

Trading update for the first nine months of 2016

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 2016.

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 2016	9M 2015	Change
Revenues	4,568	5,397	-15%
Adjusted EBITDA ¹	989	816	21%
margin	22%	15%	7 pp
CAPEX ²	199	191	4%

(US\$ million)	30 Sep 2016	31 Dec 2015	Change
Total debt	2,907	2,946	-1%
Cash and cash equivalents ³	239	180	33%
Net debt ⁴	2,668	2,766	-4%

1. Adjusted EBITDA is calculated as earnings before income tax, financial income and costs, depreciation and amortisation, impairment and devaluation of property, plant and equipment, foreign exchange gains and losses (starting from 1 January 2015), the share of results of associates and other expenses that the management considers non-core, plus the share in EBITDA of joint ventures. We will refer to adjusted EBITDA as EBITDA throughout this release.

2. CAPEX is calculated on an accrual basis (recognition).

3. Cash and cash equivalents do not include blocked cash for cash collateral under issued letters of credit and irrevocable bank guarantees and include cash blocked for foreign currency purchases.

4. Net debt is calculated as the sum of long-term and short-term loans and borrowings and seller notes less cash and cash equivalents.

Revenues

In 9M 2016, Metinvest's consolidated revenues decreased by 15% y-o-y to US\$4,568 million. This was primarily due to lower selling prices of steel, iron ore and coal products, which hit their lowest over the last 10 years in 1Q 2016. Since then, prices have recovered to some extent but have remained volatile. In addition, weak demand in key markets caused sales volumes of flat products, pipes, coke and pellets to drop.

Revenues in Ukraine totalled US\$1,148 million in 9M 2016, down 5% y-o-y. The decline was mainly driven by lower sales prices of key products, as well as lower volumes of coke and coking coal concentrate. This was partly compensated by higher sales volumes of flat, long and iron ore products. Meanwhile, the share of Ukraine in consolidated revenues increased by 3 percentage points (pp) y-o-y to 25%.

International sales dropped by 18% y-o-y to US\$3,420 million, while the breakdown by market changed. The proportion of sales to Europe rose by 3 pp y-o-y to 36%, mainly due to higher sales volumes of long and iron ore products. The share of the Middle East and North Africa (MENA) dropped by 3 pp y-o-y to 16% amid lower selling prices of key products and sales volumes of pig iron, billets and pellets. The proportion of sales to Southeast Asia decreased by 4 pp y-o-y to 8%, driven by lower selling prices and volumes of flat and iron ore products. The share of North America increased by 1 pp y-o-y to 5%, mainly due to greater sales of pig iron and coking coal concentrate.

Revenues by market	9M16		9M15		Change, y-o-y		
	US\$m	% of revenues	US\$m	% of revenues	US\$m	%	pp of revenues
Total revenues	4,568	100%	5,397	100%	-828	-15%	-
Ukraine	1,148	25%	1,204	22%	-56	-5%	3
Europe	1,624	36%	1,804	33%	-180	-10%	3
MENA	735	16%	1,041	19%	-306	-29%	-3
CIS (ex Ukraine)	409	9%	460	9%	-51	-11%	-
incl. Russia	356	8%	347	6%	9	3%	2
Southeast Asia	356	8%	646	12%	-291	-45%	-4
North America	244	5%	191	4%	53	28%	1
Other regions	53	1%	51	1%	2	5%	-

Metallurgical segment

The Metallurgical segment generates revenues from sales of pig iron, steel and coke products and services. In 9M 2016, its top line fell by 14% y-o-y to US\$3,681 million. The drop was attributable to lower sales of flat (US\$351 million), semi-finished (US\$164 million), tubular (US\$62 million) and coke (US\$93 million) products. Meanwhile, sales of long products and other products and services rose by US\$73 million and US\$22 million respectively. The share of finished products in the steel sales mix rose to 77% in 9M 2016, up 2 pp y-o-y, as more square billets were reallocated for making higher-margin long products. In 9M 2016, the segment accounted for 81% of external sales (79% in 9M 2015).

Metallurgical segment Sales by market	9M16			9M15			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	3,681	100%	9,349	4,256	100%	9,505	-575	-156	-14%	-2%
Ukraine	806	22%	1,858	844	20%	1,827	-38	31	-5%	2%
Europe	1,448	39%	3,541	1,668	39%	3,597	-220	-56	-13%	-2%

MENA	734	20%	2,147	1,011	24%	2,443	-277	-296	-27%	-12%
CIS (ex Ukraine)	409	11%	838	460	11%	887	-51	-49	-11%	-6%
incl. Russia	356	10%	712	347	8%	710	9	2	3%	0%
Southeast Asia	67	2%	203	116	3%	262	-50	-59	-43%	-22%
North America	164	4%	610	106	2%	367	58	243	55%	66%
Other regions	53	1%	151	51	1%	122	2	29	5%	24%

Metallurgical segment Sales by product	9M16		9M15		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	528	1,946	692	2,091	-164	-145	-24%	-17%	-7%
Pig iron	260	1,073	293	1,039	-34	34	-11%	-15%	3%
incl. Zaporizhstal	27	120	56	185	-30	-65	-52%	-17%	-35%
Slabs	186	594	213	564	-27	30	-13%	-18%	5%
Square billets	83	279	186	488	-104	-209	-56%	-13%	-43%
Finished products	2,742	6,561	3,083	6,404	-341	157	-11%	-14%	2%
Flat products	2,139	5,125	2,490	5,228	-351	-103	-14%	-12%	-2%
incl. Zaporizhstal	702	1,955	896	2,077	-193	-122	-22%	-16%	-6%
Long products	603	1,435	530	1,111	73	324	14%	-15%	29%
Tubular products	1	1	63	65	-62	-64	-99%	0%	-98%
Coke	118	842	212	1,010	-93	-168	-44%	-28%	-17%
Other products and services	292	-	270	-	22	-	8%	-	-
Total sales	3,681	9,349	4,256	9,505	-575	-156	-14%	-12%	-2%

Pig iron

In 9M 2016, sales of pig iron decreased by 11% y-o-y to US\$260 million, primarily due to a slump in selling prices. At the same time, sales volumes increased by 3% y-o-y (or 34 thousand tonnes) to 1,073 thousand tonnes, driven by higher overall production (38 thousand tonnes) and destocking (66 thousand tonnes). This was partly offset by lower re-sales of Zaporizhstal's pig iron, which declined by 65 thousand tonnes y-o-y to 120 thousand tonnes in 9M 2016. Sales volumes in Southeast Asia increased by 24 thousand tonnes y-o-y, due to shipments to a new client in Bangladesh. Sales volumes in North America increased by 216 thousand tonnes y-o-y, as new long-term contracts with US customers were concluded. To fulfil its obligations under these contracts, Metinvest redirected volumes from other markets: 126 thousand tonnes from MENA, 12 thousand tonnes from Europe and 35 thousand tonnes from other regions.

Slabs

In 9M 2016, sales of slabs declined by 13% y-o-y to US\$186 million. This was caused by a drop in the average selling price (-18 pp), partly compensated by higher sales volumes (+5 pp). In the period, volumes increased by 30 thousand tonnes y-o-y to 594 thousand tonnes, amid greater demand in Southeast Asia, MENA and other regions. At the same time, volumes to Europe decreased by 33 thousand tonnes y-o-y, mainly due to lower sales to Italy.

Square billets

In 9M 2016, sales of square billets decreased by 56% y-o-y to US\$83 million, of which 13 pp was attributable to a slump in the average selling price and 43 pp to a drop in sales volumes, mainly to MENA, amid lower production. Meanwhile, MENA remained the main market, accounting for 51% of total sales volumes, supported by regular sales to key clients. Sales volumes to other regions increased by 20 thousand tonnes y-o-y, due to some

Flat products

Long products

Tubular products

Coke

Mining segment

[illegible]

Mining segment Sales by product	9M16		9M15		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
Iron ore products	718	14,196	914	15,230	-196	-1,034	-21%	-15%	-7%
Merchant iron ore concentrate	436	9,838	489	9,515	-53	323	-11%	-14%	3%
Pellets	282	4,358	424	5,714	-143	-1,356	-34%	-10%	-24%
Coking coal concentrate	107	1,347	132	1,340	-25	7	-19%	-20%	1%
Other products and services	63	-	95	-< https://metinvestholding.com/ro/media/news/7346					