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## **METINVEST ANNOUNCES OPERATIONAL RESULTS FOR THE THIRD QUARTER AND NINE MONTHS OF 2011**

**Donetsk, Ukraine – 11 November, 2011** – Metinvest (“the Company”), the international vertically integrated steel and mining group of companies, today announced its operational results for the third quarter and the nine months of 2011 ended 30 September, 2011.

### **NINE MONTH HIGHLIGHTS**

- Crude steel production up 78.7% year-on-year to 10,981 thousand tonnes
- Coking coal (mined) up 10.9% year-on-year to 8,372 thousand tonnes
- Iron ore concentrate production down 1.3% year-on-year to 26,730 thousand tonnes

### **THIRD QUARTER HIGHLIGHTS**

- Crude steel production down 2.7% quarter-to-quarter 3,636 thousand tonnes
- Coking coal (mined) up 2.9% quarter-to-quarter to 2,884 thousand tonnes
- Iron ore concentrate production relatively unchanged quarter-to-quarter at 8,954 thousand tonnes

### **Igor Syry, Chief Executive Officer of Metinvest, commented:**

“We are pleased to report another set of robust operational results. We maintained our position as one of the leading steelmakers in the CIS, demonstrating a 79% increase in crude steel output to 10,981 thousand tonnes for the nine months of the year. Our steel production levels were boosted by the added capacity of Ilyich Iron and Steel Works, which is now fully integrated within Metinvest’s structure, as well as by increased production at Azovstal and Yenakieve Steel. We also delivered a 11% growth in coking coal volumes which was mainly driven by our US operations, with the recent launch of Affinity mine contributing to the increase. Our iron ore concentrate production was relatively unchanged quarter-on-quarter, and we are well on track to our goal of processing all of our iron ore internally.

We are actively moving forward with our large-scale modernization programme. As part of the plan, we are revamping the Heavy Plate Mill 3600 at Azovstal Iron and Steel Works. We are also completing construction of the new Blast Furnace No.3 at Yenakieve Iron and Steel Works aimed at improving the plant’s production efficiency and mitigating the environmental impact. Simultaneously, we are implementing pulverized coal injection (PCI) technology at blast furnaces of Ilyich Iron and Steel Works to replace natural gas and

partially coke with pulverized coal and therefore, reasonably reduce production costs of iron.

We are currently operating in a challenging economic environment, and we expect to see a slowdown in the industry in the fourth quarter, with largely volatile pricing and seasonally weaker demand levels in our key target markets. Despite this, we continue to work hard to ensure that Metinvest has the ability to adapt to changing market conditions. Strengthening Metinvest's position in the domestic market remains our priority, and we intend to work towards increasing our presence in Russia and Europe, as well as expanding our sales network in the Middle East and Africa.”

## **Steel**

During the nine months of 2011, Metinvest produced 10,981 thousand tonnes of crude steel, representing a 78.7% (or 4,835 thousand tonnes) year-on-year increase. The higher production levels were driven by a significant boost in output – by 4,660 thousand tonnes – resulting from the acquisition of Ilyich Iron and Steel Works (Ilyich Steel), as well as an increase in output at Yenakiiieve Iron and Steel Works (Yenakiiieve Steel) and Azovstal Iron and Steel Works (Azovstal) due to the use of high quality premium coke and enhanced iron production.

The output of slabs increased by 28.1% year-on-year to 1,920 thousand tonnes due to production volumes added by Ilyich Steel (20.2%) and an increase in production of slabs at Azovstal (7.9%), whereas output of square billets declined by 55.4% year-on-year to 311 thousand tonnes for the nine months of 2011. The latter reduction was primarily due to a 27.4% increase of re-rolling at both Azovstal and Promet Steel Plant (Promet Steel) and a 23.0% increase in production of finished long products (shapes) at Yenakiiieve Steel.

In line with Metinvest's strategy of focusing on the production of more value added products, the share of finished products increased by 15.6pp year-on-year to 77.3% of the Company's product mix for the nine months of 2011.

The volume of finished products increased by 114.5% year-on-year to 7,610 thousand tonnes for the nine months of 2011. This included a 212.7% increase in the volumes of flat products (plates and coils), a 19.7% increase in the volume of long products, a 163.0% increase in the volume of pipes and a 40.0% increase in the volume of railway products. Volumes of finished products demonstrated a slight reduction of 5.9% quarter-to-quarter to 2,467 thousand tonnes in the third quarter of 2011. This included an 8.4%, 1.9% and 5.6% decline in the volume of flat, long and railway products respectively, and a 4.6% increase in production of pipes.

The flat product volume grew by 212.7% year-on-year to 4,978 thousand tonnes for the nine months of 2011, driven by the increased production of plates and coils by 119.6% and 93.1%, respectively. A boost in output of plates was mainly supported by the Ilyich Steel acquisition and higher production levels at European rolling mills (Metinvest Tramelal and Ferriera Valsider). Similarly, production of coils increased as a result of output added by Ilyich Steel and higher production levels at Ferriera Valsider.

The long product volume saw a year-on-year increase of 19.7% to 1,952 thousand tonnes in the nine months of 2011, caused by a combination of factors, including an expansion of long product mix at Yenakiiieve Steel (13.1%) and increase in production at Azovstal

(1.8%), both driven by the increased demand for construction steel in Ukraine, and responding to growing demand for long products produced by Promet Steel Plant (4.8%).

The volume of tubular products increased by 163.0% year-on-year to 484 thousand tonnes for the nine months of 2011. A boost in output of pipes was driven by a number of long-term pipe projects in Russia (123.9%), Kazakhstan (30.4%) and Ukraine (8.7%).

## **Coal and Coke**

Total mining of coking coal was up by 10.9% (or 821 thousand tonnes) year-on-year to 8,372 thousand tonnes for the nine months of 2011. Whilst there was a slight reduction by 29 thousand tonnes at Krasnodon Coal, the quantity of raw coal mined at United Coal Company rose with Pocahontas, Wellmore and Carter Roag contributing 404 thousand tonnes, 267 thousand tonnes and 94 thousand tonnes respectively. In addition, the Affinity mine launched in July 2011 began production with 85 thousand tonnes of raw coking coal. In the third quarter of 2011, the volumes of coking coal mined increased by 2.9% quarter-to-quarter to 2,884 thousand tonnes.

At the same time, production of coking coal concentrate for third parties dropped by 5.1% year-on-year to 1,634 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 steam coal mined went down by 29.9% year-on-year to 1,694 thousand tonnes for the nine months of 2011, due to the termination of operations at two Sapphire's mines.

During the nine months of 2011, Metinvest utilized internally all produced coke due to the increased internal consumption driven by Ilyich Steel.

## **Iron Ore**

Metinvest's total iron ore concentrate production decreased by 1.3% year-on-year to 26,730 thousand tonnes for the nine months of 2011. This includes 13,870 thousand tonnes of salable iron ore products, consisting of 9,596 thousand tonnes of merchant iron ore concentrate (a 30.5% decline year-on-year) and 4,274 thousand tonnes of pellets (a 3.7% growth year-on-year). The decline resulted mainly from Ilyich Steel's increased internal consumption of concentrate which went up by 3,768 thousand tonnes for the nine months of 2011.

Metinvest production of iron ore concentrate stayed relatively flat on a quarter-to-quarter basis at 8,954 thousand tonnes.

**PRODUCTION VOLUMES**

(000 metric tonnes)	9M 2011	9M 2010	Δ, y-o-y	3Q 2011	2Q 2011	Δ, q-t-q
<b>Steel</b>						
Iron	9,317	5,318	75.2%	3 152	3 155	-0.1%
Crude steel	10,981	6,146	78.7%	3 636	3 735	-2.7%
<b>Semi-finished products</b>	<b>2,231</b>	<b>2,197</b>	<b>1.5%</b>	<b>807</b>	<b>690</b>	<b>17.0%</b>
Slabs	1,920	1,499	28.1%	733	576	27.3%
Square billets	311	698	-55.4%	74	114	-35.1%
<b>Finished products</b>	<b>7,610</b>	<b>3,547</b>	<b>114.5%</b>	<b>2 467</b>	<b>2 622</b>	<b>-5.9%</b>
Flat products	4,978	1,592	212.7%	1 575	1 720	-8.4%
Long products	1,952	1,631	19.7%	666	679	-1.9%
Tubular products	484	184	163.0%	159	152	4.6%
Railway products	196	140	40.0%	67	71	-5.6%
<b>Coal and coke</b>						
Coking coal (mined)	8,372	7,551	10.9%	2 884	2 804	2.9%
Coking coal concentrate (production)	3,621	3,179	13.9%	1 290	1 194	8.0%
Coking coal concentrate (salable)	1,634	1,721	-5.1%	645	515	25.2%
Steam coal (mined)	1,694	2,417	-29.9%	500	621	-19.5%
Steam coal concentrate (salable)	1,048	1,329	-21.1%	305	405	-24.7%
Coke (production)	4,383	3,459	26.7%	1 449	1 486	-2.5%
Coke (salable)	4	603	-99.3%	-	-	-
<b>Iron ore</b>						
Iron ore concentrate (production)	26,730	27,093	-1.3%	8 954	8 882	0.8%
Iron ore (salable products)	13,870	17,934	-22.7%	4 720	4 558	3.6%
Iron ore concentrate	9,596	13,811	-30.5%	3 362	3 049	10.3%
Pellets	4,274	4,123	3.7%	1 358	1 509	-10.0%

**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

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

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

- 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 re-rolled at Group's plants. These volumes are eliminated as intercompany sales for the purpose of consolidation of Metinvest Group results.

## SALES VOLUMES FOR KEY PRODUCTS

(own production)

(000 metric tonnes)	9M 2011	9M 2010	Δ, y-o-y	3Q 2011	2Q 2011	Δ, q-t-q
<b>Steel</b>						
Pig Iron	330	31	964.5%	180	97	85.6%
<b>Semi-finished products</b>	<b>2,138</b>	<b>2,240</b>	<b>-4.6%</b>	<b>672</b>	<b>805</b>	<b>-16.5%</b>
Slabs	1,801	1,495	20.5%	592	645	-8.2%
Square billets	337	745	-54.8%	80	160	-50.0%
<b>Finished products</b>	<b>7,321</b>	<b>3,516</b>	<b>108.2%</b>	<b>2,421</b>	<b>2,430</b>	<b>-0.4%</b>
Flat products	4,856	1,633	197.4%	1,537	1,537	0.0%
Long products	1,858	1,584	17.3%	694	686	1.2%
Tubular products	454	169	168.6%	144	149	-3.4%
Railway products	153	130	17.7%	46	58	-20.7%
<b>Coal and coke</b>						
Coking coal concentrate	1,868	1,670	11.9%	717	642	11.7%
Steam coal concentrate	1,093	1,444	-24.3%	362	387	-6.5%
Coke	7	603	-98.8%	1	2	-50.0%
<b>Iron ore</b>						
Iron ore concentrate	9,465	14,216	-33.4%	3,105	3,122	-0.5%
Pellets	4,319	3,941	9.6%	1,415	1,401	1.0%

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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 Group generated US\$ 6.9 billion of revenues and a 28.6% EBITDA margin for the first half of 2011.

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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