

Metinvest announces 2Q 2018 and 1H 2018 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 second quarter and the first six months ended 30 June 2018.

OPERATIONAL HIGHLIGHTS [1]

(kt)	2Q 2018	1Q 2018	Δ kt	Δ %	1H 2018	1H 2017	Δ kt	Δ %
Crude steel	1 969	1 825	144	8%	3 794	3 654	140	4%
Iron ore concentrate (total)	7 062	6 924	138	2%	13 987	13 649	338	2%
Coal concentrate (total)	707	633	74	12%	1 340	1 317	23	2%

METALLURGICAL SEGMENT

Hot metal production

(kt)	2Q 2018	1Q 2018	Δ kt	Δ %	1H 2018	1H 2017	Δ kt	Δ %
Hot metal	2 136	2 156	-20	-1%	4 292	3 761	531	14%
Azovstal	1 013	987	26	3%	2 000	1 898	102	5%
Ilyich Steel	1 123	1 169	-46	-4%	2 292	1 863	429	23%

Crude steel production

(kt)	2Q 2018	1Q 2018	Δ kt	Δ %	1H 2018	1H 2017	Δ kt	Δ %
Crude steel	1 969	1 825	144	8%	3 794	3 654	140	4%
Azovstal	1 159	1 022	137	13%	2 181	2 166	15	1%
Ilyich Steel	810	803	7	1%	1 613	1 488	125	8%

In 2Q 2018, the Group’s hot metal output remained around the level of the previous quarter at 2,136 kt. Production at Azovstal increased by 26 kt, partly offsetting a decrease at Ilyich Steel of 46 kt, caused by a scheduled major overhaul on blast furnace no. 3, which lasted for 17.5 days.

In 2Q 2018, Metinvest’s crude steel production rose by 8% q-o-q to 1,969 kt. This was mainly due to an increase in steel output at Azovstal of 137 kt, following the shutdown of basic oxygen furnace no. 1 in 1Q 2018 for a major overhaul lasting 28 days.

In 1H 2018, hot metal production at the Mariupol sites rose by 14% y-o-y to 4,292 kt, as that at Ilyich Steel and Azovstal climbed by 429 kt and 102 kt, respectively. This was due to stable supplies of raw materials, which had been irregular during the corresponding period of 2017, so production of steel and merchant pig iron increased.

Metal product output [2]

(kt)	2Q 2018	1Q 2018	Δ kt	Δ %	1H 2018	1H 2017	Δ kt	Δ %
Semi-finished products	857	787	70	9%	1 644	1 150	494	43%
Pig iron	401	474	-73	-15%	875	546	329	60%
Slabs	456	313	143	46%	769	604	165	27%
Finished products	1 473	1 476	-3	0%	2 949	2 787	162	6%
Flat products	1 232	1 199	33	3%	2 431	2 374	57	2%
Long products	196	231	-35	-15%	427	318	109	34%
Railway products	18	11	7	64%	29	23	6	26%
Tubular products	27	35	-8	-23%	62	72	-10	-14%
TOTAL	2 330	2 263	67	3%	4 593	3 937	656	17%

In 2Q 2018, the Group's output of merchant semi-finished products rose by 9% q-o-q to 857 kt. At the same time, the product mix changed, output of slabs increasing by 143 kt and that of merchant pig iron decreasing by 73 kt.

In 1H 2018, Metinvest's output of merchant semi-finished products climbed by 43% y-o-y to 1,644 kt, as production of merchant pig iron and slabs increased by 329 and 165 kt, respectively, amid a favourable market situation.

In 2Q 2018, the Group's output of finished products remained unchanged q-o-q at 1,473 kt:

- Output of flat products increased by 33 kt to 1,232 kt, due to rises in production at Azovstal and the European re-rolling mills of 25 kt and 28 kt, respectively, which offset a 20 kt decrease at Ilyich Steel;
- Output of long products dropped by 35 kt to 196 kt amid decreases at Promet Steel and Azovstal of 26 kt and 9 kt, respectively, caused by a lack of orders for rolled sections;
- Output of rail products climbed by 7 kt to 18 kt due to more orders from the Ukrainian railway operator, Ukrzaliznytsya;
- Output of pipes edged down by 8 kt to 27 kt.

In 1H 2018, Metinvest's output of finished products increased by 6% y-o-y to 2,949 kt:

- Amid a market recovery, output of flat products increased by 57 kt to 2,431 kt, mainly due to greater production of plates at Ilyich Steel (215 kt) and the European re-rolling mills (18 kt), which offset a decrease in plate output at Azovstal (130 kt) and coil production at Ilyich Steel (46 kt);
- Output of long products increased by 109 kt to 427 kt, as a result of higher production at Promet Steel, as stable supplies of square billets were secured;
- Output of rail products rose by 6 kt to 29 kt due to more orders;
- Production of pipes decreased by 10 kt to 62 kt.

Coke production [3]

(kt)	2Q 2018	1Q 2018	Δ kt	Δ %	1H 2018	1H 2017	Δ kt	Δ %
Coke (total)	1 317	1 346	-29	-2%	2 664	2 131	533	25%
Coke (merchant)	437	362	75	21%	800	439	361	82%

In 2Q 2018, the Group produced 1,317 kt of coke, down 2% q-o-q. However, the y-o-y figure increased by 25%, driven by a 546 kt rise in output at Avdiivka Coke, which offset a minor decrease at Azovstal. Avdiivka Coke has had eight coke oven batteries in operation since May 2017.

Iron ore concentrate and pellet output [4]

(kt)	2Q 2018	1Q 2018	Δ kt	Δ %	1H 2018	1H 2017	Δ kt	Δ %
Iron ore concentrate (total)	7 062	6 924	138	2%	13 987	13 649	338	2%
Iron ore products (merchant)	3 931	3 605	326	9%	7 536	7 751	-215	-3%
Iron ore concentrate	1 910	1 882	28	1%	3 792	5 163	-1 371	-27%
Pellets	2 021	1 723	298	17%	3 744	2 588	1 156	45%

In 2Q 2018, Metinvest's overall iron ore concentrate production rose by 2% q-o-q to 7,062 kt, mainly amid increases in output of 63 kt at Northern GOK and 73 kt at Ingulets GOK.

In 2Q 2018, the Group's output of merchant iron ore products climbed by 9% q-o-q to 3,931 kt due to:

- an increase in merchant concentrate output of 28 kt due to higher overall concentrate output;
- a rise in merchant pellet production of 298 kt, driven by an increase in production at Northern GOK of 392 kt, which offset a decrease at Central GOK of 94 kt. The greater output at Northern GOK stemmed from a drop in internal consumption of 199 kt and a gain in output of 193 kt, amid low output in 1Q 2018 due to a scheduled major overhaul of the Lurgi 552-B roasting machine. The lower output at Central GOK was caused by a scheduled major overhaul of the OK-324 roasting machine in April-May 2018.

In 1H 2018, Metinvest's iron ore concentrate production rose by 2% y-o-y to 13,987 kt. Amid more orders for pellets and greater intragroup consumption of concentrate, output of saleable pellets soared by 45% to 3,744 kt, while that of saleable concentrate dropped by 27% to 3,792 kt.

Coal concentrate production [5]

(kt)	2Q 2018	1Q 2018	Δ kt	Δ %	1H 2018	1H 2017	Δ kt	Δ %
Coal concentrate (total)	707	633	74	12%	1 340	1 317	23	2%
Coal concentrate (merchant)	31	15	16	107%	47	337	-290	-86%

In 2Q 2018, the Group's coal concentrate output grew by 12% q-o-q to 707 kt amid a production ramp-up at United Coal's new section at Carter Roag mine. In 1H 2018, Metinvest's coal concentrate output increased by 2% y-o-y to 1,340 kt.

Pig iron – merchant pig iron

Flat products include hot-rolled plates, as well as 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

Tubular products include other ERW (electric resistance welded) pipes and seamless pipes

[1] Figures for 2017 have been updated: production at assets, control over which has been lost since March 2017, was excluded.

[2] Excludes intragroup sales and intragroup consumption; figures for 2017 pig iron production have been updated

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

[4] Figures for the production of merchant iron ore products exclude intragroup sales and consumption.

[5] Coal concentrate (total) production figures present coal production in equivalent of coal concentrate. Merchant coal concentrate production figures exclude intragroup sales and consumption.

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