



PRESS RELEASE

IMH announces 1H2016 financial results

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Moscow, Russia – Industrial Metallurgical Holding (IMH), a vertically integrated company producing pig iron, metallurgical coke and coking coal, iron ore, iron castings and powder metallurgy products announces 1H2016 IFRS financial results.

Key financial indicators for 1H2016

RUB mln	1H2016	1H2015	Change, %
Revenue	28 283	29 388	(4)
COGS	(19 815)	(17 849)	11
Gross profit	8 468	11 539	(27)
Operating profit	3 232	6 692	(52)
EBITDA	4 523	8 126	(44)
EBITDA margin, %	16	28	(12 ppts.)
Adjusted EBITDA	5 706	9 072	(37)
Adjusted EBITDA margin, %	20	31	(11 ppts.)
Net income	4 518	4 216	7
Purchase of PP&E	(2 514)	(3 706)	(32)
Net cash from operating activities	4 424	6 015	(26)
Total debt	48 981	47 603	3
Cash & cash equivalents	514	3 672	(86)
Net debt	48 467	43 931	10

- The Group's net profit for the first half of 2016 increased 7% to RUB 4.5 bln from RUB 4.2 bln in the first half of 2015.
- In the first half of 2016 consolidated revenues of IMH decreased 4% to RUB 28.3 bln compared to RUB 29.4 bln in 2015. Revenue decline occurred due to lower coke and pig iron prices on the global markets. At the same time, increase in gross production of pig iron and sales of coal concentrate led to slight compensation in the overall results.
- Cost of goods sold increased by 11% to RUB 19.8 bln due to increase in own coal concentrate sales to third parties along with increase in purchase of other grades of coal concentrate from outside the Group. Energy tariffs and coal price increase for the period had a negative impact on the COGS as well. These factors led to reduction in gross profit by 27% to RUB 8.5 rub.
- Operating profit decreased by 52% to RUB 3.2 bln for the period due to transportation costs upturn (increase in railroad tariffs). On the other hand, IMH's general and administrative expenses reduction program and a total production optimization program (TPO) had a positive effect on profit metrics.

- EBITDA for the reporting period decreased by 44% and amounted to RUB 4.5 bln, compared with 8.1 billion RUB over the same period last year.

Operational results for 6M 2016

Production, '000 tonnes	1H2016	1H2015	Change, %
Coal	925	1 067	(13)
Coal concentrate	1 249	1 130	(10)
Coke (6% moisture content)	1 388	1 390	-
Iron ore	2 515	2 405	5
Iron ore concentrate	1 122	1 094	3
Pig iron, total	1 129	1 058	7
Pig iron, basic grades	868	688	26
Pig iron, premium grades	262	370	(29)

Key segments financial results

Coal division

RUB mln	1H2016	1H2015	Change, %
Segment revenue	5 819	5 184	12
EBITDA	1 283	1 411	(9)
EBITDA margin, %	22	27	(5 ppts.)

- IMH Coal division revenue increased by 12% and amounted to RUB 5.8 bln compared to RUB 5.2 bln in the first half of 2015 due to increase in coke prices on global markets as well as rise in sales volume of coal concentrate for the third parties.
- Coal division EBITDA declined 9% to RUB 1.3 bln compared to 1.4 RUB bln year for 1H2015.
- Coal division EBITDA margin declined by 5 ppts. to 22% compared to 27% for 1H2015.
- In the first half of 2016 production of coking coal at IMH Coal Division totaled 925 Kt. that is 13% less compared to the first half of 2015. Reduced production accounts for scheduled lava reinstatement at the “Butovskaya” coking coal mine.
- Coking coal concentrate production at Berezovskaya washing plant increased by 10% and summed up to 1.25 Mt due to commissioning of two new jigging machines that have increased product yield at the plant.

Coke division

RUB mln	1H2016	1H2015	Change, %
Segment revenue	12 960	14 184	(9)
EBITDA	1 647	2 777	(41)
EBITDA margin, %	13	20	(7 ppts.)

- Coke division revenue declined by 9% to RUB 13 bln compared to RUB 14.1 bln due to decrease in global prices for coke and sales of final products to third-party buyers.
- EBITDA decreased by 41% to RUB 1.7 bln, compared to RUB 2.8 bln in the first half of 2015. EBITDA margin decreased 7 ppts to 13%.
- Production of 6% moisture content coke at PAO “Koks” remained at the level of the same period last year and amounted to 1.39 Mt.

Ore & Pig iron division

RUB mln	1H2016	1H2015	Change, %
Segment revenue	16 735	18 400	(9)
EBITDA	1 146	4 116	(72)
EBITDA margin, %	7	22	(15 ppts.)

- Revenue of the Ore & Pig iron division decreased 9% to RUB 16.7 bln compared to the same period last year. Despite the increase in gross volume of pig iron production by JSC "Tulachermet" in the first half of the year, prices on global markets declined and negatively affected the result for 1H16.
- EBITDA decreased by 72% to RUB 1.15 bln compared to RUB 4.1 bln year earlier.
- Iron ore and iron ore concentrate production at KMAruda facilities gained 5% and 3% respectively and totaled 2.52 and 1.12 Mt.
- Tulachermet produced 1.13 Mt. of pig iron in 6M16 that is +7% to 1H15. Out of this amount there were 868 Kt. of basic grades (steel-making) pig iron and 262 Kt. of premium grades pig iron.

Debt portfolio management

- On 2 July 2015 IMH proposed an exchange offer whereby the holders of the existing Eurobond were given the opportunity to offer to exchange any or all of the notes for new loan participating notes to be issued by the Group and cash amount. As a result of the Exchange Offer deal, USD 150,845,000 7.75% loan participation notes due 2016 were cancelled and new USD 136,496,000 10.75% loan participation notes due 2018 were issued. As part of this exchange, the bonds were partially repaid in the amount of USD 14,349,000.
- In March 2016 the Group entered into another exchange whereby the holders of the remaining Eurobond were given the opportunity to offer to exchange any or all of the Existing Notes for loan participating notes to be issued by the Group and the cash amount. As a result of the Exchange Offer, USD 64,849,000 7.75% loan participation notes due 2016 were cancelled and new USD 64,849,000 10.75% loan participation notes due 2018 were issued.
- In May 2016 IMH placed a debut issue of Euro-commercial paper series in the amount of USD 14.56 mln due May 16, 2017.

- On 23 June 2016 the Group repaid five-year Eurobond issue in the amount of USD 134,306,000 in full.
- IMH total debt as of the reported date amounted to RUB 48,98 bln and increased 3% compared to end of 1H2015. At the same time, compared to the end of 2015 the company's total debt reduced by 13% from RUB 56.12 billion.
- Cash & cash equivalents amounted to RUB 514 mln, thus net debt totaled to RUB 48.5 bln.

Sergey Cherkaev, Vice President and CFO of the Industrial Metallurgical Holding, commented on the 1H2016 financial results:

“The company continues to work consistently on its debt portfolio structure optimization. We intend to reduce Group’s overall debt burden, while extending loan maturities. Our goal is to increase share of loans issued for a period exceeding three years up to half of the total volume of IMH debt portfolio. At the same time, we intend to shift towards parity of RUB and USD-nominated debt.

For the first half of 2016 Industrial-metallurgical holding reduced total debt by 13% to RUB 49 bln compared to RUB 56 bln and we intend to go further. Timely Eurobond redemption in the summer of 2016 has strengthened the confidence of our investors and creditors. Now we can see positive result of these efforts – we have already signed contracts with a number of banks on debt maturities extension under existing and new contracted credit facilities (USD 100 mln and RUB 4.7 bln).

Despite the decline in prices of IMH’s products in late 2015 – early 2016, we increased net profit by 7% to RUB 4.5 bln for 1H2016. Last year’s end was noted for record low prices on the whole range of our final products. Global recovery began in January 2016. This is reflected in financial statements for 1H2016. The current situation allows us to talk about the "low basis" effect of 4Q15 – 1Q16, which already has a positive impact on our operating and financial performance and will be reflected in the 2H2016 and FY2016 statements to full extent”.

Full financial statements are available at:

http://www.kemkokc.ru/upload/docs/lang/filename_document1_5272.pdf

Industrial Metallurgical Holding (IMH) is vertically integrated company producing pig iron, metallurgical coke and coking coal, iron ore, iron castings and powder metallurgy products. IMH is the largest global exporter of merchant pig iron and the biggest Russian merchant coke producer. The Group’s main operational business units are Coal division, Coke division, Iron ore & pig iron division and Powder metallurgy division. The Group’s key production facilities are located in Kemerovo, Belgorod, Tula and Kaluga regions of Russian Federation.

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