

## Metinvest announces 1Q 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 first quarter ended 31 March 2018.

### OPERATIONAL HIGHLIGHTS

(kt)	1Q 2018	4Q 2017	Δ kt	Δ %	1Q 2018	1Q 2017	Δ kt	Δ %
Crude steel	1 825	1 906	-81	-4%	1 825	2 070	-245	-12%
Iron ore concentrate (total)	6 924	7 024	-100	-1%	6 924	6 680	244	4%
Coal concentrate (total)	633	566	67	12%	633	792	-159	-20%

### METALLURGICAL SEGMENT

#### Hot metal production

(kt)	1Q 2018	4Q 2017	Δ kt	Δ %	1Q 2018	1Q 2017	Δ kt	Δ %
<b>Hot metal</b>	<b>2 156</b>	<b>2 154</b>	<b>2</b>	<b>0%</b>	<b>2 156</b>	<b>1 984</b>	<b>172</b>	<b>9%</b>
Azovstal	987	1 011	-24	-2%	987	953	34	4%
Ilyich Steel	1 169	1 143	26	2%	1 169	784	385	49%
Yenakiieve Steel	0	0	0	0%	0	247	-247	-100%

#### Crude steel production

(kt)	1Q 2018	4Q 2017	Δ kt	Δ %	1Q 2018	1Q 2017	Δ kt	Δ %
<b>Crude steel</b>	<b>1 825</b>	<b>1 906</b>	<b>-81</b>	<b>-4%</b>	<b>1 825</b>	<b>2 070</b>	<b>-245</b>	<b>-12%</b>
Azovstal	1 022	1 100	-78	-7%	1 022	1 085	-63	-6%
Ilyich Steel	803	806	-3	0%	803	716	87	12%
Yenakiieve Steel	0	0	0	0%	0	269	-269	-100%

In 1Q 2018, the Group's hot metal output remained almost unchanged q-o-q at 2,156 kt. The increase in production at Ilyich Steel of 26 kt fully offset the decrease in output at Azovstal of 24 kt, caused by a scheduled major overhaul on blast furnace no. 6, which lasted for nine days.

In 1Q 2018, Metinvest's crude steel production fell by 4% q-o-q to 1,825 kt. This was mainly due to a reduction in steel output at Azovstal of 78 kt, amid a shutdown of basic oxygen furnace no. 2 for a scheduled major overhaul of 28 days.

In 1Q 2018, hot metal production at the Mariupol sites increased by 24% y-o-y. Hot metal output at Ilyich Steel rose by 385 kt y-o-y, driven by a stable supply of raw materials, which had been irregular in 1Q 2017, thus increasing production of steel and merchant pig iron.

### Metal product output [1]

(kt)	1Q 2018	4Q 2017	Δ kt	Δ %	1Q 2018	1Q 2017	Δ kt	Δ %
<b>Semi-finished products</b>	<b>788</b>	<b>797</b>	<b>-9</b>	<b>-1%</b>	<b>788</b>	<b>460</b>	<b>328</b>	<b>71%</b>
Pig iron	474	414	60	14%	474	144	330	229%
Slabs	313	383	-70	-18%	313	301	12	4%
Square billets	1	0	1	0%	1	15	-14	-93%
<b>Finished products</b>	<b>1 476</b>	<b>1 472</b>	<b>4</b>	<b>0%</b>	<b>1 476</b>	<b>1 586</b>	<b>-110</b>	<b>-7%</b>
Flat products	1 199	1 181	18	2%	1 199	1 182	17	1%
Long products	231	221	10	5%	231	355	-124	-35%
Railway products	11	36	-25	-69%	11	16	-5	-31%
Tubular products	35	34	1	3%	35	33	2	6%
<b>TOTAL</b>	<b>2 264</b>	<b>2 269</b>	<b>-5</b>	<b>0%</b>	<b>2 264</b>	<b>2 046</b>	<b>218</b>	<b>11%</b>

In 1Q 2018, the Group's output of merchant semi-finished products remained largely unchanged q-o-q at 788 kt. At the same time, hot metal utilisation was redistributed, increasing output of merchant pig iron by 60 kt and decreasing production of merchant slabs by 70 kt.

In 1Q 2018, Metinvest's output of merchant semi-finished products climbed by 71% y-o-y, as production of merchant pig iron and slabs increased by 330 and 12 kt, respectively, amid a favourable market situation.

In 1Q 2018, the Group's output of finished products remained almost unchanged q-o-q at 1,476 kt.

- Output of flat products increased by 18 kt to 1,199 kt, due to a rise in production at Ilyich Steel of 73 kt, which offset a 41 kt decrease at Azovstal caused by lower steel output and a 14 kt fall at the European re-rolling mills.
- Output of long products rose by 10 kt to 231 kt, due to an increase at Promet Steel of 17 kt amid improved business relations with square billet suppliers, which helped offset a reduction at Azovstal of 7 kt, caused by a lack of orders for rolled sections.
- Output of rail products dropped by 25 kt to 11 kt due to fewer orders from the Ukrainian railway operator, Ukrzaliznytsya.
- Output of pipes edged down by 1 kt to 35 kt.

In 1Q 2018, Metinvest's output of finished products fell by 7% y-o-y.

- Amid a market recovery, output of flat products increased by 17 kt, mainly due to greater production of plates at Ilyich Steel (134 kt) and the European re-rolling mills (6 kt), offsetting a decrease in plate output at Azovstal (101 kt), as well as coil production at Ilyich Steel (16 kt) and the European re-rolling mills (6 kt).
- Output of long products decreased by 124 kt, while output at Promet Steel and Azovstal increased by 68 and 6 kt, respectively.
- Output of rail products fell by 5 kt amid fewer orders.
- Output of pipes increased by 2 kt.

### Coke production [2]

(kt)	1Q 2018	4Q 2017	Δ kt	Δ %	1Q 2018	1Q 2017	Δ kt	Δ %
<b>Coke (total)</b>	<b>1 346</b>	<b>1 329</b>	<b>17</b>	<b>1%</b>	<b>1 346</b>	<b>977</b>	<b>369</b>	<b>38%</b>
Coke (merchant)	362	350	12	3%	362	210	152	72%

In 1Q 2018, the Group produced 1,346 kt of coke, up 1% q-o-q and 38% y-o-y. The y-o-y increase was largely driven by a 349 kt rise in production at Avdiivka Coke, which has had eight coke-oven batteries in operation since May 2017.

## MINING SEGMENT

### Iron ore concentrate and pellet output [3]

(kt)	1Q 2018	4Q 2017	Δ kt	Δ %	1Q 2018	1Q 2017	Δ kt	Δ %
<b>Iron ore concentrate (total)</b>	<b>6 924</b>	<b>7 024</b>	<b>-100</b>	<b>-1%</b>	<b>6 924</b>	<b>6 680</b>	<b>244</b>	<b>4%</b>
<b>Iron ore products (merchant)</b>	<b>3 605</b>	<b>3 763</b>	<b>-158</b>	<b>-4%</b>	<b>3 605</b>	<b>3 617</b>	<b>-12</b>	<b>0%</b>
Iron ore concentrate	1 882	2 378	-496	-21%	1 882	2 456	-574	-23%
Pellets	1 723	1 385	338	24%	1 723	1 161	562	48%

In 1Q 2018, Metinvest's overall iron ore concentrate production slightly dropped q-o-q to 6,924 kt amid decreases in output at Central GOK and Northern GOK of 167 and 108 kt, respectively, which were offset by a 175 kt increase at Ingulets GOK. Production rose at Ingulets GOK due to the stable operation of ore beneficiation plant no. 2. Output at Central OK dropped amid lower operational efficiency of transportation equipment and increased stripping operations.

In 1Q 2018, the Group's output of merchant iron ore products dropped by 4% q-o-q to 3,605 kt due to:

- a decrease in merchant concentrate output of 496 kt amid lower overall concentrate output and higher output of merchant pellets;
- an increase in merchant pellet production of 338 kt, caused by rises in production at Northern GOK and Central GOK of 228 and 110 kt, respectively, following low output in 4Q 2017 due to scheduled major overhauls and changes in the order book in favour of pellets.

In 1Q 2018, Metinvest's overall iron ore concentrate production rose by 4% y-o-y. That said, output of merchant concentrate decreased by 23% y-o-y to 1,882 kt due to higher intragroup consumption (456 kt) and the redirection of iron ore concentrate for pellet production (118 kt). Merchant pellet output increased by 48% y-o-y to 1,723 kt amid lower intragroup consumption (185 kt) and changes in the order book in favour of pellets (377 kt).

### Coal concentrate production [4]

(kt)	1Q 2018	4Q 2017	Δ kt	Δ %	1Q 2018	1Q 2017	Δ kt	Δ %
Coal concentrate (total)	633	566	67	12%	633	792	-159	-20%
Coal concentrate (merchant)	15	37	-22	-59%	15	178	-163	-92%

In 1Q 2018, production of coal concentrate at United Coal grew by 12% q-o-q to 633 kt due to improved available operating time, as there was no annual leave period.

In 1Q 2018, output of coal concentrate dropped by 20% y-o-y, mainly due to the cessation of coal production in Ukraine.

[1] Excludes intragroup sales and intragroup consumption; figures for 2017 were updated

**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

**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 the production of merchant iron ore products exclude intragroup sales and consumption.

[4] Overall coal concentrate production figures present coal production in equivalent of coal concentrate.  
Merchant coal concentrate production figures exclude intragroup sales and consumption.

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