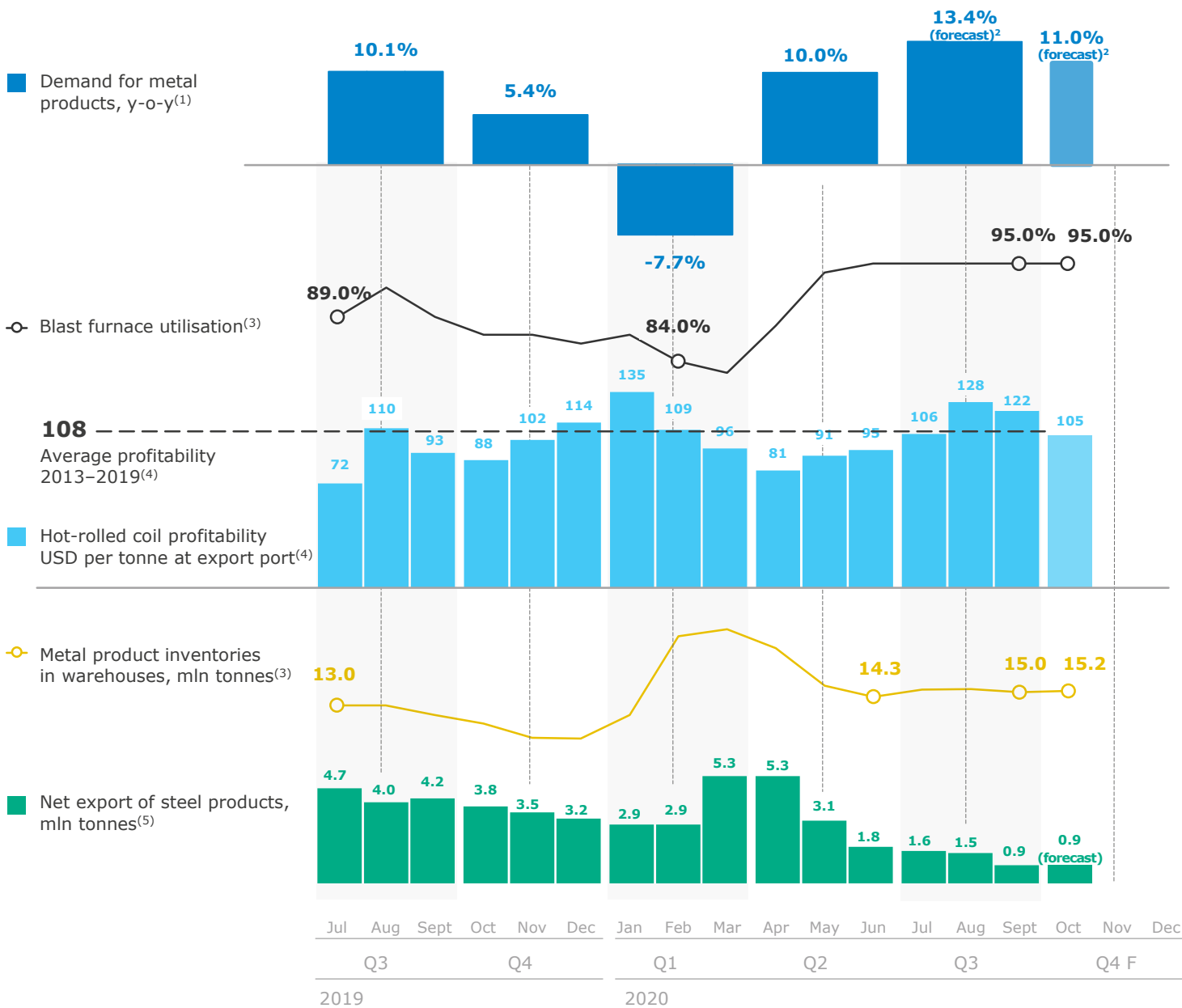
- 14 airports
- 22 railway and urban rail transport projects
- Another 16 railway projects are pending approval by end-2020
- The length of railways within the announced projects will total 5,801 km

The implementation of the announced projects along with the projects approved in 2016-2019 will increase steel consumption by **23 mln t**

In Q3, China continued to pursue its programme to finance infrastructure projects aimed at restoring domestic demand by issuing special bonds

Q3 2020

STEEL MARKET IN CHINA



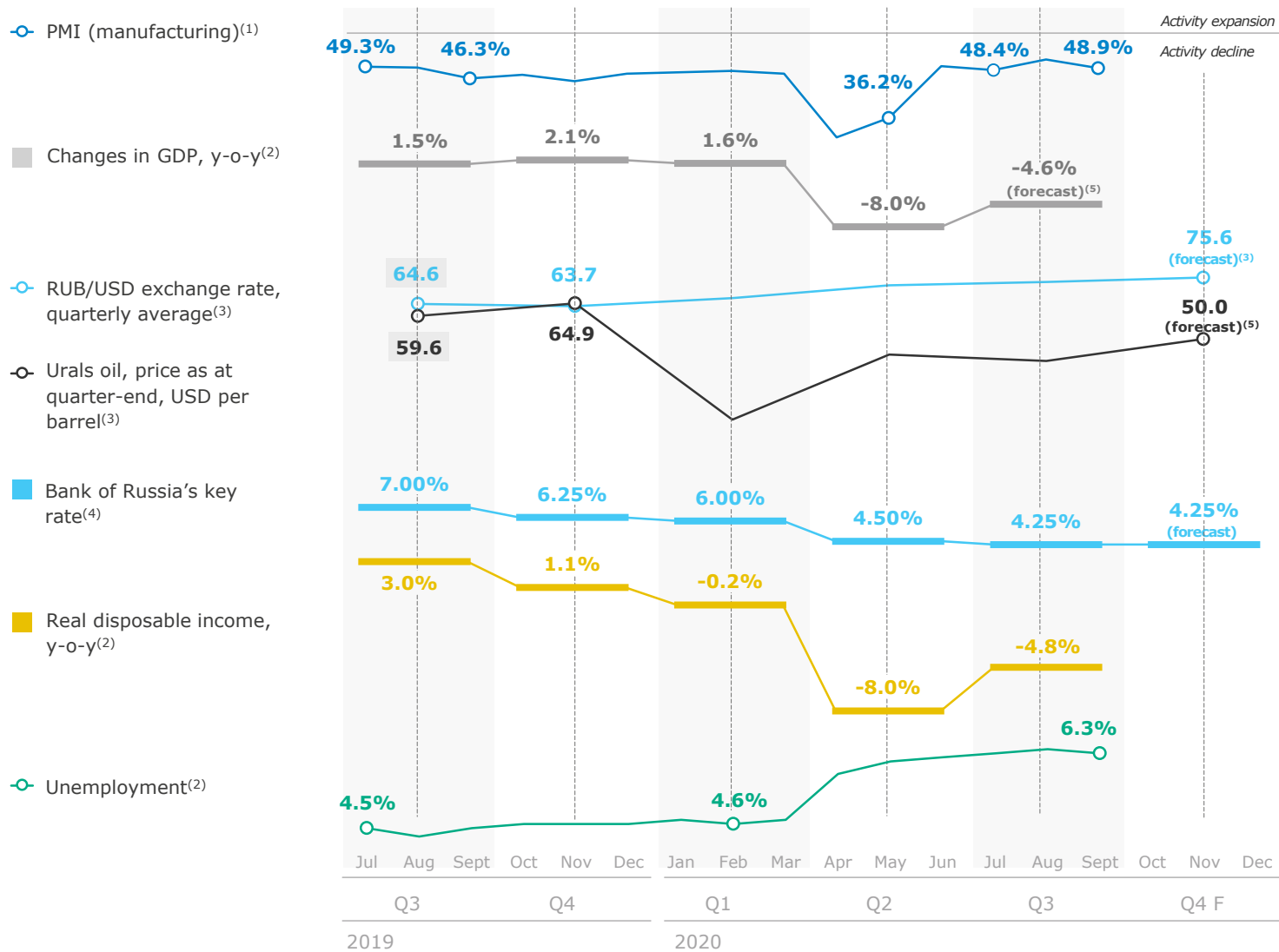
Active government support for the economy initiated in Q2 continued to stimulate steel consumption growth in Q3 amid exponential growth in the number of infrastructure projects across the country

Blast furnace utilisation in Q3 was close to maximum, accelerating the growth of metal product inventories in warehouses

Net steel product exports continued their downward trend in Q3 on the back of strong domestic demand and more attractive domestic selling prices compared to export prices

Q3 2020

MACROECONOMIC SITUATION IN RUSSIA



Measures to support the economy introduced in mid-Q2 made it possible to set a trend in the recovery of business activity in Q3

A reduction of the key rate by 25 bps in Q3, paired with the government's measures to subsidise retail interest rates, helped support the gradual recovery of real disposable income, while the unemployment rate remained at high level, staying flat q-o-q

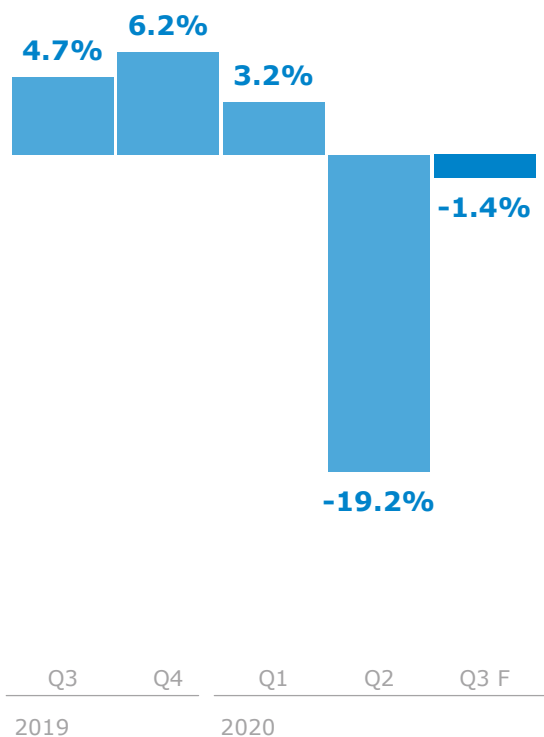
The measures to soften monetary policy and bolster effective demand taken by the government led the manufacturing PMI to rebound to the comparable period of previous year.

Q3 2020

STEEL MARKET IN RUSSIA

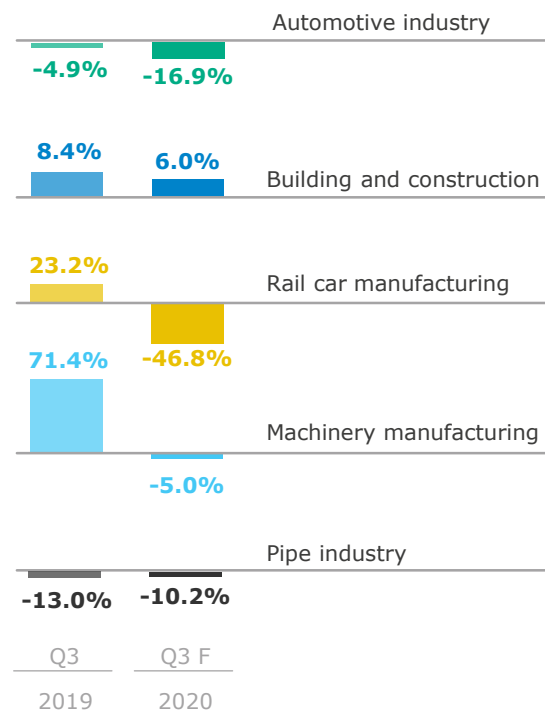
Demand for metal products⁽¹⁾ declined by 1.4% y-o-y in Q3, demonstrating a recovery trend compared after the decline in Q2, as the country's economy gradually recovers from the crisis

y-o-y



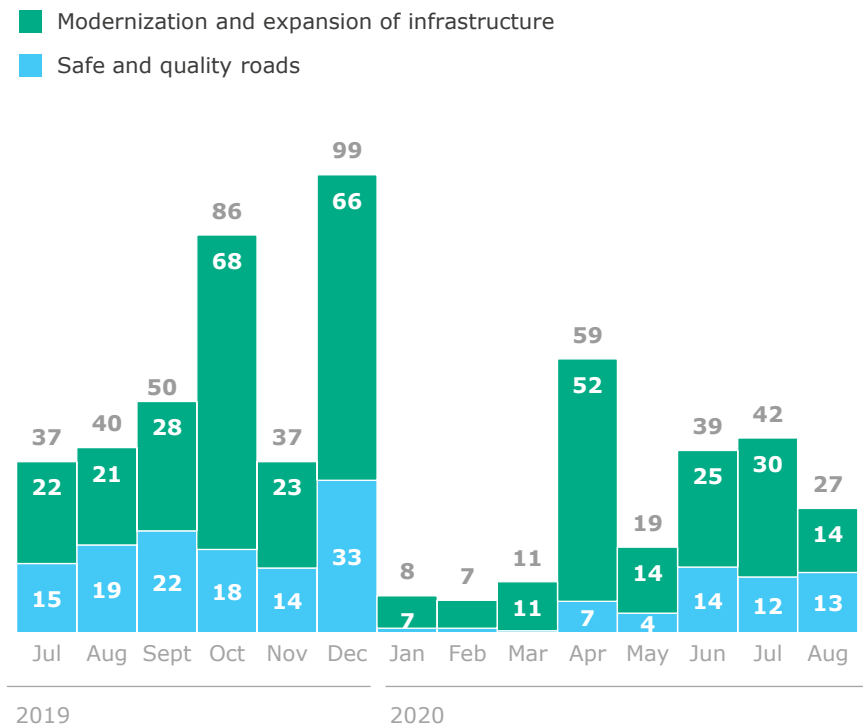
The demand for steel products⁽¹⁾ in Q3 was mainly supported by the construction sector against the background of the government programme to support retail mortgage lending

y-o-y



In Q3, the Government continued to implement National Projects.⁽²⁾ State budget expenditure in July–August 2020 was comparable with that for the same period in 2019

RUB bn

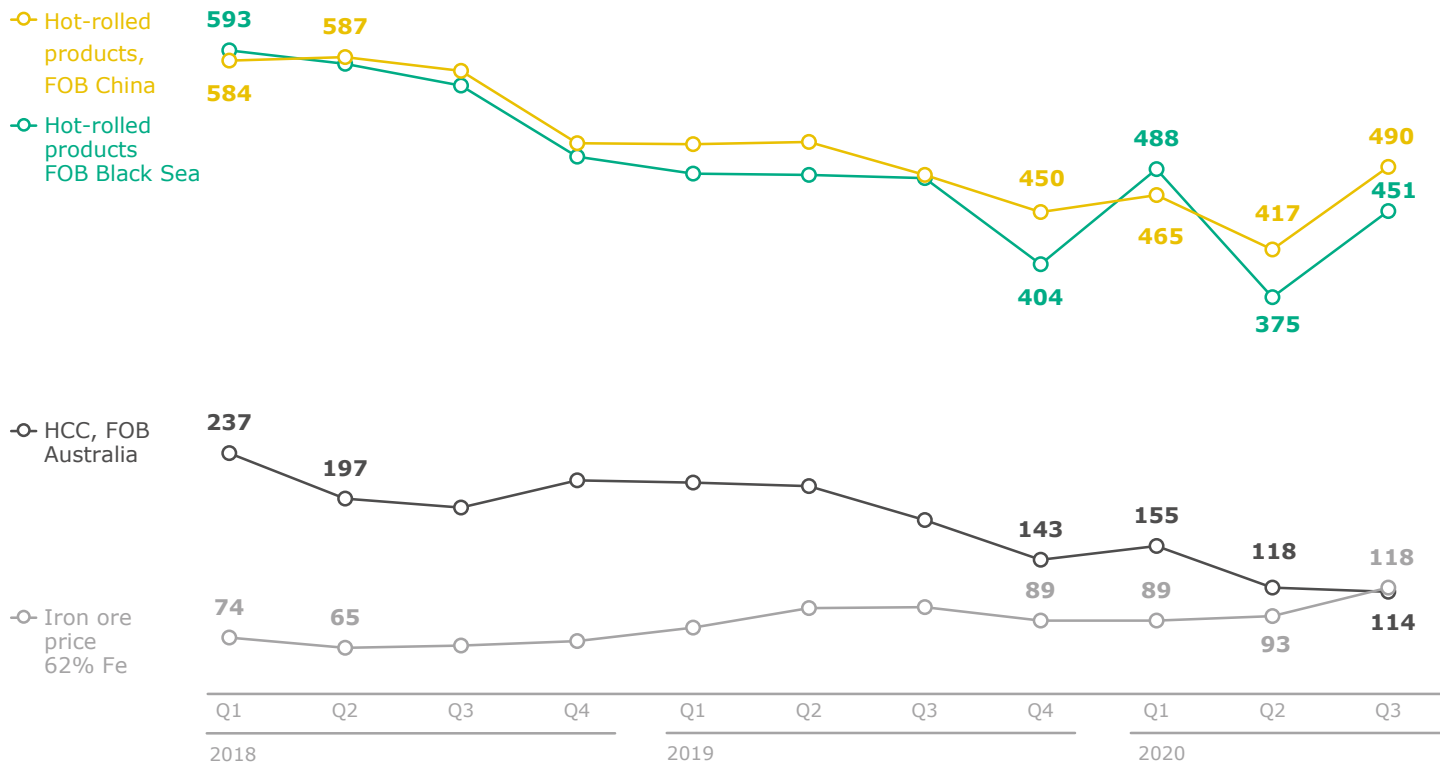


Q3 2020

CHANGES IN PRICES

Prices for metal products and key commodities

USD per tonne



Hot-rolled products

Amid investment in infrastructure, China's economic recovery gave rise to high domestic demand and prices for rolled steel. Global prices for flat products and rebars returned to pre-pandemic levels in Q3

Coking coal

In Q2 and Q3, commodity exporters were challenged by a sharp drop in steelmaking capacity utilisation rates in the developed economies and India. China's imports were limited by annual coal import quotas. During that period, spot prices did not exceed USD 105–110 per tonne but soared to USD 135–140 per tonne in September, driven by growing prices for metal products and recovering demand outside China

Iron ore

Iron ore prices peaked in Q3, driven by high steel output rates in China. Brazil's iron ore exports started to rebound from the Q1 and Q2 lows, but for the most part of Q3, China's iron ore port inventories were shrinking, causing a feverish demand from Chinese plants and pushing prices up

KEY RESULTS



Q3 2020

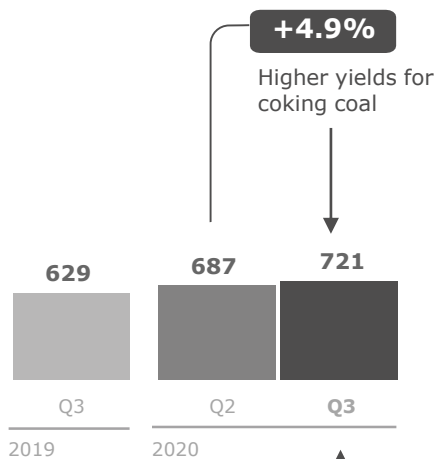
HIGH CAPACITY UTILIZATION OF HIGH-MARGIN PRODUCTION UNITS

Key production indicators

→ Quarterly dynamics 2018-2020

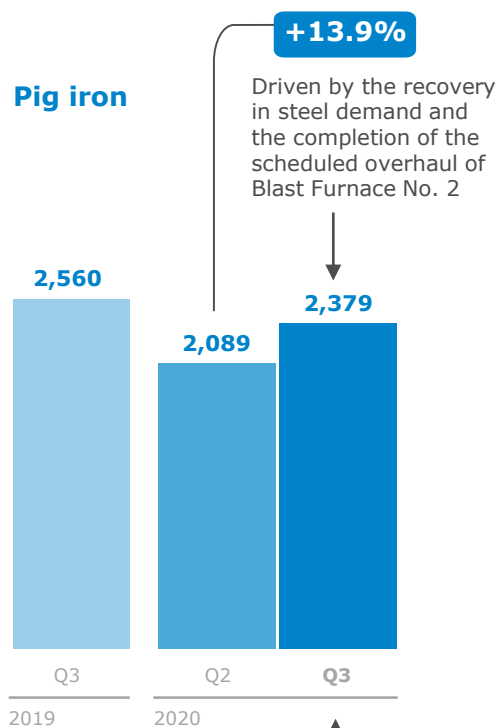
ths tonnes

Coking coal concentrate



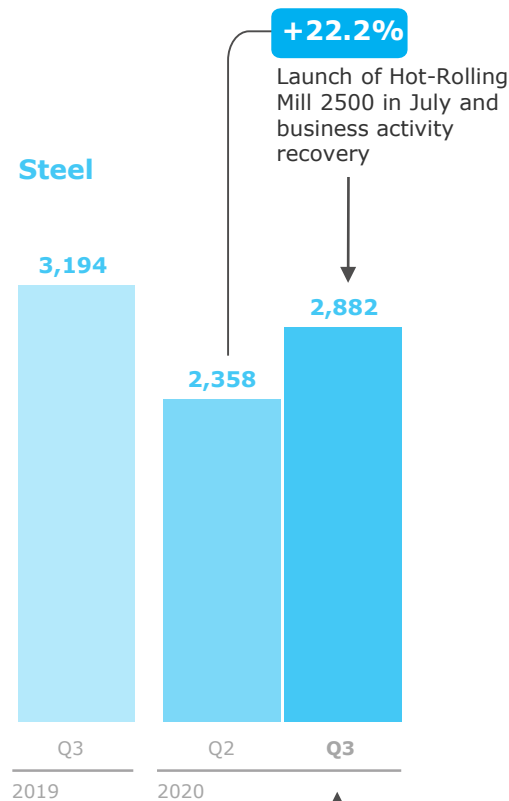
Following the completion of reconstruction at the beneficiation plant by end-2019

Pig iron



Longer period of scheduled maintenance at blast furnace facilities due to the pandemic

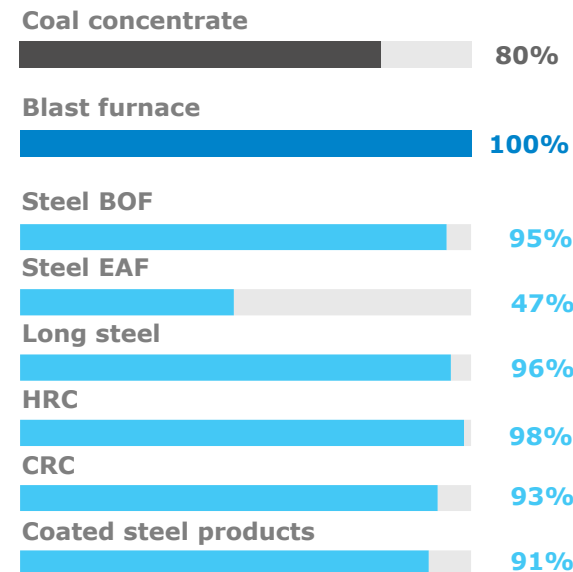
Steel



Lower demand for steel amid the scheduled reconstruction of Hot-Rolling Mill 2500 and the coronavirus pandemic-induced slowdown in business activity

Key capacity utilization rates

Q3 2020, %



High-margin production facility utilisation rates remain high

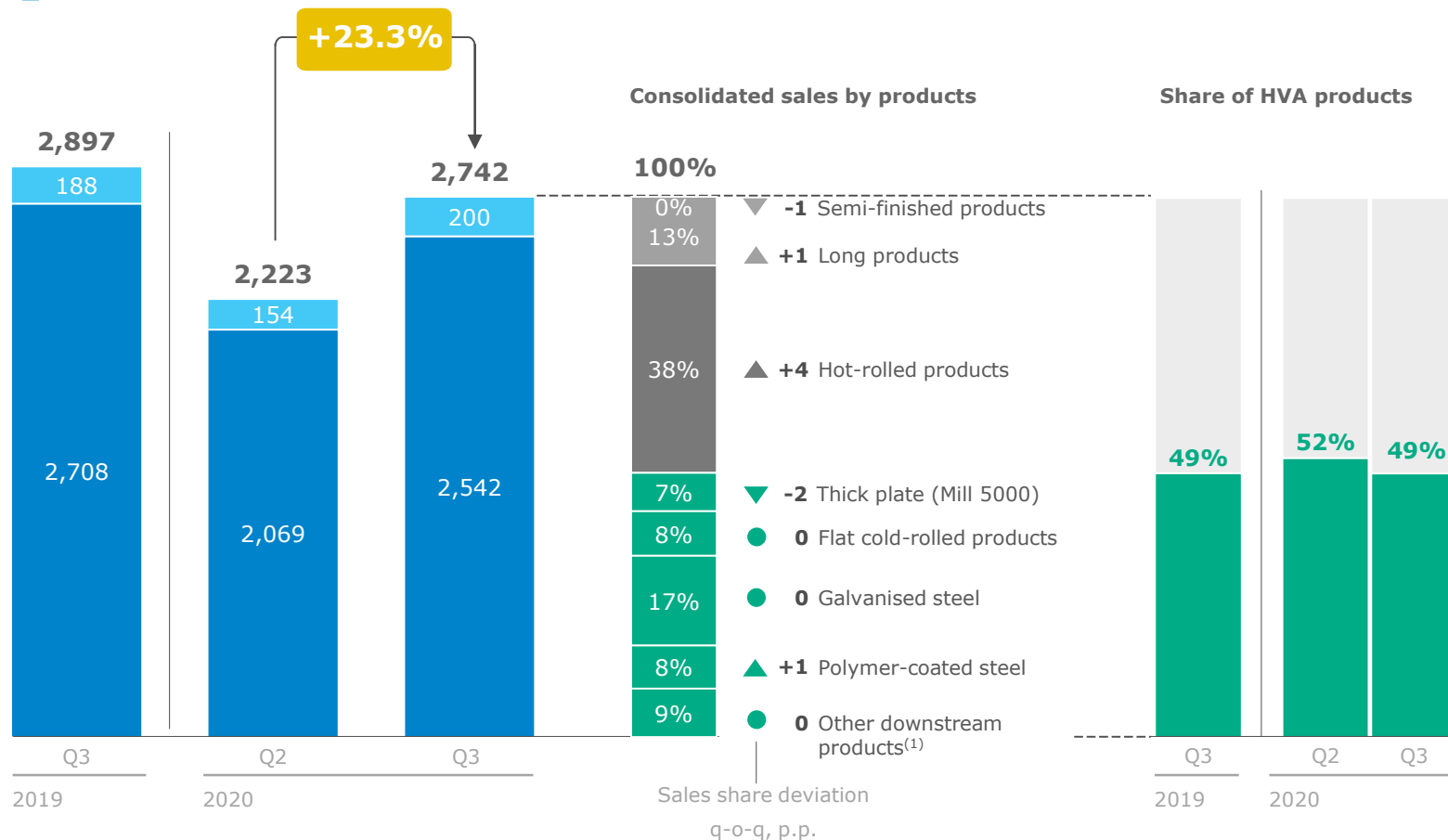
Q3 2020

FINISHED PRODUCT SALES

MMK Group finished product sales dynamics

ths tonnes

- Steel Turkey
- Steel Russia



Consolidated sales grew by **23.3% q-o-q** due to business activity recovery and the launch of Hot-Rolling Mill 2500 in July after scheduled reconstruction

The share of HVA product sales decreased by 2.9 p.p. q-o-q, while sales of said products in absolute terms increased by 16.5%

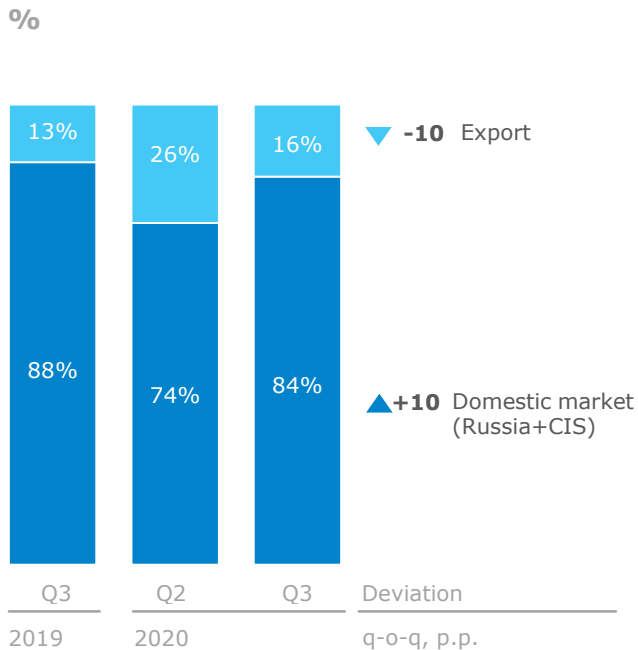
Source: Company data and analysis.

Notes: (1) Including: tin plate, band, formed section, pipes, metalware and other metal products.

Q3 2020

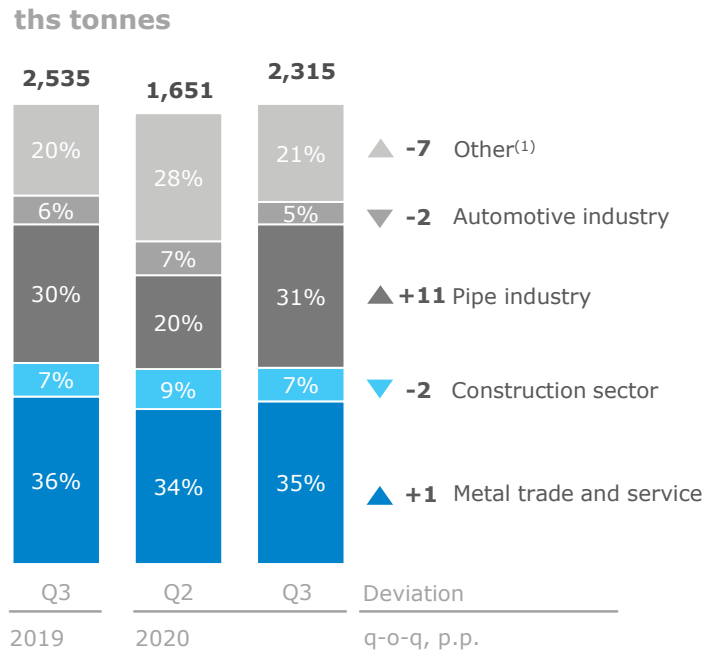
THE DOMESTIC MARKET AND EXPORT SALES BREAKDOWN

MMK Group's sale share by market



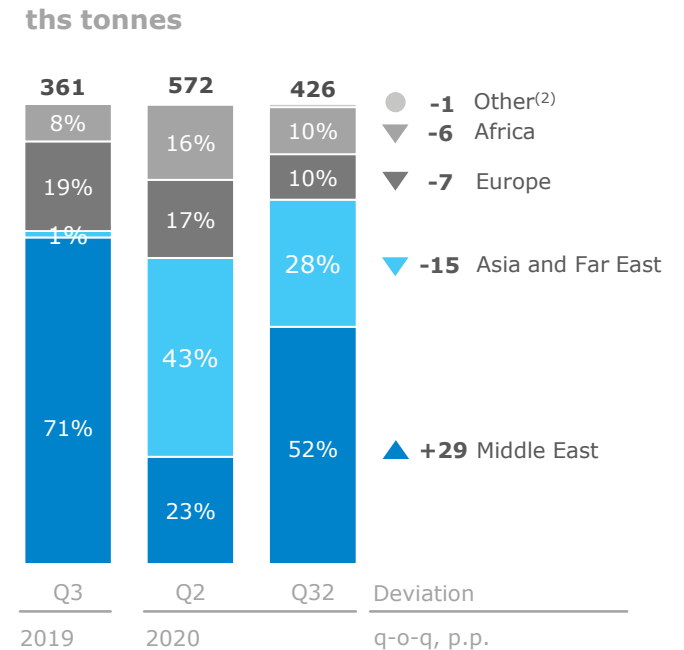
The increase in domestic sales to 84% in Q3 2020 was caused by business activity recovery in the Russian and CIS market...

Russia and CIS market sales by sector



... with considerably higher sales volumes in the pipe and construction industries and metals trading

International market sales by region

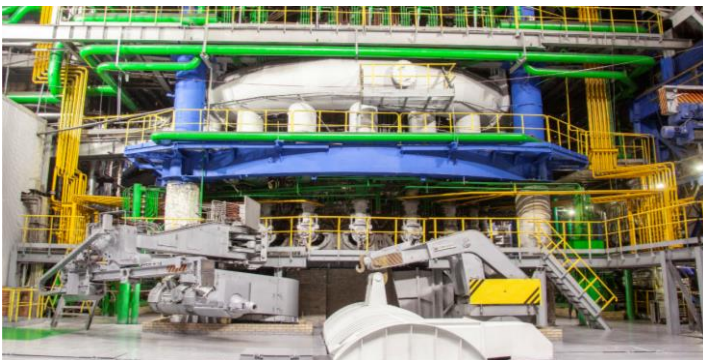


Export shipments declined amid a favourable domestic market environment in Q3 2020

Q3 2020

KEY PROJECTS

Blast furnace #2



Production capacity 3,900 tonnes per day, dust emission reduction 250 tonnes per year

Expected impact

+10 USD mln to EBITDA⁽²⁾

The project initiation

September 2020⁽³⁾

Completed in Q3 2020

In August 2020 the blast furnace was blown in and then ramped up to full capacity in September

Source: Company data and analysis.

Notes: (1) Hot-Rolling Mill 2500 full capacity is 5.2 mln tonnes, +1.5 mln tonnes after reconstruction; (2) The average annual impact based on estimates in the current macroeconomic situation; (3) Blast furnace No. 2 has reached its full capacity.

Hot rolling Mill 2500 reconstruction



+0.8 mln t effective addition of HRC⁽¹⁾, quality improvement and product portfolio expansion

+103 USD mln to EBITDA⁽²⁾

July 2020

The mill was launched in July and its output increased gradually throughout Q3

Coke and by-product plant



Replacement of 5 batteries, reduced consumption of coal concentrate and natural gas

-29 USD/tonne on slab cash cost

2022-2023

Construction of the coke-oven battery continues

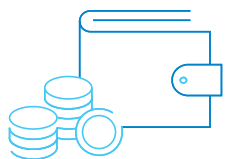
OUTLOOK

Q3 2020



Finished products output

The pent-up demand from the construction industry along with government economic stimulus packages are expected to bolster sales in Q4 2020. Higher utilisation of Hot-Rolling Mill 2500's capacity in Q4 2020 will additionally support MMK Group sales



Steel products prices

Amid the stabilisation of hot-rolled coil prices in the Black Sea region, domestic prices in Q4 are expected to remain flat from the previous quarter



Capital expenditures

CAPEX for Q4 2020 is expected to grow q-o-q, in line with the implementation schedule for projects pursued under the Group's strategy. All projects fit into the Group's strategy and are aimed at improving both operational and environmental performance

The Group's performance will be further boosted by:

- Operational excellence initiatives under the Evolution Business System
- Maximum capacity utilisation of high-margin production units

FINANCIAL RESULTS

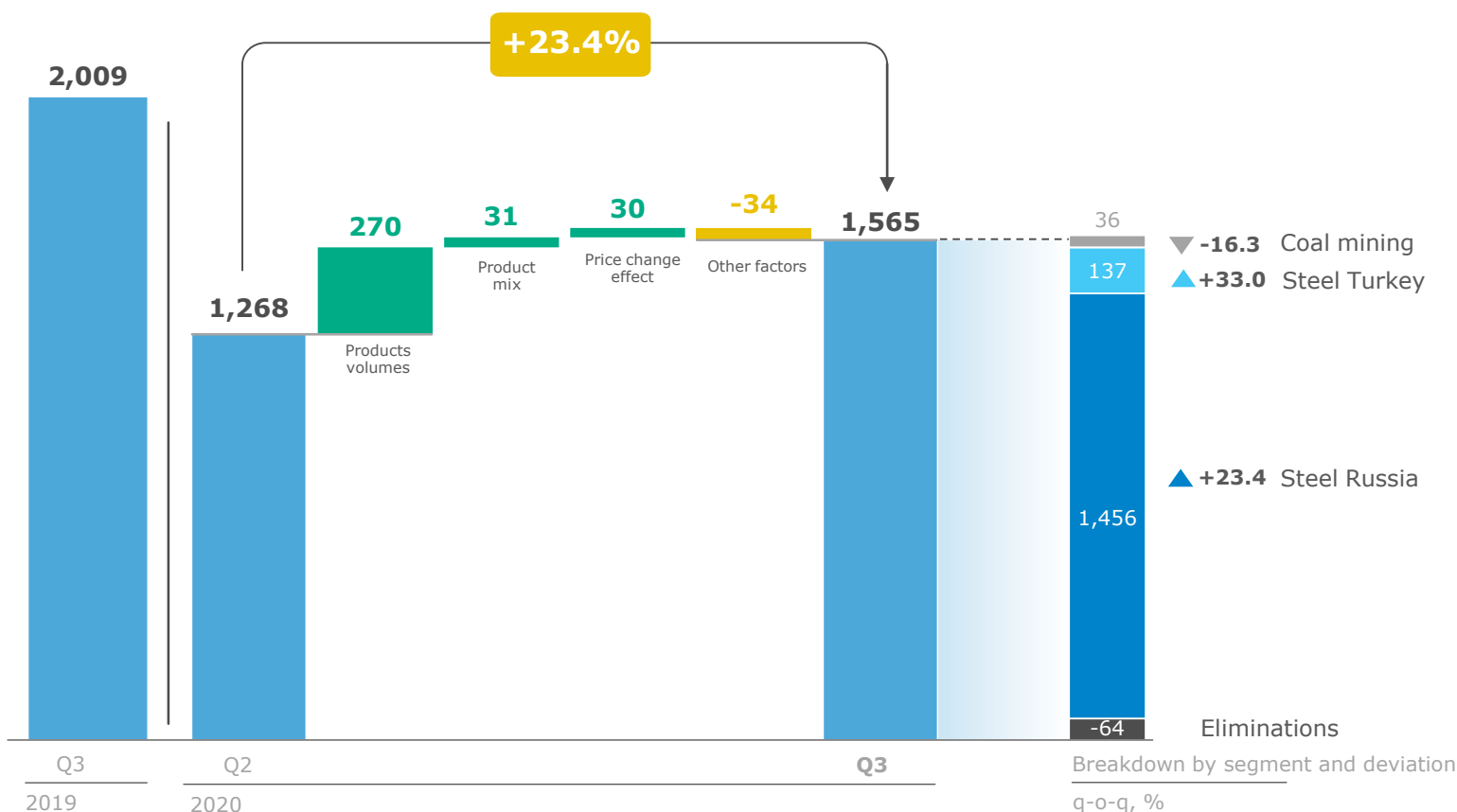


Q3 2020

REVENUE

Key revenue drivers

q-o-q, USD mln



The Russian steel segment's revenue grew by

+23.4%

on the back of an increase in sales volumes, a growing share of domestic sales, and higher steel prices amid the recovery in business activity

The Turkish steel segment's revenue grew by

33.0%

reflecting the lifting of lockdown restrictions and the recovery in business activity in Turkey

The coal mining segment's revenue decreased by

-16.3%

due to the continued correction in coal concentrate prices and Russian rouble devaluation

→ Historical dynamics 2018 – Q3 2020

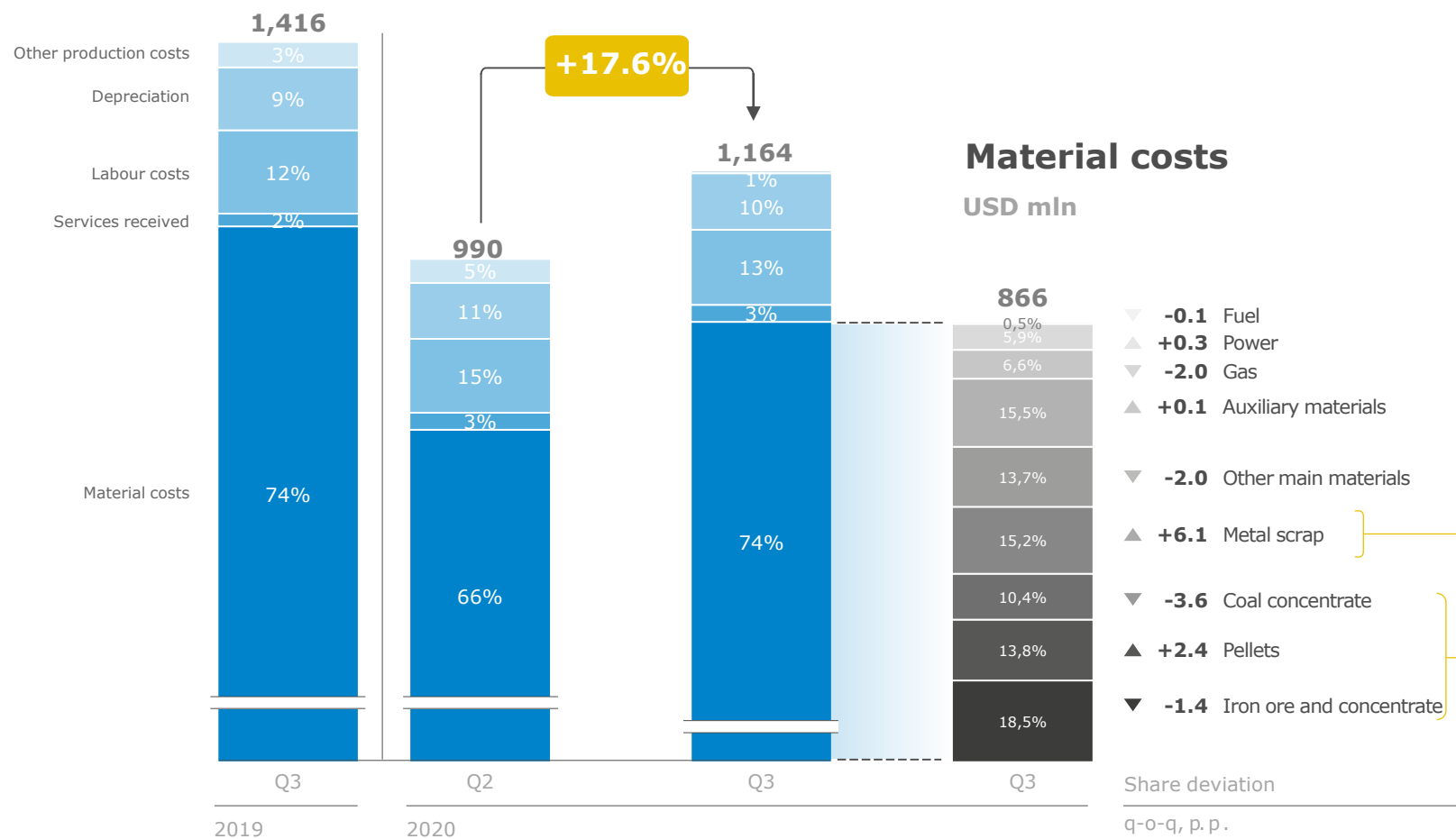
Source: Company data and analysis.

Q3 2020

COST OF SALES

MMK Group's cost of sales

USD mln



+USD 174 mln

MMK Group's cost of sales decreased due to a decline in sales, the correction in coal concentrate prices, improvements to the cost of sales structure and rouble devaluation

Increase in the share of scrap
amid a higher steel production

Decrease in the share of blast furnace charge

due to a lower share of pig iron in the steelmaking charge

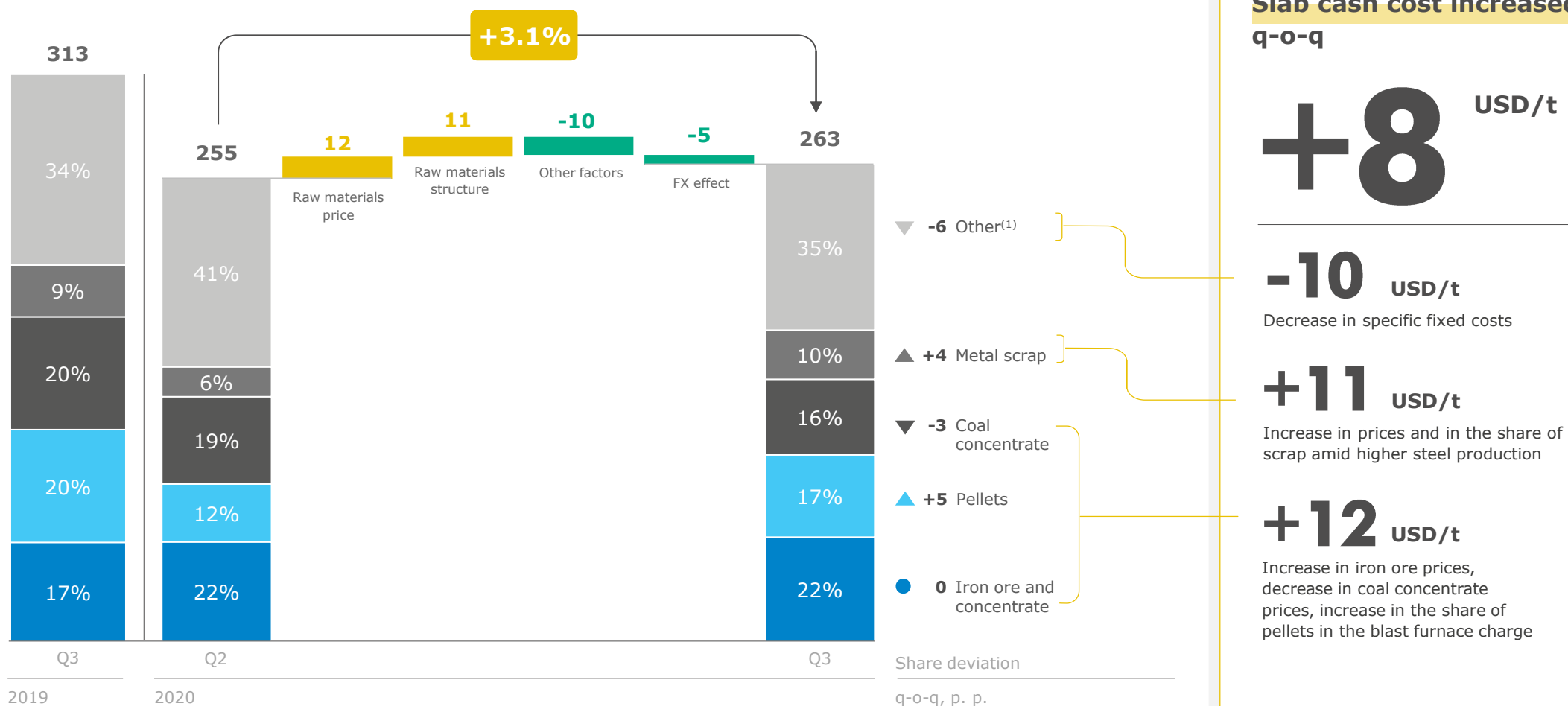
→ Cost allocation

Q3 2020

SLAB CASH-COST

Slab cash-cost,

q-o-q, USD/t



→ Historical dynamics 2017-2020

Source: Company data and analysis.

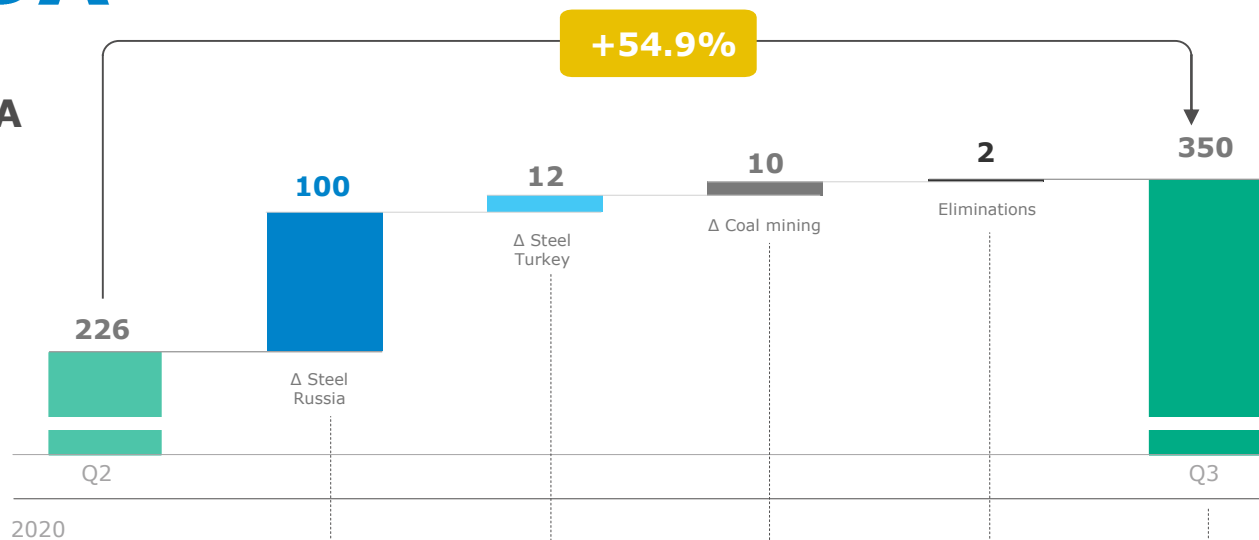
Notes: (1) Other: ferroalloys, gas & power, auxiliary & other materials.

Q3 2020

EBITDA

Key EBITDA drivers

q-o-q, USD mln

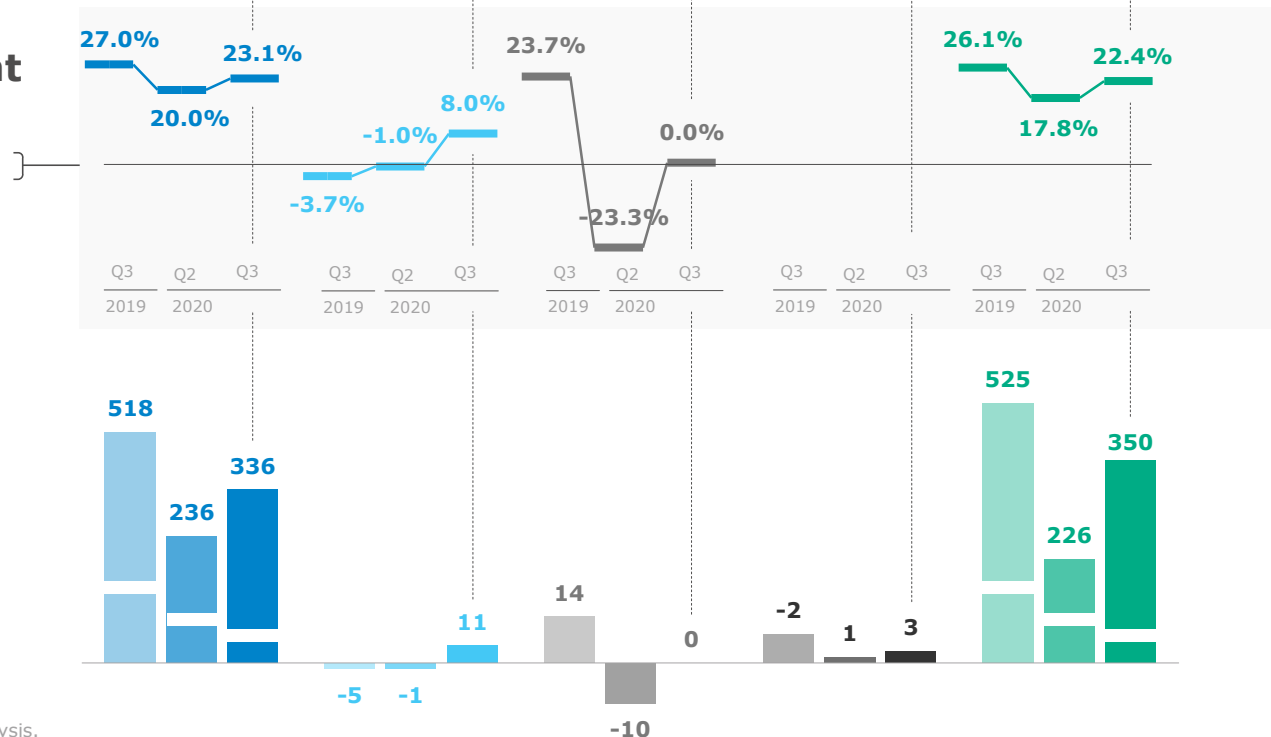


EBITDA by key segment

USD mln

EBITDA margin

- Steel Russia
- Steel Turkey
- Coal mining
- Eliminations
- MMK Group



Key changes

- Sales volumes
- Sales mix
- Prices

Steel Russia

- ▲ **An increase in sales volumes** due to the recovery in business activity and the launch of Hot-Rolling Mill 2500
- ▲ **Higher share** of domestic sales
- ▲ **Higher prices** amid a favourable market environment

Steel Turkey

- ▲ **An increase in sales volumes** due to the lifting of lockdown restrictions and the recovery in business activity
- Galvanised and polymer-coated steel account for **97%** of sales
- ▲ **Higher prices** in the Turkish domestic market

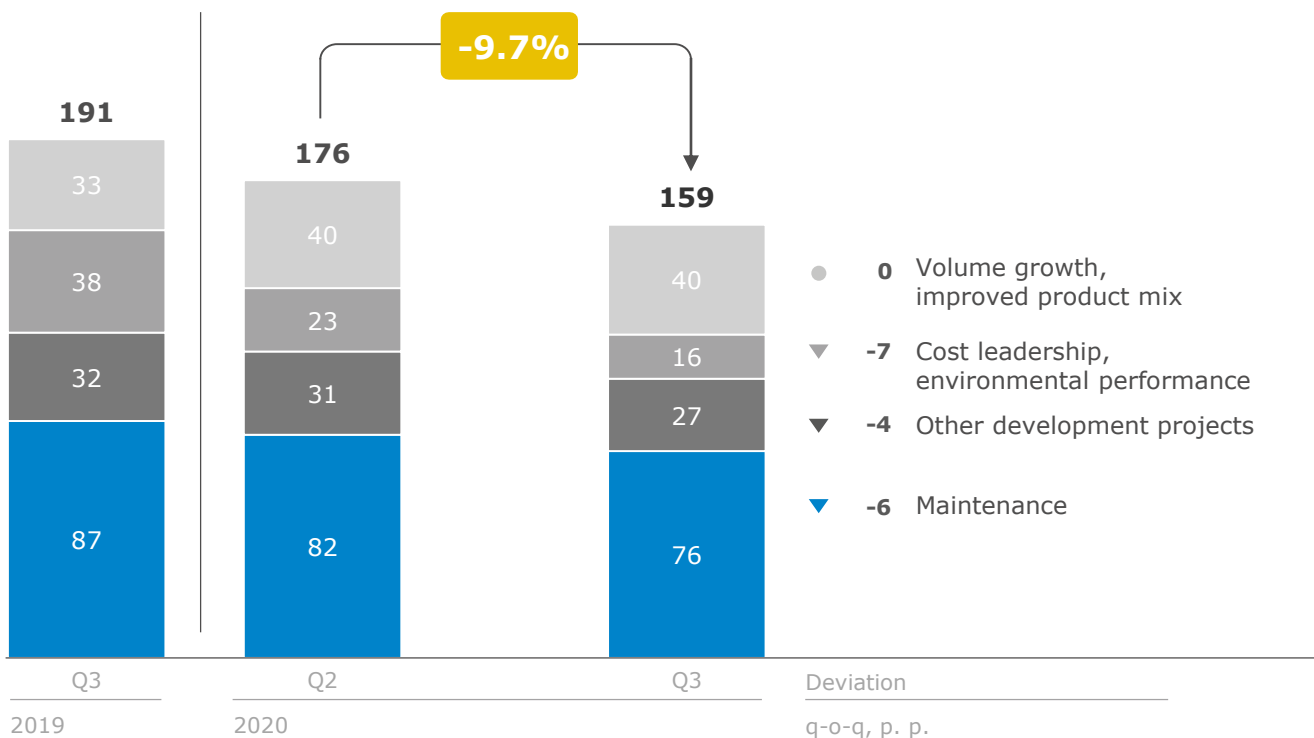
Coal mining

- ▲ **An increase in sales volumes** driven by higher yields for coking coal
- ▼ Continuing **correction** in coal concentrate **prices** in the Russian market

Q3 2020

CAPEX BREAKDOWN

USD mln



→ Historical dynamics 2011 – Q3 2020

Source: Company data and analysis.

Q-o-Q decrease in CAPEX

-9.7%

in line with the Group's investment programme schedule under the Group's strategy

Q3 2020 highlights

Cost leadership and environmental performance:

- New coke and by-product plant: Coke-Oven Battery No. 12, by-product recovery and processing shop, biochemical plant

Volume growth, improved product mix

- Launch of Hot-Rolling Mill 2500 following its reconstruction

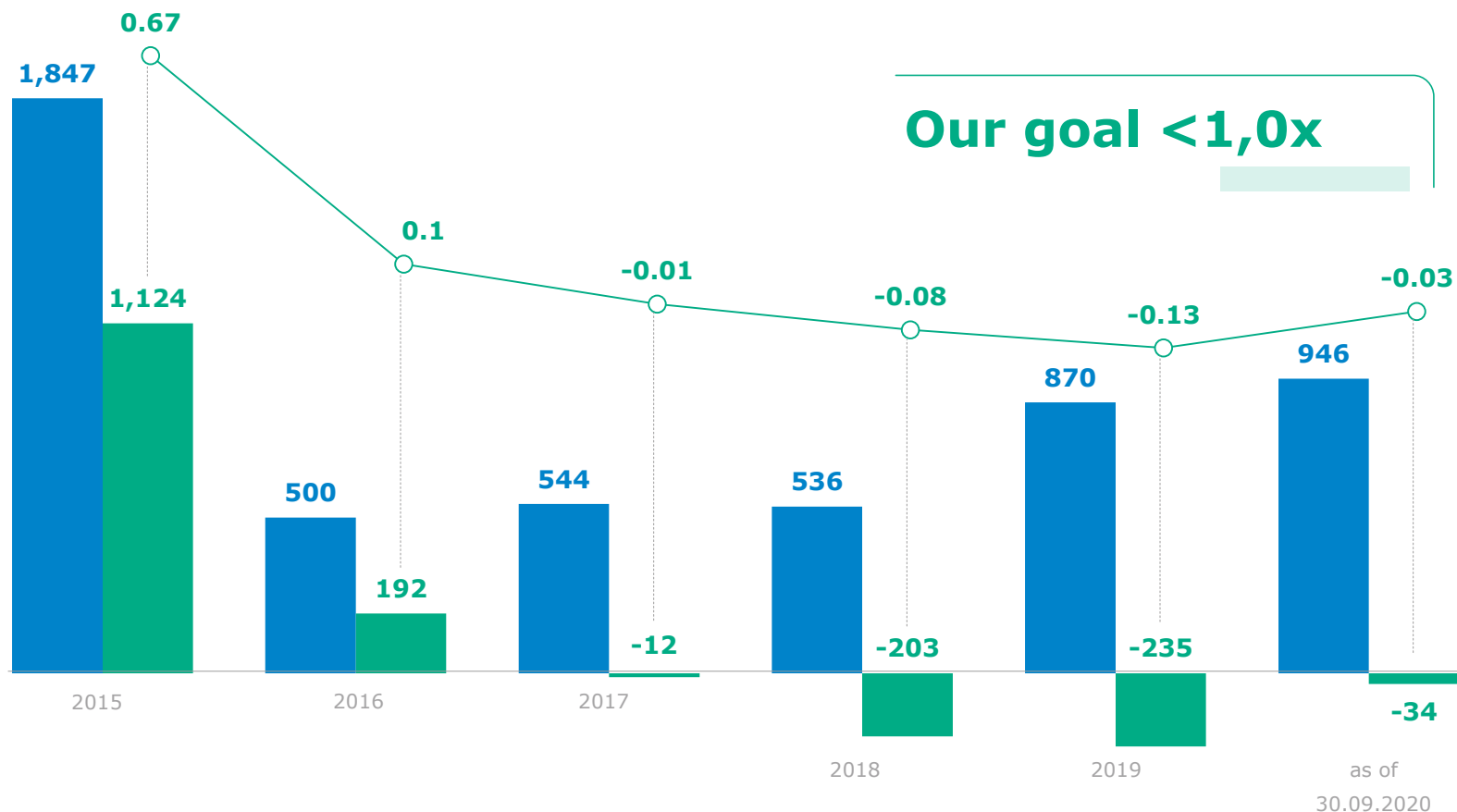
Q3 2020

DEBT BURDEN AND CREDIT RATINGS

Strong financial profile

USD mln

■ Debt ■ Net Debt ○ Net Debt / EBITDA



Credit rating at or higher than the sovereign rating

Standard & Poor's

BBB-

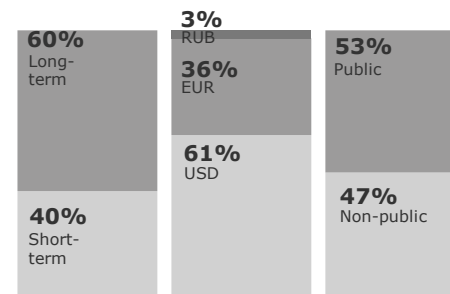
Moody's

BAA2

Fitch Group

BBB

Debt structure



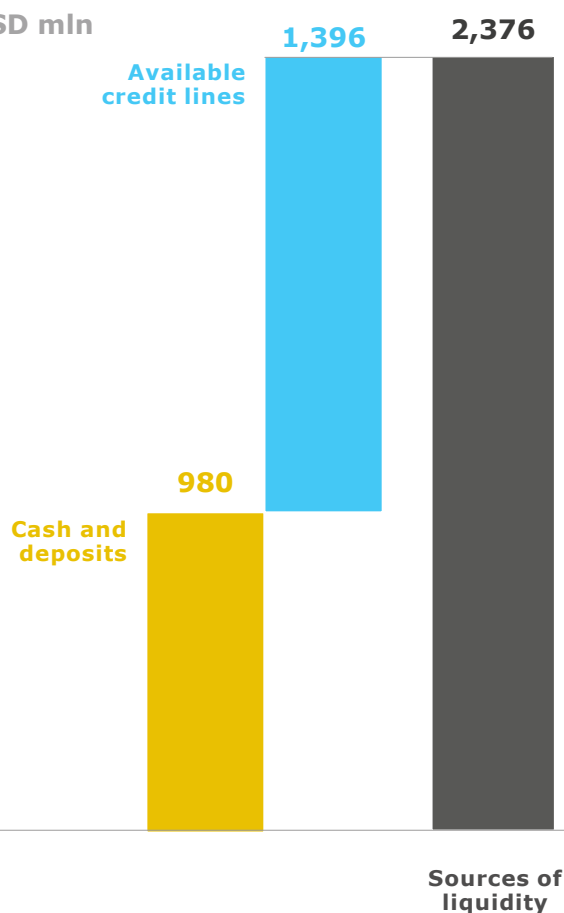
Source: Company data and analysis.

Q3 2020

CREDIT PORTFOLIO AND REPAYMENT SCHEDULE

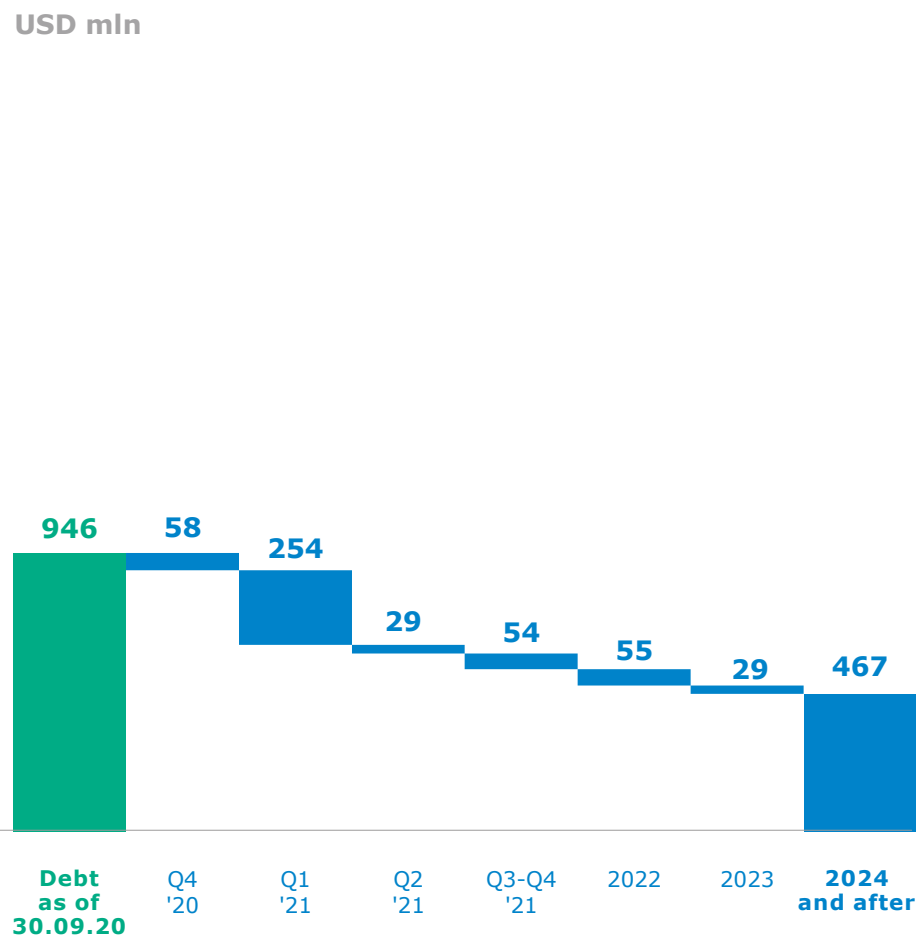
Available liquidity analysis

USD mln



Debt repayment schedule

USD mln

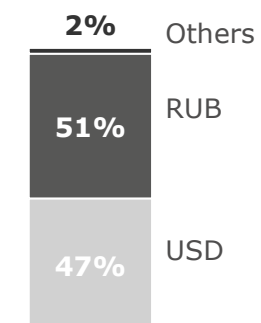


2.69%

average cost of debt
as of 30.09.2020

Significant liquidity cushion
and a comfortable
repayment schedule

Cash and deposits structure

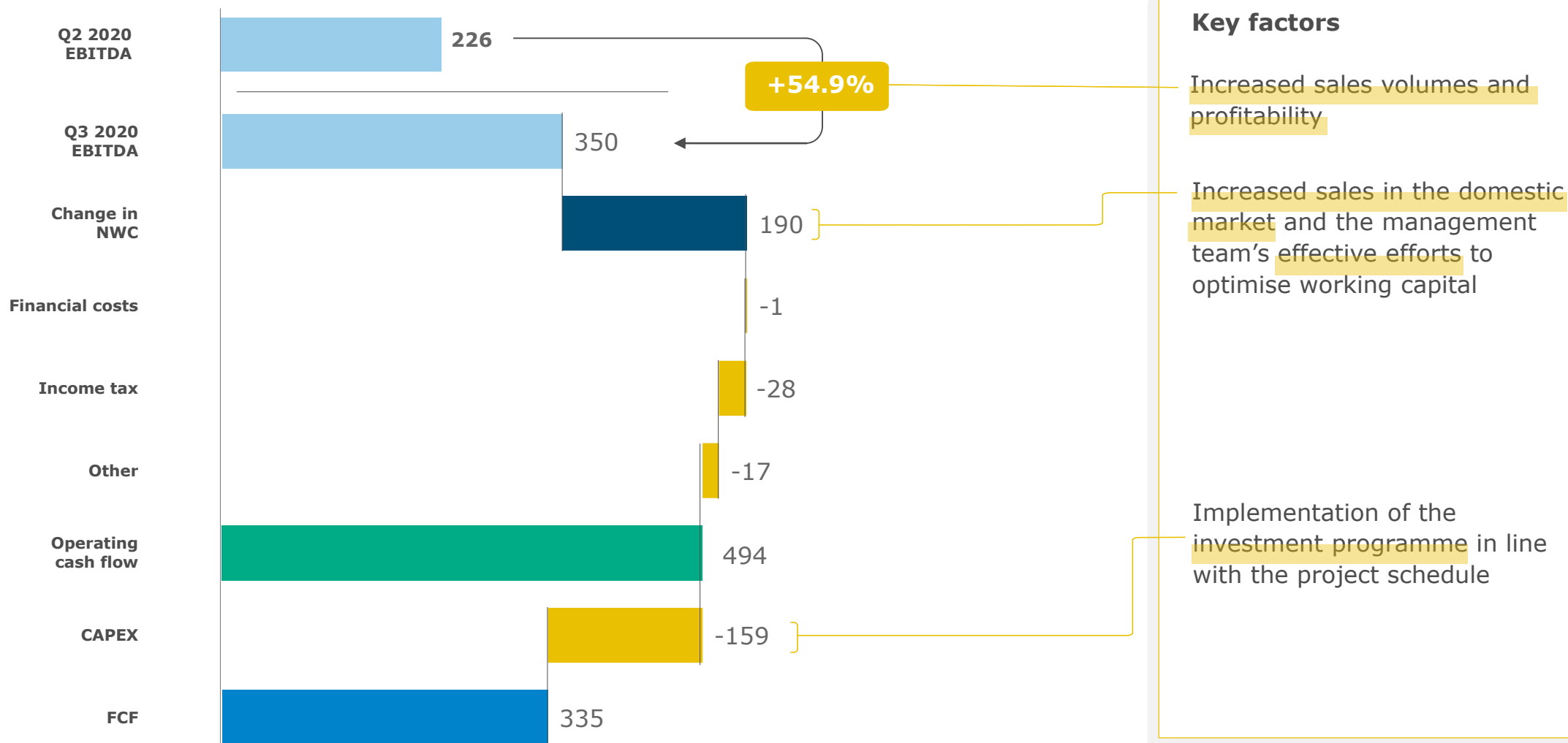


Q3 2020

FREE CASH FLOW

Free cash flow structure

USD mln

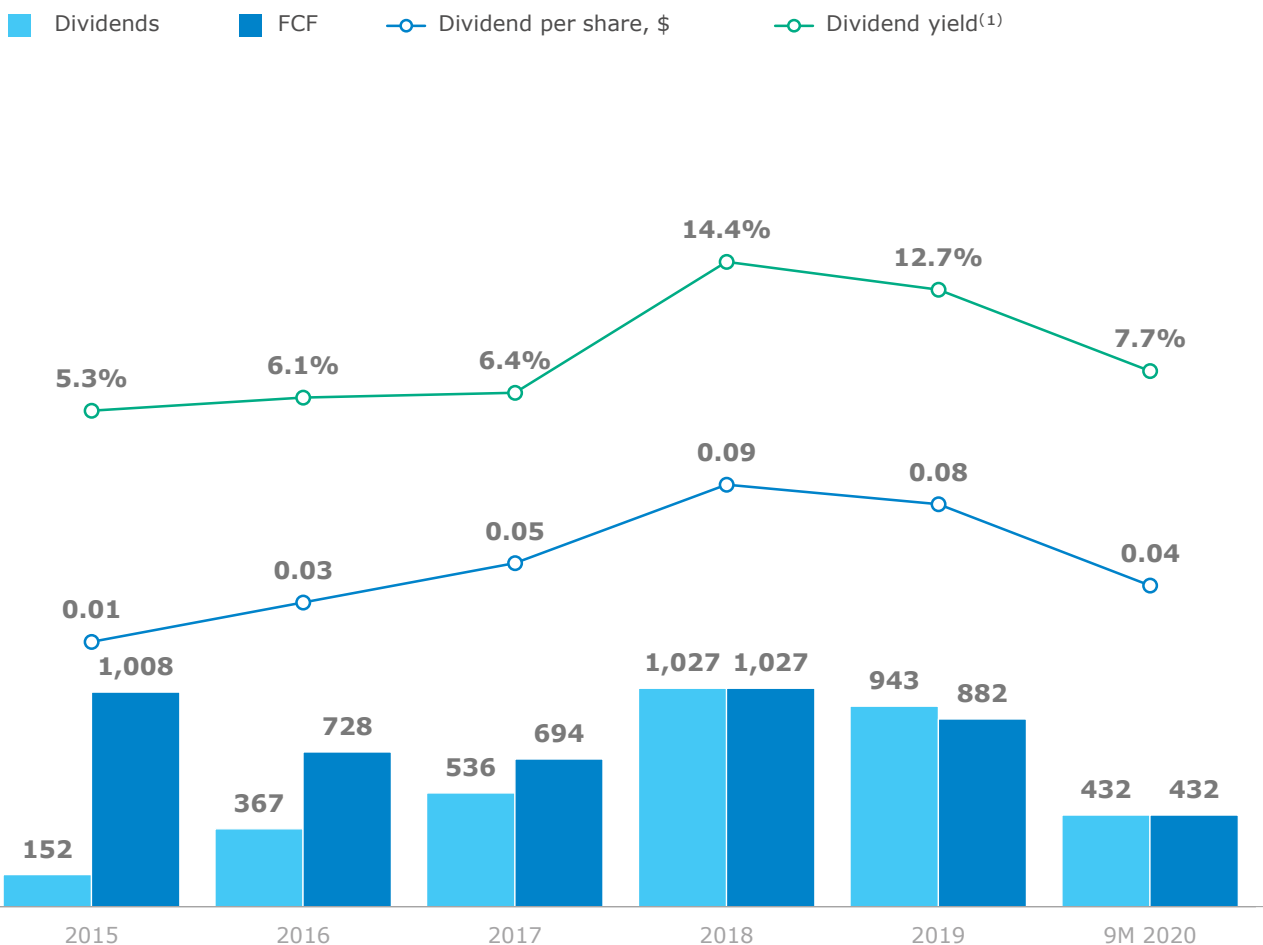


Q3 2020

DIVIDENDS

Dividends payout dynamics

USD mln



The Group remains committed to its dividend policy and the Board of Directors recommended shareholders to approve the payment of a dividend of RUB 2.391 per share (100% of FCF for the quarter) for Q3 2020.

The Board of Directors has proposed to set the Q3 2020 dividend record date for the close of business on 14 January 2021.

Source: Company data and analysis.

Notes: (1) The ratio of dividends accrued to the Company's market capitalization at the end of the period.

APPENDIX



HISTORICAL DYNAMICS

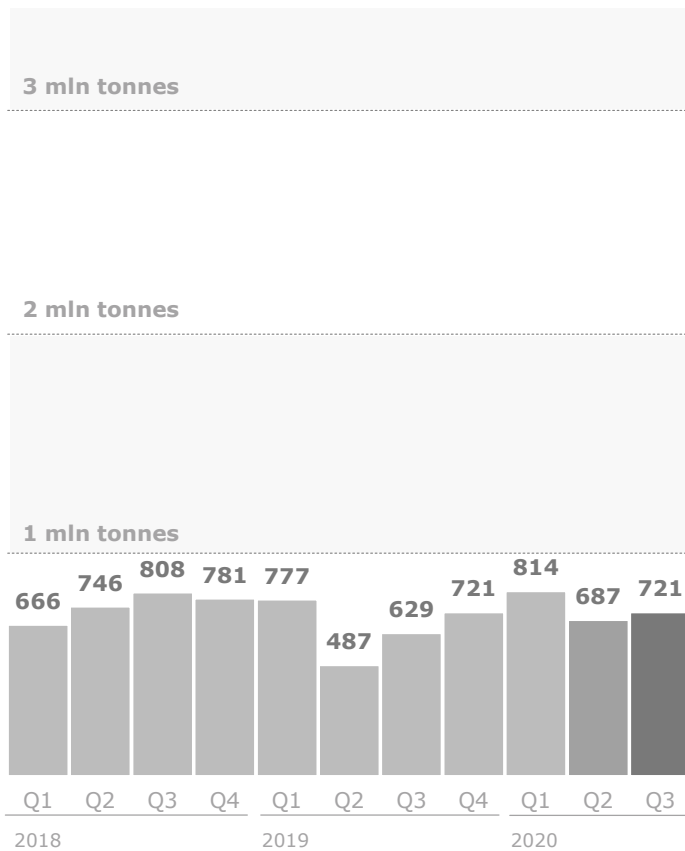
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KEY PRODUCTION HIGHLIGHTS

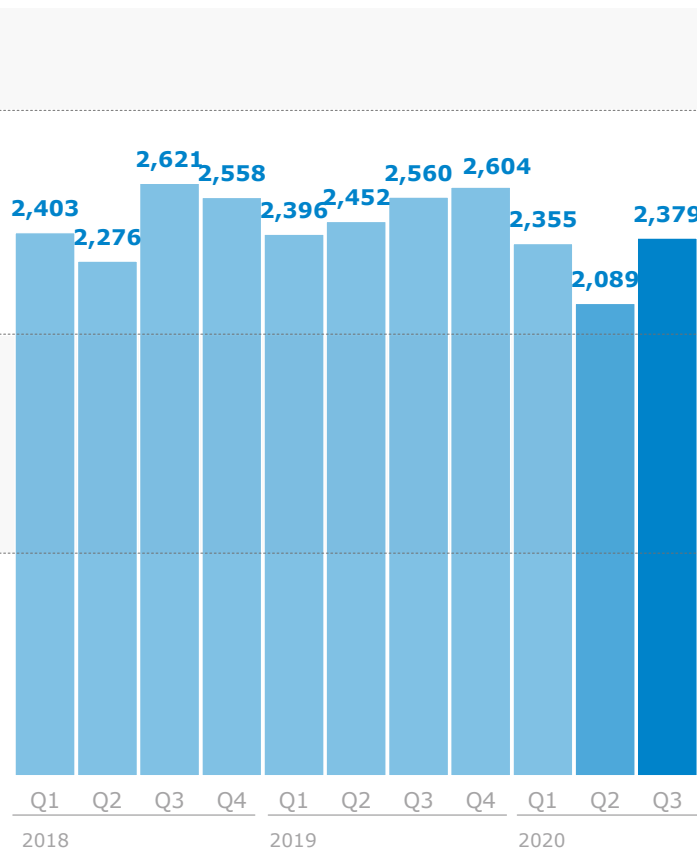
2018-2020 quarter dynamics

ths tonnes

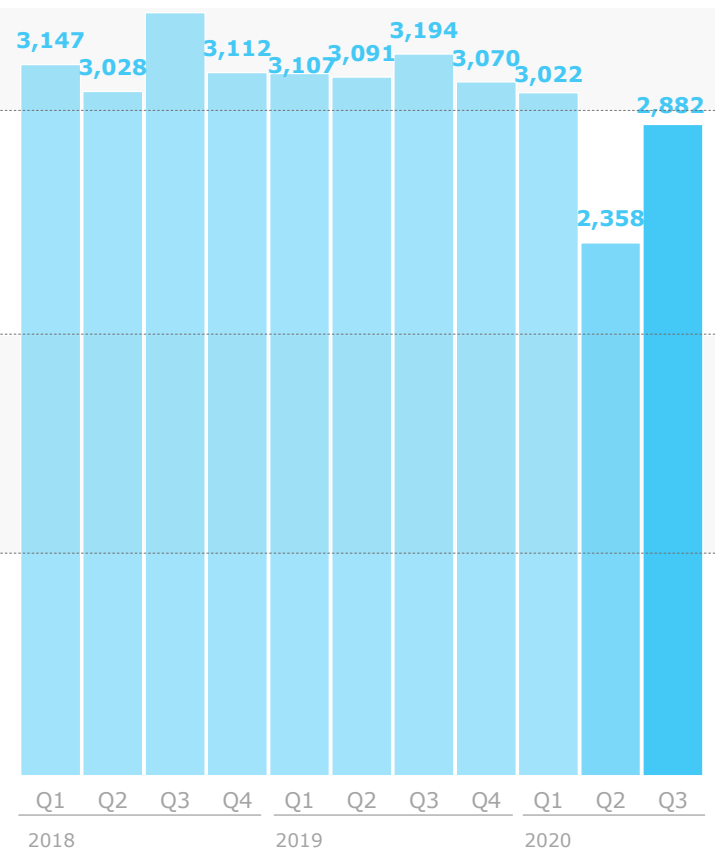
Coal concentrate



Pig iron



Steel



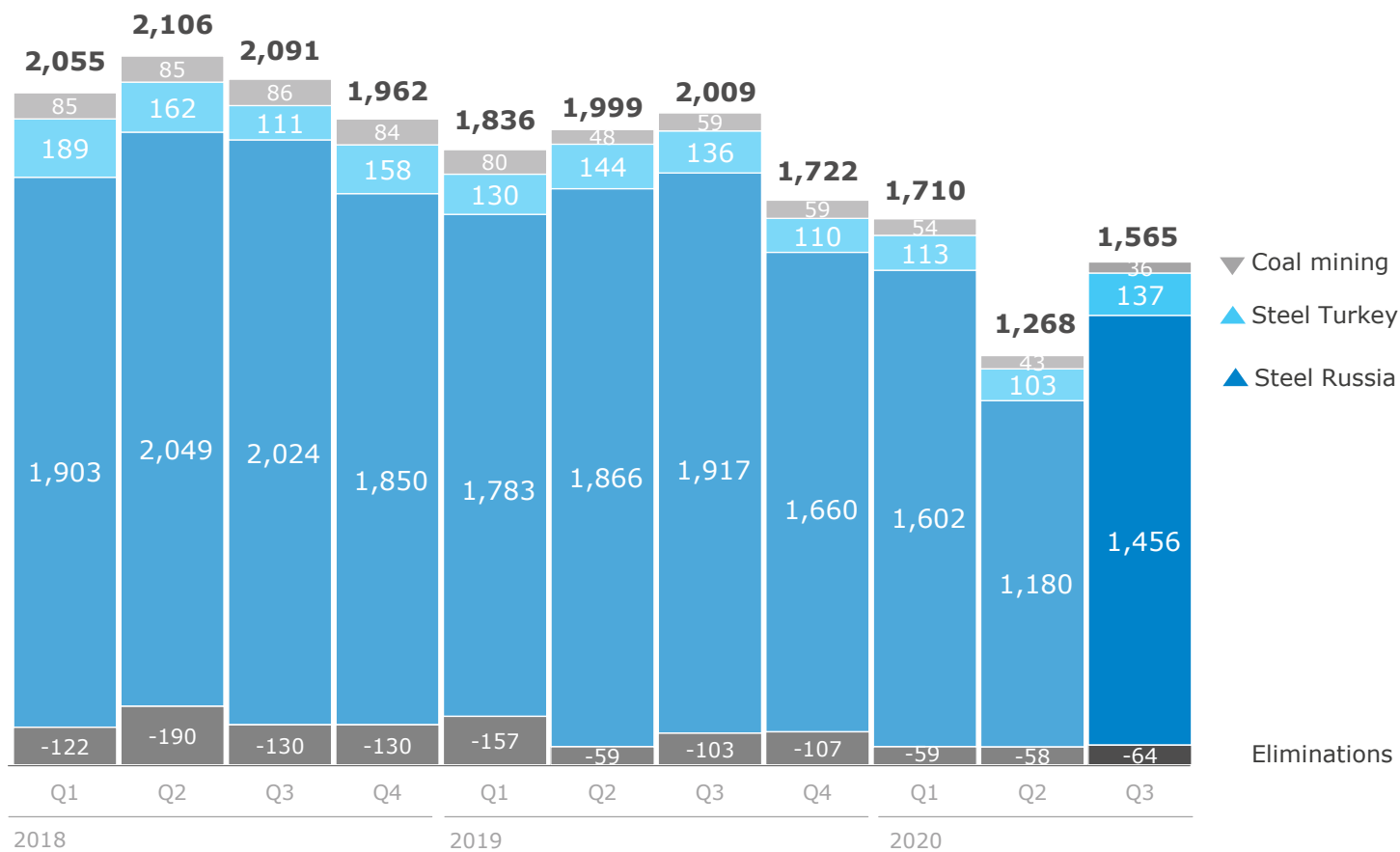
Q3 2020

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REVENUE

MMK Group revenue breakdown by segments

USD mln



HISTORICAL DYNAMICS

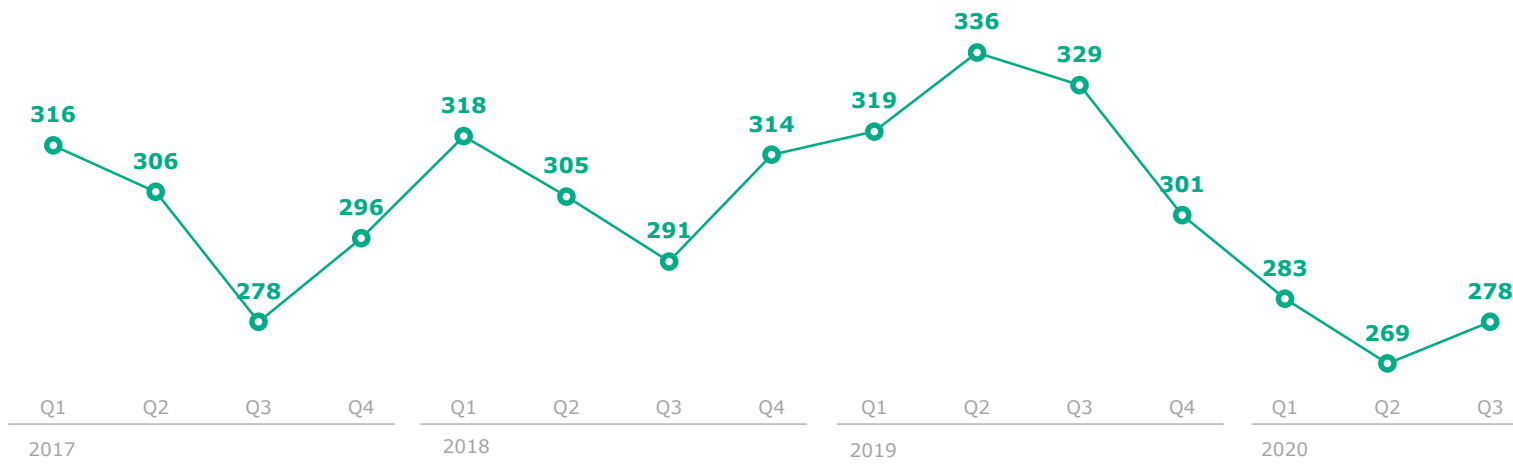
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SLAB CASH-COST

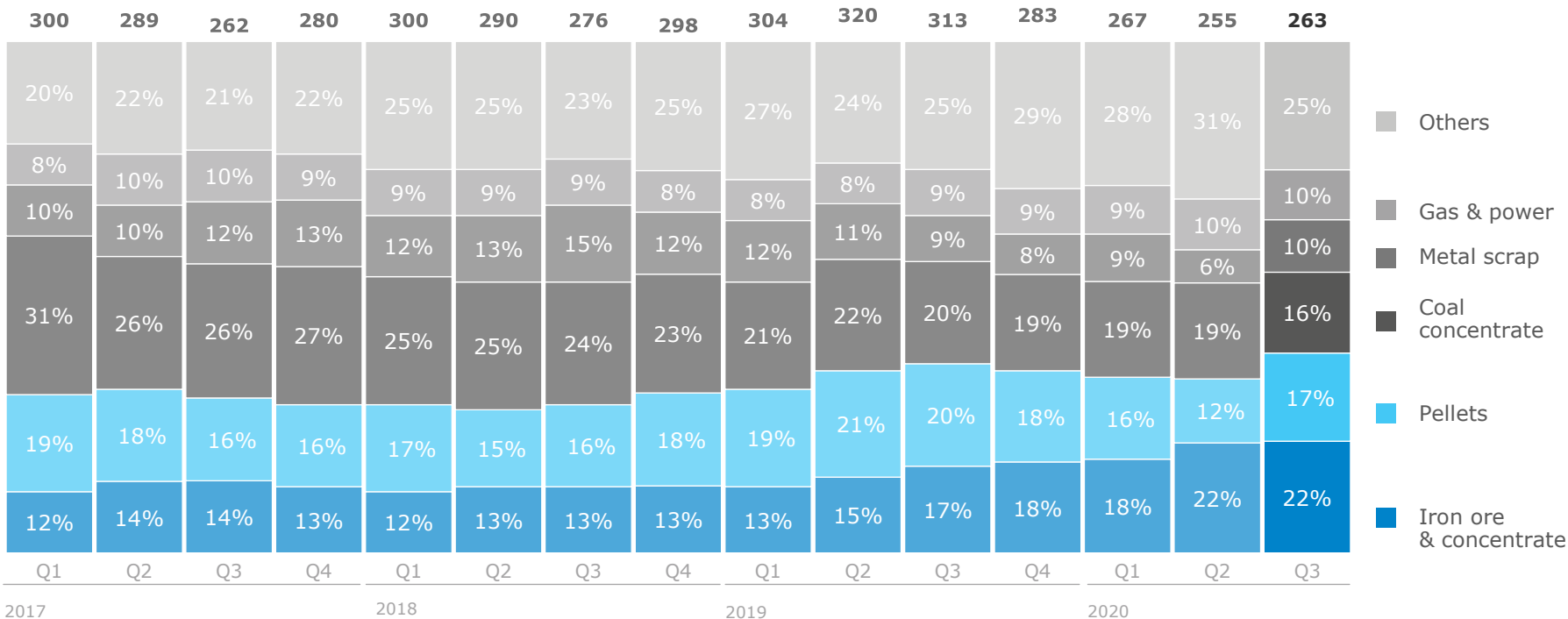
Cash-cost historical dynamics

USD/t

—○— HRC



Slab cash-cost historical dynamics and structure



Source: Company data and analysis.

HISTORICAL DYNAMICS

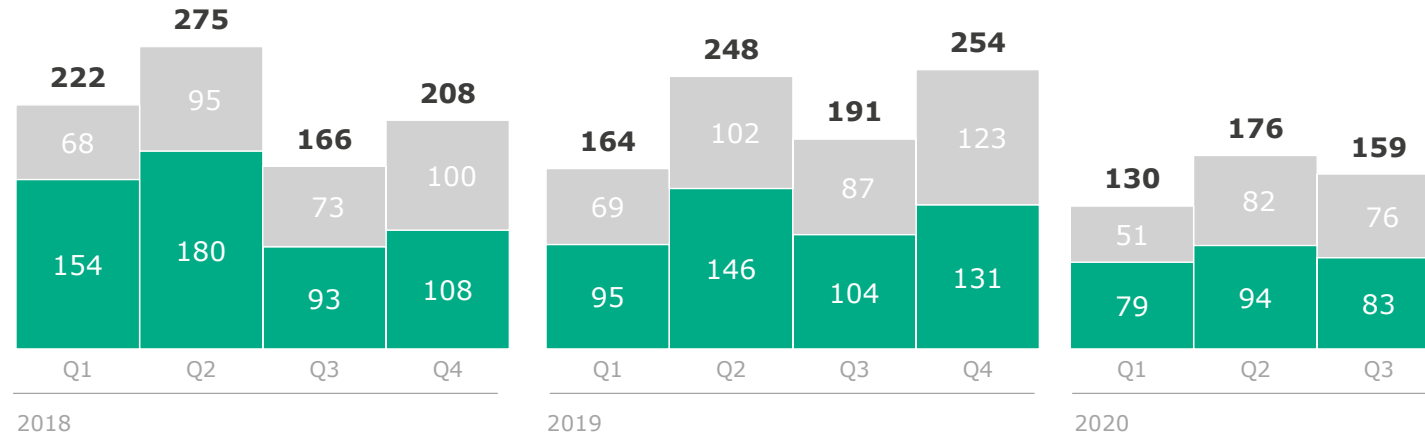
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CAPITAL EXPENDITURES

Quarterly dynamics

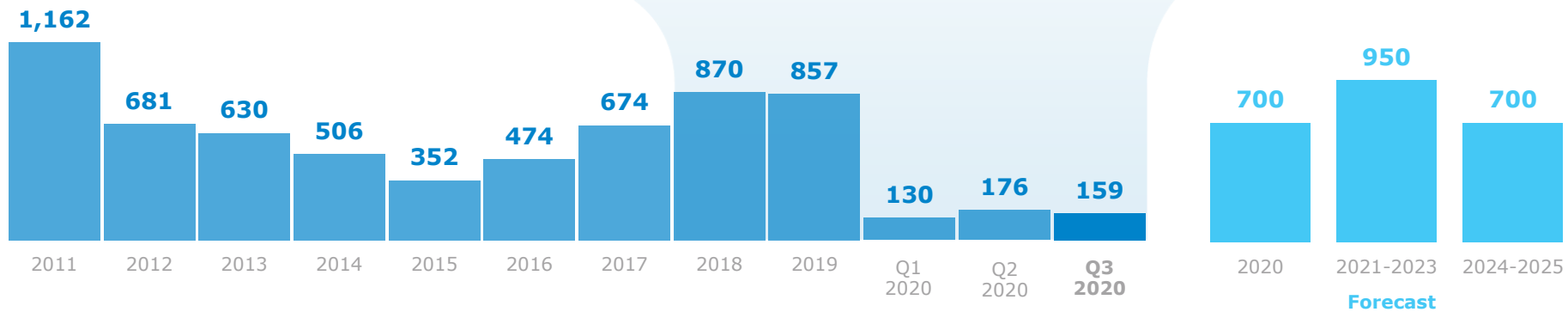
USD mln

■ Maintenance
■ Development



Yearly dynamics

USD mln

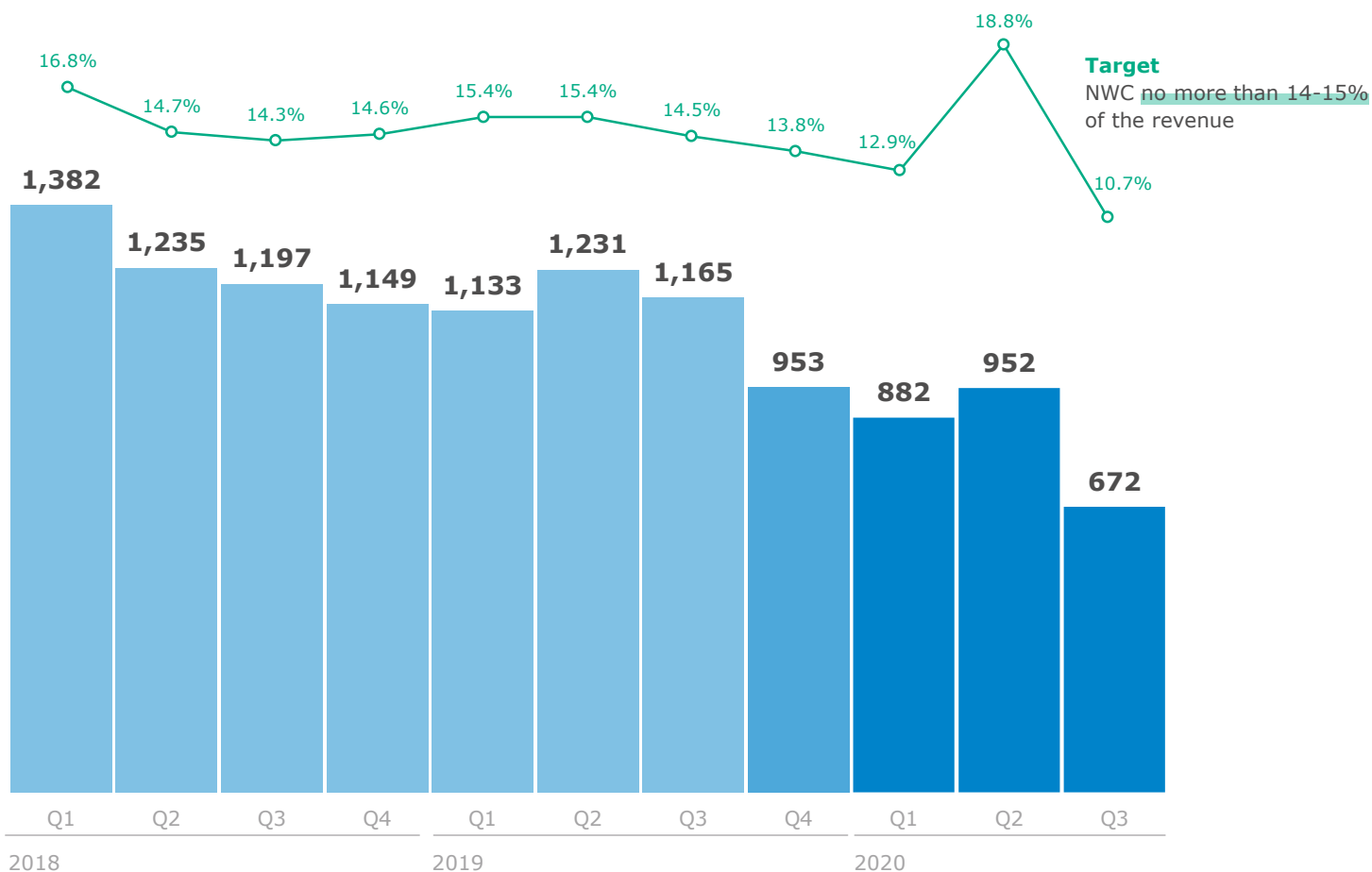


Q3 2020

NET WORKING CAPITAL

Net Working Capital dynamics

USD mln



The inflow from working capital in Q3 2020 was

USD 190 mln

driven primarily by higher domestic sales and the management team's effective efforts to optimise working capital

At the same time, the NWC/revenue ratio decreased to **10.7%** as of 30 September 2020, mainly due to a significant reduction in working capital

Q3 2020

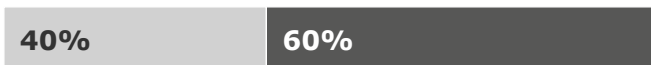
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SENSITIVITY AND KEY INDICATORS BREAKDOWN

Key indicators breakdown by currency

■ USD ■ Rubles ■ Euro ■ Other

Revenue

Cost of sales⁽¹⁾

CAPEX



Cash and deposits



Total Debt



EBITDA sensitivity

% of change in price

Effect on EBITDA, USD mln

Iron ore & pellets

▲ 1%

-10

Coal concentrate

▲ 1%

-7

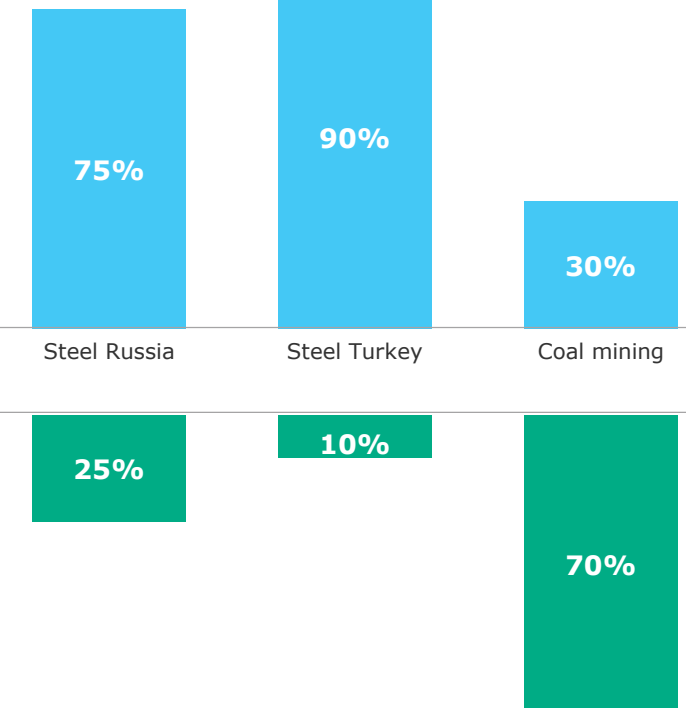
Metal scrap

▲ 1%

-6

Cost of sales breakdown

■ Variable
■ Fixed



Source: Company data and analysis.

Notes: (1) Including the ruble costs tied to the contracts set in foreign currency.



CONTACTS

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