

Industrial metallurgical holding
1H 2019
IFRS Financial Results



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BASIC HIGHLIGHTS

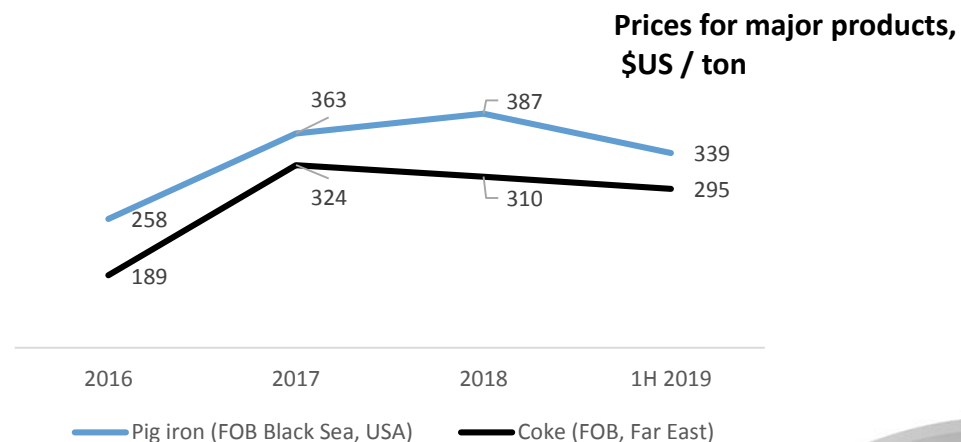
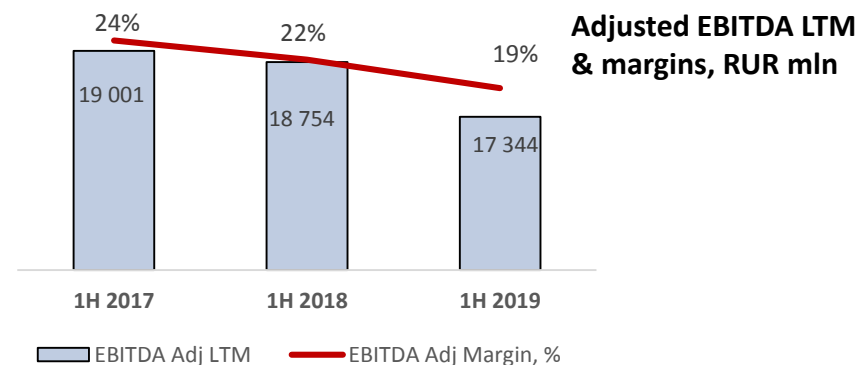
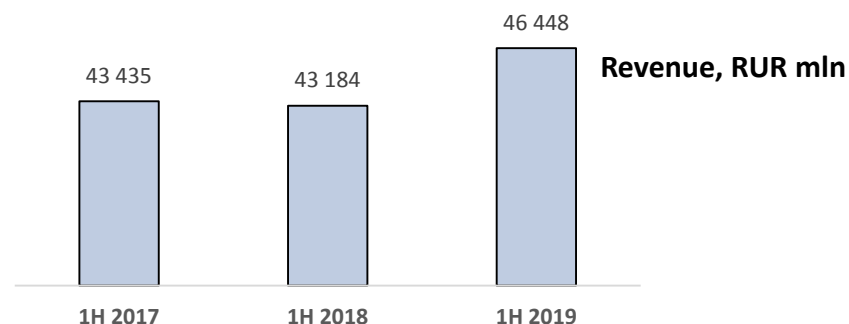


1H 2019 KEY FINANCIAL HIGHLIGHTS



IFRS financial highlights, RUB mln

	1H 2019	1H 2018	Change,%
Revenue	46,448	43,184	8
Cost of sales	(35,194)	(30,522)	15
EBITDA	6,833	9,024	(24)
EBITDA margin, %	15	21	-
Adjusted EBITDA LTM*	17,344	18,754	(8)
Adj. EBITDA margin, %	19	22	-
Profit for the period	4,466	2,063	+116
Profit margin, %	10	5	-
Capex	(4,295)	(5,053)	(15)
Total Debt	70,137	73,228**	(4)
Short term debt	10,782	4,469**	141
Cash & equivalents	7,604	11,522**	(34)
Net Debt	62,533	61,706**	1
Net Debt/ Adjusted EBITDA	3,6x	3.2x**	-
Net cash from operating activities	7,038	10,552	(33)
Free cash flow	2,743	5,499	(50)

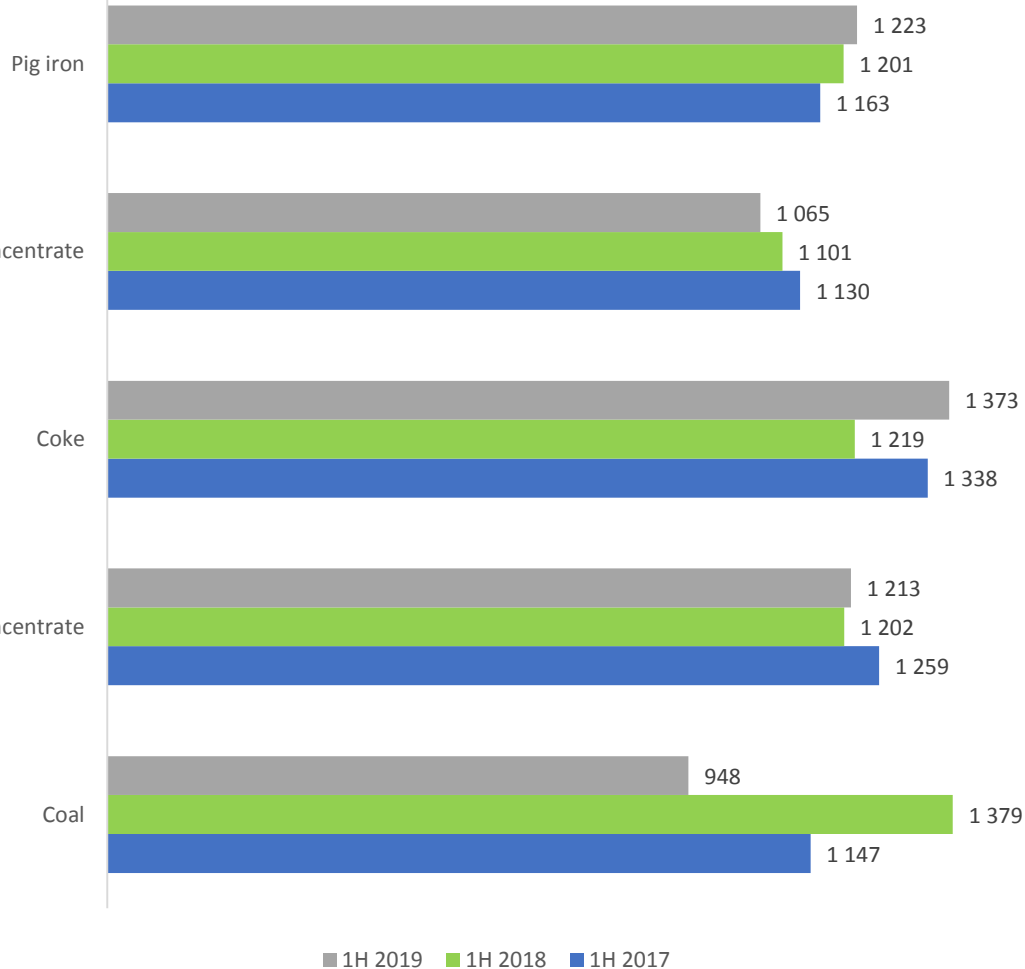


*Adjusted (loan covenant) EBITDA is calculated as earnings before income tax, interest expense, exchange gain/loss, depreciation, amortization, impairment and other non-cash items
 ** As at December 31, 2018.

PRODUCTION VOLUMES



thousand tonnes



- **During the last three years there was 5% increase in pig iron production from 1 163 thousand tones to 1 223 thousand tones.** This is 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.
- Coke output significantly increased compared to the 1H 2018 results due to better logistics environment and new long-term export sales contracts.
- Iron ore and iron ore concentrate production at Kombinat KMAruda slightly decreased as a result of exploiting the reserves of a selvedge part 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 at the mines is expected to recover.
- Concentrate yield at Berezovskaya washing plant increased by 6 percent on the back of improved quality of sourced coal.

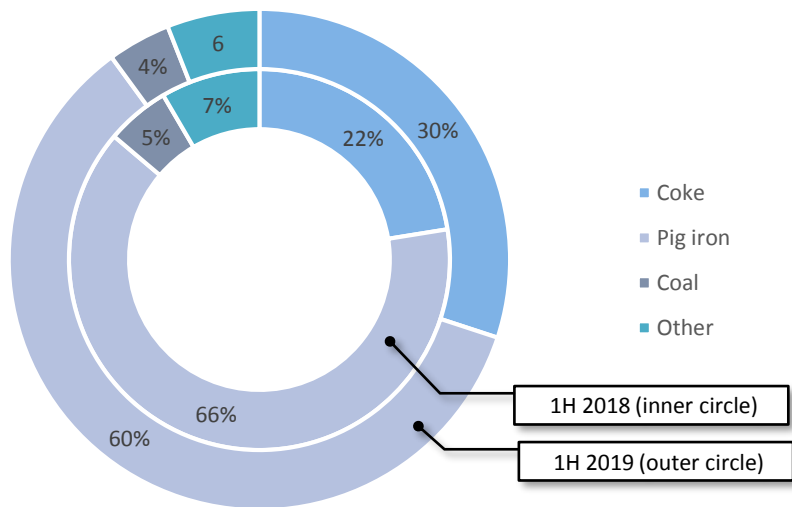
1H 2019 Financial performance



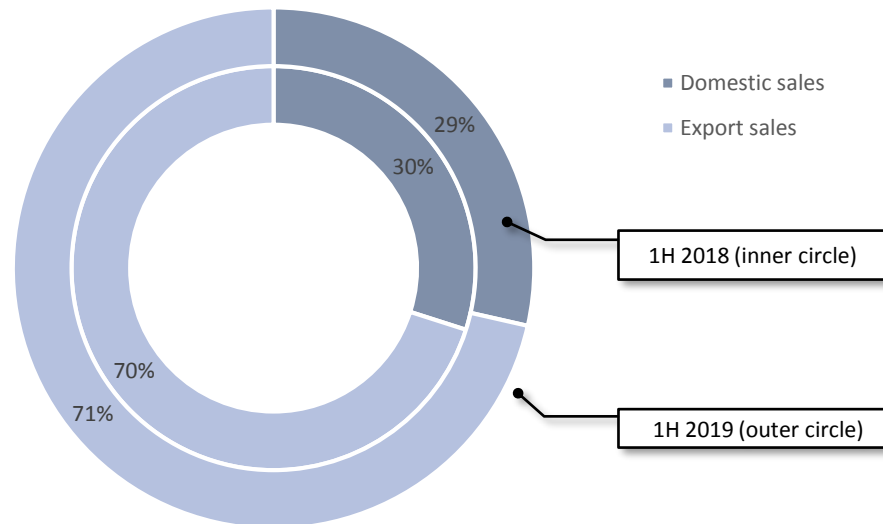
REVENUE & COGS COMPOSITION



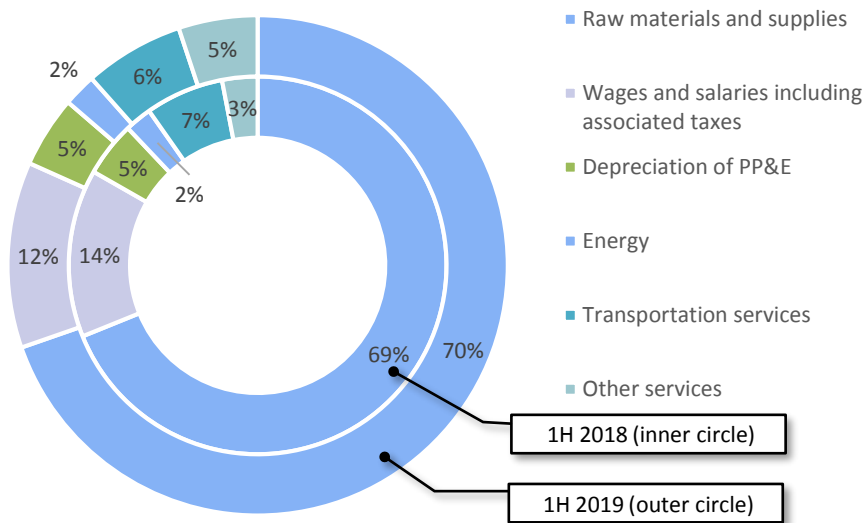
Revenue by product, RUR mln



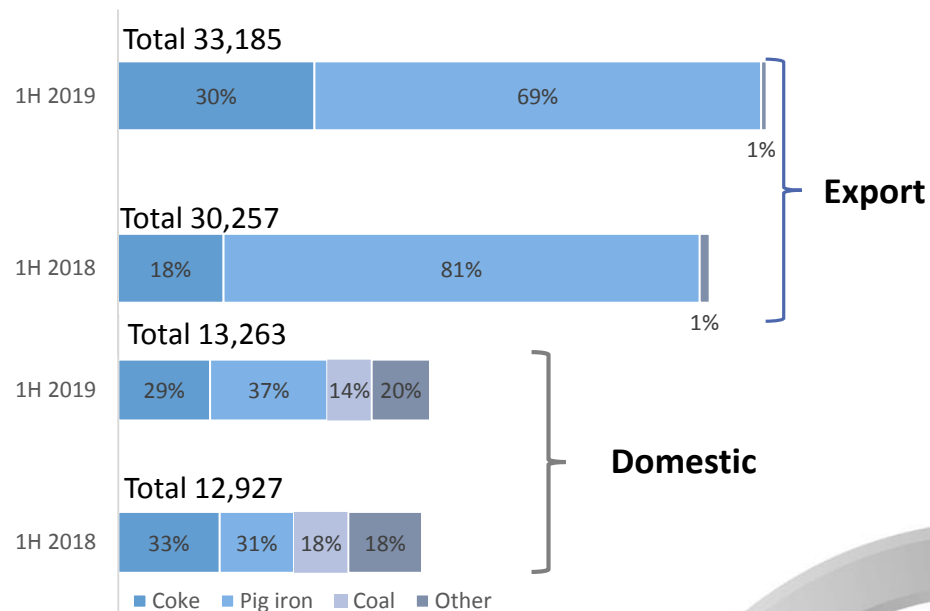
Revenue by area



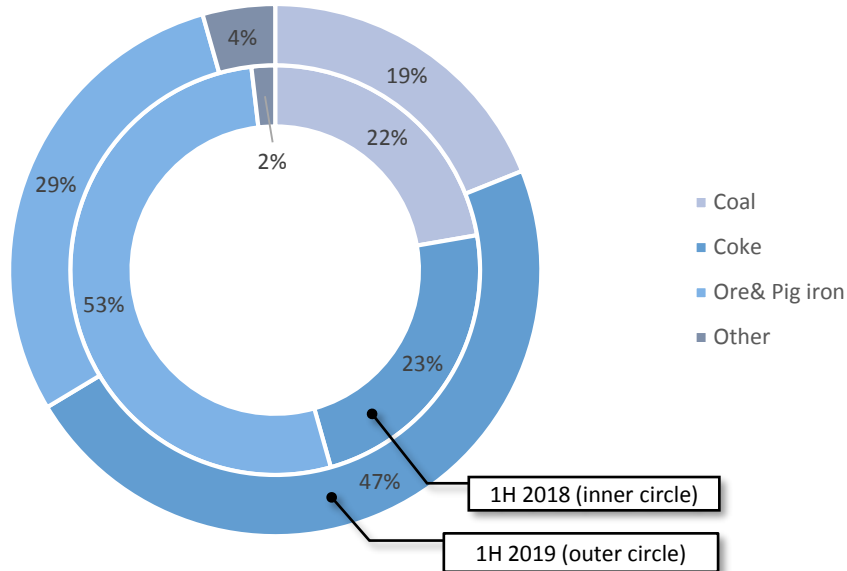
Cost of sales breakdown



RUR mln



EBITDA COMPOSITION



EBITDA by segment, RUR mln	1H 2019	1H 2018	Change, %
Coal	1,293	2,010	(36)
Coke	3,243	2,107	+54
Ore & Pig iron	1,996	4,739	(58)
Other	301	168	+79
Total	6,833	9,024	(24)

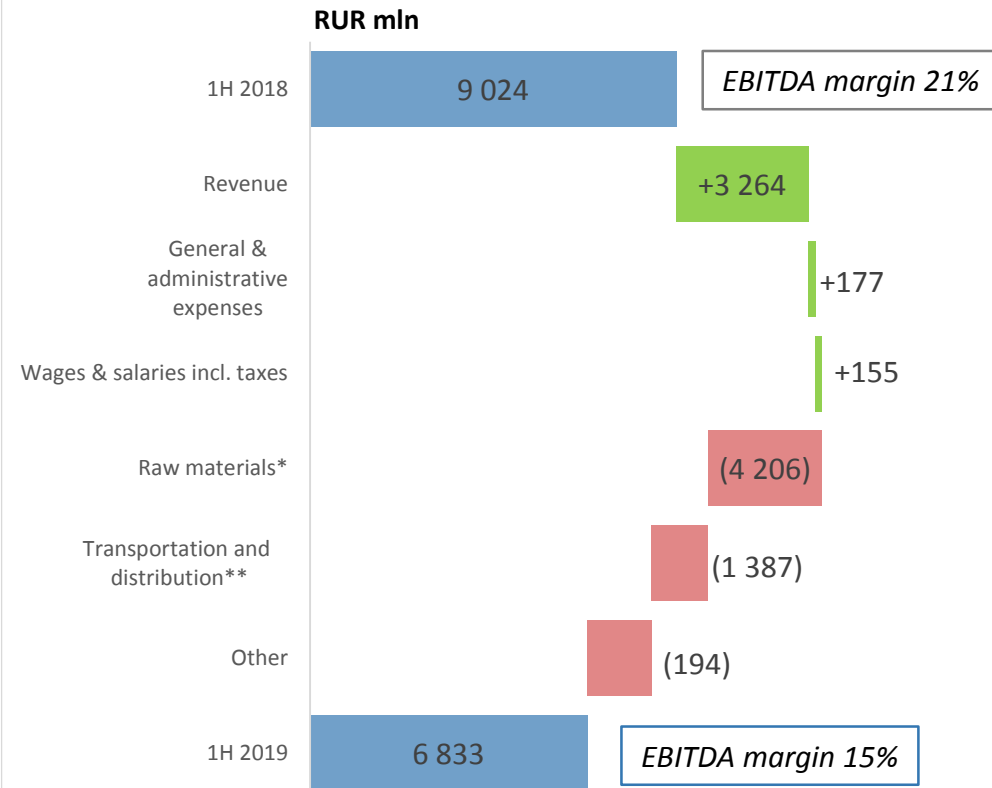
Total revenue in 1H 2019 was 8% higher compared to 1H 2018 mainly due to:

- increase in sales of coke and coking products provided by large export contracts and profitable exchange rate
- pig iron production and sales growth

Total EBITDA decreased on the back of:

- lower pig iron prices
- higher iron ore prices and larger volume of coal concentrate purchased from third-parties which resulted in 15% COGS growth

EBITDA y-o-y change



*changes in finished goods and work in progress included

** included COGS transportation costs and distribution costs

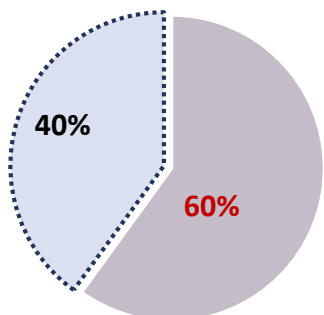
DEBT PORTFOLIO



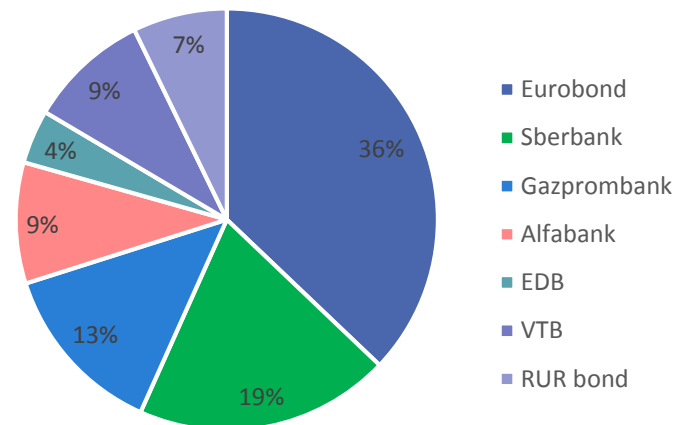
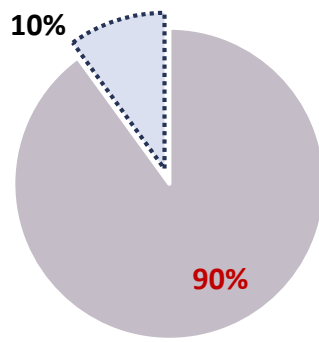
Debt by currencies and maturity**

Debt portfolio by sources, % *

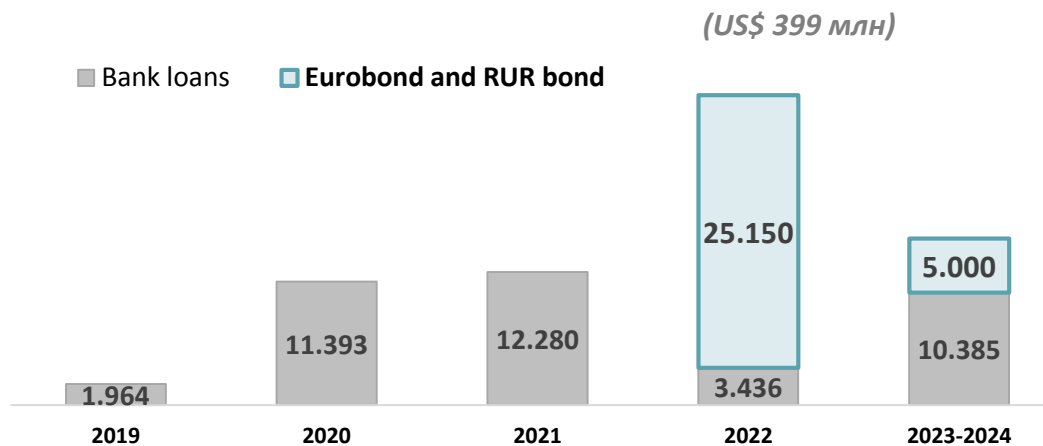
Currency



Maturity



Debt maturity schedule 2019-2024, RUR billion**



AVAILABLE UNDRAWN CONFIRMED LIMITS – RUR 37,351 MILLION

* Data on July 1, 2019

**Management accounts including tranche repayments

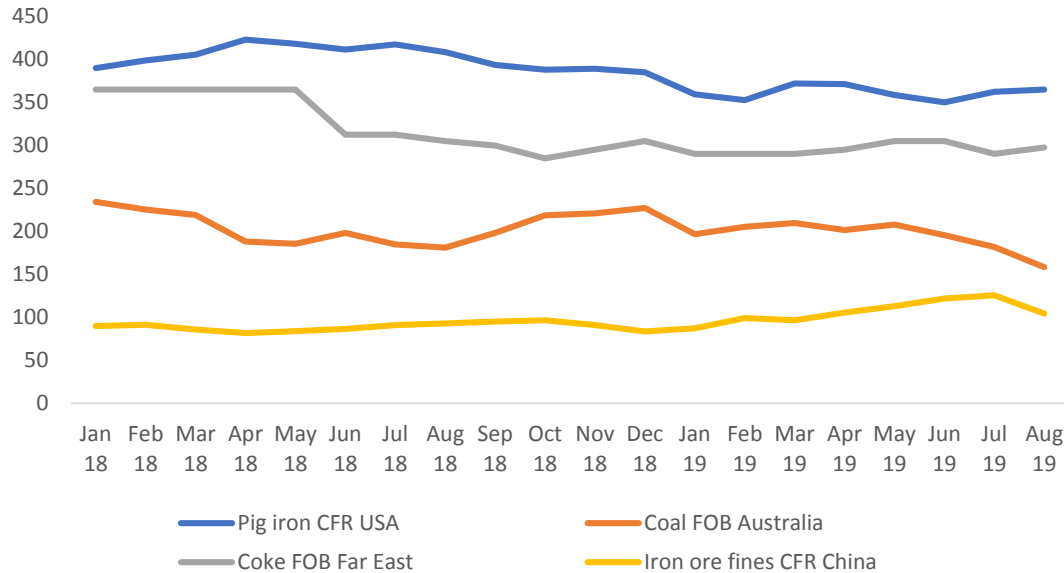
Appendix



MAIN PRICING DRIVERS IN 2018



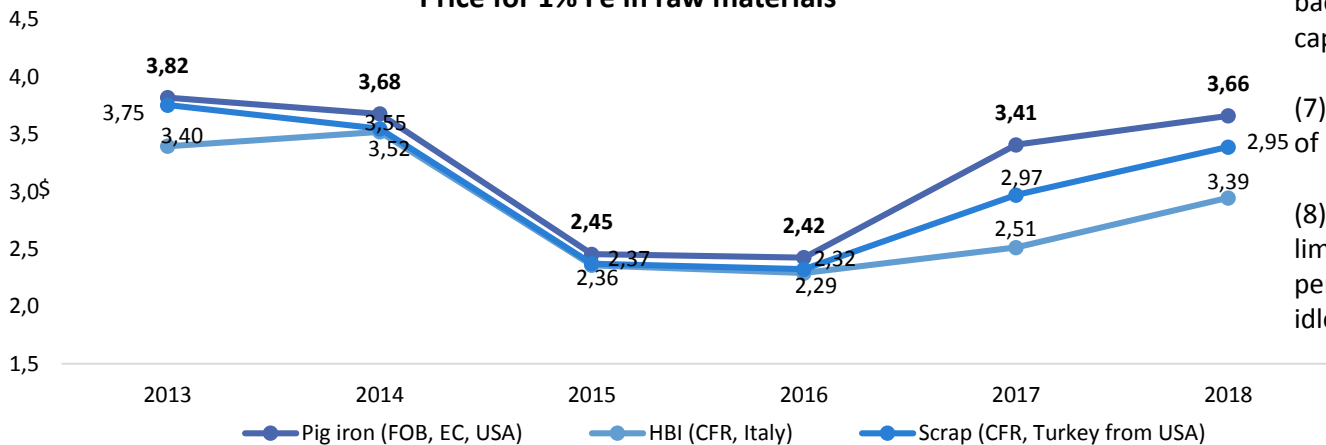
Price trends in 2018 and 2019



1H 2019: volatile market, but mid-term outlook positive.

- (1) World: less positive expectations on the back of China-USA hard talks and fading hopes to reach agreement.
- (2) USA: record-high steel capacity utilization on the back of low inventories, decreasing imports and growing internal prices for end-products.
- (3) China: upsurge in national development projects stimulating internal steel consumption and production capacities utilization growth.
- (4) Europe: economy growth rate reached the 4-year minimum on the back of trading war, hardening trade legislation and forthcoming Brexit.
- (5) Turkey: US cuts import duty for Turkish steel by 25% providing export recovery from the country.
- (6) Russia, Ukraine: Pig iron supply may decrease on the back of commissioning new capacities processing captive pig iron into quality steel.
- (7) Scrap and pig iron prices receive support on the back of new hopes to recover steel exports activity.
- (8) Iron ore: supply volumes on the market are still limited, but may recover soon, since Vale receives permission to proceed with operations at its temporary idled assets.

Price for 1% Fe in raw materials





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