

Trading update for the 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 published a trading update for the nine months of 2012 ended 30 September, 2012.

9M 2012 FINANCIAL HIGHLIGHTS

- Consolidated revenues of US\$9,777 million
- Adjusted EBITDA¹ of US\$1,531million, with an EBITDA margin of 16%
- Net profit of US\$420million, with a net margin of 4%
- Total loans and borrowings amounted to US\$3,703 million, comprising US\$2,742 million of long-term borrowings and US\$961 million of short-term borrowings
- Seller's Notes of US\$283 million
- Cash and cash equivalents of US\$383 million
- Capital expenditures of US\$566 million

9M 2012 OPERATIONAL HIGHLIGHTS

- Steel production amounted to 9,579 thousand tonnes
- Coking coal output amounted to 8,816 thousand tonnes
- Production of iron ore concentrate amounted to 27,165 thousand tonnes

GROUP REVENUES

In 9M 2012, Metinvest's consolidated revenues amounted to US\$9,777 million, representing a decrease of 8% compared with US\$10,646 million in 9M 2011. The decrease in consolidated revenues was a result of a 10% decline in revenues of the Metallurgical division and a 3% decline in revenues of the Mining division. The Metallurgical division accounted for 74% of external sales (vs. 75% in 9M 2011), while the Mining division accounted for 26% (vs. 25% in 9M 2011).

METALLURGICAL DIVISION

In 9M 2012, revenues from sales of semi-finished products decreased by 29% y-o-y to US\$1,110 million. In particular, slab sales decreased by 52% (US\$612 million), of which 45% constituted a decline in sales volumes and 7% constituted a drop in average slab prices. The unfavourable situation in the slab segment was driven by low buying activity and oversupply in key sales regions (Europe and the Far East), an overall negative market conditions for flat products, and stronger competition, mostly from Russian producers.

At the same time, sales volumes of square billet increased by 82% (278 thousand tonnes) y-o-y. The square billet market followed trends set on the raw material and long product markets. Prices on the billet market declined against a background of weaker demand and lower scrap prices during 9M 2012, with temporary growth in August. In general, the situation was more favourable for billets than for slabs during 9M 2012, which resulted in a 71% (US\$152 million) y-o-y increase in sales for the former.

Sales of finished steel products decreased y-o-y by 12% (US\$726 million) during the reporting period mainly due to a reduction in sales volumes and average prices for flat and pipe products.

Revenues from sales of flat products declined y-o-y by 17% (US\$659 million) in 9M 2012, of which 6% constituted a decline in sales volumes and 11% constituted a drop in average prices for flat products. Sales of flat products were affected by unfavourable market conditions and low buying activity. The market was influenced by strong competition between Russian and Ukrainian suppliers given lower demand in the EU, the strengthening of sanctions against Iran, deterioration in the political situation in the Middle East and North Africa, and aggressive export tactics from Asian suppliers (Japan and Korea). As a result, market prices dropped to cost-inefficient levels.

In 9M 2012, sales volumes of tubular product decreased by 17% y-o-y (76 thousand tonnes) as a number of long-term pipeline construction projects were completed in 3Q 2012, and demand for large diameter pipes in Russia was weak. Stronger competition from Russian and other international large diameter pipe producers led to a significant price decline in all markets, which resulted in a 24% (US\$139 million) decrease y-o-y in the Group's revenues.

At the same time, sales volumes of long and railway products increased by 43 thousand tonnes and 84 thousand tonnes, respectively. The growth was mainly driven by an increase in orders from the CIS and boosted rebar sales through Metinvest's distribution network in Ukraine.

MINING DIVISION

Sales of iron ore products went up by 8% (1,347 thousand tonnes) y-o-y to 19,294 thousand tonnes in 9M 2012. This growth was driven by an increase in sales of pellets by 1,514 thousand tonnes due to the redistribution of 649 thousand tonnes of pellets sold to third parties and an increase in production of salable pellets by 865 thousand tonnes at Northern GOK following the commissioning of the repaired facilities.

Sales of coking coal concentrate remained flat y-o-y at US\$348 million.

Sales volumes of steam coal concentrate decreased y-o-y by 67% (734 thousand tonnes) during 9M 2012 due to weak demand for steam coal in the USA, which led to a reduction in coal production at Metinvest's US-based operations of United Coal.

CAPITAL EXPENDITURES

During 9M 2012, Metinvest invested in the following key capital expenditure projects in its Metallurgical and Mining Divisions: the construction of pulverised coal injection unit and a new turbo air blower for its blast furnaces at Ilyich Steel; the construction of pulverised coal injection unit for its blast furnaces at Yenakieve Steel; the construction of an accelerated cooling unit at the plate mill of Azovstal; the refurbishment of the Lurgi 278-B roasting machine for pellet production and construction of the crushing and transferring complex at Northern GOK; and the construction of the Affinity mining complex at United Coal.

SALES BY PRODUCT²

	US\$ million			000 t		
METALLURGICAL DIVISION	9M 2012	9M 2011	change	9M 2012	9M 2011	change
Semi-finished products	1,110	1,574	-29%	1,983	2 468	-20%
Pig iron	167	171	-2%	375	330	14%
Slabs	576	1,188	-52%	993	1,801	-45%
Square billets	367	215	71%	615	337	82%
Finished goods	5,243	5,969	-12%	7,076	7,320	-3%
Flat products	3,192	3,851	-17%	4,560	4,855	-6%
Long products	1,358	1,400	-3%	1,901	1,858	2%
Railway products	257	143	80%	237	153	55%
Tubular products	436	575	-24%	378	454	-17%
Other steel products and services	601	256	135%	904	254	256%
Other coke products and services	242	181	34%	427	244	75%
TOTAL	7,196	7,980	-10%	10,390	10,286	1%

MINING DIVISION	9M 2012	9M 2011	change	9M 2012	9M 2011	change
Iron ore products	1,936	2,042	-5%	19,294	17,947	8%
Iron ore concentrate	1,067	1,315	-19%	9,320	9,465	-2%
Pellets	805	657	23%	5,833	4,319	35%
Other products & services	64	70	9%	4,141	4,163	-1%
Coal products	645	624	3%	3,484	3,820	-9%
Coking coal concentrate	348	349	0%	1 678	1,868	-10%

Steam coal concentrate	31	82	-62%	359	1,093	-67%
Other products & services	266	193	38%	1,447	859	68%
TOTAL	2,581	2,666	-3%	22,778	21,767	5%

¹ Adjusted EBITDA is calculated as profits 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.

² Excludes intragroup sales and intragroup utilisation.

Flat products include hot rolled quarto plates and hot rolled heavy plates, 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

Rail products include light and heavy rails, rail fasteners

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

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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