



PRESS RELEASE

**IMH announces 6M 2017 financial results**

23.08.2017

**Moscow, Russia – Industrial Metallurgical Holding (IMH), one of the largest global suppliers of merchant pig iron and the biggest Russian merchant coke producer announces 6M 2017 IFRS financial results.**

**Key financial indicators**

<b>RUB mln</b>	<b>6M 2017</b>	<b>6M 2016</b>	<b>Change, %</b>
<b>Revenue</b>	<b>43 435</b>	<b>28 283</b>	<b>54</b>
COGS	(28 738)	(19 815)	45
Gross profit	14 697	8 468	74
Operating profit	8 230	3 232	155
<b>EBITDA</b>	<b>9 279</b>	<b>4 523</b>	<b>105</b>
EBITDA margin, %	21	16	-
Adjusted EBITDA	10 602	5 706	86
Adjusted EBITDA margin, %	24	20	-
<b>Net income</b>	<b>4 314</b>	<b>4 518</b>	<b>(5)</b>
Net cash from operating activities	4 854	4 424	10
Total debt	57 197	48 981	17
Net debt	50 719	48 467	5

- In the first half of 2017, consolidated revenues of IMH increased 54% to record-high RUB 43.4 bln compared to RUB 28.3 bln in 6M 2016. Revenue profited from the increase in coal production and the price recovery for IMH’s main products – coal concentrate, coke and pig iron.
- Cost of goods sold increased by 45% to RUB 28.7 due to price increase of raw materials purchased from third parties. In addition, COGS reflect wages indexation for all IMH companies.
- Operating profit for the period increased by 155% to RUB 8.2 bln compared to 3.2 bln in the first half of 2016.
- EBITDA for the reporting period more than doubled and amounted to record-high RUB 9.3 bln, compared with RUB 4.5 billion over the same period last year.
- The Group's net income for the first half of 2017 decreased 5% to RUB 4.3 bln from RUB 4.5 bln in the first half of 2016 mainly due to exchange rate difference over the period.

## Operational results for 6M 2017

Production, '000 tonnes	6M 2017	6M 2016	Change, %
Coal	1 147	925	24
Coal concentrate	1 259	1 249	1
Coke (6% moisture content)	1 338	1 388	(3)
Iron ore	2 581	2 515	3
Iron ore concentrate	1 130	1 122	1
Pig iron, total	1 163	1 129	3

## Key segments financial results

### Coal division

RUB mln	6M 2017	6M 2016	Change, %
Segment revenue	9 384	5 819	61
EBITDA	4 552	1 283	255
EBITDA margin, %	49	22	-

- IMH Coal division revenue increased by 61% to RUB 9.4 bln compared with RUB 5.8 bln in the first half of 2016 due to market coal price increase and start of coal extraction at the 2<sup>nd</sup> stage of Butovskaya mine along with the 1<sup>st</sup> stage of Tikhova mine commissioning.
- Coal division consolidated EBITDA increased by 255% to RUB 4.6 bln compared to 1.3 RUB bln in 1H 2016. Division EBITDA margin increased to 49% compared to 22% a year ago.
- In 1H 2017 IMH increased total coking coal extraction by 24% to 1.15 mt compared to 0,92 mt in 1H 2016.
- Coal concentrate production at Berezovskaya washing plant totaled to 1.26 mt that is 10 kt. higher than in 1H 2016.

### Coke division

RUB mln	6M 2017	6M 2016	Change, %
Segment revenue	23 019	12 960	78
EBITDA	3 705	1 647	125
EBITDA margin, %	16	13	-

- Coke division revenue upturned by 78% to RUB 23 bln due to global coke price recovery.
- EBITDA increased by 125% to RUB 3.7 bln, compared to RUB 1.6 bln in the first half of 2016. EBITDA margin increased 3 ppts to 16%.
- Production of 6% moisture content coke at Koks decreased insignificantly compared to the same period of last year and totaled to 1.34 mt.

## Ore & Pig iron division

RUB mln	6M 2017	6M 2016	Change, %
Segment revenue	24 210	16 735	45
EBITDA	1 032	1 146	(10)
EBITDA margin, %	4	7	-

- Revenue of the Ore & Pig iron division increased by 45% to RUB 24.2 bln compared to the same period last year due to pig iron price recovery in the reporting period.
- Division EBITDA downturned by 10% to RUB 1 bln because of the raw material prices outperforming all the way down the production chain compared to pig iron price increase.
- Iron ore mining at Korobkovsky deposit in 1H 2017 increased by 3% to 2.58 mt compared to 2.51 mt in 1H 2016. Iron ore concentrate production by KMAruda remained stable at 1.13 mt (+1% y/y).
- Tulachermet produced 1.16 mt of pig iron in 1H 2017 that is 3% higher than in 1H 2016.

### **Sergey Cherkaev, Vice President and CFO of the Industrial Metallurgical Holding, commented on the 6M 2017 financial results:**

“The first half of 2017 was marked by record-high financial metrics alongside global and domestic price recovery for the main IMH products after a long decline. During this period we maintained capacity utilization rates close to 100%, increased coking coal output by almost 25%, revenue – by 54%, operating profit – 1.5 times, and more than doubled our EBITDA.

At the end of April 2017 IMH successfully placed a new 5-year USD 500 mln Eurobond at 7.5% coupon rate. The book was oversubscribed 2 times, and this yield became a historical record for the Russian company tapping global capital markets with such credit ratings and maturity. Proceeds were used for the old Eurobond issue repayment and radical debt portfolio optimization. Maturity profile was extended in such a way that now our total long-term available credit facilities (4 to 7 year-long) exceed IMH’s current debt.

Our consistent and constructive work with banks led to an overall decrease in the average cost of debt. Simultaneously, the share of secured loans was reduced significantly and we will continue to work on its further reduction. Current debt portfolio structure has been changed in such a way that for the next year and a half we do not have significant payments until December 28, 2018, when the remaining part of the old Eurobond issue will be repaid.

Within our financial strategy, we continue to reduce the Group's overall debt burden. If the Net Debt / EBITDA ratio at the end of 2016 was at the level of 3.3, it was reduced to 2.7 during the reporting period. Our aim is to reduce this ratio below 2.0, which we intend to focus on in the nearest future. In general, our work in the first half of 2017 allowed us to resolve the issue with company’s liquidity, which was noted by international rating agencies, who upgraded IMH’s ratings and outlooks”.

**Full IFRS Interim Condensed Consolidated Financial Information (unaudited) For the six months ended 30 June 2017 is available at:**

[http://www.kemkoks.ru/\\_upload/docs\\_lang/filename\\_document1\\_7386.pdf](http://www.kemkoks.ru/_upload/docs_lang/filename_document1_7386.pdf)

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**Industrial Metallurgical Holding (IMH)** – vertically integrated Russia-based metallurgical company, specializing in production of pig iron, metallurgical coke and coking coal, extraction and processing of iron ore, foundry casting and powder metallurgy. IMH is one of the largest global suppliers 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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Maxim Lobada  
Integrated communications director  
Tel.: +7 (495) 725-56-80  
E-mail: [lobada@metholding.com](mailto:lobada@metholding.com)

Industrial Metallurgical Holding  
Is pleased to invite the investment community to join the conference call

## **Industrial metallurgical holding 1H 2017 IFRS Financial results conference call**

The call will be hosted by:  
**Sergey Cherkaev** – Vice President and Chief Financial Officer  
**Sergey Frolov** – Vice President for Strategy & Communications

**Wednesday, August 23<sup>th</sup>, 2017**  
**17.00 Moscow / 15.00 London / 10.00 New York**

Please dial-in 10-15 minutes prior to the scheduled time  
The call, including Q&A session will last approximately 1 hour

Live-link on the day to enter the webcast (registration required):  
<http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=4943>

Live link without registration:  
<http://imh230817-live.audio-webcast.com>

### **Participant dial-in numbers:**

(Presentation and Q&A session)  
Participant local dial-in numbers:

Russia:	+7 495 221 65 23
United Kingdom:	+44 203 043 24 40
USA:	+1 877 887 41 63
Switzerland:	+41 225 809 022

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98478096# for English  
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