



**IMH**

# **2014 Financial Results Presentation**

**April, 2015**





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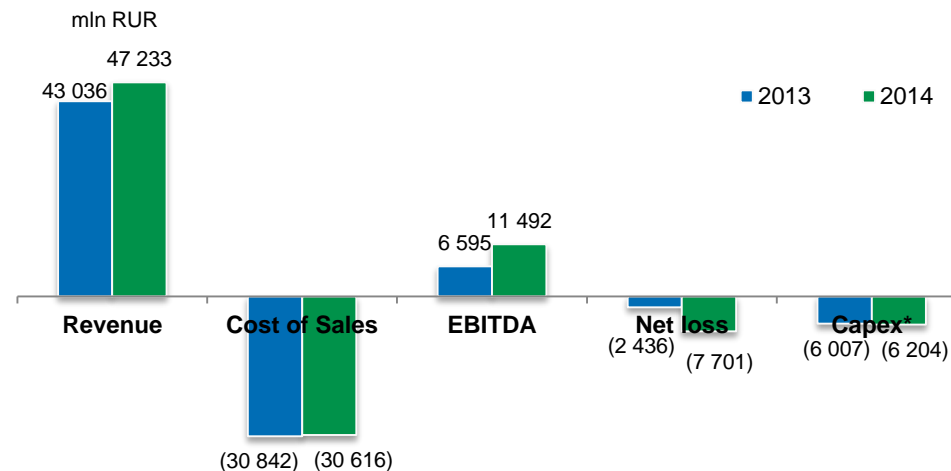
## Key Driving Factors and Results

### Key Operational Results

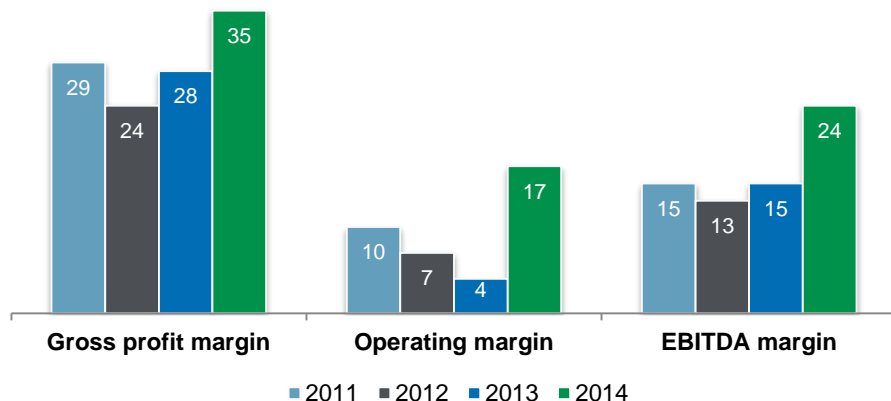
Production, million tonnes	2013	2014	2014/2013, %
Pig iron	2.10	2.18	+4
Coke*	2.55	2.60	+2
Iron Ore Concentrate	2.20	2.18	(1)
Iron Ore	4.83	4.89	+1
Coking coal	1.66	1.75	+5

\* Coke 6% moisture content including metallurgical coke, foundry coke, coke nut, coke breeze, coke dust

### Key Financial Indicators



### Key Margin Indicators, %



\* Purchase of property, plant and equipment

- 4% increase in pig iron production was due to absence of heavy scheduled repairs.
- 5% coking coal production growth caused by efficient operations the company's coal assets.
- Increase through the whole set of key margin indicators was primarily due to revenue growth on the back of decreased both cost of sales and other operating expenses.
- 10% increase in revenue caused by higher pig iron volumes sold and RUR depreciation (almost 93% of pig iron and pig iron products were exported).
- 74% EBITDA growth caused by revenue growth and operating expenses reduction. EBITDA margin is the one of the highest results in Russian M&M industry.
- 216% net loss increase was due to huge exchange losses caused by Eurobond3 and USD loans revaluation with 75% depreciated RUR.



## Key Financial Highlights

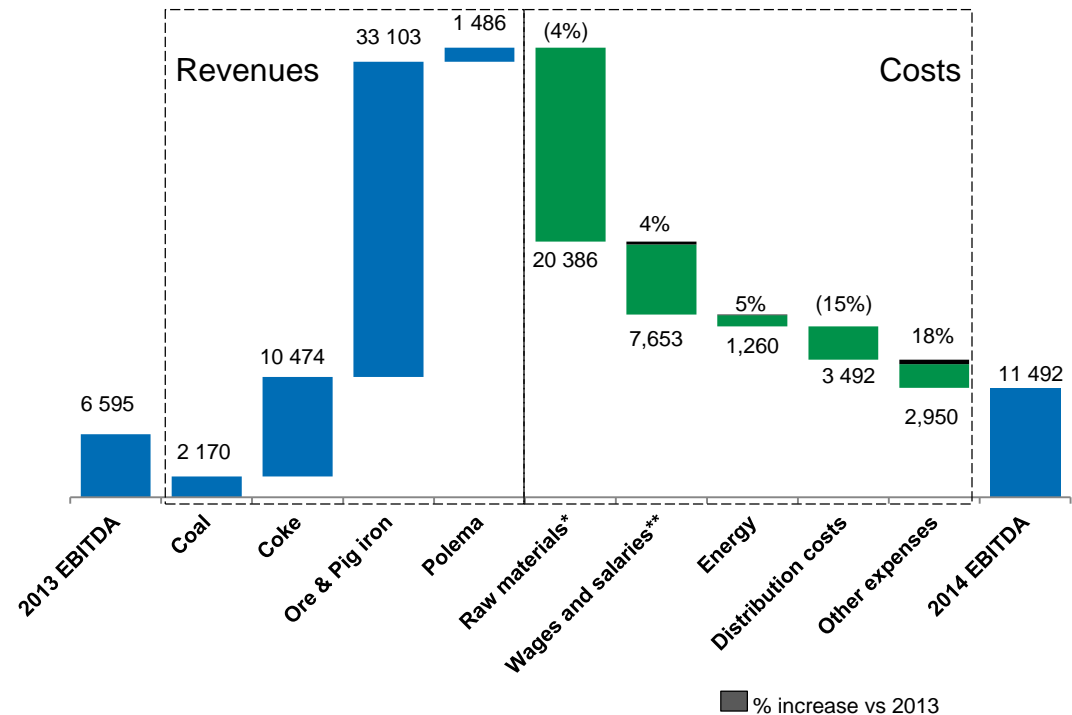
millions of RUR	2013	2014	2014 / 2013, %
<b>Revenue</b>	<b>43,036</b>	<b>47,233</b>	<b>+10</b>
Cost of Sales	(30,842)	(30,616)	(1)
<b>EBITDA</b>	<b>6,595</b>	<b>11,492</b>	<b>+74</b>
% Margin	15	24	-
<b>Loss for the period</b>	<b>(2,436)</b>	<b>(7,701)</b>	<b>+216</b>
<b>Net Debt*</b>	<b>26,571</b>	<b>38,697</b>	<b>+46</b>
<b>Adjusted EBITDA**</b>	<b>7,016</b>	<b>12,587</b>	<b>+79</b>

\*As of 31 December 2013 and 2014 respectively.

\*\*Adjusted EBITDA is calculated as earnings before income tax, interest expense, exchange gain/loss, depreciation, amortization, impairment and other non-cash items.

Source: IFRS consolidated financial statements for the year ended 31 December 2014

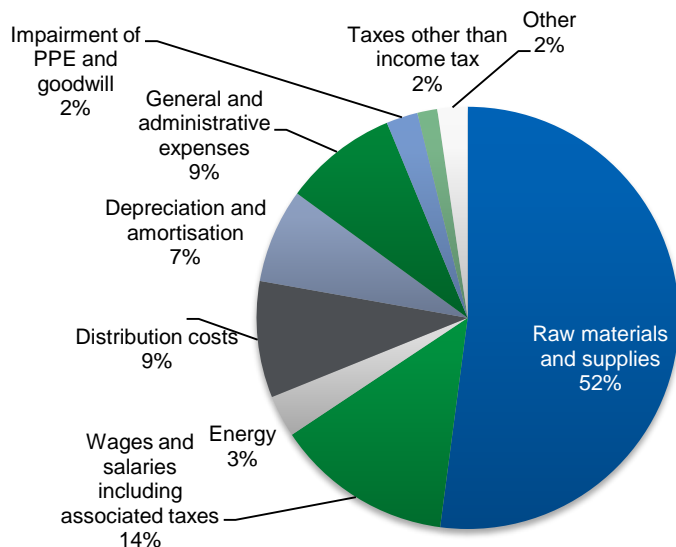
## EBITDA Bridge, RUR mln



\*Changes in finished goods and work in progress included

\*\*Wages and salaries including administrative salaries and associated taxes

## Operating Costs Structure in 2014



\*Changes in finished goods and work in progress included

### Increase in revenue was due to:

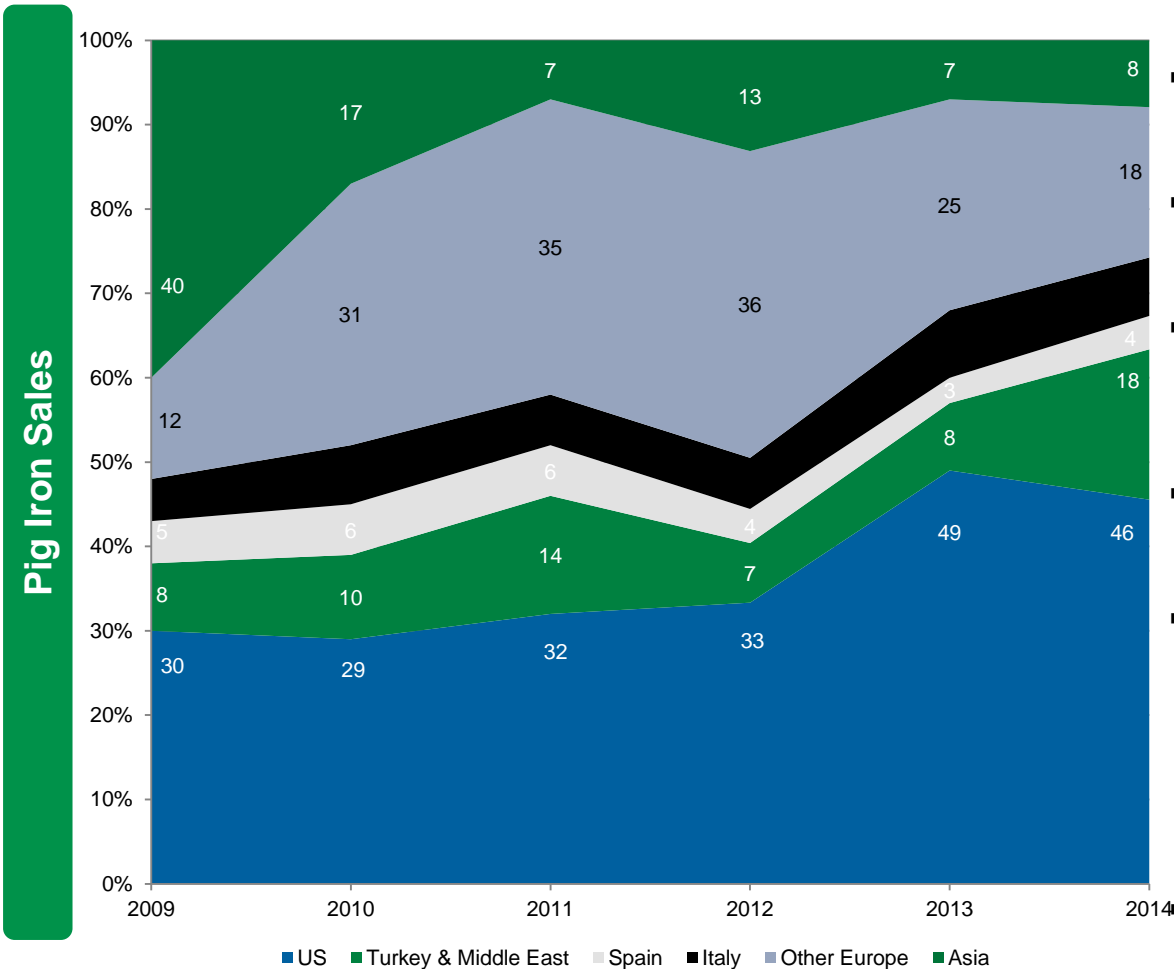
- Successful operations in high margin market niche of high quality pig iron and coke.
- Pig iron sales volumes growth.
- Advantageous RUR exchange rate.

### Decrease in operating costs was due to:

- Butovskaya mine's increasing high quality coal extraction volumes.
- Less costs of raw materials
- Increased productivity of personnel.
- Efficient operating costs optimization program.

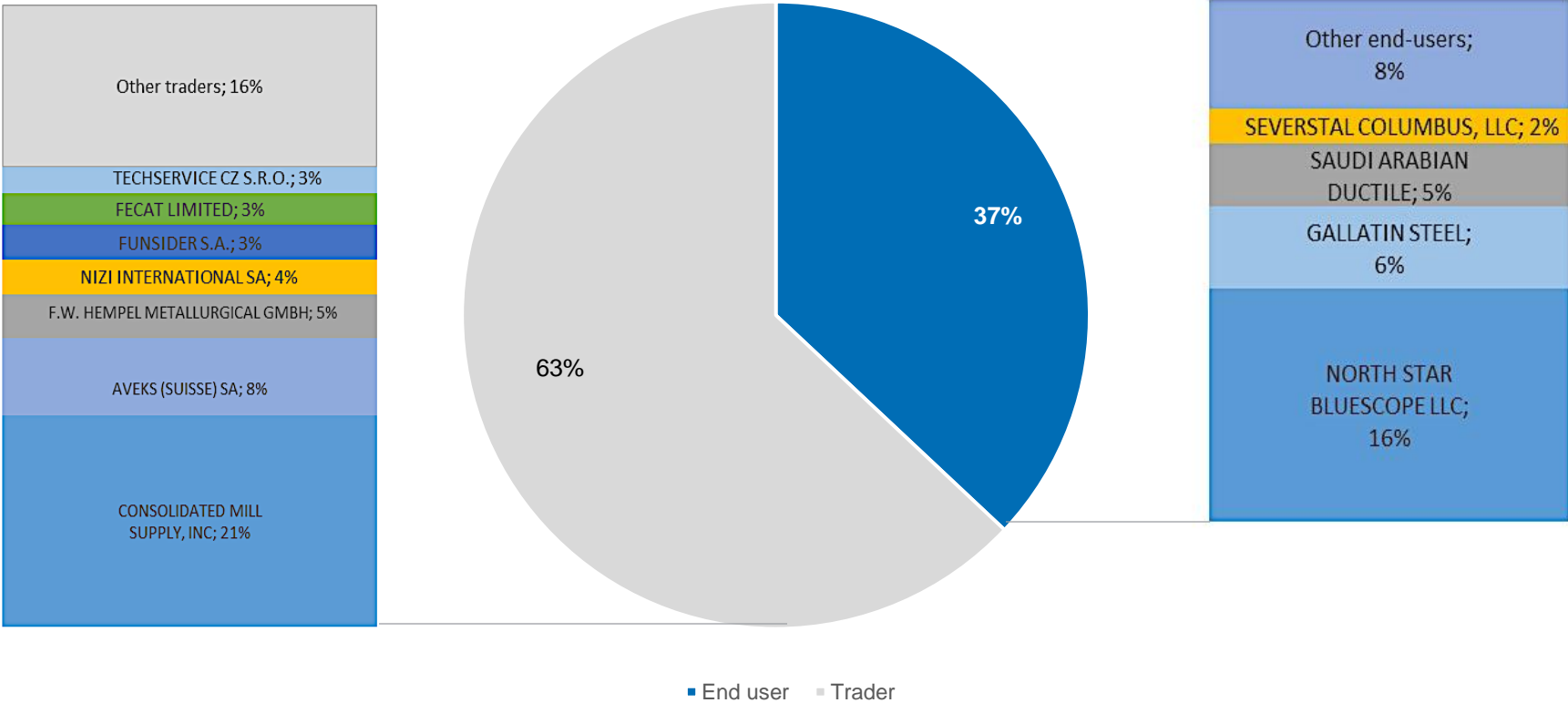


## Geographical Breakdown of Pig Iron Export Sales



- Pig iron export sales volumes were slightly up to more than 2.0 million tones on an LTM basis.
- Main pig iron consumers are located in USA and Europe
- Further increase in demand from the US is expected on the back of general increase in steel production activity there
- Shrinking supplies from Ukraine is a primary market driving factor for 2015
- Company's railway deliveries are not exposed to military operations in eastern Ukraine; no delays in deliveries are expected; we have alternative convenient ports and railway routes via Russian territory to use in case of worsening of Ukrainian crisis
- The company is not exposed to China intensively but it has successful track record of sales to Asia

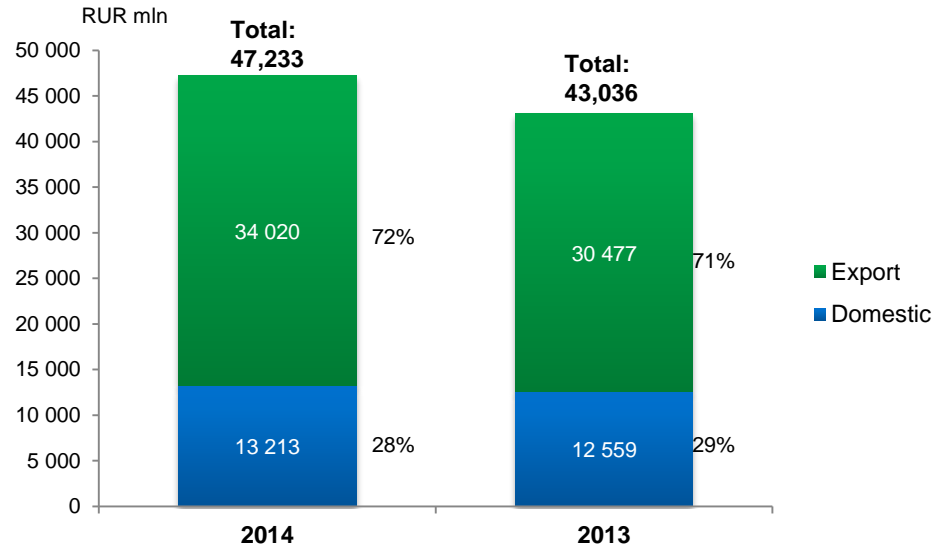
**In 2012-2014 the Group successfully focused on selling high quality pig iron grades to foundry mills in Russia and abroad**



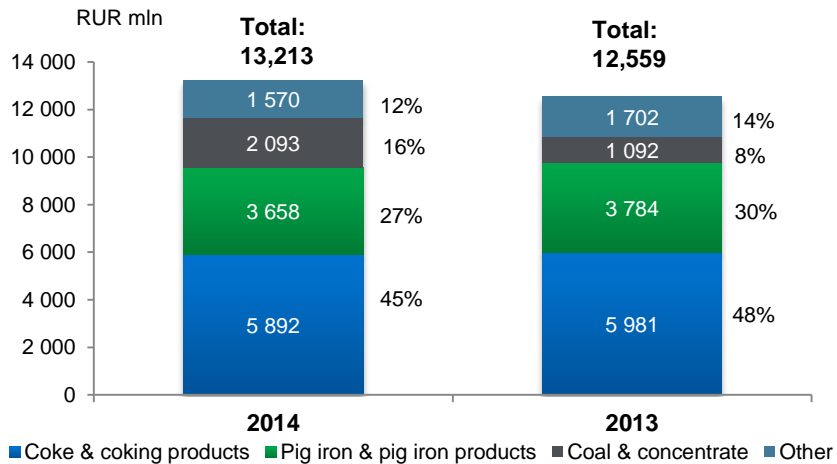
The share of supplies to end users increased by 5% in 2014 to compare to 2013



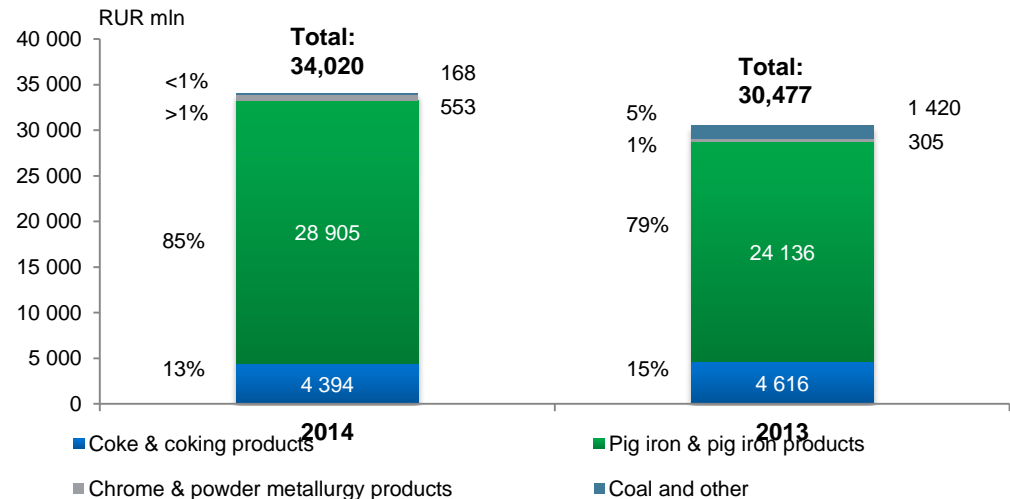
## Export Sales Increased more than Domestic\*



## Domestic Sales\*



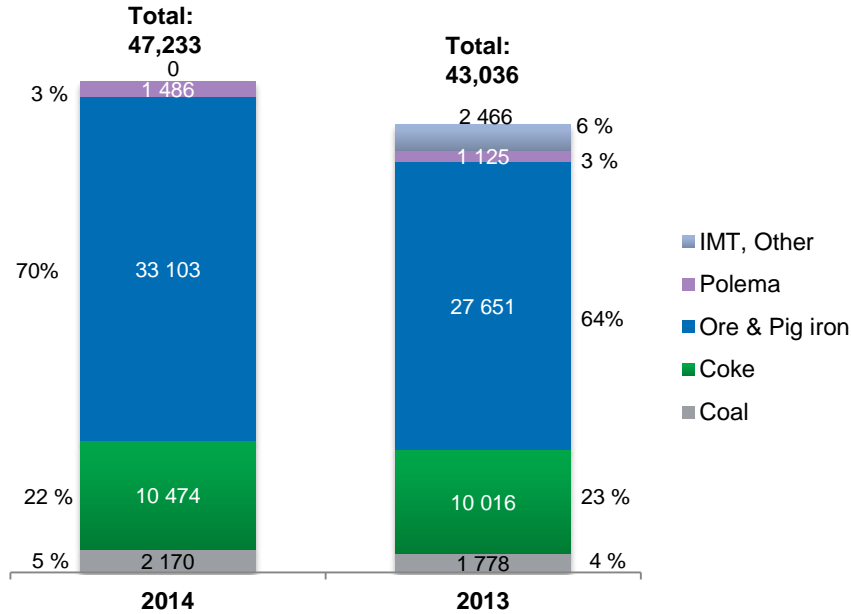
## Export Sales\*



\* External revenue

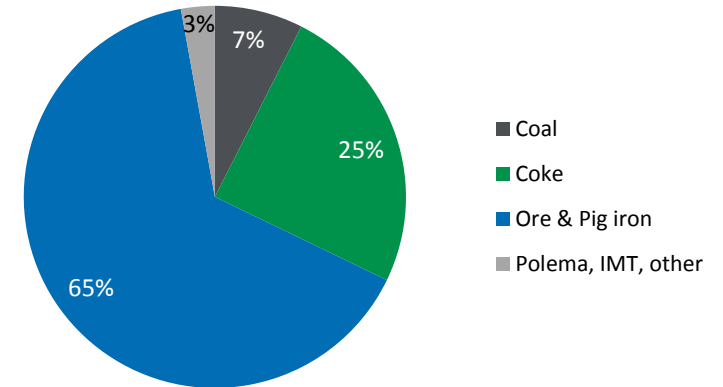


## External revenue, RUR mln

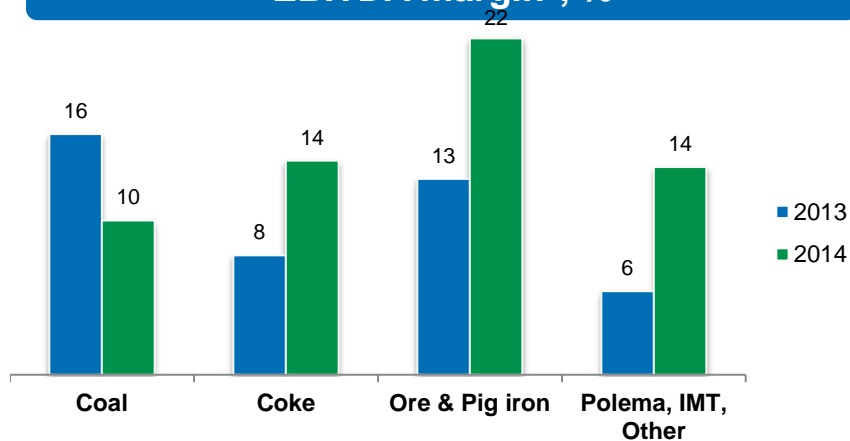


## EBITDA by segments

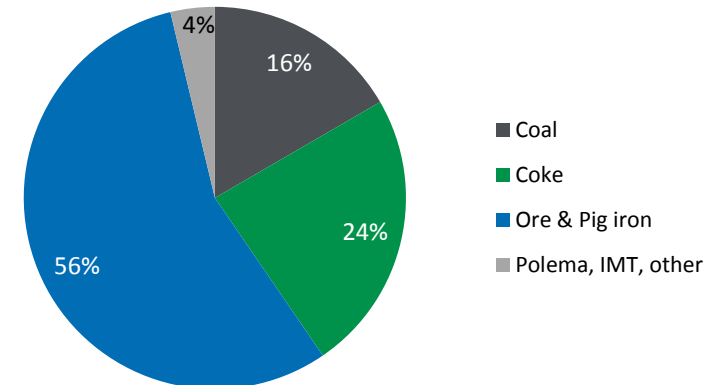
2014 total: RUR 11,492 mln



## EBITDA margin\*, %



2013 total: RUR 6,595 mln

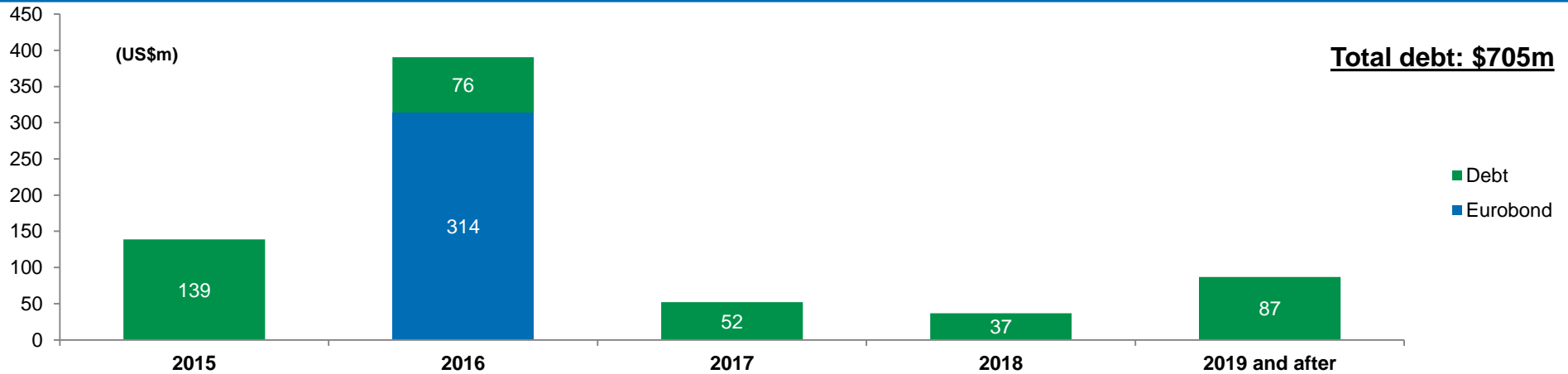


\*Including inter-segment revenue



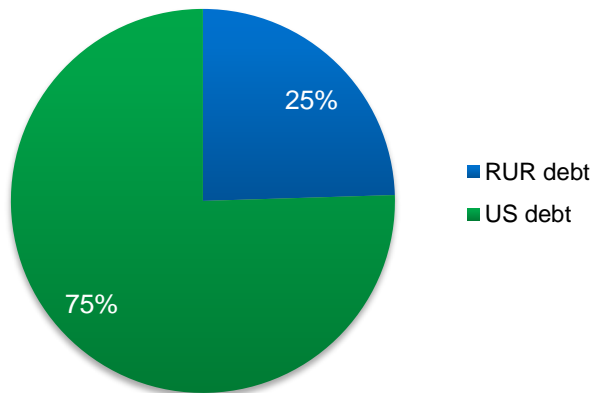


## Current Debt Maturity Profile

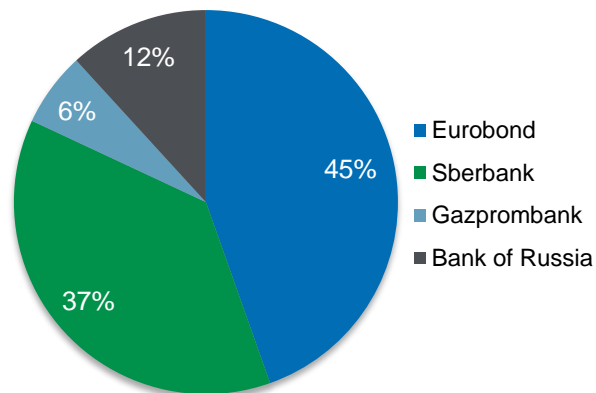


- Confirmed undrawn facilities as of December 31, 2014 was above RUR 18.8 billion
- RUR bonds were paid back using the company's cash flow and bank loans
- Average loan interest rate as of December 31, 2014 was 7.55%

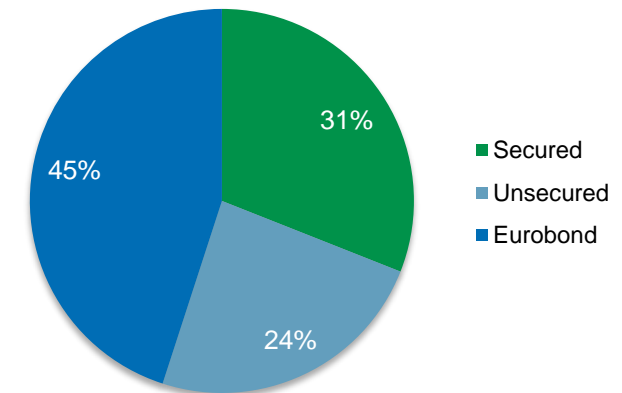
## Debt by Currency

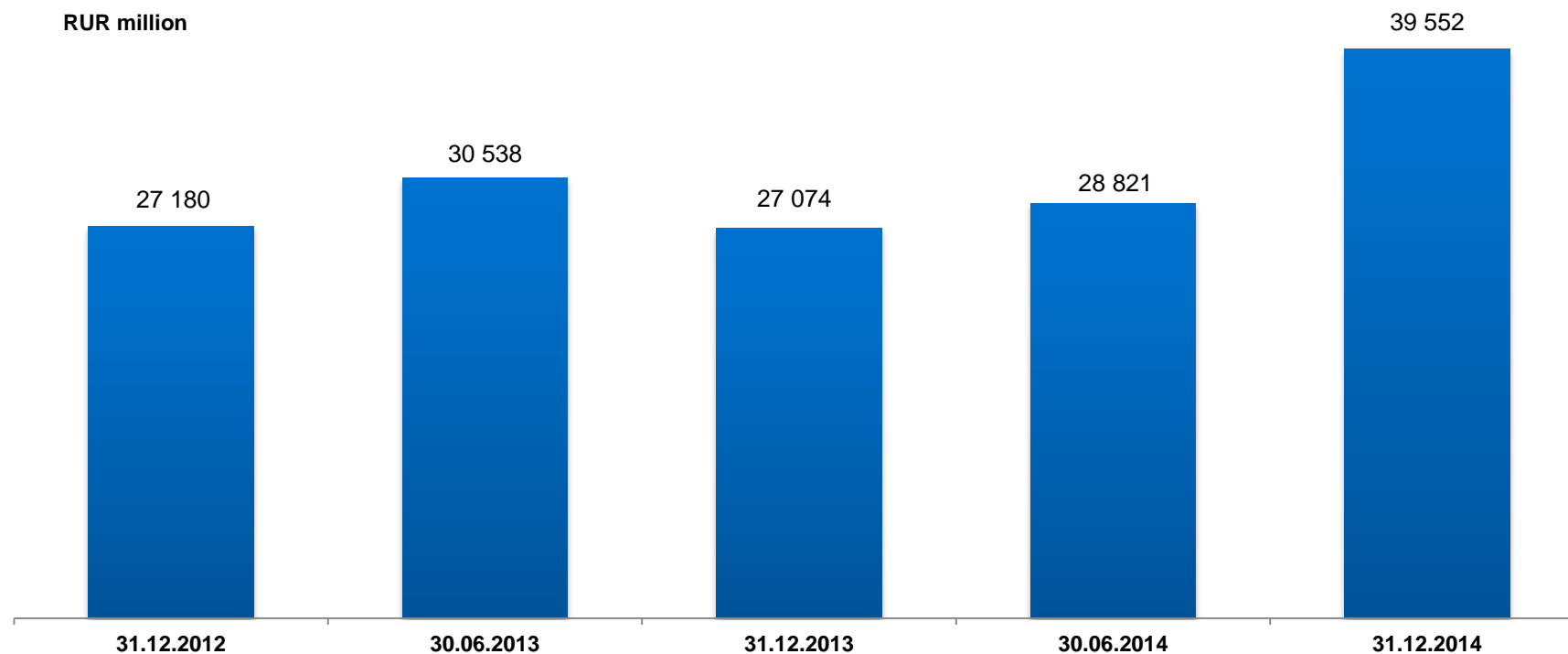


## Debt by Creditor



## Debt by Security Type





One of the Company's main priorities is deleveraging. Sharply increased level of debt at 31 Dec 2014 caused only by dramatic 75% RUR depreciation against USD. The previous highest level of debt was reached when the company was completing construction of Butovskaya mine put into operation in May, 2013.



## Income Statement Highlights

millions of RUR	2013	2014
<b>Revenue</b>	43,036	47,233
Cost of sales	(30,842)	(30,616)
<b>Gross profit</b>	<b>12,194</b>	<b>16,617</b>
<i>Gross profit margin</i>	28%	35%
<b>Operating profit</b>	<b>1,476</b>	<b>8,091</b>
<i>Operating profit margin</i>	4%	17%
<b>Loss</b>	<b>(2,436)</b>	<b>(7,701)</b>
<b>Adjusted EBITDA*</b>	<b>7,016</b>	<b>12,587</b>

\* Adjusted EBITDA is calculated as earnings before income tax, interest expense, exchange gain/loss, depreciation, amortization, impairment and other non-cash items.

## Balance Sheet Highlights

millions of RUR	December 31, 2013	December 31, 2014
Total Assets	57,936	62,311
Total Liabilities	38,553	51,328
Total Equity	19,383	10,983
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Property Plant & Equipment	36,172	38,125
Total Debt	27,074	39,552
Cash & Cash Equivalents**	503	855
Net Debt	26,571	38,697

\*\* Cash & cash equivalents including restricted cash

## Cash Flow Highlights

millions of RUR	2013	2014
Loss before income tax	(1,883)	(8,802)
Operating cash flows before working capital changes	6,544	11,824
Net cash from operating activities	9,797	12,342
Net cash used in investment activities	(6,109)	(4,494)
Net cash used in financing activities	(3,439)	(7,449)