

Metinvest announces 4Q and 12M 2016 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 fourth quarter and the 12 months ended 31 December 2016.

OPERATIONAL HIGHLIGHTS

| ('000 tonnes) | 4Q 2016 | 3Q 2016 | Δ ‘000 t | Δ % | 2016 | 2015 | Δ ‘000 t | Δ % |
|------------------------------|------------|------------|-------------|-----|--------|--------|-------------|-----|
| Crude steel | 2,058 | 2,149 | -91 | -4% | 8,393 | 7,669 | 724 | 9% |
| Iron ore concentrate (total) | 6,692 | 7,137 | -445 | -6% | 29,640 | 32,208 | -2,568 | -8% |
| Coal concentrate (total) | 732 | 739 | -7 | -1% | 3,051 | 3,285 | -234 | -7% |

METALLURGICAL SEGMENT

Hot metal production

| ('000 tonnes) | 4Q 2016 | 3Q 2016 | Δ ‘000 t | Δ % | 2016 | 2015 | Δ ‘000 t | Δ % |
|------------------|--------------|--------------|-------------|------------|--------------|--------------|-------------|------------|
| Hot metal | 2,211 | 2,332 | -121 | -5% | 8,821 | 8,050 | 771 | 10% |
| Azovstal | 805 | 821 | -16 | -2% | 3,177 | 2,825 | 352 | 12% |
| Ilyich Steel | 959 | 1,033 | -74 | -7% | 3,818 | 3,577 | 241 | 7% |
| Yenakiieve Steel | 447 | 478 | -31 | -6% | 1,826 | 1,648 | 178 | 11% |

Crude steel production

| ('000 tonnes) | 4Q 2016 | 3Q 2016 | Δ ‘000 t | Δ % | 2016 | 2015 | Δ ‘000 t | Δ % |
|--------------------|--------------|--------------|----------------|------------|--------------|--------------|----------------|-----------|
| Crude steel | 2,058 | 2,149 | -91 | -4% | 8,393 | 7,669 | 724 | 9% |
| Azovstal | 946 | 950 | -4 | 0% | 3,705 | 3,206 | 499 | 16% |
| Ilyich Steel | 620 | 690 | -70 | -10% | 2,736 | 2,645 | 91 | 3% |
| Yenakiieve Steel | 492 | 509 | -17 | -3% | 1,952 | 1,818 | 134 | 7% |

In 4Q 2016, Metinvest’s overall hot metal output decreased by 5% q-o-q to 2,211 thousand tonnes, as production dropped at Azovstal, Ilyich Steel and Yenakiieve Steel. Ilyich Steel reduced hot metal output by 74 thousand tonnes amid lower steel production. This was due to scheduled maintenance repairs of basic oxygen furnaces, as well as delays in supplies of iron ore and coke products stemming from ongoing work to increase the throughput capacity of the Kamyshevo railway station. Yenakiieve Steel’s output decreased by 31 thousand tonnes due to the shutdown of blast furnace no. 5 for a major, scheduled 18-day overhaul in October-November. Output at Azovstal fell by 16 thousand tonnes.

In 4Q 2016, the Group’s crude steel production decreased by 4% q-o-q to 2,058 thousand tonnes. This was mainly due to Ilyich Steel’s steel output falling by 70 thousand tonnes as a result of a scheduled major overhaul of

basic oxygen furnace no. 2 and planned maintenance work on basic oxygen furnaces nos. 1 and 3. Crude steel production decreased by 17 thousand tonnes at Yenakiiie Steel, due to lower hot metal output, and dropped slightly at Azovstal.

In 2016, hot metal output increased by 10% y-o-y to 8,821 thousand tonnes, driven by a partial rebound in production at the Group's steel mills, following a decline in the first half of 2015, as the conflict in Eastern Ukraine continued from the second half of 2014. In particular, due to the conflict, Yenakiiie Steel was shut down completely from 7 February to 16 March 2015 and raw material supplies to Azovstal and Ilyich Steel were constrained. During the reporting period, hot metal output rose by 241 thousand tonnes at Ilyich Steel, 352 thousand tonnes at Azovstal and 178 thousand tonnes at Yenakiiie Steel.

The rise in hot metal output drove crude steel production higher. In 2016, it totalled 8,393 thousand tonnes, up 9% y-o-y, with increases of 91 thousand tonnes at Ilyich Steel, 499 thousand tonnes at Azovstal and 134 thousand tonnes at Yenakiiie Steel.

Metal product output [1]

| ('000 tonnes) | 4Q 2016 | 3Q 2016 | Δ '000 t | Δ % | 2016 | 2015 | Δ '000 t | Δ % |
|-------------------------------|--------------|--------------|-------------|-------------|--------------|--------------|-------------|-------------|
| Semi-finished products | 553 | 668 | -115 | -17% | 2,229 | 2,581 | -352 | -14% |
| Pig iron | 349 | 379 | -30 | -8% | 1,197 | 1,181 | 16 | 1% |
| Slabs | 146 | 236 | -90 | -38% | 734 | 802 | -68 | -8% |
| Square billets | 58 | 53 | 5 | 9% | 298 | 598 | -300 | -50% |
| Finished products | 1,612 | 1,658 | -46 | -3% | 6,485 | 5,644 | 841 | 15% |
| Flat products | 1,103 | 1,072 | 31 | 3% | 4,385 | 4,010 | 375 | 9% |
| Long products | 474 | 536 | -62 | -12% | 1,918 | 1,475 | 443 | 30% |
| Railway products | 7 | 19 | -12 | -63% | 73 | 31 | 42 | 135% |
| Tubular products | 28 | 31 | -3 | -10% | 109 | 128 | -19 | -15% |
| Large-diameter pipes | 4 | 9 | -5 | 0% | 20 | 67 | -47 | -70% |
| Other pipes | 24 | 22 | 2 | 9% | 89 | 61 | 28 | 46% |
| TOTAL | 2,165 | 2,326 | -161 | -7% | 8,714 | 8,225 | 489 | 6% |

In 4Q 2016, output of merchant semi-finished products decreased by 17% q-o-q to 553 thousand tonnes, as merchant slab production was reduced by 90 thousand tonnes amid greater intragroup consumption. Merchant pig iron production fell by 30 thousand tonnes due to a decline in hot metal output.

In 2016, output of merchant semi-finished products fell by 14% y-o-y to 2,229 thousand tonnes, as output of slabs and square billets decreased by 68 thousand tonnes and 300 thousand tonnes, respectively, amid a shift to higher-margin finished products. Merchant pig iron output increased by 16 thousand tonnes, driven by more favourable market conditions.

In 4Q 2016, output of finished products decreased by 46 thousand tonnes q-o-q to 1,612 thousand tonnes.

In 4Q 2016, output of flat products increased by 31 thousand tonnes q-o-q to 1,103 thousand tonnes. This was due to higher output at the European re-rolling mills, following comparatively low production in 3Q 2016 amid a complete shutdown of the facilities for annual major overhauls in August.

In 4Q 2016, output of long products decreased by 62 thousand tonnes q-o-q. This was due to a decline of 39 thousand tonnes at Yenakiiie Steel, amid maintenance works on Mill 150 (12 days) and Mill 550 (7 days), and of 28 thousand tonnes at Promet Steel, as a result of a seasonal drop in demand. An increase in output of 5 thousand tonnes at Azovstal offset this slightly.

In 4Q 2016, output of rails dropped by 12 thousand tonnes, driven by a lack of orders.

In 4Q 2016, output of tubular products decreased q-o-q by 3 thousand tonnes, due to a decline in large-diameter pipe (LDP) production at Khartsyzk Pipe.

In 2016, output of finished goods rose by 15% y-o-y to 6,485 thousand tonnes.

As the steel market revived, output of flat products increased by 375 thousand tonnes, mainly due to a rise in plate production of 450 thousand tonnes at Ilyich Steel and 120 thousand tonnes at Azovstal, along with rises in plate and coil production at the European re-rolling mills of 30 thousand tonnes and 13 thousand tonnes, respectively. This compensated a decrease in coil production of 238 thousand tonnes at Ilyich Steel.

Long product output increased by 443 thousand tonnes, driven by the resumption of operations at Yenakieve Steel and its Makiivka branch (315 thousand tonnes) and increases of 40 thousand tonnes at Azovstal and 88 thousand tonnes at Promet Steel, as deliveries of billets from Yenakieve Steel for re-rolling at Promet Steel stabilised.

Rail output increased by 42 thousand tonnes, driven by supplies to Ukrzaliznytsya and the fulfilment of orders from Uzbekistan.

Tubular product output dropped by 19 thousand tonnes, due to a decline in LDP production of 47 thousand tonnes at Khartsyzk Pipe, which was partly offset by a rise in output of other pipes of 28 thousand tonnes at Ilyich Steel. Khartsyzk Pipe had been idle amid a lack of LDP orders from June 2015 to the middle of 2016.

Coke production [2]

| ('000 tonnes) | 4Q 2016 | 3Q 2016 | Δ '000 t | Δ % | 2016 | 2015 | Δ '000 t | Δ % |
|--------------------------------|--------------|--------------|-------------|-------------|--------------|--------------|-------------|-----------|
| Coke production (total) | 1,009 | 1,126 | -117 | -10% | 4,325 | 4,087 | 238 | 6% |
| Coke (dry) | 233 | 282 | -49 | -17% | 1,050 | 834 | 216 | 26% |

In 4Q 2016, coke output decreased by 10% q-o-q to 1,009 thousand tonnes amid a decrease in overall production.

In 2016, coke output increased by 6% q-o-q to 4,325 thousand tonnes, driven by a rise of 410 thousand tonnes at Avdiivka Coke, as operations were relatively stable during the year, and of 50 thousand tonnes at Zaporizhia Coke, as the coking chambers of coke oven no. 2 were commissioned. This compensated declines in coke output of 71 thousand tonnes at Azovstal and 151 thousand tonnes at Donetsk Coke

[3]

.

On average, in 2016, the Group used around 76% of overall coke output for own hot metal production.

MINING SEGMENT

Iron ore concentrate and pellet output [4]

| ('000 tonnes) | 4Q 2016 | 3Q 2016 | Δ '000 t | Δ % | 2016 | 2015 | Δ '000 t | Δ % |
|-------------------------------------|--------------|--------------|-------------|------------|---------------|---------------|---------------|-------------|
| Iron ore concentrate (total) | 6,692 | 7,137 | -445 | -6% | 29,640 | 32,208 | -2,568 | -8% |
| Iron ore products | 3,664 | 3,989 | -325 | -8% | 17,093 | 20,382 | -3,289 | -16% |
| Iron ore concentrate | 1,965 | 2,602 | -637 | -24% | 10,946 | 13,714 | -2,768 | -20% |
| Pellets | 1,699 | 1,387 | 312 | 22% | 6,147 | 6,668 | -521 | -8% |

In 4Q 2016, overall production of iron ore concentrate decreased by 445 thousand tonnes q-o-q to 6,692 thousand tonnes, due to the need to restore overburden removal volumes, which fell amid the liquidity constraints in 2014 and 1H 2016. Thus, Northern GOK reduced output by 278 thousand tonnes, Central GOK by 98 thousand tonnes and Ingulets GOK by 69 thousand tonnes.

In 4Q 2016, merchant iron ore product output fell by 8% q-o-q to 3,664 thousand tonnes. Output decreased by 325 thousand tonnes due to a drop in merchant concentrate production of 637 thousand tonnes, which was partly offset by an increase in output of higher-margin merchant pellets of 312 thousand tonnes.

Merchant concentrate output decreased by 637 thousand tonnes, as general iron ore concentrate production fell by 445 thousand tonnes and 203 thousand tonnes of general concentrate were redistributed for pellet production. This was partly offset by a decline in intragroup consumption of 12 thousand tonnes.

In 4Q 2016, merchant pellets output rose by 312 thousand tonnes. This was due to an increase of 357 thousand tonnes at Northern GOK, following the commissioning of the Lurgi 278A roasting machine after a scheduled major overhaul; comparatively low output in 3Q 2016, as a result of scheduled maintenance work on the OK-306 roasting machine (258 thousand tonnes); and lower intragroup consumption (99 thousand tonnes). This compensated a decrease in output at Central GOK of 46 thousand tonnes, caused by the shutdown of the OK-324 roasting machine for planned maintenance.

In 2016, overall iron ore concentrate output decreased by 8% y-o-y to 29,640 thousand tonnes, due to the need to restore the rate and pace of overburden removal.

In 2016, merchant concentrate output totalled 10,946 thousand tonnes, down 20% y-o-y. This was due to lower overall concentrate output and the redirection of iron ore concentrate for pellet production for intragroup consumption.

In 2016, total output of merchant pellets fell by 8% y-o-y to 6,147 thousand tonnes due to increased intragroup consumption.

Coal concentrate production [5]

| ('000 tonnes) | 4Q 2016 | 3Q 2016 | Δ '000 t | Δ % | 2016 | 2015 | Δ '000 t | Δ % |
|---------------------------------|------------|------------|-------------|------------|--------------|--------------|-------------|------------|
| Coal concentrate (total) | 732 | 739 | -7 | -1% | 3,051 | 3,285 | -234 | -7% |
| Coal concentrate | 360 | 332 | 28 | 8% | 1,440 | 1,715 | -275 | -16% |

In 4Q 2016, coal concentrate production slightly decreased q-o-q to 732 thousand tonnes. Krasnodon Coal's output fell by 45 thousand tonnes amid a shortage of rolling stock for shipping finished goods. United Coal increased coal concentrate output by 38 thousand tonnes, as it commissioned an additional coal mining section at the Affinity mine in 4Q 2016.

In 2016, coal concentrate production dropped by 7% y-o-y to 3,051 thousand tonnes. Mining at United Coal fell by 638 thousand tonnes, due to the unfavourable market environment in 1Q and 2Q 2016, as well as difficult geological conditions. Coal mining at Krasnodon Coal increased by 440 thousand tonnes due to intermittent opportunities to ship finished goods.

[1] Excludes intragroup sales and intragroup utilisation

Pig iron – merchant pig iron

Flat products include rolled plates, 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

Large diameter pipes are LSAW (longitudinally submerged arc-welded) large-diameter pipes

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

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

[3] Donetsk Coke was stopped for cold mothballing in 4Q 2015.

[4] The figures for production of iron ore materials exclude intragroup sales and consumption.

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

