

Industrial metallurgical holding FY 2019 IFRS Financial Results



27.03.2020

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BASIC HIGHLIGHTS

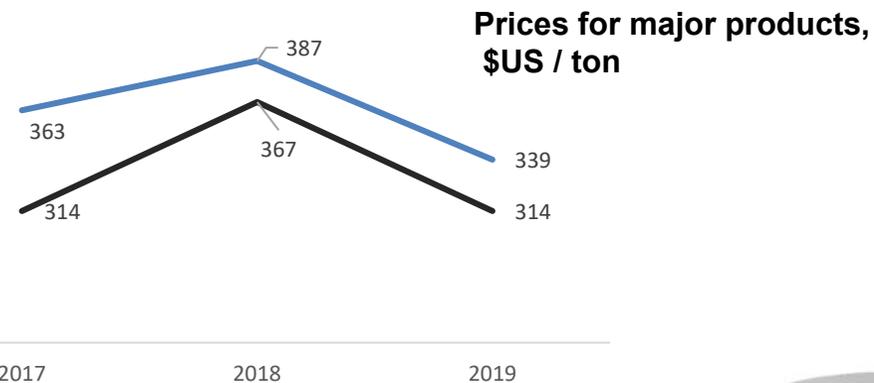
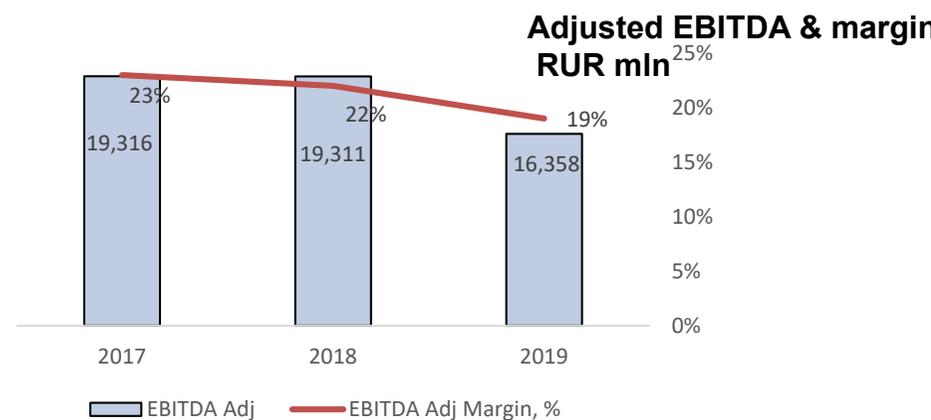
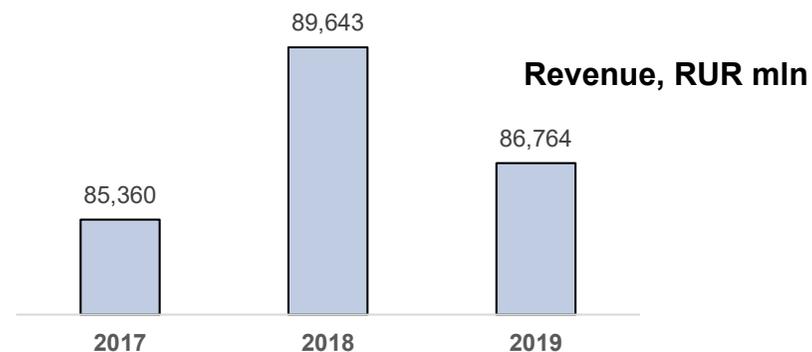


FY 2019 KEY FINANCIAL HIGHLIGHTS



IFRS financial highlights, RUB mln	2019	2018	Change,%
Revenue	86,764	89,643	(3)
Cost of sales	(65,414)	(64,406)	2
EBITDA	13,742	16,964	(19)
EBITDA margin, %	16	19	-
Adjusted EBITDA LTM*	16,358	19,311	(15)
Adj. EBITDA margin, %	19	22	-
Profit for the period	6,123	1,296	372
Profit margin, %	7	1	
Capex	8,490	9,300	(9)
Total Debt	69,470	73,228	(5)
Short term debt	13,401	4,469	200
Cash & equivalents	9,851	11,522	(15)
Net Debt	59,619	61,706	(3)
Net Debt/ Adjusted EBITDA	3.6x	3.2x	
Net cash from operating activities	16,276	16,568	(2)
Free cash flow	7,786	7,268	7

*Adjusted (loan covenant) EBITDA is calculated as earnings before income tax, interest expense, exchange gain/loss, depreciation, amortization, impairment and other non-cash items



— Pig iron FOB Black Sea USA

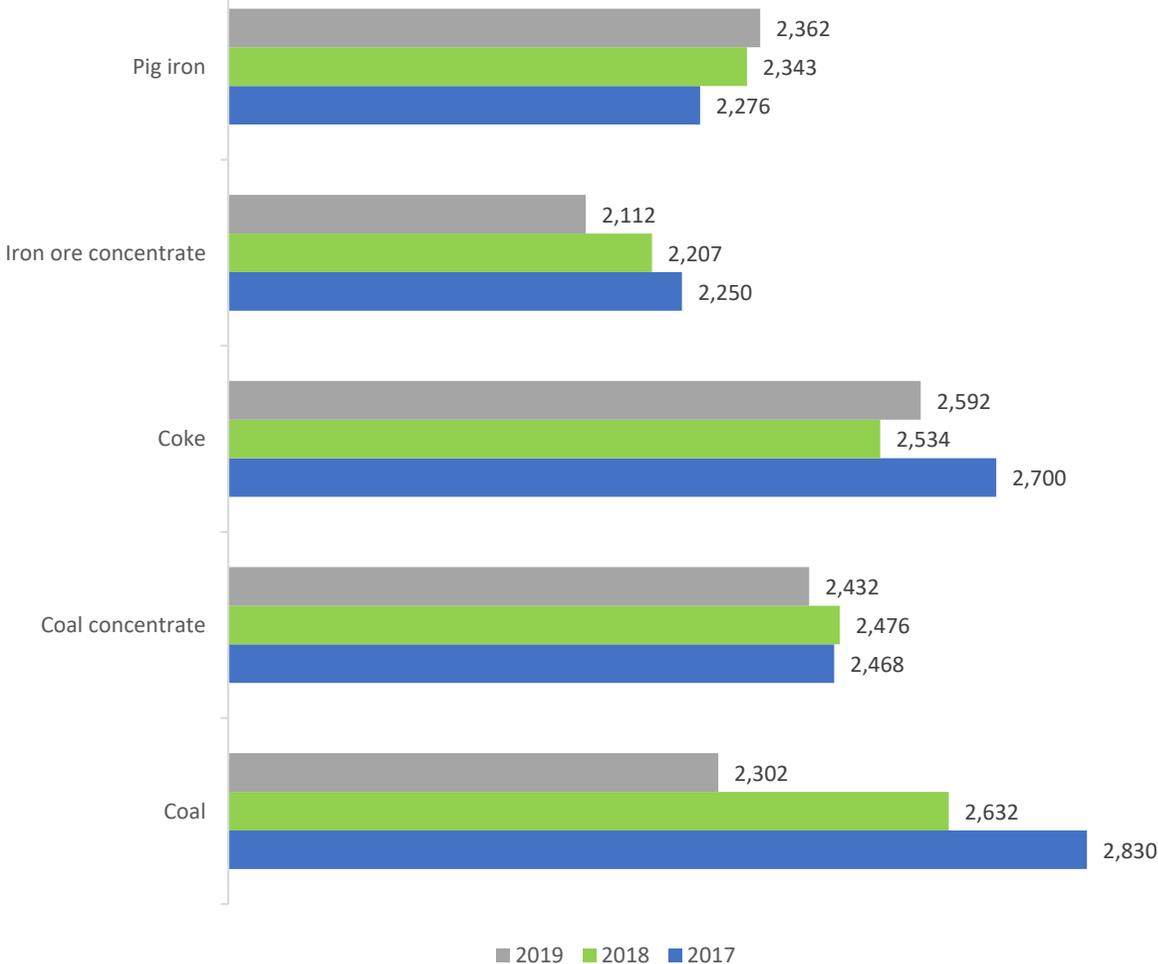
— Coke CFR India

Source: SBB, Metal Courier

PRODUCTION VOLUMES IN 2019



thousand tonnes



- **4% increase in pig iron production for the past three years.** This is the result of higher production efficiency upon completion of maintenance of blast furnaces № 2 and 3 and full ramp-up of desulphurization station
- Coke output increased and sales of coke were 10% higher to compare to 2018 due to better logistics environment and new long-term export sales contracts
- Iron ore production at Kombinat KMAruda slightly decreased as a result of extracting the reserves of the edge of the deposit with a bit more complicated mining and geological conditions than usually
- Lower coal production on the back of difficult mining and geological conditions at Butovskaya and Tikhova mines. **In 2H 2019, coal output was 43% higher to compare with 1H 2019**
- Coal concentrate production at Berezovskaya washing plant was slightly lower to compare with the previous year on the back of lower availability of the internally sourced coal

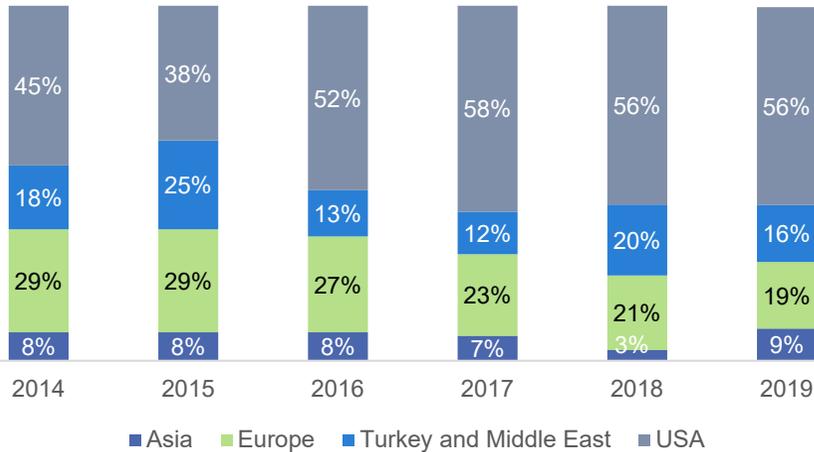
MARKET POSITION



DIVERSIFIED AND STABLE CUSTOMER BASE



IMH pig iron export sales⁽¹⁾



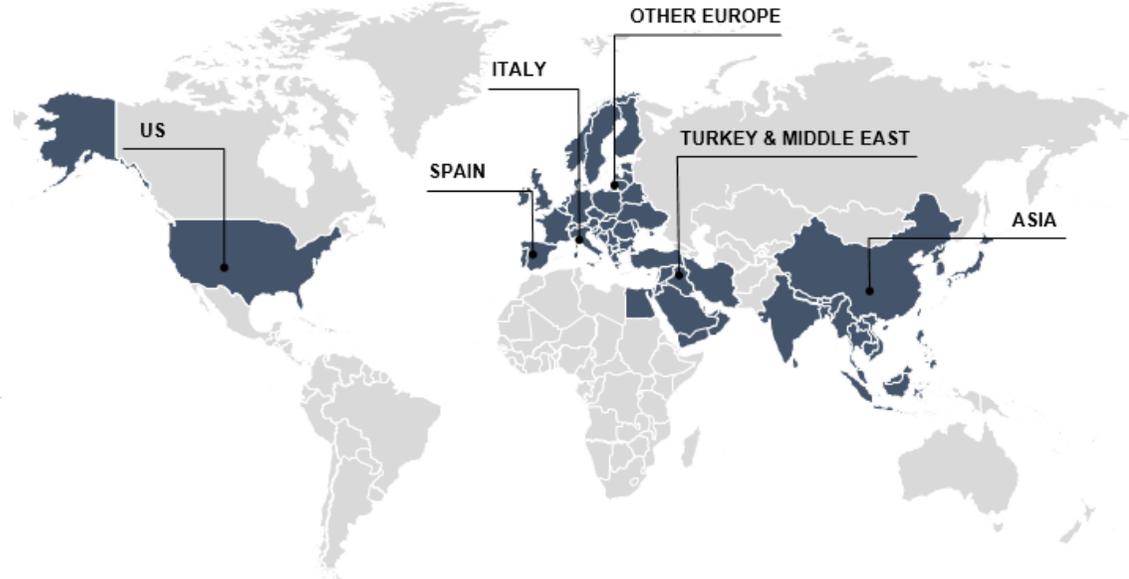
Pig iron remains an essential additive to other raw materials for high-quality steel and castings production with no adequate substitute product due to low contents of sulfur and phosphorus

Starting from mid-2019 new large consumer Tula-Steel absorbs significant volume of IMH's pig iron which affected positively pig iron prices

Chinese pig iron demand was significantly more active in 2019 due to environmental restrictions driving investments into EAF-based steelmaking substituting conventional BF-BOF steelmaking technology

US demand was getting stronger due to industrial development based on higher natural gas availability and favorable foreign trade restrictions

IMH key export markets (merchant pig iron)



Key customers in 2019 (merchant pig iron)

Traders – 74%

End users – 26%

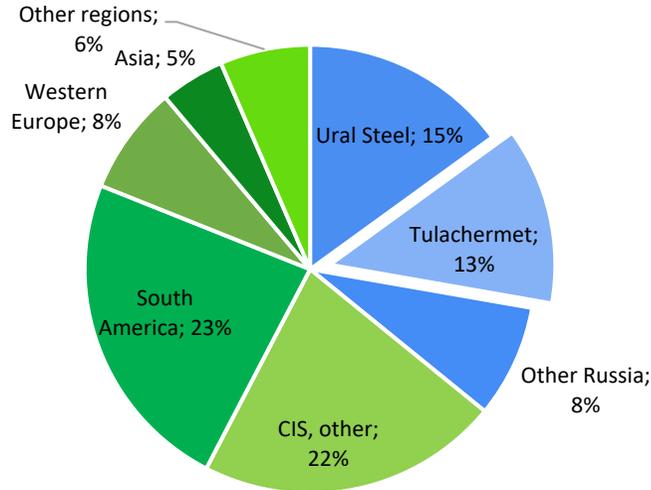


(1) Share in pig iron export sales by volume through trader's data

IMH'S CORE MARKETS IN 2019

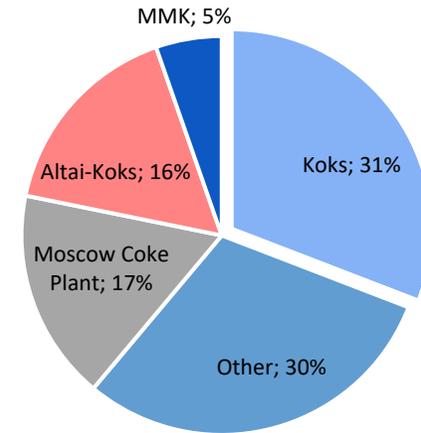


Merchant pig iron global market*, main participants



(1) Pig iron export sales data include sales of trading companies

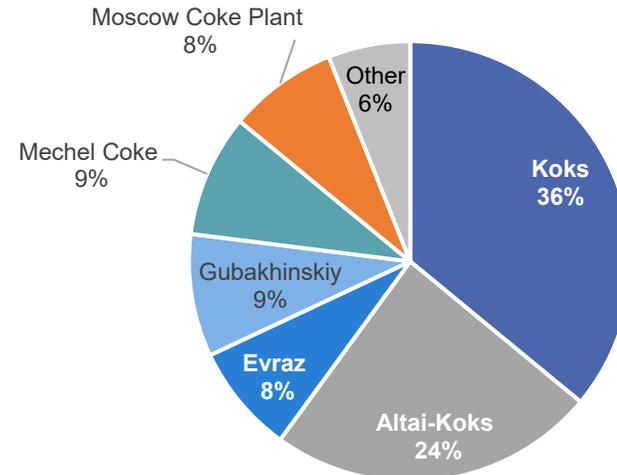
IMH is the leader among Russia's merchant coke exporters



* According to Metal Expert, world merchant pig iron seaborne market in 2019 accounted for around 12.3 Mt

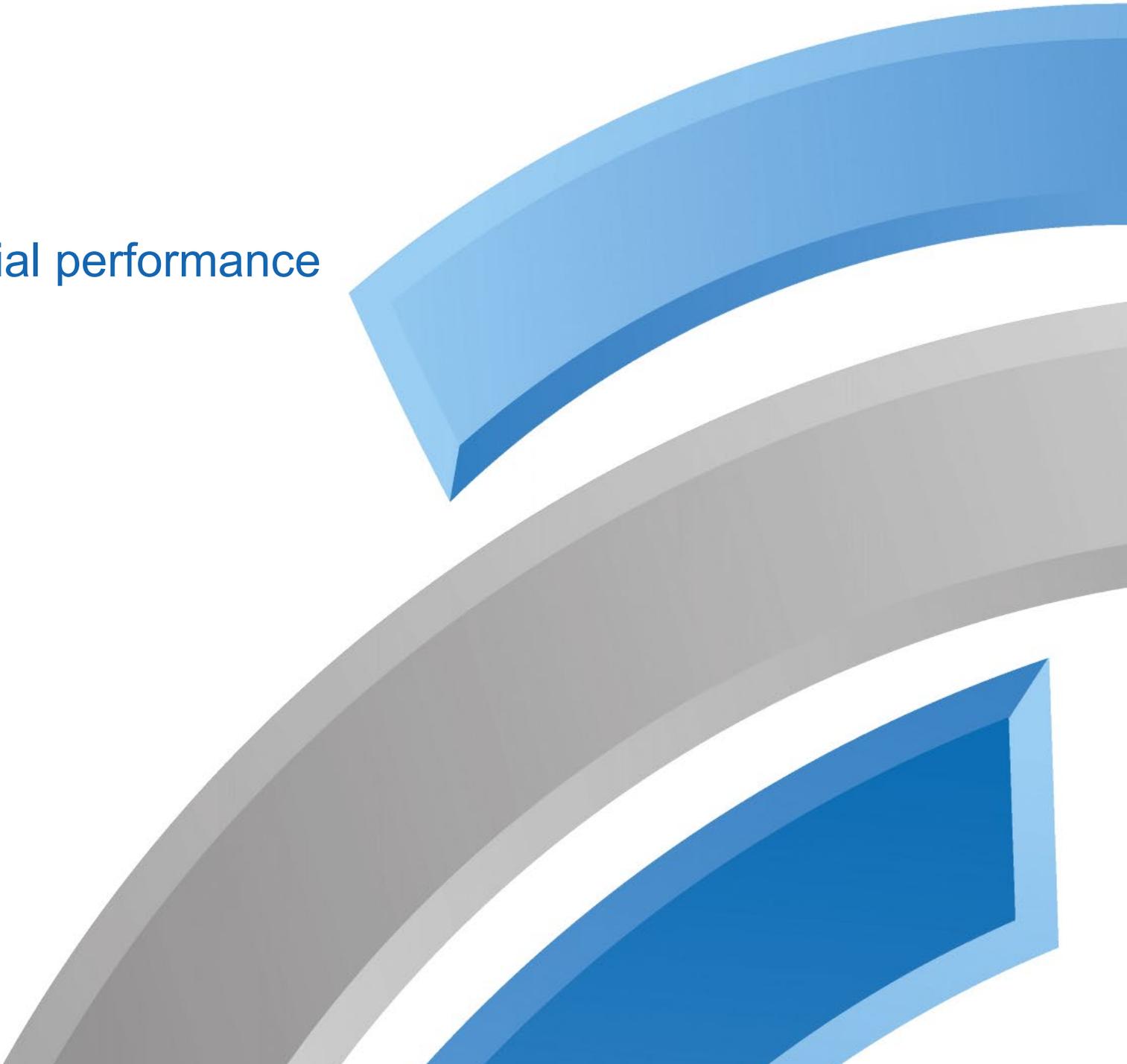
- IMH's share on the export market of pig iron decreased because of rising sales volumes to Tula-Steel;
- Advantageous location of Tulachermet allows to achieve higher sales margins both for export and domestic sales;
- Russian pig iron suppliers' positions remain strong with **36% market share**, stable raw material base and the ability to increase shipping in case of healthy demand;
- Other suppliers of merchant pig iron are unable to meet the demand sustainably because of numerous closures both connected with bankruptcies during the times of low demand (Brazil) and environmental protection initiatives (China and Europe).

IMH is the main supplier of merchant coke in Russia*



*including export

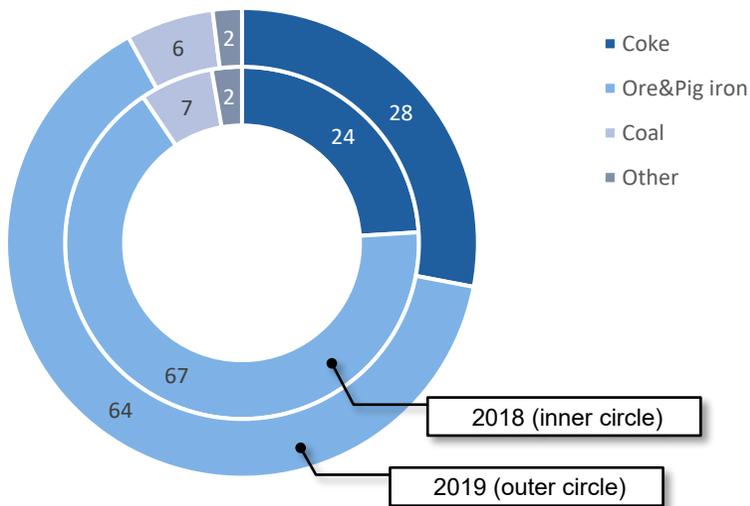
FY 2019 Financial performance



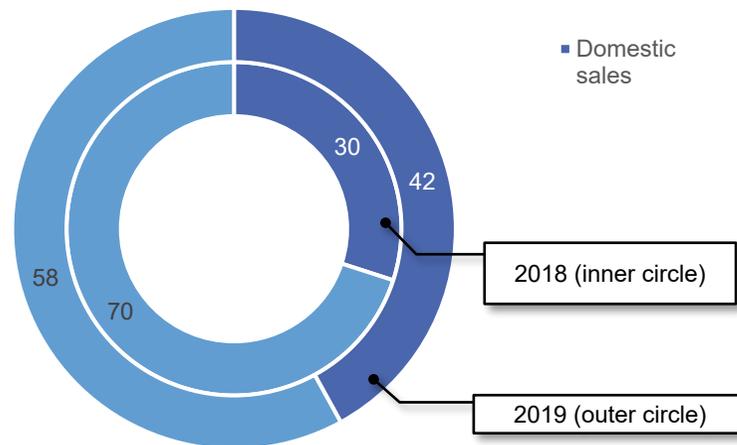
REVENUE & COGS COMPOSITION



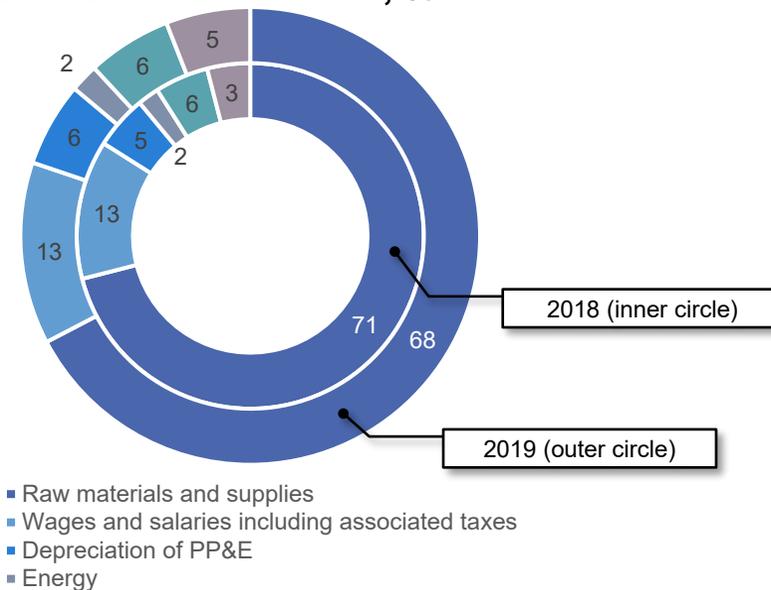
Revenue by product, %



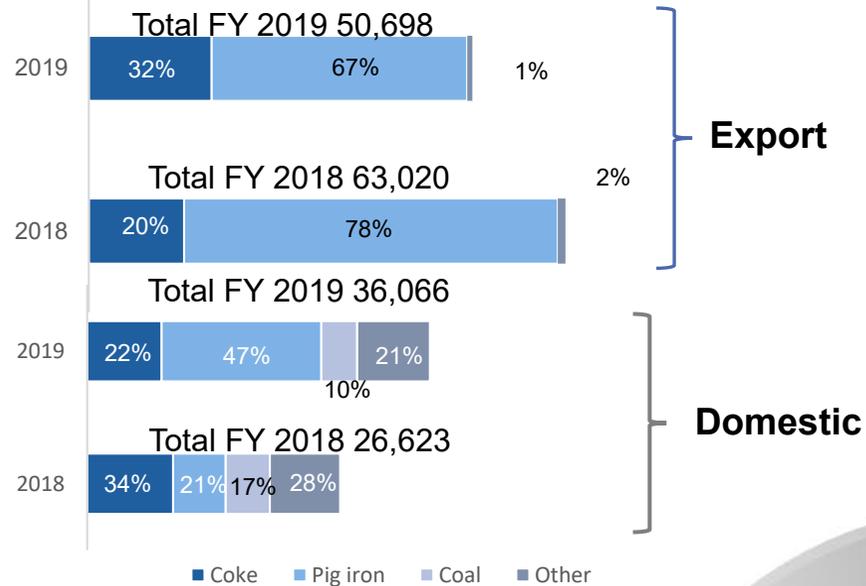
Revenue by area, %



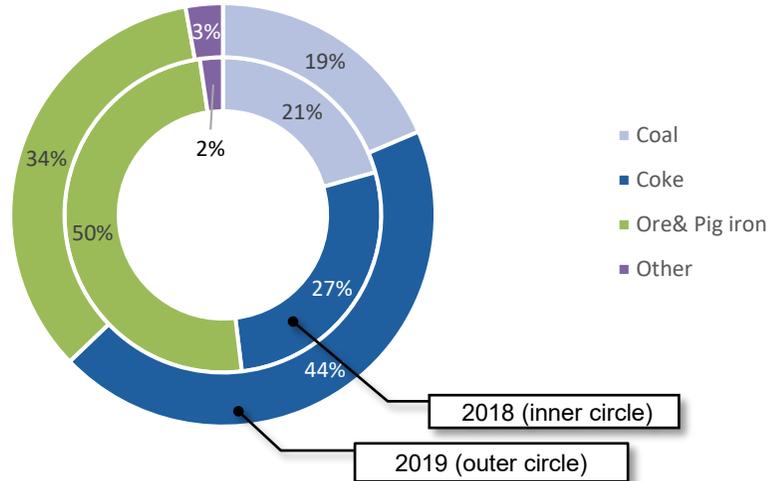
Cost of sales breakdown, %



RUR mln



EBITDA COMPOSITION



EBITDA by segment, RUR mln	2019	2018	Change, %
Coal	2,552	3,501	(27)
Coke	6,080	4,657	31
Ore & Pig iron	4,722	8,410	(44)
Other	388	396	(2)
Total	13,742	16,964	(19)

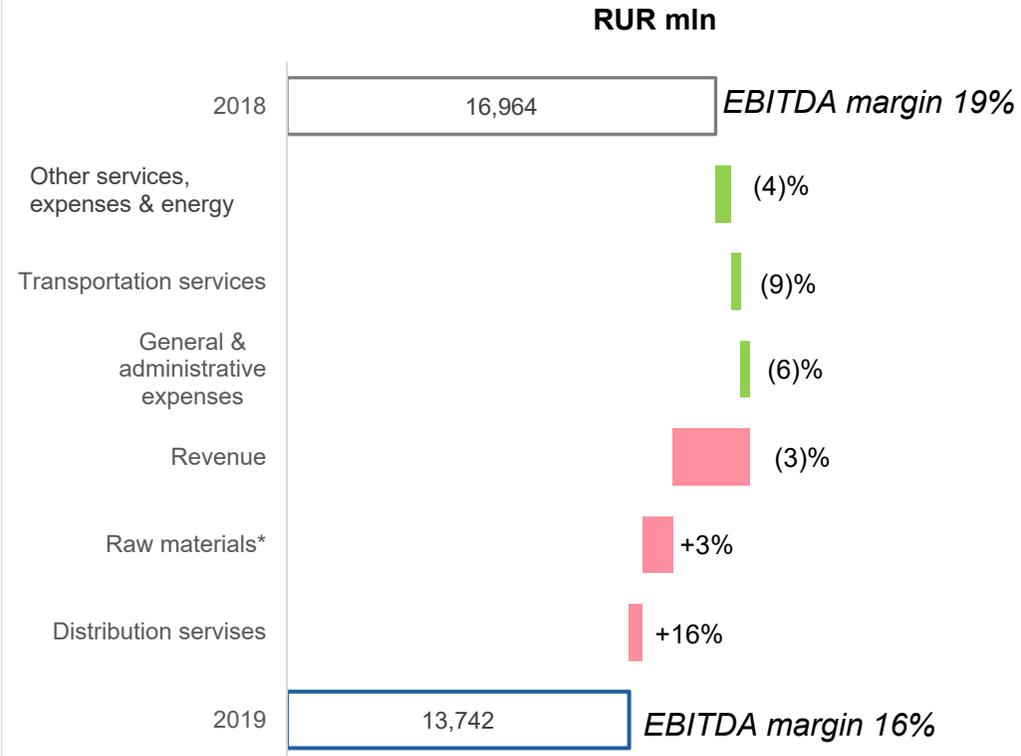
Negative factors for EBITDA:

- Lower prices for pig iron
- Lower coal production because of difficult mining conditions at Butovskaya and Tikhova mines
- Growth in iron ore prices

Positive factors for EBITDA:

- Lower prices for coal & coal concentrate
- Better sales of coke
- Favorable USD / RUR exchange rate
- Cost saving measures

EBITDA y-o-y change



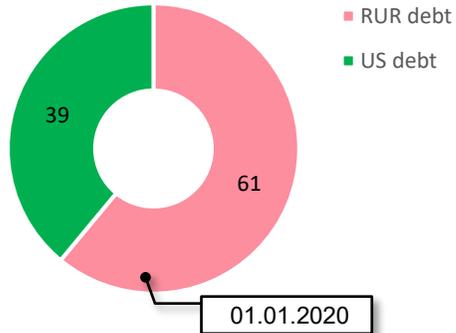
*Changes in finished goods and work in progress included

DEBT PORTFOLIO AS OF 1 JAN. 2020*

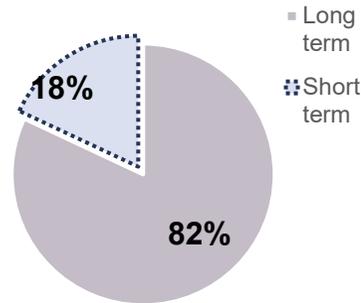


Debt by currencies and maturity*

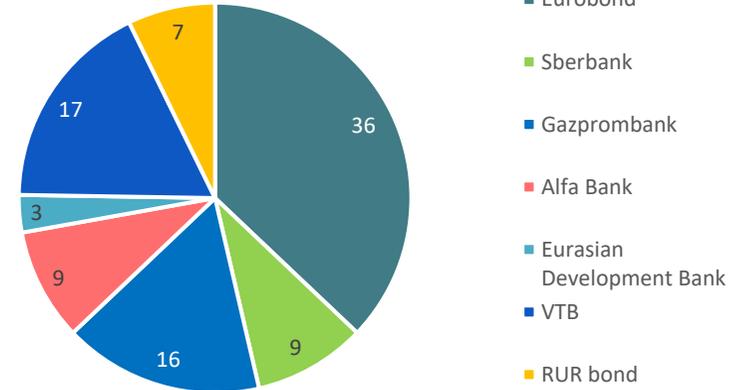
Currency, %



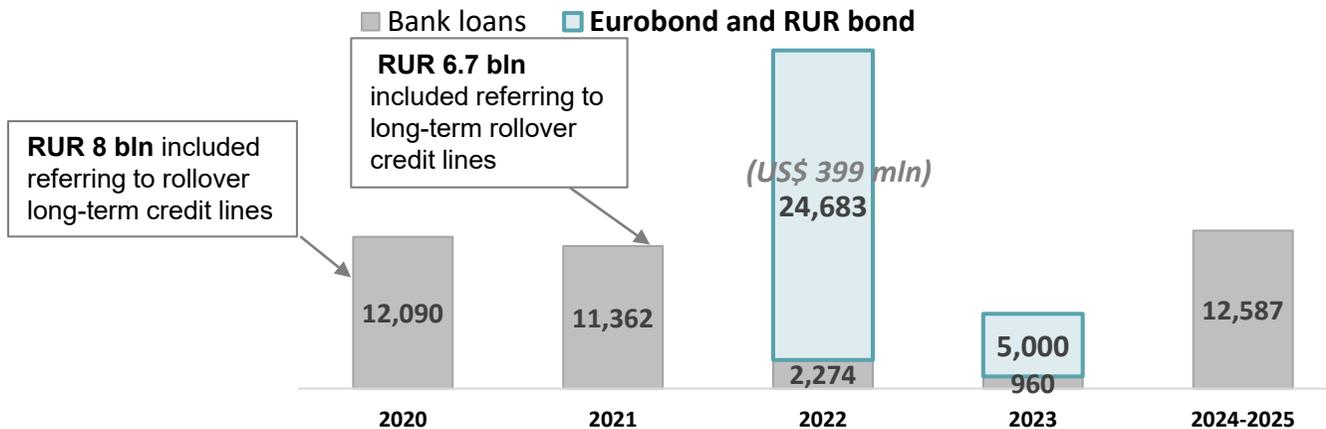
Maturity



Debt portfolio by sources, % *



Debt maturity schedule, RUR million*



AVAILABLE UNDRAWN CONFIRMED LIMITS – RUR 39,575 MLN
AVERAGE ANNUAL INTEREST RATE – 7.97%

* According to management accounts, including repayment of rollover tranches

Appendix





Compliance with international standards

- 5 enterprises certificated by ISO 14001

Closed water cycle at all IMH enterprises

Kemerovo KOKS – one of the world's cleanest coking plants

- coke gas torch extinguished
- units for dry quenching of coke
- biochemical treatment of industrial waste-water
- circular phosphate method of coke oven gas purification



Measures to protect environment

- Elimination of sludge storage units at Tulachermet and COF Berezovskaya
- Hydraulic laying of waste rock to mine chambers of KMAruda

Interfax-Era: Recognition of expert community

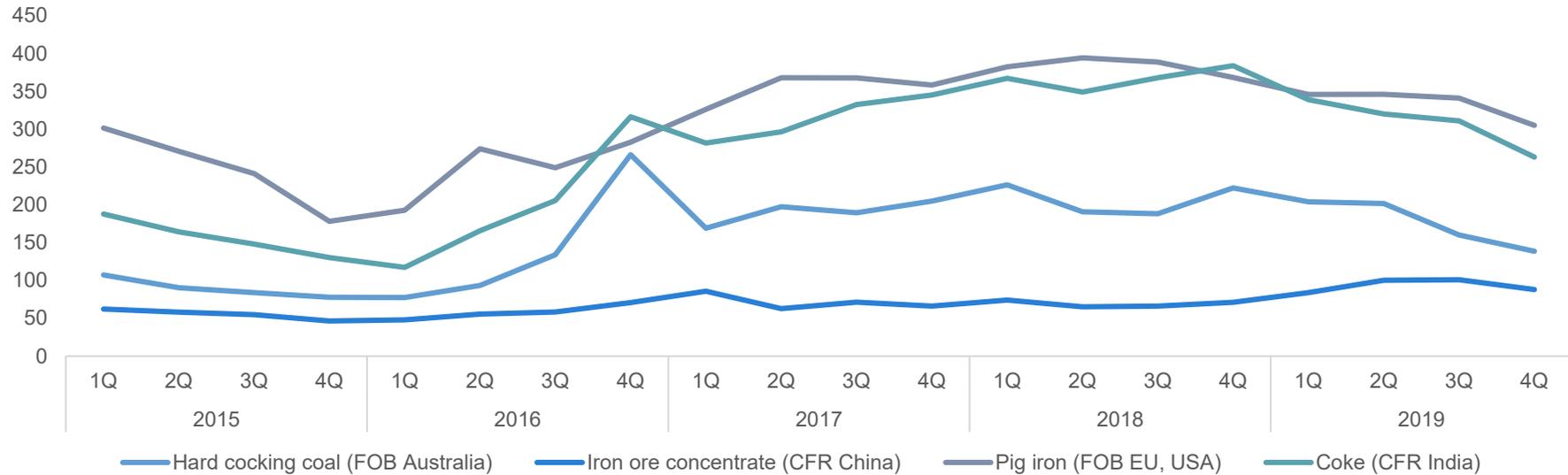
Environment protection and power supply management efficiency rating compiled by Interfax-Era: evaluating fundamental efficiency of **5727** companies in Russia and Kazakhstan in **2019**.

"KMAruda"	"KOKS"	"Tulachermet"
<ul style="list-style-type: none"> • Sector «Mining» • 3d place from 391 companies • ISO 45001:2018 • ISO 50001:2018 	<ul style="list-style-type: none"> • Sector «Hot processing of mineral materials» • 2d place from 5 660 companies • ISO 14001:2015 	<ul style="list-style-type: none"> • Sector «Casting of metals» • 1st place from 5 701 companies • ISO 14001:2015

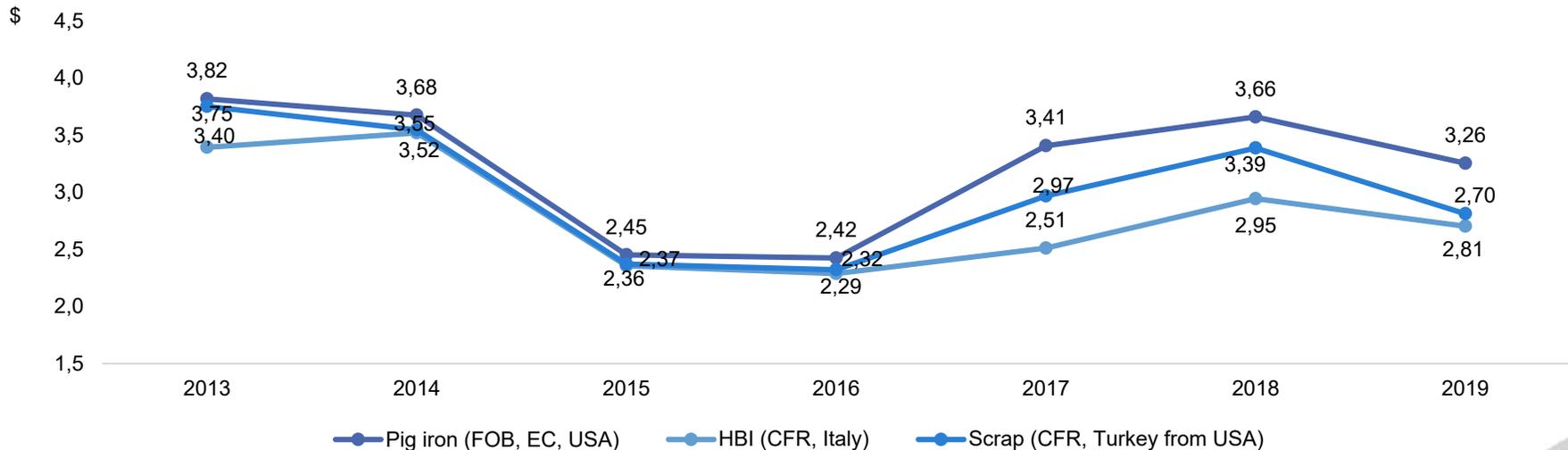
MAIN PRICING DEVELOPMENTS 2015 - 2019



Price trends in 2019



Price for 1% Fe in raw materials





Fitch
Ratings

B

(stable)

May 2019

«Diminished liquidity risk following placement of USD500 million 7.75% notes* due 2022. Liquidity ratio improved to well above 2x, a level more commensurate with the current rating level. Debt repayments remain at manageable levels of around RUB 2 billion in 2017 and RUB 9 billion in 2018»

– Fitch Ratings
June 2017

MOODY'S

B2

(stable)

June 2019

«Vertical integration supports capacity utilization through the cycle. Financial metrics will continue to improve. Coal production will double in two years. liquidity is sufficient to cover the company's debt maturities and other obligations until at least the end of 2018».

– Moody's Investors Service
June 2017

ACRA

A-

(stable)

**February
2020**

«The credit rating assigned to PJSC "KOKS", is based on fairly high business profile assessment driven by the vertically integrated metallurgical production model that is being built, flexibility in geographical diversification of the target markets and low industry risk profile.»

– ACRA Ratings
February 2020

*Actual interest rate of the notes is 7.5%

CONSISTENT COST CONTROL POLICY IN 2014 – 2019



- IMH has been consistently pursuing the policy of cost reduction and operating efficiency maximization
- The Company implemented a number of initiatives in order to enhance operating performance, including optimization of asset portfolio and headcount as well as projects aimed to increase self-sufficiency in power and introduce lean management program

Asset portfolio optimization

- Several underperforming assets sold or closed
- New highly profitable innovative products implemented

Asset portfolio management results

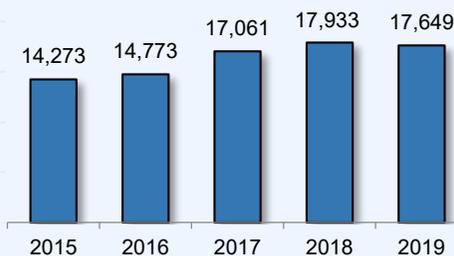
- Inefficient mines closed
- IMT (Swiss trader) terminated

Headcount optimization

- IMH targets gradual optimization of the Group headcount and increase of productivity
- The number on employees increased due to launch of new production facilities

Headcount stabilization

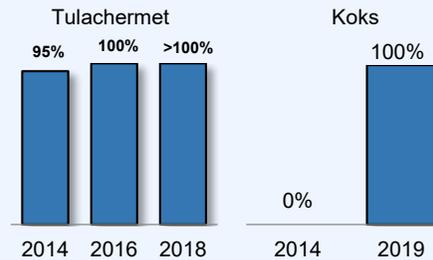
Total number of employees



Power

- IMH aims to reach high level of captive power co-generation at its major producing assets
 - Tulachermet blast-furnace power co-generation – 86 MW since 2016 (more than 100% self-sufficiency)
 - Kemerovo coking plant reached 100% self-sufficiency in 2019

Growing power self-sufficiency at key facilities



Lean management

- In 2014, IMH introduced a total optimization program and some other lean techniques like 5S
- Employees are encouraged to contribute ideas on how to increase the operating efficiency of the Group

Lean effect

Total optimization project development:

- 336 projects approved for implementation in 2019
- RUR 1.6 billion total annual savings received



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