

## Metinvest announces 2Q and 1H 2014 operational results

18 July 2014 – 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 operational results for the second quarter of 2014 and the first six months ended 30 June 2014.

### OPERATIONAL HIGHLIGHTS

('000 tonnes)	2Q 2014	1Q 2014	Δ '000 t	Δ %	1H 2014	1H 2013	Δ '000 t	Δ %
Crude steel	2,970	2,755	215	8%	5,725	6,239	-514	-8%
Iron ore concentrate (total)	9,191	8,820	371	4%	18,011	18,664	-653	-3%
Raw coking coal	1,128	1,234	-106	-9%	2,362	3,000	-638	-21%

### METALLURGICAL DIVISION

In 2Q 2014, hot metal output rose by 6% q-o-q due to an increase in production of 123 thousand tonnes at Azovstal Iron and Steel Works (Azovstal) and 78 thousand tonnes at Ilyich Iron and Steel Works (Ilyich Steel). The rise in 2Q 2014 followed a decrease in hot metal production in 1Q 2014 amid adverse weather conditions, which led to railcar bottlenecks due to snow on the tracks. In April-May, the enterprises stabilised production, compensating for the drop in the previous quarter.

As a result, steel output increased by 8% q-o-q in 2Q 2014 due to a rise in production at Azovstal (200 thousand tonnes) and Ilyich Steel (7 thousand tonnes). The increase by 15% in output at Azovstal stemmed mainly from the major overhaul of blast furnace no. 2 in March 2014 that was put into operation in 2Q 2014 and allowed to compensate for lower volumes in 1Q 2014.

### Production of hot metal

('000 tonnes)	2Q 2014	1Q 2014	Δ '000 t	Δ %	1H 2014	1H 2013	Δ '000 t	Δ %
<b>Hot metal</b>	2,965	2,796	169	6%	5,760	5,596	164	3%
Azovstal	961	838	123	15%	1,798	1,970	-172	-9%
Ilyich Steel	1,357	1,279	78	6%	2,636	2,365	271	11%
Yenakiieve Steel	647	679	-32	-5%	1,326	1,261	65	5%

### Production of crude steel

('000 tonnes)	2Q	1Q	Δ	Δ %	1H	1H	Δ	Δ %
	2014	2014	'000 t		2014	2013	'000 t	
<b>Crude steel</b>	2,970	2,755	215	8%	5,725	6,239	-514	-8%
Azovstal	1,120	920	200	22%	2,040	2,280	-240	-11%
Ilyich Steel	1,140	1,069	71	7%	2,209	2,557	-348	-14%
Yenakiiie Steel	710	766	-56	-7%	1,476	1,402	74	5%

At the same time, hot metal production at Yenakiiie Iron and Steel Works (Yenakiiie Steel) dropped by 32 thousand tonnes q-o-q in 2Q 2014 due to a major overhaul of blast furnace no. 3. In turn, this and a major overhaul of basic oxygen furnace no. 1 in May-June 2014 caused steel output to fall by 56 thousand tonnes.

In 1H 2014, hot metal output increased by 3% y-o-y due to greater production at Ilyich Steel (271 thousand tonnes) and Yenakiiie Steel (65 thousand tonnes). Despite the weather in 1Q 2014, Ilyich Steel fulfilled its production target in 2Q 2014, while the rise in 1H 2014 followed the commissioning of blast furnace no. 2 in July 2013, which also contributed to an increase in the production of merchant pig iron of 477 thousand tonnes. Hot metal output at Yenakiiie Steel was also increased in response to greater demand for crude steel to produce square billets, and was possible due to the enhanced productivity of the basic oxygen furnaces and continuous casters. Azovstal's hot metal output dropped by 172 thousand tonnes y-o-y amid the adverse weather conditions in 1Q 2014.

In 1H 2014, crude steel output dropped by 8% y-o-y due to a decline in production at Azovstal (240 thousand tonnes) and Ilyich Steel (348 thousand tonnes), which was partly compensated by a rise in volume at Yenakiiie Steel (74 thousand tonnes). The fall at Azovstal was caused by the decline in hot metal output and major overhaul of basic oxygen furnace no. 2 in March 2014. The lower output at Ilyich Steel was due to greater merchant pig iron production and reduced steel production in open-hearth furnaces amid lower demand for coils.

### Output of metal products <sup>[1]</sup>

('000 tonnes)	2Q	1Q	Δ	Δ %	1H	1H	Δ	Δ %
	2014	2014	'000 t		2014	2013	'000 t	
<b>Pig iron</b>	354	367	-13	-4%	720	222	498	224%
<b>Semi-finished products</b>	604	626	-22	-4%	1,230	1,193	37	3%
Slabs	415	303	112	37%	718	795	-77	-10%
Square billets	189	323	-134	-41%	512	398	114	29%
<b>Finished products</b>	2,124	1,986	138	7%	4,112	4,479	-367	-8%
Flat products	1,422	1,335	87	7%	2,757	2,908	-151	-5%
Long products	578	559	19	3%	1,137	1,280	-143	-11%
Rail products	13	56	-43	-77%	70	136	-66	-49%

Tubular products	111	36	75	208%	148	155	-7	-5%
Large-diameter pipes	95	25	70	280%	120	127	-7	-6%
Other pipes	16	11	5	45%	28	28	0	0%
<b>TOTAL</b>	<b>3,082</b>	<b>2,979</b>	<b>103</b>	<b>3%</b>	<b>6,062</b>	<b>5,894</b>	<b>168</b>	<b>3%</b>

In 2Q 2014, production of merchant pig iron dropped by 13 thousand tonnes q-o-q. In 1H 2014, however, the figure was up by 498 thousand tonnes y-o-y, almost wholly caused by an increase of 477 thousand tonnes at Ilyich Steel. Merchant pig iron production increased as a result of greater hot metal smelting and stronger demand in Europe, the US, and MENA.

In 2Q 2014, the Group's production of merchant semi-finished goods dropped by 22 thousand tonnes q-o-q, as Yenakieve Steel reduced billet output by 134 thousand tonnes due to decreased crude steel smelting and the redistribution of crude steel to produce sections. At the same time, Azovstal increased production of merchant slabs by 112 thousand tonnes amid greater steel output.

In 1H 2014, the output of merchant semi-finished products increased by 37 thousand tonnes y-o-y: Yenakieve Steel boosted billet production by 114 thousand tonnes and Azovstal decreased slab output by 89 thousand tonnes, which was partly compensated by an increase in slab output of 12 thousand tonnes at Ilyich Steel. The rise in merchant billet output came as Metinvest channelled more of its crude steel into that product amid lower demand for sections in Ukraine and Russia in 1H 2014. Slab production at Azovstal dropped amid a decrease in crude steel smelting.

In 2Q 2014, production of finished goods rose by 138 thousand tonnes q-o-q due to the following factors:

- an increase in flat product output of 87 thousand tonnes, mainly at Azovstal (54 thousand tonnes), due to fewer orders for rails and a redistribution of production to plate, and at Ilyich Steel (28 thousand tonnes), which produced more hot-rolled coil amid greater steel output
- a rise in long product output of 19 thousand tonnes following the completion of the major overhaul of the Mill 150 at Yenakieve Steel in February-March 2014
- an increase in the output of pipe products, mainly large-diameter pipes, of 70 thousand tonnes due to renewed orders for the East-West and Beineu-Shimkent projects

Production of rails dropped by 43 thousand tonnes q-o-q at Azovstal in 2Q 2014, amid lower demand in CIS markets.

In 1Q 2014, the output of finished goods dropped by 367 thousand tonnes y-o-y, as production of:

- flat products fell by 151 thousand tonnes mainly due to decreased output of plate at Azovstal (95 thousand tonnes) and coil at Ilyich Steel (129 thousand tonnes), which was partly compensated by an increase in plate production at Ilyich Steel (62 thousand tonnes) and the EU assets (11 thousand tonnes)
- long products dropped by 143 thousand tonnes due to lower production at Azovstal and Yenakieve Steel, caused by lower demand in Ukraine and Russia as well as the major overhaul of the Mill 150 at Yenakieve Steel in February-March 2014; the drop was partly compensated by an increase in production at Promet Steel amid greater demand in the domestic market of Bulgaria and additional orders from North Africa
- rail products declined by 66 thousand tonnes at Azovstal amid fewer orders in Ukraine
- large-diameter pipes decreased by 7 thousand tonnes

### Coke production

Coke production volumes were broadly stable in both of the reporting periods. On average, around 80% of the total coke output was consumed internally.

('000 tonnes)	2Q	1Q	Δ	Δ %	1H	1H	Δ	Δ %
	2014	2014			2014	2013		
			'000 t				'000 t	

<b>Coke production (total)</b>	<b>1,510</b>	<b>1,477</b>	<b>33</b>	<b>2%</b>	<b>2,988</b>	<b>3,044</b>	<b>-56</b>	<b>-2%</b>
Coke <sup>[2]</sup>	287	283	4	1%	570	569	1	0%

## MINING DIVISION

### Production of iron ore concentrate and pellets

In 2Q 2014, overall output of iron ore concentrate increased by 371 thousand tonnes q-o-q, mainly due to a rise in production of 273 thousand tonnes at Northern Iron Ore Enrichment Works (Northern GOK) in April-May following a decline in production in 1Q 2014 caused by unusually cold weather. In addition, Central Iron Ore Enrichment Works (Central GOK) increased its production of concentrate by 88 thousand tonnes in 2Q 2014 due to a seasonal decline in concentrate production from iron-containing sand in 1Q 2014.

('000 tonnes)	2Q	1Q	Δ	Δ %	1H	1H	Δ	Δ %
	2014	2014	'000 t		2014	2013	'000 t	
<b>Iron ore concentrate (total)</b>	<b>9,191</b>	<b>8,820</b>	<b>371</b>	<b>4%</b>	<b>18,011</b>	<b>18,664</b>	<b>-653</b>	<b>-3%</b>
<b>Iron ore products<sup>[3]</sup></b>	<b>5,289</b>	<b>5,322</b>	<b>-33</b>	<b>-1%</b>	<b>10,612</b>	<b>11,415</b>	<b>-803</b>	<b>-7%</b>
Iron ore concentrate	3,353	3,084	269	9%	6,437	6,932	-495	-7%
Pellets	1,936	2,238	-302	-13%	4,175	4,483	-308	-7%

While production of merchant pellets declined by 13% q-o-q in 2Q 2014 the output of merchant iron ore products remained broadly stable at 5,289 thousand tonnes. This was due to a shift in favour of merchant concentrate, the production of which increased by 9%, in response to the market situation.

In 2Q 2014, the production of merchant concentrate increased by 269 thousand tonnes q-o-q. This was mainly due to a decrease in pellet production of 241 thousand tonnes in favour of concentrate, as well as a significant increase in concentrate output at Northern GOK and Central GOK. At the same time, the production of merchant pellets dropped by 302 thousand tonnes q-o-q, of which 246 thousand tonnes was attributable to the shift in the product mix and 56 thousand tonnes to increased internal consumption of pellets.

In 1H 2014, overall production of iron ore concentrate dropped by 653 thousand tonnes y-o-y, caused by the following factors:

- adverse weather in 1Q 2014, which caused Northern GOK to decrease production by 273 thousand tonnes
- lower Fe content in source ore and an increased share of complex ores, which led to lower productivity at the ore beneficiation factory (OBF-1) at Northern GOK and reduced production by 100 thousand tonnes
- lower Fe content in source ore and a seasonal decline in the production of concentrate from iron-containing sand in 1Q 2014, which caused output to fall by 175 thousand tonnes at Central GOK

In 1H 2014, merchant concentrate production decreased by 495 thousand tonnes y-o-y, of which 480 thousand tonnes was attributable to lower output and 16 thousand tonnes to greater internal consumption. Merchant pellet output fell by 308 thousand tonnes, of which 122 thousand tonnes was due to lower output and 186 thousand tonnes to increased internal consumption.

### Production of coal concentrate

