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## **METINVEST ANNOUNCES OPERATIONAL RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS OF 2011**

**Donetsk, Ukraine – August 9, 2011** – Metinvest (“the Company”), the international vertically integrated steel and mining group of companies, today announced its operational results for the second quarter and the first six months of 2011 ended June 30, 2011.

### **SIX MONTH HIGHLIGHTS**

- Crude steel production up 77.6% year-on-year to 7,345 thousand tonnes
- Coking coal (mined) up 10.6% year-on-year to 5,488 thousand tonnes
- Iron ore concentrate production down 1.5% year-on-year to 17,777 thousand tonnes

### **SECOND QUARTER HIGHLIGHTS**

- Crude steel production up 3.5% quarter-to-quarter 3,735 thousand tonnes
- Coking coal (mined) up 4.5% quarter-to-quarter to 2,804 thousand tonnes
- Iron ore concentrate production relatively unchanged quarter-to-quarter at 8,882 thousand tonnes

**Igor Syry, Chief Executive Officer of Metinvest**, commented: “Metinvest has delivered a strong operational performance in the first half of the year. Over the course of the reporting period, the Company strengthened its position as Ukraine’s leading industry player.

We have continued to make progress in terms of improving our steel making efficiency and increasing the share of high-value products. In the first half of 2011, we managed to boost crude steel production by 78% and more than double output of finished products. The significant increase in output was primarily driven by the acquisition of Ilyich Iron and Steel Works in 2010. The plant is now fully integrated within Metinvest’s structure, yielding substantial synergies across all key divisions, ensuring a more diversified product mix, and strengthening the Company’s position in both local and international markets.

We have also delivered growth in coking coal volumes, in line with our intention to expand in-house production of high quality raw materials, and are steadily moving towards our goal of processing all of our iron ore in our own steel plants.

Our ongoing restructuring and production modernisation programme will continue to increase efficiency and is expected to result in higher margins. Furthermore, the decommissioning of the open hearth furnaces at Azovstal Iron and Steel Works and transition to converter steel production methods will allow us to penetrate new sales

markets with improved quality products, as well as mitigate the Company's environmental impact".

## **Steel**

In the first half of 2011, Metinvest produced 7,345 thousand tonnes of crude steel, representing a 77.6% year-on-year increase. The Company also demonstrated a 3.5% quarter-to-quarter increase in crude steel production from 3,610 tonnes produced in the first quarter of 2011. The higher production levels were driven by a significant boost in output – by 3,059 thousand tonnes – resulting from the acquisition of Ilyich Iron and Steel Works (Ilyich Steel), as well as an increase in output at Yenakiieve Iron and Steel Works (Yenakiieve Steel) and Azovstal Iron and Steel Works (Azovstal) due to the use of high quality premium coke and enhanced iron production.

In line with Metinvest's strategy of focusing on the production of finished products, and increasing the share of rolled products in the Company's sales mix, the volume of semi-finished products was reduced by 12.5% year-on-year to 1,424 thousand tonnes for the first half of 2011. Output of slabs slightly increased by 7.3% year-on-year to 1,187 thousand tonnes, whereas output of square billets was significantly reduced by 54.5% year-on-year to 237 thousand tonnes for the first six months of 2011. This was due to a combination of factors including: decommissioning of the open hearth furnaces at Azovstal, an increase of re-rolling at Metinvest Group's plants and the product mix development for long products (shapes) at Yenakiieve Steel.

The volume of finished products increased by 118.5% year-on-year to 5,106 thousand tonnes in the first half of 2011. This included a 197.1% increase in the volumes of flat products (plates and coils), a 27.2% increase in the volume of long products, a 22.1% increase in the volume of railway products, and a 211.5% increase in the volume of pipes. Over the second quarter of 2011, volumes of finished products demonstrated growth of 2.7% quarter-to-quarter to 2,587 thousand tonnes. This included a 2.3% rise in the volume of flat products, a 11.9% increase in the volume of long products, a 37.9% decline in the volume of railway products and a 11.6% decrease in production of pipes.

The flat product volume grew by 197.1% year-on-year to 3,402 thousand tonnes in the first half of 2011, driven by the increased production of plates and coils (by 110.7% and 86.4% respectively). A boost in output of plates was supported by the Ilyich Steel acquisition and higher production levels at European rolling mills (Metinvest Tramet and Ferreira Valsider) due to the continued recovery in Western European markets. Similarly, production of coils increased as a result of output added by Ilyich Steel and was supported by active demand for hot rolled coils in European markets.

The long product volume saw a year-on-year increase of 27.2% to 1,286 thousand tonnes in the first half of 2011, and was driven by a combination of factors including an increase in capacity output at the 390 mill at Makiivka Iron and Steel Works (Makiivka Steel) and new product launch (shapes) at Yenakiieve Steel (15.1%); an increase in orders for long products produced by Promet Steel Plant (5.1%) and Azovstal (7.0%).

## **Coal and Coke**

Total mining of coking coal was up by 10.6% year-on-year to 5,488 thousand tonnes for the first six months of 2011. Whilst there was no increase at Krasnodon Coal, the quantity of raw coal mined at United Coal Company rose significantly with Carter Roag, Pocahontas and Wellmore contributing 15.0%, 41.5% and 36.2% respectively.

At the same time, productions of coking coal concentrate for third parties dropped by 17.2% year-on-year to 989 thousand tonnes. This resulted from an increase in the quantity of concentrate shipped from the USA to Ukraine for internal consumption within the Company. The volumes of coking coal mined increased by 4.5% quarter-to-quarter to 2,804 thousand tonnes in the second quarter of 2011.

The volumes of steam coal mined went down by 25.8% year-on-year to 1,273 thousand tonnes in the first half of 2011, due to the termination of operations at two Sapphire mines which were partly idle in the first half of 2011. However, on a quarter-to-quarter basis, steam coal volumes increased by 22.2% to 700 tonnes due to improved geological conditions at Sapphire and the addition of the Buckeye surface mine at Wellmore.

In the first half of 2011, Metinvest produced a limited volume of coke for third parties due to the increased internal consumption driven by Ilyich Steel.

## **Iron Ore**

With demand for iron ore recovering to pre-crisis levels, all of Metinvest's mines have been operating at full capacity starting since July 2010. However, Metinvest's total production decreased by 1.5% year-on-year to 17,777 thousand tonnes in the first half of 2011. This comprised 9,150 thousand tonnes of salable iron ore products, including merchant iron ore concentrate (6,234 thousand tonnes) and pellets (2,916 thousand tonnes), which declined by 2,842 thousand tonnes, or 23.7%. The decline resulted from an increase in the internal consumption of concentrate by Ilyich Steel, Azovstal and Yenakieve Steel.

Metinvest production of iron ore concentrate stayed relatively flat on a quarter-to-quarter basis at 8,882 thousand tonnes.

**PRODUCTION VOLUMES**

(000 metric tonnes)	1H 2011	1H 2010	Δ, y-o-y	2Q 2011	1Q 2011	Δ, q-t-q
<b>Steel</b>						
Iron	6 166	3 556	73.4%	3 155	3 011	4.8%
Crude steel	7 345	4 136	77.6%	3 735	3 610	3.5%
<b>Semi-finished products</b>	<b>1 424</b>	<b>1 627</b>	<b>-12.5%</b>	<b>690</b>	<b>734</b>	<b>-6.0%</b>
Slabs	1 187	1 106	7.3%	576	611	-5.7%
Square billets	237	521	-54.5%	114	123	-7.3%
<b>Finished products</b>	<b>5 106</b>	<b>2 337</b>	<b>118.5%</b>	<b>2 587</b>	<b>2 519</b>	<b>2.7%</b>
Flat products	3 402	1 145	197.1%	1 720	1 682	2.3%
Long products	1 286	1 011	27.2%	679	607	11.9%
Railway products	94	77	22.1%	36	58	-37.9%
Tubular products	324	104	211.5%	152	172	-11.6%
<b>Coal and coke</b>						
Coking coal (mined)	5 488	4 963	10.6%	2 804	2 684	4.5%
Steam coal (mined)	1 273	1 715	-25.8%	700	573	22.2%
Coking coal concentrate (production)	2 331	2 060	13.2%	1 194	1 137	5.0%
<i>Coking coal concentrate (salable)</i>	989	1 194	-17.2%	515	474	8.6%
Coke (production)	2 934	2 241	30.9%	1 486	1 448	2.6%
<i>Coke (salable)</i>	4	311	-98.7%	0	4	-100.0%
<b>Iron ore</b>						
Iron ore concentrate (production)	17 777	18 054	-1.5%	8 882	8 895	-0.1%
Iron ore (salable products)	9 150	11 992	-23.7%	4 558	4 592	-0.7%
<i>Concentrate</i>	6 234	9 384	-33.6%	3 049	3 185	-4.3%
<i>Pellets</i>	2 916	2 608	11.8%	1 509	1 407	7.2%

**Notes:**

**Flat products** include hot rolled quarto plates and hot rolled heavy plates, hot rolled, cold rolled and hot-dip galvanized sheets and coils

**Long products** include hot rolled sections (light, medium, heavy), debars, merchant bars and wire rods

**Railway products** include light and heavy rails, rail fasteners

**Tubular products** include LSAW (longitudinal submerged arc welded) large diameter pipes, ERW (electric resistance welded) pipes and seamless pipes

- *All information on production volumes presented in the release concerns only the period of their operation within Metinvest. The total volume of semi-finished products excludes those rerolled at Group's plants. These volumes are eliminated as intercompany sales for purposes of Metinvest's consolidated results.*

## SALES VOLUMES FOR KEY PRODUCTS

(own production)

(000 metric tonnes)	1H 2011	1H 2010	Δ, y-o-y	2Q 2011	1Q 2011	Δ, q-t-q
<b>Steel</b>						
<b>Semi-finished products</b>	<b>1 466</b>	<b>1 579</b>	<b>-23.4%</b>	<b>805</b>	<b>661</b>	<b>21.8%</b>
Slabs	1 209	1 097	10.2%	645	564	14.4%
Square billets	257	482	-46.7%	160	97	64.9%
<b>Finished products</b>	<b>4 949</b>	<b>2 236</b>	<b>121.3%</b>	<b>2 663</b>	<b>2 286</b>	<b>16.5%</b>
Flat products	3 367	1 087	209.8%	1 770	1 597	10.8%
Long products	1 164	987	17.9%	686	478	43.5%
Railway products	107	75	42.7%	58	49	18.4%
Tubular products	311	87	257.5%	149	162	-8.0%
<b>Coal and coke</b>						
Coking coal concentrate	1 152	1 292	-10.8%	642	510	25.9%
Steam coal concentrate	731	1 013	-27.8%	387	344	12.5%
Coke	6	308	-98.1%	4	2	100.0%
<b>Iron ore</b>						
Iron ore concentrate	6 360	9 689	-34.4%	3 122	3 238	-3.6%
Pellets	2 903	2 439	19.0%	1 401	1 502	-6.7%

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### For editors:

**METINVEST GROUP** is an international vertically integrated steel and mining group of companies, managing every link of the value chain, from mining and processing iron ore and coal to making and selling semi-finished and finished steel products. The Group comprises steel and mining production facilities located in Ukraine, Europe and the USA and has a sales network covering all key global markets. Metinvest Group is structured into three operating divisions: Coke and Coal Division, Iron ore Division, Steel and Rolled Products Division and has a strategic vision to become the leading vertically integrated steel producer in Europe, delivering sustainable growth and profitability resilient to business cycles and providing investors with returns at above the industry benchmarks.

The major shareholders of the Company **METINVEST B.V** (a holding company of Metinvest Group) are SCM Group (71.25% ownership) and Smart-Holding (23.75% ownership) partnering in Company's management.

**METINVEST HOLDING LLC** is the managing company of Metinvest Group.

For further information, please, visit [www.metinvestholding.com](http://www.metinvestholding.com) or contact

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