

## Trading update for the first nine months of 2015

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 published a trading update for the nine months ended 30 September 2015.

*The information in this press release has been prepared based on preliminary financial results. Intragroup transactions have been eliminated in consolidation. This announcement does not contain sufficient information to constitute a full set of financial statements. The following preliminary results may differ from financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The numbers in this press release have not been audited or reviewed.*

*Metinvest B.V. publishes consolidated financial statements prepared in accordance with IFRS for the six months ending 30 June and for the year ending 31 December.*

*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.*

### FINANCIAL HIGHLIGHTS

(US\$ million)	9M 2015	9M 2014	Change
<b>Revenues</b>	<b>5,397</b>	<b>8,461</b>	<b>-36%</b>
<b>Adjusted EBITDA</b>	<b>813</b>	<b>2,210</b>	<b>-63%</b>
[1]			
margin	15%	26%	-11 pp
<b>CAPEX</b>	<b>191</b>	<b>412</b>	<b>-53%</b>
[2]			
(US\$ million)	30 Sep 2015	31 Dec 2014	Change
<b>Total debt</b>	<b>2,966</b>	<b>3,232</b>	<b>-8%</b>
<b>Cash</b>	<b>198</b>	<b>114</b>	<b>74%</b>
<b>Net debt</b>	<b>2,768</b>	<b>3,118</b>	<b>-11%</b>
[3]			
<b>Total debt to EBITDA</b>	<b>2.3x</b>	<b>1.2x</b>	<b>1.1x</b>
[4]			

## Net debt to EBITDA

2.1x

1.2x

1.0x

[4]

### Revenues

In 9M 2015, Metinvest's consolidated revenues decreased by 36% y-o-y. This was primarily due to a fall in sales of flat (US\$1,171 million), long (US\$528 million), iron ore (US\$707 million), semi-finished steel (US\$419 million), tubular (US\$92 million), and coke and chemical (US\$66 million) products. The Metallurgical division accounted for 79% of external sales (78% in 9M 2014) and the Mining division for 21% (22% in 9M 2014).

Revenues in Ukraine totalled US\$1,204 million in 9M 2015, down 41% y-o-y. Sales of the Mining and Metallurgical divisions on the domestic market decreased by 54% and 32% y-o-y respectively. Demand slumped due to the conflict in Eastern Ukraine and overall economic slowdown, exacerbated by lower selling prices, as raw material and steel product prices continued to decline, reaching new lows for the last several years.

The share of international sales increased to 78% in 9M 2015, up 2 percentage points (pp) y-o-y. The proportion of sales to Europe rose by 6 pp y-o-y to 33%, driven by greater sales volumes of square billets, flat products and pellets. The share of sales to Southeast Asia fell by 3 pp y-o-y to 12% due to lower prices of iron ore products, as well as lower sales of flat products and slabs. The proportion of sales to other regions did not change significantly y-o-y.

Revenues by market	9M15		9M14		Change, y-o-y		
	US\$m	% of revenues	US\$m	% of revenues	US\$m	%	pp of revenues
Total revenues	5 397	100%	8 461	100%	-3 065	-36%	0
Ukraine	1 204	22%	2 038	24%	-834	-41%	-2
Europe	1 804	33%	2 348	28%	-544	-23%	6
MENA	1 041	19%	1 587	19%	-546	-34%	1
CIS (ex Ukraine)	460	9%	819	10%	-359	-44%	-1
incl. Russia	347	6%	586	7%	-239	-41%	0
Southeast Asia	646	12%	1 288	15%	-642	-50%	-3
North America	191	4%	286	3%	-95	-33%	0
Other regions	51	1%	96	1%	-46	-48%	0

### Metallurgical division

Revenues in the Metallurgical division come from sales of steel and coke products and services. In 9M 2015, the division's top line fell by 36% y-o-y to US\$4,256 million, of which steel sales accounted for 89%. The drop was attributable to lower prices of steel products, as well as lower volumes of slabs, billets, flat, long and tubular products, partly offset by higher volumes of pig iron.

Metallurgical division Sales by market	9M15			9M14			Change, y-o-y		Change, y-o-y %	
	US\$m	% of revenues	000 t	US\$m	% of revenues	000 t	US\$m	000 t	US\$m	000 t
Total sales	4 256	100%	9 867	6 628	100%	11 920	-2 372	-2 053	-36%	-17%
Ukraine	844	20%	2 082	1 249	19%	2 563	-405	-481	-32%	-19%
Europe	1 668	39%	3 611	2 192	33%	3 689	-524	-78	-24%	-2%
MENA	1 011	24%	2 511	1 587	24%	2 941	-575	-430	-36%	-15%
CIS (ex Ukraine)	460	11%	910	818	12%	1 222	-358	-312	-44%	-25%
incl. Russia	347	8%	733	586	9%	945	-239	-212	-41%	-22%
Southeast Asia	116	3%	264	494	7%	880	-378	-616	-77%	-70%
North America	106	2%	367	199	3%	474	-93	-107	-47%	-23%
Other regions	51	1%	122	89	1%	151	-38	-29	-43%	-19%

Metallurgical division Sales by product	9M15		9M14		Change, y-o-y		Change, y-o-y %		
	US\$m	000 t	US\$m	000 t	US\$m	000 t	US\$m	due to price	due to volume
Semi-finished products	692	2 091	1 111	2 329	-419	-237	-38%	-28%	-10%
Pig iron	293	1 039	368	907	-75	132	-20%	-35%	15%
Slabs	213	564	408	774	-196	-210	-48%	-21%	-27%
Square billets	186	488	335	648	-149	-160	-44%	-20%	-25%
Finished products	3 083	6 404	4 873	7 913	-1 790	-1 509	-37%	-18%	-19%
Flat products	2 490	5 228	3 661	6 063	-1 171	-836	-32%	-18%	-14%
incl. Zaporizhstal	896	2 077	1 209	2 150	-313	-73	-26%	-23%	-3%
Long products	530	1 111	1 058	1 693	-528	-583	-50%	-16%	-34%
Tubular products	63	65	155	156	-92	-90	-59%	-1%	-58%
Coke and chemical products	288	1 372	353	1 679	-66	-306	-19%	0%	-18%
Coke products	227	1 138	209	1 278	18	-140	8%	19%	-11%
Chemical products	61	234	144	401	-84	-167	-58%	-16%	-42%
Other products and services	194	N/A	290	N/A	-96	N/A	-33%	N/A	N/A
Total sales	4 256	9 867	6 628	11 920	-2 372	-2 053	-36%	-19%	-17%

## Pig iron

In 9M 2015, sales of pig iron decreased by 20% y-o-y to US\$293 million; a lower average selling price caused a drop of 35 pp, partly compensated by higher sales volumes (15 pp). Despite the 7% y-o-y decline in production, sales volumes of pig iron rose by 132 thousand tonnes y-o-y to 1,039 thousand tonnes in 9M 2015, due to re-sales of 185 thousand tonnes of Zaporizhstal's pig iron. Given unfavourable market prices in the US, sales volumes were redirected to other higher-margin markets, such as Ukraine, the Middle East and North Africa (MENA) and other regions. One new market for the Group was Mexico, where margins were also more attractive than in the US.

## Slabs

In 9M 2015, sales of slabs slumped by 48% y-o-y to US\$213 million, driven by a decrease in sales volumes (27 pp) and a lower average selling price (21 pp). Sales volumes of slabs declined by 210 thousand tonnes y-o-y to 564 thousand tonnes in 9M 2015 due to lower overall production. This resulted in lower sales volumes to Europe and Southeast Asia, reducing their shares in total sales y-o-y by 1 pp to 57% and 20 pp to 4% respectively. Meanwhile, sales volumes to MENA (mainly Turkey) rose by 91 thousand tonnes y-o-y, increasing the region's share by 21 pp y-o-y to 38% of total sales. In 9M 2015, the decline in the average selling price followed the benchmark for slabs FOB Black Sea, which dropped by 29% y-o-y. In particular, in 3Q 2015, the benchmark slab price dropped m-o-m by 4% in July, 6% in August and another 5% in September, which corresponds to an 11% q-o-q decrease. In October, the benchmark price declined further by 4% m-o-m.

## Square billets

In 9M 2015, sales of square billets slumped by 44% y-o-y to US\$186 million, of which 25 pp was attributable to a fall in sales volumes and 20 pp to a drop in the average selling price. Sales volumes of square billets declined by 160 thousand tonnes y-o-y to 488 thousand tonnes in 9M 2015. This was mainly due to lower production volumes amid the escalation in the conflict in 2H 2014 and the halt in production at Yenakieve Steel from 7 February to 16 March 2015. MENA accounted for 71% of total sales (81% in 9M 2014). In particular, Turkey accounted for 59% of total sales volumes to the region. Meanwhile, Europe's share increased by 19 pp y-o-y to 27% of total sales due to higher sales volumes. In 9M 2015, the average selling price followed the dynamics of billet FOB Black Sea quotations, which fell by 26% y-o-y. Notably, in 3Q 2015, the benchmark square billet price declined m-o-m for three months in a row – by 9% in July, 3% in August and 8% in September – which corresponds to a 15% q-o-q decrease. In October, the benchmark price declined further by 8% m-o-m.

## Flat products

In 9M 2015, sales of flat products decreased by 32% y-o-y to US\$2,490 million, driven by a decline in sales volumes (14 pp) and a lower average selling price (18 pp). Sales volumes of flat products fell by 836 thousand tonnes y-o-y to 5,228 thousand tonnes due to a 16% decline in flat product output at Metinvest's operations and a drop of 73 thousand tonnes in re-sales of Zaporizhstal's flat products. Zaporizhstal's share in total sales volumes of flat products increased by 5 pp y-o-y to 40%. Sales volumes decreased to all regions, except Europe, where they increased by 306 thousand tonnes y-o-y, as new customers were won through the back-to-back sales system and additional services provided. In addition, sales volumes to Poland, Romania, Spain and Portugal rose following the opening of new sales offices in the countries. In 9M 2015, the average selling price was largely in line with the benchmark quotations for HRC FOB Black Sea, which fell by 21% y-o-y. In particular, in 3Q 2015, the benchmark HRC price declined m-o-m for three months in a row – by 4% in July, 5% in August and 6% in September – and 11% q-o-q. In October, the benchmark price dropped further by 5% m-o-m.

## Long products

In 9M 2015, sales of long products slumped by 50% y-o-y to US\$530 million, of which 34 pp was attributable to a decline in sales volumes and 16 pp to a lower average selling price. Sales volumes of long products decreased by 583 thousand tonnes y-o-y to 1,111 thousand tonnes. This was caused by lower overall production due to the conflict in Eastern Ukraine, problems with dispatching finished goods from the conflict zone and difficulties in supplying square billets from Yenakieve Steel to Promet Steel in Bulgaria for further re-rolling. As such, sales to all key regions fell.

## Tubular products

In 9M 2015, sales of tubular products slumped by US\$92 million y-o-y to US\$63 million, driven mainly by a 58% decline in sales volumes. Sales volumes of tubular products dropped by 90 thousand tonnes y-o-y to 65 thousand tonnes due to a slump in production and lack of orders. In addition, Khartsyzk Pipe has been idle since June 2015.

## Coke and chemical products

In 9M 2015, sales of coke and chemical products decreased by US\$66 million y-o-y to US\$288 million amid an 18% decline in sales volumes. Sales volumes of coke and chemical products decreased by 306 thousand tonnes y-o-y to 1,372 thousand tonnes. This was primarily due to a slump in coke output amid raw material supply constraints and unstable operations at Avdiivka Coke and Donetsk Coke from July 2014.

## Mining division

Revenues in the Mining division come from sales of iron ore, coal and other products and services. In 9M 2015, the division's top line dropped by 38% y-o-y to US\$1,140 million, mainly because of a slump in prices of iron ore products.

Mining division Sales by market	9M15			9M14			Change, y-o-y		Change, y-o-y %	
	US\$m	% of revenues	000 t	US\$m	% of revenues	000 t	US\$m	000 t	US\$m	000 t
Total sales	1 140	100%	16 570	1 834	100%	17 027	-693	-457	-38%	-3%
Ukraine	360	32%	5 170	788	43%	7 671	-428	-2 502	-54%	-33%
Europe	135	12%	2 187	156	9%	1 619	-21	568	-13%	35%
MENA	30	3%	372	0	0%	0	30	372	N/A	N/A
CIS (ex Ukraine)	0	0%	0	1	0%	1	-1	-1	N/A	N/A
incl. Russia	0	0%	0	0	0%	0	0	0	N/A	N/A
Southeast Asia	530	46%	7 870	794	43%	6 846	-264	1 024	-33%	15%

North America	85	7%	970	87	5%	806	-2	165	-2%	20%
Other regions	0	0%	0	7	0%	84	-7	-84	N/A	N/A

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