

Metinvest announces operational results for the third quarter and nine months of 2012

Metinvest B.V., the parent company of the international vertically integrated steel and mining Group of companies (jointly referred to as “Metinvest”), today announced its operational results for the third quarter and the nine months of 2012 ended 30 September, 2012.

9M 2012 HIGHLIGHTS

- Crude steel production down 13% y-o-y to 9,579 thousand tonnes
- Coking coal (mined) up 5% y-o-y to 8,816 thousand tonnes
- Iron ore concentrate production up 2% y-o-y to 27,165 thousand tonnes

Q3 2012 HIGHLIGHTS

- Crude steel production down 18% q-o-q to 2,832 thousand tonnes
- Coking coal (mined) down 14% q-o-q to 2,701 thousand tonnes
- Iron ore concentrate production down 1% q-o-q to 8,948 thousand tonnes

METALLURGICAL DIVISION

Production of Hot metal

(000 metric tonnes)	9M 2012	9M 2011	change	Q3 2012	Q2 2012	change
Hot metal	8,329	9,318	-11%	2,535	2,928	-13%
Azovstal	3,047	3,739	-19%	940	1,106	-15%
Ilyich Steel	3,413	3,849	-11%	978	1,184	-17%
Yenakieve Steel	1,869	1,730	8%	617	638	-3%

Production of Crude steel

(000 metric tonnes)	9M 2012	9M 2011	change	Q3 2012	Q2 2012	change
Crude steel	9,579	10,981	-13%	2 832	3,452	-18%
Azovstal	3,531	4,352	-19%	1,084	1,280	-15%
Ilyich Steel	3,935	4,660	-16%	1,072	1,432	-25%
Yenakieve Steel	2,113	1,969	7%	676	740	-9%

During 9M 2012, Metinvest produced 8,329 thousand tonnes of hot metal, representing a decrease of 11% y-o-y. Production of crude steel fell 13% to 9,579 thousand tonnes due to production cutbacks at Azovstal Iron and Steel Works (“Azovstal”) and Ilyich Iron and Steel Works (“Ilyich Steel”) by 821 thousand tonnes and 725 thousand tonnes, respectively. Meanwhile, Yenakieve Iron and Steel Works (“Yenakieve Steel”) increased production of crude steel by 144 thousand tonnes (+7% y-o-y) after the commissioning of the blast furnace #3. The Group’s crude steel production in Q3 declined by 620 thousand tonnes (-18% q-o-q).

During 9M 2012, semi-finished product volumes decreased by 24% y-o-y mainly due to reduced slabs output at Azovstal (down 829 thousand tonnes) and Ilyich Steel (down 48 thousand tonnes). At the same time, production of square billets increased by 301 thousand tonnes at Yenakieve Steel. The decline in slab production and increase in square billet production are attributed to contrasting trends in the markets for these two types of semi-finished products: strong competition due to oversupply in the slabs market and growth in demand for billets due to market expansion and inventory replenishment by customers. These trends pushed the price of slabs to US\$80-100 lower than the price of billets.

Production of Metal products¹

(000 metric tonnes)	9M 2012	9M 2011	change	Q3 2012	Q2 2012	change
Semi-finished products	1,966	2,599	-24%	660	721	-8%
Iron	311	368	-15%	110	101	9%
Slabs	1,043	1,920	-46%	339	348	-3%
Square billets	612	311	97%	211	272	-22%
Finished products	6,622	7,126	-7%	1,925	2,558	-25%
Flat products	4,441	4,978	-11%	1,205	1,811	-33%
Long products	1,904	1,952	-2%	631	658	-4%
Rail products	277	196	41%	89	89	0%
Tubular products	364	484	-25%	65	81	-20%
Large diameter pipes	326	448	-27%	53	68	-22%
Other pipes	38	36	6%	12	13	-8%
Total	8,952	10,209	-12%	2,650	3,360	-21%

In Q3 2012, Metinvest's production of semi-finished products fell by 8% q-o-q, mainly due to a decline in the production of square billets at Yenakiieve Steel by 61 thousand tonnes.

During 9M 2012, the share of finished products (including tubular products) in the volume of total metal products was 78%, up 3 p.p. y-o-y.

The two main reasons for the decline in finished product volumes during 9M 2012 were a drop in sales for flat products by 537 thousand tonnes (-11% y-o-y) due to the strong competition, the continued decline in demand and price for plates, as well as a fall in production of large diameter pipe output by 122 thousand tonnes (-27% y-o-y) following the completion of the Beineu-Shymkent project (Kazakhstan) and the postponement of the next phase of the East-West project (Turkmenistan). A similar trend continued in Q3 compared to Q2 2012; a fall in flat product output by 606 thousand tonnes was primarily a result of a decline in the plate production at Ilyich Steel (down 218 thousand tonnes), Azovstal (down 82 thousand tonnes) and at European rolling mills (down 46 thousand tonnes), as well as a decrease in coil output at Ilyich Steel (down 249 thousand tonnes).

Long product output remained relatively stable y-o-y due to continued demand in Ukraine, the CIS and the Middle East during 9M 2012.

Metinvest increased output of rail products by 81 thousand tonnes (+41% y-o-y) due to the increased orders from the CIS countries (Uzbekistan and Kazakhstan) and Georgia during 9M 2012. In Q3, rail product output stayed unchanged q-o-q at 89 thousand tonnes.

MINING DIVISION

Metinvest's total iron ore concentrate production amounted to 27,165 thousand tonnes during 9M 2012, up 435 thousand tonnes y-o-y. This increase was due to the commissioning of sections #15 and #16 at the ore beneficiation plant #1 of Northern GOK (up 160 thousand tonnes), upgrades to the second startup facility for magnetic and flotation concentrate at Ingulets GOK (up 90 thousand tonnes), and an increase in ore production and processing at Central GOK (up 185 thousand tonnes). In Q3, total iron ore concentrate production remained relatively steady q-o-q.

Production of Iron ore concentrate and Pellets

(000 metric tonnes)	9M 2012	9M 2011	change	Q3 2012	Q2 2012	change
Production of iron ore concentrate	27,165	26,730	2%	8,948	9,028	-1%
Iron ore products²	15,111	13,871	9%	4,877	4,842	1%
Iron ore concentrate	9,224	9,596	-4%	2,872	3,089	-7%
Pellets	5,887	4,275	38%	2,005	1,753	14%

Production of salable concentrate fell by 372 thousand tonnes (-4% y-o-y) to 9,224 thousand tonnes during 9M 2012 due to increased pellet production after the completion of repairs to core equipment.

During 9M 2012, production of salable pellets surged by 1,612 thousand tonnes (+38% y-o-y). This growth resulted from a redistribution of 649 thousand tonnes of pellets to be sold to third parties, an increase in production of salable pellets by 875 thousand tonnes at Northern GOK due to the repair schedule for the facility, and an increase in production of salable pellets by 88 thousand tonnes at Central GOK due to a shortened period of maintenance works at the roasting machine.

In Q3, production volumes of salable concentrate declined by 217 thousand tonnes (-7% q-o-q), and this was accompanied by a 252 thousand tonnes (+14% q-o-q) increase in production of salable pellets. The rise was driven by lower internal consumption of pellets by 181 thousand tonnes, as well as an increase in production volumes of salable pellets by 101 thousand tonnes at Central GOK after a major overhaul of its roasting machine in April 2012, and a 30 thousand tonnes decrease in production volume of salable pellets at Northern GOK following the overhaul of the Lurgi-552 roasting machine in September 2012.

Mining of Coal and production of Coal concentrate

(000 metric tonnes)	9M 2012	9M 2011	change	Q3 2012	Q2 2012	change
Mining	9,284	10,066	-8%	2,799	3,209	-13%
Coking coal	8,816	8,372	5%	2,701	3,145	-14%
Steam coal	468	1,694	-72%	98	64	53%
Production of Coal concentrate³	1,819	2,735	-33%	422	706	-40%
Coking coal concentrate	1,453	1,634	-11%	317	658	-52%
Steam coal concentrate	366	1,101	-67%	105	48	119%

Mining of coking coal grew by 444 thousand tonnes (+5% y-o-y) to 8,816 thousand tonnes in 9M 2012. This rise was primarily driven by a 794 thousand tonnes increase in the mining of coking coal at the US operations of United Coal, while mining at Ukrainian operations of Krasnodon Coal was reduced by 350 thousand tonnes.

The increase in volumes of coking coal mined at United Coal was mainly due to the launch of the new Affinity mine (up 320 thousand tonnes), the development of a new site at the Wellmore mines (up 474 thousand tonnes) and the commissioning of an additional bench highwall mining at one of the Pocahontas mines (up 100 thousand tonnes). At the same time, there was a decrease by 100 thousand tonnes in mining of coking coal at the Carter Roag mines as a result of activities carried out to improve working conditions.

The slowdown in mining volumes at the Ukrainian operations was driven by a reduction in the average number of breakage faces in operation due to the technical schedule for face commissioning and decommissioning.

Reduced mining of coking coal in Q3 by 444 thousand tonnes (-14% q-o-q) was due to a lower output at United Coal's mines resulted from a stoppage at the Carter Roag mines (down 122 thousand tonnes) and the vacation period in July and August (down 209 thousand tonnes), as well as a reduction at Krasnodon Coal mines' output (down 113 thousand tonnes) due to the decommissioning of the breakage face line and delay in the commissioning of new faces (due to equipment relocation).

Total volumes of steam coal mined during 9M 2012 decreased by 1,226 thousand tonnes (-72% y-o-y) to 468 thousand tonnes, whereas in Q3 there was a growth by 34 thousand tonnes q-o-q to 98 thousand tonnes. The reduction in output over 9M 2012 was the result of suspended steam coal mining at the Wellmore and Sapphire mines due to low demand in the US.

¹ - Excluding intragroup sales and intragroup utilization

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

Rail products include light and heavy rails, rail fasteners

Large diameter pipes are LSAW (longitudinal submerged arc welded) large diameter pipes

Other pipes include ERW (electric resistance welded) pipes and seamless pipes

² - Excluding intragroup sales and intragroup utilization

³ - Excluding intragroup sales and intragroup utilization.

For editors:

METINVEST GROUP is a 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 two operating divisions, Metallurgical and Mining Divisions, 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\$6.7 billion of revenues and a 16% EBITDA margin for the first six months of 2012.

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

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