PRESS RELEASE

IMH ANNOUNCES IFRS CONSOLIDATED FINANCIAL RESULTS FOR 2019

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Industrial Metallurgical Holding (IMH), one the largest global suppliers of merchant pig iron and the biggest Russian merchant coke producer, announces IFRS financial results for 2019.

IMH key financial indicators:

RUB mln	2019	2018	Change, %
Revenue	**86,764**	**89,643**	**(3)**
COGS	(65,414)	(64,406)	2
Gross profit	**21,350**	**25,237**	**(15)**
Operating profit	**9,514**	**13,902**	**(32)**
Operating profit margin, %	**11**	**16**	**-**
EBITDA	**13,742**	**16,964**	**(19)**
EBITDA margin, %	16	19	-
Adjusted EBITDA[1]	**16,358**	**19,311**	**(15)**
Adjusted EBITDA margin, %	19	22	-
Net income	**6,123**	**1,296**	**372**
Net cash from operating activities	**16,276**	**16,568**	**(2)**
Total debt	**69,470**	**73,228**	**(5)**
Cash and cash equivalents	9,851	11,522	(15)
Net debt	**59,619**	**61,706**	**(3)**

Financial results

- Full-year 2019 net income soared 372% to RUB 6.1 bln on the back of higher finance income (up 226%) driven by foreign exchange gains of RUB 3.4 bln on Eurobonds and loans. Moreover, interest was accrued on the loans previously issued to Tulachermet-Steel.
- In 2019, IMH consolidated revenue shed 3% to RUB 86.8 bln, under pressure from lower prices for key products including merchant pig iron and coke, as well as a decline in coal production.
- The cost of goods sold picked up marginally by 2% to RUB 65.4 bln driven by two competing factors as a y-o-y growth in iron ore prices along with an increase in freight rates for raw materials was partially offset by lower coal feedstock prices and operating cost cuts.
- Gross profit declined 15% on the heels of lower revenue and higher COGS.
- Operating profit plunged 32% y-o-y as revenue and gross profit contracted on higher operating costs, including an increase in transportation costs to ship end products to customers.
- Adjusted EBITDA came in at RUB 16,4 bln, down 15% y-o-y.

[1] EBITDA calculated in accordance with the Eurobond loan agreement (LPN, Reg S / 144A)

Key segments operational and financial results

Production, '000 tonnes	2019	2018	Change, %
Pig iron	**2,362**	2,343	1
Coke (6% moisture content)	**2,592**	2,534	2
Coal	**2,302**	2,632	(13)
Coal concentrate	**2,432**	2,476	(2)
Iron ore	**4,845**	4,980	(3)
Iron ore concentrate	**2,112**	2,207	(4)

Coal segment

RUB mln	2019	2018	Change, %
Segment revenue	10,544	11,408	(8)
EBITDA	2,552	3,501	(27)
EBITDA margin, %	24	31	-

- The Coal segment revenue slid 8% in 2019 resulting from lower coal prices as well as a decrease in coal production at the Butovskaya and Tikhova mines. Both mines experienced tough subsurface conditions, which prevented the assets from reaching full capacity. Underperformance at these mines was partially offset by a 43% spike in production volumes in 2H 2019.
- EBITDA and EBITDA margin also fell in the wake of lower coal sales and prices.

Coke segment

RUB mln	2019	2018	Change, %
Segment revenue	42,273	41,103	3
EBITDA	6,080	4,657	31
EBITDA margin, %	14	11	-

- The Coke segment revenue rose 3% y-o-y on the back of higher merchant coke production and shipments benefiting from increased export demand. Furthermore, improvements in the supply chain for shipping products to end customers had a positive impact on the segment's profitability.
- EBITDA climbed 31%, while EBITDA margin increased to 14%. Notably, profitability was mostly driven by a sales increase vs a COGS decrease amid lower raw material prices as well as by operating efficiency gains.

Ore & Pig Iron segment

RUB mln	2019	2018	Change, %
Segment revenue	55,879	59,860	(7)
EBITDA	4,722	8,410	(44)
EBITDA margin, %	8	14	_-

- The Ore & Pig Iron segment revenue fell 7% in 2019 on the heels of weaker global pig iron prices. This negative factor was partially offset by record-high pig iron production and sales.

- EBITDA and EBITDA margin decreased as pig iron prices declined, while prices for iron ore raw materials remained elevated during 2019. Meanwhile, the Group reached 67% sufficiency for iron ore concentrate, mitigating the negative impact of high iron ore prices. Furthermore, the segment's EBITDA drew support from pig iron shipments to Tulachermet-Steel (Tula Steel). This factory is located close to the Tulachermet site and consumes liquid pig iron. By selling liquid pig iron to Tula Steel, we avoid forming and logistics costs, thus generating higher margins than we would on sales to other Russian, let alone overseas, customers, while maintaining market prices.

Debt portfolio management

The Group's debt portfolio did not see any substantial changes over the reporting period.

As part of its deleveraging programme, the Group fully repaid some of its most expensive bank loans.

As at 31 December 2019, the Group had RUB 39.6 bln in outstanding credit facilities, including RUB 37.8 bln in long-term facilities.

Events in the reporting period

- The Group's Business Intelligence (BI) system was recognised by the professional community as the best intelligence solution of the year. It accelerates remote communications between business units and improves communication efficiency. The BI system enables employees of the Group to receive and view online reports on any device in a preferred format. To use it to the fullest, a mobile application was launched for iOS-enabled devices.
- Koks commissioned the second 12 MW phase of the condensation power plant (CPP). With the total capacity reaching 24 MW, the CPP became capable of matching the Company's requirements for electricity. The power plant's expansion will help Koks save RUB 70 mln annually. The CPP's second phase comprises a turbine generator, a circulator pump and a four-section mechanical draft cooling tower. Around RUB 315 mln was invested in the facility.
- The Tikhova mine put an 8.8 km railway line into operation. Investments in the construction exceeded RUB 1 bln. Part of this amount was spent on the refurbishment of the Proyektnaya station located on a public railway line of the West Siberian Railway. The new infrastructure will enable the company to ship some 1.2 million tonnes of coal by rail annually. In the future, the railway capacity is slated to expand so as to increase coal shipments to 2 million tonnes and more.
- The work is under way to upgrade the Uchastok Koksovy pit. In the spring of 2019, Uchastok Koksovy and an official representative of BELAZ signed a contract for the supply of 31 BELAZ 90-tonne dump trucks. Later, the company received several Hitachi EX1200-7BH excavators with a 7 cu m bucket.
- Companies of the Group took leading positions in the annual environmental and energy efficiency rating by Interfax-ERA. Koks was named the best coke chemical company in Russia and Kazakhstan (No. 2 in the Mineral Calcination group). KMAruda was ranked first among the iron ore mining companies (No. 3 in the Ore and Mineral Mining group). What is more, the company was recognised as the energy and technology efficiency leader in its segment. Tulachermet topped the rating of metals industry companies in the Metal Casting group. The plant demonstrated the best performance in terms of efficiency among its peers. Berezovskaya washing plant took the next-to-top position among coal beneficiation companies (No. 13 in the Mineral Processing group). The plant was also ranked first among segment companies in the Transparency category.

Events after the 2019 reporting period

- The Uchastok Koksovy pit put a total of 2,513 metres of new railway lines into operation. The need for the infrastructure expansion arose from the pit development plans and construction of a connecting track between the Kiselyovsk Loading and Transportation Company and a railway line built earlier at Uchastok Koksovy. Each of the two new tracks at the Vostochnaya station has all the necessary

equipment and is capable of holding at least 70 rail cars to make up departure trains. Total costs of the project amounted to RUB 165 mln.
- The Analytical Credit Rating Agency (ACRA) assigned Koks and its subsidiaries the A-(RU) rating, outlook stable. ACRA's press release says that the rating level is attributable to a relatively high score received by the Group for its business profile marked by the growing vertical integration in pig iron production, flexibility through geographic diversification of sales markets, and a low industry risk profile.
- KMAruda passed an integrated management system audit and was certified to ISO 45001:2018 (Occupational Health and Safety Management Systems) and ISO 50001:2018 (Energy Management Systems) for the first time. The ISO 45001:2018 certification is intended to replace OHSAS 18001:2007. The main difference of the new standard is a risk-oriented approach to analysing health and safety threats to both employees and all the stakeholders. The energy management system governed by ISO 50001:2018 standard allows for a continuous reduction in energy consumption at production facilities.

Sergey Frolov, Vice President for Strategy and Communications of IMH Management Company, commented on the 2019 financial and operating performance:

"In 2019, the landmark event for IMH was the launch of Tula Steel, a partner project that is expected to consume over 1.5 million tonnes of pig iron from Tulachermet. We noticed in late 2019 and early 2020 that reduction in supply of our merchant pig iron drove up the price. We believe that a large reliable consumer located in proximity to our pig iron production facilities will provide support to the Group and further secure its stability in turbulent times.

Commenting on our financial performance in 2019, I would like to note that we have witnessed the benefits of vertical integration once again. In early 2019, we found ourselves in a situation where weak support from export markets of merchant products was coupled with high prices for iron ore. And while the price of merchant pig iron in 2019 fell by the average of 12% y-o-y, our revenue decreased insignificantly by as little as 3%. This was achieved through the record high output and sales of pig iron and an increase in the output and sales of coke,

Complex subsurface conditions at the Butovskaya and Tikhova mines were material negative factors that affected our performance in 2019. An incident at the Tikhova mine, also caused by the complex subsurface conditions, lead to the suspension of operations early in the year. We managed to improve the situation in 2H 2019 and increase the output by over 40% h-o-h. We also improved efficiency of our operations at Uchastok Koksovy, having upgraded its machinery and equipment. Coal prices were low in 2019, so we could procure cheap coal from third-party suppliers to make up for the shortage we experienced. This had a positive effect on the Coke segment.

We took a series of measures to cut costs. We also overhauled our investment portfolio and postponed most of the projects that are not critical for day-to-day operations of the Company to a later date in order to maintain high free cash flow. In 2019, free cash flow went up 7% y-o-y to continue several years of running growth and demonstrate the Company's broad stability margin.

While carrying out our financial and operational stability enhancement programme, we plan to deliver three large investment projects in the years to come. We are going to complete the construction of the new horizon at KMAruda, construct the second phase of the Tikhova mine, and commission blast furnace No. 1 at Tulachermet. Expansion of the mining capacity will enable us to almost entirely meet our demand for feedstock and protect ourselves against losses at the time of market volatility. The commissioning of blast furnace No. 1 will make us more flexible and help us retain the Group's share in the merchant pig iron market. The three projects will complete the process of building a vertically integrated business structure fully supplied with our own feedstock and having a reliable sales market represented by our partner Tula Steel.

We made an important decision after the reporting period, and I want to mention it separately. We are currently looking for the ways of integrating the UN Sustainable Development Goals (SDG) into the Group's business strategy. We are going to hire a leading audit firm as our external consultant for sustainable development best practices and propose a package of strategic initiatives to support responsible consumption and production and to ensure long-term efficiency improvements throughout our value chain and across all business processes of the Group. Many of our companies have long opted to take a responsible attitude towards resources, and this is proved, among other things, by the high ratings assigned by Interfax-ERA. We have taken part in the energy efficiency ranking of Russian and Kazakhstan companies for many years. The key steps in this area will be a sustainable development committee to be established with the Board of Directors, and a roadmap that will set out strategic initiatives, specific measures and implementation procedures. Sustainable development assessment by an international agency will be an intermediate step in this extensive work."

Sergey Cherkaev, Vice President and CFO, commented on the Company's financial performance:
"In 2019, IMH Group continued its debt optimisation efforts. While aiming mostly at debt extension and currency restructuring in 2018, our primary goal in 2019 was to reduce the cost of bank loans for our companies. Achieving this goal was supported by the Bank of Russia's monetary policy that brought the key rate from 7.75% in early 2019 down to 6.25% in the year end.

The ratio of RUB and USD denominated loans is an important stability factor for the Group. Until the mid-2018, rouble loans made 40%, and foreign currency loans 60% of the total bank loans. The situation has now reversed, with rouble and foreign currency loans making 61% and 39% respectively, This ratio is beneficial to us both now, at the time of exchange rate volatility, and in the future as we expect our rouble revenue to increase on the back of growing supplies to Tula Steel. An increase in domestic sales is seen already in the 2019 financial statement – their share in the total revenue went up 12%. The share of pig iron sales in the domestic market increased more than 200%.

We also plan to repay or refinance our most expensive loan facilities as another step towards maintaining our financial stability. Our task for the current year is to decrease Net Debt / EBITDA ratio."

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Industrial Metallurgical Holding (IMH) is a Russian vertically integrated company specialising in production of pig iron, extraction and processing of coking coal and iron ore, foundry castling and powder metallurgy. IMH is one of the world's largest suppliers of merchant pig iron and Russia's biggest producer of merchant coke. The Group's key production facilities are located in the Kemerovo, Belgorod, Tula and Kaluga regions of the Russian Federation.

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