

Industrial metallurgical holding  
FY 2017  
IFRS Financial Results



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## FINANCIAL POSITION

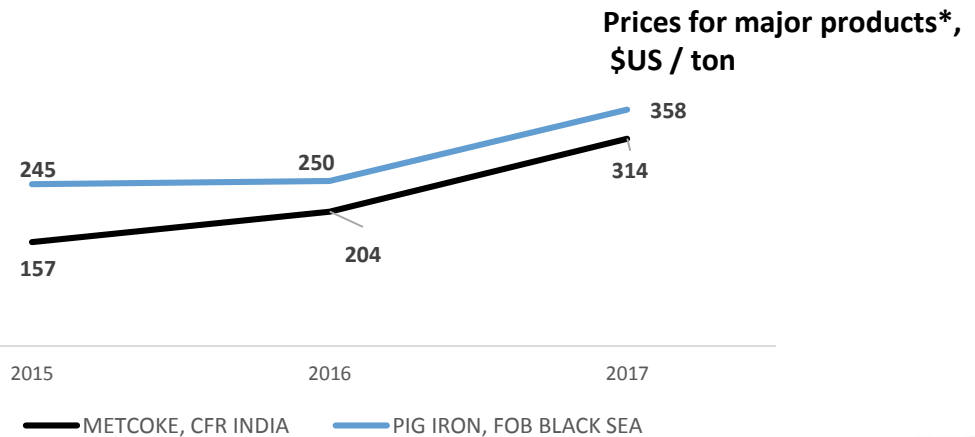
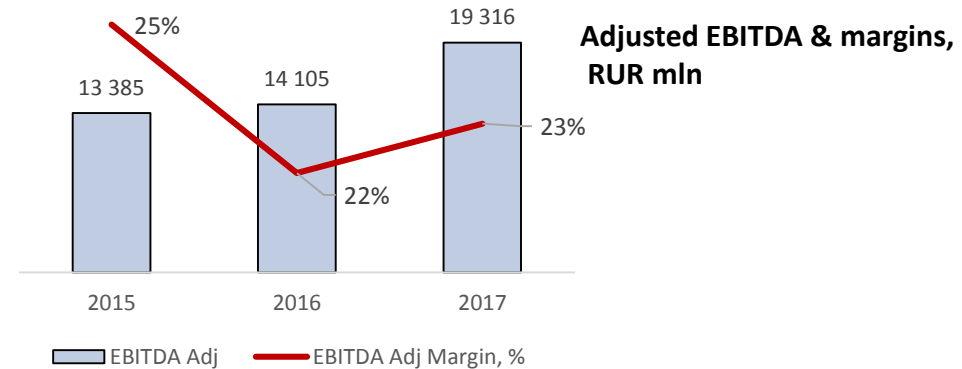
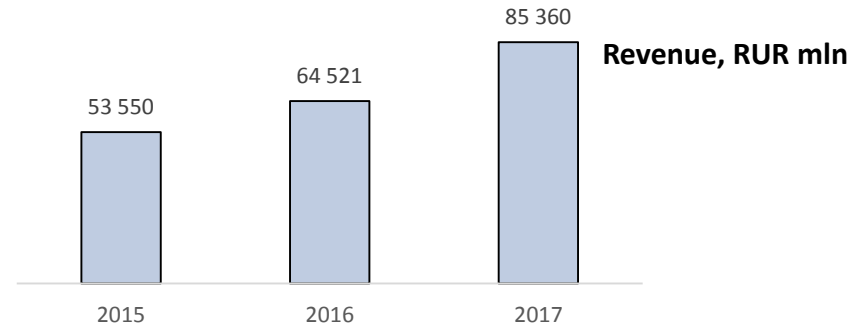


# 2017 KEY FINANCIAL HIGHLIGHTS

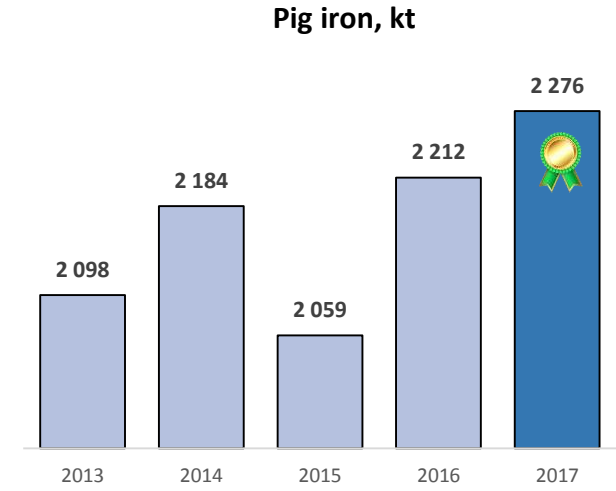
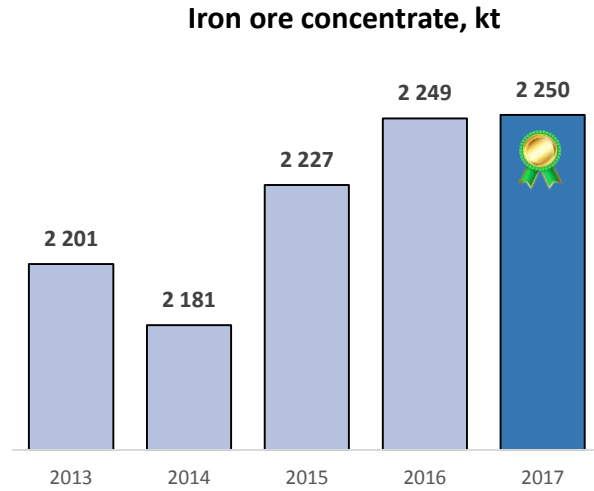
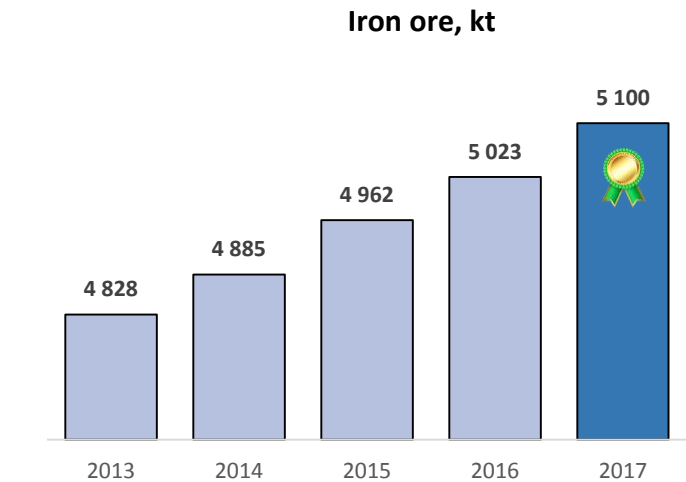
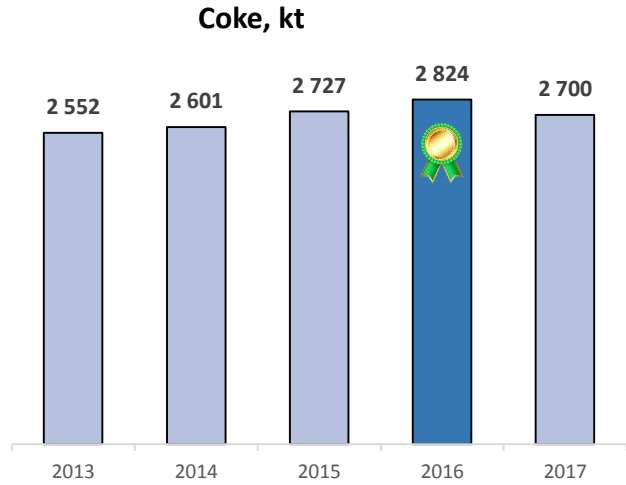
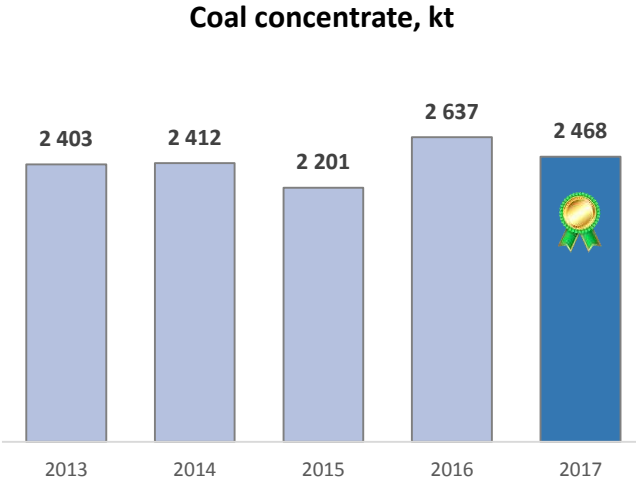
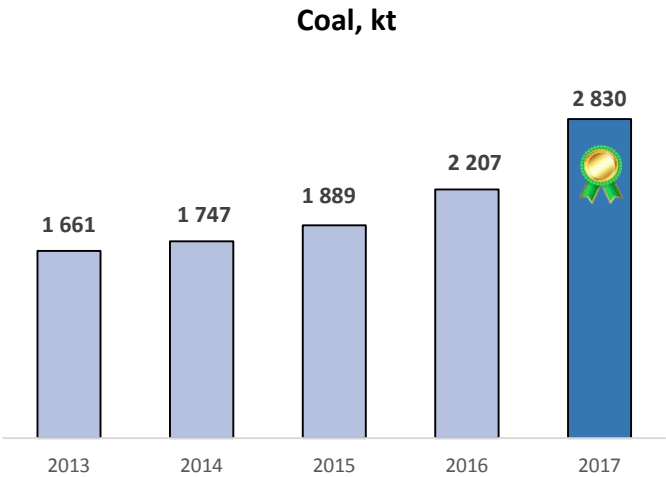


## IFRS financial highlights, RUB mln

	2017	2016	Change,%
<b>Revenue</b>	<b>85 360</b>	<b>64 521</b>	<b>32</b>
Cost of sales	(57 375)	(44 382)	29
<b>EBITDA</b>	<b>17 068</b>	<b>11 777</b>	<b>45</b>
EBITDA margin, %	20	18	-
<b>Adjusted EBITDA</b>	<b>19 316</b>	<b>14 105</b>	<b>37</b>
Adj. EBITDA margin, %	23	22	-
<b>Profit for the period</b>	<b>7 599</b>	<b>9 211</b>	<b>(18)</b>
Profit margin, %	9	14	-
<b>Capex</b>	<b>(10 165)</b>	<b>(6 669)</b>	<b>52</b>
<b>Total Debt</b>	<b>59 015</b>	<b>51 005</b>	<b>16</b>
<b>Short term debt</b>	<b>10 769</b>	<b>23 802</b>	<b>8</b>
Cash & equivalents	8 978	4 534	98
<b>Net Debt</b>	<b>50 037</b>	<b>46 471</b>	<b>8</b>
<b>Net Debt/ Adjusted EBITDA</b>	<b>2.59</b>	<b>3.29</b>	<b>-</b>
<b>Net cash from operating activities</b>	<b>12 501</b>	<b>11 292</b>	<b>11</b>
Free cash flow	2 336	4 623	(49)

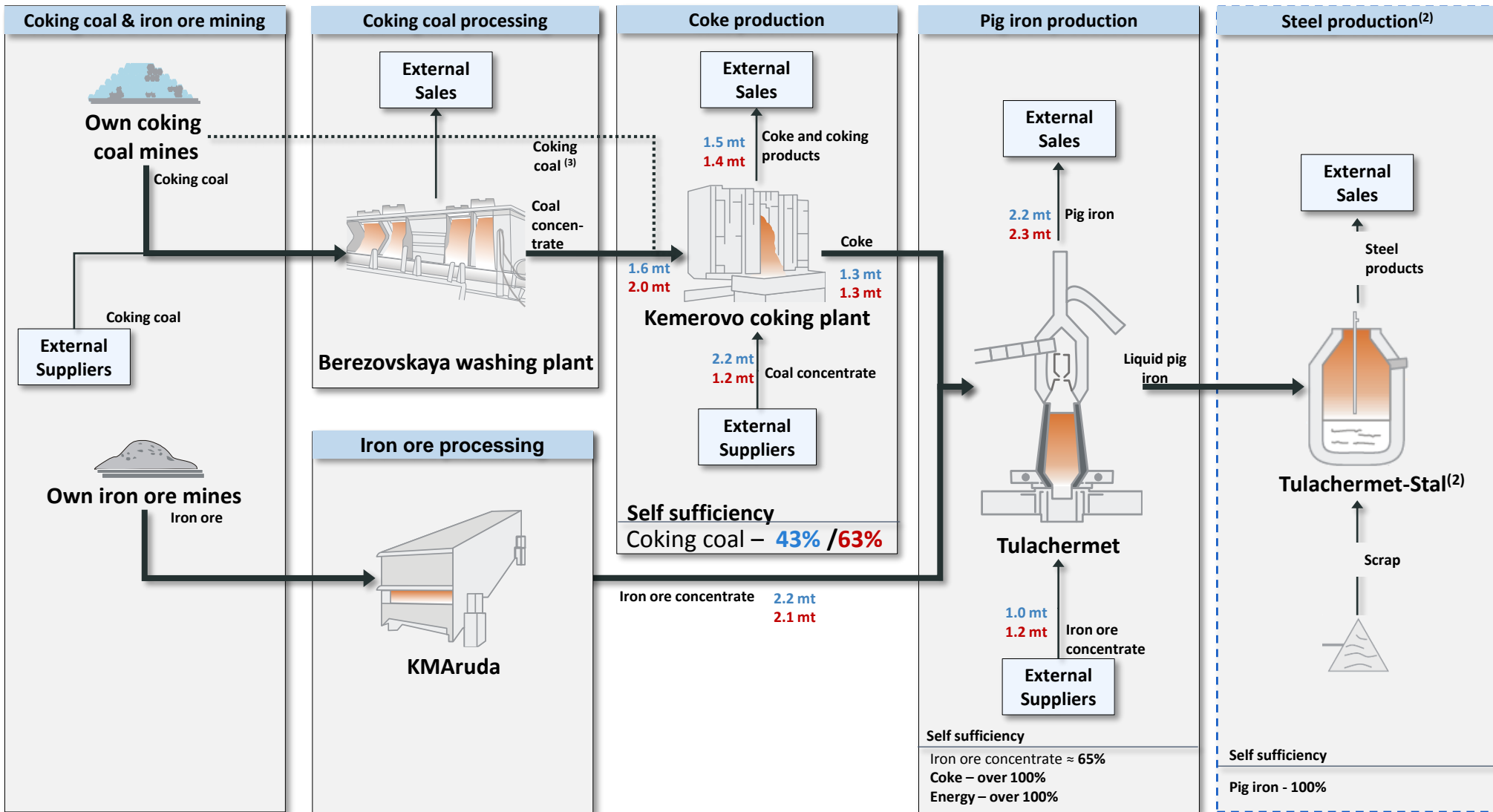


# OPERATIONAL RESULTS DYNAMICS



Historical record

# GROWTH IN COAL SELF-SUFFICIENCY AFFECT POSITIVELY TO THE PRODUCTION CHAIN\*



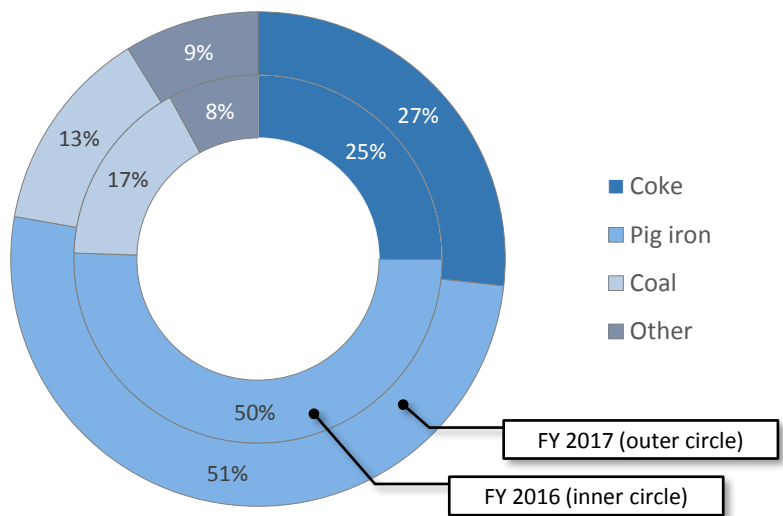
\*Management accounts

(1) All volumes given for FY 2016 (blue) and for FY 2017 (red)  
 (2) Partnership project to be commissioned in 2018  
 (3) "K" grade coking coal used for production of coke without preparation

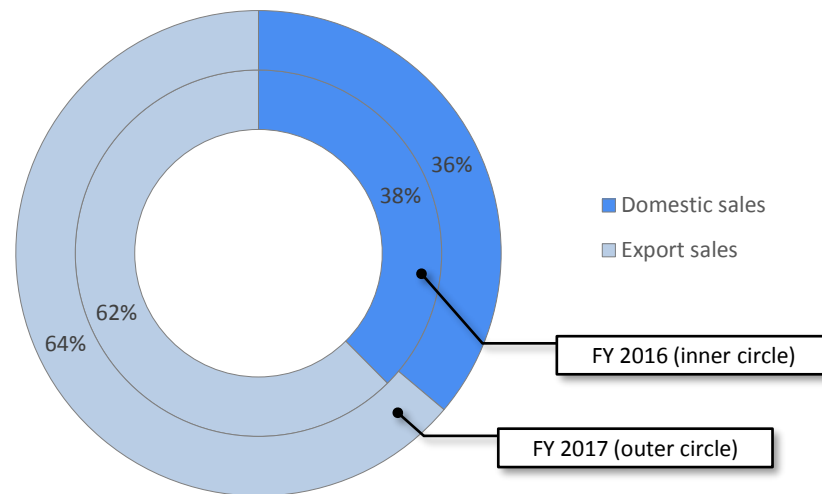
# REVENUE & COGS COMPOSITION



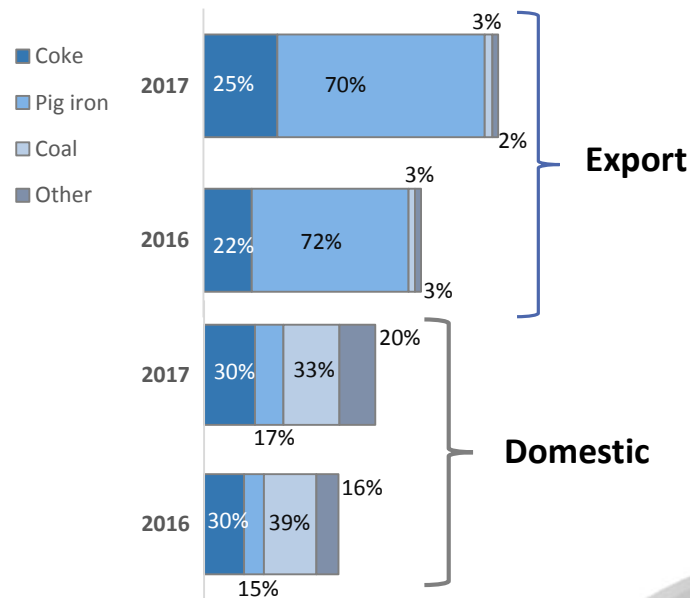
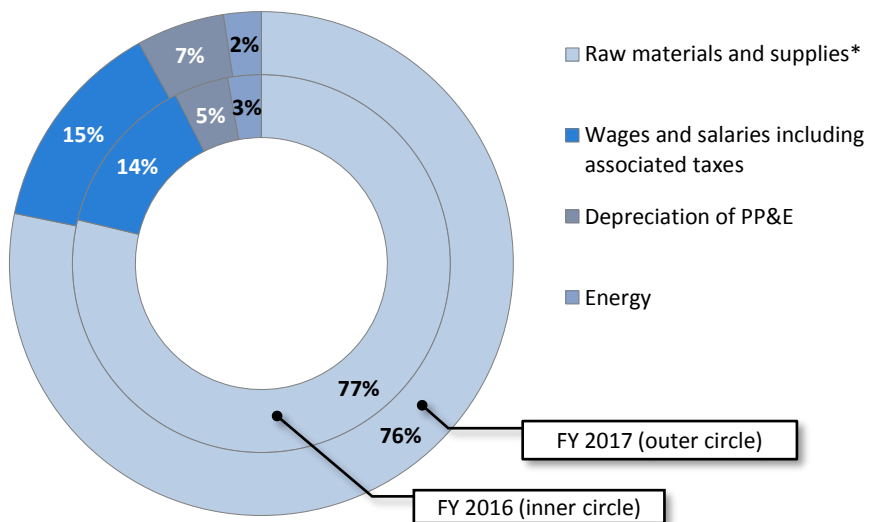
## Revenue by product



## Revenue by area



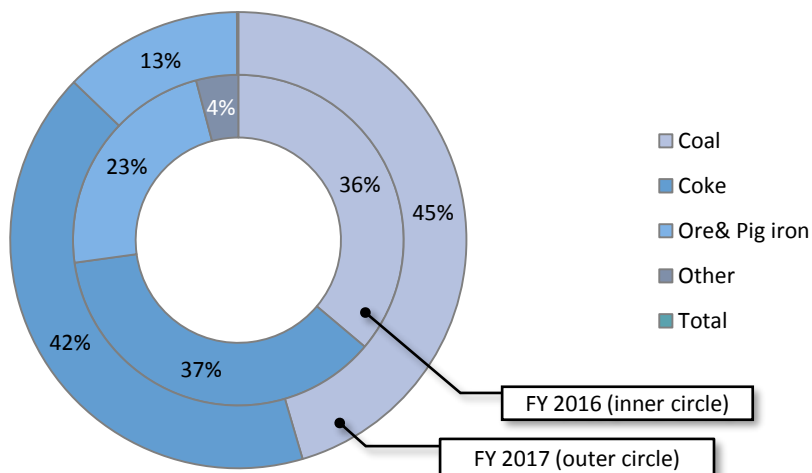
## Cost of sales breakdown



# EBITDA COMPOSITION

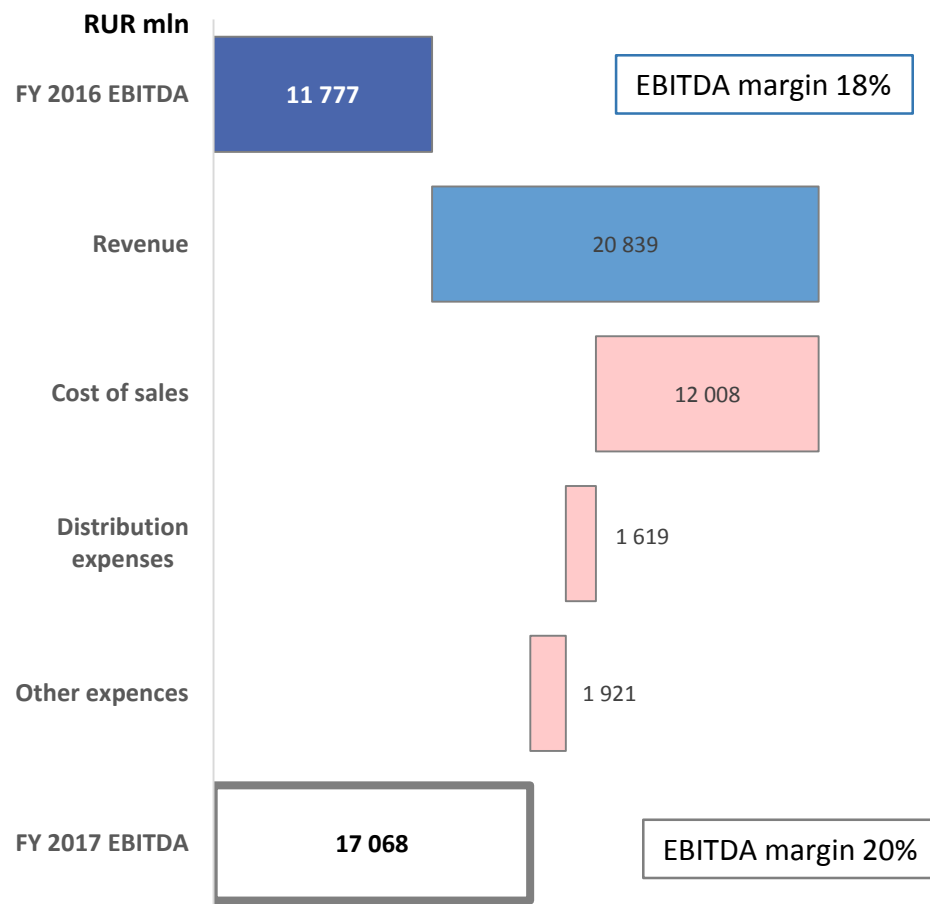


### EBITDA by segment



EBITDA by segment, RUR mln	2017	2016	Change, %
Coal	7 758	4 257	82
Coke	7 122	4 319	65
Ore & Pig iron	2 171	2 716	(20)
Other	17	485	(96)
<b>Total</b>	<b>17 068</b>	<b>11 777</b>	<b>45</b>

### EBITDA y-o-y change



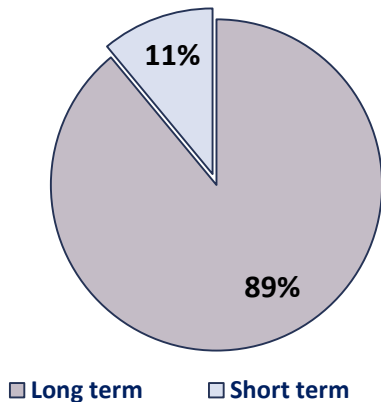
- Vertical integration and growing self-sufficiency in raw materials allow IMH to enjoy good margin rates despite market volatility
- In 2017 market conditions improved due to the ongoing recovery of demand for steel products in USA, Europe and domestic market



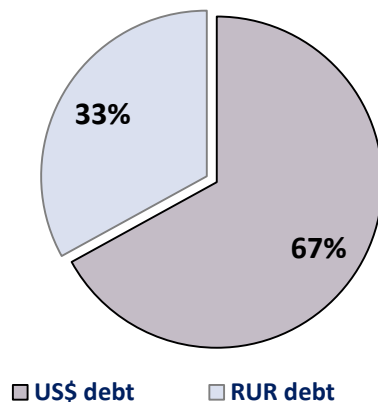
# WELL-BALANCED DEBT PORTFOLIO\*



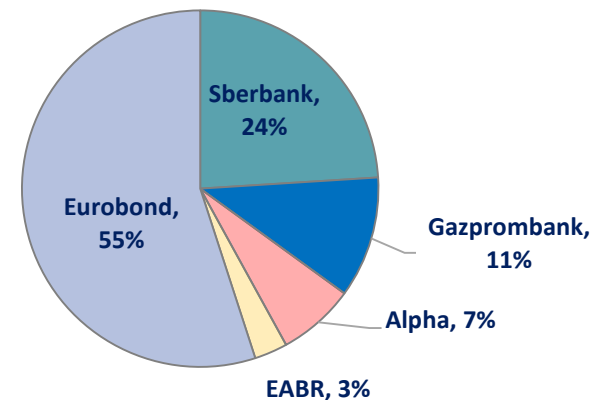
### Long-term and short-term debt



### Debt by currency

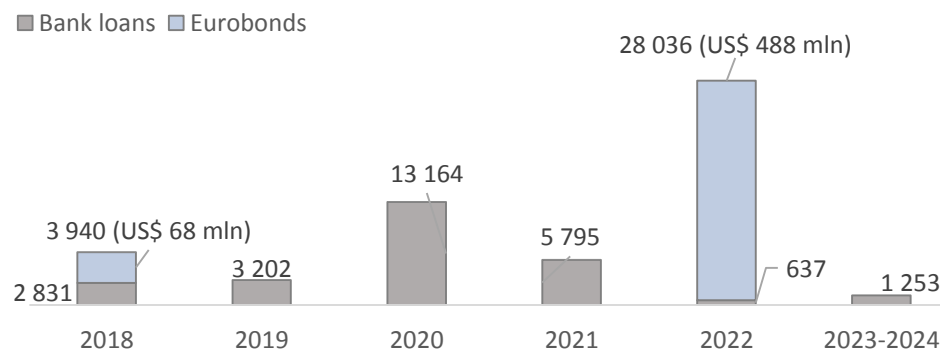


### Debt portfolio by sources



IFRS Debt portfolio parameters	2017
Net debt	RUR 50 037 mln
Average interest rate	8.27%
Confirmed undrawn facilities as of 31.12.2017	RUR 20 531 mln

### Maturity\*



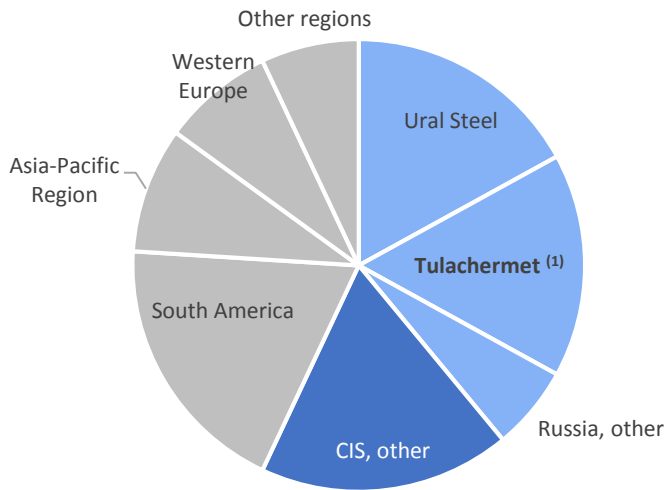
\*Maturities are represented according to last date of credit agreements being effective.

MARKET POSITIONING  
IN 2017





## Merchant pig iron global market\*, main participants

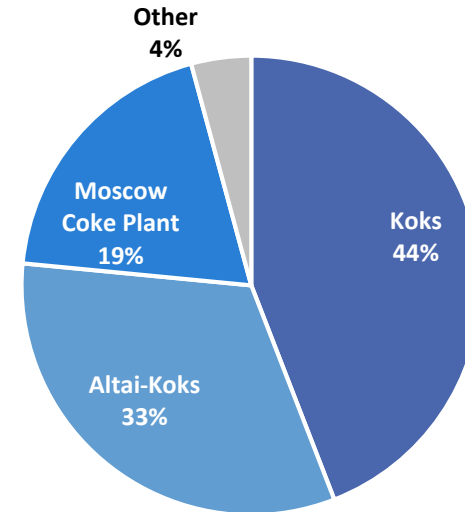


(1) Export sales of pig iron data include sales of Alpicom

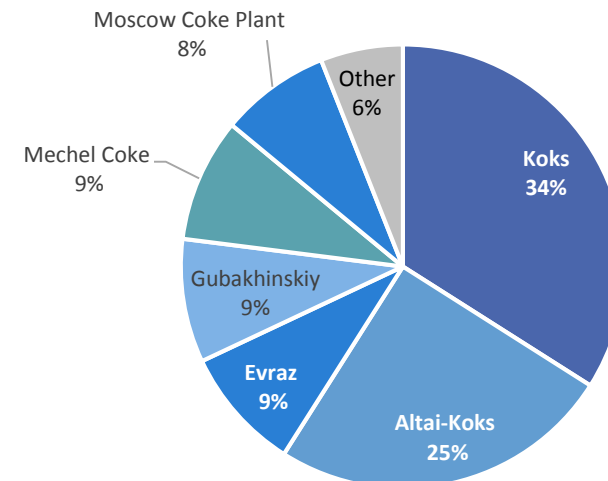
\* According to Metall Expert, merchant pig iron market in 2017 accounted to around 12 mln t

- Pig iron is an essential additive to raw material for quality steel production with no adequate substitute product
- Total Russia's share of the global merchant pig iron market is 39% with only two strong suppliers
- Other suppliers of merchant pig iron are unable to meet the demand on the back of numerous closures both connected with bankruptcy during the times of low demand (Brazilia) and environment protection initiatives (China)

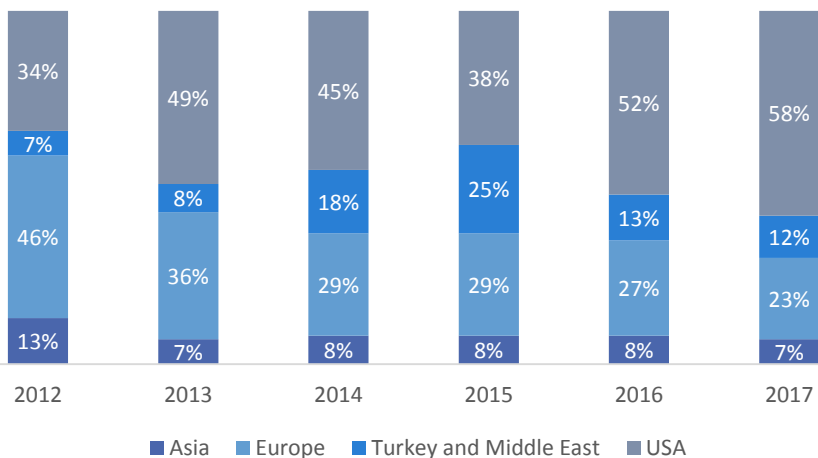
## IMH is the leader among Russia's merchant coke exporters



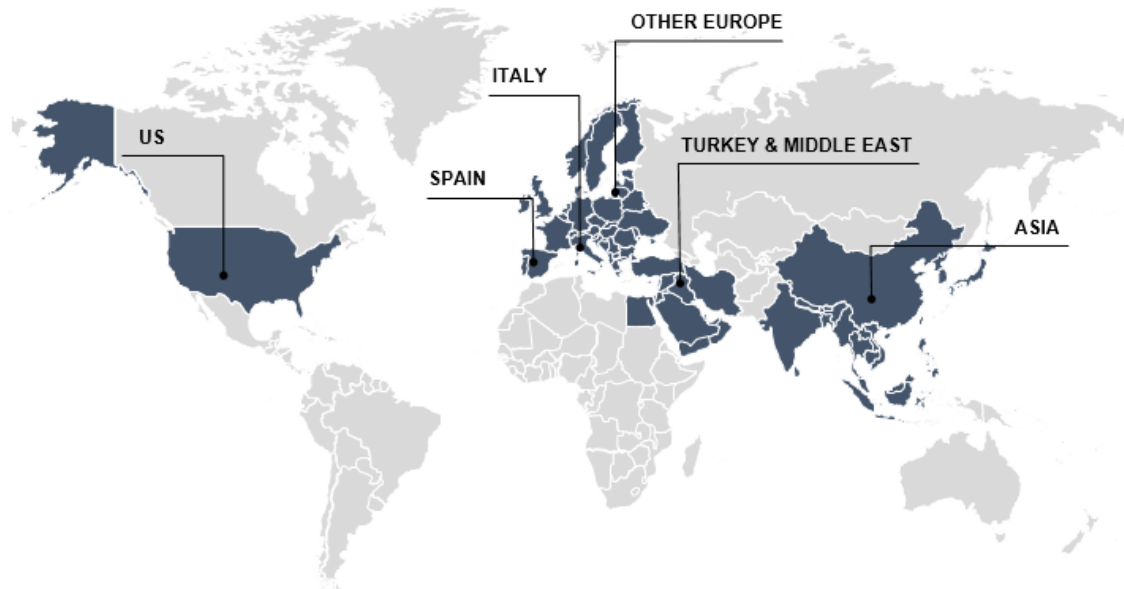
## IMH is the main Russia's supplier of merchant coke



### IMH pig iron export sales<sup>(1,2)</sup>



### IMH key export markets (merchant pig iron)



### Key customers in 2017 (merchant pig iron)

Traders – 74%

End users – 26%



(1) Totals may not equal 100% due to rounding  
 (2) Share in pig iron export sales by volume through Alpicom trader

# Appendix



**Fitch**  
Ratings

**B**

**(stable)**

Jun 2017

«Diminished liquidity risk following placement of USD500 million 7.75% notes due 2022. Liquidity ratio improved to well above 2x, a level more commensurate with the current rating level. Debt repayments remain at manageable levels of around RUB 2 billion in 2017 and RUB 9 billion in 2018»

– *Fitch Ratings*  
June 2017

**MOODY'S**

**B2** 

**(positive)**

Jun 2017

«Vertical integration supports capacity utilization through the cycle. Financial metrics will continue to improve. Coal production will double in two years. liquidity is sufficient to cover the company's debt maturities and other obligations until at least the end of 2018».

– *Moody's Investors Service*  
June 2017

**STANDARD**  
&**POOR'S**

**B** 

**(positive)**

July 2017

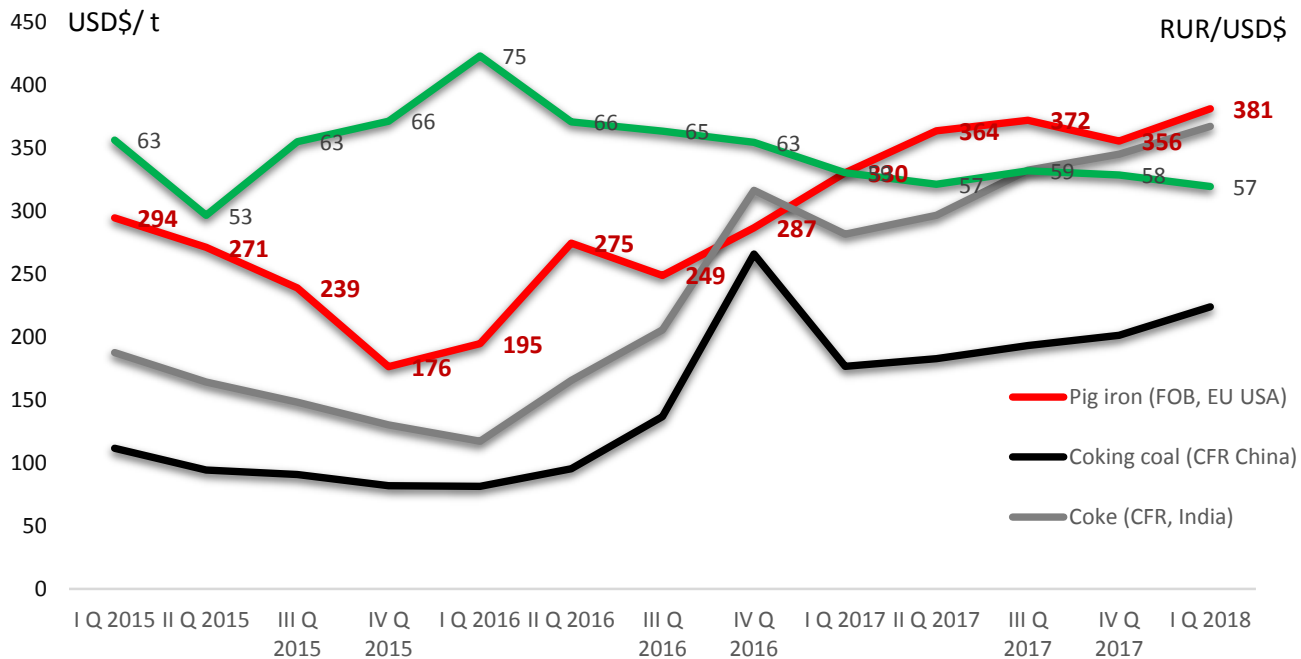
«Upgrade reflects our view on improved liquidity and capital structure. The company's short-term debt maturities declined to RUB 5 billion (about \$83 million) from over RUB 17 billion (over \$290 million). We also recognize solid operating and financial performance and further improvement in credit metrics».

– *Standard & Poor's*  
July 2017

# MAIN MARKET PRICE PROCESS TRENDS



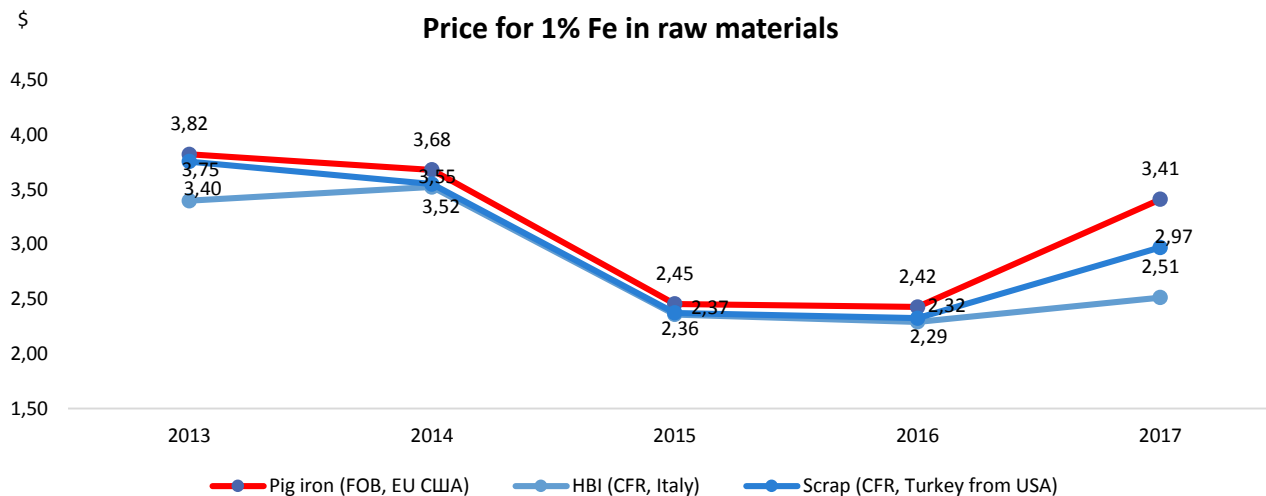
## Current price trends



Pig iron prices are at their 3-year heights due to:

- (1) Closure of ineffective blast furnaces in China
- (2) Growing demand from the side of EAF-plants in US on the back of 232 Article on the Trade Legislation adoption
- (3) Low inventories
- (4) Less supply volumes available on the market

## Price for 1% Fe in raw materials



Pig iron is sold with premium due to its high end-user performance.

Tulachermet's product is a preferable product due to the low contents of sulfur and phosphorus.

# PROFIT AND LOSS STATEMENT, RUB MLN



	2017	2016
<b>Revenue</b>	<b>85 360</b>	<b>64 521</b>
Cost of sales	(57 375)	(44 382)
<b>Gross profit</b>	<b>27 985</b>	<b>20 139</b>
Distribution costs	(7 121)	(5 502)
General and administrative expenses	(6 079)	(4 509)
Impairment of property, plant & equipment	-	(33)
Taxes other than income tax	(858)	(622)
Other income / (expenses), net	(374)	(90)
<b>Operating profit</b>	<b>13 553</b>	<b>9 383</b>
Finance income	2 370	7 821
Finance expenses	(6 037)	(5 381)
<b>Profit before income tax</b>	<b>9 886</b>	<b>11 823</b>
Income tax expense	(2 287)	(2 612)
<b>Profit for the period</b>	<b>7 599</b>	<b>9 211</b>



# BALANCE SHEET, RUB MLN



	At 31 December 2017	At 31 December 2016
<b>Non-current assets</b>		
Property, plant and equipment	55 786	48 190
Goodwill	4 497	4 497
Intangible assets	4 659	4 766
Deferred income tax asset	1 604	2 551
Non-current loans issued and long-term interest receivable	10 394	8 772
Other non-current assets	199	324
<b>Total non-current assets</b>	<b>77 139</b>	<b>69 100</b>
<b>Current assets</b>		
Inventories	6 828	5 208
Trade and other receivables	6 220	3 114
VAT recoverable	3 612	2 944
Advances issued	366	794
Current loans issued and short-term interest receivable	533	37
Cash and cash equivalents	8 978	4 534
<b>Total current assets</b>	<b>26 537</b>	<b>16 631</b>
<b>Total assets</b>	<b>103 676</b>	<b>85 731</b>
<b>Equity</b>		
Share capital	213	213
Treasury shares	(11)	(6 033)
Retained earnings	25 619	21 167
Revaluation reserve	476	519
Currency translation reserve	(150)	(110)
Equity attributable to the Company's equity holders	26 147	15 756
Non-controlling interest	711	727
<b>Total equity</b>	<b>26 858</b>	<b>16 483</b>
<b>Non-current liabilities</b>		
Provision for restoration liability	56	109
Deferred income tax liability	1 682	2 131
Long-term borrowings	20 251	16 457
Long-term bonds	27 889	10 669
Long-term lease obligation	106	77
Other long-term payable	1	38
<b>Total non-current liabilities</b>	<b>49 985</b>	<b>29 481</b>
<b>Current liabilities</b>		
Trade and other payables	14 627	14 578
Current income tax payable	131	112
Other income tax payable	1 291	1 224
Provision for restoration liability	15	51
Short-term borrowings and current portion of long-term borrowings	6 631	22 467
Short-term bonds	4 087	1 309
Short-term lease obligation	51	26
<b>Total current liabilities</b>	<b>26 833</b>	<b>39 767</b>
<b>Total liabilities</b>	<b>76 818</b>	<b>69 248</b>
<b>Total liabilities and equity</b>	<b>103 676</b>	<b>85 731</b>

# RESERVES & RESOURCES<sup>(1)</sup>



Mines	Coal				Iron ore		
	Uchastok Koksovy	Butovskaya mine	Tikhova mine	Total	Current Level	Gubkin mine 2 <sup>nd</sup> stage <sup>(2)</sup>	Total
Proved reserves	1,369	12,735	-	14,104	49,031	202,285	251,316
Probable reserves	5,359	10,140	64,620	80,119	2,921	30,510	33,431
<b>Proved and probable reserves</b>	<b>6,728</b>	<b>22,875</b>	<b>64,620</b>	<b>94,223</b>	<b>51,952</b>	<b>232,796</b>	<b>284,748</b>
Measured resources	23,563	34,867	25,055	83,485	207,102	415,903	623,005
Indicated resources	36,041	76,259	169,526	281,826	12,340	62,729	75,069
<b>Measured and indicated resources</b>	<b>59,604</b>	<b>111,126</b>	<b>194,581</b>	<b>365,311</b>	<b>219,442</b>	<b>478,632</b>	<b>698,074</b>
Inferred resources	3,340	-	5,006	8,346	-	-	-
Extracted since 30 September 2010	5,408	3,493	-	8,901	30,490	-	30,490
Extracted in 2010 since 30 September 2010	113	-	-	113	1,213	-	1,213
Extracted in 2011	634	-	-	634	4,779	-	4,779
Extracted in 2012	880	-	-	880	4,800	-	4,800
Extracted in 2013	898	533	-	1,431	4,828	-	4,828
Extracted in 2014	882	865	-	1,747	4,885	-	4,885
Extracted in 2015	885	1,004	-	1,889	4,962	-	4,962
Extracted in 2016	1,116	1,091	-	2,207	5,023	-	5,023

(1) According to JORC as of 30 September 2010

(2) IMH intends to expand its iron ore operations in the Gubkin mine through construction of a new working level



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Management company

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