



## PRESS RELEASE

### IMH announces FY2015 financial results

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**Moscow, Russia – Industrial Metallurgical Holding (IMH), the world’s leading supplier of merchant pig iron and the biggest merchant coke producer in Russia, announces its financial results for the full year ended 31 December 2015**

#### IMH key financial indicators

Indicator, RUB mln	2015	2014	2015/2014, %
Revenue	53 550	47 233	13
COGS	(36 437)	(30 616)	19
Gross profit	17 113	16 617	3
Operating profit	8 027	8 091	(1)
EBITDA	11 044	11 492	(4)
EBITDA margin, %	21	24	-
Adjusted EBITDA	13 385	12 587	6
Adjusted EBITDA margin, %	25	27	-
Net loss	(3 358)	(7 701)	(56)
Purchase of PP&E	6 476	6 204	4
Net cash from operating activities	12 787	12 342	4
Net Debt	51 996	38 697	34

- IMH revenue increased 13% compared to the same period of the previous year due to increased sales of coal and coal concentrate on the domestic market, as well as coke and coke products both on the domestic market and for export. In addition, USD exchange rate for export sales had a positive impact on revenue growth.
- Cost of goods sold increased by 19% due to increase in gross production of coal, coke and iron ore. 10% payroll indexation in April 2015 had an impact on the COGS as well. In addition, coal price increase had a negative effect on this indicator.

- Gross profit increased by 3%. Gross profit margin totaled to 32%.
- Operating profit remained at the level of 2014 and totaled to RUB 8.03 bln.
- EBITDA based on IFRS consolidated financial statements for 12 months 2015 decreased by 4% and amounted to RUB 11.04 bln. At the meantime adjusted EBITDA for the same period increased by 6% and totaled to RUB 13.39 bln.
- PP&E purchase costs in 2015 increased by 4% compared to the same period 2014 mainly due to the continued construction of the Tikhova mine, the second stage of Butovskaya mine, construction of the underlying lower horizon at the Gubkin iron ore mine and the installation of out-of-furnace desulfurization of pig iron at PJSC "Tulachermet".
- Net cash from operating activities rose by 4% and amounted to RUB 12.79 bln.
- Net debt of the Group on 31 December 2015 increased by 34% compared to 31 December 2014 due to the growth of USD exchange rate against ruble.

### Key segments financial results

#### Coal division

Indicator, RUB mln	2015	2014	2015/2014, %
Segment revenue	10 590	8 327	27
IFRS-based consolidated EBITDA	2 904	859	238
IFRS-based consolidated EBITDA margin, %	27	10	-

- Coal division revenue increased by 27% to RUB 10.59 bln.
- Segment adjusted EBITDA grew by 238% from RUB 0.86 bln in 2014 to RUB 2.90 bln by the end of 2015.
- EBITDA margin indicator for the year was 27% against 10% a year earlier.
- The main reason for the radical improvement of the financial indicators of Coal Division was the increase in prices for manufactured products and an increase in the coal and coal concentrate production and shipments to the domestic market.
- In 2015 the division produced 1.89 mt. of coking coal in total (+ 8% to the indicator of 2014) and 2.2 mt. of coal concentrate.

#### Coke division

Indicator, RUB mln	2015	2014	2015/2014, %
Segment revenue	26 962	19 825	36
IFRS-based consolidated EBITDA	5 158	2 838	82
IFRS-based consolidated EBITDA margin, %	19	14	-

- Coke division revenue in 2015 increased by 36% to RUB 26.96 bln against the same period of the previous year.
- Adjusted EBITDA grew by 82% to RUB 5.16 bln compared to RUB 2.84 bln in 2014.
- Adjusted EBITDA margin amounted to 19% against 14% for the year earlier.

- The positive effect on the result of segment's activities was provided by a significant increase in the sales of coke and coke products in the domestic market and for export, as well as increase in prices for the Division's products.
- By the end of the year, the Coke Division produced 2.73 mt. of 6 % moisture content coke, that is 5% more than in the same period of 2014 (2,6 mt).

### Ore & Pig iron division

Indicator, RUB mln	2015	2014	2015/2014, %
Segment revenue	31 520	33 190	(5)
IFRS-based consolidated EBITDA	3 353	7 467	(55)
IFRS-based consolidated EBITDA margin, %	11	22	

- Revenue of the Ore & Pig iron division in 2015 decreased by 5% to RUB 31.52 bln due to pig iron price decline on export markets.
- Negative conjuncture of the world pig iron markets in 2015 caused a decrease in the adjusted EBITDA by 55% to RUB 3.35 bln.
- The adjusted EBITDA margin in 2015 amounted to 11%.
- In the reporting period, Ore & Pig iron division increased iron ore mining and iron ore concentrate production by 2% to 4.96 mt. and 2.23 mt., respectively.
- Blast furnace No.3 scheduled repairs in the summer of 2015 led to a reduction in gross pig iron output by 6% to 2.06 mt at the end of the year. At the same time, 1.41 mt of basic-grade pig iron and 648 kt. of premium-grade pig iron were produced.

### Debt portfolio management

- The Group's debt on the 31 December 2015 amounted to RUB 56.12 bln, that is 42% higher than on the 31 December 2014.
- Amount of cash & equivalents on the Group's accounts as of the reporting date amounted to RUB 4.13 bln. Thus, the net debt amounted to RUB 51.996 bln.
- As of 31 December 2015, the Group had available and committed credit facilities in the amount of RUB 9.15 bln, including long-term credits in the amount of RUB 6.55 bln (as of 31 December 2014: RUB 16.73 bln, including long-term credits in the amount of RUB 10.86 bln).
- In order to manage liquidity and the debt portfolio, the Group announced on the 19 June 2015 the exchange of Eurobonds with 7,75 % coupon rate and maturity in June 2016. The exchange took place on 2 July 2015. 150 845 000 Eurobonds were cancelled and new 136 496 000 new Eurobonds with 10,75% rate and maturity in December 2018 were issued.

### Sergey Cherkaev, Vice President and CFO of the Industrial Metallurgical Holding, commented on the 12M 2015 financial results:

“During the reporting period IMH reduced its net loss more than twofold. At the same time, this loss was not formed due to a result of the company's operating activities, but became a consequence of exchange rate differences. In particular, due to the recalculation of most of the debt portfolio, which is denominated in US dollars and accounted for 65-70% of the Group's total debt. This exchange rate difference in 2015 was just over RUB 9 bln.

The structure of the debt portfolio hasn't changed significantly during the reporting period. Absolut bank and Moscow Credit Bank were added in the portfolio. During the year, the debt portfolio reduced in dollars, but grew in rubles due to the devaluation of the Russian currency. If we consider the two last reporting periods

(2014 and 2015), the total exchange rate difference impact on the debt portfolio was just over RUB 23 bln. Accordingly, without taking into account currency fluctuations, the level of IMH debt remains at the level of 2012-2013, thus is less than RUB 30 bln.

Nevertheless, in order to increase liquidity, the company prepared in advance to Eurobonds redemption, which took place in June 2016. In July 2015, the Group performed a conversion with partial redemption, exchanging USD 150 mln of Eurobond under this loan. USD 136.5 mln Eurobonds with a maturity in 2018 were issued. After the reporting date, another exchange of Eurobonds worth USD 64.85 mln was performed. As a result, USD 134 mln remains in the circulation maturity in this year.

At the time of disclosure of financial results under IFRS, almost all credit lines were refinanced. Globally, there are now repayments on investment loans in the amount of just over RUB 2 bln for the year 2016. In the first half of the year IMH operates with positive dynamics: product prices have already exceeded our most optimistic expectations, and capacity utilization rate is close to 100%. Our forecasts for the market remain positive and all indicators are expected to be higher than at the end of 2015. Despite the unstable situation on the global markets, IMH consistently generates positive cash flow. As of the beginning of 2016, there were more than RUB 4 bln. on the Group's accounts. In addition, even in the first quarter of 2016, additional liquidity was provided – in particular, limits were opened and loan agreements for large amounts were signed with a number of banks. Industrial Metallurgical holding has the sufficient resources to repay the remaining Eurobond issue in the summer of 2016".

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#### **Significant events after reporting date**

- In March 2016, the Group performed another exchange of Eurobonds in the amount of USD 64 849 000 with 7,75% rate and maturity in June 2016 for new Eurobonds in the amount of USD 64 849 000 with 10,75% rate and maturity in 2018.
- In March 2016, the Industrial Metallurgical Holding concluded an agreement on the opening of a revolving credit line with JSC Rosselkhozbank. The amount of the limit under this agreement totals to RUB 4 bln. The loan matures by the 13 March 2018 inclusive. The borrower for the loan is PJSC «Tulachermet», the guarantors are JSC «Koks», JSC «Kombinat KMaruda», JSC «Polema» and LLC «Uchastok Koksovy».
- At the beginning of 2016, Tulachermet commissioned the out-of-furnace pig iron desulphurisation station, which allowed to increase the production of premium-grade pig iron with a simultaneous reduction in its production costs.
- Since January 2016, the world market has been experiencing a significant increase in prices for all types of IMH basic products, including pig iron. The company notes the positive dynamics of demand from the main consumers - the countries of the European Union and the United States. At the moment, the Group has concluded contracts for the supply of pig iron in the third quarter of 2016 at a price of USD 320 FOB per tonne.

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Full IFRS Interim Condensed Consolidated Financial Information (audited) for 12 months ended 31 December 2017 is available at: [http://www.koksgroup.ru/upload/docs\\_lang/filename\\_document2\\_5253.pdf](http://www.koksgroup.ru/upload/docs_lang/filename_document2_5253.pdf)

The presentation is available at: [http://www.koksgroup.ru/upload/docs\\_lang/filename\\_document2\\_5267.pdf](http://www.koksgroup.ru/upload/docs_lang/filename_document2_5267.pdf)

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### IMH operational results for 1Q 2016

Production, '000 tonnes	1Q 2016	4Q 2015	1Q16/4Q15, %
Coal	579	324	79%
Coal concentrate	626	585	7%
Coke (6 % moisture content)	699	676	3%
Iron ore	1 250	1 268	-1%
Iron ore concentrate	559	560	0%
Pig iron, total	560	539	4%
Pig iron, basic grades	411	377	9%
Pig iron, premium grades	150	162	-8%

According to the results of the first quarter of 2016, coking coal production by the IMH Coal division amounted to 579 kt, that is 79% more than in the 4Q 2015. At Butovskaya mine for the first three months of 2016, 342.5 kt of coal is mined. Extraction at Uchastok Koksovy open pit amounted to 236,7 kt, having increased by 7% vs 4Q 2015 due to the intensification of drilling and blasting and mining operations at the coal pit.

Coal concentrate production at JSC Berezovskaya washing plant increased by 7% and totaled to 626 kt. 6 % moisture content coke production at JSC Koks grew by 3% compared to 4Q 2015 and totaled to 699 kt due to the increased export. Iron ore mining at JSC Kombinat KMAruda remained almost at the level of the previous quarter and totaled to 1.25 mt.

PJSC "Tulachermet" for the 1Q of 2016 produced 560 kt of pig iron (gross volume), including 411 kt of basic grades (+ 9%) and 150 kt of premium grades (-8%). The temporary decrease in the production of premium grades compared to the previous reporting period is due to the development of technology for the production of high-pure pig iron (LPS).

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#### About Company:

Industrial Metallurgical Holding (IMH) is a vertically integrated company, specializing in production of pig iron, extraction and procession of coking coal and iron ore, foundry castling and powder metallurgy. IMH is one of the largest world suppliers of merchant pig iron and the biggest Russian merchant coke producer. The IMH main operational business units are Coal division, Coke division, Iron ore & pig iron division and Powder

mettallurgy division. The Group's key production facilities are located in Kemerovo, Belgorod, Tula and Kaluga regions of Russian Federation.

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