INDUSTRIAL METALLURGICAL HOLDING

1H 2021 FINANCIAL RESULTS

IMH

31.08.2021

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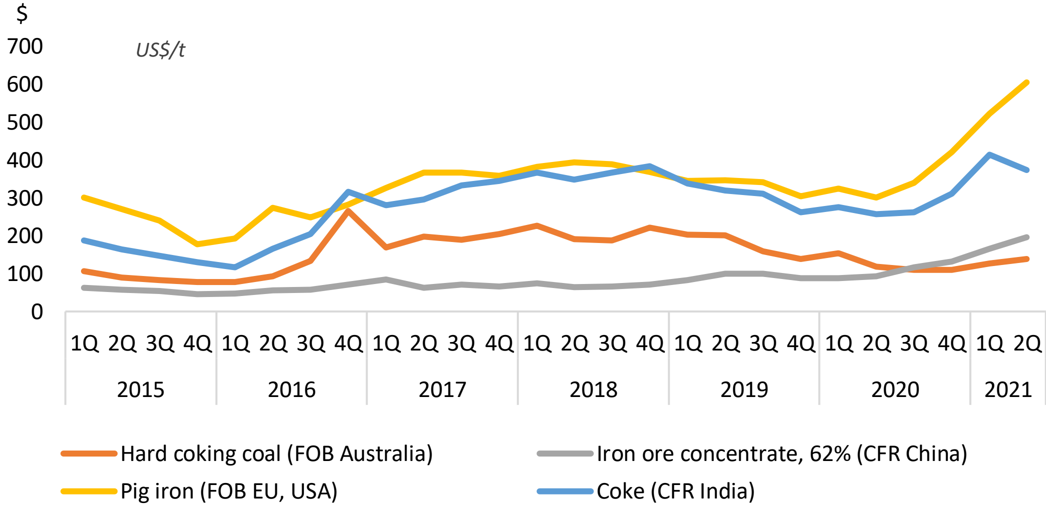
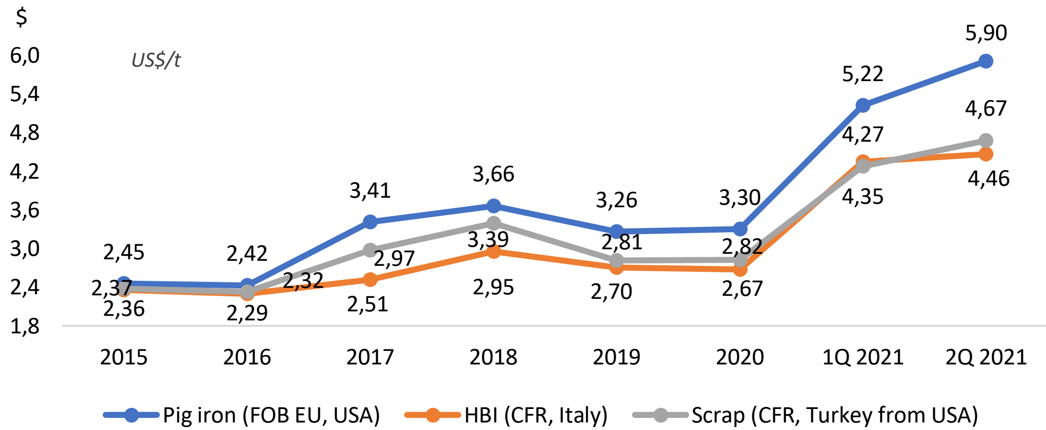
GROWING MARKETS CONTRIBUTED TO STRONG RESULTS OF 1 H 2021

Price dynamics for key products

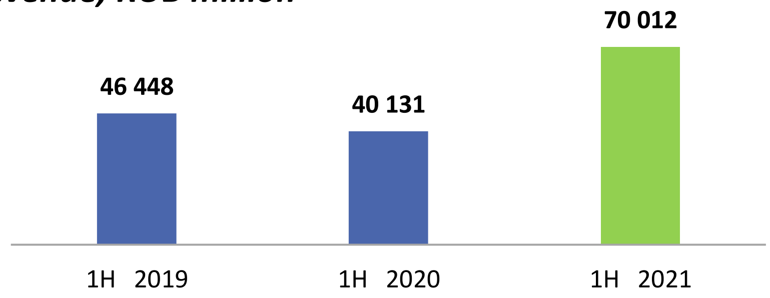


Price for 1% Fe in raw materials(1)

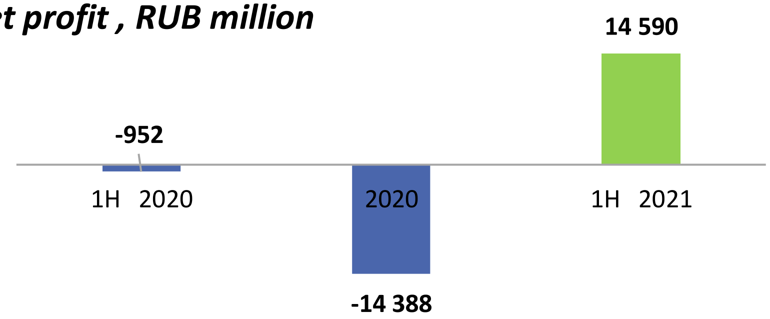


Key financial metrics

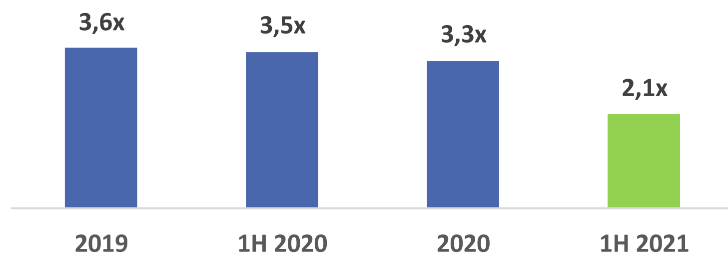
Revenue, RUB million



Net profit , RUB million



Net Debt / EBITDA LTM(2)

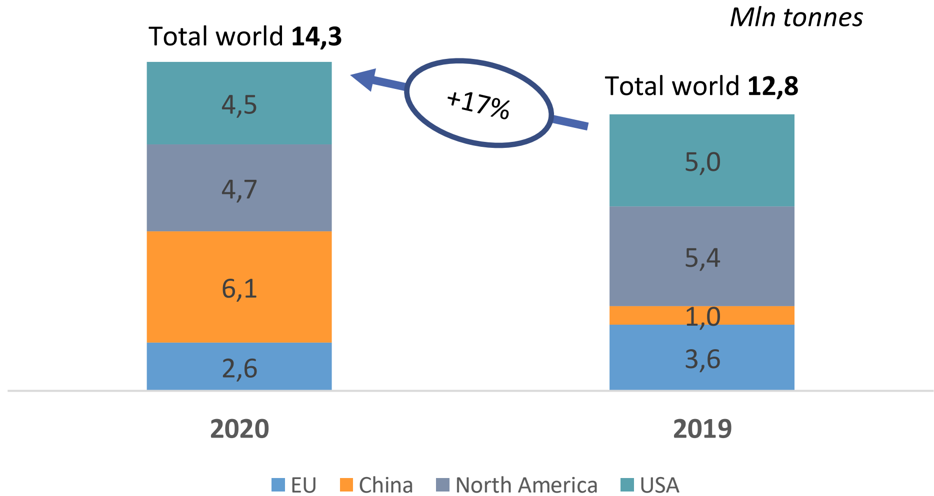


Note: (1) special index showing the metallurgical value of each product for steel production. Calculated as price per tonne of product divided by actual iron content in a tonne (2) official web site of the Russian Ministry of Economic Development
Source: Metal Courier, Metal Bulletin, SBB
(2) Adjusted (loan covenant) EBITDA is calculated as earnings before income tax, interest expense, exchange gain/loss, depreciation, amortization, impairment and other non-cash items

DEVELOPING NEW EXPORT DIRECTION

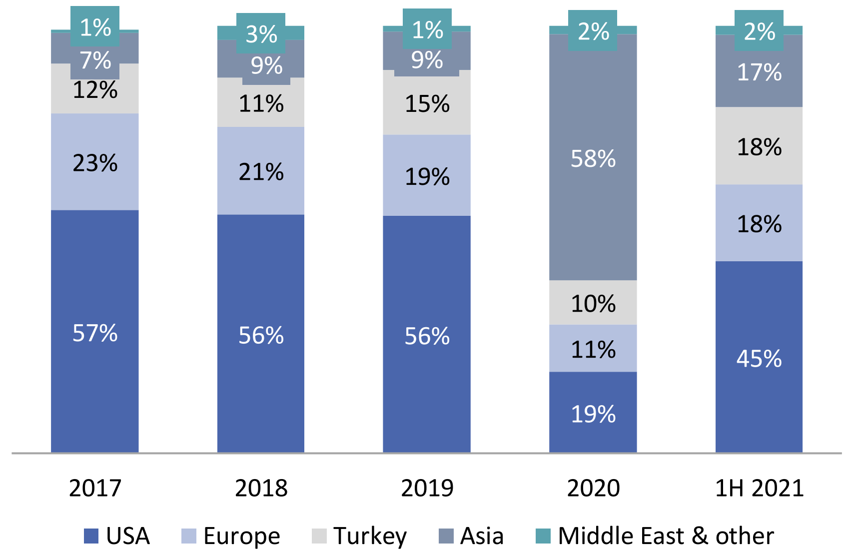
IMH key export markets for merchant pig iron

Sharp increase in China's pig iron import in 2020

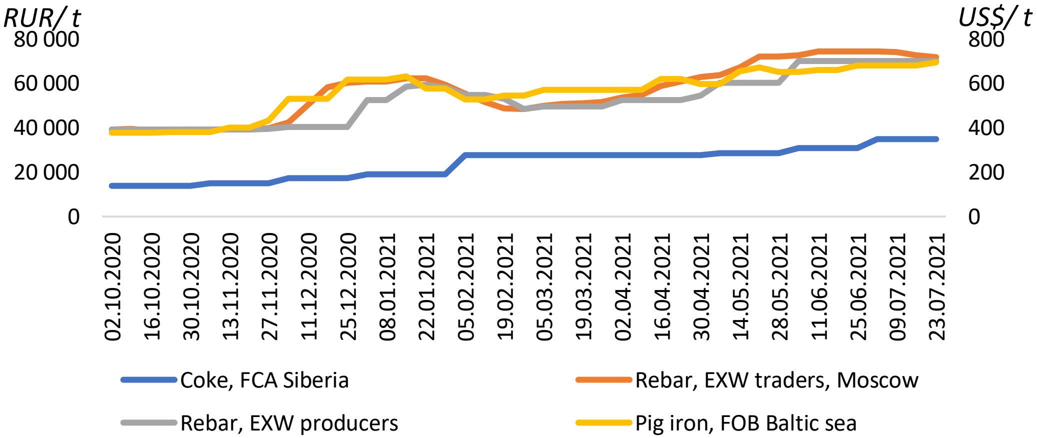


IMH pig iron export sales[1]

In volume terms



Weekly price change



- ✓ Global pig iron supply tighter due to lower sales from IMH and Metalloinvest. Further decrease is possible on the back of imposing new tax duty by the Russian government in 2021
- ✓ China: active government's support provides strong recovery conditions for steel consumers accompanied with the intention to move to environmentally safe "green" steel by electric arc technology furnished by sea born pig iron
- ✓ USA: Pig iron consumption grew due to the government's support to local consumers
- ✓ Europe: a number of European blast furnaces closed thus decreasing domestic supplies and recover slowly on the back expectations of the "next wave" of COVID-19 pandemic
- ✓ Coke demand and pricing are mainly determined by China and expected to be positive due to the expected increase in pig iron production
- ✓ China: coke consumption 6% increased to 470Mt in 2020 from 445Mt in 2019, which is a large portion of the world's consumption

Notes: (1) share in pig iron export sales by volume through trader's data (Lafonte Commerce S.A.)
Source: WSA, Company data

STRATEGY

CORE VALUES OF IMH'S SUSTAINABILITY STRATEGY

- ✓ **Economic efficiency**
- ✓ **Continuous focus on environmental protection and minimizing environmental footprint**
- ✓ **Health and safety of the Group's employees and human capital development**
- ✓ **Conducting socially responsible business and supporting local communities and charity projects**
- ✓ **Maintaining efficient corporate governance and informational transparency**

PRUDENT FINANCIAL POLICY

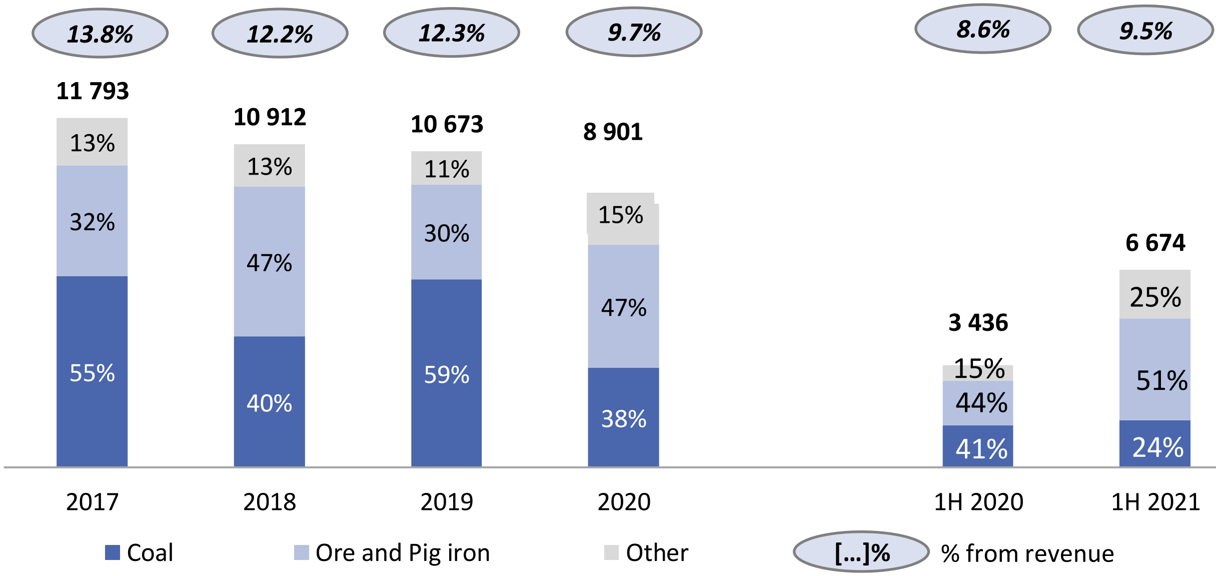
Capital structure	Target Net Leverage ratio of below 2.0x on a long-term basis	• Management strives to maintain conservative capital structure with target Net Leverage[1] ratio of below 2.0x for the long term • That could be achieved thanks to strategic investment cycle completion and shifting into the production stage
CAPEX	Flexible investment program subject to target leverage	• Company's decade-long investment cycle is largely complete, shifting to the stage of return on investments • Flexibility to revise CAPEX to bring down to maintenance subject to market conditions and target leverage • More flexible CAPEX control due to strategic investment cycle completion
Development	Organic growth focus	• Focus on achieving organic growth due to core assets upgrades • Raw materials vertical integration boost strategy • Prudent investment management in accordance with the target leverage

Note: (1) Net Leverage is defined as Net Debt divided by Covenant EBITDA LTM. Covenant EBITDA is calculated using the formula and definitions stipulated in the Loan agreement for Eurobond as the sum of profit or loss for the period plus the following: (a) interest expense, including capitalised interest; (b) income tax expense; (c) depreciation and amortisation; and (d) all other non-cash charges (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period) less all non-cash items of income (other than accruals of revenue and interest income in the ordinary course of business); .
Source: Company data

CAPITAL EXPENDITURES ANALYSIS

- Company's decade-long investment cycle is largely complete. The CAPEX / REVENUE ratio was smoothly decreasing and became stable in 2020
- Flexibility to revise CAPEX to bring down to maintenance subject to market conditions and target leverage
- More flexible CAPEX control due to strategic investment cycle completion

CAPEX[1] dynamics by key sectors, 2017- 2020



Selected development projects

Sector	Brief overview of the project	Target efficiency
Iron ore	▪ Expanding iron ore production through the construction of a new working level at the Gubkin mine ▪ Building new mining shafts, purchasing larger and more powerful mining equipment and constructing a large new ore processing plant	▪ Producing 3.0Mt of iron ore concentrate per year by 2027 ▪ Increasing iron ore extraction capacity to 8.5Mt/year by 2028
Pig iron	▪ Reconstruction of Blast furnace №1 at Tulachermet	▪ Pig iron production capacity to increase by 1.4Mt/year

Notes: (1) Capital expenditures are all additions to property, plant and equipment and intangible assets
Source: Company data

INTRODUCTION OF SUSTAINABLE DEVELOPMENT SYSTEM

Strategy	• Road map to implement a sustainable approach is developed with PWC • Sustainable development policy is adopted by the Group's plants
Management and responsibilities	• Committee on Risk management, Internal Control and Sustainable Development is established by the Board • Sustainability policy provides establishing a position of sustainability coordinator at each plant to supervise the sustainability projects
Reporting	• A system for sustainability reporting according to GRI is being introduced • A project to calculate greenhouse gas emissions is being performed

74%
of employees are vaccinated (~13 500)*

53 mln RUR
donated to regional healthcare and local communities for anti-COVID measures

390 000
of individual protection sets are distributed to the production plants

0
COVID-19 related business interruptions

* As of 31.08.2021

FINANCIAL & OPERATING PERFORMANCE

FY 1H 2021 KEY FINANCIAL HIGHLIGHTS

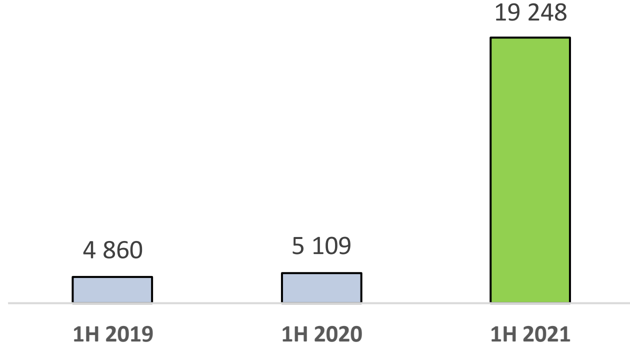
IFRS financial highlights, RUB mln

	1H 2021	1H 2020	Change,%
Revenue	**70,012**	**40,131**	**74**
Cost of sales	(44,565)	(28,446)	57
EBITDA IFRS	**21,531**	**8,433**	**155**
EBITDA margin, %	31	21	-
Adjusted EBITDA LTM[1]	**33,567**	**18,243**	84
Adjusted EBITDA	**22,846**	**9,958**	129
Adj. EBITDA margin, %	33	25	-
Profit/ (Loss) for the period	**14,590**	**(952)**	-
Profit margin, %	21	(2)	–
Total Debt	**75,942**	**75,373***	**1**
Short term debt	21,792	12,166*	79
Cash & cash equivalents	4,886	6,101*	(20)
Net Debt	**71,056**	**69,272***	**3**
Net Debt/ Adjusted EBITDA LTM	2.1x	3.5x	-
Net cash from operating activities	6,249	5,533	13
Free cash flow	(118)	2,470	(105)

* According to IFRS as of 31.12.2020

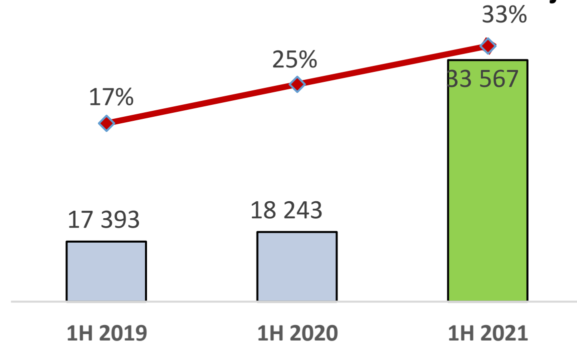
Record high result

Operating profit, RUR mln



Adjusted EBITDA LTM , RUB mln

Adjusted EBITDA margin, %



Company's credit ratings

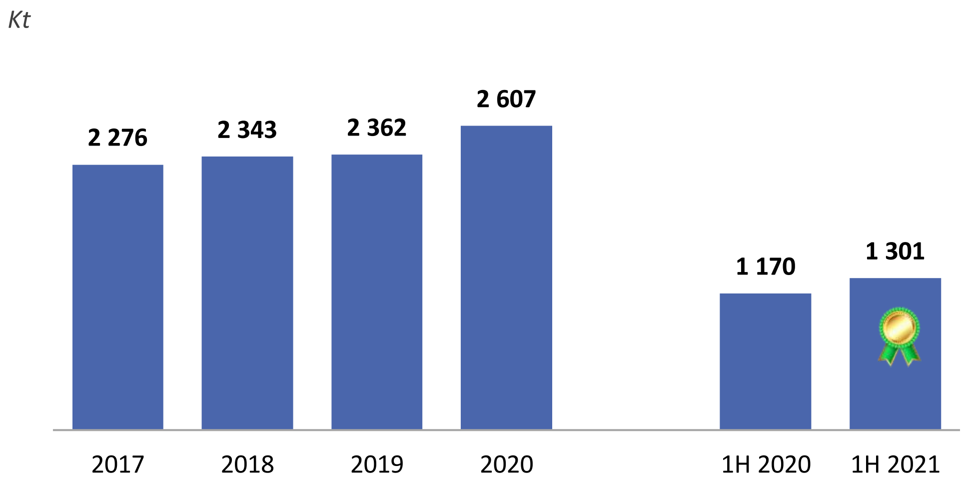
Moody's	Fitch Ratings	ACRA
B2 (Stable) June 2020	B (Stable) May 2020	A- (Stable) Feb 2021

Notes: (1) EBITDA by segments according to the Company's IFRS financial statements for respective periods; (2) Covenant EBITDA is calculated using the formula and definitions stipulated in the Loan agreement for Eurobond as the sum of profit or loss for the period plus the following: (a) interest expense, including capitalised interest; (b) income tax expense; (c) depreciation and amortisation; and (d) all other non-cash charges (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period) less all non-cash items of income (other than accruals of revenue and interest income in the ordinary course of business). (2) Net Leverage is defined as Net Debt divided by Covenant EBITDA LTM

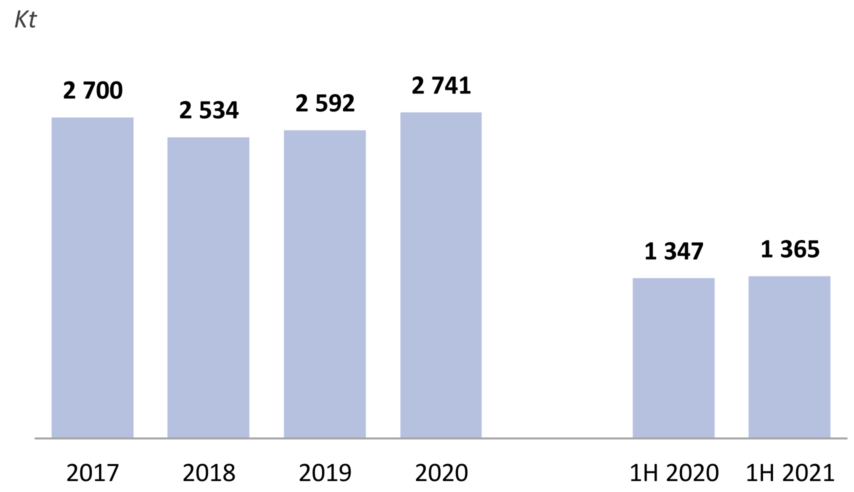
Source: Company data

OPERATING RESULTS OVERVIEW

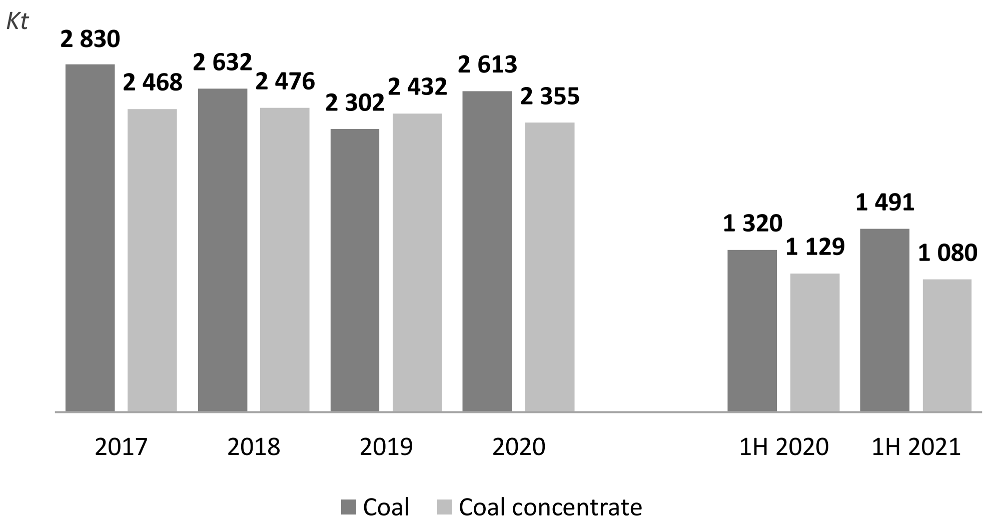
Pig iron production volume



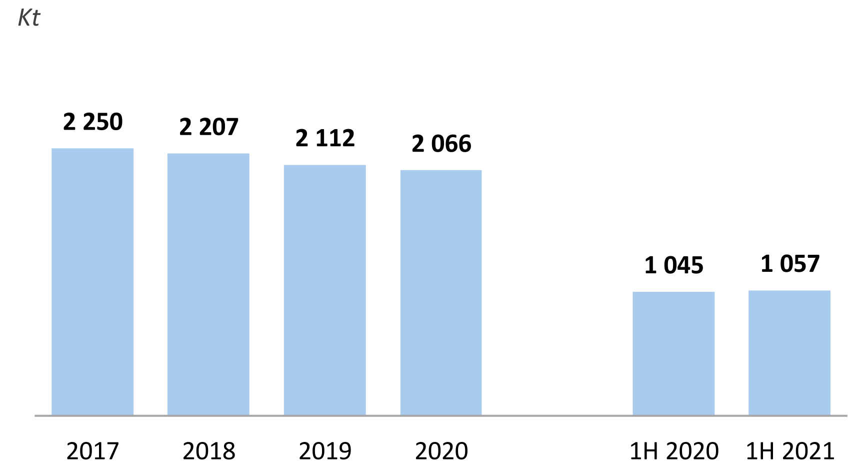
Coke production volume



Coking coal & concentrate production volume



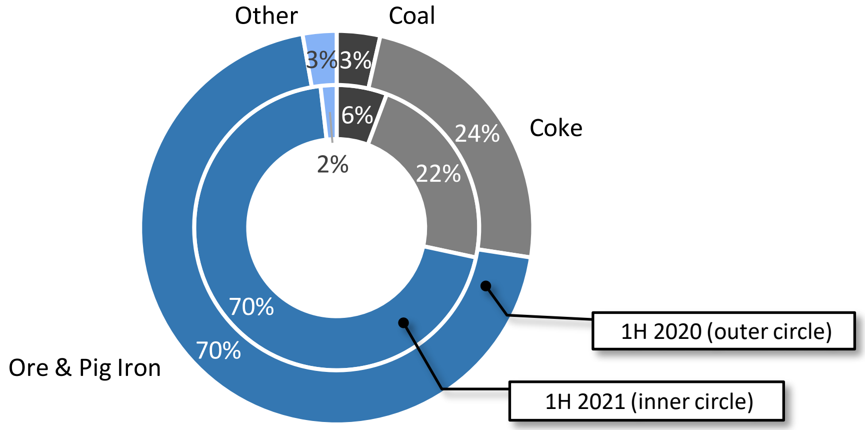
Iron ore concentrate production volume



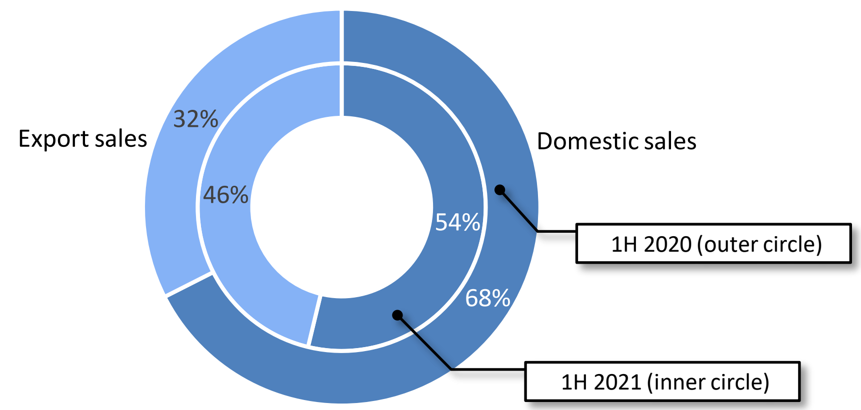
Source: Company data

REVENUE STRUCTURE IN 1H 2021

Revenue by segment

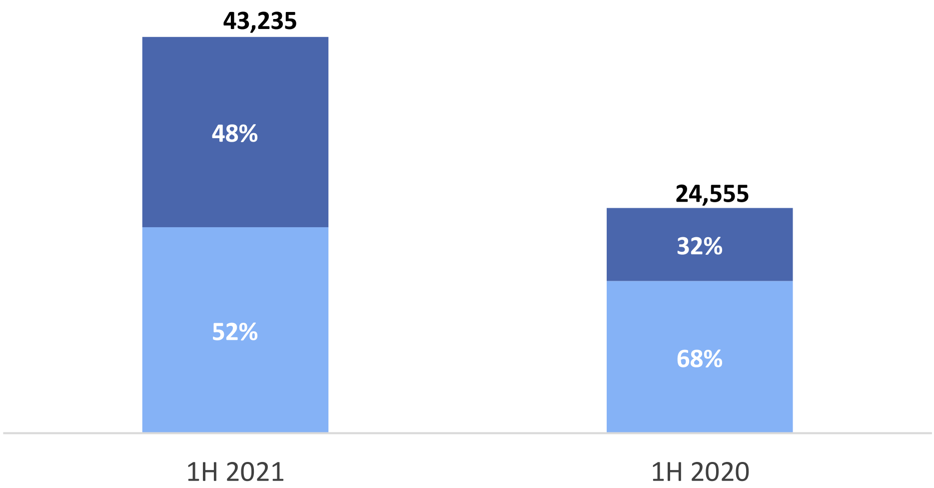


Revenue by geography



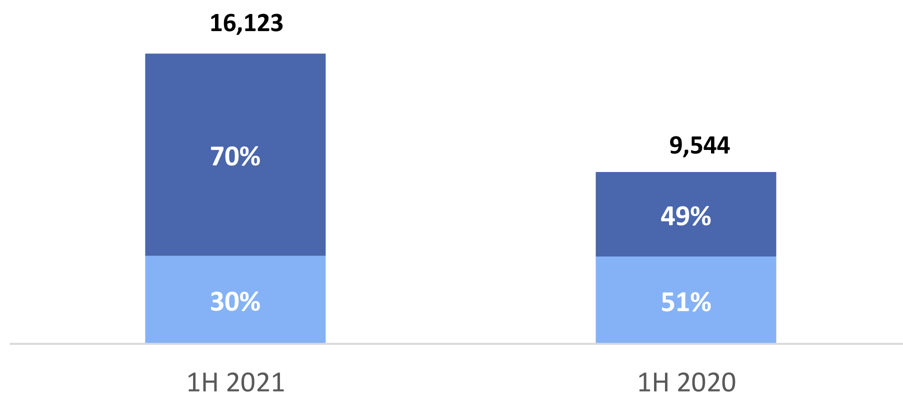
Pig iron sales by geography

RUB mn



Coke sales by geography

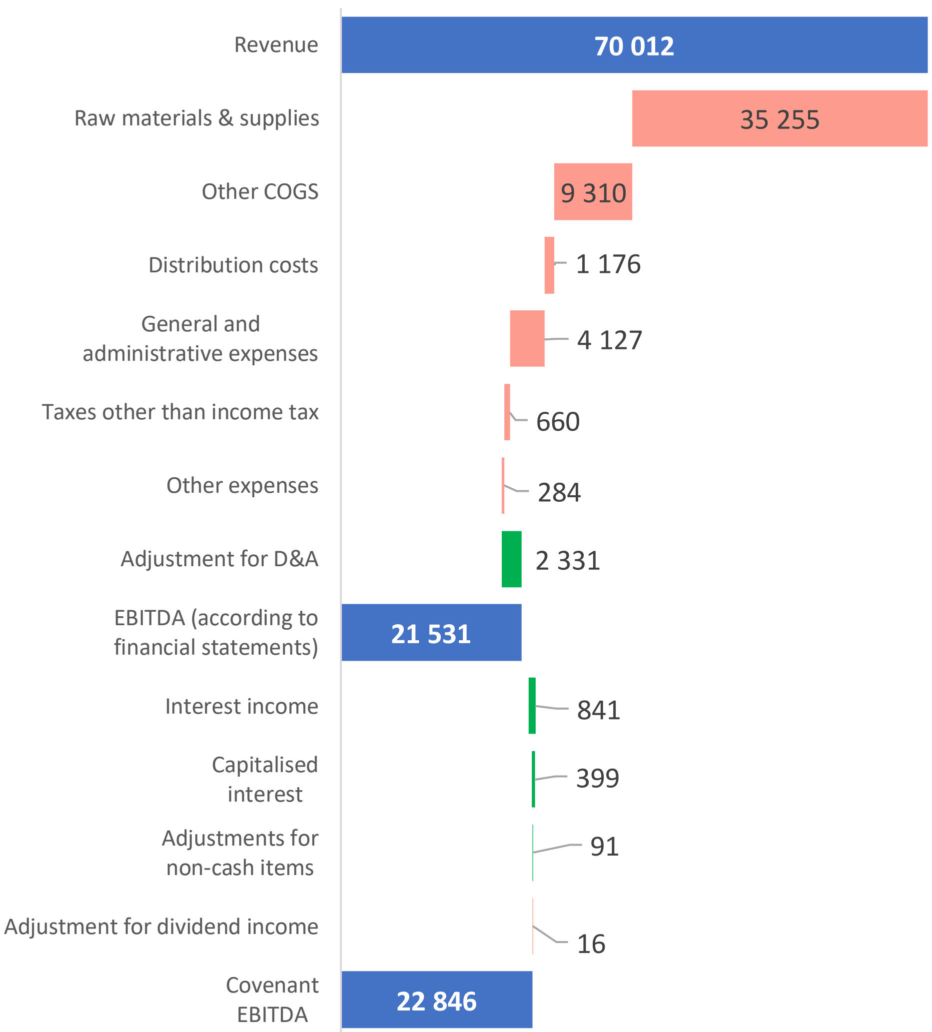
RUB mn



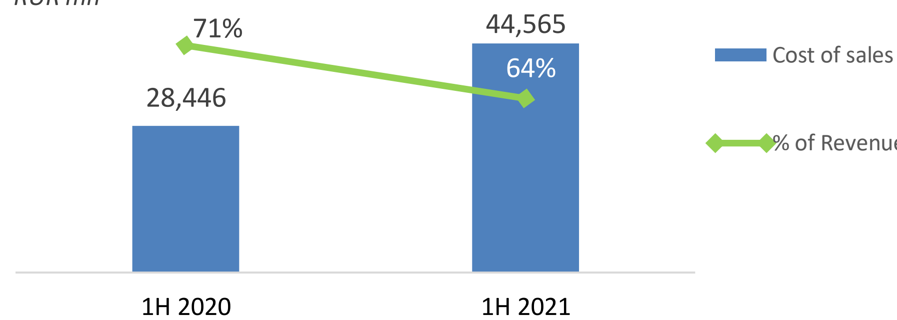
- Export
- Domestic sales

COST STRUCTURE IN 1H 2021

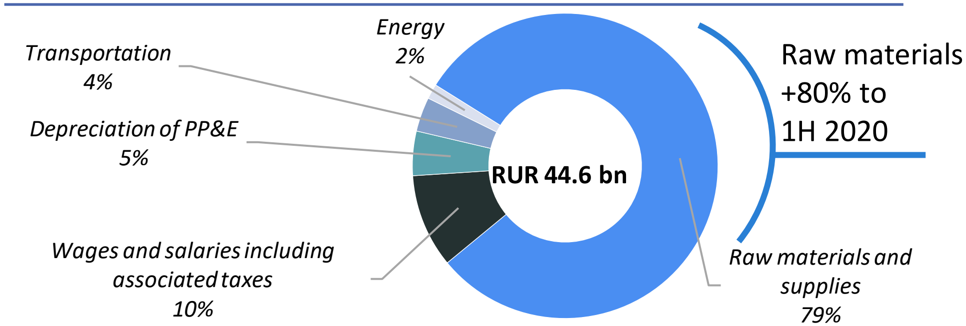
Revenue to Covenant EBITDA[1] bridge



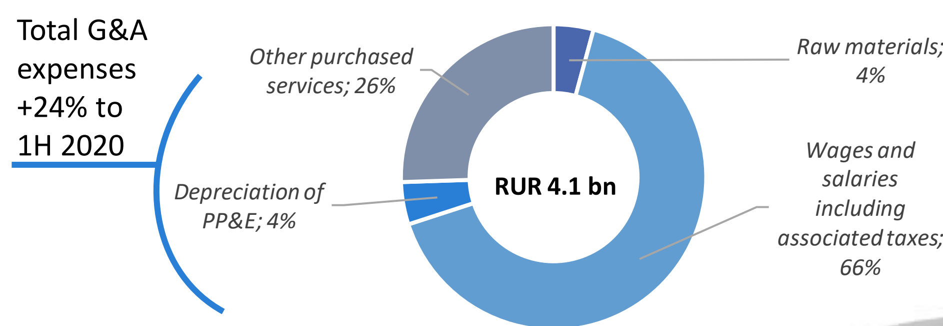
Cost of sales dynamics



Cost of sales breakdown



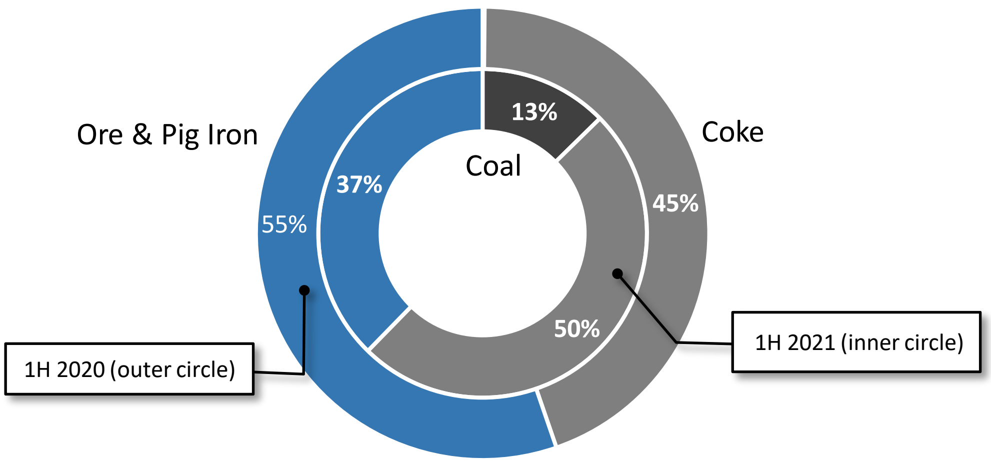
General and administrative expenses breakdown



Raw materials and general & administrative expenses affected margins harder than other expenses

EBITDA AND NET LEVERAGE DYNAMICS

EBITDA[1] by segments

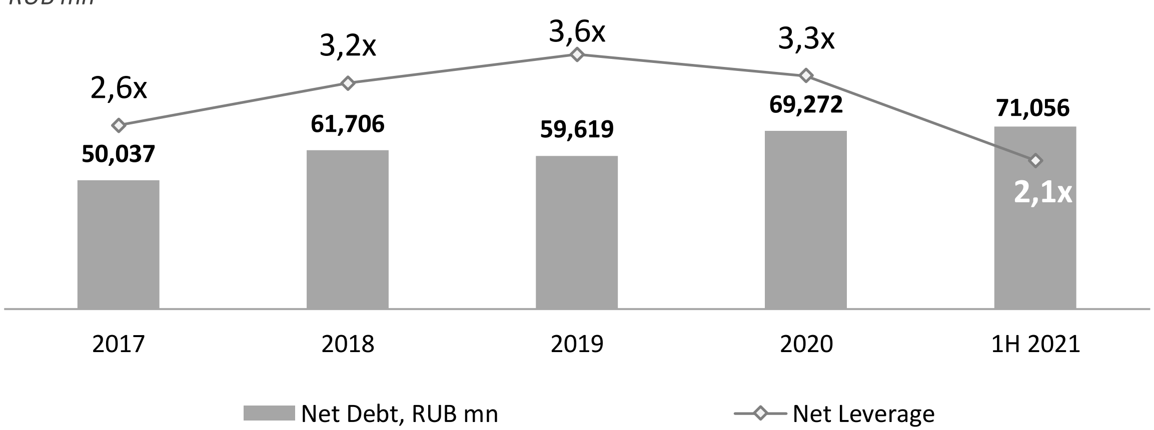


- Revenue increased by 74% y-o-y because of:
  - Prices for pig iron and coke recovery;
  - Pig iron sales growth;
  - Pig iron export growth.

- Covenant EBITDA 129% up y-o-y thanks to:
  - Increase in coal, coke and iron ore prices;
  - Revenue growing faster to compare with costs;
  - Decrease in financial expenses due to absence of foreign exchange loss on bonds issued and on interest accrued on bonds issued.

Net Debt and Net Leverage dynamics

RUB mn



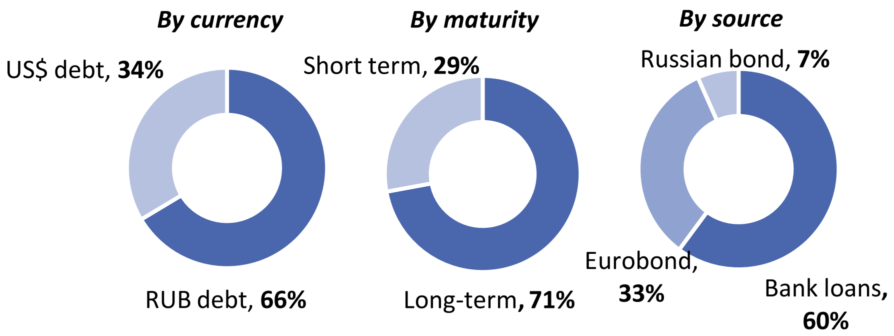
- 3% Increase of Net Debt was caused by a provision of deferred payment to customers in case of higher selling prices which resulted in 155% growth in EBITDA. The increase in the current receivables achieved in 1H 2021 was financed by bank loans.

Notes: (1) EBITDA by segments according to the Company's IFRS financial statements for respective periods; (2) Covenant EBITDA is calculated using the formula and definitions stipulated in the Loan agreement for Eurobond as the sum of profit or loss for the period plus the following: (a) interest expense, including capitalised interest; (b) income tax expense; (c) depreciation and amortisation; and (d) all other non-cash charges (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period) less all non-cash items of income (other than accruals of revenue and interest income in the ordinary course of business). (2) Net Leverage is defined as Net Debt divided by Covenant EBITDA LTM

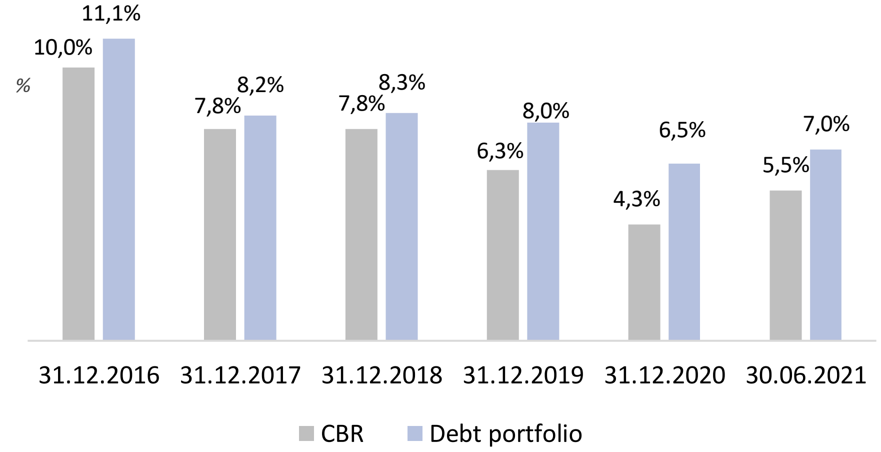
Source: Company data

BALANCED DEBT PORTFOLIO

Debt structure[1] as of July 1, 2021

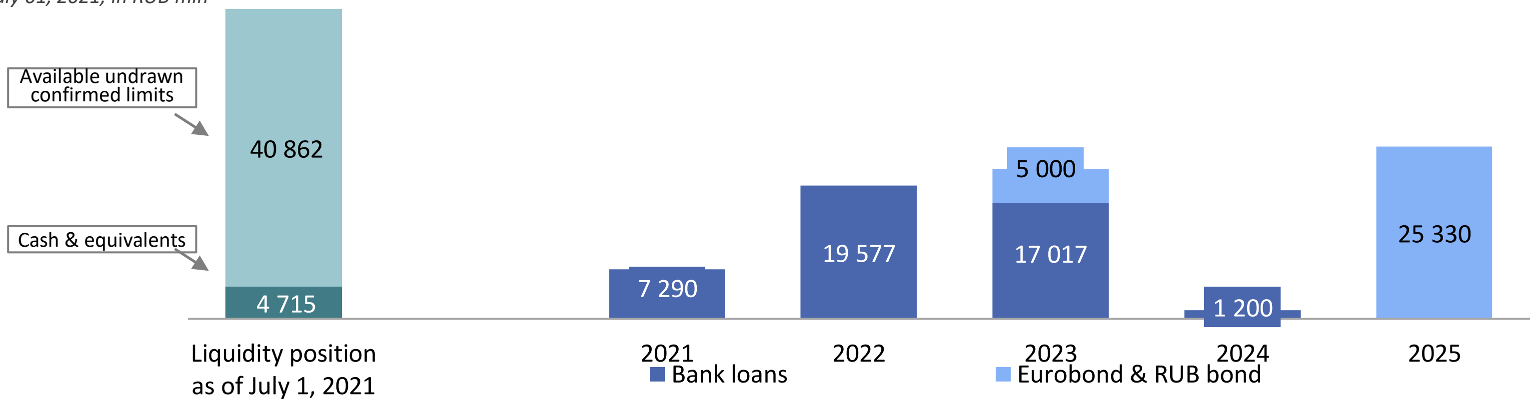


Average interest rates dynamics



Liquidity position and debt maturity schedule[1]

As of July 01, 2021, in RUB mln

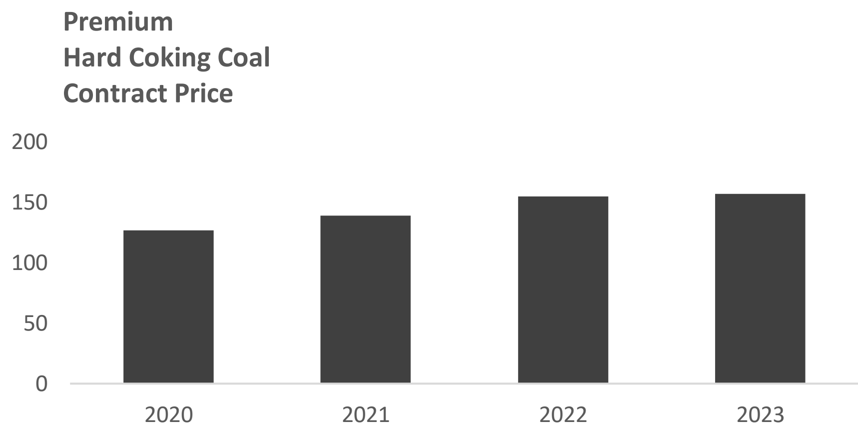


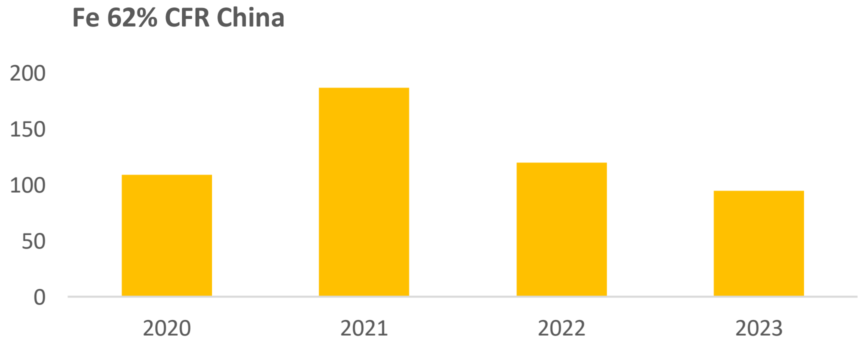
Notes: (1) According to management accounts, including repayment of rollover tranches;
Source: Company data, CBR official web site

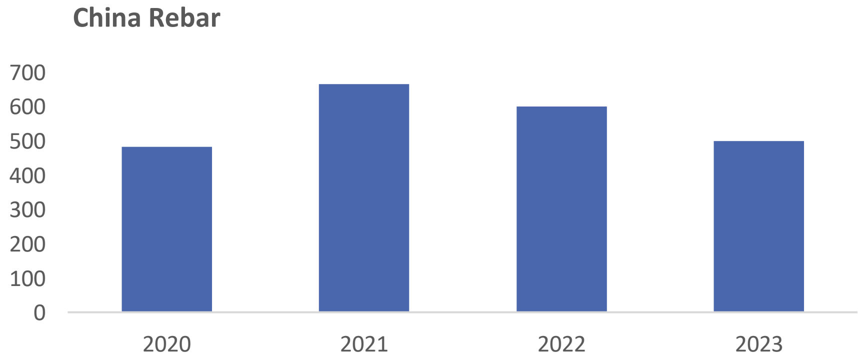
Apendix

PRICE CORRECTION IS POSSIBLE

AME Forecasted Prices, US$/t







Deferred demand and supply bottlenecks provided for growing prices for steel and metallurgical raw materials in 1H 2021

Booming business activity in Europe and the US is fueling inflationary pressure

Sharp decrease in investments to construction and infrastructure in China

Steel export constrains in China currently support world market but provide for price decrease at the domestic market

Lower export orders, higher raw material costs and tighter environmental restrictions provide for slower production growth in China

Tightening credit conditions and lower sales margins likely will affect steel consumption growth at the construction and machine building industries

Source: AME, KPMG

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