PRESS RELEASE

IMH ANNOUNCES IFRS CONSOLIDATED FINANCIAL RESULTS FOR 1H 2021

31 August 2021

Industrial Metallurgical Holding (IMH), one of the largest global suppliers of merchant pig iron and Russia's biggest merchant coke exporter, announces IFRS financial results for 1H 2021.

IMH key financial indicators:

RUB mln	1H 2021	1H 2020	Change, %
Revenue	**70,012**	**40,131**	**74**
COGS	(44,565)	(28,446)	57
Gross profit	**25,447**	**11,685**	**118**
Operating profit	**19,248**	**5,109**	**277**
Operating profit margin, %	27	13	-
EBITDA	**21,531**	**8,433**	**155**
EBITDA margin, %	31	21	-
Adjusted LTM EBITDA[1]	**33,567**	**18,243**	**84**
Net profit / (loss) for the period	**14,590**	**(952)**	**-**
Net cash from operating activities	**6,249**	**5,533**	**13**
Total debt	**75,942**	**75,373***	**1**
Cash and cash equivalents	4,886	6,101*	(20)
Net debt	**71,056**	**69,272***	**3**

*IFRS data at 31 December 2020

Financial results

- In 1H 2021, the Group's consolidated revenue surged by 74% y-o-y to over RUB 70 bln, hitting its all-time half-year record. This came mainly as a result of higher prices for key merchant products – pig iron and coke, an increase in pig iron output and expansion of exports amid a favourable market environment.
- The cost of goods sold (COGS) went up by 57% y-o-y to almost RUB 44.6 bln largely due to an 80% increase in the cost of raw materials and supplies on the back of several factors. The key impact came from substantially higher coal and iron ore prices and was coupled with transportation expenses adding 69% on the back of growing exports.
- Gross profit expanded by 118% owing to a surge in revenue, which offset higher expenses.
- Operating profit soared by 277% thanks to a rise in prices for the Group's key merchant products and a resulting increase in revenue, which grew faster than expenses. Operating profit margin reached 27%, up 14 pp y-o-y.
- In 1H 2021, the Group had a net profit of nearly RUB 14.6 bln driven mainly by stronger revenue and lower financial expenses due to no foreign exchange losses on Eurobonds and interest accrued on Eurobonds.
- Adjusted LTM EBITDA came in at almost RUB 33.6 bln, up 84% y-o-y.

[1] EBITDA calculated in accordance with the Eurobond loan agreement (LPN, Reg S / 144A)

- Net cash from operating activities rose by 13% to RUB 6.2 bln. At the same time, cash used in investing activities increased to nearly RUB 6.4 bln, which drove free cash flow into negative territory.

Key segments operational results

Production, '000 tonnes	1H 2021	1H 2020	Change, % y-o-y
Pig iron	1,301	1,170	11
Coal	1,491	1,320	13
Coal concentrate	1,080	1,129	(4)
Coke (6% moisture content)	1,365	1,347	1
Iron ore	2,409	2,427	(1)
Iron ore concentrate	1,057	1,045	1

Production and sale of merchant products:
In 1H 2021, pig iron production and sales increased by 11% y-o-y thanks to maximised capacity utilisation and optimisation of process flows. Following successful overhaul of blast furnace No. 3 in 1H 2020, the Group has been consistently raising output, taking it to new record highs.
While coke output in 1H 2021 remained virtually flat y-o-y, coke shipments marginally increased, predominantly owing to stronger intra-Group consumption driven by increased pig iron production.

Production of raw materials:
In 1H 2021, coal production rose by 13% y-o-y thanks to a higher output from the Tikhova mine and stable operations at Uchastok Koksovy.
The output of coal concentrate decreased by 4% y-o-y due to a short suspension of production.
The output of iron ore and concentrate remained flat y-o-y.

Key segments financial results

Coal segment

RUB mln	1H 2021	1H 2020	Change, % y-o-y
Segment revenue	6,524	4,310	51
EBITDA	2,729	12	22,642
EBITDA margin, %	42	0.3	_-

- The Coal segment revenue in 1H 2021 was up by 51% y-o-y due to a significant increase in prices for coal and a higher coal output.
- Profitability growth was mostly due to stronger revenue and also a significant drop in COGS at the Tikhova mine (by 40% per tonne of merchant coal) attributable to higher production volumes.

Coke segment

RUB mln	1H 2021	1H 2020	Change, % y-o-y
Segment revenue	29,766	16,854	77
EBITDA	10,696	3,755	185
EBITDA margin, %	36	22	_-

- In 1H 2021, the Coke segment revenue increased by 77% y-o-y on the back of a nearly 2x rise in both domestic and export prices for coke and by-products.
- EBITDA soared by 185%, while EBITDA margin advanced to 36% on the back of a considerable increase in revenue. A strong headwind to the segment' profitability growth was a rise in prices for feedstock. COGS per tonne of finished products, including feedstock, increased by 49%. On the upside, the segment saw a marginal drop in direct production costs, which was due to our consistent cost-cutting efforts.

Ore & Pig Iron segment

RUB mln	1H 2021	1H 2020	Change, % y-o-y
Segment revenue	48,967	28,052	75
EBITDA	8,121	4,657	74
EBITDA margin, %	17	17	_-

- In 1H 2021, the Ore & Pig Iron segment revenue increased by 75% y-o-y to nearly RUB 49 bln. This impressive growth was mostly due to higher prices for merchant pig iron, which on average added 70% y-o-y. More tailwinds came from record growth in merchant pig iron output and sales.
- EBITDA improved by 74% to RUB 8.1 bln, with EBITDA margin reaching 17%. KMAruda, which enjoyed soaring prices for its products, was the key contributor to the segment's profitability growth. High iron ore and coke prices caused COGS per tonne of merchant pig iron to grow by 80% y-o-y, which put pressure on the margins of the Group's merchant pig iron sales, ultimately curbing growth of the segment's profitability. As a result, the segment's EBITDA margin came in flat y-o-y.

Debt portfolio management

As at 30 June 2021, the Group had cash and cash equivalents of RUB 4.9 bln, which is a 20% decline as compared to 31 December 2020. Undrawn committed limits under existing credit facilities came close to RUB 41 bln. This is more than twice the amount of short-term loans and current interest on bonds.

In 1H 2021, the Group capitalised on the favourable market environment to increase its revenue, EBITDA, and net profit. Responding to stronger demand, the Group engaged in sales on a deferred payment basis if this provided for a considerably higher sales price of merchant products. In the short term, the updated sales strategy translated into an increase in accounts receivable and working capital, which was financed with RUB-denominated loans. As a result, the Group's total and net debt were up by 1% and 3% respectively, with EBITDA for the six months of 2021 surging by 155%. Net debt / EBITDA for the reporting period went down to 2.1x, which is very close to the Group's target.

Eurobonds and BO-05 Russian RUB-denominated bonds make up 40% of the debt portfolio. The Eurobonds remain the only FX-denominated debt instrument in the Group's portfolio. In the reporting period, its share somewhat declined as the USD exchange rate went down against the RUB and on the back of additional financing raised in roubles.

Development of production assets

June 2021. The Group completed a project to launch automatic control of machinery at Uchastok Koksovy. This system will enable annual savings of up to RUB 100 mln in costs for the mining facility.

April 2021. KMAruda implemented a project to put in place a single monitoring system that covers around 70% of the facility's automation system. As a result, managers and experts can now track production processes online, no matter where they are.

April 2021. POLEMA, a powder metallurgy plant, launched a production site to manufacture up to 10,000 steel rollers for roller guides annually. Project investments totalled RUB 33 mln.

March 2021. KMAruda launched a new ball mill at its grinding and concentrating plant as part of equipment upgrade efforts, with two more mills to be replaced in 2021.

Sergey Frolov, Vice President for Strategy and Communications, commented on the 1H 2021 financial and operating performance:

"We are happy to present record high results for the first six months of 2021. On a year-on-year basis, we almost doubled our revenue and quadrupled our operating profit, with EBITDA delivering a more than 2.5x growth over the period. This exceptional performance was largely driven by a strong improvement in the market environment as world's largest economies recovered from the peak of the COVID-19 pandemic. Deferred demand proved a major driver for the market, along with governmental incentives put in place by some nations to support the construction and automotive industries, which are the key consumers of metals products. Increased demand from the market resulted in high capacity utilisation ratios across the mining and metals supply chain, contributing to higher prices and a recovery in the industry's profitability.

The global merchant pig iron market remained undersupplied due to a strong buying interest from China and Tulachermet partially switching its focus to the domestic market to make shipments to Tula Steel. At the moment, we cannot see any fundamental reason or new project to offset the lack of merchant pig iron on a permanent basis. We also believe that China's environmental initiatives aimed to replace a traditional full-cycle steelmaking process with electric arc furnaces will support demand for merchant pig iron in the long term. In the reporting period, we made efforts to meet the market demand by maximising pig iron production and ramping up exports, which helped to improve the Group's financial performance.

The increase in coal production was an important driver of the Group's profitability. Both of our active coal assets have a potential for growth. In 1H 2021, the Tikhova mine which produces valuable and scarce fat coal was able to reach an output equal to that of nine months of 2020.

The Group has invested heavily in its Ore & Pig Iron segment with a new horizon of the Gubkin mine under construction to increase iron ore production.

In the current year, we have continued to implement the sustainable development system. Our assets have adopted the Sustainable Development Policy that embraces all the main principles of responsible production. We are now arranging for the data collection process in order to start regular non-financial reporting under the GRI Standards next year. Furthermore, we are running a project to measure our carbon footprint and strive to identify and leverage every solution that can contribute to emission reduction. As part of our efforts in this area, we entered into a cooperation agreement with the Government of the Kemerovo Region to continue the environmental upgrade of the Koks plant located in the City of Kemerovo.

Amid the continuing global pandemic, the Group prioritises the health and well-being of its employees. We have been successfully implementing an action plan to prevent the spread of infectious diseases and maintain the stable operation of our assets. The staff have been provided with personal protective equipment, while premises have been subject to intensive disinfection protocols. All people entering our facilities undergo temperature checks. We closely monitor compliance with sanitary regulations. As at 23 August 2021, 74% of our employees were vaccinated, and the number is growing every day. In addition, the wages were indexed as part of our social responsibility programme. We managed to avoid any production shutdowns due to the spread of infectious diseases."

***

Industrial Metallurgical Holding (IMH) is a Russian vertically integrated company specialising in production of pig iron, extraction and processing of coking coal and iron ore, foundry castling and powder metallurgy. IMH is one of the world's largest suppliers of merchant pig iron and Russia's biggest exporter of merchant coke. The Group's key production facilities are located in the Kemerovo, Belgorod, Tula and Kaluga regions of the Russian Federation.

***

Ekaterina Popova
Head of Strategic Communications
Phone: +7 495 725 56 82, ext. 654
E-mail: popova_ea@metholding.com
http://www.metholding.ru/en/