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DEAR SHAREHOLDERS, COLLEAGUES AND PARTNERS,

In 2019, the main factor affecting global and Russian markets for metal products was the decreased demand for the output of steelmaking companies. Steady production growth in this segment along with consumption growth was observed only in China. The global drop in demand and an unfavourable pricing environment resulted in a significant reduction in exports on the part of Russian steelmakers.

Despite the adverse market conditions, Magnitogorsk Iron and Steel Works achieved impressive results in 2019. For example, we delivered to consumers in Russia—the domestic market is a strategic priority—and the CIS countries with more than 9.7 million tonnes of rolled steel, which is a record for MMK for the entire post-Soviet period. In addition, we continued, throughout the reporting year, to implement MMK Group’s Development Strategy to 2025. The priority areas for the Company’s development in 2019 were increasing the operational and functional efficiency of the business, improving customer service, and ensuring production safety and professional development on the part of personnel.

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

In terms of the implementation of MMK’s investment programmes in 2019, we focused on the need for a radical upgrade of the first processing stage in order to further reduce production costs, improve product quality and, most importantly, further reduce our environmental impact in a more discernible way. As noted earlier, we are going to invest over RUB 38 billion in the period from 2018 through 2025 in environmental activities as part of MMK’s Clean City strategic initiative, which will enable us to improve the Comprehensive Air Quality Index in Magnitogorsk to 5, which will be completely in line with the conventional concept of a “clean city.”

RECORD ACHIEVEMENTS

In 2019, new production records were set at several of MMK’s production facilities and units. For example, 1,168 thousand tonnes of hot-rolled products were produced at Thick-Plate Mill 5000, its best annual production result since being commissioned. Thick-Plate Mill 5000 had the best production results for the year among similar units in Europe. This unit, which was built using the most advanced global engineering technologies available, is currently at full capacity and is producing high-quality and highly competitive products that are in demand for the largest infrastructure projects in Russia’s fuel and energy industry, for the construction of ships of various classes, and for machine and bridge building and other industries.

Cold-Rolling Mill 2000 set a new record for annual production in 2019, producing 1,704 thousand tonnes of cold-rolled steel. Cold-Rolling Mill 2000 was commissioned in 2011 and is a key unit in the Company’s high-tech cold-rolling production complex. Over the years that the mill has been in operation, its products have been highly rated and endorsed by the country’s automobile industry—both domestic automakers and foreign automakers with facilities in Russia. Thanks to Cold-Rolling Mill 2000’s technological capabilities, MMK occupies a strong market position as a leading supplier of metal products for the domestic automobile industry.

For the second year in a row, MMK recorded a record high in terms of galvanised steel supplies. In 2019, MMK shipped 1,286 million tonnes of this product to consumers, an all-time high for the Company. Today, thanks to investments in the development of high-tech processing facilities, MMK has a firm hold on its status as Russia’s largest supplier of galvanised steel, and the Company has consistently held the top spot in industry ratings of coated-metal producers.

EVENT OF THE YEAR

In 2019, MMK won the “Main Event of 2019 in Russia’s Steelmaking Industry” competition, which was held as part of the Metal-Expo exhibition, the country’s largest steelmaking forum. MMK was selected for its project to build a new sinter plant.

MMK’s sinter plant No 5, the most advanced in Russia, was commissioned in July 2019. Russian President Vladimir Putin attended the launch ceremony. The plant has a maximum production capacity of 5.5 million tonnes of high-quality sinter per year. The sinter plant is equipped with 20 highly efficient environmentally friendly facilities, which have significantly reduced the Company’s impact on the environment. The implementation of this project
is part of MMK's large-scale investment strategy, through which the Company is radically upgrading all production facilities in a timely and efficient manner while decarbonising the outdated — from both a physical and ethical point of view — sinter plant No 4.

DIGITAL TRANSFORMATION

One of the key areas of MMK’s development in recent years has been the automation and digitalisation of all business processes; MMK is one of the leaders in the global steel-making industry and in Russian industry as a whole. A corporate programme for improving operational and functional efficiency was approved, called the Evolution Business System. The goal of the programme is to reduce costs by 2% per year, including through the possibilities provided by the robotisation and digitalisation of business processes. A key component of the Evolution Business Programme is the Industry 4.0 strategic initiative. As part of the implementation of this strategic initiative, MMK has developed a portfolio of more than one hundred projects on digitalisation in all the strategic areas of the Company's operations. The projects selected for digitalisation include programmes aimed at improving production efficiency and strengthening positions in the market; digital initiatives will enable MMK to improve the overall efficiency of all business processes; reduce its consumption of material, technical and energy resources; increase the speed of decision-making; and significantly reduce costs.

ENVIRONMENTAL RESPONSIBILITY

As already mentioned, MMK will spend more than RUB 18 billion on environmental initiatives in the period from 2018 to 2025. MMK's costs for environmental protection activities increased by 2% per year (including investments of RUB 5.3 billion). Investments in the upgrading of production capacities and focused efforts to reduce the Company's impact on the environment have already greatly improved the environmental situation in Magnitogorsk.

Our efforts in this area have been noted by the corporate community: in 2019, MMK joined the top 10 in the rating of openness among mining and metals companies and was awarded the National Rating Agency.

The impact of MMK’s environmental programmes aimed at improving the air quality in Magnitogorsk was noted in a report by the Russian Ministry of Natural Resources and Environment published in 2019. Magnitogorsk was removed from the list of cities with the worst air pollution at the end of 2020. We have no intention of resting on our laurels. In 2019, construction began on our new coke oven battery No 11, which has a capacity of 3.7 million tonnes of pig iron per year. Three old coke oven batteries will be decommissioned and emissions reduced by 6,600 tonnes. Both factitious and emissions from the new coke oven battery and the new blast furnace will be in line with the world's best available technologies.

SOCIAL PARTNERSHIP

MMK is the principal employer in Magnitogorsk and the largest taxpayer in the city and the entire Chelyabinsk region. The increase in MMK's tax revenue as a socially oriented company that has taken on, of its own accord, social obligations to its staff, partners and the regional community. MMK Group spends about RUB 2.5 billion a year on social programmes and charity, MMK and the other companies that make up MMK Group play an active role in the development of the areas where they operate, including in terms of cultural and sports facilities. MMK is the principal employer in Magnitogorsk and the largest taxpayer in the city and the entire Chelyabinsk region.

Despite the objective difficulties mentioned at the very start of this letter, 2019 was another successful year for MMK. In continuing to make incremental progress, we managed to discover new opportunities and prospects for the development of our Company. This was made possible, first of all, thanks to the high level of professionalism and skill of MMK's entire workforce, who, by the end of this year, had contributed to the company reaching a new record level of corporate social responsibility.

I would like to express my sincere gratitude to MMK’s shareholders, partners and employees for their reliability and constructive approach to their work, for their trust and for their fruitful collaboration. I am certain that 2020 will bring our company new large-scale projects and outstanding new achievements.
MMK is one of the world’s largest steel producers and a leading Russian metals company. The Company’s operations in Russia include a large steel-producing complex encompassing the entire production chain, from iron-ore processing to downstream production of rolled steel.

MMK’s output includes a broad range of steel products with a predominant share of HVA products.

**MMK IN 2019**

No 1

POSITION IN THE RUSSIAN STEEL MARKET (ACCORDING TO THE METAL EXPERT NEWS AGENCY)

MMK is one of the world’s largest steel producers and a leading Russian metals company. The Company’s operations in Russia include a large steel-producing complex encompassing the entire production chain, from iron-ore processing to downstream production of rolled steel.

MMK’s output includes a broad range of steel products with a predominant share of HVA products.

**KEY RESULTS FOR 2019**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>MMK Group steel</td>
<td>12.5 million tonnes</td>
</tr>
<tr>
<td>Sales of metal products MMK Group</td>
<td>11.3 million tonnes</td>
</tr>
<tr>
<td>Cash cost of slab, USD/t</td>
<td>305</td>
</tr>
<tr>
<td>Share of HVA products across the Group</td>
<td>48.4%</td>
</tr>
<tr>
<td>Market share in Russia</td>
<td>17.4%</td>
</tr>
<tr>
<td>MMK Group revenues</td>
<td>USD 7,566 million</td>
</tr>
<tr>
<td>MMK Group EBITDA</td>
<td>USD 1,797 million</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>23.8%</td>
</tr>
<tr>
<td>Group net debt</td>
<td>USD -235 million</td>
</tr>
<tr>
<td>Steel production capacity utilisation</td>
<td>89%</td>
</tr>
</tbody>
</table>

* (According to the Metal Expert News Agency)
January
MMK provided financial and organisational assistance in recovery operations following the collapse of a section of the residential building at 164 Pr. K. Marksa. MMK-owned specialised equipment was used at the scene of the incident; plant employees worked selflessly in response to the situation, providing much-needed assistance to firefighters and search-and-rescue services sifting through the rubble and trying to save people. MMK itself provided financial assistance to the victims.

MMK took first place in the ranking of leading producers and suppliers of ferrous and non-ferrous metal products in H2 2018 among Russian producers of flat products and galvanised and coated steel.

As of the end of 2018, MMK set a new record — 1,269 thousand tonnes — in terms of supplies of galvanised steel.

As of the end of 2018, MMK’s Hot-Rolling Mill 2000 surpassed, for the first time, the 6 million tonne mark in terms of production of hot-rolled steel.

As of the end of 2018, MMK had supplied nearly 550 thousand tonnes of metal products to companies in the automotive industry, which is a record for the Company.

February
Moody’s international rating agency upgraded MMK’s credit rating from Baa3 to Baa2 with a stable outlook.

The new oxygen station No 5 in the oxygen shop, which went into operation in July 2018, produced the Company’s 100 millionth tonne of industrial gases.

March
MMK Trading House was named one of the top 1,000 most successful Russian suppliers according to B2B-Center, an e-commerce platform. The study was conducted among 406 thousand companies.

May
MMK was one of the winners of the “Leaders of Russian Business: Dynamics and Responsibility” national competition, held by the Russian Union of Industrialists and Entrepreneurs. MMK was the winner in the “Human Resources Development” category for the second year in a row.

A new turbine unit was commissioned at MMK’s Central Power Plant. The unit is equipped with a steam-driven cogeneration turbine and a generator. The new turbine unit is more powerful than the previous one and will reduce the specific heat consumption for the generation of 1 kilowatt of electricity by 15%.

Pavel Vasev, Head of MMK’s Procurement Division, won the 2019 professional award as the Best Procurement Director. Large-scale transformations in MMK’s procurement function have greatly improved the efficiency of the Company’s supply chain.

As part of the improvements to the Company’s supply chain, MMK and LLC Siemens, a subsidary of the German concern Siemens AG, concluded a three-year contract for the supply of electrical equipment.

To support and intensify business development in Magnitogorsk, MMK began co-financing pro-
June

MMK took part in the “Russian Coal and Mining 2019” international mining technology exhibition in Novokuznetsk. At Russia’s largest exhibition for every mining sector, MMK introduced mining companies to its Magstrong line of high-strength and wear-resistant steels, for which it was awarded a gold medal and named the winner of the exhibition.

On 5 June, Ecologist’s Day, MMK representatives shared the Company’s experience in conducting environmental protection activities with the participants of a roundtable in Chelyabinsk and spoke about the implementation of the Company’s Clean City strategic initiative, which is the main focus of MMK’s strategic development for the period to 2025.

MMK’s Industrial Park was included among the top 30 in a rating of the investment case of industrial parks and special economic zones according to Expert Media Holding.

PAVEL VASEV, HEAD OF MMK’S PROCUREMENT DIVISION, WON THE 2019 PROFESSIONAL AWARD AS THE BEST PROCUREMENT DIRECTOR

July

MMK took part in the St. Petersburg International Economic Forum; MMK entered into several agreements on the margins of the event. For example, an agreement was reached with Deloitte CIS on a partnership to create a digitalisation strategy for the Company. In addition, MMK agreed with the government of the Samara region on the construction of a production and logistics centre in Togliatti worth RUB 12 billion.

MMK was named one of the winners of the “Best Procurement Practices 2018” national competition. The jury praised MMK’s successful project to optimise category procurement using online stores.

As part of the annual Supplier’s Day forum in Moscow, a ceremony was held to award the winners of the Competitive Sales Leader 2019 prize. Among the prize winners was MMK Trading House, which won in the “Import Substitution Leader” category.

MMK entered international debt capital markets for the first time in 15 years. The Company successfully issued five-year Eurobonds worth USD 500 million with an annual coupon rate of 4.375% payable semi-annually.

MMK took fifth place in a global ranking of steel-making companies offering the highest investor returns, as compiled by the Boston Consulting Group.
An official ceremony took place in Magnitogorsk for the commissioning of two four-apartment houses built for employees of MMK Group as part of the Company’s long-term housing programme “Affordable Housing For Magnitogorsk Steelmakers”.

In the ranking of leading producers and suppliers of ferrous and non-ferrous metal products, MMK took first place based on the results of H1 2019 among Russian producers of flat products and galvanised and coated steel.

During a visit by Russian President Vladimir Putin, MMK commissioned its sinter plant No 5, the only one of its kind in the country. The plant has a production capacity of up to 5.5 million tonnes of sinter per year. The new sinter plant is outfitted with state-of-the-art equipment enabling it to obtain high-quality sinter; the best available technologies are used in its operation. The sinter plant provided MMK’s blast furnace with high-quality feedstock and improved the efficiency of sinter production. Thanks to the environmentally friendly facilities at the new sinter plant and the working conditions at MMK’s sinter production facilities, improved.

MMK won the 16th industry competition “Social Performance by Companies in the Mining and Steelmaking Industry” in the “Working with Youth” category.

A review performed by the Federal Service for Hydrometeorology and Environmental Monitoring (Roshydromet) noted that Magnitogorsk was removed in 2018 from the list of Russian cities with very high levels of air pollution. Thanks to MMK’s large-scale environmental programme, the Comprehensive Air Quality Index in the city will reach a low level by 2025.

MMK successfully completed the second stage of its large-scale project to migrate its information and communication systems to a new version of Oracle e-Business Suite and to implement Oracle e-Business Suite v.12 within the Group.

MMK participated in the Innoprom-2019 International Industrial Exhibition in Ekaterinburg, where it presented a technology developed at the plant for producing rolled steel from O:N9 grade cryogenic steel, which is widely used in the production, storage and transportation of liquefied and compressed natural gas.

MMK successfully completed the second stage of its large-scale project to migrate its information and communication systems to a new version of Oracle e-Business Suite and to implement Oracle e-Business Suite v.12 within the Group.

The development of a unique museum and educational complex got under way, which will be the core of a large-scale project “Attraction” urban development project. The initiator and organiser of the project is the Chairman of MMK’s Board of Directors, Victor Rashnikov.

September

As part of the Company’s environmental programme, the gas outlet duct from MMK’s sinter plant No 3 was rebuilt, making it possible to significantly reduce the Company’s technogenic impact on the environment. The project cost RUB 190 million.

As part of a project for the robotisation of business processes being implemented at MMK, MMK-Informservice entered into a general partnership agreement with UiPath, a global leader among producers of robotic process automation (RPA) platforms.

October

MMK successfully completed the first stage of a large-scale project to introduce a unified corporate information system (CIS) based on Oracle R12 for Group companies.

An open presentation of the large-scale “Attraction” project was held in Magnitogorsk at the
Initiative of the Chairman of MMK’s Board of Directors, Victor Rashnikov. Representatives of the media, public organisations, entrepreneurs and residents attended the event. MMK-Ugol (a part of MMK Group) was among the winners of the “1C: Project of the Year” corporate automation contest. The company won for Best Industry Project in the “Mining industry” category.

MMK was one of the winners in the “Leaders of Competitive Procurement” national competition in the “Development of Team Potential” category.

MMK won the “Route of the Year” Russian national tourist award, which is awarded annually with publicity support provided by the Federal Tourism Agency. As part of a project for the development of industrial tourism carried out during the year, more than 10 thousand industrial tourists visited MMK’s production site.

November

Within the framework of the comprehensive innovation development project MMK-Industry 4.0, MMK’s commercial management, together with MMK-Informservice, an RPA and innovation centre of excellence, put into industrial operation a software-based robot for collecting and systematising price quotations for feedstock, which enabled to the Company to take its analytics of feedstock procurement to a new level.

The Magnitogorsk Iron and Steel Works and MMK Group companies won the 25th Metal-Expo 2019 International Industrial Exhibition for high-tech developments in the field of metal products.

December

At the end of 2019, MMK joined the top 10 in the rating of openness among mining and metals companies in Russia in the area of environmental responsibility, as compiled by the World Wildlife Fund (WWF) and the National Rating Agency.

At MMK’s Metallurg-Magnitogorsk ski resort at Lake Bannoye, the first stage of the 2019–2020 Snowboard Alpine World Cup was held in parallel slalom and parallel giant slalom. MMK was the main party responsible for preparing and hosting the event.

The MMK-Informservice RPA and Innovation Centre of Excellence received an award from UiPath for the largest RPA project among manufacturing enterprises in the Russian Federation.

MMK together with the Ausferr R&D centre won the annual ComNews Awards in the category of "Best Industry Solution — Best IT Project in Steelmaking".

Standard & Poor’s Global Ratings, an international rating agency, changed the outlook for MMK from stable to positive, while maintaining its long-term credit rating at BBB-.

MMK took fourth place in a rating on investments in human capital. The rating was compiled by RAEX Rating Review based on the results for 2018 among the largest Russian employers.
TRENDS IN MARKETS FOR RAW MATERIALS AND ROLLED STEEL
TRENDS IN MARKETS FOR RAW MATERIALS AND ROLLED STEEL

COMMODITY MARKETS

Iron ore prices showed strong growth (from USD 75/t to USD 125/t) in world markets in the first half of 2019. This was the result of a series of force majeure incidents starting from the beginning of 2019 that reduced production and the supply of iron ore from all of the largest exporting companies (Vale, Rio Tinto and BHP Billiton). In H2 2019, the situation began to normalise, although supply from Vale remains limited due to its prolonged programme to avoid using tailings dams. By the end of 2019, prices had returned to around USD 80-90/t.

In average annual terms, the base price index for iron ore (62% Fe) increased by 34% to around USD 93/t. The average global spot prices for coking coal and scrap metal decreased by about 12%.

In H1 2019, raw material prices in Russia were fairly high, but Russian steelmakers saw a significant reduction in prices for iron ore and coking coal from the middle of the year. This occurred amid growth in production of raw materials and weakening demand in a number of key export markets for suppliers of raw materials from the Russian Federation. In light of this, Russian steelmakers took advantage of increased internal competition, improving pricing conditions for key resources.

The availability of sufficient supplies of the main feedstocks for steelmaking, as well as the implementation of cost-reduction programmes and the introduction of advanced lean production technologies, enabled MMK to improve its position in 2019 in Russian and global markets for rolled steel, moving closer to the start of the global cost curve for the production of hot-rolled coils. Thus, by monitoring the scope of changes in raw material costs, MMK’s price corridor remained close to its average historical value.

COMMODOITY MARKETS

Iron ore index CIF China, in USD/t

In 2019, the comparative dynamics of raw material costs and steel prices was less favourable for steelmakers around the world than at the end of 2018, as the global average cost of production of hot-rolled coils remained practically unchanged year-on-year, while demand for steel products decreased in many world markets.

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Change in the global average cost of production of hot-rolled coils

Global cost curve for production of hot-rolled coils in 2019

Change in the price corridor, calculated as the difference between the weighted average price of MMK’s sales in the Russian market and the cost of MMK’s raw materials basket

It may be noted that MMK’s commodity steel products feature a significant share of high-value-added (HVA) products. Therefore, the significant correlation between prices for raw materials and rolled steel enables MMK to maintain a consistently high spread at all stages of price cycles.
MARKETS FOR ROLLED STEEL

There were no major improvements in the global econo-
my in 2019. Throughout the entire year, the focus of attention was the trade conflict between the United States and China. This had an impact on the global world trade and contributed to a further slowdown in global economic growth, while concurrently affecting the industry and construction sectors. Most of the largest countries in the world faced a decrease in actual demand and excess production capacities resulting from the above-mentioned factors.

Despite the challenging economic situation, global steel production increased in 2019. According to Worldsteel (WSA), global apparent steel consumption increased by 3.9% and amounted to 1.775 billion tonnes, and steel production increased by 3.4%, reaching 1.869 billion tonnes.

Global steel production, million tonnes

<table>
<thead>
<tr>
<th>Year</th>
<th>Global Steel Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>1.869 billion tonnes</td>
</tr>
<tr>
<td>2018</td>
<td>1.775 billion tonnes</td>
</tr>
<tr>
<td>2017</td>
<td>1.685 billion tonnes</td>
</tr>
<tr>
<td>2016</td>
<td>1.622 billion tonnes</td>
</tr>
<tr>
<td>2015</td>
<td>1.580 billion tonnes</td>
</tr>
<tr>
<td>2014</td>
<td>1.517 billion tonnes</td>
</tr>
<tr>
<td>2013</td>
<td>1.486 billion tonnes</td>
</tr>
<tr>
<td>2012</td>
<td>1.463 billion tonnes</td>
</tr>
<tr>
<td>2011</td>
<td>1.487 billion tonnes</td>
</tr>
<tr>
<td>2010</td>
<td>1.531 billion tonnes</td>
</tr>
</tbody>
</table>

The countries of Asia and the Middle East were responsi-
ble for this growth, mainly China, which accounts for 53% of global steel production. Some 906.3 million tonnes of steel was produced in China in 2019, an in-
crease of 8.3% compared with 2018. At the same time, exports of rolled steel from China decreased by 7.3% to 64.3 million tonnes, and imports decreased by 6.5% to 12.3 million tonnes. The growth in China’s steelmaking industry in 2019 was the result — as in 2018 — of large public investments in infrastructure projects and growth in housing, construction, and industrial equipment manufacturing sector. Companies in this industry received a record influx of orders thanks to projects to replace capacities in the steelmaking indus-
try, energy and the construction of new chemical and petrochemical plants.

Steel production in India amounted to 112.0 million tonnes in 2019, which was 1.8% higher than in 2018. Following parliamentary elections in May, there was a slight decline in the country’s economy. In the summer, government investment in construction was reduced, and consumer and commercial lending decreased, which led to a drop in demand for real estate and vehicles. Manufacturers were forced to increase exports.

Japan, the third-ranked country in the world, produced 99.3 million tonnes of steel in 2019, which was down 4.8% from 2018. The decline in the Japanese steelmaking industry has been ongoing for five years in a row.

The reduction in global trade and the adoption of restrictive new measures led to a redirection of commodity flows, increased competition and lower prices for steel products. Despite the challenging economic situation, global consumption and steel production increased in 2019. The reduction in global trade and the adoption of restrictive new measures led to a redirection of commodity flows, increased competition and lower prices for steel products.

In North America, steel production remained unchanged in 2019 at 120 million tonnes. In the United States, steel production increased by 1.5% to 87.9 million tonnes; imports fell by 7% to 25.3 million tonnes. The country’s economic growth slowed compared with 2018; invest-
ment in oil and gas production declined, and the drop in freight transport also worsened.

Some 159.4 million tonnes of steel was smelted in the EU in 2019, which was down 4.9% compared with 2018. European steel companies were forced to reduce steel output due to insufficient demand. The economy in the region remains lethargic; as German companies faced a drop in demand for cars and industrial equipment. Some 38.7 million tonnes of steel was produced in Germany (down 6.5%), 23.2 million tonnes in France (down 5.2%), 14.5 million tonnes in Spain (down 5.2%).

In Turkey, steel production decreased slightly in 2019 to 33.7 million tonnes, a decrease of 9.6% compared with 2018. Protective measures to restrict imports of steel products in the United States and the European Union did significant harm to Turkish steelmakers.

The negative factors that affected the industry’s perfor-
mance in 2019 were the temporary shutdowns of a num-
ber of enterprises due to damage caused by earthquakes and typhoons, the contraction in domestic demand fol-
lowing the completion of projects for the 2020 Olympics in Tokyo, and the reduction in Japanese exports of steel products, automobiles, ships, industrial equipment and other metal-consuming goods.

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Steel production in Russia, according to Metal Expert, saw a slight decrease of 0.3% to 71.9 million tonnes. In general, steel production in the CIS region in 2019, according to the WSA, remained unchanged at 100 million tonnes. Some 20.8 million tonnes of steel was smelted in Ukraine, which was 1.2% less than in 2018.

**PRICES FOR ROLLED STEEL**

International Markets

Increased competition in global markets had a negative impact on the price of steel products. In 2019, global prices for rolled steel gradually decreased starting in February and reached their lowest level in the last three years by October. In the last months of the year, prices began to recover in global steel markets.

**RUSSIA**

Prices for rolled steel in the Russian market have traditionally followed trends in global markets. Although domestic prices decreased in 2019, they demonstrated noticeably better dynamics compared to foreign markets due to higher rates of steel consumption in Russia. According to Platts, the average annual price in the Russian market for hot-rolled steel decreased by 2.2%, while the price of rebar dropped 4.7%.

Prices in Russia’s domestic market remain favourable compared to exports thanks to state-of-the-art equipment and technologies that enable Russian steelmakers to compete with international peers, their large share of HVA products and the provision of additional services to Russian customers.

**TRENDS IN STEEL CONSUMPTION IN THE RUSSIAN MARKET**

The Russian economy in 2019 showed improvements in key development indicators. According to Rosstat, Russia’s GDP grew by 1.3% in 2019 compared with the previous year, while industrial production increased by 2.4%. Growth in industrial production in 2019 was again led mainly by export-oriented mining industries. Growth in other sectors continued to depend on state support, foreign policy and sanctions on the part of Western countries.

**PIPE INDUSTRY**

According to Metal Expert, steel production in Russia amounted to 71.9 million tonnes in 2019 (down 0.3% y-o-y), while the production of rolled products (excluding re-rolled products) reached 66.9 million tonnes (down 0.9%). According to Metal Expert, the apparent consumption of rolled steel in Russia amounted to 47 million tonnes (up 6.0% y-o-y). The main drivers behind this growth in steel consumption were the construction sector and the pipe industry.
AUTOMOTIVE MANUFACTURING

According to analysis by ASM Holding, the production of passenger vehicles decreased by 2.6% y-o-y in 2019 to 1,523 thousand units, while the production of buses decreased by 14.8% to 41.2 thousand units, and the production of trucks decreased by 0.9% to 155.3 thousand units.

The decline in production was the result of weaker demand due to lower household purchasing power and rising prices coupled with reduced government support.

Despite these negative factors, MMK increased its supplies of steel products to Russian automakers by 8% y-o-y in 2019 (804.8 thousand tonnes).

CONSTRUCTION INDUSTRY

According to Rosstat, the volume of living space delivered in Russia in 2019 increased by 6.0% to 80.3 million square metres. Since 2019, the construction industry has been operating in the context of a transition to a new project mechanism for financing housing construction. At the same time, contractors have been using the opportunity to complete projects according to the old rules by accelerating the pace of construction and thus increasing the amount of steel products purchased.

Demand for steel products in Russia’s construction sector increased by about 8% in 2019. MMK’s supplies to the construction industry in 2019 amounted to 697 thousand tonnes, an increase of 9.5% from 2018.
Among Russian steelmakers, MMK firmly occupies a niche and has consistently ranked in the top three in recent years, maintaining its share of around 17% of the Russian market. MMK is well positioned to achieve good profitability thanks to its advantageous geographical location in the Russian market and its wide range of products, including high-margin steel products.

Structure of Russian steel production in 2019

Steel product shipments in the Russian market in 2019

In the structure of the Russian market for steel products in 2019, the volume of imports decreased by 1.0% y-o-y. According to Metal Expert, the share of imports in the Russian market decreased by 13.1% to 11.9%. Imports increased in the segments of steel plate (up 22.8%), cold-rolled products (up 16.7%) and blooms (up 3.9%); supplies of other types of metal products decreased compared with 2018.
MMK GROUP’S DEVELOPMENT STRATEGY, PRIORITIES AND ACHIEVEMENTS
MMK GROUP’S DEVELOPMENT STRATEGY, PRIORITIES AND ACHIEVEMENTS

Vision: MMK Group is a highly efficient Russian metals producer that adheres to the best practices for occupational health and environmental safety and ensures the retention of professional, proactive and motivated personnel focusing on meeting the needs of customers in the Russian market.

Mission: The Company strives to be a reliable supplier of high-quality steel products, satisfying the needs of Russian customers with the aim of developing into a world leader in terms of efficiency, generating value for shareholders and improving the quality of life of our employees and the people in the communities where our assets are located.

Strategic objective: MMK Group aims to be one of the world’s top steelmakers in terms of both production volume and total shareholder return (TSR).

These goals can be achieved by meeting key challenges in the Company’s six priority focus areas.

Our strategy is aimed at satisfying the needs of our customers and quality growth, while improving operational and functional efficiency, as well as the investment attractiveness of our business.

We work to create value and ensure sustainable development by working closely with our stakeholders.

Our work is aimed at achieving our strategic goals in our six priority areas, including through the implementation of activities related to the initiatives contained in our Portfolio of Strategic Initiatives.
1. STRENGTHENING OF POSITIONS IN PRIORITY MARKETS.

Our sales policy is focused on the domestic market, which is the Company’s strategic position. In focusing on the needs of our customers, we are introducing new technologies and developing new types of products. Due to the growth in demand for steel products in 2019, 75.4% of MMK’s sales were in the domestic market. As has traditionally been the case, the Ural and the Volga regions were the largest buyers, accounting for 64% of MMK’s domestic sales. MMK’s share of the Russian market in 2019 amounted to 17.4%. The Company’s achievements in 2019 were the natural result of following a path that made meeting the needs of the domestic market a priority, given that MMK’s largest investment projects are aimed at the Russian market. We currently offer consumers a wide range of rolled-steel products with a predominant share of HVA products. The production of HVA products (Thick-Plate Mill 5000, cold-rolled steel, products resulting from downstream processing) is a priority for the Company: in the reporting year, we shipped 4.4 million tonnes of these products.

We continue to focus on strengthening our positions in promising market niches. With the addition of the Lysva Metallurgical Company to MMK Group in 2017, MMK not only became the largest producer of galvanised steel and coated steel in Russia but also significantly expanded its product range. By the end of 2019, MMK had shipped 1.286 million tonnes of galvanised steel to consumers. This marked the second consecutive year in which we set a record for shipments of galvanised steel. MMK has also been successfully implementing a programme for the production and promotion of high-strength and wear-resistant steels — as well as products made from these steels — manufactured under the Magstrong brand. At the same time, this product niche offers great growth potential; sales will increase as the range of uses of these products expands. A new cryogenic brand, Magstrong Cryogenic, was launched recently, which our customers, in many cases, will be able to use to replace expensive stainless steel, thus reducing their production costs.

An important area for us remains to increase our supply of steel products for the automotive industry. As of the end of 2019, approximately 650 thousand tonnes of steel products were delivered to automakers. In 2019, we continued implementing our strategic initiatives Deliveries on Time and Supplier No 1 for the Most Demanding Customers in the Domestic Automotive Industry, which we are implementing as part of our approved strategy. As a result of our work in 2019, we saw a high degree of customer satisfaction with the quality of products and services delivered. We constantly interact with our customers, and we aim to respond to their requests as much as possible and to meet their expectations in terms of quality, service and delivery time.

In 2019, we continued to develop our customer services. In April, real-time calendar planning system (RTCPS) was put into operation, enabling us to improve the accuracy of delivery and ensure that MMK’s products are available for steel shipments. The RTCPS is an important element of our Right on Time logistics concept, which calls for the coordination of every aspect of our work, thus enabling us to plan and deliver steel products to customers in a timely manner.

Last year, QR codes were added to quality certificates for MMK’s steel products. These can be used to verify a product’s authenticity. A service was also developed to provide shipment information in electronic form. Customers can quickly receive information about shipments of purchased steel products in order to make use of the data in their own information systems. Our near-term plans include the creation of a system for communication with customers, which will estimate the Company’s services more user-friendly while also taking our marketing services to a new level.

The consolidation of MMK’s presence in the domestic market has been facilitated by the development of our Trading House distribution network, the main link of which is the sale of steel products produced by MMK and other Group enterprises (MMK-Metiz, the Lysva Metallurgical Company) from storage facilities located in various regions of Russia and in the Republic of Kazakhstan. In 2019, MMK Trading House’s share of the Russian metal warehousing market was 6.1%, with 66.9% of sales made directly to end users.

VALUE CREATION FOR THE COMPANY

This marked the second consecutive year in which we set a record for shipments of galvanised steel.
2. IMPROVING OPERATIONAL AND FUNCTIONAL EFFICIENCY.
As part of our programme to improve operating efficiency, we have been implementing cost-cutting measures in all of the Company's production and functional departments. Cost reductions amounted to USD 79.7 million in 2019.

The following were the main areas of cost reduction in 2019:
— the implementation of organisational and technical measures aimed at improving the efficiency of production processes and reducing the consumption of raw materials and basic materials, which enabled us to achieve additional profit in the amount of USD 41.0 million;
— the introduction of low-cost, high-impact investment projects (Baby Capex), the economic impact of which was USD 14.8 million for the year;
— invention and innovation brought an additional USD 9.0 million in savings; and
— the implementation of energy-saving measures resulted in an additional USD 14.9 million in savings.

Strict monitoring of the use of resources and the search for internal efficiencies to reduce costs enabled MMK to reduce the negative impact of market factors and ensure the competitiveness of its products.

In accordance with the approved Strategy to Improve Operational and Functional Efficiency, we continue to implement a number of strategic initiatives, including Industry 4.0, Deliveries, Customer-centricity, Value Creation, Lean Production, and Product Flows.

In 2019, we continued implementing projects through our investment programme:
— in sinter production, a large-scale investment project for the construction of our new sinter plant No 5 was completed;
— the reconstruction of Hot-Rolling Mill 2500 continued;
— in coke-chemical production, a project for the construction of coke-oven battery No 12 was launched;
— among the energy projects launched in 2019, the commissioning of turbogenerator No 6 in the Central Power Plant is worth noting.

These projects will cut our production cost and significantly reduce the impact of our operations on the environment.

MMK is currently developing a business digitalisation strategy in partnership with Deloitte. This strategy will enable us to fulfill our Industry 4.0 objectives in terms of integrating all information flows in the Company. Our integrated information system includes the management of production, inventory, maintenance, procurement, finance, personnel, projects, orders and sales. This step will enable MMK to strengthen its position in sales markets and improve both operational and functional efficiency.

3. INCREASING INVESTMENT ATTRACTIVENESS.

The Company’s efforts to increase its investment attractiveness are an important priority. In 2019:
— work continued to reduce the Company’s debt burden: gross debt/EBITDA was 0.48x;
— the Russian Institute of Directors (RID) confirmed MMK’s national corporate governance score at 7++ (developed corporate governance practice) on the National Corporate Governance Rating scale;
— dividends were paid regularly: 31.05.2019 the Annual General Meeting of Shareholders approved the payout of dividends at RUB 1.398 per share for the 2018 reporting year and at RUB 1.488 per share for the first quarter of the 2019 reporting year;
27.09.2019 an Extraordinary General Meeting of Shareholders approved the payout of dividends at RUB 0.690 per share for the first half of the 2019 reporting year;
27.12.2019 an Extraordinary General Meeting of Shareholders approved the payout of dividends at RUB 1.650 per share for the first nine months of the 2019 reporting year;
— all the measures stipulated in the Corporate Governance Improvement Programmes for 2019 were implemented.

On 13 November 2019, a new Regulation on PJSC MMK’s Dividend Policy was approved by MMK’s Board of Directors. The Company’s dividend policy is based on a balance of shareholder interests and the Company’s requirements for further growth and technological upgrades.
SUSTAINABLE DEVELOPMENT

MMK was included among the leaders in the Russian Union of Industrialists and Entrepreneurs’ annual sustainable development indices: “Responsibility and Openness” and “Sustainable Development Trajectory.”

We have set goals for ourselves to improve occupational health and safety, to develop our staff, to strengthen our partnerships in the region where we operate, and to reduce our environmental impact.

4. INDUSTRIAL SAFETY

Our goal in the area of occupational health and industrial safety (OHS) is the complete elimination of fatal accidents and to become a leader among global steelmakers in key OHS indicators.

Industrial safety is one of our Company’s top strategic priorities. Much attention is focused on improving our systems for industrial safety and occupational health and the formation of a conscientious and unwavering stance against violations on the part of our employees. As part of our efforts to ensure industrial safety, we are implementing a strategic initiative called “Zero Tolerance for Safety Violations.”

We are implementing a comprehensive programme to improve industrial safety, which has resulted in a significant reduction in injuries. The success of the measures we have taken is clear from injury statistics for 2019 compared with 2017: LTIFR decreased by approximately 16% over this period. We have been introducing state-of-the-art automation and digitalisation tools in the area of occupational health and industrial safety. Among the most innovative solutions is a digital incident management module, which collects and systematises information about every incident over a period of 10 years. The programme uses an artificial-intelligence (AI) algorithm.

Since 2018, MMK has been operating a Safety School training facility, the only one of its kind in the country. The facility provides a place for staff to practise how to perform work-related skills safely and efficiently under various conditions.

MMK also launched its PAB mobile application for behavioural safety audits. The purpose of the application is to conduct behavioural safety audits, in order to reduce the risk of accidents. The PAB mobile application is not MMK’s only technological innovation in the area of occupational health and industrial safety. Specialists at MMK-Informservice also developed a mobile application called DHS Training intended for self-training on the part of employees.

Concern for our workforce and the health of personnel is one of the Company’s priorities. The implementation of our personnel policy, systematic work with personnel and continuous training have helped boost labour productivity and improve the professional development of employees. We pay particular attention to the development of our employees, and training is an inextricable part of the process of introducing digital technologies.

As of the end of 2019, 84.5% of employees had professional qualifications, and labour productivity was 67.5 conditional tonnes per employee.

An important factor in the Company’s successful operations is the availability of professional staff whose aim is to achieve corporate goals. In this area, we continue to implement a strategic initiative called “Human Resources Potential in Improving MMK’s Operational Efficiency.” It is important to delegate certain powers so that each employee has more decision-making opportunities and, at the same time, greater responsibility for the results of their work.
6. SOCIAL STRATEGY

We are working in the following areas:

1. Creating conditions for the development of small- and medium-sized businesses in the city, which is one of the Company’s socially important objectives. The tool for fulfilling this goal is MMK-Industrial Park. All the resources needed to start up any sort of production can be found in the Industrial Park. In addition, to support and develop businesses in Magnitogorsk, MMK has begun co-financing projects implemented by residents of MMK-Industrial Park. MMK provides co-financing on a competitive basis for the creation of new or expansion of existing production facilities. Co-financing is available for up to 30% of a project’s cost to a maximum of RUB 15 million.

2. MMK is the industrial partner for the Quantorium technology part for children, which began operating in December 2018 at Nosov Magnitogorsk State Technical University in the framework of the federal special-purpose programme “Development of Education”, and with the support of the governor of the Chelyabinsk Region and MMK.

3. On 16 October 2018, industrial tourism at MMK officially got under way. The project is in line with the strategy for the socio-economic development of Magnitogorsk for the period to 2035 (Priority No 4: “Development of the tourist potential of the city of Magnitogorsk”). MMK offers a unique excursion programme that includes tours called “Taming Fire”, “Steel Evolution”, “At Dad’s Work” and “Visiting Steelworkers”. Since the start of the project, about five thousand tourists have visited MMK’s production site. MMK’s industrial tourism projects won awards at a Russian national competition in 2019. MMK won the “Tour of the Year” Russian national tourist award, which is awarded annually with publicity support provided by the Federal Tourism Agency. The Company also received two certificates: first place for the best children’s tour and second place for the best tour of an operational production facility.

4. Improving the environmental situation and reducing air and water pollution remain among our strategic priorities. In our long-term planning and sustainable development, we devote a great deal of attention to the issues of environmental security and improving the system for managing environmental conservation. The implementation of the programme of activities under the Clean City strategy, introduced in 2018, is one of the goals that is achieved in Magnitogorsk (according to the Clean City Index of the Chelyabinsk region). It has been our strategy to make sure that the comprehensive air quality index (CIAQ) is less than 5 units (a low level of atmospheric pollution) in the city by 2025.

Two key projects that are part of MMK’s investment programme will make it possible to achieve this goal: the construction of the new coke oven battery No 12 and the construction of the new blast furnace No 11. MMK’s environmental projects are included in the Clean Air programme as part of the Ecology national project.

In 2019, the comprehensive air quality index in the city of Magnitogorsk was 6.8 (this is rounded up to 7 in line with Roshydromet’s methodology). Improving the air quality in the city is the result of large-scale environmental activities that we have been systematically carrying out for many years.

In accordance with MMK’s Environmental Programme, 80 technical measures were carried out in 2019 (work continued on eight measures) aimed at reducing and preventing negative environmental impacts. Costs for the capital construction of new and reconstruction of existing environmentally friendly facilities in 2019 amounted to more than RUB 5.3 billion.
Thanks to the implementation of our Environmental Programme, we were able to reduce the Company’s harmful impact on the environment in 2019:

— gross emissions of pollutants into the atmosphere (relative to 2018) decreased by 1.2 thousand tonnes and amounted to 197.3 thousand tonnes; specific emissions remained unchanged and amounted to 8.0 kg/t of steel products;

— gross discharges of pollutants into bodies of water (relative to 2018) decreased by 2.4x (or 35 thousand tonnes) and amounted to 24.9 thousand tonnes; specific discharges decreased by 2.3x and amounted to 2.3 kg/t of steel products;

— today, 100% of MMK’s industrial waste water is used in the Company’s closed-circuit water supply;

— some 1.8 million tonnes of industrial waste was used as secondary material resources for sintering; 10.569 million tonnes of smelter slag was processed at specialised plants.

As of the end of 2019, MMK had joined the top 10 in the rating of openness among mining and metals companies in Russia in the area of environmental responsibility, as compiled by the World Wildlife Fund (WWF) and the National Rating Agency.

In 2019, MMK received an award from the United Nations Industrial Development Organization (UNIDO) for its contribution to sustainable development and environmental initiatives in the Chelyabinsk region, and also for the successful implementation of its Industrial Enterprises’ Energy Management programme.

LEVEL OF CONSUMER SATISFACTION

<table>
<thead>
<tr>
<th>2019</th>
<th>Planned</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>7.61</td>
<td>8.39</td>
</tr>
<tr>
<td>Customers in automotive manufacturing</td>
<td>8.01</td>
<td>8.41</td>
</tr>
<tr>
<td>Customers in the pipe-making sector</td>
<td>7.61</td>
<td>8.15</td>
</tr>
<tr>
<td>Including Gazprom and its suppliers</td>
<td>8.01</td>
<td>8.04</td>
</tr>
</tbody>
</table>

In order to achieve high levels of customer satisfaction with MMK products and services, the following measures are being implemented:

— a programme of corrective measures aimed at responding to critical feedback received through the surveys;

— the establishment of coordination councils with key customers;

— the development of innovative products.

The annual consumer survey shows a high degree of satisfaction. The survey is also helpful in identifying which customers have expressed a lower level of satisfaction with product and service quality.
MMK Group

MMK — PRODUCTION OF STEEL PRODUCTS

OJSC MMK-Holding (Magnitogorsk)
LLC Metalloinvest (Perm Territory, Yamburg)
LLC MMK-Lysva Metallurgical Plant (Perm Territory, Lysva)
MMK Metalurji Sanayi, Ticaret ve Liman İşletmeciliği Anonim Şirketi (Iskenderun, Istanbul, Turkey)

MMK — TRADING HOUSE

LLC Tamozhenny Broker (Magnitogorsk)
LLC TTC of FUSC MMK (Magnitogorsk)
MMK Steel Trade AG (Lugano, Switzerland)
MMK International SA (Brussels, Belgium)

MMK — RESOURCE

OJSC Belon (Belovo)
LLC MCRW (Magnitogorsk)
LLC MMK-Vtormet (Magnitogorsk)
LLC Buskul (Chelyabinsk Region, Buskulsy)

MMK — SERVICE

LLC Mekhanoremontny Kompleks (Magnitogorsk)
LLC Stroitelny Kompleks (Magnitogorsk)
LLC MMK-UCHETNY CENTER (Magnitogorsk)

MMK — FINANCE

LLC Mekhanoremontny Kompleks (Magnitogorsk)
LLC Stroitelny Kompleks (Magnitogorsk)
LLC MMK-UCHETNY CENTER (Magnitogorsk)

MMK — RESORT

LLC Sanatorii Yubileyny Zelenaya Polyana, Bashkortostan
LLC Sanatorii Metallurg Yessentuki
LLC Interlux (Magnitogorsk)
LLC MMK-Kurort Management Company (Magnitogorsk)
MMK GROUP’S
FINANCIAL
RESULTS
Under its existing corporate governance structure and reporting policy, MMK Group’s financial results are divided into the following segments:

— the Russian steel segment, including MMK and its subsidiaries engaged in the production of steel, wires and metalware — all major assets, production capacity, management and administrative resources for this segment are situated in Magnitogorsk, Russia;

— the Turkish steel segment, which includes the steel-making company MMK Metalurji — this segment’s two production sites are located in Iskenderun and Istanbul, Turkey; and

— the coal segment, MMK-Coal, which is engaged in coal mining and processing.

This section provides a summary financial overview of MMK Group and its business segments.

**Revenue and Operating Profit**

The Russian steel segment accounts for the majority of MMK Group’s revenue (95.5%). The Turkish steel segment accounts for 6.9%. The coal segment accounts for just 3.3% of Group revenue due to the fact that the majority of this segment’s output is consumed within the Group.

The Group’s revenue for 2019 was USD 7,566 million, a decrease of 8% y-o-y. This drop is attributed to the decrease in sales volumes of finished products with a concurrent decrease in average sales price of USD 32 per tonne, or 5%. As of the end of 2019, shipments to the Russian and CIS markets were up by 9% y-o-y, accounting for 85% of total sales.

The Group’s operating profit decreased by 30% y-o-y to USD 1,274 million.

**Analysis of EBITDA, USD million**

<table>
<thead>
<tr>
<th>Factor</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production volume</td>
<td>-83</td>
<td>-83</td>
</tr>
<tr>
<td>Product structure</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td>Product pricing</td>
<td>-370</td>
<td>-370</td>
</tr>
<tr>
<td>Cost of raw materials, energy and services</td>
<td>-170</td>
<td>-170</td>
</tr>
<tr>
<td>Specific consumption</td>
<td>-2</td>
<td>-2</td>
</tr>
<tr>
<td>Raw materials and energy supply</td>
<td>-7</td>
<td>-7</td>
</tr>
<tr>
<td>General business costs</td>
<td>-5</td>
<td>-5</td>
</tr>
<tr>
<td>Other expenses contributing to production cost</td>
<td>-48</td>
<td>-48</td>
</tr>
<tr>
<td>Other factors</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

The cost of goods sold, including depreciation, decreased by 0.3% y-o-y due to a 0.7% decrease in the cost of raw materials.
Earnings per share came to USD 0.077, while dividends for 2019 amounted to USD 943 million, representing a dividend yield (dividends to LSE capitalisation) of 13%.

STRUCTURE OF OPERATIONAL EXPENDITURES

CAPITAL INVESTMENTS

In FY 2019, MMK Group’s capital investments amounted to USD 833 million, a decrease of 3.1% from the previous year. Investment highlights in 2019 included the launch of a new sinter plant (No 5) and the overhaul of the roughing train at Hot-Rolling Mill 2500.

<table>
<thead>
<tr>
<th>INVESTMENT, USD MILLION</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian steel segment</td>
<td>754</td>
<td>799</td>
</tr>
<tr>
<td>Turkish steel segment</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>Coal segment</td>
<td>75</td>
<td>54</td>
</tr>
<tr>
<td>Group total</td>
<td>833</td>
<td>860</td>
</tr>
</tbody>
</table>

CASH FLOW

Cash flow from operations in 2019 amounted to USD 1,715 million, down from USD 1,887 million in 2018. In 2019, total inflows from MMK Group’s working capital amounted to USD 287 million.

Working-capital efficiency, measures aimed at improving operational efficiency and lower capital investments compared with the previous year enabled the Company to offset, in large part, the negative effect of the decrease in EBITDA. As a result, free cash flow for 12M 2019 amounted to USD 882 million, a decrease of 14.1% y-o-y (while EBITDA decreased 25%).

<table>
<thead>
<tr>
<th>CASH FLOW, USD MILLION</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow from operations prior to changes in working capital</td>
<td>1,426</td>
<td>1,960</td>
</tr>
<tr>
<td>Changes in working capital</td>
<td>-27</td>
<td>-63</td>
</tr>
<tr>
<td>Cash flow from operations</td>
<td>1,703</td>
<td>1,867</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>-930</td>
<td>-646</td>
</tr>
<tr>
<td>Including capital investments</td>
<td>-933</td>
<td>-660</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>882</td>
<td>1,027</td>
</tr>
</tbody>
</table>

EARNINGS PER SHARE AND DIVIDEND YIELD

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividends</th>
<th>EPS (right side)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>0.077</td>
<td>0.078</td>
</tr>
<tr>
<td>2016</td>
<td>0.077</td>
<td>0.078</td>
</tr>
<tr>
<td>2017</td>
<td>0.077</td>
<td>0.078</td>
</tr>
<tr>
<td>2018</td>
<td>0.077</td>
<td>0.078</td>
</tr>
<tr>
<td>2019</td>
<td>0.077</td>
<td>0.080</td>
</tr>
</tbody>
</table>

CASH FLOW, USD MILLION

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash flow from operations</th>
<th>Changes in working capital</th>
<th>Free cash flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>1,715</td>
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MMK Annual Report for 2019 MMK Group’s financial results

MMK Annual Report for 2019 MMK Group’s financial results

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DEBT
As of the end of 2019, the Company’s total debt amounted to USD 870 million, an increase of USD 334 million y-o-y. The Company returned to international debt markets following an absence of 15 years with the successful placement of five-year Eurobonds in June 2019. Funds raised by the issue were used to refinance more expensive borrowings to finance the Company’s strategic investment programme. The Company had USD 1,519 million in cash and cash equivalents at the end of the reporting period. In addition, the Company had a net cash balance of USD 235 million at the end of 2019.

CAPITAL STRUCTURE AND PROFITABILITY 2019 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total capital and obligations, USD million</td>
<td>8,284</td>
<td>7,205</td>
</tr>
<tr>
<td>Invested capital, USD million</td>
<td>5,264</td>
<td>4,776</td>
</tr>
<tr>
<td>Equity capital, USD million</td>
<td>5,519</td>
<td>5,009</td>
</tr>
<tr>
<td>Net debt, USD million</td>
<td>-235</td>
<td>-203</td>
</tr>
<tr>
<td>Return on invested capital, %</td>
<td>24</td>
<td>38</td>
</tr>
<tr>
<td>Return on equity, %</td>
<td>16</td>
<td>26</td>
</tr>
<tr>
<td>Asset/equity ratio, %</td>
<td>67</td>
<td>70</td>
</tr>
<tr>
<td>Net debt/capital, %</td>
<td>-4.3</td>
<td>-4.1</td>
</tr>
</tbody>
</table>

RUSSIAN STEEL SEGMENT
RESULTS
The 7.7% y-o-y decrease in revenue to USD 7,226 million was attributed to a decrease in sales during the completion in 2019 of another stage in the overhaul of Hot-Rolling Mill 2500.

Operating profit fell 29%.

COAL SEGMENT
The 27.6% y-o-y decrease in revenues from the coal segment, to USD 246 million, was attributable to lower prices for coal concentrate and a decrease in the volume of sales of concentrate due to the reconstruction of the processing plant.

The coal segment’s operating profit for 2019 was USD 38 million.

EXCLUSION OF INTERSEGMENT TRANSACTIONS
All intragroup transactions and balances, income and expenses are excluded in consolidated results.

TURKISH STEEL SEGMENT
RESULTS
MMK Metalurji’s revenue for 2019 amounted to USD 520 million, a decrease of 16% y-o-y due to ongoing economic turmoil in the Turkish market. The company was able to partially make up for weaker domestic demand by increasing exports to a third y-o-y and pivoting towards markets in Europe and the Middle East.

MMK Metalurji’s operating loss for 2019 amounted to USD 30 million.

EXCLUSION OF INTERSEGMENT TRANSACTIONS
All intragroup transactions and balances, income and expenses are excluded in consolidated results.
RESULTS FOR THE RUSSIAN STEEL SEGMENT
The Russian steel segment is centred around the Group’s parent Company, Magnitogorsk Iron and Steel Works. The critically important focus of this segment is to support MMK’s production and sale of metal products. Although the main production, management and administrative resources are concentrated at the industrial site in Magnitogorsk, the sphere of interests of the companies in this segment, their branch operations and business divisions cover the whole territory of Russia and other countries of the Eurasian Customs Union. The results of operations in the Russian steel segment to a significant degree shape the results of the Group as a whole. This also applies to industrial, financial and economic indicators.

In addition to MMK, the Russian steel segment includes the MMK-Metiz Metalware and Sizing Plant, the Lysva Metallurgical Company (the only manufacturer in Russia of cold-galvanised steel and polymer-coated rolled products based on this technology), service and trading companies and a group of organisations in the social sphere. In 2019, MMK generated nearly 93% of the segment’s EBITDA and 90% of the Group’s EBITDA. For this reason, this section will be dedicated to MMK’s results (non-consolidated results according to RAS), as they determine the results for the segment and the Group.

**REVENUE AND PROFIT**

MMK’s revenue in 2019 amounted to RUB 434.9 billion, a decrease of RUB 23.3 billion y-o-y. The decrease in revenue was partly due to a decrease in sales during the completion of the next stage of the reconstruction of Hot-Rolling Mill 2500 during 2019 and partly due to a decrease in prices for metal products in Russia and around the world. Traditionally, MMK’s domestic market has provided the best margins.

Profit from sales was RUB 83.3 billion, which was 29% lower than the record high of RUB 116.5 billion in 2018. As mentioned above, the main factor behind the decrease was the drop in steel prices from the previous year. The increase in iron ore prices following several industrial disasters in Brazil also had a negative impact on profits.

That said, MMK maintained and expanded its programmes to cut costs and improve efficiency in the production process last year as a result, the Company was able to reduce its costs by RUB 3.9 billion.
## Analysis of Profit from Sales, RUB Million

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit</td>
<td>83,261</td>
<td>116,462</td>
</tr>
<tr>
<td>Change</td>
<td>-33,200</td>
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</table>

## Analysis of Changes

<table>
<thead>
<tr>
<th>Category</th>
<th>Change</th>
</tr>
</thead>
<tbody>
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<td>Production volume</td>
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<tr>
<td>Product pricing</td>
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</tr>
<tr>
<td>Product structure</td>
<td>4,168</td>
</tr>
<tr>
<td>Price of raw materials, fuel and energy</td>
<td>-9,018</td>
</tr>
<tr>
<td>Specific costs</td>
<td>621</td>
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<tr>
<td>Supply structure</td>
<td>492</td>
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<tr>
<td>Fixed costs</td>
<td>4,92</td>
</tr>
<tr>
<td>Other expenses contributing to cost</td>
<td>-2,638</td>
</tr>
<tr>
<td>Other factors</td>
<td>963</td>
</tr>
<tr>
<td>Other factors</td>
<td>-992</td>
</tr>
</tbody>
</table>

## Revenue and Profit from Sales, RUB Billion

- Revenue growth over the past several years has been mainly driven by prices for metal products. This same factor had a positive impact on the increase in gross profit.
- In 2019, prices in global markets for rolled steel began trending downwards due, in particular, to the trade war between the United States and China.

## Revenue Structure

- The company’s revenue structure has been fairly stable in recent years, with the bulk of it coming from the sale of HVA products in the company’s key domestic market.

## Slab Cash-Cost Structure within MMK (with INTRAGROUP Adjustments)

- Traditional metallurgy is one of the most resource-intensive industries, with raw materials accounting for 65-75% of production costs.
- In 2019, the cash cost of slab was 5% higher y-o-y (in USD), mainly due to the increase in the cost of raw materials.
Pig iron production increased by 2% y-o-y due to a decrease in maintenance work on blast-furnace processes compared to the previous year. Steel production decreased by 2% y-o-y due to a decrease in demand for steel and the overhaul of Hot-rolling Mill 2500. Shipments of finished products also decreased by 453 thousand tonnes for the same reasons. The domestic market remains, as in past years, the priority for MMK; shipments to the Russian market increased by 558 thousand tonnes (up 7%) y-o-y in 2019, and shipments to CIS countries increased by 114 thousand tonnes (up 9%). Exports decreased by nearly 50% y-o-y to 1.3 million tonnes (compared with 2.4 million tonnes in 2018).

Core production capacities were fully utilised in 2019: sinter and blast furnace production was at 100%, coke and byproduct production at 99%, oxygen-converter capacity at 100%. Mill 5000 was also utilised at 100% capacity in 2019.

In 2019, shipments of metal products decreased by 4.0% y-o-y and amounted to 10,958 thousand tonnes. The share of HVA products (in tonnes) was 40%.

Hot-rolled steel has historically accounted for the lion’s share of steel production at MMK, and it is the Company’s primary export product. The volume of HVA products has been steadily increasing in recent years thanks to improvements to the Company’s sales policy and production capacities.

Demand for coated metals (galvanised and polymer-coated) has been growing steadily in Russia. Having taken a proactive position, Russian steelmakers are striving to meet this demand in full with their own production capacity. MMK (with the Lysva Metallurgical Company) has a major market share for this type of product, as it has steadily increased its production capacity.
The Company's main objectives for 2018–2020, according to the Strategy 2025 (for more details, see the corresponding section), are improving operational efficiency, improving workplace safety, reducing the Company's environmental impact and developing human resources, as well as expanding client services, increasing the transparency of the execution of customer orders and digitising production processes (Industry 4.0).

As part of Industry 4.0, MMK together with Deloitte created a list in 2019 of the Company’s digital transformation projects until 2025.

MMK’s readiness to implement state-of-the-art digital solutions can be attributed to the maturity of the market from the construction industry and increased shipments to automotive enterprises.

— Shipments of polymer-coated rolled products decreased by 12.6% to 296 thousand tonnes, mainly due to the higher profits from sales of galvanised coils.

INVESTMENT

MMK’s 2019 investment programme totalled almost RUB 34 billion, down 13% y-o-y. The main reason for this was the completion of major work on large investment projects in 2018 (sinter plant No 5, air separation unit No 5).

In 2019, MMK’s main projects included the completion of construction and commissioning of both phases of sinter plant No 5, the next stage in the overhaul of Hot-Rolling Mill 2500 (a new roughing train and a clean-water recycling system were launched; the installation and start-up of a wastewater recycling system were completed), and work began on the development of the new coke oven battery No 12. Also in 2019, construction and installation works on turbine generator No 6 were completed; the QM-AWT 10000 system for colorizing operation and ga-
Company’s industrial automation and widespread use of information systems. The selected projects have traditionally been led by programmes aimed at improving labour efficiency and strengthening positions in priority markets. It is worth noting, however, that digitalisation will affect every strategic area of MMK’s operations.

Plans include building an ecosystem for communication with customers. This should simplify and speed up the placement of orders, make it easier to track the status of fulfillment, and ensure oversight of reciprocal payments and joint action planning. To do this, the Company plans to use the possibilities offered by the latest version of the ORACLE OeBS accounting system and an adapted RTCP5 production scheduling system made by Ausferr.

For its core operations, MMK envisages the implementation of projects that reduce the consumption of material and energy resources and make it possible to increase the first-pass yield of steel while improving operational efficiency. Optimisation of the use of iron ore and its commercial components begins with the identification of the chemical composition of the raw materials upon receipt from suppliers and the selection of the appropriate processing methods. The use of machine vision and the automation of selection and sampling should speed up the identification of process deviations and significantly reduce overhead costs and the recycling of rejected products at most process stages.

Maintenance services will also help improve overall efficiency through the implementation of predictive analytics projects, mobile workplaces for maintenance staff, and the use of integrated planning tools that make it possible to assess the impact of changes to maintenance schedules. The quality and speed of maintenance work is expected to be further improved through the intelligent management of the availability of spare parts and the use of 3D printing for some particularly critical items.

THAT DIGITALISATION WILL AFFECT EVERY STRATEGIC AREA OF MMK’S OPERATIONS.

As part of Industry 4.0, MMK together with Deloitte created a list in 2019 of the company’s digital transformation projects until 2025. The company’s revenue structure has been fairly stable in recent years, with the bulk of it coming from the sale of HVA products in the company’s key domestic market.
TURKISH STEEL SEGMENT RESULTS
TURKISH STEEL SEGMENT RESULTS

BRIEF SUMMARY OF 2019 RESULTS:
— measures were taken to optimise working capital;
— cash flow adequacy was ensured (positive FCF of USD 8 million);
— production of polymer-coated rolled aluminium got under way;
— the Company began accepting orders for galvanised steel for the SILO sector;
— sales to export markets increased; and
— licences were obtained for the transhipment of coal, grain and corn at the Company’s seaport.

MMK METALURJI’S PRODUCTION PERFORMANCE

Sales of finished products in 2019 amounted to 720 thousand tonnes, which was down 6% y-o-y. The decrease was mainly the result of a drop in sales volumes of hot-rolled and cold-rolled sheets.

The share of HVA products was 97%, which amounted to 700 thousand tonnes by volume, a decrease of 3% y-o-y. The decrease was attributable to a new focus on more complex markets of industrial manufacturers instead of steel service centres.

The share of production exported in 2019 was 36%, which was up from 28% a year earlier. The share of exports increased due to a decrease in demand in the domestic market. Overall, sales volumes to export markets increased by 27%, or 45.3 thousand tonnes, due in part to some exports being shifted to markets in the Middle East.

MMK METALURJI’S MAIN ECONOMIC INDICATORS

In 2019, MMK Metalurji’s total revenue amounted to USD 520.3 million. Revenue from sales of metal products amounted to USD 474.3 million, a decrease of USD 96.3 million, or 17%, y-o-y. This was mainly due to lower prices and a decrease in shipments.

The price of hot-rolled coils increased rapidly especially in the last quarter of the year. However, the price increase was not fully reflected in the prices of finished metal products in foreign and domestic markets. The average price was USD 659/tonne, which was USD 85/tonne, or 11%, lower y-o-y. The decline was attributable to a sharp downturn in the Turkish economy stemming from domestic political uncertainty and the deterioration of economic relations with the United States.

In 2019, EBITDA (according to IFRS) from MMK Metalurji’s operations remained the same as the year before at USD -7.4 million.

In order to improve its main economic indicators, MMK Metalurji implemented a programme at the end of 2019 to reduce costs and improve efficiency by USD 6.8 million.

At the end of 2019, MMK Metalurji’s headcount was 1,147 people, which was 38 fewer people than at the beginning of the year.
### Item  | Item Unit | 2015  | 2016  | 2017  | 2018  | 2019  
---|---|---|---|---|---|--- 
Shipments  | ths tonnes | 795.1 | 853.7 | 925.2 | 766.8 | 719.6 
— domestic market  | ths tonnes | 733.0 | 781.4 | 715.9 | 553.8 | 461.3 
— export  | ths tonnes | 62.2 | 72.3 | 209.3 | 213.0 | 258.3 
Sales  | USD ths | 505,989 | 477,881 | 639,143 | 570,655 | 474,307 
— domestic market  | USD ths | 464,965 | 458,634 | 606,982 | 548,031 | 474,461 
— export  | USD ths | 41,064 | 42,254 | 152,251 | 164,554 | 169,847 
Price of 1 tonne  | USD/t | 636 | 560 | 691 | 744 | 659 
— domestic market  | USD/t | 634 | 557 | 680 | 733 | 660 
— export  | USD/t | 660 | 585 | 727 | 773 | 658 
Cost of finished metal products  | USD ths | 541,458 | 483,207 | 648,747 | 623,722 | 524,959 
| USD/t | 681 | 566 | 701 | 815 | 730 
Gross profit from finished metal products  | USD ths | -35,468 | -5,325 | -9,604 | -53,068 | -50,652 
| USD/t | -45 | -6 | -10 | -69 | -70 
Profitability of finished metal products  | % | -6.6% | -1.1% | -1.5% | -8.5% | -9.6% 
EBITDA  | USD ths | 36,441 | 40,701 | 40,246 | 26,046 | 2,437 
| USD/t | 46 | 52 | 52 | 21 | - 
EBITDA margin  | % | 6.4% | 8.2% | 7.6% | 10% | 2.3% 
EBITDA per tonne  | USD | 46 | 52 | 52 | 21 | - 
Investment  | USD mln | 6.7 | 7.5 | 5.8 | 16.5 | 6.4 
Average headcount  | people | 1,323 | 1,226 | 1,229 | 1,202 | 1,159 

### COST STRUCTURE, %

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<tr>
<th>Item</th>
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<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tr>
<td>Semifinished products</td>
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<td>72</td>
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<td>0</td>
<td>0</td>
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<td>Supplemental materials</td>
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<td>1</td>
<td>1</td>
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<td>2</td>
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<tr>
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<td>2</td>
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<td>3</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
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<td>6</td>
<td>8</td>
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<td>8</td>
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<td><strong>TOTAL</strong></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

### MMK Metalurji’s seaport

The seaport’s cargo throughput volume in 2019 was 6.8 million tonnes, down 1.9% y-o-y. This was mainly due to the general decline in industrial production in Turkey and the fact that some of MMK Metalurji’s clients opened their own seaports.

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**MMK Annual Report for 2019**

**Turkish steel segment results**

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**COST STRUCTURE, %**

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**MMK Metalurji's seaport**
COAL SEGMENT RESULTS
The completion of the first stage of this project made it possible to increase the ash content of ready production to 9.0%, to increase the yield of concentrate by 1.5% and reduce the ash content in fat coal concentrate to a maximum of 9.5%.

In November 2019, the first stage in an overhaul of the plant's equipment was completed involving the replacement of jigs with heavy media cyclones. Construction of the compressed air facility was completed, and a radial thickener was put into operation. In 2020, work is planned on the second stages of the project documentation for the reconstruction of the Filter Press Department was completed, and an automated magnetite suspension preparing station was launched, and a radial thickener was put into operation. Work on the project documentation for the reconstruction of the Filler Press Department was completed, and an additional state-of-the-art high-performance filter press manufactured by Andritz AG was installed, which has a belt working width of 3 metres (the previously installed filter presses operated with a belt working width of 2.3 metres).

In 2019, work continued on the construction of the West Flank Bremsberg 501 (WFB 501) worksite: a 6 kV power transmission line was installed, and the required equipment was supplied. In 2020, the Company plans to complete construction and installation works on the main ventilation fan, a fire pump station, a diesel depot, a boiler room and a sheltered warehouse for ROM coal. Construction of East Flank Bremsberg 501 (EFB 501) is under way.

The commissioning of the Bremsberg 501 worksite facilities (WFB and EFB) and the opening of permanent mining operations will make it possible to maintain the current level of coal production in years to come. The Company plans to invest more than RUB 800 million in this project.

In 2019, work was completed at the axial ventilation shaft worksite to replace the outdated main ventilation fan, which had been in operation since 1972, with a state-of-the-art fail-safe fan. The installation of a new main ventilation fan made it possible to ensure an uninterrupted supply of the required amount of air and provides an automatic power supply for the fans in the event of a failure of the enterprise. Some RUB 188 million will be invested in the project to complete construction and installation works on the state-of-the-art fail-safe fan. The installation of a new main ventilation fan made it possible to ensure an uninterrupted supply of the required amount of air and provides an automatic power supply for the fans in the event of a failure of the enterprise. Some RUB 188 million will be invested in the project to complete construction and installation works on the state-of-the-art fail-safe fan.

Chertsinskaya-Koksovaya Mine

The mine has been mining the reserves of the Chertsinskaya coal deposit in the Kuzbass for nearly 65 years. It mines high-value fat coal used for coke at metallurgical plants. Preparatory work is currently under way at the mine, and coal reserves in veins 4 and 5 are being mined. The mining of the coal reserves in the underlying veins is also being considered for the future.

Plants for 2020 include the following:

— construction and equipment of shaft water treatment facilities. At present, a general contractor has been selected, the cleaning technology has been selected, and design work is under way to overhaul the shaft water treatment facilities. The state-of-the-art treatment technologies used will further reduce the amount of harmful discharges into the Cherta River. An investment of around RUB 187 million is planned for the construction and equipment of the shaft water treatment facilities;

— upgrades to mining and excavating equipment at a cost of RUB 115 million;

— completion of the construction of infrastructure facilities for East Flank Bremsberg 501 and West Flank Bremsberg 501 at a cost of RUB 292 million.

KOSTROMOVSKAYA MINE

The mine was put into operation in 2008. Due to its high productivity, the mine fully completed the development of the western flanks of the mine field and relocated mining operations to the eastern flanks. At present, vein No 19 is being processed, which produces fat coal used in the production of high-quality coke. To ensure the possibility of future work for the Kostromovsky Mine, the Company purchased the Nikitsky subsumersite face at auction in 2010, where the veins lie in vein No 19. In December 2015, the coal reserves at the Nikitsky site were reviewed and confirmed by the State Commission on Reserves. As a result, the Company’s coal reserves increased by 130.8 million tonnes.
In 2019, construction — with an investment of RUB 621 million — continued on shafts in the mine’s eastern flank.

The building of the shafts in the eastern flank is an enormous construction project that will provide security and access to coal reserves, including underlying reserves. Over several years, the Company has already invested about RUB 1,680 million in this project.

Work continues on the project documentation regarding the opening and development of the underlying coal veins. In 2020, preparatory work is planned for making cross-cuts in the underlying layers at a cost of RUB 1,250 million (including the acquisition of tunnel boring machines at a cost of RUB 370 million and heat-generating units at a cost of RUB 358 million).

The projects for the construction of shafts in the eastern flank and for the opening and preparation of the underlying series of strata at the Nikitinsky site are investments in the mine’s future.

Plans for 2020 also include the following:

— upgrades to treatment and excavating equipment in the amount of RUB 171 million;
— completion of the construction of infrastructure facilities for the eastern flank shafts in the amount of RUB 159 million;
— carrying out work for the start of the construction of the administrative complex at the mine’s worksite at a cost of RUB 40 million in light of the increase in the number of personnel.

SERVICE AND LOGISTICS SHOP

The Service and Logistics Shop provides services in the following areas:

— maintenance of railway tracks and stations belonging to MMK-Coal’s production divisions, delivery of cargo (materials, equipment, fuel and lubricants, etc.) by rail, transport of empty carriages and carriages carrying ROM coal and concentrate between stations belonging to MMK-Coal and the Ministry of Railways’ Belovo station;
— manufacturing of metal products for production divisions, assembly and dismantling of mining equipment (mechanised scrubbers, belt conveyors and other works);
— providing road transport and haulage services for the transport of goods, maintenance of specialised and bulldozer equipment for coal warehouses, providing services for the removal and stacking of rocks at the Belovskaya Central Coal Preparation Plant dumpsite and other types of work using specialised equipment to transport workers to their places of work.

In 2019, the reconstruction of the Kostromovskaya railway station was completed; two loading tracks were extended by 270 metres, and an additional track 1,050 metres long was built. The completion of this project increased the station’s throughput capacity from 2.2 million tonnes per year to 2.7 million tonnes per year. Investments in this project amounted to more than RUB 310 million. In September 2019, all the necessary permits for the operation of the reconstructed station were received.

In April 2019, work began on the reconstruction of the Babanakovo station, which will increase the cargo transport capacity from the Kostromovskaya mine to the Central Coal Preparation Plant to 3 million tonnes per year. Commissioning of the facility is planned for Q2 2020.

The plant’s automotive and bulldozer equipment were upgraded in 2019. A Liebherr crawler excavator and a bulldozer were purchased, as were KamAZ 6520, KamAZ 65115 and MAN dump trucks.

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In 2019, MMK-Coal's mining divisions produced 4,870 thousand tonnes of ROM coal. The decrease in coal production compared with 2018 (down 56 thousand tonnes) was attributable to the work on the coal faces at the Chertinskaya-Koksovaya mine in an area of geological disturbance, the decrease in the load at the Kostromovskaya coal face, as work was approaching the border of an unallocated (disputed) subsurface site, and the formalities related to a slice at this site.

Mining (kt), productivity of coal face miners (tonnes/month)

In 2019, the Central Coal Preparation Plant processed 4,710 thousand tonnes of ROM coal (including 4,438 thousand tonnes of its own coal and 258 thousand tonnes of purchased coal), down 930 thousand tonnes from 2018. Capacity utilisation at the Central Coal Preparation Plant was 76.5%.

The production of coal concentrate amounted to 2,614 thousand tonnes, which was 387 thousand tonnes less than in 2018. The decrease in the processing of ROM coal and the production of concentrate was attributable to ongoing equipment upgrades, including the installation and adjustment of equipment.

In 2019, mine workings at LLC MMK-Coal covered 18,731 m, including:
- ongoing workings: 14,810 m;
- capital workings: 3,921 m.

In 2019, the Chertinskaya-Koksovaya mine produced 2,169 thousand tonnes of coal. Mine workings covered 8,924 m.

At the Kostromovskaya mine, production in 2019 amounted to 2,701 thousand tonnes. Mine workings covered 9,807 m.
The provision of other services to third parties generated additional revenue of RUB 39 million.

The consolidated cost of the production and sale of coal concentrate decreased by 7.3% to RUB 13,059 million (RUB 11,933 million on an FCA basis). The decrease in expenditures for purchased raw materials amounted to RUB 1,094 million, or 52%.

Amortisation charges in 2019 amounted to RUB 1,830 million.

Expenditures on ongoing mine development work (preparation of production units) totalled RUB 809 million; according to the Company’s accounting policy, these are considered deferred expenses.

In 2019, the Company continued to operate a programme of measures to reduce costs and improve the efficiency of production activities. The programme includes measures aimed at reducing the prime cost of mining coal and reducing the consumption of process materials, as well as measures to improve energy efficiency. In total, these measures generated savings of RUB 73 million in 2019.

OVERALL, THE COMPANY’S REVENUE AMOUNTED TO RUB 15,928 MILLION, OF WHICH THE TOTAL AMOUNT OF REVENUE FROM TRANSACTIONS OUTSIDE THE GROUP AMOUNTED TO RUB 1,085 MILLION.
### PROFIT ANALYSIS, RUB MILLION

<table>
<thead>
<tr>
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<th>2019</th>
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<tbody>
<tr>
<td>Gross profit</td>
<td>2,869</td>
<td>7,215</td>
</tr>
<tr>
<td>Change</td>
<td>-4,346</td>
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</tbody>
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### Analysis of changes

| Volume of production of finished products | -1,907 |
| Product pricing                        | -2,622 |
| Sales structure of finished products   | 973    |
| Proceeds from sales of other products  | 1      |
| Prime cost                            | -752   |
| Amortisation                          | -39    |

### Change in ROM

| Coal storage                  | -4%    |
| Taxes                          | 2%     |
| Other                          | 6%     |
| Amortisation                  | 15%    |
| Deferred expenses             | 7%     |
| Total                         | 21%    |

### REVENUE AND GROSS PROFIT

- **Revenue**: 6,000
- **Gross profit (right axis)**: 2,869

### REVENUE DISTRIBUTION BY GRADE

- 69.3%
- 6.5%
- 0.6%
- 0.4%
- 0.3%
- 0.2%
- 0.1%
- 0.0%
- 0.0%
- 0.0%
- 0.0%
- 0.0%
- 0.0%

### COST DYNAMICS FOR 1 TONNE OF CONCENTRATE

**PROFIT ANALYSIS, RUB MILLION**

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| Deferred expenses             | 7%     |
| Total                         | 21%    |
INVESTMENT

MMK-Coal made capital investments in 2019 amounting to RUB 4,713 million, including:

— the Chertinskaya-Koksovaya mine (RUB 1,434 million);
— the Kostromovskaya mine (RUB 1,484 million);
— the Belozersk Central Coal Preparation Plant (RUB 1,301 million);
— and the Service and Logistics Shop (RUB 484 million).

The main areas of investment were as follows:

— the acquisition of equipment for maintaining and expanding production, as well as increasing productivity and labour efficiency;
— the construction of the Bremsberg 501 worksite at the Chertinskaya-Koksovaya mine, the eastern inclined shafts at the Kostromovskaya mine, the reconstruction of buildings and structures at the Central Coal Preparation Plant, and the reconstruction of the Kostromovskaya and Babanakovo railway stations;
— setting up workings for the penetration of coal reserves and preparation for mining;
— purchasing equipment to improve and create safer working conditions, as well as to improve the processing of ROM coal.

In 2020, the Company plans to invest RUB 4,011 million in the development and maintenance of production, including RUB 857 million for the purchase of equipment, RUB 2,509 million for capital construction, RUB 405 million for equipment upgrades, RUB 235 million for the reconstruction of buildings and structures, and RUB 5 million other measures.

BUSINESS FOCUS

To improve financial results, reduce costs and improve production processes, MMK-Coal has introduced a number of development projects. In 2019, the following projects were implemented:

1. Equipment upgrades at the Central Coal Preparation Plant in order to increase the yield of finished product to 4.5% and to reduce the ash content of the resulting concentrate to 9%. The implementation of this project will make it possible to steadily process hard-cleaning coal and to dehydrate and filter finely dispersed suspensions.

2. The reconstruction of the Kostromovskaya and Babanakovo railway stations. This project will increase the capacity of the Kostromovskaya station to 3.0 million tonnes per year.

3. The construction of the Bremsberg 501 worksite at the Chertinskaya-Koksovaya mine. To be completed in 2020, this project will make it possible to maintain the mine’s production level at no less than 2.0 million tonnes per year.

4. In 2018, engineering design for mining the Nikitinisky deposit at the Kostromovskaya mine got under way. Completion of project development and the start of the next stage — the extraction of coal reserves — are scheduled for 2020. The coal faces of the Nikitinisky site will replace vein No 19, which is to be decommissioned in 2023.

5. In 2019, the first stage of the wastewater treatment plant at the Kostromovskaya mine was put into operation, making it possible to treat the mine’s waste water so as to remove suspended solids in order to achieve permissible levels for natural bodies of water.

DEVELOPING THE RAW MATERIAL BASE

In 2018, the state balance of coal reserves was completed for all licensed subsurface sites owned by MMK-Coal. As of 1 January 2020, the Chertinsky coal deposit contained 142.6 million tonnes of registered reserves, while the Kostromovsky and Nikitinisky sites contained 156.9 million tonnes.
MMK’S CORE PRODUCTION PROCESSES
MMK’s core production processes

MMK is one of the world’s largest steel producers and a leading Russian metals company. The company’s operations in Russia include a large steel-producing complex encompassing the entire production chain, from iron-ore processing to downstream production of rolled steel. MMK’s output includes a broad range of steel products with a predominance of high-quality sinter products.

Sinter production

Along with the ore-dressing mills, sinter production is the first stage in metallurgical production at MMK. The main product at this stage is sinter, which is a durable porous cake of iron ore concentrate, sinter ore and industrial waste with the addition of fluxes. Iron ore concentrate cannot be used directly in blast furnaces (see below for more details) because it contains a small mesh size and lacks the required gas permeability. To produce sinter, iron ore is blended in a certain proportion with metallurgical coke (see below for more details) and fluxing additives (materials that impart a given chemical composition to the sinter). The resulting mixture (sintering mix) is delivered to the belts of sintering machines, where the ignition furnaces ignite the coke in the sintering mix. Then, by sucking air through a layer of sintering mix, it is sintered into sinter cake, which, upon exiting the sintering machines, enters crushers and is crushed into the best size for the blast furnaces. The sintering process not only creates semi-finished steel for the blast-furnace shop, it also helps to partially remove harmful impurities (such as sulphur and phosphorus). Importantly, the sintering process enables the recycling and reuse in production of various types of iron ore and coke, dust from gas cleaners and fine pulp, which lowers the cost of the end product and reduces the environmental impact.

MMK produces sinter in three sinter plants with a total of 11 sintering machines.

In 2019, construction was completed on the new sinter plant No 5, which is housed at a remote site away from residential areas. Outfitted with state-of-the-art equipment enabling it to produce high-quality sinter, the new plant will have a capacity of 5.5 million tonnes. To reduce the environmental impact, the outdated sinter plant No 4 — with four sintering machines covering a sintering area of 95.2 square metres — was decommissioned. The completion of this project is expected to increase sinter production to 11.5 million tonnes and also to cut dust emissions in half and reduce sulphur dioxide emissions by 75%, while also reducing the discharge of pollutants into the closed-circuit water supply system by 600 tonnes per year.

Coke production

Coke production is also one of the key links in the first stage of steelmaking, providing fuel for blast furnaces. The main product of coke production is metallurgical coke, which is produced by sintering (coking) coal, the coke oven is heated in heating chambers without contacting the coal charge. Key indicators of coke quality are its hot strength, reactivity and volatile content. MMK’s coke production facility is the largest in Russia in terms of capacity and actual production volume. This technologically integrated coke production complex includes a coal preparation plant, three coke plants, two byproduct recovery plants, a chemical byproduct processing plant and a number of maintenance shops. Coke is produced in nine coke oven batteries. Ninety-two per cent of the coke covers the requirements of the blast-furnace plant, while 8% is supplied to companies in the non-ferrous-metals, chemical and machinery industries, for which this is also fuel or feedstock. The second product from the coking process is coke gas, which is processed at MMK’s byproduct recovery plants. This generates valuable byproducts such as benzene, ammonium sulphate, sulphur and tar pitch. Following preparation in the recovery shops, coal-tar pitch is processed into black pitch, anthracene oil, naphthalene and absorbent oil, which are also valuable by products.

Key indicators of coke quality are its hot strength, reactivity and volatile content.

MMK’s core production processes
BLAST FURNACE PRODUCTION

THE MAIN BLAST FURNACE PRODUCT IS PIG (LIQUID) IRON, WHICH SUBSEQUENTLY SERVES AS THE PRIMARY RAW MATERIAL FOR PRODUCING STEEL.

Blast furnace production is fundamental to the steelmaking industry and to the production cost of the final product. The blast furnace process is unique and one of the most challenging in the industry. It has the highest efficiency among current industrial metallurgical processes. In essence, the blast furnace process has remained the same — except for the equipment — for over 200 years. The main blast furnace product is pig (liquid) iron, which subsequently serves as the primary raw material for producing steel. Pig iron is an alloy of iron with a carbon content exceeding 2.14% and other chemical elements. Because of the high carbon content, pig iron is less malleable than steel and cannot be rolled. The blast furnace process is regarded as continuous. A blast furnace is a powerful machine in which, under high pressure and with a high-temperature blast of air, the countercurrent of the charge (from top to bottom) and the gas (from bottom to top) creates a series of physical and chemical reactions that transform granular iron ore into liquid metal. Coke, sinter, pellets, iron ore and fluxes (blast charge) are delivered to the blast furnaces’ receiving hoppers, where, through a system of conveyors, dispensers and skip hoists in a certain sequence and proportion, they are loaded into the charger located at the very top of the furnace. Loading is carried out in the furnace in batches, but continuously, which ensures a constant stock level in the furnace. The charge is loaded in the top shaft of the furnace into a special charging device. A hot, oxygen-enriched blast and natural gas are supplied from the bottom of the furnace (the tuyere zone) under high pressure through special devices called tuyeres. In this part of the furnace, under the influence of the slag that is formed and hydrogen-rich gas, the reduction of iron oxides is completed, iron melt is formed, and harmful impurities are transformed into slag. The main products of the blast furnace are slag and pig iron, but most of all the blast furnaces produce blast furnace gas, which is used as fuel for MMK’s production and economic needs. MMK produces pig iron in eight blast furnaces with a total usable volume of 12,261 cubic metres.

STEEL PRODUCTION

Chemically, steel production is the process of the de-carbonisation (the reduction of the carbon content) of iron. MMK produces steel at two plants: its oxygen-converter plant (OCP) and its electric arc furnace plant (EAF).

OXYGEN-CONVERTER PLANT

Steel is produced at the OCP using pig iron and prepared scrap metal. Scrap metal is used to regulate the thermal balance of the smelting process. If necessary, the pig iron can be pre-processed at the iron desulphurisation unit to remove up to 80% of the sulphur (a very harmful impurity in steel that reduces mechanical strength and weldability and impairs electrical, anti-corrosive and other properties). Pig iron and scrap are loaded into an oxygen converter (a machine with the external appearance of a pear-shaped container lined inside with refractory bricks that can hold up to 370 tonnes of molten liquid) and in the converter, slag-forming materials necessary for inducing slag and removing harmful impurities (lime, iron-rich dolomite, etc.) are added. The primary goal of the lancing is to remove carbon and other impurities from the metal and to adjust the carbon content to the determined temperature. After the lancing, the metal is poured from the converter (simply by tipping it) into a ladle. The resulting steel then undergoes the steel ladle treatment, and ferroalloys are added (aluminium, etc.) to give the metal the right chemical and physical properties. After the ladle treatment, the steel, now with the right chemical composition and at the right temperature, is delivered to the continuous casting machine (CCM), where it is cast and cut into slabs.

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ELECTRIC ARC FURNACE PLANT

At the EAF plant, steel is melted in a twin-bath steel-melting unit (TBSM) and two electric arc furnaces. In the EAF, steel production is based on intensive lancing with oxygen in a bath with iron and scrap using the heat from the gases released during the lancing to heat the charge in the next chamber. The technology includes two melting periods:

a. the cold period for the loading, filing and heating of the scrap and casting of the pig iron and
b. the hot period for melting and refinement.

The EAF primarily uses an electric arc to heat and melt the metallic charge, which is where this plant derives its name from. The materials used for the charge are liquid pig iron, scrap iron and ferroalloys. The EAF plant functions both without liquid iron (100% scrap with a melting cycle of 48 minutes) and with liquid iron (up to 40% with a melting cycle of 44 minutes).

After the right carbon content is reached, the melt is conveyed from the EAF or TBSM to the ladle slag cut-off. Then, as with the method for converting smelt, the steel undergoes secondary processing. After this, the steel with the right chemical composition and temperature is conveyed to a CCM, where it is cast and cut into billets or slabs.

ROLLING PRODUCTION

At MMK, rolling is considered the final stage in the production process. MMK’s diverse, state-of-the-art rolling mills give the Company the widest product range in the Russian steel sector. The rolling process entails pressing the metal not only to obtain the desired shape in the final product but also to form a specific structure with complex properties. This complex of mechanical properties can also be achieved by applying heat during the manufacturing process.

HOT ROLLING

Hot rolling takes place at temperatures that are 60% of the metal’s melting temperature or higher. At a higher temperature, the strength of the metal is reduced, thus decreasing the effort required for its deformation. During the deformation process, the metal immediately undergoes recrystallisation, with the constant formation of new grains. The continuous formation of new grains ensures high plasticity, making it possible to achieve a high strain yield without damaging the metal; it is more difficult to control the finite dimensions during hot rolling due to scale formation and volume changes during the subsequent cooling.

COLD ROLLING

Cold rolling is metal deformation at its actual temperature with or without additional heating. The phenomenon associated with cold processing takes place when metal is deformed at temperatures of about 30% of its melting temperature or lower. During cold rolling, an increasing number of dislocations occurs in the metal. The entanglement of these dislocations causes the metal to harden — cold hardening or strain hardening. With mechanical hardening, the metal strength increases with increasing deformation. To produce metal recrystallisation, special heat treatment is often required, known as tempering. During tempering, the strength of the metal can decrease sharply with a significant increase in plasticity. This increase in plasticity often enables further deformation of the metal without its destruction. Cold rolling generally permits better control over the dimensional tolerances of the final product, as well the quality of its surface, than is the case with hot rolling.

MMK’s rolling plants produce the two main types of rolled products: flat products and long products.
FLAT PRODUCTS DIVISION

MMK’s core production processes

— Two Hot-Rolling Plants,
— A Coating Shop,
— Two Cold-Rolling Plants
— A Downstream Steel-Processing Plant.

ROLLING MILL NO 10 consists of a 2,000 mm-wide continuous hot-rolling mill with a thickness of 1.2–20.0 mm and a width of up to 1,830 mm. The mill includes four reheating walking-beam furnaces, a roughing train, an intermediate table, a finishing train, an accelerated cooling unit and a clean-up line.

ROLLING MILL NO 14 produces a continuous 2,500 mm-wide strip hot-rolling mill capable of producing products 16–140 mm thick with a width of up to 2,350 mm, and three cut-to-length lines.

THE HOT-ROLLING PLANTS include mills 4500, 2350 and 5000. Hot-Rolling Mill 2350 produces sheet-by-sheet slabs with a weight of up to 2.5 tonnes, a thickness of 8.0–30.0 mm and a width of up to 2,000 mm. Hot-Rolling Mill 4500 produces sheet-by-sheet slabs 30.0–160.0 mm thick and up to 3,400 mm wide. Thick-Plate Mill 5000 produces high-margin thick-plate stock with a production capacity of 650 thousand tonnes per year and continuous hot-dip galvanising line No 3. The product mix ranges from cold-rolled and galvanised coils of up to 43.5 tonnes with a sheet thickness of 0.28–3.0 mm and a width of 850–1,880 mm (not including the trimmed edge).

ROLLING MILL NO 11 is dedicated to producing cold-rolled sheets for the automotive industry and enamelled and general-use products in both coils and sheets. It also produces rolled steel for the continuous hot-dip galvanising line for the PGS, TESA and APR-7 and Rolling Mill No 5 as well as semi-finished rolled stock for the production of tin-plate. Rolling Mill No 5 has four sections: pickling, rolling, heat-treatment and finishing. The mill’s main production units are continuous pickling lines No 1 and No 2, the four-stand Cold-Rolling Mill 2500 and a two-stand reversing cold-rolling mill.

ROLLING MILL NO 8 produces cold-formed sections, ERW pipe, including galvanised pipes, and cold- and hot-rolled polished bands, as well as strips.

ROLLING MILL NO 11 is the newest and most cutting-edge of MMK’s plants, was commissioned in 2011–2012. The new cold-rolling mill includes a continuous hydrochloric acid turbulent pickling line combined with a five-stand cold-rolling mill with a production capacity of 2,350 thousand tonnes per year; a continuous hot-dip galvanising line with a production capacity of 450 thousand tonnes per year; a combined continuous annealing/hot-dip galvanising line with a production capacity of 650 thousand tonnes per year; and continuous hot-dip galvanising line No 3. The product mix ranges from cold-rolled and galvanised coils of up to 43.5 tonnes with a sheet thickness of 0.28–3.0 mm and a width of 850–1,880 mm (not including the trimmed edge).

ROLLING MILL NO 5 is dedicated to producing cold-rolled sheets for the automotive industry and enamelled and general-use products in both coils and sheets. It also produces rolled steel for the continuous hot-dip galvanising line for the PGS, TESA and APR-7 and Rolling Mill No 5 as well as semi-finished rolled stock for the production of tin-plate. Rolling Mill No 5 has four sections: pickling, rolling, heat-treatment and finishing. The mill’s main production units are continuous pickling lines No 1 and No 2, the four-stand Cold-Rolling Mill 2500 and a two-stand reversing cold-rolling mill.

COATED METAL PRODUCTS
The Company produces hot-dip galvanised steel, polymer-coated rolled products, black and electrotin-plated sheet iron in sheets and coils, and it has state-of-the-art equipment that ensures consistently high-quality production, which is usually final and does not undergo further redistribution. The main production units are Cold-Rolling Mill 1200, two tempering mills, three continuous degreasing units, a continuous annealing unit, an electrolytic tinplating unit, three continuous hot-dip galvanising lines, two electrolytic tinplate cut-to-length lines, a galvanised steel and polymer-coated steel cut-to-length line and two polymer-coating lines.

LONG PRODUCTS
MMK’s long-products production facilities include the state-of-the-art continuous-section long-products mills 450, 370 and 170. The blanks used for rolling in these mills are continuous-pour 150 x 150 mm and 152 x 170 mm billets up to 12 metres in length. The product mix produced at the long-products mills fully corresponds to market demand. These are primarily coils with a diameter of 5.5–9.0 mm, round long products with a diameter of 10–50 mm and rebars. The state-of-the-art rolling mills manufacture products that meet the requirements of leading automotive companies, defence equipment manufacturers, railway equipment manufacturers, as well as producers of oil and gas pipelines. Mills 370 and 170 are equipped with high-efficiency accelerated water cooling lines, which make it possible to control the microstructure and properties of the finished rolled steel, as well as to produce heat-hardened rebars. Mill 170 is also equipped with a Stelmor line to produce boronised coils.

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MMK’s FLAT PRODUCTS DIVISION CONSISTS OF:
— Two Hot-Rolling Plants,
— A Coating Shop,
— Two Cold-Rolling Plants
— A Downstream Steel-Processing Plant.

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MMK’S GENERAL PRODUCT LINEUP

HOT-ROLLED STEEL

1. Etched coils and bands (used for forging various parts, baling strips, etc.).
2. Flat products (used in industry, the construction sector, oil and gas, shipbuilding, bridge construction, engineering for producing a wide variety of metal structures, etc.).
3. Pickled sheet (used for producing arc-welded pipes, shaped rolled steel channels, rolled-formed corners, for applying protective coatings in the construction industry, in particular for the construction of staircases, fences, bridges, framework, prefabricated buildings, etc.).
4. Coils and strips (used in the manufacture of shaped steel, a variety of metal structures, for the manufacture of ultra-high-strength wire, cutting devices, baling strips and springs, and for manufacturing gas, water and other pipes, blanks for manufacturing stamping machines, etc.).
5. Moulded sections (used to produce a variety of metal frames in the construction industry, etc.).

LONG PRODUCTS

Long and shaped rolled steel in bars: corners, channels, strips, circles, rebars and various special shapes are used in the construction industry both for monolithic construction and for manufacturing components of any configuration, in bridge construction, shipbuilding and the production of parts for electric locomotives and carriages. Shaped rolled steel in the form of corners and channels is used for wired metal structures, frames, housing and casings. Round, square and hexagonal rolled steel is used for making automotive and engineering fasteners (bolts, nuts, screws, ball pins, etc.). Strip steels are used to manufacture springs and suspension components for specialised machinery. Mill 270 also produces billets for grinding balls. Coils are used for making wire for a wide range of applications (including welding wire, mattress springs, electrode rods, metal cord, cables and cold-worked rebars).

Milled sections (used to produce a variety of metal frames in the construction industry, etc.).

COATED-ROLLED STEEL

1. Sheets (used for the manufacture of automotive parts, aircraft, automotive and machine manufacturing, marine vessels, instrumentation and construction, the manufacture of corrugated steel, as well as sheets with an additional polymer coating, cold forging and construction, etc.).

2. Bands (used to produce various metal structures, machine parts, manufacturing moulded parts, constructions for the production of road barriers, as well as uses in packaging for goods and equipment for various purposes, and also pipe production, bearings, etc.).

3. Coils (used to produce forged parts for the manufacture of car bodies, construction, household appliances, etc.).

4. Electrolytic tin plating, black tin (used for making all kinds of containers for storing food, beverages, perfumes, chemical paint and varnish and other materials, and also used in radio electronics, instrument making and engineering).

5. Galvanised sheet (used in the construction of roofs of residential buildings, wall cladding, enclosing structures, automotive manufacturing and the construction of supporting structures).

6. Galvanised baling strips (used for packaging goods and equipment).

7. Coated rolls and sheets (used in construction and engineering, roofing, sandwich panels, various types of corrugated steel, siding, metal shingles, mounting profiles, the manufacture of smoke extraction and drainage systems and other key parts required for operations in harsh environments or in high humidity).

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Shaped, strip, square and hexagonal rolled steel, circles with a diameter of 16–50 mm and rebars No 12–40 are produced in rods with a length of 5 to 12 m. Coils and round long products with a diameter of 10–31 mm are produced in coils weighing up to 2,200 kg.
INNOVATIONS AND INVENTIONS

Large businesses in Russia and abroad, including in the steelmaking industry, are focused on innovation largely because of their need to develop labour-saving measures and innovations in their own operations. In light of this, innovation is one of MMK's priority development areas.

A system developed for the submission of proposals for innovations has proven effective. It can be safely said that there has been a clear increase in the number and quality of proposals and a reduction in the time spent on implementing them.

In 2019, 6,207 ideas were submitted to be reviewed by expert commissions, 4,256 of which moved on to the implementation stage. In 2018, 5,792 ideas were submitted for consideration, 3,872 of which were adopted for implementation.

The economic impact of proposals implemented in 2019 amounted to RUB 585.4 million, an increase of 29% y-o-y. More than RUB 22.2 million was paid out in remuneration to the creators of these inventions.

It is especially worth noting that, in addition to events held at the local level, MMK is a regular participant in leading international exhibitions of inventions, where innovative designs and inventions by the Company's staff members regularly win awards and distinctions. In March 2019, for example, the Company took part in the 22nd Archimedes Moscow International Salon of Inventions and Innovative Technologies, where MMK won the following awards:

- A gold medal and certificate for the development of cold-resistant high-strength steel;
- A silver medal and certificate for the development of a method for producing cold-resistant sheets used in truck pipelines;
- A bronze medal and certificate for the development of cold-resistant weldable steel for structures operating in extreme conditions;
- A certificate for MMK's contribution to the development of innovation, as well as to the theory and practice of the legal protection of intellectual property;
- A certificate of appreciation for MMK's role in organising and conducting the event.

The ideas put forward by innovators and inventors make existing technologies more efficient under current conditions. With this in mind, MMK's management pays special attention to developing the creative potential of employees and incentivising personnel to take the initiative to make improvements, including through competitions, seminars, exhibitions and other events.

Structural divisions hold quarterly contests for the best problem-solving ideas and provide material incentives to the first-, second- and third-place winners.

The following contests are held annually: "MMK's Best Young Innovator and Inventor", with awards presented to the top 15 innovators 30 years of age or younger; and "The Best Innovation Proposal at MMK" takes place in various categories, including materials and equipment, occupational health and safety, and energy efficiency, with awards going to the first-, second- and third-place finishers in each category and the selection of one overall winner.

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MMK also conducts various training courses on the subjects of innovation and invention. In April, training was held at the Personnel corporate training centre as part of a programme called "Innovation Factory: From One-Off Ideas to a Stream of Innovations"; in December, training was conducted as part of a programme called "Improving Efficiency by Applying the Theory of Inventive Problem Solving in Engineering and Production".

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The ideas put forward by innovators and inventors make existing technologies more efficient under current conditions. With this in mind, MMK's management pays special attention to developing the creative potential of employees and incentivising personnel to take the initiative to make improvements, including through competitions, seminars, exhibitions and other events.

Structural divisions hold quarterly contests for the best problem-solving ideas and provide material incentives to the first-, second- and third-place winners.

The following contests are held annually: "MMK's Best Young Innovator and Inventor", with awards presented to the top 15 innovators 30 years of age or younger; and "The Best Innovation Proposal at MMK" takes place in various categories, including materials and equipment, occupational health and safety, and energy efficiency, with awards going to the first-, second- and third-place finishers in each category and the selection of one overall winner.

It is especially worth noting that, in addition to events held at the local level, MMK is a regular participant in leading international exhibitions of inventions, where innovative designs and inventions by the Company's staff members regularly win awards and distinctions. In March 2019, for example, the Company took part in the 22nd Archimedes Moscow International Salon of Inventions and Innovative Technologies, where MMK won the following awards:

- A gold medal and certificate for the development of cold-resistant high-strength steel;
MEETING MMK’S SUPPLY NEEDS
MEETING MMK’S SUPPLY NEEDS

MARKET FOR RAW MATERIALS, TRENDS AND CHANGES IN MARKET CONDITIONS

In 2019, the price of iron ore (62% Fe) increased by USD 24/tonne (34%) y-o-y, while the price of pellets in the Atlantic region increased by USD 23/tonne (19%). The Russian market offset rising prices for annual contracts with quarterly adjustments to pricing formulas. This change made it possible to limit the increase in the price of pellets to 26% y-o-y (taking into account the low base in 2018) and to 18% for sinter raw materials for MMK’s weighted average purchase price.

World prices for Premium Low Vol coking coal decreased by USD 30/tonne (down 14%) y-o-y. The Russian market also responded with a year-on-year decrease amounting to 17% for MMK’s weighted average purchase price.

The price for imports of scrap metal into Turkey (CFR) decreased by USD 54/tonne (down 16%) y-o-y. Despite the sharp decrease in export prices and the decrease in consumption (down 10%), internal competition ensured that prices remained in line with global prices, the deficit of available scrap relative to announced plans increased by 42% y-o-y. The decrease in prices for MMK amounted to 10%.

INTERACTION WITH SUPPLIERS

In all of its operations, MMK strives to comply with applicable laws, contractual obligations and good business practices. MMK’s official website (www.mmk.ru) is a digital resource that provides comprehensive information about requirements concerning raw materials and natural resources, as well as related services, tenders and electronic trading, suppliers and goods and services to be provided.

One of the basic principles of interaction with contractors and suppliers is the arrangement of long-term, mutually beneficial cooperation. Constructive bilateral dialogue with key suppliers of raw and materials, as well as development and timely adoption of mutually beneficial agreements, substantially mitigated the adverse impact of market conditions on MMK’s production-related activities.

SELF-SUFFICIENCY IN RAW MATERIALS

MMK’s use of its own iron ore in production amounted to 20% in 2019; the share of coal purchased by MMK from its subsidiary MMK-Coal for the production of metallurgical coke totalled 37%.

To reduce the risk of adverse changes in the supply of iron ore, MMK Group previously concluded long-term contracts with major suppliers.

LONG-TERM CONTRACTS

The following are MMK’s key suppliers providing fixed supply volumes:

— ERG Sales AG (JSC SSGPO, Kazakhstan) — a long-term contract with MMK is in force until 31 December 2020. The supply volumes of iron ore pellets and concentrate under the contract were 7.6 million and 8.4 million tonnes for 2018 and 2019, respectively, and will be 8.5 million tonnes in 2020.

— Metalinvest Holding (Mikhailovsky MPP and Lebedinsky MPP, Russia) — a long-term contracts with MMK in effect until Q1 2021 inclusive. Supply volumes of iron ore pellets and concentrate under the contracts were 4.3 million tonnes in 2018 and 3.8 million tonnes in 2019. In 2020, supplies will amount to 4.3 million tonnes.

— MMK-Coal — the contract with MMK is valid until the end of 2020. 2.6 million tonnes of coal concentrate was supplied in 2018 and 2.5 million tonnes in 2019, with plans to supply 3.0 million tonnes in 2020.

— LLC Novatek-Chelyabinsk has a long-term contract with MMK through the end of 2022; in 2019, shipments of natural gas amounted to 3,391.5 million cubic metres.

— LLC Gazprom Mezhregiongaz Kurgan has a long-term contract with MMK that is valid until the end of 2027; in 2019, shipments of natural gas amounted to 948.8 million cubic metres.

Natural gas supplies under the long-term contracts with Novatek-Chelyabinsk and Gazprom Mezhregiongaz Kurgan meet 100% of MMK’s needs.
RISK MANAGEMENT
Financial and economic activities are always subject to various risks. MMK’s risk-oriented thinking helps us achieve our goals by aiming to prevent adverse effects and to make the most of emerging opportunities.

MMK was one of the first Russian steelmaking companies to develop and implement an integrated risk management system (IRMS) in line with international best practices in risk management. Compliance with best practices has been confirmed by repeated independent assessments of the system, and recommendations for its further improvement have been implemented.

Risk management has been integrated into all of MMK’s business processes: risk identification, analysis and management are carried out at all levels of the Company and are embedded in the managerial, investment and operational decision-making processes.

For the IRMS to function effectively, a division was created at MMK that is responsible for the following tasks: developing the methodology, organising training for MMK employees and MMK Group companies, coordinating the activities of the Company’s divisions in terms of the IRMS and generating consolidated risk reports.

The Board of Directors monitors the functioning of the IRMS, analyses the performance of risk management and, when necessary, makes recommendations for improvement.

The diagram illustrates the division of functional responsibilities among the main participants in the process.
KEY RISKS INCLUDED IN MMK’S RISK MAP

Designations:
A — to be a reliable supplier of high-quality metal products that meet the needs of Russian customers
B — developing the Company to the point of becoming a global leader in efficiency
C — creating high added value for shareholders
D — improving the quality of life of Company employees and of people living in the areas where the Company’s assets are located

Impact of risks on the achievement of MMK Group’s strategic goals

<table>
<thead>
<tr>
<th>Change in risk compared with previous period</th>
<th>Risk level</th>
</tr>
</thead>
<tbody>
<tr>
<td>increase</td>
<td>high</td>
</tr>
<tr>
<td>decrease</td>
<td>medium</td>
</tr>
<tr>
<td>no change</td>
<td>low</td>
</tr>
</tbody>
</table>

Risk level: high, medium, low

RISKS RISK DESCRIPTION RISK MITIGATION MEASURES ADOPTED BY MMK

PRODUCTION RISKS

Industrial accidents and other Incidents
Metallurgical production depends on the continuous operation of critical machinery; breakdowns, downtime, and damage to production facilities may periodically occur due to unforeseen events, including fires.

Production oversight is an integral part of the Company’s industrial safety management system; MMK oversees production through a set of measures aimed at ensuring the safe functioning of production facilities, as well as preventing accidents at those facilities. MMK carries out the following risk mitigation measures:

- Monitoring the compliance of raw materials and equipment supplied to warehouses with stated requirements and quality features; conducting technical audits of suppliers
- Improving the unified system for training and assessing employees’ knowledge. Regular assessments are conducted to check employees’ knowledge of technical instructions, personnel development
- Introducing an information system for record-keeping and monitoring of industrial safety inspections
- Conducting unscheduled inspections of buildings and structures, identifying incidents of non-compliance with regulations, drawing up a plan for repair work
- Performing scheduled repairs, maintenance, upgrades and reconstruction of fixed assets on a timely basis

Poor-quality production output
An important component of MMK’s operations is the management of risks associated with the output of low-quality products. The possible output of low-quality products could undermine trust in the Company as a reliable supplier of high-quality products.

In constantly working to improve the quality of its products, MMK pursues a customer-centric policy and strives to satisfy the current and future needs of its customers. Applicable procedures and internal audits are aimed at improving the quality of products at every stage and ensuring the production of a consistently high-quality product. The performance of the quality management system is confirmed by certificates of compliance with the requirements of ISO 9001, IATF 16949 and STO Gazprom 9001.
### MARKET RISKS

**Risk Description:** 
MMK faces several market risks, including:
- **Higher raw material prices than budgeted**
- **Decreased prices and demand for metal products compared to the budget**
- **Decreased prices and demand for metal products compared to the budget**
- **Changes in demand and in the price of rolled metal products**
- **Higher raw material prices than budgeted**
- **Changes in demand and in the price of rolled metal products**

**Risk Mitigation Measures Adopted by MMK:**
- **Expansion of the product mix, including through the production of unique products**
- **Conclusion of long-term contracts for the delivery of metal products**
- **Diversification of the range of consumers**
- **Flexible pricing policy**
- **Reorientation of production towards products that are more marketable**

### FINANCIAL RISKS

**Risk Description:** 
MMK is taking necessary and reasonable steps to reduce this risk:
- **Conclusion of long-term contracts for the supply of raw materials with fixed terms and conditions**
- **Diversification of its raw material suppliers**
- **Monitoring possibilities for expanding its own raw materials base**

**Risk Mitigation Measures Adopted by MMK:**
- **Expansion of the product mix, including through the production of unique products**
- **Conclusion of long-term contracts for the delivery of metal products**
- **Diversification of the range of consumers**
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- **Reorientation of production towards products that are more marketable**

### SUSTAINABILITY RISKS

**Environmental Risks**

The issue of occupational health and industrial safety is relevant for MMK as an integrated steelmaking company with a large number of hazardous production facilities and complex equipment and processes.

The management of engineering and production risks at MMK is carried out as part of the Company’s occupational health and industrial safety management system. The management of occupational health and safety in MMK, as with any other enterprise, pays close attention to occupational health and industrial safety, establishing healthy and safe working conditions and providing personnel with the necessary personal protective equipment.

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### Environmental Risks

**Risk Description:** 
In the course of its operations, MMK emits pollutants into the atmosphere, discharges pollutants into bodies of water and discharges industrial waste. Therefore, the Company is subject to significant environmental risks.

**Risk Mitigation Measures Adopted by MMK:**
- **Expansion of the product mix, including through the production of unique products**
- **Conclusion of long-term contracts for the delivery of metal products**
- **Diversification of the range of consumers**
- **Flexible pricing policy**
- **Reorientation of production towards products that are more marketable**

### Social issues

**Risk Description:**
- **MMK’s personnel represent the Company’s core values and are its most important asset.**
- **Maintaining a healthy level of social and labor relations**
- **Ensuring good relations with the local community**
- **Accidents**

**Risk Mitigation Measures Adopted by MMK:**
- **Expansion of the product mix, including through the production of unique products**
- **Conclusion of long-term contracts for the delivery of metal products**
- **Diversification of the range of consumers**
- **Flexible pricing policy**
- **Reorientation of production towards products that are more marketable**

As a socially oriented company, MMK has voluntarily committed itself to socially re- sponsible behaviour with regard to the people of Magnitogorsk and the Urals Region. To this end, the Company operates in accordance with various charitable programmes throughout the region where it operates, makes use of the development of the social sphere in the city of Magnitogorsk and the surrounding region, and plays a role in the implementation of substantial public-interest initiatives.
| ECONOMIC-SECURITY RISKS |  |
|-------------------------|  |
| **Cyber-risks** |  |
| MMK implements the following measures to reduce these risks:  |
| • Designing and implementing a security system for critical information infrastructure  |
| • Conducting security analysis of key information systems and resources  |
| • Providing assistance protection  |
| • Assessing the expertise of personnel working in information security and appointing individuals responsible for information security in the Company's business divisions  |
| • Ensuring automated control of user access rights concerning special-purpose information systems  |
| • Creating a system for monitoring and managing information security events  |
| • Upgrading the network infrastructure  |
| • Establishing fault-tolerant server and telecommunication infrastructure, providing utility infrastructure and power supply at data centres  |

| **Corporate fraud** |  |
| MMK considers the following possibility and consequences of corporate fraud:  |
| • MMK introduced a and it is constantly improving a system of internal controls aimed at preventing fraud, among other goals. Control procedures have been developed that have made it possible to reduce this risk to an acceptable level. MMK ensures that employees of the Company act in accordance with the principles of ensuring the integrity and transparency of the information provided to the tax authorities.  |
| • The Company carries out real-time monitoring of changes in tax legislation and changes in the enforcement of existing regulations. In addition, the Company is involved in the legislative process through the assessment of tax bills. MMK assesses and predicts the degree of any possible adverse effects that changes in tax legislation may have, focusing its efforts on minimising the risks associated with such changes.  |

| COMPLIANCE RISKS |  |
|-----------------|  |
| **Risks associated with changes in tax legislation** |  |
| MMK is one of the largest taxpayers in Russia, and its operations are based on the principles of ensuring the integrity and transparency of the information provided to the tax authorities. The Company monitors any changes in tax legislation and changes in the enforcement of existing regulations. In addition, the Company is involved in the legislative process through the assessment of tax bills. MMK assesses and predicts the degree of any possible adverse effects that changes in tax legislation may have, focusing its efforts on minimising the risks associated with such changes.  |

| **Risks associated with changes in currency regulation** |  |
| MMK monitors changes in currency legislation to evaluate their possible impact on the Company. The Company constantly monitors changes in currency legislation to evaluate their possible impact on the Company.  |

**MMK ALSO TAKES INTO ACCOUNT THE FOLLOWING RISKS:**

1. **A, B, C**
RISKS ASSOCIATED WITH CHANGES IN CUSTOMS REGULATIONS AND DUTIES

In carrying out procurements of raw materials and other materials and equipment from foreign suppliers and exporting its own products, MMK is subject to certain risks associated with changes in legislation in state regulation of foreign trade, as well as the customs legislation of the Eurasian Economic Union, which regulates the movement of goods across the customs border of the Eurasian Economic Union, the establishment and application of customs procedures, and the establishment, introduction and collection of customs duties.

The Company complies with the requirements of customs control, provides all the documents necessary for the implementation of both export and import operations in a timely manner and has sufficient financial and human resources to comply with customs rules and regulations. In case of the introduction of customs duties on certain types of imported and exported goods, MMK will take all necessary measures to reduce this risk.

COMPETITION RISKS

Risks associated with intra-industry competition

The steel market in Russia is characterized by a high degree of consolidation, whereby most major steelmakers are part of larger holdings. The seven largest companies (MMK, Severstal, NLMK, Evraz ZSMK, Evraz NTMK, the Chelyabinsk Metallurgical Plant and Ural Steel) account for about 70% of the production of steel products in Russia. The Company's two main competitors in Russia are Severstal and NLMK. In the CIS market, MMK's main competitors are from Kazakhstan (ArcelorMittal Temirtau) and Ukraine (Metinvest). In global markets, its main competitors come from Ukraine (Metinvest), China, Turkey, the European Union and India, which are close to MMK's primary regional markets.

The main competitiveness factors that make it possible to reduce the risks of intra-industry competition are price, quality, the ability to meet customers’ specifications and delivery schedules, production equipment, location in relation to key customers and suppliers, and more favourable transportation routes. Work is also ongoing to reduce costs and improve sales efficiency.

RISKS ASSOCIATED WITH COUNTRY RISKS

MMK, along with other Russian steelmakers, is subject to the risk of protectionist measures on the part of other countries (such as anti-dumping, countervailing or special protective measures). The introduction of these measures reduces the export geography for MMK's products, leading the possibility of making shipments or leading to a decrease in exports to a particular country.

The situation is constantly being monitored. MMK makes use of all legal means and methods available to challenge decisions to introduce what are in fact protective duties, and it will take all possible measures to minimize the negative consequences.

Country risks are taken into account when entering into contracts with non-resident companies. When necessary, MMK redirects its exports to more attractive and more welcoming foreign markets.
HUMAN RESOURCES
The Company’s human resources management strategy, which ensures MMK Group’s effective performance, is based on the following main principles: employees with sufficient skills and the necessary degree of professional qualifications are central to providing for the Company’s long-term competitive advantages in the industry. The preservation and development of human resources are ensured through continuous professional and managerial training, cooperation with educational institutions in Magnitogorsk and throughout Russia, as well as with international organisations.

**SUPPORT FOR TALENTED YOUNG PEOPLE**

In order to attract talented young employees, MMK Group has established internships for students in industry-related specialisations at universities or secondary vocational schools; the internships provide them with opportunities to acquire practical skills, thus adding to their qualifications upon graduation.

In 2019, more than 400 students from basic educational institutions had an opportunity, while undergoing practical training, to participate directly in the manufacturing process, where they acquired skills needed to work with the equipment used in MMK Group’s production divisions.

MMK and the Nosov Magnitogorsk State Technical University continue to run the so-called 4+ Programme, initiated by MMK’s Board of Directors, which provides additional training to turn full-time undergraduate students into specialists who can meet MMK’s current and future requirements. The purpose of the programme is to enable university students, at MMK’s expense, to study additional subjects in their area of training and take on in-depth study of the subjects in their undergraduate programmes, as well as additional English-language studies.

In 2019, the annual International Scientific and Technical Conference of Young MMK Specialists was held, the purpose of which was to identify and develop the academic potential of young future-oriented employees whose academic and technical development will be able to bring real economic benefits to the Company. As has traditionally been the case, the conference took place in three stages, with more than 120 young MMK specialists taking part in the final stage.

In order to promote and enhance the prestige of working-class professions among young employees of MMK’s production divisions, the Company once again held its “Best Young Worker by Profession” competition. Some 117 representatives of 32 different professions from the Company’s main shops were selected as the winners. Following the competition, MMK’s CEO awarded the 39 top mentors and 15 organisers for their efforts.

In order to provide students with professional guidance, 143 excursions to museums and the Company’s structural divisions were organised in 2019. As has traditionally been the case, MMK provided assistance to 49 educational organisations in the city of Magnitogorsk. The Company also took part in the “Teacher of the Year” contest. In addition, for more than 15 years, MMK has been financing the Gifted Children of Magnitogorsk charitable programme.

**Mmk’s Labour-related indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average headcount, people</td>
<td>17,887</td>
<td>17,663</td>
</tr>
<tr>
<td>Total payroll, RUB thousands</td>
<td>13,250,304</td>
<td>13,742,291</td>
</tr>
<tr>
<td>Average monthly wage, RUB</td>
<td>61,526</td>
<td>64,507</td>
</tr>
<tr>
<td>Labour productivity</td>
<td>68.2</td>
<td>67.5</td>
</tr>
<tr>
<td>Subsistence minimum for the able-bodied population of the Chelyabinsk Region, RUB per month</td>
<td>13,278</td>
<td>13,672</td>
</tr>
<tr>
<td>Ratio exceeding the subsistence minimum</td>
<td>4.63</td>
<td>4.72</td>
</tr>
</tbody>
</table>

**Excursions to museums and the Company’s structural divisions were organised in 2019**
STAFF DEVELOPMENT

With the aim of adapting and developing the key competencies of employees in various areas of production, on-the-job training is organised on a regular basis; training, as well as other enrichment programmes, is conducted for management at various levels; rotations are carried out within MMK divisions and in Group companies, ensuring that a uniform corporate management culture is maintained, while also fostering excellent traditions. By constantly replenishing the ranks of employees with the necessary competencies, MMK Group companies are able to fill internal vacancies through internal rotations.

MMK’s management training system has successfully prepared staff for positions from foremen to top executives. It includes corporate management training programmes that use soft skills. In order to develop managerial skills, candidates with sufficient experience in managing a production unit are trained at the appropriate level: they take part in high-level training under the guidance of the CEO, enrol in MBA programmes, and gain managerial skills by completing projects and undergoing job rotations. Managers at various levels are trained at leading Russian and international business schools after passing a competitive selection procedure.

HUMAN RESOURCES

CAPACITY-BUILDING

MMK Group companies have traditionally and regularly found an influx of qualified young personnel at two institutions of higher learner: the Polytechnic College and Nosov Magnitogorsk State Technical University, which includes the Multidisciplinary College and Technical University; graduates include specialists and skilled workers in more than 50 fields.

Thanks to the fundamental knowledge gained at these training centres, MMK Group continues to occupy a leading position among industrial enterprises.

Some 84.5% of the Group’s employees have vocational education; MMK is easily among the industry leaders in terms of the number of employees with higher education. In 2019, 437 graduates with vocational education were hired for production positions at MMK.

DIVERSITY AND EQUAL OPPORTUNITIES

MMK Group’s employees include individuals of different ages, both of service and education levels. 31% of whom are women. Women and men have equal opportunities for career advancement in our Company, depending on their education, skills and professional knowledge. There are equal numbers of men and women working in managerial, professional and staff positions at our plants.

As a socially oriented enterprise, MMK Group continues to employ persons with disabilities and takes their physical abilities and health into account.

OCCUPATIONAL SAFETY

In accordance with MMK Group’s Development Strategy, one of the Company’s top priorities is production safety, the most important aspect of which is ensuring healthy and safe working conditions, as well as industrial safety.

To achieve this, the Company has announced a strategic initiative: a zero-tolerance policy for safety violations. MMK’s Policy on Occupational Health and Industrial Safety includes the following strategic goal: the complete elimination of fatal accidents and becoming a leader among steelmaking companies in terms of key indicators in the area of occupational health and industrial safety, continuous improvement and raising workplace safety standards.

CREATING A SAFE WORKING ENVIRONMENT

Management undertakes efforts to ensure healthy and safe working conditions for employees in collaboration with the trade union and medical staff in accordance with the provisions of Russian legislation, MMK’s collective bargaining agreement and other legal acts establishing requirements in the area of health and industrial safety. A wide range of organisational, technical, sanitary and preventive measures are in place to protect and improve the health of workers.

The most important element in ensuring occupational safety is the effective functioning of the occupational health and industrial safety management system. The system was audited in August 2019 for compliance with the OHSAS 18001:2007 standard. The international certification body TÜV NORD CERT issued certificate of conformity No D4 116 022041 on 26 October 2018.

Systematic efforts are made to assess working conditions and to identify possible hazards for employees, the results of which are developed into technical measures that are implemented with the aim of reducing the risk of accidents and occupational diseases.

MMK carries out every aspect of the steelmaking process, which is characterised by a variety of occupational hazards and dangers that could affect the health of employees. In 2019, there were 38 accidents at MMK, including three fatal accidents and five other serious accidents.
In 2018, there were 49 accidents involving 49 employees, including two fatalities and two other serious accidents. LTIFR, the international standard for measuring the frequency of workplace injuries, decreased to 0.89 in 2019, down from 1.02 a year earlier.

The main types of incidents involved workers falling from elevations equal to their own height, jammed extremities, and work on live equipment. A number of measures are being taken in order to reduce these types of injuries, including:

— conducting behavioural safety audits to monitor hazardous activities on the part of workers;
— arranging and conducting training concerning hazardous production operations;
— training workers on the safe execution of production operations;
— implementing the Programme of Technical Measures Aimed at Reducing Accident Risks in 2020; and
— adding anti-slip material to walking paths during the winter period, etc.

No major accidents took place in 2019.

MEASURES TO IMPROVE SAFETY

Taking into account the fact that the vast majority of accidents are caused by human negligence, MMK, in accordance with the best practices in this area, has focused on working with staff. For this purpose, the following was done:

— A staff incentivisation system on occupational safety has been introduced that is based on staff teams identifying breaches of occupational safety requirements and registering them in the system. This initiative has been implemented in 21 structural divisions, where criteria for assessing compliance with occupational safety and health requirements have been determined, compliance indicators have been established, and amendments to the provisions on employee remuneration have been made. The system also covers contractors, and electronic monitoring forms for the staff teams have been developed. In 2019, the system began automatically generating reports for contractors. The results of the OHS staff incentivisation system are now available online through the MMK application.

— In order to incentivise managers, a system has been developed to evaluate their work in meeting the requirements of occupational health and safety in production departments. The system includes managers from senior foremen to deputy heads of production departments. Based on the results of OHS inspections, an integrated occupational safety indicator is determined and compared with established standards. Whether or not this standard is met has an impact on the bonuses paid to managers.

— Blue-collar workers are trained at the Company’s Safety School. The only facility of its kind in Russia, the Safety School includes a training ground for working at heights, computer classes equipped with a facial ID system, training programmes to identify risks of potential accidents, fire drill training, a firefighting simulator, and an area for training involved with hazardous gases. Training with the help of virtual reality (VR) technology is being introduced. In 2019, 1,972 employees were trained at the Safety School.

— Measures are being implemented to introduce machine vision systems in steelmaking, coke and by-product, and blast furnace shops to eliminate the risks of being in hazardous areas. At present, the Radar project has been implemented at blast furnace No 6.

— Measures are being taken to install robots for cleaning up plant zinc in the shops used for the production of galvanised steel in order to avoid involving staff in this hazardous operation;
— In the event of accidents, a unique system is used to determine the root causes (the Incident Management module) that uses AI technology to develop and automatically monitor corrective measures.
— Behavioural safety audits are conducted according to DuPont’s methodology (the identification and elimination of unsafe actions). Behavioural safety audits are carried out in all production departments. During these audits, staff are interviewed and their suggestions for improvement are recorded. Workers who commit substantial violations of standards on occupational health and industrial safety go before the occupational health and safety commission, where a decision is made concerning disciplinary measures. The results of behavioural safety audits are available through the mobile application.

— Programmes are being implemented to conduct training on hazardous production operations for MMK’s structural divisions, including the creation of training videos.

— In order to promote the fundamentals of safety, a competition was held at the Safety School in 2019 called “Mom, Dad and Me — A Safe Family”.
To improve the quality of training for MMK’s employees in terms of preparing for their annual OHS knowledge exam, a mobile application on OHS training was developed and introduced.

Within the framework of the “Programme of Technical Measures Aimed at Reducing the Risk of Accidents”, measures were implemented in 2019 at a cost of RUB 331 million.

In the framework of the Agreement on Occupational Health in 2019, 66 measures were taken to improve working conditions, reduce occupational risks and prevent occupational diseases.

As decided by MMK’s Board of Directors, the following priority activities in the area of occupational health and industrial safety for 2020 were approved:

- Implementation of a programme of measures to ensure that MMK’s occupational health and industrial safety management system is in compliance with the requirements of ISO 45001:2016.
- Implementation of a programme of technical measures aimed at reducing the risk of accidents.
- A pilot project for the use of electronic safety permits to be expanded for use in all the Company’s production divisions.
- Implementation of automated monitoring of the physical condition of personnel:
  - The use of contactless rapid breathalysers at checkpoints
  - Use of terminals for medical exams before shifts and before work-related travel
- Implementation of a project involving the industrial cleaning of production facilities
- Conducting activities to promote occupational health and safety
## ACTUAL COSTS OF OCCUPATIONAL SAFETY

### DESCRIPTION OF COSTS

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2019</th>
<th>%, –</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Treatment and preventive care, including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>− Medical examinations</td>
<td>58.8</td>
<td>57.9</td>
<td>-0.9</td>
</tr>
<tr>
<td>− Purchase of first-aid kits, medical supplies</td>
<td>0.23</td>
<td>0.46</td>
<td>+0.23</td>
</tr>
<tr>
<td>− Preventive nutrition</td>
<td>2.3</td>
<td>2.4</td>
<td>+0.1</td>
</tr>
<tr>
<td>− The provision of beverages (sparkling mineral water, tea, milk or other equivalent food products (fruit drinks, vitamin drinks))</td>
<td>19.2</td>
<td>19.5</td>
<td>+0.3</td>
</tr>
<tr>
<td>2. Assessment of workplaces with respect to working conditions, production laboratory inspections</td>
<td>19.6</td>
<td>14.2</td>
<td>-5.4</td>
</tr>
<tr>
<td>3. Disinfection, deratisation costs</td>
<td>2.3</td>
<td>2.5</td>
<td>+0.2</td>
</tr>
<tr>
<td>4. Safety signs</td>
<td>1.8</td>
<td>1.4</td>
<td>-0.4</td>
</tr>
<tr>
<td>5. Consulting services related to the system of occupational health and industrial safety</td>
<td>5.6</td>
<td>10.0</td>
<td>+4.4</td>
</tr>
<tr>
<td>6. External audit</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Training and assessment of employees’ knowledge regarding compliance with the requirements of the occupational health and industrial safety system</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Current PPE costs, including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>− PPE costs (write-off)</td>
<td>225.3</td>
<td>255.9</td>
<td>+30.6</td>
</tr>
<tr>
<td>− Washing, drying, repairing PPE</td>
<td>2.4</td>
<td>4.1</td>
<td>+1.7</td>
</tr>
<tr>
<td>− Detergents</td>
<td>9.7</td>
<td>4.8</td>
<td>-4.9</td>
</tr>
<tr>
<td>9. Organisational and technical measures (including equipment) to improve conditions and consumer services</td>
<td>291.2</td>
<td>276.4</td>
<td>-14.8</td>
</tr>
<tr>
<td>10. Salaries of employees of the Occupational Health and Industrial Safety Division</td>
<td>34.6</td>
<td>37.6</td>
<td>+3.0</td>
</tr>
<tr>
<td>Total occupational health and safety costs</td>
<td>688.0</td>
<td>735.1</td>
<td>+47.1</td>
</tr>
</tbody>
</table>

### % of occupational health and safety costs in production expenses:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>%, +</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.20</td>
<td>0.21</td>
<td>+0.1</td>
</tr>
</tbody>
</table>
SOCIAL PROGRAMMES
MMK considers projects in the field of social responsibility to be long-term investments that establish the basis for the Company’s sustainable development and form an interest in new products and technologies. The Company has been developing and successfully implementing social programmes for its employees based on the creation of favourable conditions for the solution to all of its problems: medical treatment and care, rehabilitation and recreation, promotion of healthy lifestyles, and improving living conditions, cultural services, and social support for veterans and disabled employees, motherhood and large families. As part of the Company’s social policy, MMK earmarked RUB 2,581 million for no fewer than 16 ongoing social and charitable programmes and projects in the social sphere. For these purposes, the parent company spent RUB 1,789 million. MMK makes annual investments in the development of the Central Clinical Occupational Health Facility in order to improve the quality of services available, to develop new areas of medicine and to reduce the morbidity rate among its employees. MMK’s parent company spent RUB 255 million and the Group as a whole spent RUB 521 million on treatment programmes for employees and on the preventive healthcare system in 2019. Among the main measures related to medical care for MMK employees undertaken in 2019, the following can be noted:

1. Upgrades to the diagnostic and surgical equipment at the Central Clinical Occupational Health Facility;
2. Employee satisfaction with medical services was added to the KPIs for the director and head doctor at the Central Clinical Occupational Health Facility;
3. Vaccinations provided free of charge to up to 57% of MMK Group employees;
4. The percentage of employees (based on the average headcount) receiving dental care coverage increased from 12% to 19%.

In order to attract qualified personnel, four apartments were purchased and made available to medical staff from the Central Clinical Occupational Health Facility. After 10 years of employment at the Facility, the staff members will gain ownership of the apartments.

Complex surgeries paid for by the Collective Voluntary Healthcare Insurance.

MMK’s parent company spent RUB 255 million and the Group as a whole spent RUB 521 million on treatment programmes for employees and on the preventive healthcare system in 2019.
IMPROVING THE HEALTH OF EMPLOYEES AND THEIR FAMILIES

MMK provides its employees with not only decent working conditions but also with opportunities to take time away from work to fully rest and restore their health at spa and vacation retreats in the Urals Region, at the Metallurg spa in Essentuki and at the Ai-Petri spa on the Black Sea coast. The Company covers part of the cost of holiday packages for its employees and members of their families. Discounted prices are 70–80% of the total cost, depending on the season.

In 2019, MMK provided compensation in the amount of RUB 402 million to help some 17,152 Group employees and their families recuperate at spas and vacation resorts.

Improving the health of the children of MMK employees is also an integral part of the Company’s socially oriented policies. During the summer holidays, the children of MMK Group employees and of Magnitogorsk residents had an opportunity to relax in the state-of-the-art Ural Zori and Mountain Gorge children’s health and educational centres. Parents who are employed by MMK Group can purchase holiday packages for their children, while MMK and the trade union committe subsidise up to 55% of the total cost. MMK Group spent RUB 53 million on subsidies for holiday packages and on maintenance of the children’s health and educational centres. In total, approximately 3,300 children of MMK Group employees recuperated at reduced cost at the Company’s health and educational centres for children.

HEALTHY Lifestyles AND POPULAR SPORT

With its social mandate to develop personal fitness, popular sport, and healthy lifestyles among employees and members of their families, MMK makes the following facilities available to staff: the Metallurg-Magnitogorsk Sports Club, the Metallurg-Magnitogorsk and Abzakovo ski resorts, and the Waterfall Wonderland Water Park.

Family sporting events are held on a regular basis for Company employees and their families; MMK’s structural divisions compete all year round during summer and winter Spartakiads. In addition, MMKGroup employees enjoy discounted prices at sports facilities for individual sporting activities. The number of employees taking part in sporting events amounted to about 300% of the average headcount.

In 2019, the following activities were carried out to engage MMK Group employees and their families in sporting activities at the Company facilities:

- the surface of the outdoor football pitches at the Metallurg-Magnitogorsk Sports Club was replaced;
- a hockey rink at the central ice rink was paved with asphalt;
- an open-air shooting range for biathlon training was opened on the grounds of Lukomorye;
- a football stadium was built at the Mountain Gorge children’s health and educational centre.

SUPPORT FOR HIGH-LEVEL SPORT

MMK makes a tangible contribution to the development of sports not only at the local level. With financial support from the Company, the following events are held every year: the Metallurg hockey tournament, various stages of the Russian Snowboarding and Alpine Skiing Championships, the E. Abishanov International Boxing Tournament, the MMK Judo Cup for veterans and juniors, the MMK Cup in Competitive Ballroom Dancing, stages of the Russian Championship and the Russian Cup in Motocross, the Urals Federal District Championship in Table Tennis, and the Russian Championship in Kickboxing.

The Metallurg ice hockey team is one of the best in Russia and in Europe. The team finished in the top three in the Russian League on eight occasions, winning the championship three times (1999, 2001, 2007), finishing second twice (1998, 2004) and finishing third three times (2000, 2002, 2006). Metallurg has also been one of the top teams during the Continental Hockey League’s five seasons, and players from the team have regularly been invited to play for Russia’s national team.

There is much more to the city of metallurgists, however, than hockey. In recent years, we have done a lot of work to develop basketball and volleyball and, as a result, our Dynamos basketball club has won the Super League 2 two years in a row; since 2019, the Magnitka-University Volleyball team has represented the city honourably in Russia’s top volleyball league.
One of MMK’s principles is that access to healthy meals in the workplace is an indispensable part of a healthy lifestyle for employees. That is why the percentage of workers eating at MMK’s canteens is one of the target indicators in the “Improving the Health of Workers” strategic initiative.

In 2019, 38% of employees working daytime shifts at MMK’s production sites ate at the Company’s canteens. It is worth noting that this figure was 21% at the end of 2016 and only 15% in 2015. When paying with an MMK-Plus corporate card, employees received a discount of RUB 57.7.

The following were the main measures taken in 2019 to promote healthy nutrition:

— the construction of a semi-finished shop and a new canteen at Rolling Mill No 4,
— the opening of a food delivery point at the coated metal production;
— the opening of a coffee shop in the factory administration building;
— the addition of three vending machines, bringing the total number to six;
— the opening of a canteen at sinter plant No 5;
— an increase in discounts on food to RUB 57.7.

Since 2004, MMK has been implementing its “Maternity Support and Birth Incentive” programme, under which women — starting from the 13th week of pregnancy up until they have the legal right to take maternity leave — are exempt from work while continuing to earn an average wage, subject to a mandatory visit to the Maternity Centre, which helps women prepare physically and psychologically for motherhood. Pregnant women are able to visit the VSK water park free of charge and, for medical reasons, receive treatment and preventive procedures at the Yuzhny municipal spa and healthcare centre. This provides women with a positive environment during their pregnancy. In addition, women receive subsequent assistance from the Company in the form of financial support.

In 2019, MMK Group spent RUB 38 million on this programme.

Since 2008, the Company has been implementing a new programme to support families with large families (with three or more children under 18 years old). In 2019, 1,169 families — raising 3,688 children — of MMK Group employees were included in the programme. At the start of implementation, the programme covered only 160 large families. Through the programme, support has been provided in 11 specific areas at a cost of RUB 5.8 million.

In addition, as part of the Company’s support for large families, an unprecedented programme was implemented in 2019 to help families with five or more children purchase a family car. The programme covers 28 families of MMK Group employees who fall into this category; they received financial support for the purchase of a car in the amount of RUB 90,000 per child. The total cost of the programme amounted to RUB 14.5 million.

At the behest of Russian President Vladimir Putin, during his visit on Steelworker’s Day in 2019, and Victor Rashnikov, the Chairman of MMK’s Board of Directors, the Company purchased high-priced equipment for every child with cystic fibrosis living in Magnitogorsk.
The I Am a Woman foundation has been in operation at MMK for 18 years. Today, it is the largest and the leading women’s organisation in the region.

THE FOLLOWING ARE THE MAJOR PROJECTS AND PROGRAMMES IMPLEMENTED BY THE FOUNDATION:

A beauty contest
A beauty contest for mothers called “Beauty of the Year” (a qualifying stage for the Mrs Russia pageant), which is a signature event not only for Magnitogorsk but for the entire Chelyabinsk region.

The beauty contest has been held for 17 years. Over the years, the contest judges have included Irina Rodnina, Andris Liepa and other well-known public figures, athletes and politicians.

The creation of the Academy of Women’s Hockey and the Night Witches hockey team
Based on a decision of the chairperson of the I Am a Woman foundation, women’s hockey was launched in Magnitogorsk, along with the Night Witches amateur hockey teams (ages 14+ and 18+), which represents the city in the Night-time Hockey League.

Publication of the “Beauties of MMK” corporate calendar
For the third year in a row, the I Am a Woman foundation has made the Russian news with the publication of the corporate calendar featuring employees from a variety of MMK shops and divisions.

International Family Day
International Family Day is a big family party with a variety of thematic sites. Every year, thousands of residents of Magnitogorsk and visitors to the city attend the festivities. The most active families taking part in the event receive certificates, medals and gifts.

Public receptions
Public receptions at the Socio-political Centre, where women can seek information and receive free legal and psychological assistance. Targeted assistance is provided, workshops are held, and consultations are available every week.

Funds for medical care
Through the Children’s Fund project, funds are raised to send severely ill children of MMK employees away for medical care and operations, as well as to pay for parental visits every year.

Political activities
The I Am a Woman Foundation plays an active role in the preparation and running of election campaigns. Members of the foundation liaise closely with voters and work as assistants and official representatives of candidates for seats in the Magnitogorsk City Assembly and the State Duma.

Social activities
These include the regular participation of foundation representatives in roundtables, local and regional civic forums, meetings and workshops, as well as work with students.
CULTURE

MMK makes a significant annual contribution to the development of the city's culture to ensure that Company employees have access to high-quality cultural events. The Ordzhonikidze Palace of Culture of Metallurgists plays a key role in the organisation of cultural events.

The Palace of Culture also plays an important role in the upbringing and creative development of the children of MMK Group employees in Magnitogorsk, and in organising the largest and most important festivals and cultural events in the city, including the main holidays in Magnitogorsk: City Day and Steelworker's Day.

In 2019, MMK spent RUB 113 million to arrange large-scale cultural events for employees and for the maintenance of cultural centres.

AFFORDABLE HOUSING FOR EMPLOYEES AND YOUNG STEELMAKERS

MMK Group provides employees with access to improved housing conditions through a variety of installment payments and subsidised mortgages.

The Affordable Housing for the Steelworkers of Magnitogorsk programme is carried out by MMK's Klyuch housing and investment fund.

In 2019, the construction of the Klyuchevskoy residential complex at the Soty estate was completed, consisting of nine two-storey residential buildings of four apartments each with a total area of 4,514.40 square metres. The grounds of the complex include two playgrounds and parking spaces. The complex is located in a guarded estate surrounded by a fence. The estate has its own maintenance company, and security is provided.

The apartments in the residential complex are pre-finished. All utilities (water supply, sewerage, gas, electricity) and meters have been installed, and the heating system has been set up.

As part of the annual Affordable Housing for the Steelworkers of Magnitogorsk programme, implemented through Klyuch, MMK has also been implementing the Helping Young Families Purchase Housing programme since 2007. Programme participants are selected based on the results of competitions involving professional skills and at scientific and technical conferences. Every year 10% of MMK's young employees with families receive subsidies of RUB 250,000 to make a down payment and are given an opportunity to purchase housing at a reduced price (20–30% lower than market price in the city).

YOUTH PROGRAMME

MMK's youth policy and volunteer projects are implemented by the Union of Young Steelworkers, which consists of young employees of MMK Group. As part of the implementation of the youth programme at MMK, the Union of Young Steelworkers, in collaboration with the administration and the trade union committee, have carried out a variety of activities involving young workers and Magnitogorsk residents.

The Union of Young Steelworkers is implementing five projects with support from the Presidential Grants Fund.

SOCIAL SUPPORT FOR NON-WORKING PENSIONERS, DISABLED PEOPLE AND SOCIALLY VULNERABLE GROUPS

MMK Group carries out charitable activities and implements social support programmes for non-working pensioners, disabled persons and certain categories of employees jointly with the Metallurg charitable foundation.

In total in 2019, the Union of Young Steelworkers organised around 30 sporting and cultural events for young MMK employees, their families and residents of Magnitogorsk.

Some RUB 2.36 million was allocated for implementation of youth policy in 2019.
IN TOTAL, ABOUT 21,000 MMK GROUP PENSIONERS ARE REGISTERED WITH THE METALLURG CHARITY FOUNDATION; THEY RECEIVE SUPPORT THROUGH THE COMPREHENSIVE CARE PROGRAMME IN THE FOLLOWING AREAS:

“Mercy” (elderly people living on their own at a specialised facility called Veteran)

“The Older Generation” (the provision of targeted financial assistance in cash and in kind, free meals, birthday wishes)

“Protect Your Health” (targeted financial assistance for pensioners and people with disabilities for complex operations, treatment, the purchase of expensive medications and assisted-living equipment)

“A Long and Active Life” (free trips to spas and healthcare centres, treatment at the Central Clinical Occupational Health Facility’s geriatric centre and at the foundation’s medical centre)

“Elderly Leisure” (festivities and events)

“Ray of Hope” (social support for persons with disabilities and occupational diseases)

“Mercy” (elderly people living on their own at a specialised facility called Veteran)

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“Elderly Leisure” (festivities and events)

“Ray of Hope” (social support for persons with disabilities and occupational diseases)

INVESTMENTS IN THE REGION WHERE THE COMPANY OPERATES

To maintain a favourable social climate in the region where the Company operates, MMK continues to implement large-scale charitable projects aimed at developing the urban environment and creating pleasant living conditions for city residents. It provides assistance to municipal authorities for landscaping and beautification projects and also invests in the development of the largest social facilities in the city of Magnitogorsk.

At MMK’s initiative, implementation of a comprehensive development project called “Attraction” got under way in Magnitogorsk. The project is the only one of its kind in Russia. As part of the preliminary stage of project work 2019, the final design was completed, building permits were obtained, and the general contractor was selected. According to the plans, construction work will begin in 2020 and will be completed by 2025, giving city residents new opportunities for personal development, sports, art, training and wellness.

THE “ATTRACTION” URBAN IMPROVEMENT PROJECT, WHICH IS INCLUDED IN THE STRATEGY FOR THE DEVELOPMENT OF MAGNITOGORSK TO 2035, IS AIMED AT IMPROVING THE INFRASTRUCTURE AND QUALITY OF LIFE IN THE REGION.

During the first stage of the project, construction of the following is planned:

— a museum and educational centre with an interactive museum, an educational centre and a game museum for children, an incubator for social projects, a centre for industrial design and a co-working space;

— a sports and event centre with a swimming pool, an indoor ice arena, sports fields, rental points, and jogging and bicycle paths;

— a multidisciplinary medical centre offering primary and specialised medical care;

— a landscaped park area with walking paths, playgrounds, a pond, an amusement park, a skate park and an area for large-scale public events.

In developing the “Attraction” project, we aim to improve living conditions for city residents. The implementation of the project will reveal the educational, scientific and technological potential of the city, while also making it more attractive for business and tourism. In addition, work on the project will give rise to new jobs and additional contributions to budgets at all levels.
ENVIROMENTAL PROTECTION
ENVIRONMENTAL PROTECTION

PROCEDURES USED BY SENIOR MANAGEMENT TO OVERSEE THE COMPANY’S ASSESSMENT OF ITS ENVIRONMENTAL PERFORMANCE

MMK’s top management is constantly evaluating the Company’s environmental performance. For this purpose, a quarterly analysis of the environmental management system is carried out. The results of this analysis are then reviewed at a meeting of the Council on Quality, Environment, Industrial Safety and Occupational Health.

The Board of Directors conducts a review of MMK’s Environmental Policy every year. At a meeting of the Board on 27 September 2019, the Board reviewed the implementation of MMK’s environmental programme in 2019, MMK Group’s Environmental Policy in 2019, and implementation of the Clean City strategic initiative.

ENVIRONMENTAL ORGANISATIONS

The environmental and energy rating agency Interfax-ERA published environmental ratings for the 150 biggest companies in Russia and Kazakhstan in 2019. The following five figures are factored into fundamental performance:

- energy and resource efficiency;
- technological performance;
- ecosystem performance;
- performance dynamics;
- transparency (% of the disclosed indicators).

MMK ranked 66th in the integrated ranking of the 150 largest companies in Russia and Kazakhstan in 2019 (down from 40th in 2018). Other peers ranked as follows: NLMK was ranked 32nd (up from 57th in 2018), while Severstal retained its ranking at 35th.

THE ENVIRONMENT AND CONSERVATION

In planning for its long-term and sustainable development, MMK always pays a great deal of attention to issues of environmental safety and improvement of its environmental management system.

MMK’s production activities comply with both Russian Federation environmental protection laws and ISO 14001:2015 international standards.

ENVIRONMENTAL MANAGEMENT SYSTEM

MMK’s environmental management system (EMS) is one of the main elements of the Company’s overall management system, and it aims to reduce the Company’s environmental impact.

Since 2004, MMK has been implementing and successfully operating an environmental management system certified for compliance with the ISO 14001 international standard. From 19 to 23 August 2019 (in accordance with Order No. GD-01/290 of 23 July 2018), a certification audit of MMK’s environmental management system was conducted to verify compliance with the 2015 edition of the ISO 14001 international standard. The audit, which was conducted by the established certification body TÜV NORD CERT GmbH (Germany), concluded that the EMS was performing well.

Currently, the environmental safety of MMK’s production activities is ensured by a number of environmentally friendly facilities, including:

- 276 gas scrubbers (mainly sock filters and electro-filters), as well as wet scrubbers (hollow scrubbers and high-speed washers);
- 45 local water recirculation machines and 55 wastewater treatment plants (radial and horizontal settling tanks, neutralising stations, cooling tanks);
- 16 special facilities for processing industrial waste.

MMK’s current expenses for environmental protection (capital and ongoing repairs of environmental facilities, technical maintenance of environmental facilities, reclamation and cultivation, waste disposal, industrial environmental monitoring, etc.) amounted to RUB 3.122 billion in 2019.

ENVIRONMENTAL POLICY AND PERFORMANCE

MMK’s Environmental Policy is publicly available to all interested parties. The policy is based on MMK’s development strategy and is aimed at developing the Company’s production capacity while minimising environmental impact to meet the needs of present and future generations in a healthy environment.

MMK has positioned itself as Russia’s leading steelmaker in implementing cutting-edge technologies. An indispensable element in MMK’s strategy for its long-term and sustainable development is the ongoing reduction and prevention of its harmful impact on the environment.
THE FOLLOWING ARE MMK’S GOALS IN KEY AREAS IN THE FIELD OF ENVIRONMENTAL PROTECTION:

1. By 2025, to reduce the Comprehensive Air Pollution Index (CAPI) score in the city of Magnitogorsk to the level of 5 units;

2. To achieve by 2025 technological standards for environmental impact corresponding with the best available technologies recommended for implementation in Russia;

3. To fully eliminate discharges of industrial waste water into surface water by 2025;

4. To provide the best possible waste management and storage of all wastes in hazard classes 3, 4 and 5 in environmentally safe facilities;

5. To complete the reclamation of iron ore pits and slag dumps.

To implement the Company’s Environmental Policy, a long-term MMK Environmental Programme until 2025 was approved and adopted for implementation. The measures that were introduced through this programme to reduce the Company’s harmful impact on the environment require significant capital investments.

To fully implement the Programme, a long-term MMK Environmental Programme until 2025 was approved and adopted for implementation. The measures that were introduced through this programme to reduce the Company’s harmful impact on the environment require significant capital investments.

FULFILMENT OF MMK’S ENVIRONMENTAL PROTECTION TARGETS IN 2019

<table>
<thead>
<tr>
<th>No</th>
<th>INDICATOR</th>
<th>PLANNED 2019</th>
<th>ACTUAL 2019</th>
<th>FULFILMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Reduction of the CAPI score in the city of Magnitogorsk, units</td>
<td>8.7</td>
<td>6.8</td>
<td>128</td>
</tr>
<tr>
<td>2</td>
<td>Reduction of gross emissions of pollutants into the atmosphere, thousand tonnes/year</td>
<td>194.0</td>
<td>186.0</td>
<td>104</td>
</tr>
<tr>
<td>3</td>
<td>Setting specific emissions of dust into the atmosphere, thousand tonnes</td>
<td>16.0</td>
<td>14.6</td>
<td>100</td>
</tr>
<tr>
<td>4</td>
<td>Construction of a gas duct from sinter plant No 3 to sulphur capture unit No 4, RUB million/year (capital construction budget)</td>
<td>190.0</td>
<td>216.5</td>
<td>107</td>
</tr>
<tr>
<td>5</td>
<td>Absence of discrepancies in the results of external audits concerning environmental protection requirements and ISO 14001</td>
<td>No discrepancies</td>
<td>An audit was conducted from 19 to 23 August (in accordance with Order No 60-01/290 of 23 July 2019); there were no discrepancies</td>
<td>100</td>
</tr>
<tr>
<td>6</td>
<td>Reduction in the gross discharge of pollutants into bodies of water, thousand tonnes/year</td>
<td>30.8</td>
<td>24.9</td>
<td>100</td>
</tr>
<tr>
<td>7</td>
<td>Reduction in the concentration of pollutants in the outfall from the sediment basin at the mouth of the northern channel of the wastewater drainage (t.46.1)</td>
<td>0.1</td>
<td>0.08</td>
<td>100</td>
</tr>
<tr>
<td>8</td>
<td>Recycling (operating and waste) metallurgical slag, mln tonnes/year</td>
<td>10.483</td>
<td>10.569</td>
<td>100</td>
</tr>
<tr>
<td>9</td>
<td>Using wastes as secondary material resources in sinter production, mln tonnes/year</td>
<td>1.610</td>
<td>1.800</td>
<td>100</td>
</tr>
<tr>
<td>10</td>
<td>Prevention of harm to soils (based on the results of state inspections)</td>
<td>No harm</td>
<td>Based on the results of the inspection by Rosprirodnadzor (report No 144/165 of 26 July 2019); there were no discrepancies</td>
<td>100</td>
</tr>
<tr>
<td>11</td>
<td>Performing the technical stage of land reclamation (second phase for the Western pit) on an area of 6.7 hectares %</td>
<td>100 %</td>
<td>100 %</td>
<td>100</td>
</tr>
</tbody>
</table>
IN ORDER TO ACHIEVE THE STATED ENVIRONMENTAL TARGETS FOR THE YEAR, MMK DEVELOPED AN ENVIRONMENTAL PROGRAMME FOR 2019 THAT INCLUDED 88 MEASURES IN THE COMPANY’S MAIN AREAS OF ENVIRONMENTAL ACTIVITIES:

1. 47 measures to reduce and prevent emissions of pollutants into the atmosphere;
2. 22 measures to reduce and prevent discharges of pollutants into surface water;
3. 18 measures for recycling and environmentally safe waste disposal, as well as land reclamation;

IN ACCORDANCE WITH MMK’S ENVIRONMENTAL PROGRAMME, 80 TECHNICAL MEASURES OF VARYING DEGREES OF COMPLEXITY WERE COMPLETED IN 2019, AND WORK ON EIGHT OF THE ACTIVITIES WILL CONTINUE IN 2020.

ACTUAL EXPENSES FOR THE IMPLEMENTATION OF MMK’S ENVIRONMENTAL PROGRAMME IN 2019 AMOUNTED TO RUB 5,775 MILLION (INCLUDING RUB 5,307 MILLION FOR CAPITAL CONSTRUCTION), INCLUDING:

1. RUB 4,992 million on reducing emissions into the atmosphere (including capital construction at a cost of RUB 4,611 million);
2. RUB 224 million on reducing emissions into surface water (including capital construction at a cost of RUB 166 million);
3. RUB 559 million on industrial waste recycling and reclamation (including capital construction at a cost of RUB 530 million).

KEY ENVIRONMENTAL PROTECTION MEASURES IMPLEMENTED UNDER MMK’S ENVIRONMENTAL PROGRAMME IMPLEMENTED IN 2019

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>EXECUTION PERIOD</th>
<th>INVESTMENT, RUB MILLION</th>
<th>ENVIRONMENTAL IMPACT</th>
</tr>
</thead>
</table>
| Sintering shop | 2017–2019 | 985 | Dust emissions reduced by 175 tonnes in 2019. Reduction in 2020:
| | | | — dust by 1,900 tonnes,
| | | | — sulphur dioxide by 3,500 tonnes. |
| Sinter preparation shop | 2019 | 105,2 | Dust emissions reduced by 200 tonnes in 2019. |
| Coal preparation shop | 2019 | 10,2 | Dust emissions reduced by 200 tonnes in 2019. |
| Central water system | 2019 | 42,4 | Cessation of discharges in November 2019. Reduction in 2020 of pollutants discharged into bodies of water by 16.9 thousand tonnes (excluding solid residue). Some 800 saplings of crack willow and 41 Hungarian Lilac shrubs were planted on the outside of the dam. Some 204 thousand juvenile common carp were released into the Magnitogorsk reservoir. |
| Landscaping in the city of Magnitogorsk | 2019 | 6,6 | Planting of 2,630 saplings (hard maple, spruce). |
EMISSIONS INTO THE ATMOSPHERE

Reducing air pollution is a priority for MMK’s environmental activities. Emissions from the sintering shop, blast furnace plant, power plants and from coke production have the most significant impact on the atmosphere. The main pollutants emitted into the atmosphere as a result of MMK’s production activities include particulate matter (dust), nitrogen dioxide, ammonia, hydrogen sulphide, sulphur dioxide, carbon monoxide and phenol.

<table>
<thead>
<tr>
<th>NO</th>
<th>POLLUTANT</th>
<th>VOLUME OF POLLUTANTS EMITTED INTO THE ATMOSPHERE, TONNES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Particulate matter (dust)</td>
<td>22,164</td>
</tr>
<tr>
<td>2</td>
<td>Nitrogen dioxide</td>
<td>10,195</td>
</tr>
<tr>
<td>3</td>
<td>Sulphur dioxide</td>
<td>9,550</td>
</tr>
<tr>
<td>4</td>
<td>Carbon monoxide</td>
<td>150,306</td>
</tr>
<tr>
<td>5</td>
<td>Phenol</td>
<td>13.63</td>
</tr>
<tr>
<td></td>
<td><strong>Total emissions</strong></td>
<td><strong>198,175</strong></td>
</tr>
</tbody>
</table>

Total emissions in 2019 amounted to 197 thousand tonnes, with specific emissions per tonne of steel coming to 17.98 kg/t.

In 2019, total discharges into surface water amounted to 24.9 thousand tonnes, with specific discharges of pollutants per tonne of steel coming to 2.27 kg/t.

<table>
<thead>
<tr>
<th>NO</th>
<th>POLLUTANT</th>
<th>AMOUNT OF POLLUTANTS DISCHARGED INTO SURFACE WATER, TONNES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ferrum, total</td>
<td>30,66</td>
</tr>
<tr>
<td>2</td>
<td>Manganese</td>
<td>27.2</td>
</tr>
<tr>
<td>3</td>
<td>Petroleum products</td>
<td>27.4</td>
</tr>
<tr>
<td>4</td>
<td>Fluorides</td>
<td>189.64</td>
</tr>
<tr>
<td>5</td>
<td>Zinc</td>
<td>12.17</td>
</tr>
<tr>
<td></td>
<td><strong>Total discharges</strong></td>
<td><strong>59,855</strong></td>
</tr>
</tbody>
</table>
WASTE MANAGEMENT

In the course of the production process, MMK’s facilities generate industrial wastes from hazard classes 1–5. Throughout 2019, wastes from hazard classes 3, 4 and 5 were placed in specialised facilities for storage and disposal. Wastes from hazard classes 1 and 2 were neutralised.

WASTE DISPOSAL VOLUMES IN 2019

<table>
<thead>
<tr>
<th>TYPE OF WASTES</th>
<th>WASTE STORAGE IN 2018, TONNES</th>
<th>WASTE STORAGE IN 2019, TONNES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Class 2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Class 3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Class 4</td>
<td>39,264</td>
<td>25,576</td>
</tr>
<tr>
<td>Class 5 (without waste ore)</td>
<td>1,139,723</td>
<td>1,249,922</td>
</tr>
<tr>
<td>TOTAL (without waste ore)</td>
<td>1,198,797</td>
<td>1,285,498</td>
</tr>
</tbody>
</table>

WASTE TREATMENT AND RECYCLING

MMK pays significant attention to its comprehensive programme to recycle industrial waste from its own production and to the reclamation of depleted pits at Magnitnaya Mountain.

WASTE TREATMENT AND RECYCLING AT MMK

<table>
<thead>
<tr>
<th>NO</th>
<th>WASTE TREATMENT AND RECYCLING</th>
<th>AMOUNT OF WASTE, MILLION TONNES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total entering slag processed, including</td>
<td>11.04 10.56</td>
</tr>
<tr>
<td></td>
<td>— operating steelmaking</td>
<td>2.28    2.31</td>
</tr>
<tr>
<td></td>
<td>— operating blast furnace</td>
<td>3.17    3.61</td>
</tr>
<tr>
<td></td>
<td>— steaming dump</td>
<td>3.40    2.98</td>
</tr>
<tr>
<td></td>
<td>— blast furnace dump</td>
<td>0.30    0.66</td>
</tr>
<tr>
<td>2</td>
<td>Shipped to consumers of slag processing products</td>
<td>0.69 0.69</td>
</tr>
<tr>
<td>3</td>
<td>Pieces of metal retrieved from slag</td>
<td>0.89    0.64</td>
</tr>
<tr>
<td>4</td>
<td>slag and wastes used for reclamation of abandoned open-pit mines at Magnitnaya Mountain</td>
<td>10.64 10.117</td>
</tr>
<tr>
<td>5</td>
<td>Industrial waste used in GOP sinter mix</td>
<td>2.15 1.8</td>
</tr>
<tr>
<td>6</td>
<td>Waste oil provided for regeneration (tonnes)</td>
<td>1,224 1,044</td>
</tr>
</tbody>
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RECLAMATION OF DAMAGED LAND AND PLANTING GREENERY

From 2012 through 2017, the first stage of the reclamation of 154 thousand square metres of damaged land in the abandoned Western iron ore pit at Magnitnaya Mountain was carried out. A fertile layer was formed, and vegetation and perennial grasses were planted. Since 2012, a total of 5.9 thousand saplings and 6.7 thousand shrubs have been planted.

MMK financed the planting of 6,390 saplings (Norway maple, birch, rowan and spruce) in parks and garden squares and on the grounds of educational institutions in the city of Magnitogorsk in the period from 2017 to 2019, including 2,630 saplings in 2019.

In 2019, MMK completed the second stage of the reclamation of 145 thousand square metres of land in the Western iron ore pit, including 57 thousand square metres in 2019; upkeep of the green spaces on the 154 thousand square metres of land reclaimed at the Western iron ore pit in stage 1 of the project continued.

As of 31 December 2019, no legal claims seeking the suspension of activities or revocation of permits had been filed against MMK in regard of environmental protection or for causing environmental damage.

INSPECTIONS BY STATE BODIES REGARDING INCIDENTS AT ENVIRONMENTAL FACILITIES

The Department of Russian Environmental Monitoring Service for the Chelyabinsk Region fined MMK RUB 2.05 thousand in 2019.

As of 31 December 2019, no legal claims seeking the suspension of activities or revocation of permits had been filed against MMK in regard of environmental protection or for causing environmental damage.

ENERGY RESOURCES CONSUMED IN 2019

<table>
<thead>
<tr>
<th>TYPE OF CHARGES</th>
<th>AMOUNT, RUB MILLION</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>Capital construction</td>
<td>5,846</td>
</tr>
<tr>
<td>Capital repairs</td>
<td>71</td>
</tr>
<tr>
<td>Ongoing (operating) costs</td>
<td>2,903</td>
</tr>
<tr>
<td>Payment for environmental protection services</td>
<td>148</td>
</tr>
<tr>
<td>Total</td>
<td>9,868</td>
</tr>
</tbody>
</table>

RESULTS OF LABORATORY-BASED MONITORING OF THE WORK OF MMK’S ENVIRONMENTAL FACILITIES

<table>
<thead>
<tr>
<th>TYPE OF LABORATORY TESTING</th>
<th>NUMBER OF MEASUREMENTS TAKEN</th>
<th>NUMBER OF MEASUREMENTS TAKEN IN EXCESS OF REQUIREMENTS</th>
<th>PERCENTAGE OF MEASUREMENTS TAKEN IN EXCESS OF REQUIREMENTS, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adherence to standards for gas-cleaning units</td>
<td>303</td>
<td>25</td>
<td>8.3</td>
</tr>
<tr>
<td>Adherence to standards for wastewater treatment plants</td>
<td>1,884</td>
<td>1,765</td>
<td>79</td>
</tr>
</tbody>
</table>

COST OF ENVIRONMENTAL ACTIVITIES

<table>
<thead>
<tr>
<th>TYPE OF ENVIRONMENTAL ACTIVITY</th>
<th>AMOUNT, RUB MILLION</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2019</td>
</tr>
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<td>148</td>
</tr>
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<td>Total</td>
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</tr>
</tbody>
</table>
CORPORATE GOVERNANCE

THE BASIC PRINCIPLES FOR BUILDING RELATIONSHIPS WITH THE COMPANY’S SHAREHOLDERS AND INVESTORS ARE THE PROTECTION OF SHAREHOLDER AND INVESTOR RIGHTS; THE PRINCIPLE OF EQUAL TREATMENT OF SHAREHOLDERS, INCLUDING MINORITY AND FOREIGN SHAREHOLDERS; AND THE PRINCIPLE OF FAIR MANAGEMENT.

Corporate governance

The Company aims to achieve this objective by:

1. Protecting the rights and interests of all shareholders;
2. Ensuring transparency of information on the Company's activities;
3. Establishing a governance structure to support the Company's strategic management, as well as to oversee and ensure the accountability of the Company's management.

The overall objective of MMK's corporate governance is to increase the Company's value while balancing the interests of all stakeholders.

MMK's corporate governance principles and rules are set forth in the Company's Corporate Governance Code, which was approved by a decision of the Board of Directors of 20 December 2019 (posted on MMK's website: mmk.ru/corporate_governance/internal_documents/code_of_corporate_governance).

The basic principles for building relationships with the Company's shareholders and investors are the protection of shareholder and investor rights; the principle of equal treatment of all shareholders, including minority and foreign shareholders; and the principle of fair management.

The Company aims to steadily reduce and prevent harmful impacts on the environment, to take an environmental approach to the development of its production capacity, and to adopt best available technologies.

In order to increase trust on the part of the state and its partners (counterparties) in the Company's activities and to improve the performance of the Company's management, a Code of Business Ethics was developed and approved by the Board of Directors (last revision on 19 December 2018). The Code of Business Ethics and other bylaws approved by the Company that specify its fundamental business principles are posted on MMK's website: eng.mmk.ru/corporate_governance/internal_documents/

The Board of Directors is confident that this approach instills confidence in the investment community and promotes the loyalty of shareholders.

COMPLIANCE WITH BEST PRACTICES IN CORPORATE GOVERNANCE

The Company generally adheres to the principles of corporate governance recommended by the Bank of Russia on 21 March 2014.

Since 2003, MMK has commissioned annual independent assessments of the quality of its corporate governance.

On 10 September 2019, the Russian Institute of Directors confirmed MMK’s national corporate governance score at 7++ (developed corporate governance practice) according to the National Corporate Governance Rating scale. This means that “the Company meets the requirements of Russian legislation related to corporate governance and follows a significant number of recommendations found in the Russian Code of Corporate Governance. There is a rather low risk that shareholders will sell their shares for reasons related to the Company's corporate governance.”

Following the recommendations of the Corporate Governance Code, as well as best corporate governance practices, the Company uses the following mechanisms and tools in particular (in accordance with the Charter and bylaws):

1. The deadline for shareholders to submit proposals for the agenda of the Annual General Shareholders' Meeting is 60 days after the end of the financial year;
2. Established rules for responding to shareholders’ questions during the meeting;
3. The deadline for providing information on the list of persons entitled to participate in the General Shareholders’ Meeting has been specified;
4. An additional means of communicating with shareholders has also been introduced, i.e. via e-mail at shareholder@mmk.ru (used in practice);
5. It is possible to create an electronic voting system enabling every shareholder to freely exercise their right to vote in the simplest and most convenient way for them;
6. The list of issues that are to be decided by a majority vote of all elected members of the Board of Directors and the list of issues decided by the Board of Directors through in-person voting have been expanded;
7. The Company has formed a collegial executive body, the Management Board, the main functions of which are review of MMK Group’s financial and economic
Corporate governance

MMK Annual Report for 2019

Corporate governance

MMK Annual Report for 2019

plan (budget), forecasting the financial and economic indicators for the Group, approval of representatives of MMK Group, the rules of the companies and approval of directives for the representatives to take decisions at General Shareholders’ Meetings and meetings of the Board of Directors;

— to improve manageability in the companies of MMK Group, the Group has representatives in Group companies. The representatives perform their activities on the basis of the Regulations on the Representatives approved by the Company’s CEO and in accordance with the directives approved by PJSC MMK’s Management Board;

— the Board of Directors takes decisions not only on those transactions that are provided for by Russian law but also on transactions with a value of more than 10% of the book value of the Company’s assets, as well as on the disposal of real estate regardless of the transaction value;

— in accordance with the recommendations of the Corporate Governance Code and the listing requirements of the Moscow Exchange, the Internal Audit Department evaluates the Company’s corporate governance.

ASSESSMENT OF THE ACTIVITIES OF THE BOARD OF DIRECTORS

Since 2008, the Board of Directors has been assessing, on an annual basis, the state of corporate governance in the Company, as well as its own activities and those of its committees. This has enabled the Board of Directors to intensify its work, to identify areas for improvement and to improve the Company’s corporate governance practice.

To conduct an independent assessment of the performance of the Board of Directors, the Board of Directors periodically engages, at least once every three years, an external organisation (a consultant) that must be approved by the Board of Directors upon a proposal from the Board of Directors and its committees. This has enabled the Board of Directors to intensify its work, to identify areas for improvement and to improve the Company’s corporate governance practice.

The results of this assessment are reflected in the Company’s annual report.

According to the results of the self-assessment of the Board’s performance in 2019, the members of the Board of Directors noted the excellent organisation of the work of the Board and its committees, the positive team-oriented and personal qualities of the members of the Board and its committees (the Board’s openness to new ideas, respect, engagement, constructive approach, discipline, and orderliness), and the leadership of the Chairman of the Board of Directors and his openness to new ideas.

The assessment noted the following: effective oversight of the Company’s operations.

Among the key competencies of the Board of Directors needed improvement, the following were mentioned:

— industrial safety, improving production-related business processes, and capital efficiency. An important subject is the intensification of work in the area of sustainable development (ESG), including the establishment of a reporting system.

At the same time, the Company needs to focus on improving its work with the investment community, including its information policy, its website, its ESG reporting system, and its risk management and internal control system.

The assessment also noted the following needs to improve the quality of the succession system regarding the Company’s management bodies, to enhance work with the succession pool, to improve the efficiency and transparency of the incentivisation system for management and the Board of Directors, and to develop the company’s competencies and key competencies of the members of the Board of Directors and management (including through external training, training) regarding current trends related to the Company’s operations.

Among the key competencies of the Board of Directors needing improvement, the following were mentioned:

THE BOARD OF DIRECTORS APPROVED ITS “PROGRAMME FOR THE IMPROVEMENT OF PJSC MMK’S CORPORATE GOVERNANCE UNTIL 2020”

The following steps were taken in 2019 in accordance with the Programme:

— at the initiative of the Board of Directors, with the goal of streamlining the bodies involved in the Company’s control and audit system, and by decision of the Extraordinary General Shareholders’ Meeting of 25 February 2019, MMK’s Audit Commission was phased out, and its functions were assigned to MMK’s Internal Audit Department; the necessary amendments were made to MMK’s Charter and bylaws;
corporate procedures were improved, including those related to succession and the selection of candidates for the Board of Directors, preparation of materials for meetings of the Board of Directors, and the use of electronic technologies in the work of the Board of Directors (the necessary amendments were made to the Charter and bylaws);

— a practice was introduced whereby a preliminary discussion is held within the Nominations and Remuneration Committee about the requirements for candidates for the Board of Directors and criteria for their evaluation based on ongoing challenges facing the Company;

— open discussions (strategic sessions) were held on a regular basis involving independent directors concerning the implementation of the Company’s portfolio of strategic initiatives and its KPI system;

— a provision was added to the Regulation on the Board of Directors of PJSC MMK and to the Company’s Charter authorising the Board of Directors — in addition to issues proposed by shareholders for inclusion on the agenda of the General Shareholders’ Meeting, and in addition to candidates proposed by shareholders for the formation of a particular body — to include issues on the agenda of the General Shareholders’ Meeting and/or candidates on the list of candidates for voting in elections to the relevant body of the Company at their discretion;

— a new Board of Directors Committee on Occupational Health, Industrial Safety and the Environment was created;

— the Company’s bylaws were updated, including (in addition to the above) the Regulation on the General Shareholders’ Meeting of PJSC MMK; the Management Board, of PJSC MMK; the Regulation on the Sole Executive Body, the CEO, of PJSC MMK; the Code of Corporate Governance of PJSC MMK; the Regulation on Committees of the Board of Directors of PJSC MMK; the Regulation on the Payment of Remuneration and Compensation for Expenses to Members of the Board of Directors of PJSC MMK; the Regulation on the Social Policy of PJSC MMK.

The Company pays particular attention to issues of sustainable development, and its ESG reporting system is currently being improved.

ONLINE SERVICE FOR SHAREHOLDERS

In accordance with a decision of MMK’s management in 2017, the Company’s shareholders were granted free access to the Shareholder Dashboard STATUS Online information system. A link to the service is available on MMK’s public website at www.mmk.ru/contacts/corporate_secretary/.

The Shareholder Dashboard is a secure, multifunctional information service that shareholders can use for remote service and to take part in the Company’s corporate actions (e-voting at General Shareholders’ Meetings).

AWARDS AND ACHIEVEMENTS

During 14th National Director of the Year Award awards — based on the 2018–2019 corporate year — Victor Rashnikov was included among the “25 Best Board Chairmen”; Tav Morgan, Kirill Liovin and Valeriy Martsinovich were included among the “50 Best Independent Directors”; and Sergey Krivoshchekov was included among the “25 Best Corporate Governance Directors and Corporate Secretaries”.

MMK was included among the leaders in the Russian Union of Industrialists and Entrepreneurs’ annual sustainable development indices: “Responsibility and Openness” and “Sustainable Development Trajectory”.

The “Responsibility and Openness” index reflects the degree to which companies are prepared to publish information about themselves: the leaders in the index include 34 companies, including MMK, which was previously recognised for its high standards of information disclosure. MMK’s annual reports have, on more than one occasion, won competitions among Russian issuers, and the Company has, on a number of occasions, won a competition among corporate issuers that recognises companies for their proactive information disclosure policy. In 2019, the leaders in the “Sustainable Development Trajectory” index included 30 companies that demonstrated positive development, including MMK.
BRIEF DESCRIPTION OF MMK’S CORPORATE GOVERNANCE MODEL AND PRACTICES

GOVERNANCE STRUCTURE OF MMK:

Board of Directors

- Corporate Secretary
- Chairman of the Board of Directors
- Members of the Board of Directors (4 out of 10 are independent directors)

- Committee for Nominations and Remuneration (independent non-executive directors)
- Committee for Strategic Planning
- Committee for Corporate Governance, Industrial Safety and Ecology

Secretary of the Board of Directors

MMK’s Audit Commission was phased out by decision of the Extraordinary General Shareholders’ Meeting of 25 February 2019.
GENERAL SHAREHOLDERS’ MEETING

In accordance with PJSC MMK’s Charter, the General Shareholders’ Meeting is the Company’s supreme governing body.


The procedure for convening and holding General Shareholders’ Meetings is governed by the Regulation on the General Shareholders’ Meeting.

IN 2019, FOUR GENERAL SHAREHOLDERS’ MEETINGS WERE HELD:

The following issues were considered at the Extraordinary General Shareholders’ Meeting on 25 February 2019:

1. Amendments and additions to MMK’s Charter.
2. The formation of the sole executive body, MMK’s CEO.
3. The early termination of powers of members of MMK’s Audit Commission.
4. Recognition as invalid MMK’s Regulation on the Audit Commission of PJSC MMK.

The quorum at the meeting was 90.67% of the total number of votes of the Company’s outstanding ordinary shares.

On 31 May 2019, the Annual General Shareholders’ Meeting considered the following agenda items:

1. Approval of the annual report and annual accounting (financial) statements of MMK for 2018.
2. Distribution of profit, including payment (declaration) of dividends for the results of FY 2018.
3. Election of members of the MMK Board of Directors.
4. Approval of the MMK auditor.
5. Approval of the amount of remuneration and compensation paid to the members of the MMK Board of Directors.
6. Approval of new versions of the following MMK regulations governing the activities of its management bodies:
   — Approval of the Regulation on the General Shareholders’ Meeting of PJSC MMK;
   — Approval of the Regulation on the Board of Directors of PJSC MMK;
   — Approval of the Regulation on the Collegial Executive Body, the Management Board, of PJSC MMK;
   — Approval of the Regulation on the Sole Executive Body, the CEO, of PJSC MMK;
7. Payment of dividends on outstanding shares based on MMK’s results for Q1 2019.

The quorum at the meeting was 91.24% of the total number of votes of the Company’s outstanding ordinary shares.

On 27 September 2019, an Extraordinary General Shareholders’ Meeting was held with the following agenda:

1. Payment of dividends on outstanding shares based on MMK’s results for H1 2019.

The quorum at the meeting was 90.23% of the total number of votes of the Company’s outstanding ordinary shares.

On 27 December 2019, an Extraordinary General Shareholders’ Meeting was held with the following agenda:

1. Payment of dividends on outstanding shares based on MMK’s results for H1 2019.

The quorum at the meeting was 89.79% of the total number of votes of the Company’s outstanding ordinary shares.
INDEPENDENT DIRECTORS

At the Annual General Shareholders’ Meeting on 31 May 2019, three independent directors were elected to the Board of Directors — Valeriy Martsinovich, Tav Morgan and Nikolay Nikiforov — who meet all independence criteria in accordance with the requirements of the Moscow Exchange and the Corporate Governance Code recommended by the Bank of Russia.

On 31 May 2019, the Board of Directors, guided by paragraph 2.18(2) of Annex 2 and by Annex 4 to the Listing Rules of Moscow Exchange, named Kirill Liovin to the Board of Directors as independent director. Thus, MMK’s Board of Directors has four independent directors.

INDEPENDENT DIRECTORS

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The independent directors play an important role in the Company. Thanks to their qualifications, experience and constructive criticism, the Board of Directors, when considering agenda items, takes more informed decisions. The independent directors played a major role in the improvement of the Strategic Development Plan for MMK Group for the period until 2025 and in the assessment of its performance, in the formation of KPIs and assessments of the activities of executive bodies, in the assessment of the performance of the risk management and internal control system, as well as in the assessment of the Company’s performance in terms of industrial and environmental safety.

The election of members of the Board of Directors is carried out by cumulative voting.

Meetings of the Board of Directors are convened by the Chairman of the Board of Directors and held both in person and in the form of absentee voting. The operation of the Board of Directors is governed by the Regulation on the Board of Directors of MMK.

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COMPOSITION OF THE BOARD OF DIRECTORS

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Meetings of the Board of Directors are convened by the Chairman of the Board of Directors and held both in person and in the form of absentee voting. The operation of the Board of Directors is governed by the Regulation on the Board of Directors of MMK.
Information about changes in membership of the Board of Directors in 2019

Ruben Aganbegyan and Kirill Liovin left the Board of Directors, and Andrey Eremin and Nikolay Nikiforov joined the Board of Directors.

Functions of the Chairman of the Company’s Board of Directors

Pursuant to Article 8 of the Regulation on the Board of Directors of PJSC MMK, the following functions of the Chairman of the Company’s Board of Directors were approved by General Shareholders’ Meeting Decision No 54 of 31 May 2019.

COMMITTEES OF THE BOARD OF DIRECTORS

To improve the efficiency of the Board of Directors’ work and its resolutions, MMK has established the following four committees:

— Audit Committee;
— Nominations and Remuneration Committee;
— Strategic Planning Committee;

The work of the committees is governed by the Regulation on the Committees of PJSC MMK:

The committees submit performance reports to the Board of Directors not later than 30 business days before the date of the Annual General Shareholders’ Meeting.

*** Victor Rashnikov
Ruben Aganbegyan* 5
Andrey Eremin** 4
Nikolai Lyadov* 3
Kirill Liovin*** 9
Valeriy Martsinovich*** 5
Tar Morgan*** 9
Nikolay Nikiforov** 4
Oleg Rashnikov
Andrey Eremin
Sergey Shilokov
Pavel Shilyaev

* Ruben Aganbegyan and Nikolai Lyadov were members of MMK’s Board of Directors until 31 May 2019.
** Andrey Eremin and Nikolay Nikiforov became members of MMK’s Board of Directors on 31 May 2019.
*** Kirill Liovin was a member of the Board of Directors Strategic Planning Committee until 31 May 2019, and he has been a member of the Board of Directors Nominations and Remuneration Committee since 31 May 2019.
Valeriy Martsinovich was a member of the Board of Directors Audit Committee until 31 May 2019.
Tar Morgan was a member of the Board of Directors Nominations and Remuneration Committee until 31 May 2019.
Corporate governance

AUDIT COMMITTEE

Committee Functions
- Monitoring the completeness, accuracy and reliability of the accounting (financial) statements and consolidated financial statements.
- Preparing recommendations for the Board of Directors on the selection of candidates for the external auditor and on remuneration for the auditor's services.
- Discussing together with the external auditor draft review, conclusions of the audit of the interim consolidated financial statements and of the financial statements for the year.
- Preliminary consideration of issues related to improving the principles and approaches to the Company's organizational structure of internal audit, the internal control system, and the risk management system.
- Monitoring the reliability and performance of the internal control system and the integrated risk management system, and evaluating (assessing) the performance of both systems.
- Approving the charter of the Audit Committee and the performance of the work of the Audit Department and communication with the head of the internal audit department.
- Other functions.

Committee members 2019 2019
Chairman Kirill Livako (independent director) Vitaly Martynovich (independent director)
Committee members: Pavel Shilyaev (independent director) Olga Rashnikova (independent director) Sergei Ushakov (independent director)

NOMINATIONS AND REMUNERATION COMMITTEE

Committee Functions
- Determining the criteria for selecting candidates for the Board of Directors and for the position of CEO, and also for the Board of Directors and members of the Board of Directors and for the position of QOS, and for the inclusion of candidates on the list of candidates for voting in elections for the Board of Directors and for the position of CEO.
- Determination of the criteria for selecting candidates for the Board of Directors and for the position of CEO, including determination of the minimum amount of remuneration and/or compensation paid to candidates in cash.
- Preliminary assessment of candidates for the Board of Directors and for the position of CEO and for the inclusion of candidates on the list of candidates for voting in elections for the Board of Directors and for the position of CEO.
- Preliminary assessment of the compliance of candidates for the Board of Directors and members of the Board of Directors and independent directors with the requirements of the Law of the Russian Federation "On the Rights and Obligations of Directors and Members of the Board of Directors" (the "Director's Law").
- Preliminary consideration of issues related to improving the principles and approaches to the Company's organizational structure of internal audit, the internal control system, and the risk management system.
- Conducting an annual detailed formal self-assessment or an internal audit assessment of the performance of the Board of Directors, its members and committees; determining the results of the self-assessment and preparing a report on the results of the self-assessment.
- Submission of a report to the CEO and the Board of Directors and for the inclusion in the annual report.
- The amount of remuneration and/or compensation paid to members of the Board of Directors.
- Approval of option programmes and company-wide key performance indicators (KPIs).
- Preliminary consideration of long-term plans, programmes, policies and the priority areas of activity of the Company and the Group's companies, the area of personnel policy.
- Other functions.

Committee members 2019 2019
Chairman Kirill Livako (independent director) Vitaly Martynovich (independent director)
Committee members: Pavel Shilyaev (independent director) Olga Rashnikova (independent director) Sergei Ushakov (independent director)

CORPORATE GOVERNANCE AND THE ENVIRONMENT COMMITTEE

Committee Functions
- Determination of the strategic goals of the Company and the Group.
- Monitoring the implementation of the strategy: developing recommendations for the Board of Directors on the implementation of the strategy; determining the criteria for assessing the implementation of the strategy, involving the external auditor in the implementation of the strategy and overseeing the implementation of the strategy.
- Determination of the Company and the Group's priority areas of activity.
- Review of the performance of the Board of Directors and the Chief Executive Officer in terms of occupational health and safety.
- Consideration of issues related to the improvement of measures aimed at improving the OHS management system; in accordance with decisions taken by the Board of Directors.
- Preparation of recommendations for the Board of Directors on the approval of long-term plans, programmes, policies and the priority areas of activity of the Company and the Group's companies, the area of personnel policy.
- Other functions.

Committee members 2019 2019
Chairman Victor Radkevich Tax Morgas (independent director)
Key issues:
- The performance of the economic security system within MMK and MMK Group.
- The performance of the quality systems within MMK and MMK Group.
- The conclusion of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS and IFRS).
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with IFRS).
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS).
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2018.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2019.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2020.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2021.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2022.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2023.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2024.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2025.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2026.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2027.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2028.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2029.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2030.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2031.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2032.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2033.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2034.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2035.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2036.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2037.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2038.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2039.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2040.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2041.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2042.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2043.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2044.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2045.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2046.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2047.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2048.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2049.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2050.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2051.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2052.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2053.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2054.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2055.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2056.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2057.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2058.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2059.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2060.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2061.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2062.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2063.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2064.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2065.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2066.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2067.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2068.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2069.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2070.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2071.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2072.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2073.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2074.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2075.
- The draft report of the auditor, JSC PricewaterhouseCoopers Audit, on its audit of MMK's consolidated financial statements (in accordance with RAS) for 2076.
Víctor Rashnokov (born in 1948) — Chairman of the PJSC MMK Board of Directors; Russian citizen; since 1993, member of the Board of Directors; since 1999, President of the Metallurgie ice Hockey Club; since 2005, member of the Board of Directors of the World Steel Association; since 2008, member of the Board of Directors of the LLC Continental Hockey League; since 2011, Chairman of the Board of Directors; since 2012, Deputy General Director (part-time) of the LLC Continental Hockey League; since 2011, member of the Board of Directors of PJSC PIK OJSC (former Yuzhny Zavod); since 2009, member of the Supervisory Board of the Ruskaya Stal metallurgical association; a member of the Management Board of the Russian Union of Industrialists and Entrepreneurs national association of employers; President of the Union of Industrialists and Entrepreneurs Chelyabinsk regional public organisation and of the Russian Union of Industrialists and Entrepreneurs Chelyabinsk regional association of employers.

Education: Graduate of the Magnitogorsk Academy of Mining and Metallurgy in Metallurgical Engineering (1974), Graduate of the Magnitogorsk Institute of Economics and Management of Scientific Research and Design. Recognised as an independent member of the Board of Directors of PJSC MMK (Board of Directors decision of 31 May 2019, minutes No 1).

Holds no shares of PJSC MMK.

Valery Martsinovich (born in 1968) — Deputy Chairman of the PJSC MMK Board of Directors; Russian citizen; since 2008, member of the Board of Directors; since 2011, member of the Board of Directors of LLC RSHB Asset Management. Member of the Board of Directors of OJSC Belgazprombank; since 2017, member of the Board of Directors of LLC RSHB Life Insurance and Chairman of the Board of Directors of LLC RSHB Insurance. Since 2019, Chairman of the Board of Directors of LLC RSHB Factoring.

Education: Graduate of the Moscow Aviation Institute in Economics and Management of Scientific Research and Design. Recognised as an independent member of the Board of Directors of PJSC MMK (Board of Directors decision of 31 May 2019, minutes No 1).

Holds no shares of PJSC MMK.

Kirill Lisiev (born in 1982) — Chairman of the Board of Directors of LLC Continental Hockey League; since 2016, member of the Board of Directors. Member of the Board of Directors of PJSC MMK; since 2019, non-executive director; since 2017, member of the Board of Directors of PJSC MMK; since 2016, member of the Board of Directors of LLC RSHB Asset Management. Member of the Board of Directors of LLC RSHB Life Insurance and Chairman of the Board of Directors of LLC RSHB Factoring.

Education: Graduate of the Moscow Aviation Institute in Economics and Management of Scientific Research and Design. Recognised as an independent member of the Board of Directors of PJSC MMK (Board of Directors decision of 31 May 2019, minutes No 1).

Holds no shares of PJSC MMK.

GROUP; since 2012, Deputy General Director (part-time) of JSC Polymetal; since 2011, member of the Board of Directors of PJSC MMK. Since 2013, member of the Board of Directors of LLC Continental Hockey League; since 2009, member of the Supervisory Board of the Ruskaya Stal metallurgical association; a member of the Management Board of the Russian Union of Industrialists and Entrepreneurs national association of employers; President of the Union of Industrialists and Entrepreneurs Chelyabinsk regional public organisation and of the Russian Union of Industrialists and Entrepreneurs Chelyabinsk regional association of employers.

Education: Graduate of the Magnitogorsk Institute of Mining and Metallurgy in Metallurgical Engineering (1994), graduate of the Magnitogorsk Academy of Mining and Metallurgy in management (1993), PhD, Professor.

Holds no shares of PJSC MMK.

Andrey Eremin (born in 1972) — Director for Economics, PJSC MMK; Russian citizen; since 31 May 2019, member of the Board of Directors of PJSC MMK; since 2015, member of the Board of the Maltburg Charitable Fund; since 2016, member of the Board of Maltburg Hockey Club. Education: State Academy of Management with a degree in Economics and Management in the Metallurgical industry (1995); Academy of National Economy under the Government of the Russian Federation, Euromanagement MBA (2007).

Holds 114,700 shares (0.0010%) of PJSC MMK.

Tatiana Chornovalova (born in 1967) — non-executive director; since 2005, member of the Board of Directors of PJSC MMK. Since 2019, member of the Board of Directors of LLC Continental Hockey League; since 2017, member of the Board of Directors of PJSC MMK; since 2014, member of the Board of Directors of PJSC MMK. Since 2015, a member of the Board of Directors. Member of the Board of Directors of LLC RSHB Factoring.

Education: Graduate of the Moscow Aviation Institute in Economics and Management of Scientific Research and Design. Recognised as an independent member of the Board of Directors of PJSC MMK (Board of Directors decision of 31 May 2019, minutes No 1).

Holds no shares of PJSC MMK.

Nikolay Nikiforov (born in 1982) — Chairman of the Board of Directors of LLC Continental Hockey League; since 2017, member of the Board of Directors of PJSC MMK; since 2014, member of the Board of Directors of PJSC MMK. Since 2008, member of the Board of Directors; since 2014, non-executive director; since 2017, member of the Board of Directors of the U.S.-Russia Business Council (USRBC); since 2019, alternative member of the Board of Directors of USRBC.

Education: Graduate of Yale University, Bachelor of Arts in Political Science and International Relations; St Antony’s College, Oxford University, Master in Russian and East European Economics and Law. Meets the criteria of independence specified in PJSC MMK’s bylaws.

Holds no shares of PJSC MMK.

Valery Martishinov (born in 1973) — Strategic Director at Hay Group LLC for rapidly emerging markets in the European cluster; citizen of Poland; since 2014, member of the Board of Directors of PJSC MMK. Since 2008, member of the Board of Directors; since 2014, non-executive director; since 2017, member of the Board of Directors of PJSC MMK. Since 2015, a member of the Board of Directors. Member of the Board of Directors of LLC RSHB Factoring.

Education: Graduate of the Moscow Aviation Institute in Economics and Management of Scientific Research and Design. Recognised as an independent member of the Board of Directors of PJSC MMK (Board of Directors decision of 31 May 2019, minutes No 1).

Holds no shares of PJSC MMK.

Kazimieras Bijužskis (born in 1958) — Deputy Chairman and General Director of LLC Continental Hockey League; since 2005, member of the Board of Directors; since 2011, member of the Board of Directors of JSC Polymetal; since 2009, member of the Supervisory Board of the Ruskaya Stal metallurgical association; a member of the Management Board of the Russian Union of Industrialists and Entrepreneurs national association of employers; President of the Union of Industrialists and Entrepreneurs Chelyabinsk regional public organisation and of the Russian Union of Industrialists and Entrepreneurs Chelyabinsk regional association of employers.

Education: Graduate of the Magnitogorsk Institute of Mining and Metallurgy in Metallurgical Engineering (1994), graduate of the Magnitogorsk Academy of Mining and Metallurgy in management (1993), PhD, Professor.

Holds no shares of PJSC MMK.

Nikolay Nikiforov (born in 1982) — Chairman of the Board of Directors of LLC Continental Hockey League; since 2017, member of the Board of Directors of PJSC MMK; since 2014, member of the Board of Directors of PJSC MMK. Since 2008, member of the Board of Directors; since 2014, non-executive director; since 2017, member of the Board of Directors of the U.S.-Russia Business Council (USRBC); since 2019, alternative member of the Board of Directors of USRBC.

Education: Graduate of Yale University, Bachelor of Arts in Political Science and International Relations; St Antony’s College, Oxford University, Master in Russian and East European Economics and Law. Meets the criteria of independence specified in PJSC MMK’s bylaws.

Holds no shares of PJSC MMK.

Nikolay Nikiforov (born in 1982) — Chairman of the Board of Directors of LLC Continental Hockey League; since 2017, member of the Board of Directors of PJSC MMK; since 2014, member of the Board of Directors of PJSC MMK. Since 2008, member of the Board of Directors; since 2014, non-executive director; since 2017, member of the Board of Directors of the U.S.-Russia Business Council (USRBC); since 2019, alternative member of the Board of Directors of USRBC.

Education: Graduate of Yale University, Bachelor of Arts in Political Science and International Relations; St Antony’s College, Oxford University, Master in Russian and East European Economics and Law. Meets the criteria of independence specified in PJSC MMK’s bylaws.

Holds no shares of PJSC MMK.

Nikolay Nikiforov (born in 1982) — Chairman of the Board of Directors of LLC Continental Hockey League; since 2017, member of the Board of Directors of PJSC MMK; since 2014, member of the Board of Directors of PJSC MMK. Since 2008, member of the Board of Directors; since 2014, non-executive director; since 2017, member of the Board of Directors of the U.S.-Russia Business Council (USRBC); since 2019, alternative member of the Board of Directors of USRBC.

Education: Graduate of Yale University, Bachelor of Arts in Political Science and International Relations; St Antony’s College, Oxford University, Master in Russian and East European Economics and Law. Meets the criteria of independence specified in PJSC MMK’s bylaws.

Holds no shares of PJSC MMK.

Nikolay Nikiforov (born in 1982) — Chairman of the Board of Directors of LLC Continental Hockey League; since 2017, member of the Board of Directors of PJSC MMK; since 2014, member of the Board of Directors of PJSC MMK. Since 2008, member of the Board of Directors; since 2014, non-executive director; since 2017, member of the Board of Directors of the U.S.-Russia Business Council (USRBC); since 2019, alternative member of the Board of Directors of USRBC.

Education: Graduate of Yale University, Bachelor of Arts in Political Science and International Relations; St Antony’s College, Oxford University, Master in Russian and East European Economics and Law. Meets the criteria of independence specified in PJSC MMK’s bylaws.

Holds no shares of PJSC MMK.
Sergey Ushakov (born in 1969) — Deputy CEO for Sales of PJSC MMK; Russian citizen; since 2017, member of the Board of Directors of PJSC MMK; from 2015 to 23 May 2019, member of the Management Board of PJSC MMK.

Education: Nosov Magnitogorsk State Technical University, Metallurgy (2017).

Holds 159,500 shares (0.0014%) of PJSC MMK.

Pavel Shilyaev (born in 1970) — CEO of PJSC MMK; Russian citizen; since 2014, member of the Board of Directors of PJSC MMK; since 2012, member of the Management Board of PJSC MMK; since 2017, member of the Board of Directors of JSC Credit Ural Bank; since 2018, member of the Management Board of the Central Clinical Occupational Health Facility.


Holds 360,900 shares (0.0032%) of PJSC MMK.

In accordance with the Federal Law on Joint Stock Companies, the Board of Directors performs general management of the Company, ensures the rights of shareholders, determines the Company's development strategy, and takes decisions on the Company’s financial and business issues and other matters stipulated by law and the Company’s Charter.

On 28 September 2018, the Board of Directors approved the Programme for Improvement of PJSC MMK’s Corporate Governance to 2020. All measures that had a deadline in 2019 were implemented.

All the activities of the Board of Directors and the Company in the reporting year were transparent to shareholders and other interested parties, and information about said activities has been disclosed appropriately and in full.

1. Strategic management:
   — implementation of strategic initiatives in priority areas identified and approved in MMK Group’s Strategic Development Plan for the period until 2025;
   — the results of the implementation of key performance indicators in 2018 and approval of company-wide key performance indicators for 2019 and 2020;
   — forecast of the results of the implementation of key performance indicators in 2019.

2. Corporate governance:
   — preparations for MMK’s Annual General Shareholders’ Meeting and the MMK’s Extraordinary General Shareholders’ Meetings;
   — organisation of the activities of the Board of Directors, including issues related to the establishment of Board committees and approval of the Work Plan for the Board of Directors of PJSC MMK for 2019–2020; The Board created a new Occupational Health, Industrial Safety and the Environment Committee on 29 May 2019;
   — implementation of strategic initiatives in priority areas identified and approved in MMK Group’s Strategic Development Plan for the period until 2025;
   — the results of the implementation of key performance indicators in 2018 and approval of company-wide key performance indicators for 2019 and 2020;
   — forecast of the results of the implementation of key performance indicators in 2019.
Implementation of OJSC MMK’s Dividend Policy: recommendations of the Board of Directors to Extraordinary General Shareholders’ Meetings on the amount and payment procedure for dividends on ordinary shares of OJSC MMK based on the results of Q1, H1 and 9M 2019;

assessment of the activities of MMK’s Board of Directors, Board members and Board committees;

recognition of members of MMK’s Board of Directors as independent;

the formation of MMK’s collegial executive body: the Management Board;

risk management, internal control and internal audits at MMK;

the performance of risk management within MMK and MMK Group in 2018;

MMK’s risk management system in 2019; analysis (assessment) of the performance of the integrated risk management system within MMK;

the internal control system at MMK and MMK Group in 2018; assessment of its performance;

the internal control system in 2019; analysis (assessment) of the performance of the functioning of the internal control system within MMK;

recommendations of MMK’s Board of Directors to the sole executive body, MMK’s CEO, on candidates for appointment to the post of head of MMK’s Internal Audit Department;

approval of new editions of MMK’s bylaws, including:

• Regulation on Insider Information of PJSC MMK;
• Regulation on Committees of the Board of Directors of PJSC MMK;
• Regulation on the Dividend Policy of PJSC MMK;
• Social Policy of PJSC MMK;

recognition of the following as invalid:

• Regulation on Independent Directors of OJSC MMK;
• Regulation on Material Corporate Actions of OJSC MMK;
• Regulat ion on Affiliates of OJSC MMK;

decision-making on transactions, including transactions made in the ordinary course of business within MMK, whose value is more than 10% of MMK’s book value as determined by its financial statements as of the last reporting date, as well as the approval of transactions related to the disposal of immovable property regardless of the value of the transaction;

3. Budgeting and financing activities:

• analysis of the results of the financial and economic activities of MMK and MMK Group in terms of key performance indicators for the period compared with MMK’s major peers and approval of the financial plan (budget) for MMK and MMK Group for FY 2020;

• MMK’s activities for various periods in 2019.

In addition, the Board of Directors considered issues related to the implementation and approval of its priority areas of business:

• MMK and MMK Group’s Procurement Policy in 2018 and approval of the main aspects of MMK and MMK Group’s Procurement Policy for 2019;
• MMK and MMK Group’s Human Resources Policy in 2018 and approval of the main aspects of MMK and MMK Group’s Human Resources Policy for 2019;
• MMK and MMK Group’s Sales Policy in 2019 and the approval of the main aspects of MMK and MMK Group’s Sales Policy for 2020;
• investor relations in 2018 and 2019 and approval of the priority aspects of investor relations for 2019 and 2020;
• the functioning of MMK and MMK Group’s economic security system in 2018;
• MMK Group’s borrowing and placement of funds in 2018 and approval of the main aspects of MMK Group’s borrowing and placement of funds for 2019;
• implementation of MMK’s Environmental Programme in 2019 and MMK Group’s Environmental Policy in 2019;
• cybersecurity as one of MMK’s priority areas of activity.
On 28 September 2018, the Board of Directors approved the Programme for Improvement of PJSC MMK’s Corporate Governance to 2020. All measures that had a deadline in 2019 were implemented.

On 13 November 2019, a new Regulation on the Dividend Policy of PJSC MMK was approved by decision of MMK’s Board of Directors (minutes No 8). MMK’s Dividend Policy is based on shareholders’ interests and the Company’s requirements for further growth and technological upgrades.

In 2019, the Russian Institute of Directors confirmed MMK’s national corporate governance score at 7++ (developed corporate governance practice) on the National Corporate Governance Rating scale.

The Company has two executive bodies: the collegial executive body, the Management Board; and the sole executive body, the CEO. The activities of the executive bodies are governed by the Regulation on the Collegial Executive Body, the Management Board; and the Regulation on the Sole Executive Body, the CEO.

The executive bodies regularly report at meetings of the Board of Directors in accordance with the approved Board of Directors operating plan. The remit of the Company’s management bodies is set forth in MMK’s Charter.

On 28 September 2018, the Board of Directors approved the Programme for Improvement of PJSC MMK’s Corporate Governance to 2020. All measures that had a deadline in 2019 were implemented.

ON 28 SEPTEMBER 2018, THE BOARD OF DIRECTORS APPROVED THE PROGRAMME FOR IMPROVEMENT OF PJSC MMK’S CORPORATE GOVERNANCE TO 2020. ALL MEASURES THAT HAD A DEADLINE IN 2019 WERE IMPLEMENTED.


Pavel Shilyaev (born in 1970) — CEO of PJSC MMK; Russian citizen; since 2014, member of the Board of Directors of PJSC MMK and Chairman of the Management Board of PJSC MMK; since 2012, member of the Management Board of PJSC MMK; since 2017, member of the Board of Directors of JSC Credit Ural Bank; since 2018, member of the Management Board of the Central Clinical Occupational Health Facility.

Education: Chelyabinsk State Technical University, degree in Electric Drive and Industrial Automation (1992). In 2006, he completed courses in performance management at the Stockholm School of Economics in Russia (St Petersburg).

Candidate of Engineering Sciences (2010). Holds 360,900 shares (0.0032%) of PJSC MMK.

INFORMATION ON MMK’S MANAGEMENT BOARD

MMK’s collegial executive body, the Management Board, directs the Company’s day-to-day activities in accordance with its remit as specified in MMK’s Charter and the regulations approved by the General Shareholders’ Meeting. In 2019, the Management Board held 33 meetings, which considered the following issues:

— analysis of the results of MMK Group’s financial and business activities;
— key figures related to MMK Group’s budget;
— performance reports by MMK Group companies on their production, financial and economic activities;
— business processes within MMK Group by areas of activity;
— implementation of programmes of measures for strategic initiatives;
— approval of the Company’s representatives and instructions for the Company’s representatives within MMK Group companies.

INFORMATION ON THE CORPORATE SECRETARY

Pavel Chereshenkov (born in 1971) — Corporate Secretary of PJSC MMK since 2017; Russian citizen; has been working in the Office of the Corporate Secretary since 2005.

Education: Magnitogorsk Mining and Metallurgical Institute (1993), metallurgical engineer; Urals Public Administration Academy (1997), economist-manager. Owns 400 shares (0.000004%) of PJSC MMK
MANAGEMENT BOARD OF MMK (AS OF 31 DECEMBER 2019)

COMPOSITION OF THE MANAGEMENT BOARD

14 MEMBERS

Chairman

Pavel Shilyaev (born in 1970) — Member of the Management Board since 2012; holds 360,900 shares (0.0032%) of PJSC MMK.

Members of the Management Board

Andrey Eremin (born in 1972) — Director for Economics; member of the Management Board since 2012. Holds 114,700 shares (0.0010%) of PJSC MMK.

Oleg Kiykov (born in 1961) — Director for Human Resources; member of the Management Board since 2012. Holds 52,000 shares (0.0005%) of PJSC MMK.

Pavel Kirovchenko (born in 1975) — Head of Logistics; member of the Management Board since 2016. Holds 113,100 shares (0.001%) of PJSC MMK.

Sergey Kirovchenko (born in 1960) — Director for Corporate Matters and Social Programme; member of the Management Board since 2016.

Aleney Kuznetsov (born in 1977) — Head of Sales in the Russian Federation; member of the Management Board since 2016.

Aleksandr Kuznetsov (born in 1977) — Commercial Director; member of the Management Board since 2016.

Maksim Kuznetsov (born in 1966) — Head of the Financial Resources Department; member of the Management Board since 2016.

Vladimir Kuznetsov (born in 1970) — Deputy CEO for External Communications; member of the Management Board since 2016.

Sergey Korobov (born in 1964) — Director of Security; member of the Management Board since 2016.

Valery Korobov (born in 1964) — Chief Information Technology Specialist; member of the Management Board since 2016.

Sergey Kabannik (born in 1994) — Chief Legal Officer; member of the Management Board since 2012. Holds 63,200 shares (0.0006%) of PJSC MMK.

Grigory Kharitonov (born in 1996) — Director of Occupational Health, Industrial Safety and the Environment; member of the Management Board since 2016. Holds 10,600 shares (0.0001%) of PJSC MMK.

INFORMATION ABOUT TRANSACTIONS FOR THE ACQUISITION OR DISPOSAL OF SHARES OF PJSC MMK EFFECTED BY THE PERSON PERFORMING THE FUNCTIONS OF THE COMPANY’S SOLE EXECUTIVE BODY, MEMBERS OF THE MANAGEMENT BOARD AND/OR MEMBERS OF THE BOARD OF DIRECTORS.

<table>
<thead>
<tr>
<th>FULL NAME</th>
<th>JOB TITLE</th>
<th>TRANSACTION DATE</th>
<th>SUBJECT OF TRANSACTION</th>
<th>TYPE (CATEGORY) OF SHARES</th>
<th>NUMBER OF SHARES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pavel Shilyaev</td>
<td>CEO of PJSC MMK</td>
<td>15 February 2019</td>
<td>Acquisition of shares</td>
<td>Registered ordinary shares</td>
<td>25,100</td>
</tr>
<tr>
<td>Nikolai Lyadov</td>
<td>Member of the PJSC MMK Board of Directors</td>
<td>4 March 2019</td>
<td>Acquisition of shares</td>
<td>Registered ordinary shares</td>
<td>100</td>
</tr>
<tr>
<td>Sergey Ushakov</td>
<td>Member of the PJSC MMK Board of Directors</td>
<td>24 December 2019</td>
<td>Disposal of shares</td>
<td>Registered ordinary shares</td>
<td>1,400</td>
</tr>
</tbody>
</table>

*Sergey Ushakov was a member of the Management Board until 23 May 2019.*
In 2019, the amount of remuneration and compensation of expenses for members of PJSC MMK’s Board of Directors totalled RUB 62,586.7 thousand, including RUB 61,543 thousand for remuneration for participation in the activities of the Company’s governing bodies and RUB 1,615.7 thousand for compensation of expenses.

Remuneration Board members, during the period in which they perform their duties as a member of the Board of Directors (travel expenses, including accommodations; communication and mail expenses).

In their activities, the Internal Audit Department and specialised internal audit divisions are guided by:

- the staff of MMK’s Internal Audit Department, which includes six people and is led by the department head, who is also the head of MMK Group’s Internal Audit Service;
- specialised internal audit divisions within MMK Group companies, which have a total of 14 staff members.

The Head of the Internal Audit Service exercises direct control over the Internal Audit Department and is functionally in charge of the specialised internal audit divisions. Centralised management of the internal audit function facilitates a common approach and the alignment of activities within the MMK Group, while also ensuring effective information exchange and the application of best practices developed by MMK Group’s internal auditors.

The Head of the Internal Audit Service reports functionally to the Board of Directors Audit Committee and administratively to the CEO. The existing reporting lines for the head of the Internal Audit Service ensure sufficient independence to enable performance of the functions assigned to internal audit.

Internal audits provide sound, independent, objective guarantees and consultations for the purpose of improving the performance of MMK Group companies:

- they perform their duties as members of PJSC MMK’s Board of Directors, are not paid a separate fee and do not receive compensation for expenses as members of the Board.
- Management Board members, during the period in which they perform their duties as members of MMK’s Management Board, are paid wages for the performance of their official duties at PJSC MMK. Remuneration (wages) of the CEO of PJSC MMK and of the top managers includes their monthly salary, a regional pay adjustment and an annual bonus.

Remuneration for the members of the Management Board for 2019 amounted to RUB 358,847.7 thousand, including an annual bonus in the amount of RUB 188,836.1 thousand.

The AUDIT COMMISSION OF PJSC MMK (PHASED OUT)

By decision of the Extraordinary General Shareholders’ Meeting of 25 February 2019, the Audit Commission was phased out (the necessary changes were made to the Charter, the powers of the members of the Audit Commission were terminated prior to the end of their term, and the Regulation on the Audit Commission of PJSC MMK was declared to be no longer in force).

INTERNAL AUDIT

Internal audits provide sound, independent, objective guarantees and consultations for the purpose of improving the performance of MMK Group companies:

- they perform their duties as members of PJSC MMK’s Board of Directors, are not paid a separate fee and do not receive compensation for expenses as members of the Board.
- Management Board members, during the period in which they perform their duties as members of MMK’s Management Board, are paid wages for the performance of their official duties at PJSC MMK. Remuneration (wages) of the CEO of PJSC MMK and of the top managers includes their monthly salary, a regional pay adjustment and an annual bonus.

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INTERNAL AUDIT

Internal audits provide sound, independent, objective guarantees and consultations for the purpose of improving the performance of MMK Group companies:
The main results of the activities of the internal auditors in the Internal Audit Department and specialised internal audit divisions in 2019 are as follows:

— As of the end of 2019, there were specialised internal audit divisions operating in 10 MMK Group companies, providing them with all necessary internal audit services during the reporting period.

— According to the annual plan, audits were conducted at PJSC MMK, including seven unscheduled audits based on the results of risk monitoring.

— The internal auditors from MMK’s Internal Audit Department and specialised internal audit divisions also conducted audits of the main business processes and financial and economic activities at three MMK subsidiaries that do not have full-time internal auditors. Based on the results of a risk assessment, a decision was taken to bolster the control functions in one of the subsidiaries and to ensure a continuous internal audit function.

— Based on the results of audits, deviations/irregularities in the activities of MMK Group companies were identified, the control environment and root causes of the identified irregularities were analysed, and audit recommendations were developed and sent to the heads of the companies and MMK Group structural divisions regarding elimination of the identified irregularities.

The internal audit operating plan is developed on the basis of the results of a risk assessment for MMK Group along with information and requests received from MMK’s Board of Directors and executive bodies. The internal audit operating plan includes scheduled audits and other internal audit activities for the planning period, including the development and improvement of bylaws on internal audit, advanced training and others. MMK’s internal audit annual work plan is submitted to the Board of Directors Audit Committee and the CEO for approval. The annual plans for the specialised internal audit divisions are submitted for approval to the head of the Internal Audit Service and the heads of the individual companies.

As part of his work, the head of the Internal Audit Service prepares and submits to the Board of Directors Audit Committee reports on the results of internal audits within MMK Group, including:

— Information on significant risks, violations and irregularities in the internal control system;

— The results and assessment of the effectiveness of the implementation of internal audit proposals based on the results of audits in terms of eliminating identified irregularities;

— Results of the assessment of the actual state, reliability and performance of the risk management, internal control and corporate governance system.

In 2020, in addition to traditional tasks, the Company plans to make improvements in the internal audit function within MMK Group by improving methodological support for operations, including by organising work in new ways to complement the internal audit function within MMK Group companies. Also in 2020, an IT audit is planned for the first time, the results of which will be used to evaluate the performance of internal control systems in the process of managing access to the Company’s information systems and other processes related to the Company’s information security, managing changes in information systems, and asset management (including licences).
INFORMATION FOR SHAREHOLDERS AND INVESTORS
INFORMATION FOR SHAREHOLDERS AND INVESTORS

Information on the Company’s Registrar

CJSC Registrar Company STATUS (licence #10–000–1–00304, issued for an indefinite period on 12 March 2004 by the Federal Agency for Financial Markets) is responsible for maintaining PJSC MMK’s share register.

THE REGISTRAR’S REGISTERED OFFICE IS LOCATED AT:

Ul. Novokhokhlovskaya 23, Building 1, Moscow, 109052, Russian Federation, Ring Park Business Centre, Tel.: (495) 280–04–87.

E-mail: office@rostatus.ru

INFORMATION ON CHANGES IN EQUITY DURING THE YEAR

MMK’s authorised capital totals RUB 11,174,330,000 and is comprised of 11,174,330,000 ordinary registered shares with a par value of RUB 1 each. All shares are placed securities. The Company is entitled to place, in addition to those already placed, 26,299,840,577 ordinary shares with a par value of RUB 1 each (declared shares). Declared ordinary shares grant the same rights as placed ordinary shares.

As of 2 December 2019 (the date when the list of persons entitled to participate in the Extraordinary General Shareholders’ Meeting of 27 December 2019), the Company had 32,478 shareholders.

SHARE CAPITAL STRUCTURE AS OF 02 DECEMBER 2019:

<table>
<thead>
<tr>
<th>Name</th>
<th>Share, % of authorised capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mintha Holding Limited*</td>
<td>84.26%</td>
</tr>
<tr>
<td>The Bank of New York Mellon**</td>
<td>3.24%</td>
</tr>
<tr>
<td>Other</td>
<td>12.50%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

* The Chairman of PJSC MMK’s Board of Directors, Victor Rashnikov, is the beneficiary of Mintha Holding Ltd.
** The beneficiaries are owners of global depositary receipts traded on the London Stock Exchange.

MMK’s management is not aware of any shareholders holding over 5% of the Company’s shares other than those disclosed above.
REPORT ON THE PAYMENT OF ANNOUNCED (ACCRUED) DIVIDENDS ON MMK SHARES

The Board of Directors of MMK approved a new Regulation on the Dividend Policy of PJSC MMK on 13 November 2019 (Minutes No 8).

MMK’s dividend policy is based on shareholders’ interests and the Company’s requirements for further growth and technological upgrades.

In making recommendations on the size of dividends, the Board of Directors is guided by the following principles:

— provided that the net debt/EBITDA ratio calculated on the basis of the Company’s consolidated financial statements is below 1.0x, the amount allocated for dividend payment will generally be at least 100% of free cash flow calculated on the basis of MMK’s consolidated financial statements prepared in accordance with International Financial Reporting Standards;

— if the net debt/EBITDA ratio exceeds 1.0x, the amount allocated for dividend payment will generally be at least 50% of free cash flow, determined on the basis of consolidated financial statements of PJSC MMK prepared in accordance with International Financial Reporting Standards. Such indicators may include net profit, as reported in the Company’s IFRS consolidated financial statements, or net profit determined on the basis of financial statements of PJSC MMK prepared in accordance with Russian Accounting Standards.

The Regulation on the Dividend Policy can be found on MMK’s website at the following address: www.mmk.ru/corporate_governance/internal_documents/group_documents/

In 2019, dividends were declared quarterly by decisions of the General Shareholders’ Meeting:

1. On 8 February 2019, the Board of Directors recommended that MMK’s Annual General Shareholders’ Meeting approve a dividend payout based on the results for FY 2018 in the amount of RUB 1.398 per share.

2. On 30 April 2019, the Board of Directors recommended that an Extraordinary General Shareholders’ Meeting approve a dividend payout based on results for Q1 2019 in the amount of RUB 1.488 per share.

3. On 31 July 2019, the Board of Directors recommended that an Extraordinary General Shareholders’ Meeting approve a dividend payout based on results for H1 2019 in the amount of RUB 0.690 per share.

4. On 30 October 2019, the Board of Directors recommended that an Extraordinary General Shareholders’ Meeting approve a dividend payout based on results for 9M 2019 in the amount of RUB 1.650 per share.

MMK pays out (announces) dividends on an annual basis, and the Company aims to pay out dividends on a quarterly basis (based on the results of Q1, H1 and 9M of the reporting year) provided that its current financial position is stable.

In recommending the size of dividends, the Board of Directors may also use other indicators in addition to free cash flow determined on the basis of the consolidated financial statements of PJSC MMK prepared in accordance with International Financial Reporting Standards. Such indicators may include net profit, as reported in the Company’s IFRS consolidated financial statements, or net profit determined on the basis of financial statements of PJSC MMK prepared in accordance with Russian Accounting Standards.

On 31 May 2019, the Annual General Shareholders’ Meeting approved the payout of dividends in the amount recommended by the Board of Directors.

The dividends were paid in the term stipulated by law: to nominal holders and duly registered trust managers by 26 June 2019 and to other registered shareholders by 17 July 2019.

On 31 July 2019, the Annual General Shareholders’ Meeting approved the payout of dividends in the amount recommended by the Board of Directors.

The dividends were paid in the term stipulated by law: to nominal shareholders and duly registered trust managers by 29 October 2019 and to other registered shareholders by 20 November 2019.

On 30 October 2019, the Board of Directors recommended that an Extraordinary General Shareholders’ Meeting approve a dividend payout based on results for H1 2019 in the amount of RUB 1.650 per share.

On 27 December 2019, an Extraordinary General Shareholders’ Meeting approved the payout of dividends in the amount recommended by the Board of Directors.

The dividends were paid in the term stipulated by law: to nominal shareholders and duly registered trust managers by 29 January 2020 and to other registered shareholders by 19 February 2020.
DIVIDEND PAYOUTS FOR MMK SHARES OVER THE LAST FIVE YEARS*:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>BASIS YEAR</th>
<th>DIVIDEND AMOUNT PER SHARE, RUB</th>
<th>DIVIDENDS ACCRUED</th>
<th>DIVIDEND AS A PROPORTION OF IFRS NET PROFIT, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>(for 9M)</td>
<td>0.580</td>
<td>6,481,111.40 RUB ths</td>
<td>-118,283.13 USD ths</td>
</tr>
<tr>
<td>2015</td>
<td>(for H1 and FY)</td>
<td>0.890</td>
<td>9,945,153.70 RUB ths</td>
<td>36%151,812.49 USD ths</td>
</tr>
<tr>
<td>2016</td>
<td>(for H1 and FY)</td>
<td>1.962</td>
<td>21,924,035.46 RUB ths</td>
<td>34%374,907.78 USD ths</td>
</tr>
<tr>
<td>2017</td>
<td>(for H1, 9M and FY)</td>
<td>2.786</td>
<td>31,131,683.38 RUB ths</td>
<td>44%520,797.41 USD ths</td>
</tr>
<tr>
<td>2018</td>
<td>(for Q1, H1, 9M and FY)</td>
<td>5.902</td>
<td>65,950,895.66 RUB ths</td>
<td>76%1,007,352.85 USD ths</td>
</tr>
</tbody>
</table>

* A detailed report on the amount of dividends on shares of PJSC MMK can be found online at [http://mmk.ru/for_investor/shares/dividends/](http://mmk.ru/for_investor/shares/dividends/)

MMK SHARES

MMK shares are traded on the leading Russian stock exchange (MOEX) and are listed on the London Stock Exchange (LSE).

The Company’s authorised capital is divided into 11,744,330,000 ordinary registered shares with a par value of RUB 1 each. All shares are placed securities. The Company is entitled to place, in addition to those already placed, 26,299,840,577 ordinary shares with a par value of RUB 1 each (declared shares). Declared ordinary shares grant the same rights as placed ordinary shares.

GLOBAL DEPOSITARY RECEIPTS (GDRs)

GDRs are traded on the London Stock Exchange, where one GDR represents 13 ordinary shares.

The Company’s depositary bank is The Bank of New York Mellon.

STOCK MARKETS WHERE MMK’S SHARES AND GDRS ARE TRADED

<table>
<thead>
<tr>
<th>Stock Market</th>
<th>Issuer Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moscow Exchange</td>
<td>MAGN</td>
</tr>
<tr>
<td>LSE, London</td>
<td>MMK</td>
</tr>
</tbody>
</table>

IDENTIFICATION NUMBERS FOR MMK SECURITIES

- **CUSIP**: 921414002
  - Regulation S GDR 5591892048
  - Rule 144A GDR US5591891057
- **ISIN**: RU000A103151
  - Regulation S GDR US5591899059
  - Rule 144A GDR US559189906E


1 CUSIP (Committee on Uniform Security Identification Procedures) is an identification number assigned to shares that is used to facilitate record-keeping for exchange transactions.

2 ISIN (International Securities Identification Number) is an international share identification code.
### Information on MMK’s Ordinary Shares and GDRS

<table>
<thead>
<tr>
<th>MOSCOW EXCHANGE (RUB/SHARE)</th>
<th>LONDON STOCK EXCHANGE (USD/GDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td><strong>2019</strong></td>
</tr>
<tr>
<td>Maximum price</td>
<td>53.49</td>
</tr>
<tr>
<td>Minimum price</td>
<td>41.38</td>
</tr>
<tr>
<td>Price at the end of the year</td>
<td>43.04</td>
</tr>
<tr>
<td>Trading volume (million shares)</td>
<td>2,179</td>
</tr>
</tbody>
</table>

Source: LSE, Bloomberg

Source: MICEX, Bloomberg
The Company has received credit ratings from the leading rating agencies: Fitch, Moody’s, Standard and Poor’s.

MMK’s credit ratings were raised to investment level in 2019:
- 12 February 2019: Moody’s upgraded MMK’s credit rating from Baa3 to Baa2 with a stable outlook;
- 8 April 2019: Fitch upgraded MMK’s credit rating from BBB- to BBB with a stable outlook;
- 11 December 2019: S&P upgraded MMK’s outlook from stable to positive and confirmed the Company’s credit rating of BBB-.

<table>
<thead>
<tr>
<th>Fitch</th>
<th>Moody’s</th>
<th>S&amp;P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit rating</td>
<td>BBB</td>
<td>Baa2</td>
</tr>
<tr>
<td>Outlook</td>
<td>Stable</td>
<td>Stable</td>
</tr>
<tr>
<td>Date of update</td>
<td>8 April 2019</td>
<td>12 February 2019</td>
</tr>
</tbody>
</table>

Analysts from leading Russian and foreign banks, including Bank of America Merrill Lynch, Citigroup, Goldman Sachs, J.P. Morgan, Sberbank CIB and VTB Capital, regularly cover MMK’s activities.

For more information, please see the Company’s website: mmk.ru/for_investor/shares/analysts/
DIVIDEND POLICY


The Company’s updated dividend policy provides for the payment of dividends equal to at least 100% of free cash flow (FCF) for the relevant period provided that the Company’s net debt/EBITDA ratio is less than 1.0x. If the net debt/EBITDA ratio exceeds 1.0x, dividends will be paid out in an amount equal to at least 50% of FCF.

The Company pays out dividends on an annual basis, while striving to pay dividends on a quarterly basis.

For more information, please see the Company’s website: mmk.ru/for_investor/shares/dividends/

INVESTOR RELATION

One of the Company’s top priorities is to maintain open relations with investors and shareholders. The Company’s management maintains a dialogue with the investment community through presentations, regular meetings and participation in international conferences and conference calls to review the market situation and discuss the Company’s results.

During the year, several NDRs were organised in the EU, the United Kingdom and the United States, including with the participation of MMK’s CEO.

The Company held an Investor Day in London on 15 November 2019, an event that was met with appreciation on the part of the international investment community. During the year, more than 100 meetings were held with investors.

In order to make investment case to interested parties, the Company is constantly updating information on the latest changes and forecasts.

DISCLOSURE POLICY

The Company ensures that any material information is brought to the attention of all interested parties at the same time.

Information is disclosed primarily through the following channels:

- London Stock Exchange website: the Company shares information that could affect the price of its GDRs/shares.
- MMK website: the Company regularly updates information related to its activities and publishes press releases about its most important events, as well as financial and operating results.
- The Company publishes its Annual Report on its website every year.
- For more information, please see the Company’s website: ir@mmk.ru

GEOGRAPHICAL DISTRIBUTION OF MMK SHAREHOLDERS*

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rest of the World</td>
<td>44%</td>
</tr>
<tr>
<td>Russia</td>
<td>9%</td>
</tr>
<tr>
<td>Sweden</td>
<td>9%</td>
</tr>
<tr>
<td>United States</td>
<td>8%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2%</td>
</tr>
<tr>
<td>Rest of Europe</td>
<td>11%</td>
</tr>
<tr>
<td>** Including private investors:**</td>
<td></td>
</tr>
</tbody>
</table>

* % of shares in free float

For more information, please see the Company’s website: mmk.ru
PJSC MAGNITOGORSK IRON AND STEEL WORKS

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Chelyabinsk region
Russia 455000

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FAX:
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(call received round the clock)

E-MAIL:
inommk@mmk.ru