

Industrial metallurgical holding
1H 2018
IFRS Financial Results



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FINANCIAL POSITION

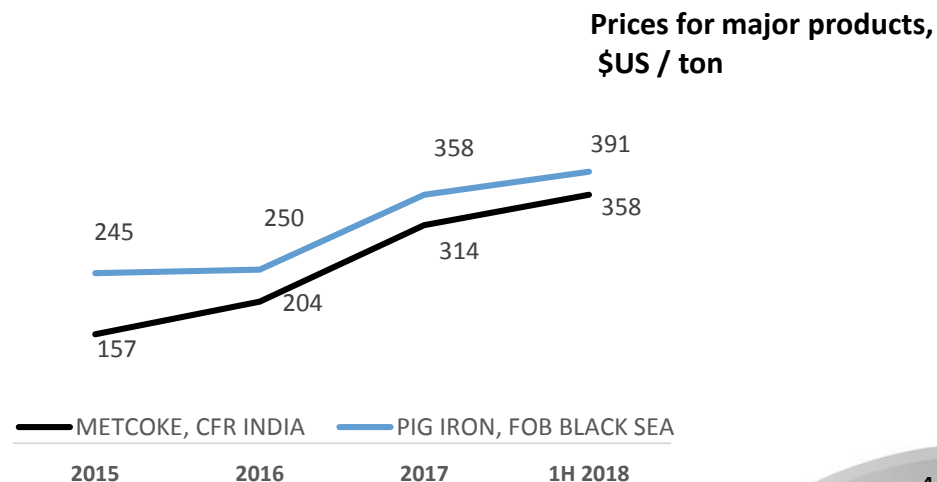
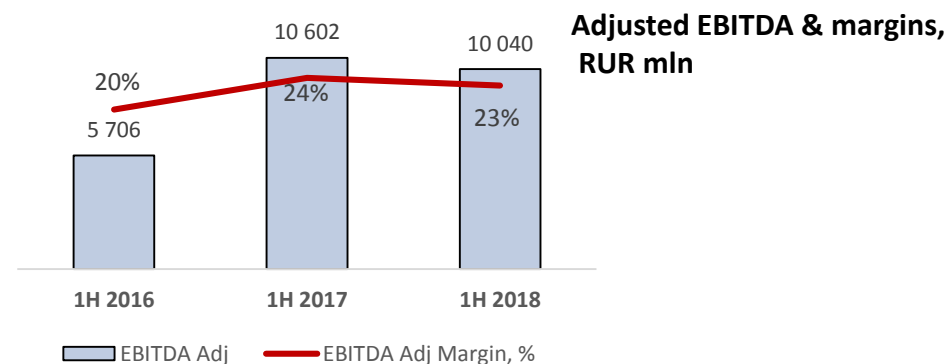
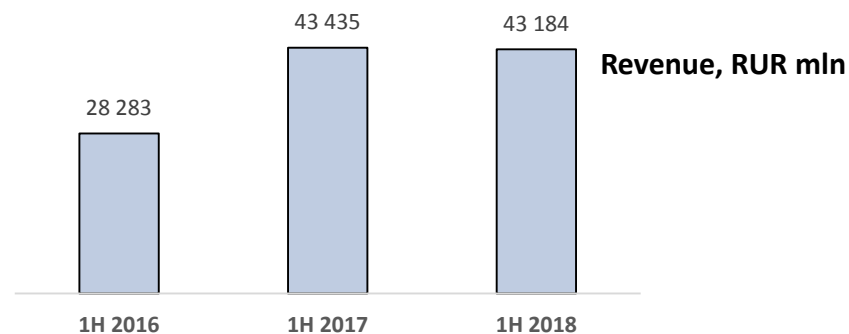


1H 2018 KEY FINANCIAL HIGHLIGHTS



IFRS financial highlights, RUB mln

	1H 2018	1H 2017	Change,%
Revenue	43,184	43,435	(1)
Cost of sales	(28,470)	(28,738)	(1)
EBITDA	9,024	9,279	(3)
EBITDA margin, %	21	21	-
Adjusted EBITDA LTM*	18,754	19,001	(1)
Adj. EBITDA margin, %	23	24	-
Profit for the period	2,063	4,314	(52)
Profit margin, %	5	10	-
Capex	(5,053)	(5,253)	(4)
Total Debt	65,850	59,015**	12
Short term debt	11,788	10,769**	9
Cash & equivalents	12,103	8,978**	35
Net Debt	53,747	50,037**	7
Net Debt/ Adjusted EBITDA	2.87	2.59	-
Net cash from operating activities	10,552	4,854	117
Free cash flow	5,499	(399)	-

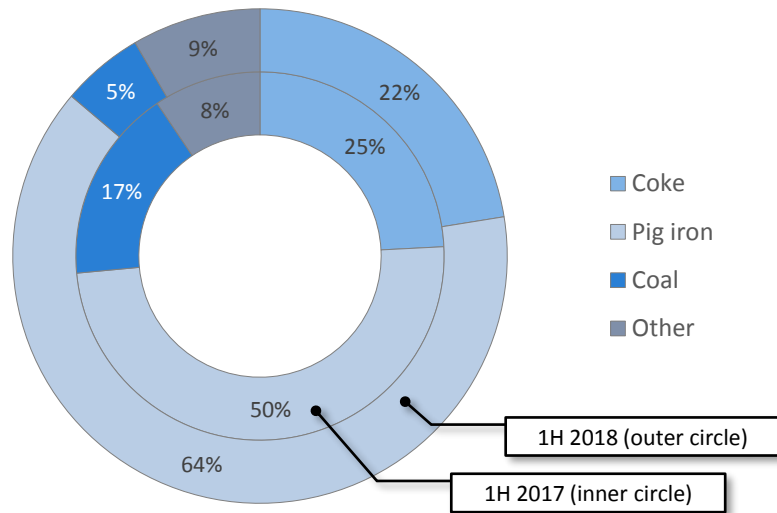


Source: SBB, Metal Courier

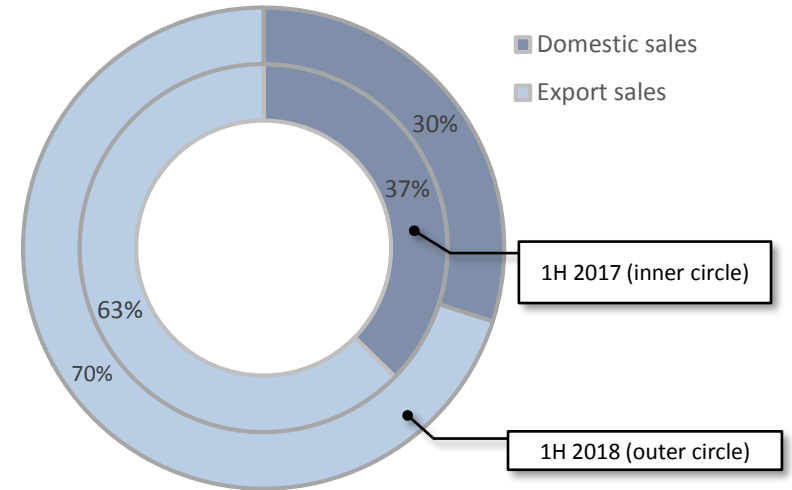
*Adjusted (loan covenant) EBITDA is calculated as earnings before income tax, interest expense, exchange gain/loss, depreciation, amortization, impairment and other non-cash items
 ** As at December 31, 2017.

REVENUE & COGS COMPOSITION

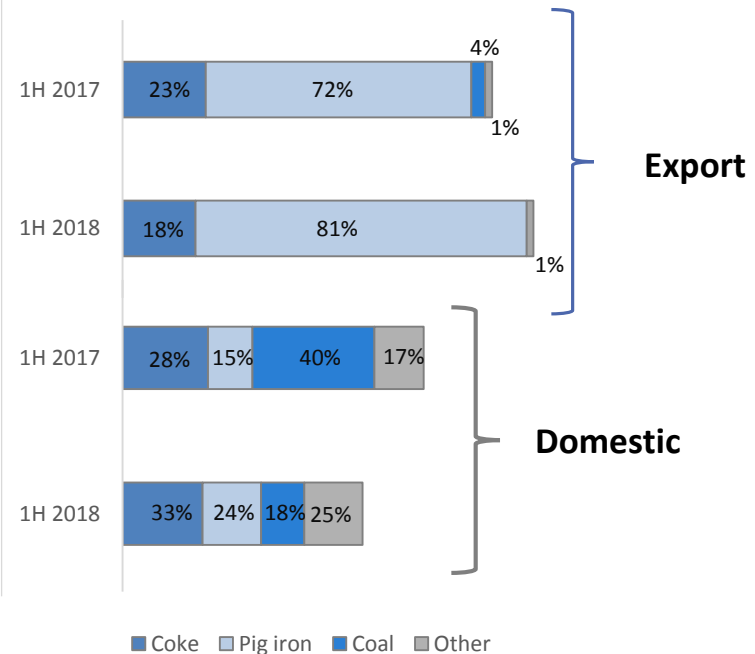
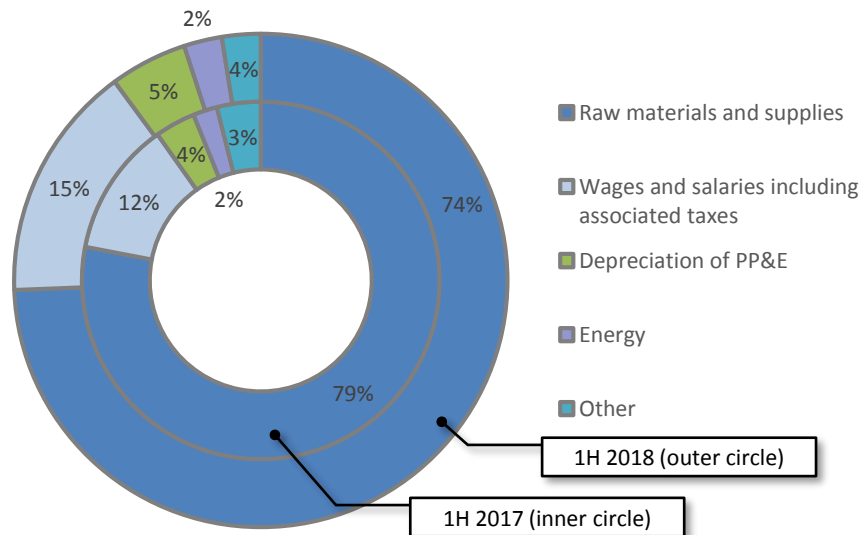
Revenue by product



Revenue by area



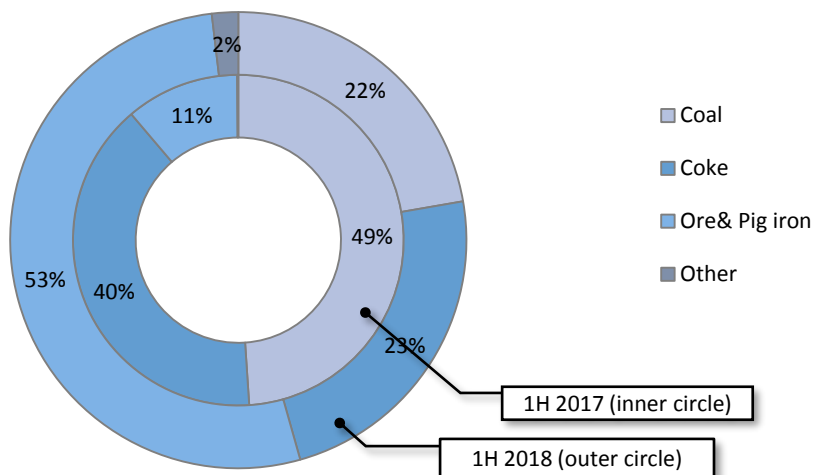
Cost of sales breakdown



EBITDA COMPOSITION



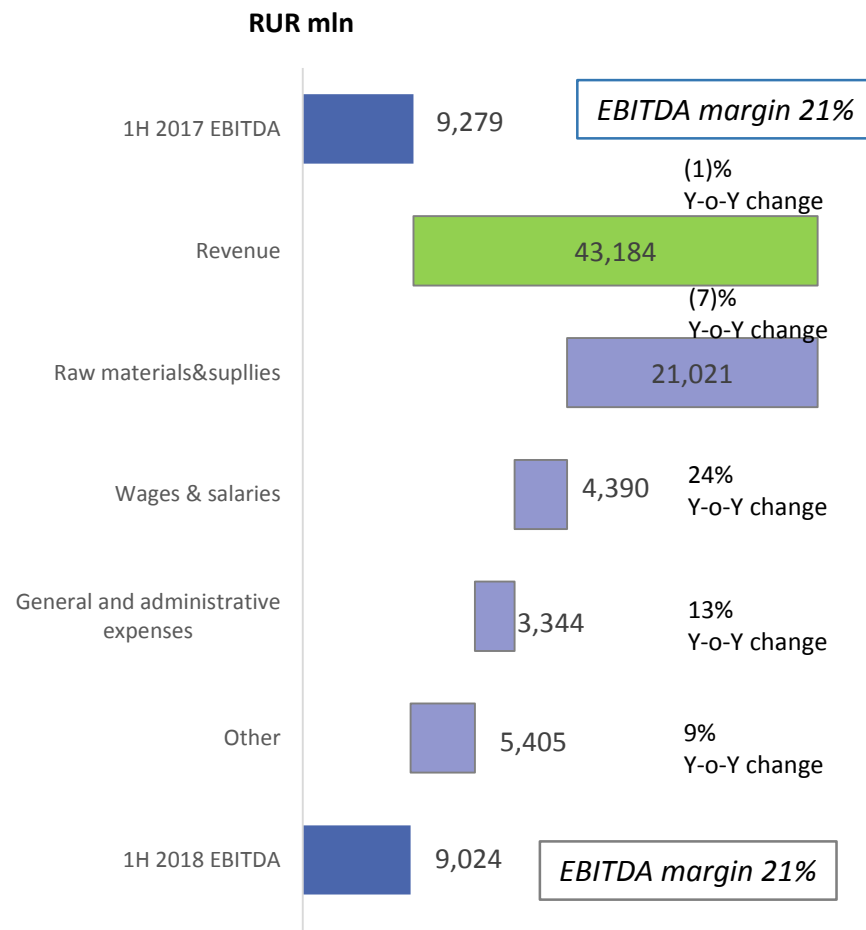
EBITDA by segment



EBITDA by segment, RUR mln	1H 2018	1H 2017	Change, %
Coal	2,010	4,552	(56)
Coke	2,107	3,705	(43)
Ore & Pig iron	4,739	1,032	359
Other	168	(10)	-
Total	9,024	9,279	(3)

- Revenue and EBITDA maintain record high levels achieved in 1H 2017 despite temporary technical issues which are currently resolved
- Ore & Pig iron segment enjoys comfortable market conditions arisen from by the new Trade legislation supporting domestic EAF steel production in USA and exchange differences favorable for exporters

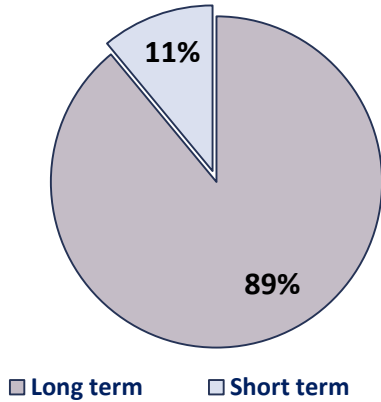
EBITDA y-o-y change



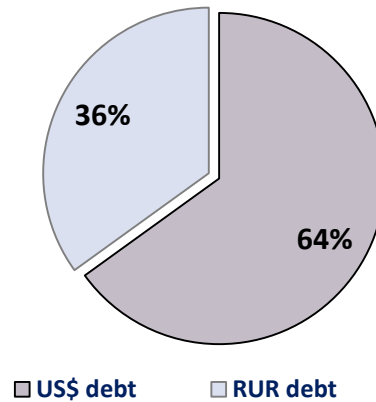
WELL-BALANCED DEBT PORTFOLIO*



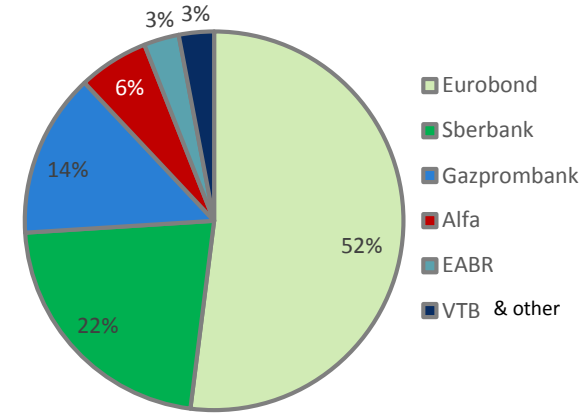
Long-term and short-term debt



Debt by currency

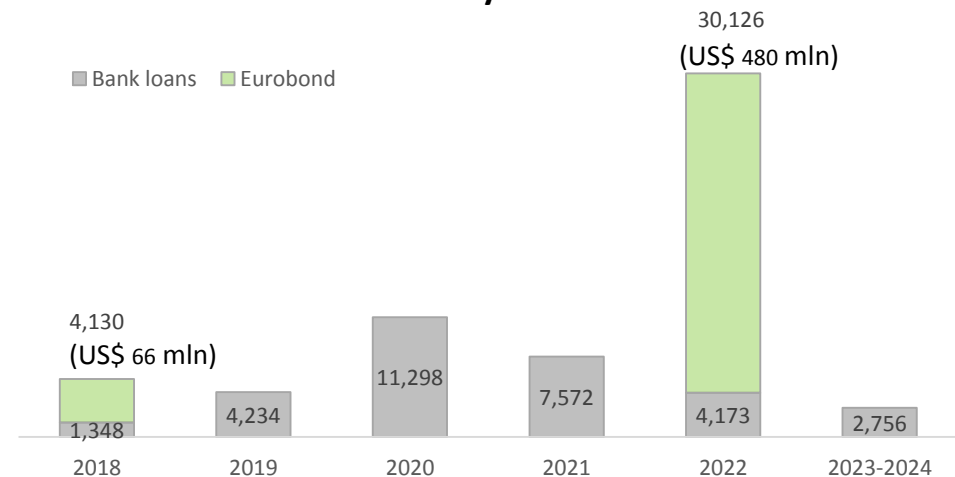


Debt portfolio by sources

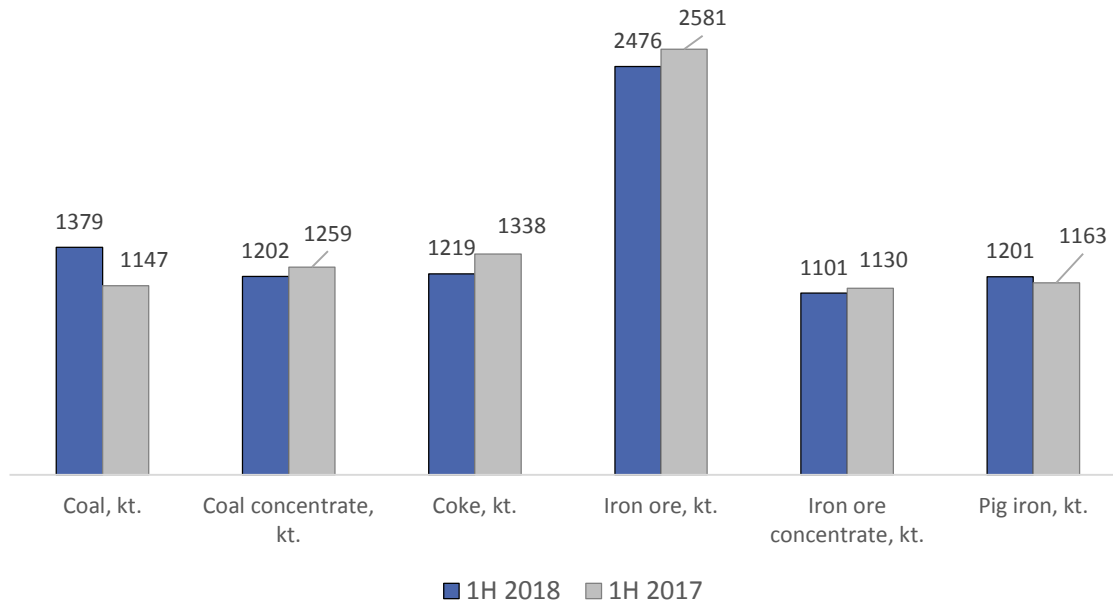


IFRS Debt portfolio parameters	1H 2018
Net debt	RUR 53,747 mln
Average interest rate*	8.14%
Confirmed undrawn facilities as of 30.06.2018*	RUR 50,782 mln

Maturity*



*Management accounts



- In 1H 2018 coking coal production 20% higher due to gradual ramp-up of the second stage of Butovskaya and Tikhova mines
- Pig iron production at Tulachermet increased due to successful modernization of the blast furnace No.3 in 2017
- Coal concentrate production 4% less due to processing of new grades of coal from Tikhova mine. Plant modernization, scheduled for the second half of 2018, will increase its productivity

Development in the reporting period

- A number of technical problems at Butovskaya mine solved, the quality of the coal produced increased
- Kombinat KMAruda develops the second mining stage to ramp up capacity of iron ore production from 4.8 to 7 million tons. With the use of new capacities, iron ore production growth will occur as early as 2019
- About 70 activity issues are scheduled to improve production efficiency
- Annual savings from the Total Optimization Program aimed to encourage employees' work-improvement initiatives, exceed 1.3 billion rubles (management accounts)
- Butovskaya mine introduced an advanced system for accurate positioning of personnel and transport. Due to its use, production safety and efficiency has been increased significantly
- Consolidated system of procurement and inventory management introduced to save significant funds due to the competent distribution of materials and resources

Appendix



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

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

*Actual interest rate of the notes is 7.5%

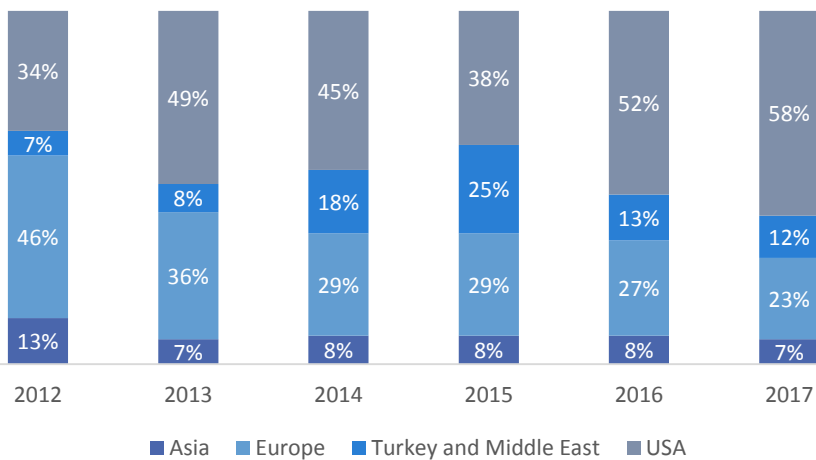


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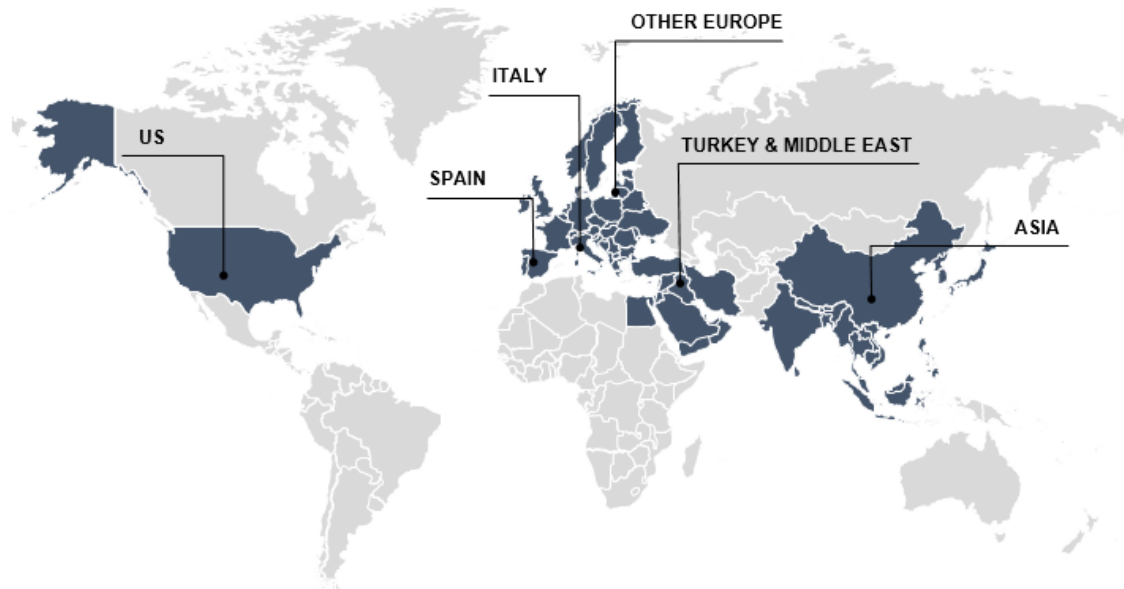
«As the agency rated the market and competitive positions, it took account of the fact that the company is the largest supplier of commercial pig iron with a share of about 16% in 2017».

–*National rating from Expert RA*

IMH pig iron export sales^(1,2)



IMH key export markets (merchant pig iron)



Key customers in 2017 (merchant pig iron)

Traders – 74%

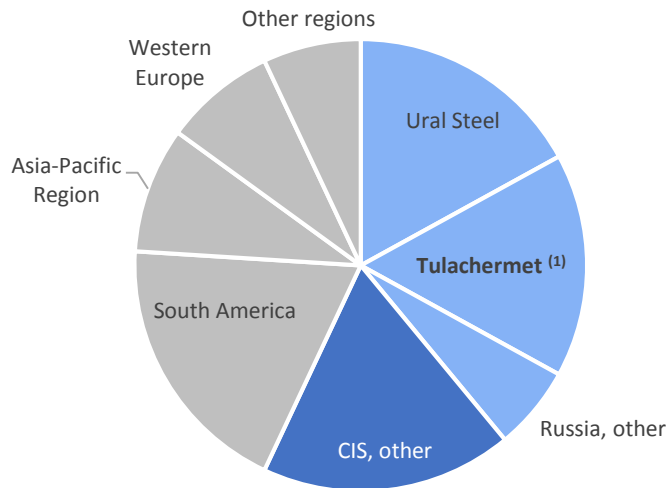
End users – 26%



(1) Totals may not equal 100% due to rounding
 (2) Share in pig iron export sales by volume through Alpicom trader



Merchant pig iron global market*, main participants

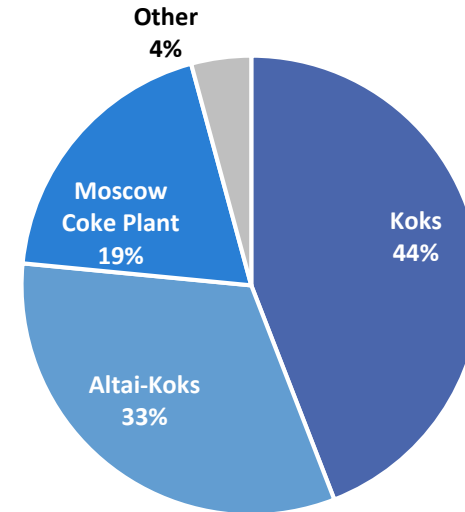


(1) Export sales of pig iron data include sales of Alpicom

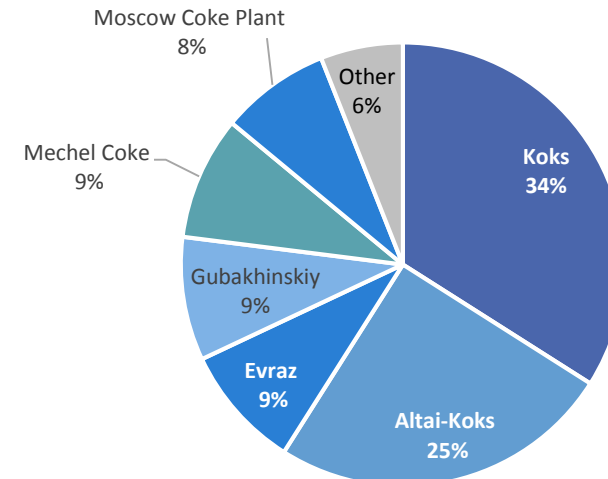
* According to Metall Expert, merchant pig iron market in 2017 accounted to around 12 mln t

- Pig iron is an essential additive to raw material for quality steel production with no adequate substitute product
- Total Russia's share of the global merchant pig iron market is 39% with only two strong suppliers
- Other suppliers of merchant pig iron are unable to meet the demand on the back of numerous closures both connected with bankruptcy during the times of low demand (Brazilia) and environment protection initiatives (China)

IMH is the leader among Russia's merchant coke exporters



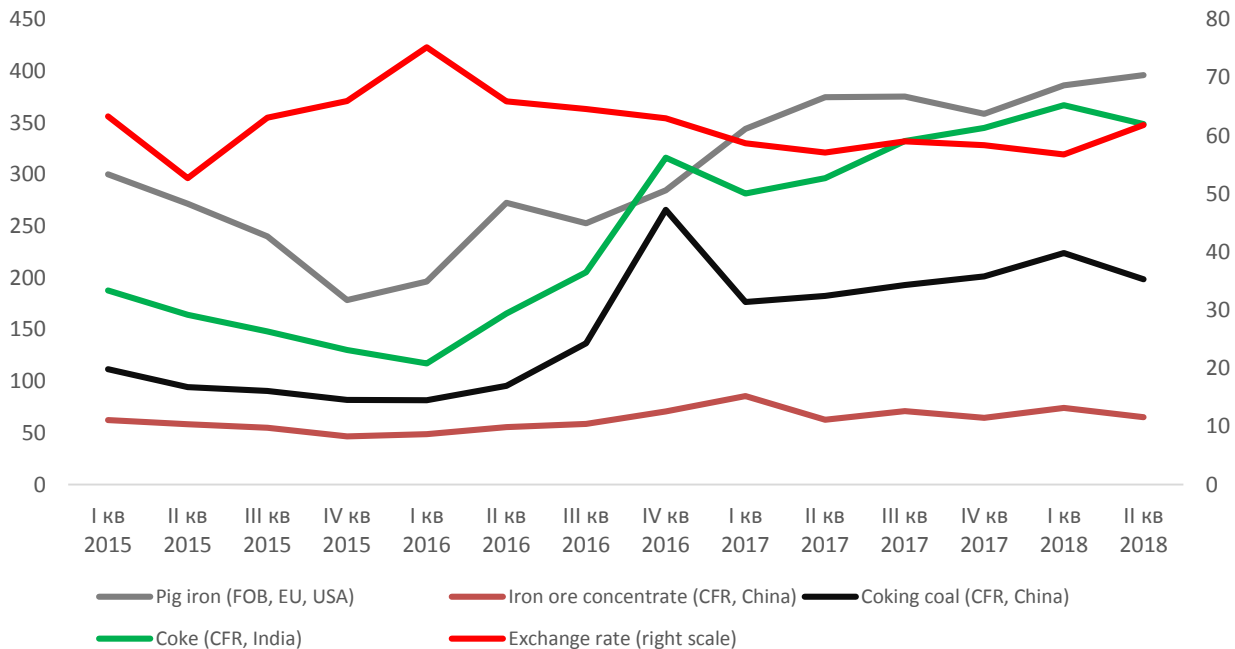
IMH is the main Russia's supplier of merchant coke



MAIN MARKET PRICE PROCESS TRENDS



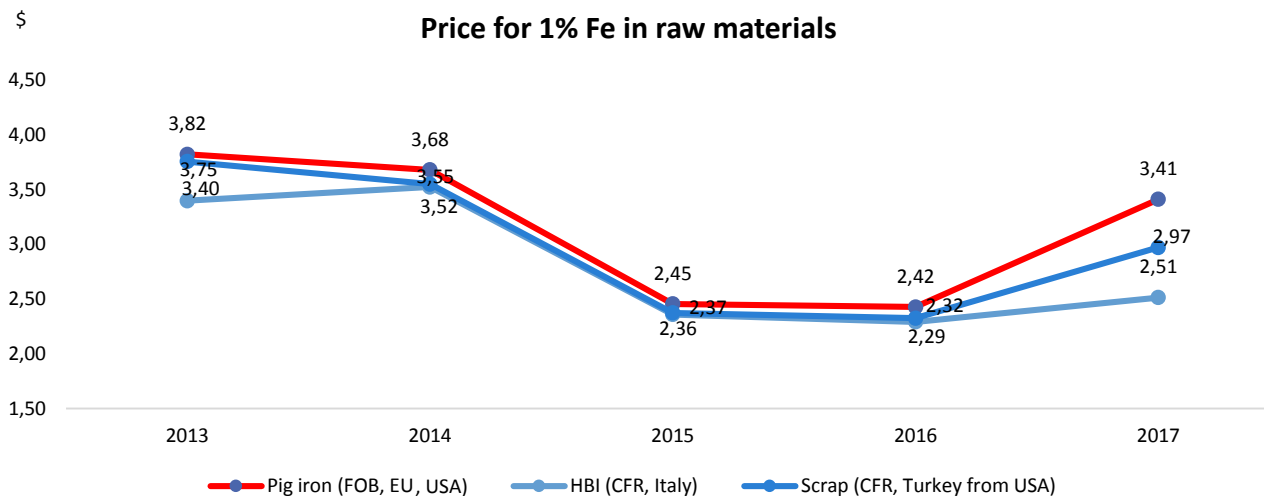
Current price trends



Pig iron prices are at their 3-year heights due to:

- (1) Closure of ineffective blast furnaces in China
- (2) Growing demand from the side of EAF-plants in US on the back of 232 Article on the Trade Legislation adoption
- (3) Low inventories
- (4) Less supply volumes available on the market

Price for 1% Fe in raw materials



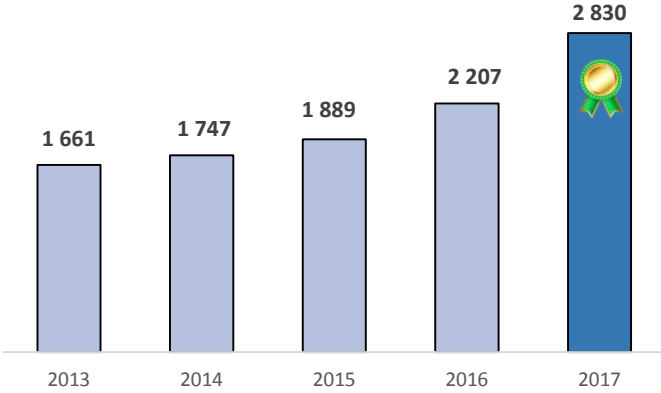
Pig iron is sold with premium due to its high end-user performance.

Tulachermet's product is a preferable product due to the low contents of sulfur and phosphorus.

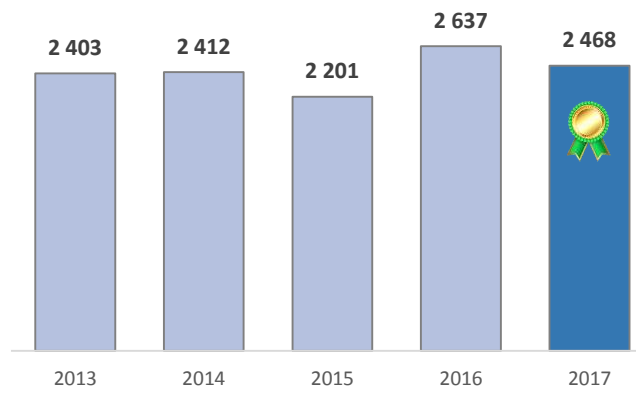
OPERATIONAL RESULTS DYNAMICS



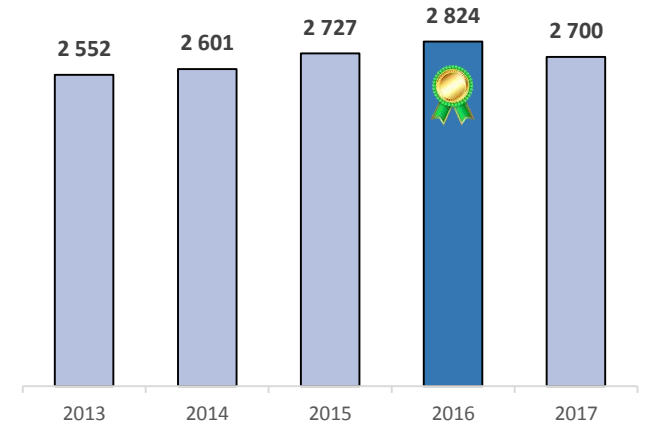
Coal, kt



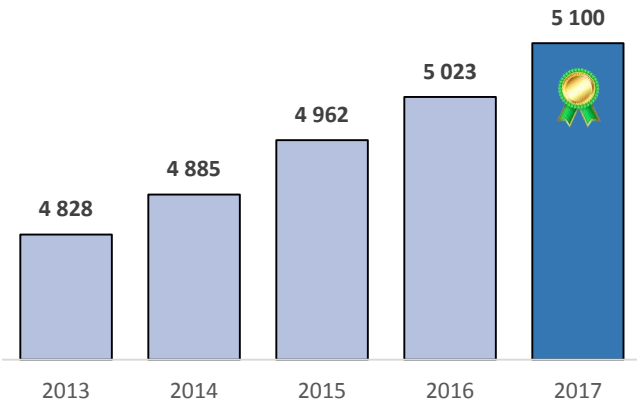
Coal concentrate, kt



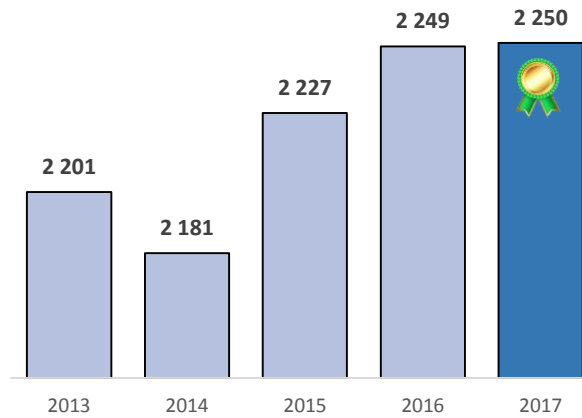
Coke, kt



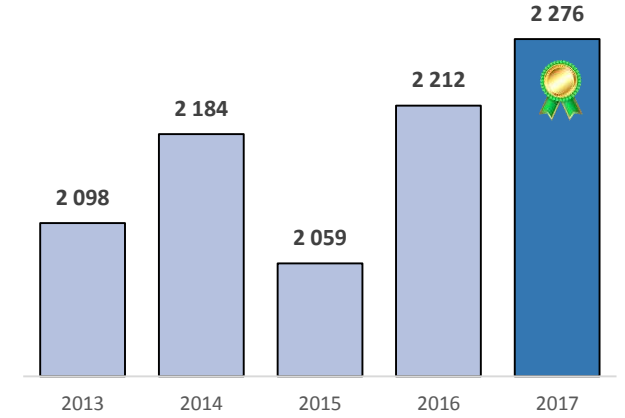
Iron ore, kt



Iron ore concentrate, kt



Pig iron, kt



Historical record



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