TRADING UPDATE FOR THE NINE MONTHS OF 2014

1 December 2014 – Metinvest B.V., the parent company of a vertically integrated group of steel and mining companies (jointly referred to as "Metinvest" or "the Group"), today published a trading update for the nine months ended 30 September 2014.

The information in this press release has been prepared based on preliminary financial results. Intragroup transactions have been eliminated in consolidation. This announcement does not contain sufficient information to constitute a full set of financial statements. The following preliminary results may differ from financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The numbers in this press release have not been audited or reviewed.

Metinvest B.V. publishes consolidated financial statements prepared in accordance with IFRS for the six months ending 30 June and for the year ending 31 December.

FINANCIAL HIGHLIGHTS

(US$ million)	9M 2014	9M 2013	Change
Revenues	**8,461**	**9,809**	**-14%**
Adjusted EBITDA[1]	**2,046**	**1,809**	**13%**
margin	24%	18%	6 pp
CAPEX	**412**	**426**	**-3%**

(US$ million)	30 Sep 2014	31 Dec 2013	Change
Total debt	**3,627**	**4,308**	**-16%**
short-term debt	1,765	1,718	3%
long-term debt	1,732	2,425	-29%
seller notes	130	165	-21%
Cash	**397**	**783**	**-49%**
Net debt[2]	**3,230**	**3,525**	**-8%**
Total debt to EBITDA[3]	**1.4x**	**1.9x**	**-0.5x**
Net debt to EBITDA[3]	**1.3x**	**1.5x**	**-0.2x**

Revenues

In 9M 2014, Metinvest's consolidated revenues decreased by 14% (or US$1,348 million) y-o-y. This was primarily due to a fall in sales of steel (US$805 million), iron ore (US$419 million), coal (US$90 million) and coke products (US$101 million), partly offset by an increase in sales of pig iron (US$145 million). The Metallurgical division accounted for 78% of external sales (76% in 9M 2013) and the Mining division for 22% (24% in 9M 2013).

The decrease in consolidated revenues was largely due to a decline in sales volumes (7% y-o-y for the Metallurgical division and 11% y-o-y for the Mining division). A key driver of the drop in the Metallurgical division's sales volumes was a 15% y-o-y fall in production volumes of metal products. This was due to a substantial quarter-on-quarter (q-o-q) decrease in the output of metal products in 3Q 2014, by as much as 40%. The drop in output in 3Q 2014, in particular since the end of July, were due to raw material supply constraints at Azovstal and Ilyich Steel, caused by damage to railway infrastructure during the conflict in eastern Ukraine and the shutdown of production at Yenakiieve Steel as of 13 August 2014.

[1] Adjusted EBITDA is calculated as earnings before income tax, financial income and costs, depreciation and amortisation, impairment and devaluation of property, plant and equipment, sponsorship and other charity payments, share of results of associates and other non-core expenses. We will refer to adjusted EBITDA as EBITDA throughout this release.
[2] Net debt is calculated as the sum of Long-term and Short-term loans and borrowings and Seller notes less cash and cash equivalents
[3] EBITDA for the last 12 months

Revenues in Ukraine totalled US$2,044 million in 9M 2014, down 27% y-o-y. This was mainly driven by a decline in sales volumes of steel and iron ore products amid lower demand in the major steel consuming sectors (construction, machine-building and pipeline infrastructure) as a result of the overall economic slowdown.

The share of international sales increased to 76% in 9M 2014, up 5 percentage points (pp) y-o-y. The share of sales to Europe rose by 4 pp y-o-y to 28% of total sales, driven by increased volumes of long products and pig iron. The proportion of sales to the Middle East and North Africa (MENA) rose by 3 pp y-o-y to 19%, mainly due to greater volumes of semi-finished products. The share of sales to the Commonwealth of Independent States (CIS, excluding Ukraine) dropped by 2 pp to 10% amid a decrease in volumes of finished steel products, mainly to Russia. The proportion of sales to Southeast Asia declined by 1 pp to 15% due to lower volumes of iron ore concentrate and semi-finished products, partly compensated by greater sales of pellets and flat steel products.

(US$ million)	9M 2014	Share	9M 2013	Share	Change
Ukraine	2,044	24%	2,799	29%	-5 pp
Europe	2,348	28%	2,351	24%	4 pp
Middle East and North Africa	1,595	19%	1,607	16%	3 pp
CIS (except Ukraine)	819	10%	1,173	12%	-2 pp
Southeast Asia	1,288	15%	1,543	16%	-1 pp
North America	286	3%	232	2%	1 pp
Other regions	83	1%	103	1%	0 pp
TOTAL	**8,461**	**100%**	**9,809**	**100%**	**--**

Metallurgical division

Revenues in the Metallurgical division come from sales of steel products, pig iron, coke products and services. In 9M 2014, the division's top line fell by 11% y-o-y to US$6,627 million, of which steel sales accounted for 85%. The drop was attributable to lower sales of flat products, long products, railway products and slabs, partly compensated by higher sales of pig iron and tubular products.

Sales of pig iron amounted to US$368 million, up 65% y-o-y, which was wholly attributable to increased sales volumes (up 357 thousand tonnes), mainly to the US. Average selling prices remained unchanged, in line with the benchmark quotations for pig iron CIF USA, which were also stable y-o-y. The increase in sales of pig iron was in line with a 77% y-o-y increase in production volumes. However, in 3Q 2014, output of pig iron slumped by 58% q-o-q due to raw material supply constraints at Azovstal and Ilyich Steel and the shutdown of operations at Yenakiieve Steel during the conflict in eastern Ukraine.

Sales of semi-finished products totalled US$743 million in 9M 2014, down 12% y-o-y. The drop was driven by a 26% y-o-y decline in sales volumes of slabs, while those of billets increased by 9% y-o-y. Nevertheless, production volumes of billets fell by 10% y-o-y, while those of slabs decreased by 17% y-o-y. The drop in output of semi-finished products was driven by substantial q-o-q decreases in 3Q 2014 production volumes of 36% for slabs and 73% for square billets.

In 9M 2014, sales of slabs slumped by 23% to US$408 million, primarily driven by lower volumes (26 pp), which were partly compensated by higher prices (3 pp). A decrease in slab production at Azovstal was the main reason for the lower volumes, which declined by 276 thousand tonnes. The increase in the effective average selling price largely followed the benchmark for slabs CIF Far East and Southeast Asia, which climbed by 6% over the same period.

Sales of billets rose by 6% y-o-y to US$335 million in 9M 2014, of which 9 pp was attributable to increased volumes, partly offset by a drop in prices (3 pp). Volumes of square billets grew by 54 thousand tonnes y-o-y as a result of greater shipments to MENA. Average selling prices followed the dynamics of billet FOB Black Sea quotations, which also dropped by 3% y-o-y.

Sales of finished products decreased by 13% y-o-y to US$4,873 million in 9M 2014, mainly due to lower volumes of flat, long and railway products following the fall in production.

Sales of flat products amounted to US$3,661 million in 9M 2014, down 8% y-o-y, which was fully attributable to declining volumes, while average prices remained broadly stable y-o-y. Sales volumes of flat products decreased by 547 thousand tonnes, or 8%, y-o-y due to a 17% y-o-y fall in production volumes. This resulted in reduced shipments to Ukraine, the CIS and MENA. The 17% drop in output of flat products in 9M 2014 was greater than the 8% decrease in sales volumes, partly due to stable re-sales volumes of Zaporizhstal products. In turn, the 17% decrease in output was largely due to a significant 31% q-o-q drop in 3Q 2014. At the same time, sales volumes in 3Q 2014 included some 171 thousand tonnes of flat products sold from stock. Effective average selling prices were largely in line with the benchmark quotations for HRC export FOB Black Sea, which marginally declined y-o-y.

Sales of long products totalled US$972 million in 9M 2014, down 24% y-o-y, of which 20 pp was attributable to a fall in sales volumes in Ukraine, the CIS and MENA, and 4 pp to lower average prices. The fall in sales volumes of long products was roughly in line with a 25% y-o-y decrease in output, largely due to a substantial 41% q-o-q decline in production volumes in 3Q 2014. As a result, sales volumes in Ukraine dropped by 223 thousand tonnes, caused by a decrease in consumption of long products, primarily in the construction sector, and greater competition on the local market. Exports to the CIS and MENA fell by 205 thousand tonnes and 66 thousand tonnes, respectively, partly compensated by a rise of 92 thousand tonnes to Europe. In addition, sales volumes in 3Q 2014 included some 100 thousand tonnes of destocked long products, partly due to the suspension of operations at Yenakiieve Steel from mid-August 2014. The effective average selling price declined due to trends on international markets: quotations for rebars CPT Moscow fell by 8% y-o-y, while quotations for wire rod FOB Turkey decreased by 2% y-o-y.

In 9M 2014, sales of tubular products soared by US$114 million y-o-y to US$155 million. The main driver was an increase of 121 thousand tonnes in volumes to the CIS as a result of shipments for the second phase of the East-West pipeline project in Turkmenistan and the second phase of the Beineu-Shymkent project in Kazakhstan. However, the 320% y-o-y increase in sales volumes of tubular products (from 37 thousand tonnes in 9M 2013 to 156 thousand tonnes in 9M 2014) cannot be directly compared with the 27% decrease in output (from 220 thousand tonnes in 9M 2013 to 161 thousand tonnes in 9M 2014): in 9M 2013, the Group produced 178 thousand tonnes of large-diameter pipes via tolling agreements (which were included in output, but not in sales volumes).

Sales of railway products slumped by 68% y-o-y to US$86 million in 9M 2014, 66 pp of which was attributable to a decline in volumes. The main reason was a drop in volumes to the CIS of 132 thousand tonnes y-o-y, mainly due to the termination of railway product sales in Kazakhstan in 2014 as a result of changes in technical specifications following the implementation of standards under the Customs Union. The decrease in CIS sales volumes was also attributable to a reduction in financing by the Belarusian government for railway projects in the country. Despite these factors, export sales of rails to Europe rose by 15 thousand tonnes y-o-y, mainly due to an increase in sales volumes to Bulgaria.

In 9M 2014, sales of coke products – which include coke, coke breeze, nut coke and chemical products – dropped by 22% y-o-y to US$353 million. This was attributable to a decrease in coke production of 16% y-o-y, primarily due to a 40% q-o-q slump in coke output in 3Q 2014 following the limited operations at Avdiivka Coke from July 2014. As a result, sales to Ukraine and Russia declined due to lower volumes and a downward trend for prices of coke products.

Mining division

Revenues in the Mining division come mainly from sales of iron ore products and coking coal concentrate. In 9M 2014, the division's top line dropped by 23% y-o-y to US$1,834 million, as sales of iron ore products and coking coal concentrate slumped.

Sales of iron ore concentrate totalled US$860 million in 9M 2014, down 27% y-o-y amid a 14 pp drop in sales volumes and a 13 pp decrease in the effective average selling price. The fall in sales volumes was in contrast to a 9% y-o-y rise in output, mainly due to a substantial increase in iron ore concentrate stocks of about 1.5 million tonnes in 3Q 2014 amid weaker iron ore markets. As a result, sales volumes dropped by 1,492 thousand tonnes in all markets, most notably Southeast Asia, where a decline of 1,013 thousand tonnes y-o-y was recorded. This was principally caused by a shift in the iron ore product mix: an additional 964 thousand tonnes of pellets were sold to Southeast Asia instead of concentrate. The effective average selling price in the region fell by 17% due to the dynamics of the benchmark, Platt's 62% Fe iron ore fines CFR China, which decreased by 23% y-o-y. Domestic sales of concentrate fell by 13% y-o-y, driven by an 8% decline in average selling prices and a 5% drop in volumes. Sales volumes in Ukraine dropped by 262 thousand tonnes due to a halt in production by a key domestic client for iron ore concentrate amid the conflict in Eastern Ukraine.

In 9M 2014, sales of pellets fell by 12% y-o-y to US$761 million, of which 3 pp was attributable to decreased sales volumes, following a 9% drop in production volumes, and 9 pp to a decline in sales prices. Sales volumes of pellets decreased by 160 thousand tonnes overall. This was driven by a drop in volumes in Ukraine (601 thousand tonnes), Europe (290 thousand tonnes) and MENA (233 thousand tonnes), largely compensated by increased volumes to Southeast Asia (964 thousand tonnes). The key reason for the fall in volumes was a decline in domestic pellet consumption due to the conflict in Eastern Ukraine, which affected key customers there from mid-2014. The effective average selling price decreased in all markets, following the downward trend of Platt's benchmark.

Sales of coking coal concentrate totalled US$126 million in 9M 2014, down 42% y-o-y, driven by a decrease in volumes (22 pp) and lower average prices (20 pp). Sales volumes declined by 361 thousand tonnes y-o-y, primarily due to a fall in sales volumes of Krasnodon Coal amid a 54% q-o-q drop in output in 3Q 2014. United Coal's volumes were partly redirected from sales to third parties for internal consumption as a result of logistical disruptions in supplies from Krasnodon Coal, caused by the impact of the conflict in Eastern Ukraine. The effective average selling price decreased by 25% y-o-y due to trends in international market prices: the average spot price for hard coking coal FOB Australia fell by 23% y-o-y.

EBITDA

Metinvest's consolidated EBITDA totalled US$2,046 million in 9M 2014, up 13% y-o-y, giving an EBITDA margin of 24%. The Metallurgical division increased its EBITDA by US$566 million y-o-y to US$791 million, while the Mining division's EBITDA decreased by US$337 million y-o-y to US$1,372 million. The rise in consolidated EBITDA was primarily attributable to the substantial FOREX effect of hryvnia devaluation, which contributed US$1,037 million. Other key drivers that impacted EBITDA were a:

- decrease in sales of US$944 million due to lower volumes and of US$405 million amid a drop in sales prices
- decrease in the cost of raw materials due to lower consumption (US$343 million) and falling market prices (US$154 million)
- fall in costs of natural gas consumption (US$116 million) and prices (US$66 million)

Despite y-o-y growth in EBITDA in 9M 2014 mainly due to FOREX effect and cost saving, in 3Q 2014 EBITDA slumped by 40% q-o-q to US$437 million as a result of continuing decrease in sales volumes of steel and iron ore products (US$682 million) and falling iron ore and coal prices (US$47 million).

Debt management

At the end of 9M 2014, total debt was down by 16% (US$681 million) year-to-date to US$3,627 million. This was mainly due to the scheduled repayment of US$583 million of pre-export finance facilities and a decrease of US$435 million in trade finance lines. As a result, net debt fell by 8% year-to-date to US$3,230 million, despite a lower cash balance of US$397 million as at 30 September 2014. Net debt to EBITDA improved from 1.5x at the end of 2013 to 1.3x at the end of 9M 2014, primarily driven by the rise in EBITDA.

Capital expenditure

Capital expenditure decreased by 3% y-o-y to US$412 million in 9M 2014. The Mining division accounted for 51% of capital expenditure (48% in 9M 2013) and the Metallurgical division for 42% (42% in 9M 2013).

Metallurgical division

Major investment projects in 9M 2014 (some of which continue to date) included the construction of the PCI facilities at Yenakiieve Steel and engineering works for the PCI unit at Azovstal; the major overhaul of converter no. 1 and construction of a standby turbine air blower for blast furnaces nos. 3 and 5 at Yenakiieve Steel; preparations for fitting new filters at the existing sinter plant at Ilyich Steel; and the major overhaul of blast furnace no. 4 and replacement of a turbine air blower at Azovstal. In addition, Metinvest continued building the infrastructure for a new air separation unit (ASU) at Yenakiieve Steel.

Mining division

Metinvest continued to implement investment programmes at Northern GOK, Ingulets GOK and Central GOK. These included the development of a deep-quarry crusher and conveyor system at Northern GOK and Ingulets GOK, along with construction of the required facilities. Other notable ongoing projects are the reconstruction of pelletising machines (Lurgi 278-B, replacement of gas cleaning system (Lurgi 552-B) at Northern GOK.

SALES BY PRODUCT[4]

METALLURGICAL DIVISION	US$ million 9M 2014	US$ million 9M 2013	US$ million Change	'000 tonnes 9M 2014	'000 tonnes 9M 2013	'000 tonnes Change
Pig iron	368	223	65%	907	550	65%
Semi-finished products	**743**	**843**	**-12%**	**1,422**	**1,643**	**-13%**
Slabs	408	527	-23%	774	1,049	-26%
Billets	335	316	6%	648	594	9%
Finished products	**4,873**	**5,578**	**-13%**	**7,838**	**8,812**	**-11%**
Flat products	3,661	3,987	-8%	6,016	6,564	-8%
Long products	972	1,282	-24%	1,586	1,975	-20%
Tubular products	155	40	283%	156	37	320%
Railway products	86	269	-68%	80	236	-66%
Coke products	**353**	**454**	**-22%**	**1,679**	**1,728**	**-3%**
Other products and services	**290**	**313**	**-7%**	**0**	**0**	**n/a**
TOTAL	**6,627**	**7,412**	**-11%**	**11,845**	**12,734**	**-7%**

MINING DIVISION	9M 2014	9M 2013	Change	9M 2014	9M 2013	Change
Iron ore products	**1,621**	**2,040**	**-21%**	**15,446**	**17,098**	**-10%**
Iron ore concentrate	860	1,174	-27%	9,239	10,732	-14%
Pellets	761	867	-12%	6,207	6,367	-3%
Coking coal concentrate	**126**	**215**	**-42%**	**1,303**	**1,665**	**-22%**
Other products and services	**87**	**141**	**-38%**	0	162	**-100%**
TOTAL	**1,834**	**2,397**	**-23%**	**16,749**	**18,925**	**-11%**

SALES BY REGION

METALLURGICAL DIVISION	US$ million 9M 2014	US$ million 9M 2013	US$ million Change	'000 tonnes 9M 2014	'000 tonnes 9M 2013	'000 tonnes Change
Ukraine	1,255	1,795	-30%	2,573	3,146	-18%
Europe	2,192	2,093	5%	3,689	3,537	4%
Middle East and North Africa	1,595	1,572	1%	2,959	2,890	2%
CIS (except Ukraine)	818	1,171	-30%	1,145	1,651	-31%
incl. Russia	*565*	*816*	*-31%*	*827*	*1,254*	*-34%*
Southeast Asia	494	614	-20%	880	1,141	-23%
North America	199	91	118%	474	240	97%
Other regions	75	75	0%	125	128	-2%
TOTAL	**6,627**	**7,412**	**-11%**	**11,845**	**12,734**	**-7%**

MINING DIVISION	9M 2014	9M 2013	Change	9M 2014	9M 2013	Change
Ukraine	788	1,004	-21%	7,610	8,632	-12%
Southeast Asia	794	930	-15%	6,630	6,679	-1%
Europe	156	258	-39%	1,619	2,159	-25%
North America	87	141	-39%	806	1,038	-22%
Other regions	8	64	-87%	84	417	-80%
TOTAL	**1,834**	**2,397**	**-23%**	**16,749**	**18,925**	**-11%**

[4] Excludes intragroup sales and intragroup utilisation

Flat products include hot-rolled quarto plates, hot-rolled heavy plates, and hot-rolled, cold-rolled and hot-dip galvanised sheets and coils
Long products include hot-rolled sections (light, medium, heavy), debars, merchant bars and wire rods
Tubular products include longitudinal submerged arc welded (LSAW) large-diameter pipes, electric resistance welded (ERW) pipes and seamless pipes
Rail products include light and heavy rails and rail fasteners
Coke products include coke, coke breeze, nut coke and chemical products

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For further information, please visit www.metinvestholding.com

Andriy Bondarenko
Head of Investor Relations
Tel: +41 22 591 03 74
ir@metinvestholding.com

METINVEST GROUP is a vertically integrated group of steel and mining companies that manages every link of the value chain, from mining and processing iron ore and coal to making and selling semi-finished and finished steel products. It comprises steel and mining production facilities located in Ukraine, Europe and the US, as well as a sales network covering all key global markets. The Group is structured into two operating divisions, Metallurgical and Mining, and its strategic vision is to become a leading vertically integrated steel producer in Europe, delivering sustainable growth and profitability resilient to business cycles and providing investors with returns above the industry benchmarks. For the nine months ended 30 September 2014, the Group reported revenues of US$8.5 billion and an EBITDA margin of 24%.

The major shareholders of **METINVEST B.V.** (the holding company of Metinvest Group) are SCM (71.24%) and Smart Holding (23.76%), which partner in its management.

METINVEST HOLDING LLC is the management company of Metinvest Group.