

Metinvest announces 3Q and 9M 2017 operational results

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 announces its operational results for the third quarter and nine months ended 30 September 2017.

OPERATIONAL HIGHLIGHTS

(kt)	3Q 2017	2Q 2017	Δ kt	Δ %	9M 2017	9M 2016	Δ kt	Δ %
Crude steel	1,802	1,853	-51	-3%	5,725	6,336	-611	-10%
Iron ore concentrate (total)	6,791	6,969	-178	-3%	20,440	22,948	-2,508	-11%
Coal concentrate (total)	577	654	-77	-12%	2,024	2,320	-296	-13%

METALLURGICAL SEGMENT

Hot metal production

(kt)	3Q 2017	2Q 2017	Δ kt	Δ %	9M 2017	9M 2016	Δ kt	Δ %
Hot metal	2,026	2,025	1	0%	6,034	6,613	-579	-9%
Azovstal	868	945	-77	-8%	2,766	2,373	393	17%
Ilyich Steel	1,158	1,080	78	7%	3,021	2,860	161	6%
Yenakieve Steel	0	0	0	0%	247	1,380	-1,133	-82%

Crude steel production

(kt)	3Q 2017	2Q 2017	Δ kt	Δ %	9M 2017	9M 2016	Δ kt	Δ %
Crude steel	1,802	1,853	-51	-3%	5,725	6,336	-611	-10%
Azovstal	999	1,081	-82	-8%	3,165	2,759	406	15%
Ilyich Steel	803	772	31	4%	2,291	2,117	174	8%
Yenakieve Steel	0	0	0	0%	269	1,460	-1,191	-82%

In 3Q 2017, the Group’s hot metal production totalled 2,026 kt, virtually unchanged q-o-q. Output dropped by 77 kt at Azovstal, which was fully compensated by a rise of 78 kt at Ilyich Steel. The fall at Azovstal was due to the ongoing scheduled major overhauls of blast furnace no. 5, which began in 2Q 2017, and of blast furnace no. 4. The increase at Ilyich Steel resulted from greater orders for pig iron.

In 3Q 2017, overall steel production declined by 3% q-o-q to 1,802 kt, driven by a decrease of 82 kt at Azovstal, which was partly offset by an increase of 31 kt at Ilyich Steel. The latter was due to greater hot metal output.

Despite lower y-o-y overall hot metal and crude steel output in 9M 2017, production at both plants in Mariupol increased. Output of hot metal at Azovstal rose by 393 kt, as blast furnace no. 4 was re-launched in February 2016 following a lengthy major overhaul, and steel output increased by 406 kt accordingly. Output of hot metal at

Ilyich Steel climbed by 161 kt following the re-launch of blast furnace no. 4 after a lengthy major overhaul in May 2016, and steel output rose by 174 kt accordingly.

Metal product output [1]

(kt)	3Q 2017	2Q 2017	Δ kt	Δ %	9M 2017	9M 2016	Δ kt	Δ %
Semi-finished products	798	705	93	13%	1,964	1,709	255	15%
Pig iron	442	402	40	10%	989	880	109	12%
Slabs	356	303	53	17%	960	588	372	63%
Square billets	0	0	0	0%	15	241	-226	-94%
Finished products	1,347	1,400	-53	-4%	4,333	4,869	-536	-11%
Flat products	1,120	1,192	-72	-6%	3,494	3,283	211	6%
Long products	175	161	14	9%	691	1,444	-753	-52%
Railway products	8	7	1	14%	31	66	-35	-53%
Tubular products	44	40	4	10%	117	76	41	54%
Large-diameter pipes	0	0	0	0%	1	11	-10	-91%
Other pipes	44	40	4	10%	116	65	51	78%
TOTAL	2,145	2,105	40	2%	6,297	6,578	-281	-4%

In 3Q 2017, the Group's output of merchant semi-finished products rose by 13% q-o-q to 798 kt. This was due to increases of 40 kt in merchant pig iron output and 76 kt in merchant slabs at Ilyich Steel, which offset a drop in merchant slabs of 23 kt at Azovstal.

In 9M 2017, overall output of merchant semi-finished products climbed by 15% y-o-y to 1,964 kt. The main drivers were slabs, up 372 kt, and merchant pig iron, up 109 kt, amid a favourable market trend.

In 3Q 2017, Metinvest's output of finished products declined by 4% q-o-q to 1,347 kt, as:

- output of flat products dropped by 72 kt q-o-q to 1,120 kt due to decreases of 38 kt at the European re-rollers amid annual major overhauls, 26 kt at Ilyich Steel and 8 kt at Azovstal;
- output of long products increased by 14 kt q-o-q to 175 kt, driven by greater production at Azovstal (30 kt), which offset a fall of 16 kt at Promet Steel due to a lack of square billets from Yenakieve Steel;
- rail output slightly increased to 8 kt;
- output of tubular products rose by 4 kt q-o-q due to greater production of other pipes at Ilyich Steel.

In 9M 2017, overall output of finished products decreased by 11% y-o-y to 4,333 kt, as:

- output of flat products rose by 211 kt y-o-y to 3,494 kt amid a market revival: increases in volumes of plates at Azovstal (237 kt) and Ilyich Steel (74 kt) and steel sheets and coils at the European re-rollers (19 kt and 10 kt, respectively) offset lower coil output at Ilyich Steel (129 kt);
- output of long products dropped by 753 kt y-o-y to 691 kt: lower output at Promet Steel (183 kt) amid a lack of billet deliveries from Yenakieve Steel for re-rolling was partly compensated by higher output of long products at Azovstal (106 kt);
- rail output decreased by 35 kt y-o-y amid fewer orders;
- output of tubular products rose by 41 kt y-o-y, as Ilyich Steel boosted production of other pipes due to an increase in capacity.

Coke production [2]

(kt)	3Q 2017	2Q 2017	Δ kt	Δ %	9M 2017	9M 2016	Δ kt	Δ %
Coke production (total)	1,276	1,154	122	11%	3,407	3,316	91	3%

Coke (dry)	420	229	191	83%	859	817	42	5%
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In 3Q 2017, coke output rose by 11% q-o-q to 1,276 kt, driven by greater production of 155 kt at Avdiivka Coke, which offset decreases of 19 kt at Azovstal and 14 kt at Zaporizhia Coke. The rise at Avdiivka Coke resulted from eight coke oven batteries being in operation from May 2017.

In 9M 2017, Metinvest's coke output rose by 3% y-o-y to 3,407 kt. This was driven by increases of 87 kt at Azovstal and 4 kt at Zaporizhia Coke, the former due to more stable coal deliveries. Volumes at Avdiivka Coke remained unchanged y-o-y.

MINING SEGMENT

Iron ore concentrate and pellet output [3]

(kt)	3Q 2017	2Q 2017	Δ kt	Δ %	9M 2017	9M 2016	Δ kt	Δ %
Iron ore concentrate (total)	6,791	6,969	-178	-3%	20,440	22,948	-2,508	-11%
Iron ore products	3,552	4,134	-582	-14%	11,303	13,429	-2,126	-16%
Iron ore concentrate	1,783	2,707	-924	-34%	6,946	8,981	-2,035	-23%
Pellets	1,769	1,427	342	24%	4,357	4,448	-91	-2%

In 3Q 2017, overall production of iron ore concentrate dropped by 3% q-o-q to 6,791 kt. Volumes decreased by 196 kt at Ingulets GOK, which was slightly offset by increases of 11 kt at Northern GOK and 7 kt at Central GOK.

In 3Q 2017, the Group's merchant iron ore products output dropped by 14% q-o-q to 3,552 kt, driven by:

- a decrease in merchant concentrate production of 924 kt amid lower overall concentrate output, higher internal consumption and an increase in pellet production;
- an increase in merchant pellet production of 342 kt, caused by rises of 186 kt at Northern GOK and 156 kt at Central GOK the latter following a decline in 2Q 2017 amid the scheduled six-month refurbishment of roasting machine OK-324.

In 9M 2017, overall output of iron ore concentrate dropped by 11% y-o-y to 20,440 kt, amid a drive to catch up with overburden removal work.

In 9M 2017, the Group's merchant concentrate production totalled 6,946 kt, down 23% y-o-y due to lower concentrate output.

In 9M 2017, overall merchant pellet output dropped by 2% y-o-y to 4,357 kt. This came amid the cessation of shipments to certain customers in the territory not controlled by the government of Ukraine and a shift in pricing in favour of concentrate, which offered higher margins in February-April 2017.

Coal concentrate production [4]

(kt)	3Q 2017	2Q 2017	Δ kt	Δ %	9M 2017	9M 2016	Δ kt	Δ %
Coal concentrate (total)	577	654	-77	-12%	2,024	2,320	-296	-13%
Coal concentrate	38	191	-153	-80%	408	1,080	-672	-62%

In 3Q 2017, Metinvest's coal concentrate production totalled 577 kt, down 12% q-o-q, as mines at United Coal had a week of annual vacation in July.

In 9M 2017, overall coal concentrate production dropped by 13% y-o-y to 2,024 kt. A lower contribution by Krasnodon Coal to the total coal mined by Metinvest (430 kt) was partly compensated by an increase in production of 134 kt at United Coal to cover intragroup needs. The latter was caused by rises of 204 kt at the Wellmore mines and 52 kt at Pocahontas mines, while output dropped by 104 kt at the Carter Roag mines and 18 kt at the Affinity mine as a result of a change in geological conditions.

[1] Excludes intragroup sales and intragroup utilisation; figures for 9M 2016 were updated

Pig iron means merchant pig iron

Flat products include hot-rolled plates and hot-rolled, cold-rolled and hot-dip galvanised sheets and coils

Long products include hot-rolled sections (light, medium, heavy), rebar, merchant bars and wire rod

Rail products include light and heavy rails and rail fasteners

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

[2] Merchant coke production figures exclude intragroup sales and consumption

[3] Figures for production of iron ore materials exclude intragroup sales and consumption

[4] Coal concentrate (total) production figures present coal production in equivalent of coal concentrate. Merchant coal concentrate production excludes intragroup sales and intragroup utilisation.