Industrial metallurgical holding
FY 2018
IFRS Financial Results

17.04.2019

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BASIC HIGHLIGHTS

FY 2018 KEY FINANCIAL HIGHLIGHTS

IFRS financial highlights, RUB mln

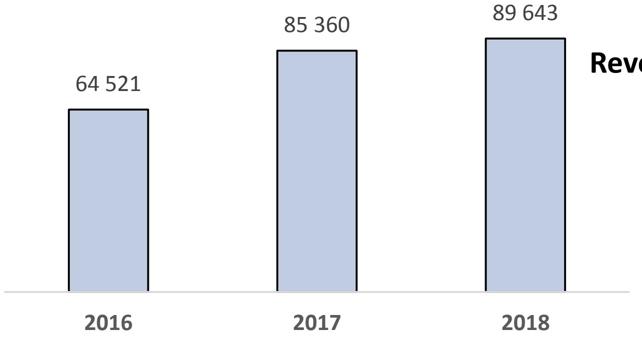
	2018	2017	Change,%
Revenue	**89,643**	**85,360**	**5**
Cost of sales	(64,406)	(57,375)	12
EBITDA	**16,964**	**17,068**	**(1)**
EBITDA margin, %	19	20	-
Adjusted EBITDA LTM*	19,311	19,316	–
Adj. EBITDA margin, %	22	23	–
Profit for the period	**1,296**	**7,599**	(83)
Profit margin, %	1	9	–
Capex	**9,300**	**10,165**	**(9)**
Total Debt	73,228	59,015	24
Short term debt	4,469	10,769	**(59)**
Cash & equivalents	11,522	8,978	28
Net Debt	**61,706**	**50,037**	**23**
Net Debt/ Adjusted EBITDA	3.2x	2.6x	-
Net cash from operating activities	**16,568**	**12,501**	33
Free cash flow	7,268	2,336	211

- Historical record

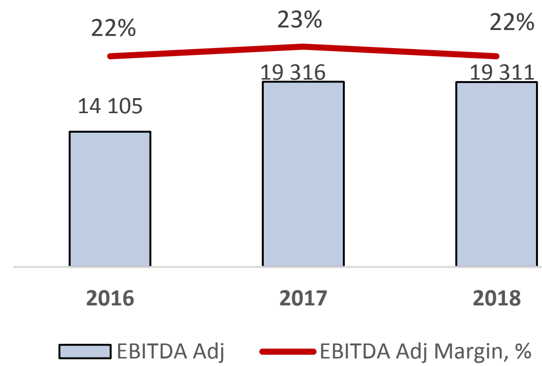
*Adjusted (loan covenant) EBITDA is calculated as earnings before income tax, interest expense, exchange gain/loss, depreciation, amortization, impairment and other non-cash items

** As at December 31, 2018.

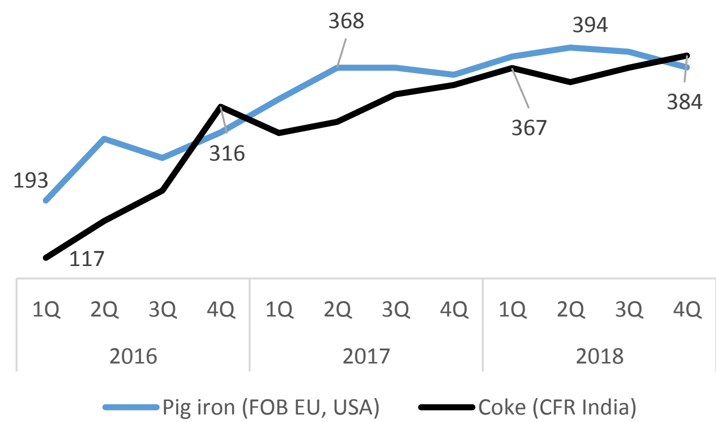
Revenue, RUR mln



Adjusted EBITDA & margins, RUR mln



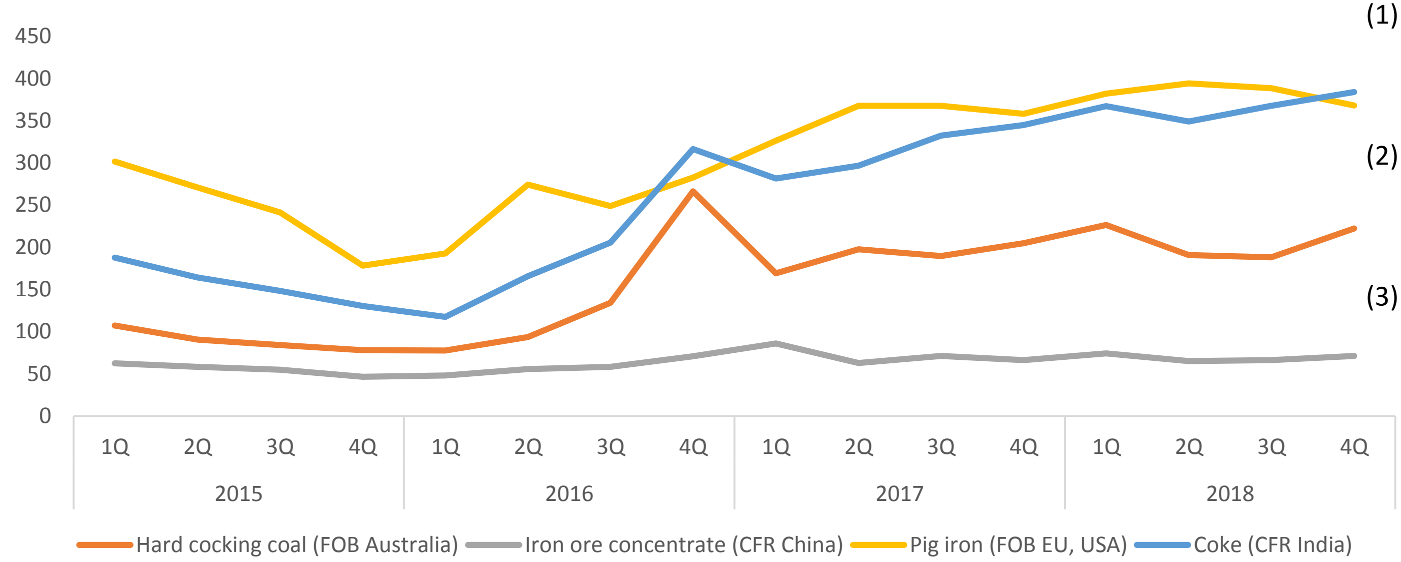
Prices for major products, $US / ton



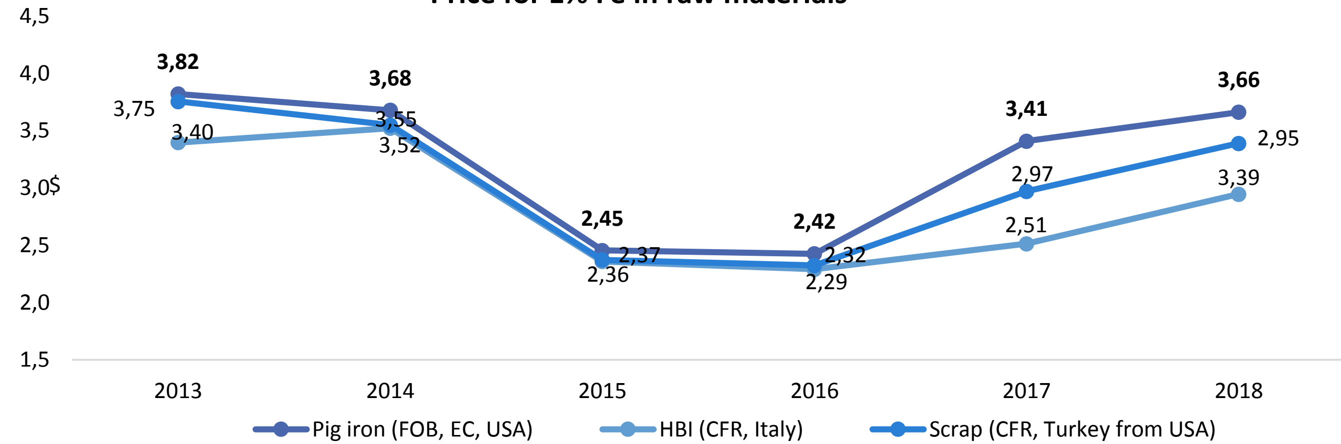
Source: SBB, Metal Courier

MAIN PRICING DRIVERS IN 2018

2018 price trends



Price for 1% Fe in raw materials



Source: Metall Courier, SBB

General growth trend is based on the following:

(1) USA: Pig iron consumption from the side of EAF-plants supported by the Article 232 of the US Trade Legislation adopted in the beginning of 2018

(2) Europe: Foundry industry as a major consuming sector generated stable demand in 2018 supported by the general economic stability in the region.

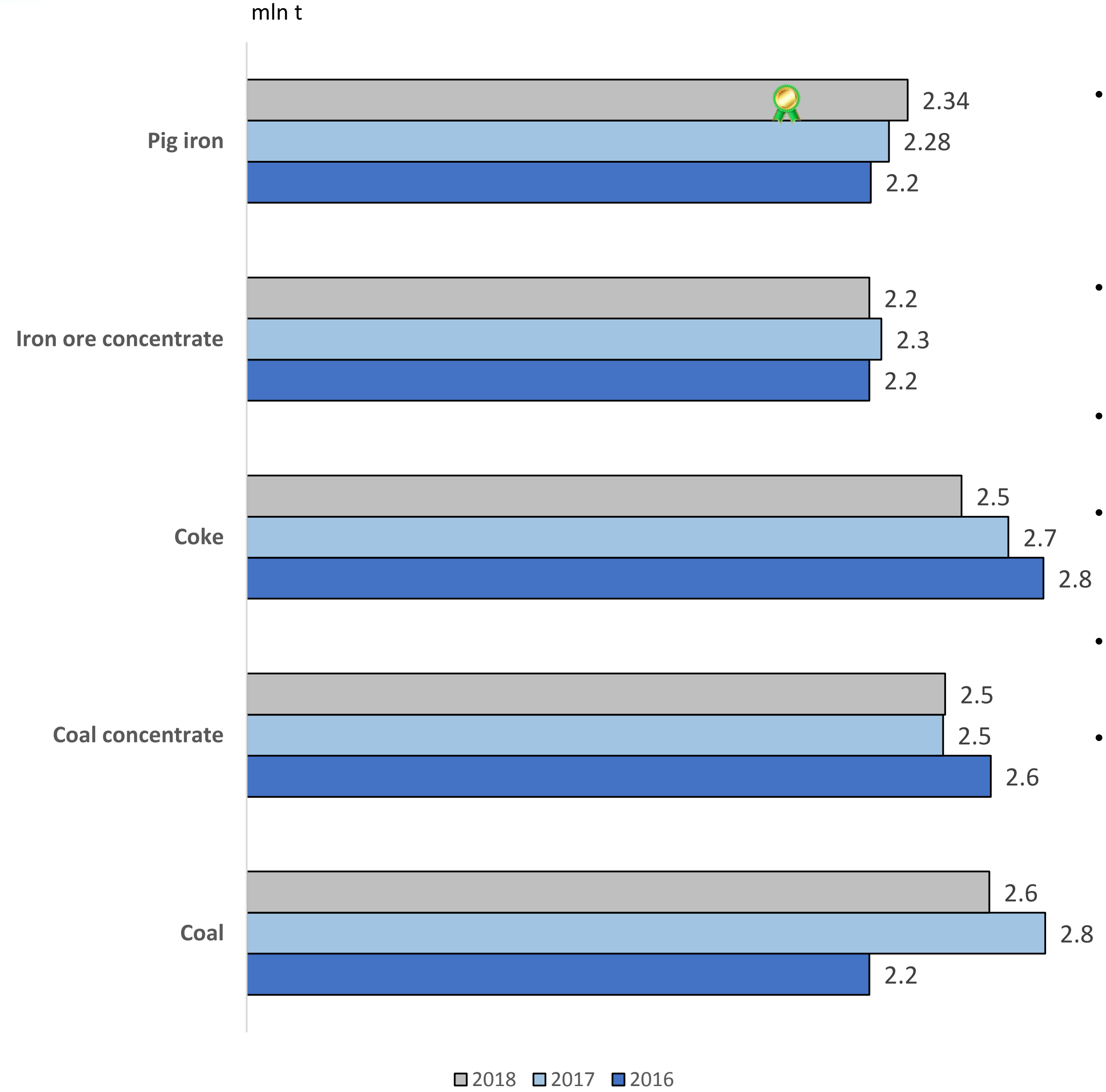
(3) China: Strict environmental regulations resulted in limitation or complete ban for operations of old small blast furnaces and BOFs. Besides, easier governmental approvals for environmentally friendly technologies provided a good basis for new investments into EAF-based capacities in China as a more environmentally friendly way for steel production supporting strong demand for merchant pig iron as one of the most important raw materials for this steel-making process.

(4) India: The most positive dynamics of the steel sector is in place due to several large infrastructural projects as well as fast developing house building, machine building and automotive industries. Currently India consumes large portion of coke produced by IMH.

(5) World: Trade war expectations in USA and China resulted in limited economic activity in the two world largest steel markets but in 2019 the situation may ease since both countries are striving to reach agreement.

OPERATIONAL RESULTS

PRODUCTION VOLUMES

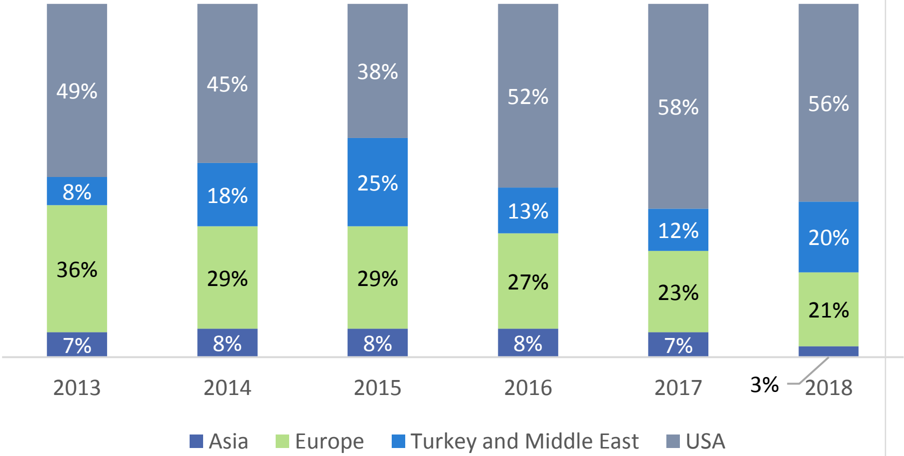


- **Record-high pig iron production for the whole history working with two blast furnaces achieved in 2018.** This was the result of higher production efficiency upon completion of maintenance at blast furnaces № 2 and 3 and full ramp-up of desulphurization station.
- Optimization of technological processes at Tulachermet resulted in lower coke consumption and thus improvement of economic efficiency of the plant.
- Reduced ash content in the coal extracted from own mines. Butovskaya mine achieved 9% decrease of ash content.
- Better washing yield which was 2% higher year-on-year at the Berezovskaya washing plant and the increased share of own coal processing.
- Reduced coke output on the back of changes in main supply routes and testing of new logistics in 2Q 2018.
- Iron ore concentrate production slightly decreased on the back of lower consumption volumes from Tulachermet which was a result of the scheduled maintenance at the sinter machine № 2.

Historical record

DIVERSIFIED AND STABLE CUSTOMER BASE

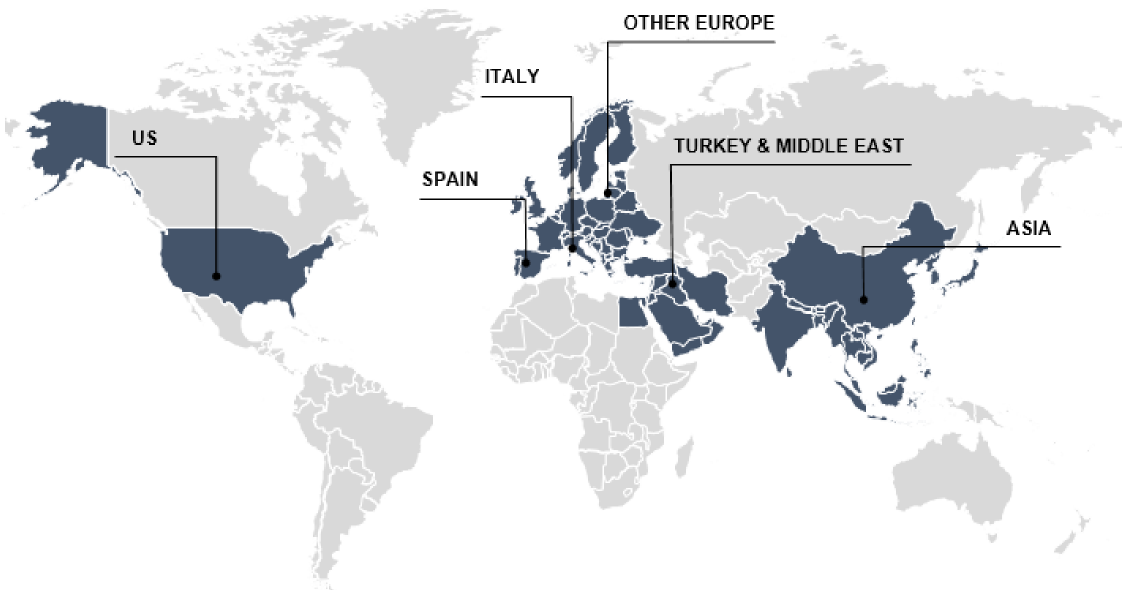
IMH pig iron export sales[1]



Pig iron of IMH is a preferable product due to the low contents of sulfur and phosphorus.

Advantageous location of Tulachermet allows to achieve higher pricing in Northern EU

IMH key export markets (merchant pig iron)



Key customers in 2018 (merchant pig iron)

Traders – 74%

AVEKS
F.W.HEMPEL & CO. Erze und Metalle
funsider
Techservice
MACSTEEL
Scandinavian Steel
CMS
PB 1907

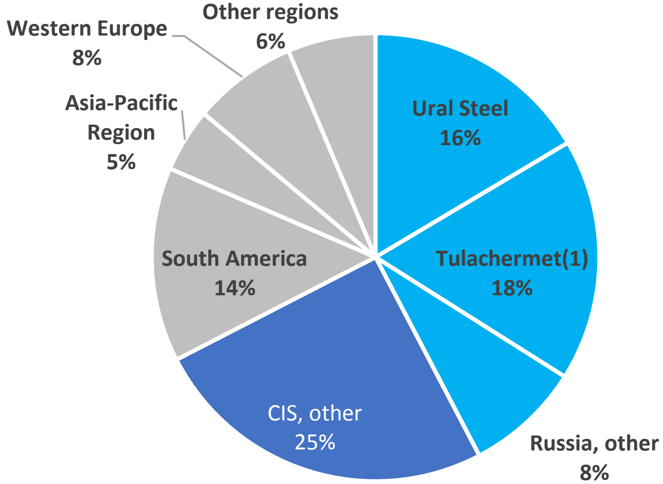
End users – 26%

North Star BlueScope
BMW
BRS Big River Steel
GREDE Casting Integrity
Gallatin Steel
Saudi Arabian Ductile
SDI Steel Dynamics Flat Roll Group Columbus Division
Peugeot
Audi

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

IMH'S MARKET SHARE ON CORE MARKETS IN 2018

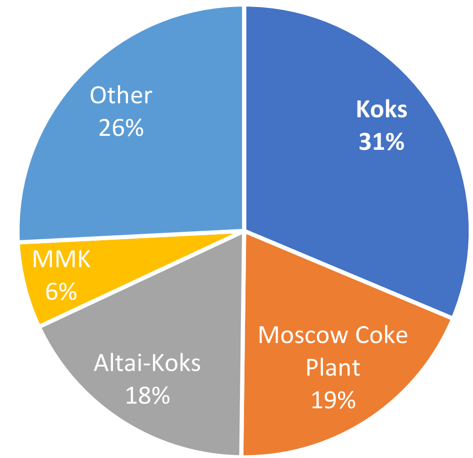
Merchant pig iron global market*, main participants



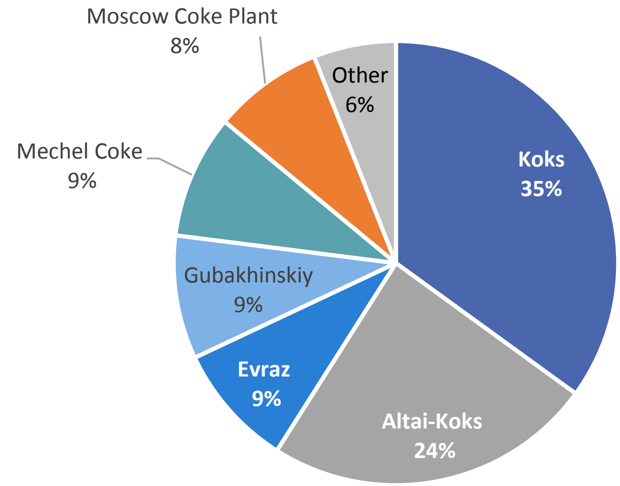
(1) Pig iron export sales data include sales of trading companies

* According to Metal Expert, world merchant pig iron seaborn market in 2018 accounted for around 12 Mt

IMH is the leader among Russia's merchant coke exporters



IMH is the main supplier of merchant coke from Russia in 2018



- Pig iron is an essential additive to raw material for high-quality steel production with no adequate substitute product
- Russian share of the global merchant pig iron market is 42% with only two strong suppliers including IMH
- Other suppliers of merchant pig iron are unable to meet the demand sustainably on the back of numerous closures both connected with bankruptcies during the times of low demand (Brazil) and environmental protection initiatives (China and Europe)

Source: Metal Expert, Company Data

CONSISTENT COST CONTROL POLICY IN 2014 – 2018

- 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
- Gradual ramp up of high-quality mines and ash content optimization program improved financial performance of the Coal segment
- New highly profitable innovative products implemented

Portfolio management results

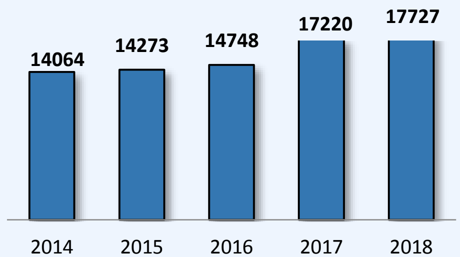
- Inefficient mines closed
- IMT (Swiss trader) terminated

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

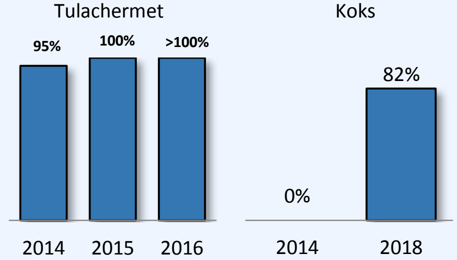
Total number of employees



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 (100% self-sufficiency)
  - Kemerovo coking plant reached 82% self-sufficiency in 2018

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

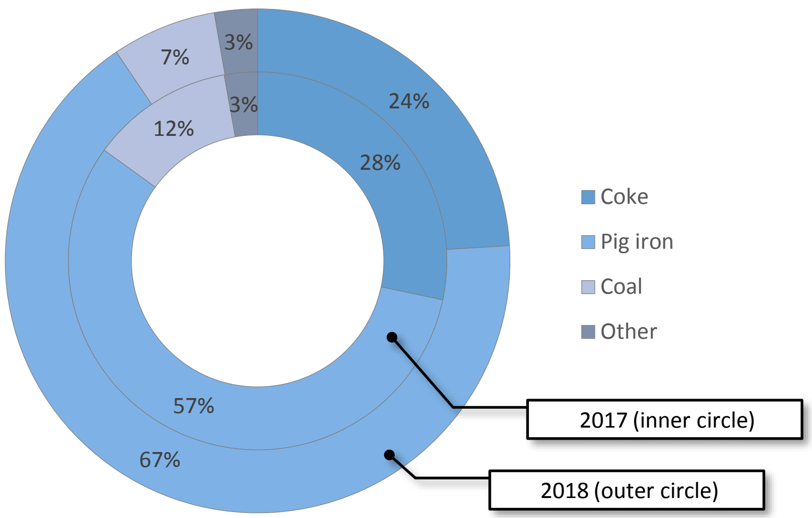
Total optimization project economy effect since the start by the 2018 end:

RUR 1.5 billon in 12 months terms

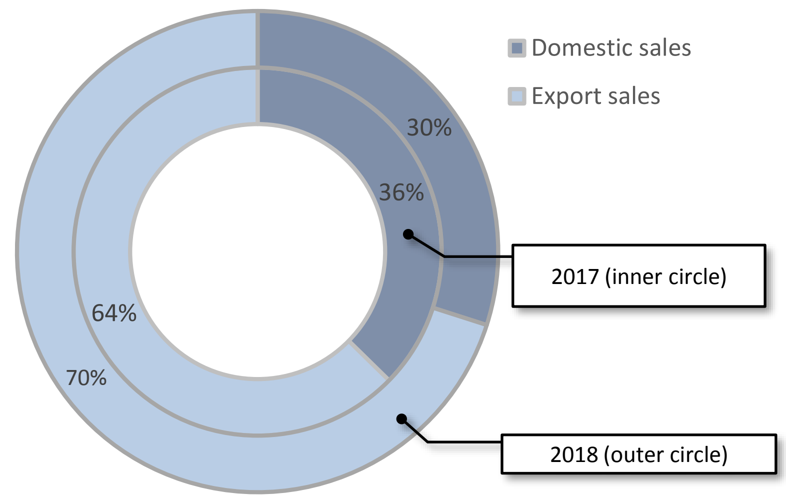
FY 2018 Financial performance

REVENUE & COGS COMPOSITION

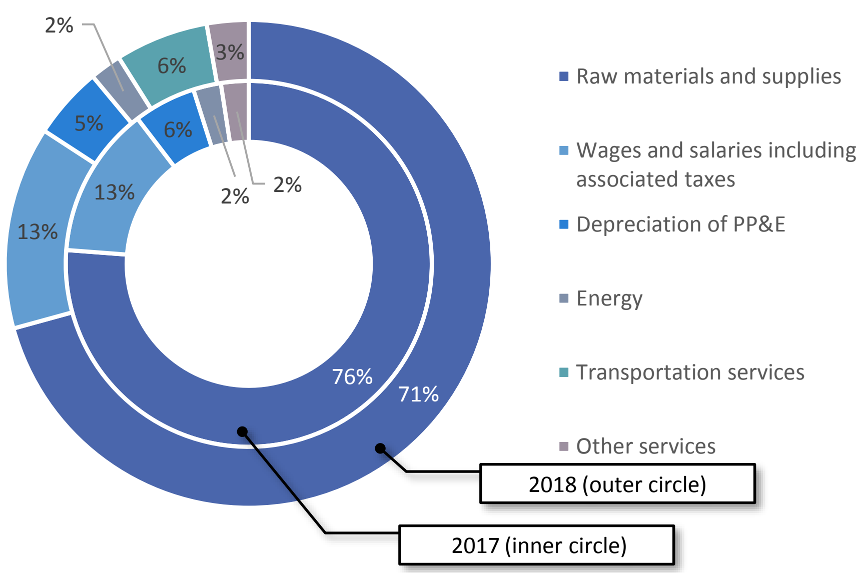
Revenue by product



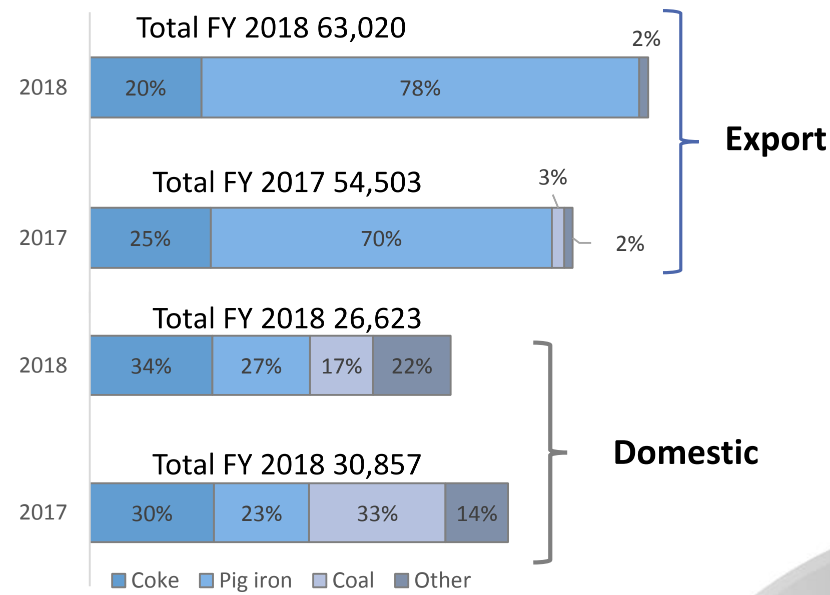
Revenue by area



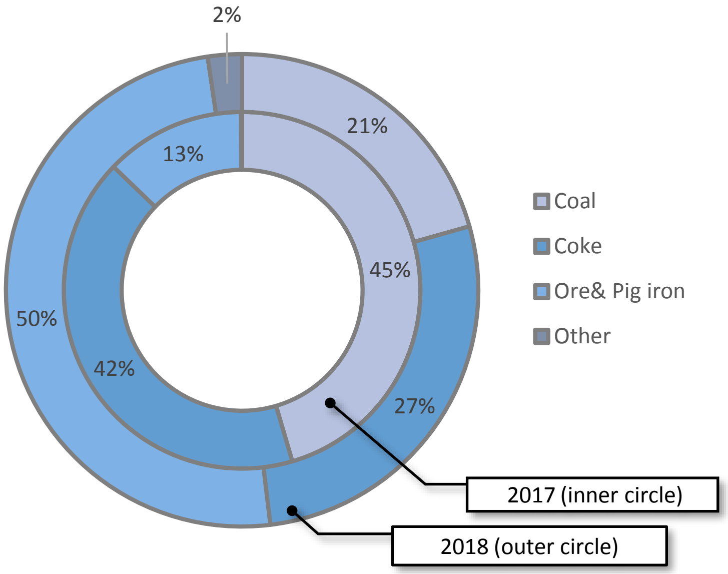
Cost of sales breakdown



RUR mln



EBITDA COMPOSITION

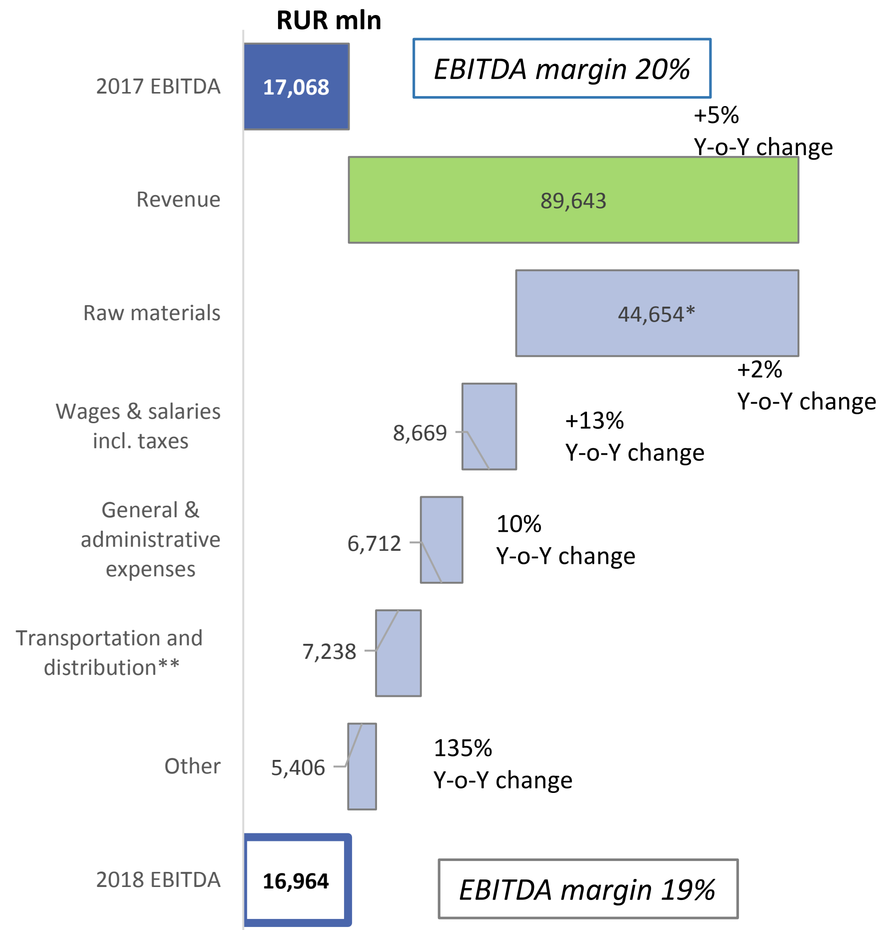


EBITDA by segment, RUR mln	2018	2017	Change, %
Coal	3,501	7,758	(55)
Coke	4,657	7,122	(35)
Ore& Pig iron	8,410	2,171	287
Other	396	17	2229
Total	16,964	17,068	(1)

Revenue and EBITDA of the Ore & Pig iron segment was record high due to:

- high demand at the USA market
- record high production level
- growing production efficiency of Tulachermet
- favorable RUR/USD exchange rate

EBITDA y-o-y change



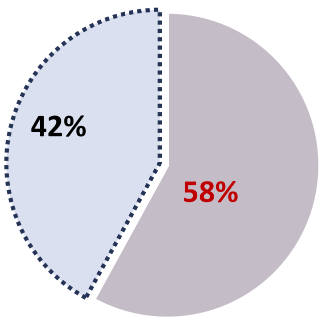
*Changes in finished goods and work in progress included

** included in cost of sales and distribution costs

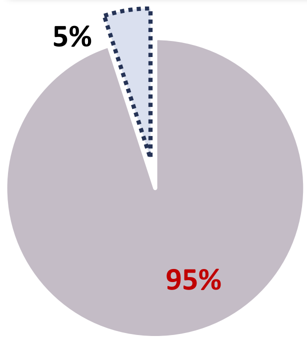
TRANSITION FROM SHORT-TERM LOANS TO LONG-TERM LOANS*

Debt by currencies and maturity**

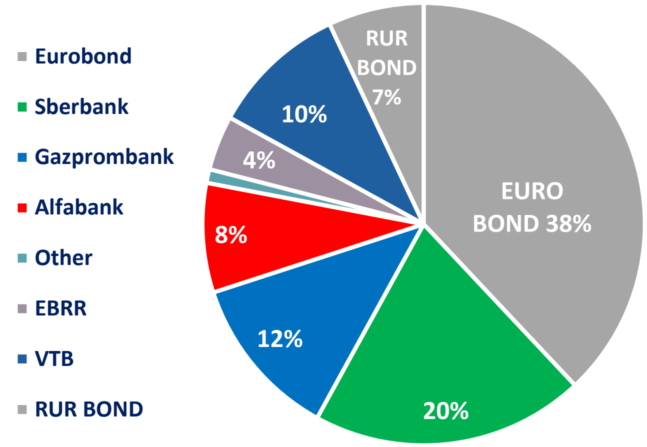
Currency



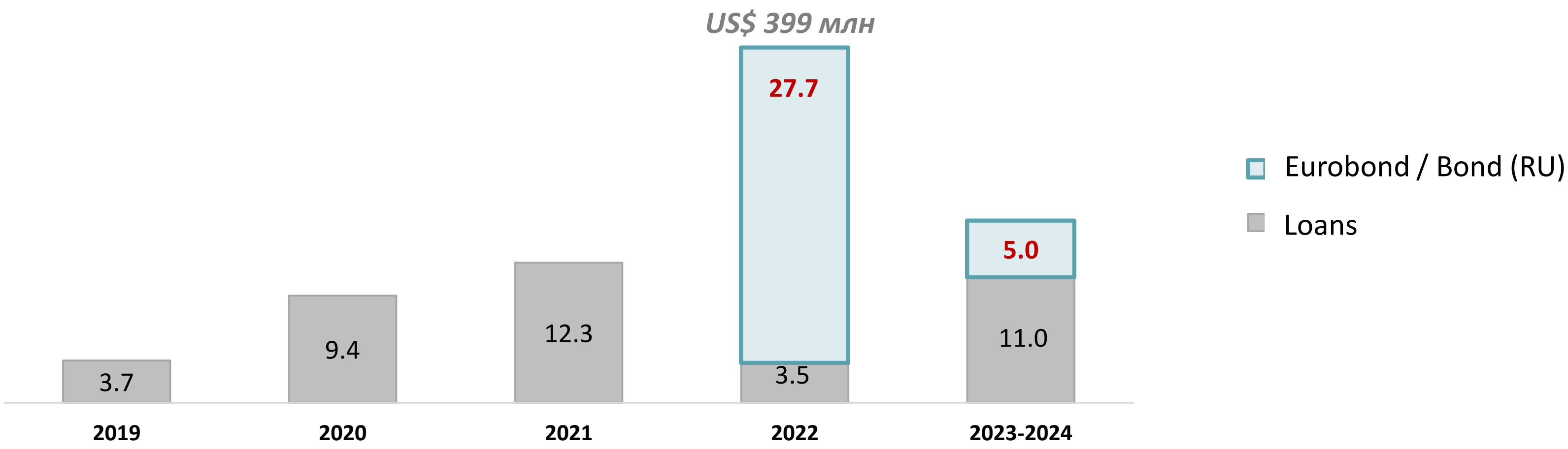
Maturity



Debt portfolio by sources, % **



Debt maturity schedule 2019-2024, RUR billion



AVALIABLE UNDRAWN CONFIRMED LIMITS – RUR 46,302 MILLION

* Data on 31 December 2018

** Data by management accounts

Appendix

INTERNATIONAL CREDIT RATINGS – CONFIRMED IN 2018

Fitch Ratings

B

(stable)

May 2018

«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

*Actual interest rate of the notes is 7.5%

Moody's

B2

(positive)

June 2018

«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

Standard & Poor's

B

(stable)

May 2018

«Upgrade reflects our view on improved liquidity and capital structure. The company's short-term debt maturities declined to RUB 5 billion (about $83 million) from over RUB 17 billion (over $290 million). We also recognize solid operating and financial performance and further improvement in credit metrics».

– Standard & Poor's

July 2017

RAEX ЭКСПЕРТ РА

RATING OF CREDITWORTHINESS

ruBBB+

от 10.05.2018

(stable)

«As the agency rated the market and competitive positions, it took account of the fact that the company is the largest supplier of commercial pig iron with a share of about 16% in 2017».

-National rating from Expert RA

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