March 19, 2018

Metinvest announces financial results for 2017

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 announced its audited IFRS consolidated financial statements for the 12 months ended 31 December 2017 in compliance with Clause 8.4 and Condition 4(w) of the trust deed dated 22 March 2017 ("the Trust Deed") executed between Madison Pacific Trust Limited as trustee and Metinvest B.V. as issuer.

Due to rounding, numbers presented throughout this release may not add up precisely to the totals provided and percentages may not precisely reflect absolute figures.

Summary - financial results	FY2017	FY2016	Change, y-o-y	
			US$ mn	%
Income statement highlights				
Revenues	8,931	6,223	2,708	44%
Adjusted EBITDA[1]	2,044	1,153	891	77%
Margin	23%	19%		4 pp
Net profit	617	118	499	>100%
Margin	7%	2%		5 pp
Cash flow highlights				
Net cash from operations	595	490	105	22%
Net cash used in investing activities	-449	-331	-118	36%
incl. purchase of PPE and intangible assets[2]	-465	-358	-107	30%
Net cash used in financing activities	-110	-105	-5	5%

Summary - financial results	31.12.2017	31.12.2016	Change, YTD	
			US$ mn	%
Total debt[3]	3,017	2,969	48	2%
Cash and cash equivalents[4]	259	226	33	15%
Key ratios				
Net debt[5]/EBITDA[6]	1.1x	2.0x		-0.9x
Consolidated Net Leverage Ratio[7]	1.4x	2.1x		-0.8x

Notes:

1). Adjusted EBITDA is calculated as earnings before income tax, finance income and costs, depreciation and amortisation, impairment and devaluation of property, plant and equipment, foreign-exchange gains and losses, the share of results of associates and other expenses that the management considers non-core, plus the share of EBITDA of joint ventures. We will refer to adjusted EBITDA as EBITDA throughout this release. On 15 March 2017, Metinvest lost control over all tangible assets owned by enterprises located in the temporarily non-government controlled territory of Ukraine, including Yenakiieve Steel, Krasnodon Coal and Khartsyzk Pipe. Subsequently, the Group decided to make a provision for impairment of all assets of these enterprises, of which US$92 mn for inventories is accounted for in the 2017

EBITDA.

2). Comprises Capital Expenditures defined in the Trust Deed

3).Total debt is calculated as the sum of bank loans, bonds, trade finance, finance lease, seller notes and subordinated shareholder loans.

4).Cash and cash equivalents do not include blocked cash for cash collateral under issued letters of credit and irrevocable bank guarantees and include cash blocked for foreign-currency purchases.

5). Net debt is calculated as the sum of bank loans, bonds, trade finance, finance lease and seller notes less cash and cash equivalents.

6). EBITDA for the last 12 months

7). Calculated in line with the Trust Deed

Summary - production results	FY2017	FY2016	Change, y-o-y	
			kt	%
Crude steel	**7,630**	**8,393**	**-763**	**-9%**
Azovstal	4,265	3,705	560	15%
Ilyich Steel	3,096	2,736	360	13%
Yenakiieve Steel	269	1,952	-1,683	-86%
Iron ore concentrate	**27,464**	**29,640**	**-2,176**	**-7%**
Northern GOK	11,366	11,634	-268	-2%
Ingulets GOK	11,429	12,783	-1,353	-11%
Central GOK	4,669	5,224	-554	-11%
Coking coal concentrate	**2,590**	**3,051**	**-461**	**-15%**
Krasnodon Coal	129	750	-620	-83%
United Coal	2,461	2,302	159	7%

OPERATIONAL HIGHLIGHTS

- On March 15, assets owned by Group subsidiaries like PJSC Yenakiieve I&SW (including its Makiivka branch), the Ukrainian-Swiss JV Metalen, PJSC Khartsyzk Pipe, PJSC Krasnodon Coal, PJSC Komsomolske Flux, PJSC Donetsk Coke and its affiliate PJSC Yenakiieve Coke, which are located in the territory not controlled by the Ukrainian government, were seized following an ultimatum issued by the unrecognised local authorities to re-register these assets.

- In early 2017, Avdiivka Coke experienced power cuts due to heavy shelling that damaged electricity transmission lines. This forced the plant to scale back coke production for a three-month period and postpone the launch of coke oven battery no. 8 from January to May. In May, the plant resumed operations, with eight coke oven batteries, after a new high-voltage line to it was installed on territory controlled by the Ukrainian government.

- In September, Azovstal started pulverised coal injection (PCI) at blast furnace no. 2.

- Over the year, Metinvest launched 47 new steel products, mainly heavy plates and coils (hot and cold-rolled), as well as galvanised products used in construction, machine-building, shipbuilding and pipe production.

DEBT MANAGEMENT

- In January, the Group’s seller notes were restructured. Their maturity was extended to 31 December 2021.

- In March, Metinvest successfully concluded the restructuring of its bonds and pre-export financing (PXF) facilities, issued new bonds totalling US$1.2 bn and amended, restated and combined four PXF facilities into one facility totalling US$1.1 bn, both due in 2021.

- Following the debt restructuring, international rating agencies Moody's and Fitch upgraded Metinvest's credit ratings to 'Caa1' ('positive' outlook) and 'B' ('stable' outlook) respectively.

- In May, Metinvest secured a new five-year financing facility totalling around US$14 mn from Caterpillar Financial Ukraine to lease mining equipment for Ingulets GOK.

- In December, Spartan UK, Metinvest's re-rolling plant in Newcastle (UK), secured a revolving GBP15 mn commodity trade finance facility from the Bank of London and The Middle East. The facility has an initial term of 12 months with an option for extension.

- In December 2017, Metinvest-Shipping secured a US$7.35 mn five-year facility from a Ukrainian bank to partly finance railway wagon purchases..

EVENTS AFTER THE REPORTING PERIOD

- In 12 January 2018, international rating agency S&P assigned Metinvest a long-term corporate credit rating of 'B-', the outlook 'stable'.

- In February 2018, Metinvest fully repaid seller notes of United Coal.

Commenting on the results, Yuriy Ryzhenkov, Chief Executive Officer of Metinvest, said:

"For the full-year 2017, Metinvest delivered a strong set of operational and financial results, a tribute to its proven business model, prudent strategy and committed human capital. A supportive external environment aided our operational performance and profitability.

During the reporting period, rising global demand for steel and iron ore led to continued price growth. Positive market trends continued into the first quarter of 2018, and we see this continuing over the short to medium term.

At the same time, protectionist sentiments persisted globally. As a group, we actively participate in major anti-dumping investigations and are open to dialogue. We are also confident that we will find a way to mitigate any negative impact from tariffs and other measures.

Ukraine saw another year of economic recovery and relative economic and political stability. The GDP grew 2.1% year-on-year. This has driven demand for steel products from the construction, machine building and other industries.

Last year also saw important developments in Eastern Ukraine. In March 2017, we lost control over assets in non-government-controlled territories. However, with the outstanding efforts of our entire team, we were able to rapidly adjust our operating model and make our business even more robust. Among other measures, we maximised steel capacity utilisation, increasing steel production at our Mariupol steelmakers by 14%.

In 2017, we made a comprehensive review of our Technological Strategy in light of the operating environment. Our updated strategy aims to make the Group more resilient in market downturns while creating opportunities in the upward part of the cycle by focusing on high-value-added products to access premium markets. We already saw promising results in 2017, as the share of high-value-added steel products reached 42% of the sales mix. In iron ore, the share of pellets with Fe content above 65.0% rose 16 percentage points to 54% of sales and that of concentrate with Fe content above 68.0% increased by 17 percentage points to 26% of sales.

Last year, crude steel production stood at 7.6 million tonnes and iron ore output amounted to 27.5 million tonnes. At the same time, we delivered a solid set of financial results, reflecting the stronger market environment and our operational performance. Revenues grew by 44% year-on-year to US$8,931 million. The share of Ukraine in total sales increased to 28%, while the share of Europe, another priority steel and iron ore market for us, remained steady at 36% of sales. Our EBITDA jumped 77% year-on-year to US$2,044 million amid sales price growth. Importantly, operational improvements delivered a positive effect of US$100 million over the year. Profitability shifted towards the Mining segment, which contributed 67% to EBITDA, while the EBITDA margin reached a healthy 40%.

Operating cash flow for the period increased by 22% year-on-year to US$595 million. It was affected by an outflow of working capital, attributable to the required changes in the operating model, rising inventories and receivables build-up, mainly amid sales growth. We are closely monitoring this issue. Importantly, we spent US$542 million to maintain and upgrade our production facilities for continued organic growth.

On the back of improved liquidity, Metinvest fully repaid the seller notes and is current on interest under its outstanding bonds and pre-export finance facility. We are actively reviewing all options to return to international debt capital markets to reschedule maturities to suit the business cyclicality and payback periods of our investment projects.

In summary, I want to underline my belief that Metinvest Group is back on track for growth. We anticipate that

2018 will be a year of great opportunities. We are cautiously optimistic that, today, we have reached a new horizon with promising frontiers beyond.

I would like to thank our clients, investors, creditors, employees and other stakeholders for their support during 2017."

RESULTS OF OPERATIONS

Results of operations	FY2017		FY2016		Change, y-o-y		
	US$ mn	% of revenues	US$ mn	% of revenues	US$ mn	%	pp of revenues
Revenues	**8,931**	**100%**	**6,223**	**100%**	**2,708**	**44%**	**-**
Cost of sales	-6,756	-76%	-4,833	-78%	-1,923	40%	2
Gross profit	**2,175**	**24%**	**1,390**	**22%**	**785**	**56%**	**2**
Distribution costs	-721	-8%	-660	-11%	-61	9%	3
General and administrative expenses	-193	-2%	-183	-3%	-10	5%	1
Other operating income	39	0%	-222	-4%	261	-	4
Operating profit	1,300	15%	325	5%	975	>100%	10
Results of the loss of control over the assets located on temporarily non-controlled territory	-329	-4%	-	0%	-329	-	-4
Finance income	29	0%	26	0%	3	12%	-
Finance costs	-350	-4%	-397	-6%	47	-12%	2
Share of result of associates and JV	191	2%	205	3%	-14	-7%	-1
Profit before income tax	841	9%	159	3%	682	>100%	6
Income tax	-224	-3%	-41	-1%	-183	>100%	-2
Net profit	**617**	**7%**	**118**	**2%**	**499**	**>100%**	**5**

Revenues

Metinvest's revenues are generated from sales of its steel, iron ore, coal and coke products and resales of products from third parties. Unless otherwise stated, revenues are reported net of value-added tax and discounts and after eliminating sales within the Group.

Revenues by market	FY2017		FY2016		Change, y-o-y		
	US$ mn	% of revenues	US$ mn	% of revenues	US$ mn	%	pp of revenues
Total revenues	**8,931**	**100%**	**6,223**	**100%**	**2,709**	**44%**	**-**
Ukraine	2,467	28%	1,606	26%	861	54%	2
Europe	3,219	36%	2,267	36%	952	42%	-
MENA	1,469	16%	949	15%	520	55%	1
CIS (ex Ukraine)	775	9%	591	9%	184	31%	-
Southeast Asia	505	6%	413	7%	93	22%	-1
North America	437	5%	320	5%	117	37%	-
Other regions	60	1%	77	1%	-17	-22%	-

In 2017, Metinvest's consolidated revenues increased by 44% y-o-y to US$8,931 mn, driven primarily by higher steel and iron ore selling prices, which followed global benchmarks. In addition, stronger demand spurred greater sales of pig iron, slabs, flat products and coke. Moreover, the Group started resales of square billets and long products to compensate lower sales volumes of these products manufactured at seized facilities.

In 2017, revenues in Ukraine amounted to US$2,467 mn, up 54% y-o-y, primarily due to increased selling prices, as well as higher sales volumes of flat products (+447 kt) and coke (+347 kt) amid greater local demand, as the economic upturn continued. Real GDP increased by 2.1% y-o-y in 2017 [1]. Apparent consumption of steel products (excluding pipes) in Ukraine rose by 6.1% y-o-y to 5.3 mt[2] in 2017, supported by renewed real demand in key steel-consuming industries. Economic activity climbed by 20.9% y-o-y in the construction sector[3], 7.3% y-o-y in the machine-building industry[3] and 3.2% in the hardware production[2]. Meanwhile, iron ore sales in Ukraine decreased by 3,313 kt amid weaker demand, as shipments to some customers in Eastern Ukraine stopped and some other customers temporarily halted operations. As a result, Ukraine's share in consolidated revenues rose by 2 pp y-o-y to 28%.

International sales increased by 40% y-o-y to US$6,465 mn in 2017, accounting for 72% of consolidated revenues. Sales to Europe rose by 42% y-o-y amid higher realised prices and greater sales volumes of pig iron (+108 kt), slabs (+471 kt) and iron ore products (+2,601 kt), which helped to keep the region's share in consolidated revenues flat y-o-y at 36%. Sales to the Middle East and North Africa (MENA) climbed by 55% y-o-y amid higher sales volumes of square billets and flat products, as well as a hike in selling prices, while that market's share in consolidated revenues increased by 1 pp y-o-y to 16%. Sales to the CIS (ex Ukraine) rose by 31% y-o-y, primarily due to selling price growth, which helped to keep the region's share in consolidated revenues flat y-o-y at 9%. Sales in Southeast Asia climbed by 22% y-o-y, as higher prices and volumes of flat products, square billets and pellets were partly offset by lower volumes of iron ore concentrate. As a result, that market's share in consolidated revenues decreased by 1 pp y-o-y to 6%. Sales to North America increased by 37% y-o-y due to higher prices and volumes of pig iron and flat products, while the region's share in consolidated revenues remained flat y-o-y at 5%. Sales to other regions declined by 22% y-o-y, while their share in consolidated revenues remained flat at 1%.

Metallurgical segment

The Metallurgical segment generates revenues from sales of pig iron, steel and coke products and services. In 2017, its revenues increased by 47% y-o-y to US$7,411 mn, mainly amid a rise in resales of US$960 mn. In addition, sales of products manufactured at Metinvest's facilities increased: by US$749 mn for flat products, US$295 mn for slabs,US$290 mn for coke and US$179 mn for pig iron. Meanwhile, sales of long products and square billets produced at Metinvest's plants dropped by US$211 mn and US$71 mn respectively. At the same time, sales of other products and services rose by US$194 mn. In 2017, the Metallurgical segment accounted for 83% of external sales (81% in 2016).

Metallurgical segment Sales by market	FY2017			FY2016			Change, y-o-y		Change, y-o-y %	
	US$ mn	% of revenues	kt	US$ mn	% of revenues	kt	US$ mn	kt	US$ mn	kt
Total sales	**7,411**	**100%**	**13,455**	**5,027**	**100%**	**12,294**	**2,384**	**1,161**	**47%**	**9%**
Ukraine	1,889	25%	3,043	1,129	22%	2,472	760	570	67%	23%
Europe	2,605	35%	4,697	1,989	40%	4,762	617	-65	31%	-1%
MENA	1,469	20%	2,931	948	19%	2,683	521	248	55%	9%
CIS (ex Ukraine)	775	10%	1,146	591	12%	1,166	184	-20	31%	-2%
Southeast Asia	197	3%	420	76	2%	226	121	194	>100%	86%
North America	416	6%	1,083	217	4%	767	199	316	92%	41%
Other regions	60	1%	135	77	2%	216	-17	-82	-22%	-38%

Metallurgical segment Sales by product	FY2017		FY2016		Change, y-o-y		Change, y-o-y %		
	US$ mn	kt	US$ mn	kt	US$ mn	kt	US$ mn	due to price	due to volume
Semi-finished products	**1,448**	**3,492**	**675**	**2,423**	**773**	**1,069**	**>100%**	**70%**	**44%**
Pig iron	606	1,689	350	1,392	256	297	73%	52%	21%
incl. resales	113	308	37	157	76	151	>100%	>100%	96%
Slabs	521	1,146	227	711	294	435	>100%	69%	61%
Square billets	321	657	98	320	223	337	>100%	>100%	>100%
incl. resales	294	589	-	-	294	589	-	-	-