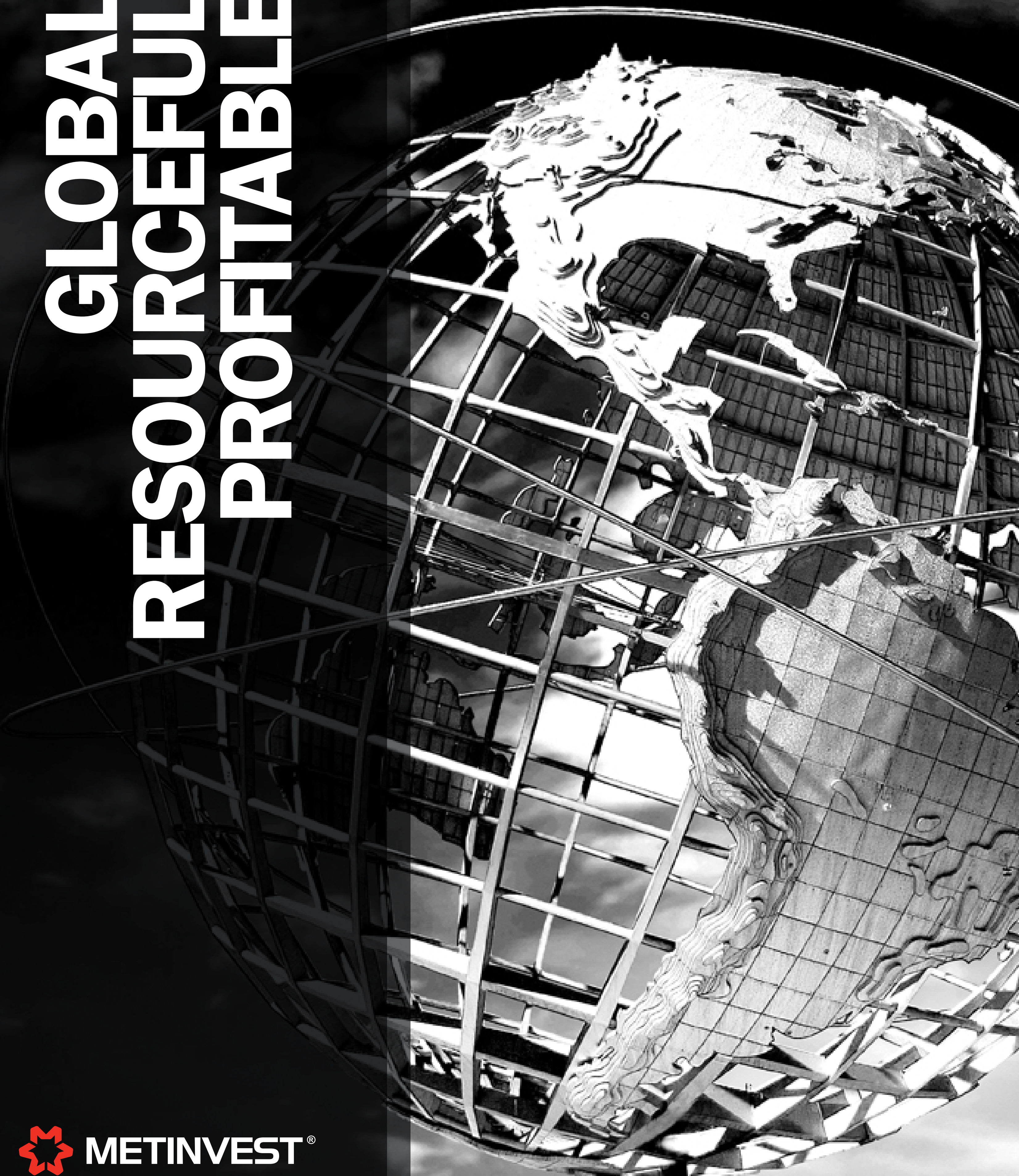
GLOBAL RESOURCEFUL PROFITABLE



METINVEST®

ANNUAL REPORT 2011

METINVEST IS A VERTICALLY INTEGRATED STEEL AND MINING GROUP THAT HAS ASSETS IN UKRAINE, EUROPE AND THE US AND SELLS PRODUCTS THROUGH A GLOBAL NETWORK. WE ARE RESOURCEFUL, MANAGING EVERY LINK OF THE VALUE CHAIN, FROM MINING AND PROCESSING IRON ORE AND COAL TO MAKING AND SELLING STEEL PRODUCTS. WITH A CLEAR STRATEGY AND THE RIGHT BUSINESS MODEL IN PLACE, WE FOCUS ON DELIVERING LONG-TERM PROFITABLE GROWTH ON BEHALF OF ALL OUR STAKEHOLDERS.

AIMS AND AMBITIONS

WHAT ARE OUR AIMS AND AMBITIONS?

Hear from our Chairman about our business vision. Learn about our objectives and the opportunities that we see ahead in the global market, as well as our commitment to safety and the environment.

CREATING VALUE

HOW DO WE CREATE VALUE FOR OUR STAKEHOLDERS?

See how our business and operating models work to deliver long-term value for all our stakeholders. Meet our senior management team and learn about how our vast experience in steel and finance helps us to create value.

SUSTAINABLE GROWTH

HOW DO WE ENSURE SUSTAINABLE GROWTH?

Hear from our General Director about our operational and financial performance in 2011. Read about our Corporate Strategy and Technological Strategy, the blueprints for becoming a true leader and creating a business that is sustainable from a commercial, environmental and community viewpoint. See how we rate our sustainability by learning about the KPIs for our business.

PROFITABLE BUSINESS

HOW PROFITABLE IS OUR BUSINESS?

Our Finance Director discusses our financial results in 2011, including the robust performance on the top and bottom lines, and explains how our prudent strategy and strong corporate governance are working for investors.

PERFORMING GLOBALLY

HOW ARE WE PERFORMING GLOBALLY?

See how our Steel and Mining divisions performed in 2011 and how our global sales network allows us to deliver high-quality, value-added products to customers worldwide.

RESPONSIBLE BUSINESS

WHAT MAKES US A RESPONSIBLE BUSINESS?

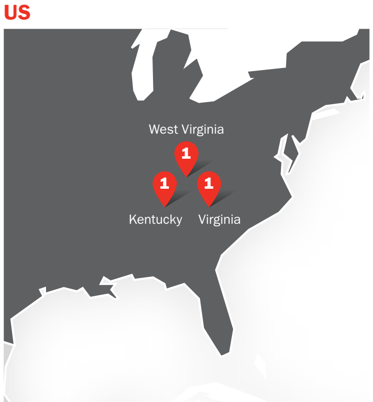
Learn how we measure and manage risks. See how we make the workplace safer, minimise our environmental impact, work with local communities, and promote good corporate governance.

GLOBAL

GLOBAL PRESENCE

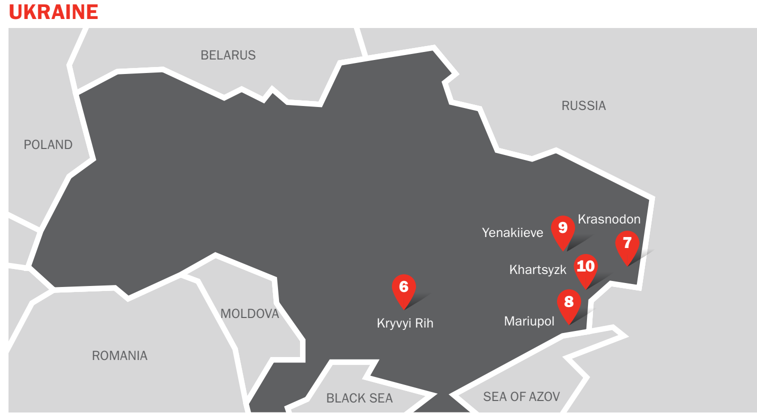
A unique Ukrainian story and an employer of over 100,000 people in various countries, Metinvest is a truly multinational company. We are a leading steel company in the CIS and one of the top 25 steelmakers and top 10 iron ore producers in the world. Our major assets are located in a low-cost region, while our unique geographical position between Europe and the CIS ensures access to key markets. We have mining, steelmaking and rolling assets in Ukraine, Italy, Bulgaria, the UK and the US, as well as a global distribution network and sales offices in more than 75 countries.

US



EUROPE

UKRAINE



1.	UNITED COAL
Mining	Coking coal
Volume	5,692KT
Mining	Steam coal
Volume	2,013KT

2.	SPARTAN UK
Production	Plates
Volume	152KT

3.	METINVEST TRAMETAL
Production	Plates
Volume	507KT

4.	FERRIERA VALSIDER
Production	Plates and coils
Volume	579KT

5.	PROMET STEEL
Production	Shapes and bars
Volume	360KT

6.	INGULETS GOK
Production	Iron ore concentrate
Volume	15,133KT

6.	NORTHERN GOK
Production	Iron ore concentrate
Volume	14,424KT

6.	CENTRAL GOK
Production	Iron ore concentrate
Volume	6,184KT

7.	KRASNODON COAL
Mining	Coking coal
Volume	5,647KT

8.	ILYICH STEEL
Production	Crude steel
Volume	6,122KT

8.	AZOVSTAL
Production	Crude steel
Volume	5,584KT

9.	YENAKIIEVE STEEL
Production	Crude steel
Volume	2,669KT

10.	KHARTSYZK PIPE
Production	Large-diameter pipes
Volume	631KT

RESOURCEFUL

SELF-SUFFICIENCY IN IRON ORE AND COAL IS CRITICAL TO BUILDING A VERTICALLY INTEGRATED STEELMAKER. ONE OF OUR KEY COMPETITIVE ADVANTAGES IS OUR FORMIDABLE RESOURCE BASE OF IRON ORE AND HIGH-QUALITY HARD COKING COAL. OUR LONG-TERM STRATEGY ENVISIONS EXPANDING OUR STEEL PRODUCTION CAPACITY TO CONSUME 100% OF OUR EXISTING IRON ORE PRODUCTION WHILE DEVELOPING ADDITIONAL COKING COAL PRODUCTION CAPACITY TO COVER OUR GROWING OUTPUT. A CAPTIVE RESOURCE BASE PROVIDES LONG-TERM SECURITY AND CONTROL OVER THE VALUE CHAIN.

IRON ORE

Metinvest is the leading producer of iron ore in Ukraine and one of the top 10 in the world. We have 7,433 million tonnes of long-life mineral resources, including 1,867 million tonnes of proven and probable iron ore reserves[1]. This ensures a long-term and secure supply of iron ore to meet our ambitious targets for steel production.

We operate three iron ore facilities in Ukraine – Ingulets GOK, Northern GOK and Central GOK – as well as Komsomolske Flux Plant, one of the country's leading producers of flux and limestone.

Our facilities mainly make concentrate and pellets, and we produce 185% of the iron ore concentrate needed by our steel plants. In 2011, they consumed 47.4% of our output, while the remainder went to third-party customers, primarily in Ukraine, Europe and Asia. We are making major investments at our facilities to improve the quality of the iron ore products we supply to our steelmaking assets and external customers.

COAL

We have some 635 million tonnes[2] of captive long-life coal reserves in Ukraine and the US, including 160 million tonnes of high-quality coal at our US assets. In 2011, our coking coal production covered 65%[3] of our internal needs, a figure we aim to increase through investments in our coal assets.

We operate two coal companies: Krasnodon Coal in Ukraine and United Coal in the US. They primarily mine coking coal and produce concentrate. In addition, United Coal mines steam coal, which Metinvest does not use in its production, so all of it is sold on the market. Our current investments are aimed at developing the US mines to enhance our self-sufficiency in hard coking coal and maintain current production capacity at the Ukrainian mines. Major projects include the development of the Affinity and Roaring Creek mining complexes at United Coal. In 2010, we began regular shipments of coking coal from our US mines to our Ukrainian production coke facilities using Panamax vessels.

1 As of 31 December 2009 according to JORC standards.
2 As of 31 December 2011 (unaudited).
3 Assumes that all coking coal mined in the US is shipped to Metinvest's facilities in Ukraine.

Iron Ore Reserves

1,867MT

Northern GOK	713MT	38.2%
Central GOK	710MT	38.0%
Ingulets GOK	444MT	23.8%

Coal Reserves

635MT

Krasnodon Coal	475MT	74.8%
United Coal	160MT	25.2%

PROFITABLE

HIGHLIGHTS

Revenues

US$14,189M +51.6%

Revenues reached US$14,189 million, 51.6% higher than the US$9,358 million in 2010, driven mainly by record sales of steel and iron ore products.

Capital Expenditure

US$1,165M +100.2%

Capital expenditure doubled, as Metinvest made major investments in modernising its plants, in line with its long-term technological programme.

Adjusted EBITDA[1]

US$3,565M +39.7%

Adjusted EBITDA amounted to US$3,565 million, 39.7% higher than the US$2,552 million in 2010, as Metinvest maintained a solid margin of 25.1% despite challenging macroeconomic conditions.

Crude Steel Production

14,375KT +64.4%

Crude steel output reached a record 14,375 thousand tonnes, up 64.4% year-on-year, due to the consolidation of Ilyich Steel and enhanced efficiency.

Net Profit

US$1,854M +324.3%

Net profit soared to US$1,854 million, over four times higher than the US$437 million in 2010, reflecting prudent cost management and greater sales of high-margin products.

Iron Ore Concentrate Production

35,741KT +0.0%

Iron ore output held steady at record levels, as Metinvest focused on investments in improving the quality of the raw materials for its steelmaking facilities.

ACHIEVEMENTS OF 2011

Metinvest launches a state-of-the-art blast furnace at Yenakiieve Steel, adding 0.4 million tonnes net to our hot metal annual capacity, improving energy efficiency and reducing emissions.

Metinvest decommissions an open-hearth furnaces at Azovstal as part of our long-term Technological Strategy to install state-of-the-art production facilities at all plants. The move is expected to lower gross emissions by 17,000 tonnes a year.

Metinvest launches the second stage of the magnetic flotation refining facility at Ingulets GOK. This increases the output of premium-class iron ore concentrate with an Fe content of 67%, which helps to ensure higher-quality finished steel products.

Metinvest commissions the Affinity mine at United Coal in the US, increasing our in-house coal supplies. The new unit has the potential to supply 1.2 million tonnes of coking coal concentrate by the end of 2012.

Metinvest issues a US$750 million, seven-year Eurobond with a coupon of 8.75% and a maturity date of 14 February 2018. The issue was more than three times oversubscribed, underlining investor confidence in our prospects.

Metinvest secures a US$1 billion, five-year syndicated loan facility. This underlines our ability to raise finance on attractive terms thanks to our prudent financial management and commitment to transparency.

Metinvest acquires a 24.9% stake in the Industrial Group's steel and mining business, which controls the fifth largest Ukrainian steelmaker, Zaporizhia Iron and Steel Works.

Metinvest wins a major tender to supply pipes for the East-West gas pipeline. This demonstrates the quality of our pipe products and opens the way for further supply agreements as part of a major project to bring Central Asian gas to Europe.

Metinvest expands its sales presence in Russia, opening a metals centre and sales office in Saratov, a major hub in the Volga Federal District.

Metinvest wins a major award for occupational safety from the World Steel Association for its innovative 'Train the Trainer' programme, which brings former plant managers out of retirement to teach health and safety and assist with inspections.

1 Adjusted EBITDA is calculated as profits before income tax, financial income and costs, depreciation and amortisation, impairment and devaluation of property, plant and equipment, sponsorship and other charity payments, the share of results of associates and other non-core expenses. We will refer to adjusted EBITDA as EBITDA throughout this report.

WHAT ARE OUR AIMS AND AMBITIONS?

Our ambition is to build a leading integrated European steelmaker. We aim to use our competitive advantages – including our strong position in the global market and resource base – and achieve world-class business excellence in delivering sustainable and profitable returns to all our stakeholders over the long term.

Find the answers:

CHAIRMAN'S STATEMENT
CONSISTENTLY OUTPERFORMING

Dear colleagues and partners,

It gives me great pleasure to present Metinvest's Annual Report for 2011. Last year was another extremely successful one for Metinvest, as the Group delivered solid results across all business lines, despite the economic challenges faced worldwide. We achieved a pre-tax profit of US$2,504 million, up from US$707 million in 2010. Our strong financial performance resulted from a measured approach to conducting mergers and acquisitions, an increase in our capital expenditure while maintaining operational efficiency and our continued conservative borrowing policy. Today, our credit history and the quality of our business, which we have built over many years, means we are able to secure international financing on terms available to few companies in Ukraine. In addition, we have consistently outperformed our assigned credit ratings, which are capped by Ukraine's sovereign rating.

In 2011, we conducted an organisational restructuring, transforming our three divisions into two: Steel and Mining. The primary reason for this was the high level of integration at Metinvest, with our assets consuming virtually all of the raw materials we produce. We are confident that this new structure will make our operational management even more efficient.

One of our key strategic aims is to become the preferred supplier of steel products for the world's leading consumers. To achieve this, we are constantly expanding our international presence to ensure uninterrupted supplies from our logistics centres to key markets, so that our delivery capabilities and broad product range enable us to benefit from increasing demand in the world's fastest growing markets. At the same time, we intend to significantly boost sales of end products in Ukraine and our regional markets, which already account for almost 80% of our product portfolio.

Last year, we continued our efforts to introduce and implement international standards of transparency and corporate governance at Metinvest. Alongside the work of the Supervisory Board and its committees, we have created standalone compliance and risk management functions. We expect them to enhance the Group's efficiency and help us to reinforce investor confidence, thereby providing us with greater access to global capital markets on attractive terms.

OUR AIM IS TO BECOME THE PREFERRED SUPPLIER OF STEEL PRODUCTS FOR THE WORLD'S LEADING CONSUMERS. TO ACHIEVE THIS, WE ARE CONSTANTLY EXPANDING OUR INTERNATIONAL PRESENCE SO THAT OUR DELIVERY CAPABILITIES AND BROAD PRODUCT RANGE ENABLE US TO BENEFIT FROM INCREASING DEMAND IN THE WORLD'S FASTEST GROWING MARKETS.

Safety is not just a word to us. At Metinvest, the lives and wellbeing of our employees take greater precedence than financial and operational indicators. We understand that metals and mining is a sector that involves heightened risks, and we undertake every effort to ensure that each and every one of our employees works in an environment that is as safe as possible. Therefore, improving safety standards across our operations remained one of our priorities throughout last year.

Despite our concentrated efforts to improve safety standards, I am saddened to report that there was an unfortunate accident at Krasnodon Coal's Sukhodolska mine, which was the most serious in the Group's history. Alongside an official investigation, the Supervisory Board oversaw an independent audit of the accident, which resulted in the creation of a road map to improve working conditions at the mine and the implementation of planned changes. I believe that we have learned difficult but necessary lessons from this tragedy, and we intend to use this knowledge to minimise injuries and accidents at our enterprises in the future.

I am pleased to say that we made further progress in the area of corporate social responsibility in 2011, with the publication of our second Social Responsibility Report, prepared in accordance with Global Reporting Initiative (GRI) standards (level 'B') and audited by Ernst & Young.

Furthermore, as part of a joint project with the US Agency for International Development (USAID), we have devised and approved a strategic plan for developing the economy of Krasnodon and making the city more competitive. The plan envisages improving the living conditions in Krasnodon, attracting investment and developing small and medium-sized enterprises. Krasnodon Coal will be a co-investor in projects that feature in this plan.

We are also proud of our work with local communities, whereby we ensure that residents of the regions in which we operate are directly involved in our social projects. One excellent example of this is the 'Our Town in Our Hands' initiative, which is being tested in Yenakiieve and Kryvyi Rih. The programme involves a competition to choose the most innovative and original projects by non-commercial organisations, municipal bodies and local residents. Our stable growth has helped us to boost our social investments annually, and Metinvest spent around US$10 million on urban development in 2011, with plans to invest over US$12 million this year.

These investments are part of our commitment to our employees, their families and broader communities. They represent our gratitude to the Group's 100,000-strong workforce for another successful and productive year, as well as the professionalism, commitment and dedication of our people.

I firmly believe that the sense of unity running through our team is one of the Group's most important competitive advantages and the foundation for our successful growth together.

Oleg Popov
Chairman of the Supervisory Board

STEEL CAPACITY TARGET

25MT

Our steelmaking capacity target for 2020

OUR OBJECTIVES

Our aim is to employ our vertically integrated business model to create Europe's leading integrated steelmaker by 2020, while delivering sustainable growth and profitability to shareholders. To achieve this, we have defined three clear objectives:

SUSTAIN COMPETITIVE ADVANTAGE IN STEELMAKING

Our key competitive advantages today include our low-cost production base, favourable location between Europe and the CIS, high level of resource self-sufficiency, global sales network and strong management team.

In the future, economic growth and integration into Europe will drive up wages in Ukraine. Our domestic plants are also exposed to high energy costs. Analysis of global market trends convinces us that over the long term, profitability will move downstream from iron ore and coal to steel, creating a clear impetus to focus on the latter. As such, one of our targets is to boost crude steel output to 25 million tonnes by 2020, processing all of our captive iron ore into high value-added products.

Our Technological Strategy envisions investments in our steelmaking facilities that will substantially improve energy consumption, reduce emissions and enhance product quality. We are also investing in new iron ore processing technology to improve the quality of our iron ore products.

Elsewhere, we are prioritising ongoing resource security for our greater steelmaking capacity. To ensure self-sufficiency in quality coking coal, we are developing new assets at United Coal in the US.

In the meantime, our human resources strategy is to invest in our people by cultivating the next generation of leaders for the Group and providing training and incentives at all levels. Ultimately, we are committed to helping all employees to reach their full potential.

STRENGTHEN OUR POSITION IN STRATEGIC MARKETS

Today, we sell our steel products to customers throughout various industries in more than 75 countries, mainly in Europe, the CIS, the Middle East, North Africa and Southeast Asia. We are well positioned to supply the largest steel-consuming regions in the world. Our broad and well established client base diversifies revenues and diminishes risk in an uncertain global environment.

As part of our new organisational structure, we have appointed a Group head of sales who reports directly to the General Director. We have also developed a focused product strategy designed for current and future capacity, one that meets client needs and emphasises higher-margin finished steel products, such as galvanised sheets and coils, large diameter pipes and rails.

Our long-term intention is to boost sales of finished steel goods, which accounted for almost 80% of our product portfolio in 2011, to 95%. We are focused on increasing steel sales in Ukraine and regional markets, where there is clear long-term demand for finished steel products. We are also well positioned logistically and in terms of product mix to benefit from increasing demand in the world's fastest growing markets.

Our aim is to become the preferred supplier of steel products for leading customers. As such, we are concentrating on key account management and ensuring that we have top-quality products and the capacity to deliver every time.

ACHIEVE WORLD-CLASS BUSINESS EXCELLENCE

One of our core strengths is our management team. It consists of highly experienced, internationally educated leaders with solid track records in steel, finance, consulting and other industries.

In 2011, we introduced a new organisational structure to implement our business model based on vertical integration. It streamlines our three previous divisions into two, Steel and Mining, reflecting our focus on finished steel products.

At the enterprise level, we have launched an initiative to implement the manufacturing system based on lean principles, a production approach that focuses squarely on creating value and eliminating waste.

Last year, we also developed and approved a clear set of corporate values that reflect our approach to business. They are: professionalism; client focus; life, health and the environment; leadership; and teamwork. We have incorporated these into all aspects of our business and display them at all facilities to emphasise their importance. In addition, we aim to become a leader in sustainable development by operating in a way that benefits local communities and minimises environmental impact.

WE ENVISION INVESTMENTS IN OUR STEELMAKING FACILITIES THAT WILL SUBSTANTIALLY IMPROVE ENERGY CONSUMPTION, REDUCE EMISSIONS AND ENHANCE PRODUCT QUALITY. WE ARE ALSO INVESTING IN NEW IRON ORE PROCESSING TECHNOLOGY TO IMPROVE THE QUALITY OF OUR PRODUCTS.

INDUSTRY AND MARKET OPPORTUNITIES

Our ambition is to lead the consolidation of the global steel market using our vertically integrated business model, global sales presence, solid resource base and low-cost, high-quality production. Our strategy is underpinned by our assessment of the long-term market trends. Like other analysts, we foresee a fundamental shift in profits along the value chain from raw materials to steel. We expect the inflection point for steel's share in profits to be in 2016, driven by growing capacity utilisation.

STEEL PRODUCTION AND CONSUMPTION

Global steel consumption set a new record in 2011, on the back of a strong economic recovery in the first half of the year. However, the European debt crisis and concerns about a slowdown in Chinese growth affected the prices of both steel and raw materials in the second half. This led the International Monetary Fund (IMF) and other observers to downgrade their global growth forecast for 2011, while the actual figure was 3.9%, according to the IMF.

The World Steel Association (WSA) reports that global steel production reached 1,490 million tonnes in 2011, a new record and up 4.3% year-on-year. It estimates average crude steel capacity utilisation at 78.6% for 2011, 2.1 percentage points higher than in 2010, but still around 10 below the peak in 2007 before the global financial crisis.

The monthly average for steel prices (based on semi-finished/billet prices FOB, Black Sea Port) was US$629 a tonne last year, compared with US$524 in 2010. Prices peaked in August, at US$677 a tonne, falling to a low of US$571 in November as demand lessened in the final months of the year.

The main drivers of the steel market included a rebound in car manufacturing worldwide, a rise in construction after two years of decline, and a stronger than expected recovery in US manufacturing. A slowdown in Europe in the second half threatened contagion for neighbouring markets.

After the sharp recession of 2009, steel consumption in Ukraine recovered for a second consecutive year in 2011, as construction, pipe manufacturing and machine-building fuelled consumption. The run-up to the Euro 2012 football championship, co-hosted by Ukraine, has also spurred private and public spending on construction. Total consumption of finished products increased by 21.9% to 6.5 million tonnes.

The IMF has forecast global economic growth for 2012 at 3.5%. We remain concerned about short-term macroeconomic risks, primarily those related to recession and a renewed debt crisis in Europe, potential contagion to other markets, and increasing signs of a slowdown in China in the first half of 2012. For Ukraine, the government forecasts that GDP will expand by 3.9% in 2012, following 5.2% growth in 2011. However, many observers, including the IMF, predict less optimistic growth of 3.0%.

RAW MATERIALS

Prices of raw materials remained high in 2011, despite dipping in the final quarter as steel demand declined. Spot prices for iron ore tumbled in October, amid a fall in steel production in China and steel prices globally. According to figures from Wood Mackenzie, global iron ore production grew by 4.3% to 1,781 million tonnes last year.

Coal prices were somewhat firmer during the year. Measured in terms of high-quality Australian hard coking coal (HCC) spot and contract prices, they remained robust during the first three quarters of the year, fluctuating between US$350 a tonne in January and US$300 in August. Thereafter, they softened in line with other raw materials, dropping to US$228 in December. The average monthly contract and spot prices stood at US$289 and US$296 per tonne, respectively. Chinese prices, measured in terms of Shanxi premium coking coal in US dollars, remained stronger than those in Australia through the end of the year, at a monthly average of US$236 per tonne.

As regards coal concentrate, Wood Mackenzie reports that global production rose by 6.0% to 703 million tonnes in 2011 amid ongoing demand worldwide. Steelmakers were the main industrial consumer. China, Mongolia and the US accounted for nearly all of the increase in coal concentrate output, while Australia, the world's second largest producer, actually saw production decline slightly.

OUR MEDIUM AND LONG-TERM VIEWS FOR THE GLOBAL STEEL MARKET REMAIN POSITIVE AND ESSENTIALLY UNCHANGED FROM 2010, DESPITE THE CURRENT MACROECONOMIC CHALLENGES. WE FORECAST COMPOUND ANNUAL GROWTH IN GLOBAL STEEL CONSUMPTION OF 4.0% THROUGH TO 2020, DRIVEN BY EMERGING MARKETS, ESPECIALLY CHINA.

OUTLOOK

Our medium and long-term views for the global steel market remain positive and essentially unchanged from 2010, despite the current macroeconomic challenges. We forecast compound annual growth in global steel consumption of 4.0% through to 2020, driven by emerging markets, especially China.

For raw materials, in the medium term, iron ore prices are forecast to decline as new supply from Australia, Brazil and other regions comes into the market and squeezes out expensive domestic Chinese production. Over the long term, however, they will be supported by the high capital cost of bringing new capacity online. We expect iron ore demand to rise by around 4.0% a year, with price growth checked by additional global supply.

We also envisage coal prices being supported by strong demand for high-quality hard coking coal in markets like China, India, Brazil and Europe, which are deficient in domestic supplies and reliant on seaborne imports. Future supply growth will depend on Australia and, to a lesser extent, additional capacity in North America and Africa. Strong global demand coupled with infrastructure bottlenecks will continue to support prices.

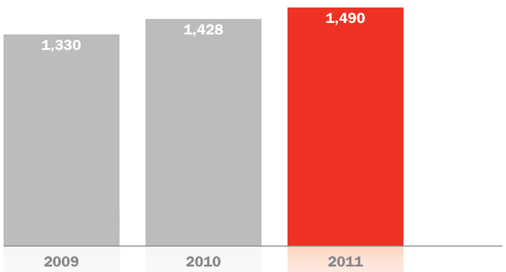
On that basis, we expect a price floor for iron ore in 2015 and for coking coal in 2016, while steel prices should decline until 2016, driven by the cost of raw materials. From then, however, greater capacity utilisation will fuel steel prices amid demand from emerging markets and pent-up demand in Europe. As such, profit margins will shift from raw materials to steel.

In the long term, we also expect consolidation on the global steel market, where the top 10 players currently control around 30%. Consolidation will favour vertically integrated steelmakers, such as Metinvest, with a solid resource base and sufficient profitability to raise finance at attractive rates and invest in efficient technology to make high value-added finished products.

Metinvest continues to see enormous potential in Ukraine, as its steel consumption per capita trails that of regional peers, such as Russia and Romania. The main long-term drivers are expected to be private consumption and pent-up demand for major infrastructure.

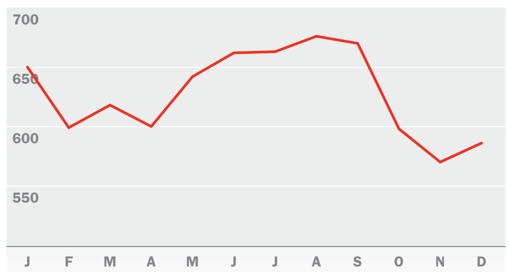
Global Production of Crude Steel

1,490MT



Source: World Steel Association

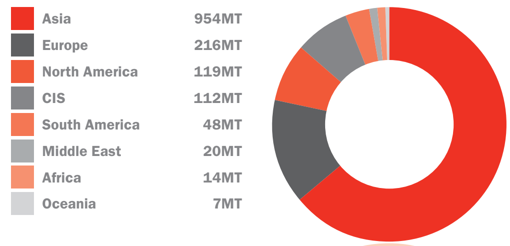
2011 Indicative Steel Prices (US$/Tonne)



Source: Steel Business Briefing, Black and Baltic Sea ports export FOB (billet)

2011 Global Production of Crude Steel by Region

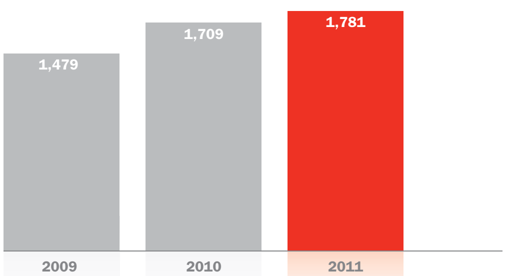
1,490MT



Source: World Steel Association

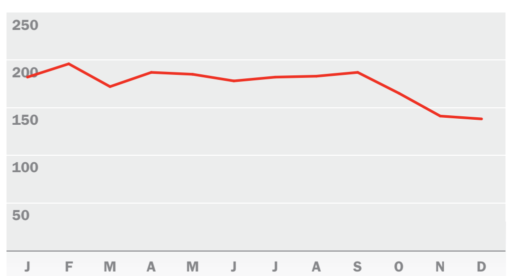
Global Production of Iron Ore Products

1,781MT



Source: Wood Mackenzie

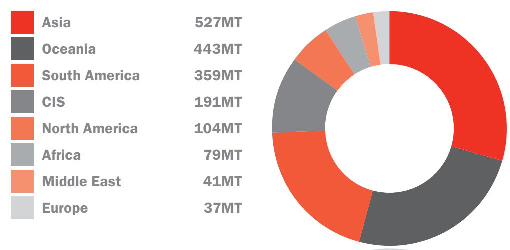
2011 Indicative Iron Ore Prices (US$/Tonne)



Source: Wood Mackenzie, China CIF (spot, 63.5% Fe)

2011 Global Production of Iron Ore Products by Region

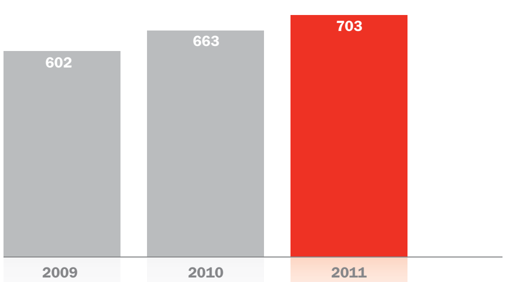
1,781MT



Source: Wood Mackenzie

Global Production of Coking Coal Concentrate[1]

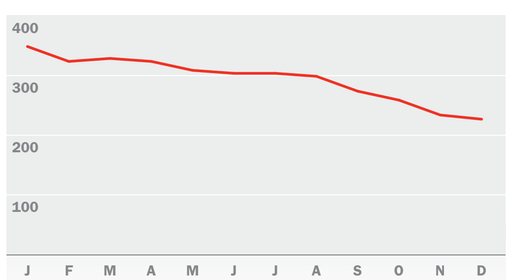
703MT



Source: Wood Mackenzie

1 Excludes Poland

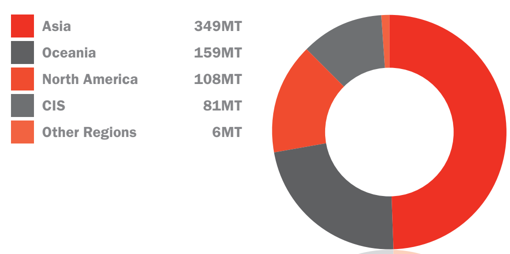
2011 Indicative Coal Prices (US$/Tonne)



Source: Wood Mackenzie, Australia FOB (spot, HCC)

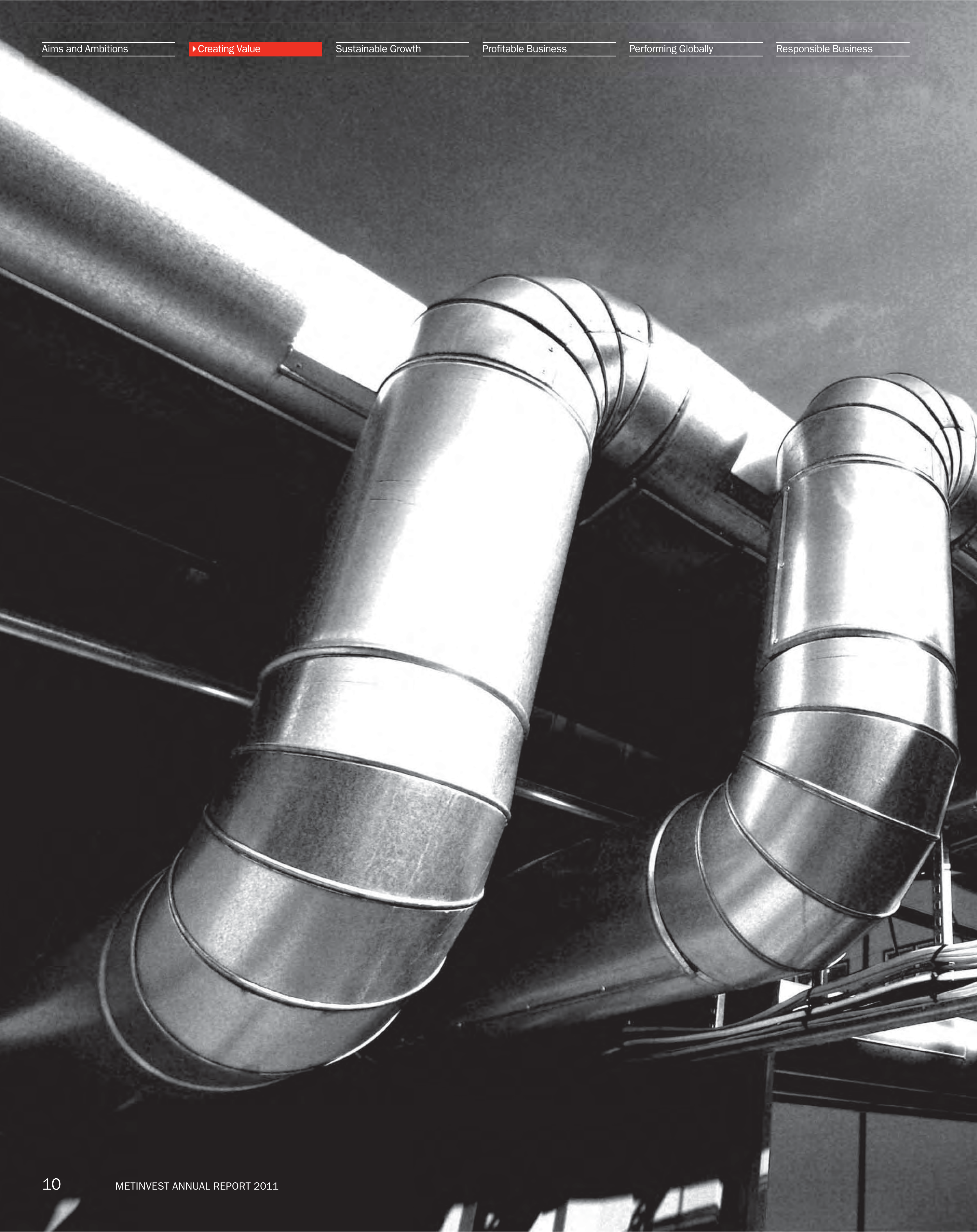
2011 Global Production of Coking Coal Concentrate by Region[2]

703MT



Source: Wood Mackenzie

2 Excludes Poland



HOW DO WE CREATE VALUE FOR OUR STAKEHOLDERS?

We are a unique Ukrainian story, building a global business by applying the right approach to our home market's unique combination of human and natural resources. Vertical integration and the right operating model are the keys to executing our long-term strategy.

Find the answers:

OUR BUSINESS MODEL
HOW WE CREATE VALUE

Our business model describes how we use our unique strengths to deliver long-term value for our stakeholders. Our advantages reinforce each other and derive primarily from our people and the consistent execution of a clear vision. Importantly, in line with our declared corporate values and commitment to all stakeholders, our model is built on the key fundamentals of quality, transparency and safety throughout.

FUNDAMENTALS

Quality
We value the quality of our products, services and business processes. We aspire to be a leader of the steel industry worldwide on the basis of our product quality, which allows us to maintain and expand our global customer base.

Safety
Safety is a fundamental moral responsibility. Since Metinvest was created, we have been investing in improving safety and reducing lost-time incidents. Creating a safety-driven culture at every level is one of our most critical long-term priorities for our employees and business.

Transparency
We believe in transparency and accountability in the work of every employee, from senior managers downwards. Transparency is both a value and a practical approach, as running a company openly is more efficient and allows us to maintain the confidence of our investors and other stakeholders.

STRENGTHS

Strong Governance
Metinvest is committed to maintaining the highest standards of corporate governance, based on the principles of transparency and accountability at all levels. Alongside oversight by the Supervisory Board and its committees, we have established compliance and risk management functions at the executive level. Our rigorous corporate governance both enhances our performance and inspires confidence from the financial community, giving us access to capital markets on favourable terms.

For more information, see page 46.

Financial Stability
We have consistently maintained a prudent financial strategy of low debt, as measured by its ratio to equity or EBITDA, and periodic refinancing to reduce servicing costs and extend maturity. This approach provides sufficient financing to make major capital investments under our long-term strategy without undue exposure to sudden changes in capital market conditions. Our prudence has resulted in performance indicators above those implied by our assigned ratings, which themselves are capped by Ukraine's sovereign rating.

For more information, see page 30.

Long-Life Resources
Metinvest is able to expand its steel output thanks to a strong captive resource base. In 2011, our iron ore concentrate production covered around 185% of our internal needs. We are developing our coal resources, particularly by developing high-quality production at the Affinity and Roaring Creek mines at United Coal in the US. Ultimately, we envisage our steelmakers consuming all of our resources.

For more information, see inside front cover.

Profitable Products and Services
Our long-term strategy envisages a fundamental shift in industry profits from raw materials to finished steel products, and this drives our work. Our product strategy aims to deliver the highest value-added goods from our raw materials. Our investments in new technology for iron ore processing and steelmaking allow us to deliver products that are more tailored to clients' needs, while consuming fewer resources and generating less pollution. Our global approach to sales, part of our new organisational structure, focuses on providing key customers with the right products on time and feeding back demand to plants, allowing a more flexible and profitable approach. Our lean production methods reinforce the emphasis on meeting the needs of the end user.

For more information, see KPIs on page 23.

Experience and Expertise
While we celebrated Metinvest's fifth anniversary last year, we offer our investors and customers decades of expertise. Our management team and employees on all levels have years of practical experience, having weathered the two difficult decades of economic transition for the Ukrainian steel industry and created a highly profitable and competitive business. Our executives are applying their international and cross-industry experience to run our plants more efficiently and introduce new technology.

For more information, see page 16.

Strengthening Relationships
We maintain strong relationships with our customers and other stakeholders. We are working to strengthen these relationships further by concentrating resources in our global Sales function. This includes bringing production and sales into close alignment to deliver what our customers need. We are also investing in relationships with our local communities. Over the long term, our partnerships with local communities contribute to a more prosperous and diversified economy. This will fuel demand for our high value-added products and supply skilled and motivated workers for our enterprises.

For more information, see page 42.

Effective Risk Management
We live in an uncertain and changing world and, to succeed, we must recognise and mitigate the risks in our business wherever possible. We maintain a risk management function that constantly searches for emerging risks and develops plans to overcome existing ones. We are open about the threats that we face, and we build risk management into all of our business plans. By planning for market, financial and operational risks, we can counter and even turn them into opportunities, giving us a competitive advantage over peers.

For more information, see page 48.

Investing in People
Our approach to human resources is designed to ensure that our people can reach their full potential within Metinvest. We invest in training both in-house, through our new Corporate University and on-site training, and through programmes with outside universities and companies. We provide our people with a clear set of goals and expectations regarding their performance, as well as a pathway to future growth and success. We also provide benefits for them and their families. All of these measures are designed to link the success of every individual to the success of Metinvest.

For more information, see page 52.

Geographical Location

Metinvest's main production assets are in Eastern Ukraine, which has developed railway and sea transportation links. As such, we are ideally positioned to supply the rapidly growing domestic market, the EU and Russia. Our home region has low labour costs and a strong skill base for our industry, which has been concentrated in Eastern Ukraine for over a century. Ready access to the Black Sea allows us to reach the wider European, Middle Eastern and African regions and key shipping routes to fast-growing markets worldwide. In addition, our US coal assets contribute substantially to resource security and create an arbitrage option on the coal market.

For more information, see inside front cover.

Corporate Social Responsibility

We take our corporate social responsibility (CSR) seriously, as it is inextricably linked to our sustainability as a business. As our employees are our main asset, we work hard to help the communities where we operate prosper. Alongside creating jobs and supporting employees and their families, we provide targeted financial assistance for infrastructure and social endeavours.

For more information, see Communities on page 56.

BUSINESS MODEL: HARNESSING OUR UNIQUE STRENGTHS TO DELIVER LONG-TERM VALUE

OUR STRENGTHS REINFORCE EACH OTHER AND DERIVE FROM OUR PEOPLE AND CONSISTENT VISION, WHILE OUR MODEL IS BUILT ON THE FUNDAMENTALS OF SAFETY, TRANSPARENCY AND QUALITY THROUGHOUT.

VERTICAL INTEGRATION AND NEW OPERATING MODEL

Our long-term strategy envisions developing Metinvest as a truly integrated steelmaker to leverage our competitive advantages and control the value chain, the key to ultimate market leadership. We aim to manage every link of the value chain, from mining and processing iron ore and coal to making and selling semi-finished and finished steel products. Thanks to vertical integration, the Group is able to adapt proactively to changes in market environment, improve the quality of its steel products and achieve impressive economies of scale.

One of our primary objectives is to increase Metinvest's vertical integration still further. We intend to expand our steel output by processing all of our iron ore into higher value-added steel products. We also aim to secure stable and efficient supplies of key raw materials, primarily high-quality hard coking coal, and we are doing this by developing our US and Ukrainian coal mines.

In 2011, we conducted a major organisational restructuring to match our business processes with our model of vertical integration. We streamlined our three production divisions – Iron Ore, Coke and Coal, and Steel and Rolled Products – into two, Steel and Mining, reflecting our focus on finished goods.

The Steel division will concentrate on steel and coke production, while the Mining division will oversee the development of our raw materials enterprises. In line with our strategy, both are conducting extensive modernisation programmes to boost efficiency, create better products, increase safety and reduce our environmental footprint.

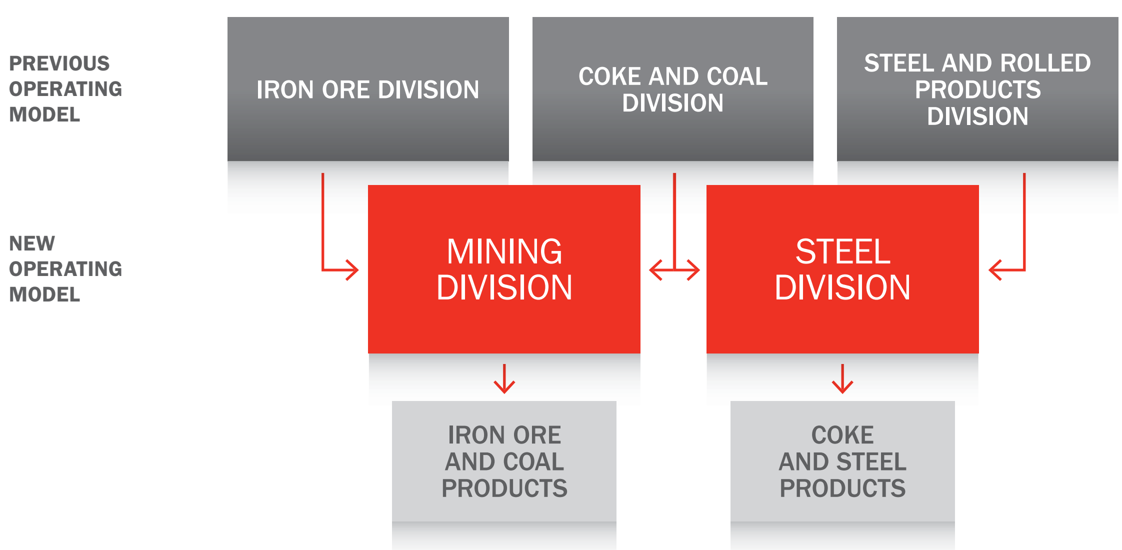
Our Mining division is being developed primarily to deliver the volume and quality of iron ore and coking coal needed to support greater steel production. Our long-term goal is that our steel mills consume 100% of our captive supplies of raw materials. We are also increasing the quality of our iron ore concentrate and pellets to create higher-quality, value-added steel products more efficiently.

THANKS TO VERTICAL INTEGRATION, METINVEST IS ABLE TO ADAPT PROACTIVELY TO CHANGES IN MARKET ENVIRONMENT, IMPROVE THE QUALITY OF ITS STEEL PRODUCTS AND ACHIEVE IMPRESSIVE ECONOMIES OF SCALE.

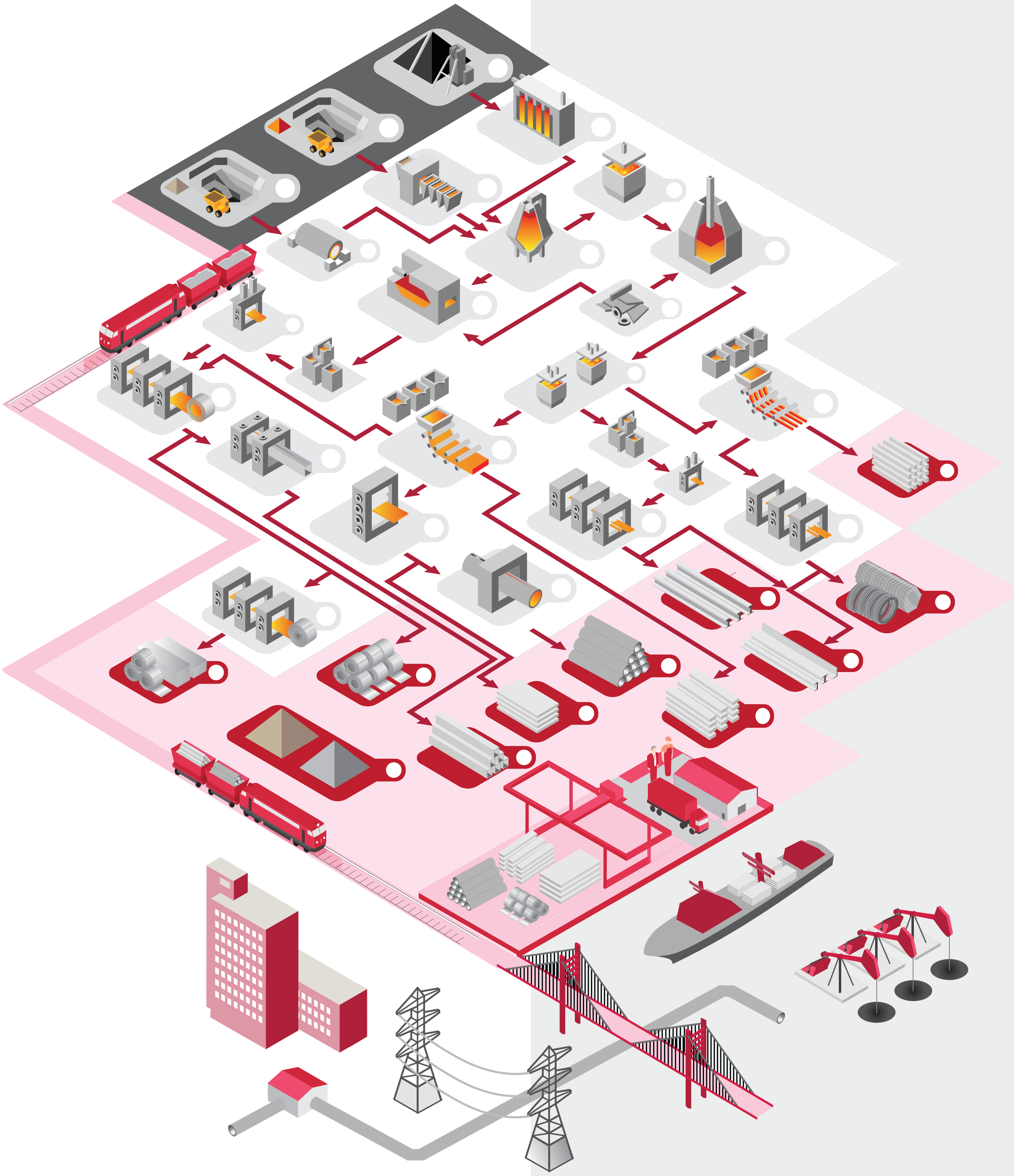
Importantly, the new organisational structure also prioritises client relationships: we have merged our divisional sales units into a single Sales function, whose head reports directly to the General Director. In addition, we have developed a focused product strategy designed for both current and future capacity, one that emphasises higher-margin finished goods, such as galvanised sheets and coils, large diameter pipes and rails. Our ability to deliver high-quality, customised goods allows us to maximise profitability while providing our customers with the products that they need promptly. We have also centralised other functions, such as procurement and logistics, into a Supply Chain function within the Managing Company.

Such measures ensure our customers' needs are paramount in our planning and we can adapt our sales mix in response to changes on the global market. Our approach is already bearing fruit: last year, finished steel products accounted for 79.5% of total steel sales, up 6.7 percentage points from 2010.

METINVEST'S ORGANISATIONAL RESTRUCTURING



VERTICAL INTEGRATION: THE KEY TO EFFECTIVELY MANAGING THE PRODUCTION CHAIN, FROM RAW MATERIALS TO FINISHED STEEL PRODUCTS



Iron Ore
At the end of 2011, Metinvest was around 185% self-sufficient in iron ore for its steel production. Geographically, 53.5% of the iron ore that we sold went to customers in Ukraine, 29.6% to Southeast Asia and 16.8% to Europe.
See more on page 34.

Coal
At the end of 2011, Metinvest was around 65% self-sufficient in coking coal. To boost the ratio of self-sufficiency in hard coking coal, we are developing our mines at United Coal in the US.
See more on page 36.

Steel
Alongside crude steel, the division makes an extensive range of steel products, including semi-finished (slabs and square billets) and high-quality finished (flat, long, railway, tubular) products.
See more on page 38.

STRONG MANAGEMENT TEAM
OUR EXECUTIVE COMMITTEE

Igor Syry

THE CALIBRE OF OUR MANAGEMENT TEAM IS ONE OF OUR MAIN COMPETITIVE ADVANTAGES AND PROVIDES US WITH THE LEADERSHIP NEEDED TO CREATE LONG-TERM VALUE FOR OUR STAKEHOLDERS. IT COMPRISES SOME OF UKRAINE'S PRE-EMINENT MANAGERS, INCLUDING VETERANS OF THE STEEL INDUSTRY AND EXECUTIVES WITH EDUCATIONS FROM LEADING INTERNATIONAL INSTITUTIONS.

Reporting to our Supervisory Board, our senior managers are responsible for implementing our strategies and business model to ensure long-term and sustainable growth.

As of 31 December 2011, the Executive Committee consisted of 10 members:

IGOR SYRY
Committee Chairman, General Director
Igor Syry has been General Director of Metinvest since 2006. Before joining the Company, he worked as a Senior Manager at SCM from 2002 to 2006 and a Senior Consultant at PricewaterhouseCoopers from 1999 to 2002. From 1995 to 1997, he was a Credit Manager at the Western NIS Enterprise Fund.

Igor obtained an MBA from Cornell University in 1999. He holds the Chartered Financial Analyst® designation and is a member of the Association of Chartered Certified Accountants (ACCA).

SERGIY NOVIKOV
Committee Member, Chief Financial Officer
Sergiy Novikov has been CFO of Metinvest since 2006. Before that, he was CFO at Azovstal Iron and Steel Works from 2004 to 2006. He held the position of Financial Director at Bunge Ukraine from 2003 to 2004 and at Japan Tobacco International from 2001 to 2003.

Sergiy graduated from Kharkiv State University in 1993 with an MA in Foreign Languages (English and Spanish). He obtained his MBA from the University of Cincinnati in 1995. He holds the Chartered Financial Analyst® designation and is a member of the Association of Chartered Certified Accountants (ACCA).

ALEXANDER POGOZHEV
Committee Member, Director of Steel division
Director of the new Steel division, Alexander Pogozhev was Director of the Steel and Rolled Products division since October 2010. He has extensive professional experience at large enterprises in the metals industry. He served as Chief Operations Director of Severstal International (US) from 2008 to 2010 and worked at Severstal from 1991 to 2008, where he held several executive positions, including Chief Operating Officer.

Alexander holds a degree in Financial Management from the Moscow State Academy of Management (Russia) and an MBA from the Business School of Northumbria University (UK).

MYKOLA ISHCHENKO
Committee Member, Director of Mining division
Director of the new Mining division, Mykola Ishchenko had been Director of the Iron Ore division since March 2010. Before that, he was General Director at Ingulets GOK from July 2009 to March 2010 and Deputy Director of the Iron Ore division at Metinvest from July 2007 to July 2009. He was Chairman of the Management Board and CEO of Krivbassvzryvprom, an industrial production enterprise, from September 2000 to July 2007. He also worked as an Economist, Deputy Head of Planning and Economics and Deputy Director of Marketing and Economics at Krivbassvzryvprom from 1987 to 2000.

Mykola has two degrees: in 1985, he graduated from Kyiv National University of Economics with a degree in Economics; in 1992, he graduated from the Kryvyi Rih Mining Institute with a diploma in Mining Engineering. He has a doctorate in Economics.

VOLODYMYR GUSAK
Committee Member, Supply Chain Director
Volodymyr Gusak became Supply Chain Director in the organisational restructuring, which took effect in October 2011, having previously been Director of the Coke and Coal division since 2006. Before that, he was a Manager at SCM from 2002 to 2005 and a Financial Analyst and Deputy Head of Restructuring at Deloitte Touche Tohmatsu from 2000 to 2002. In 1999, he worked as an Accountant with the Centre for Economic Reform and Privatisation and, in 1998, as a Project Administrator for consulting company Chenomics in the US. From 1994 to 1996, he was an Adviser to Soros-Aslund Economic Advisory Group for the Ukrainian government.

Volodymyr graduated from Kyiv's Taras Shevchenko National University in 1996 with an MA in Foreign Languages (English and German). He received his MSc in Economics from Texas A&M University (US) in 1998.

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Sergiy Novikov Alexander Pogozhev Mykola Ishchenko Volodymyr Gusak

Ruslan Rudnitsky

Jack MacLachlan

Nataliya Strelkova

Sergiy Ignatovskiy

Dmitry Nikolayenko

STRONG MANAGEMENT TEAM
CONTINUED

RUSLAN RUDNITSKY
Chief Strategy Officer
Ruslan Rudnitsky has been Chief Strategy Officer since 2010. Before that, he headed the Strategy and Investments department in the Iron Ore division from 2006 to 2010. He was also an Industry Group Manager at SCM from 2003 to 2006 and an Auditor at PricewaterhouseCoopers from 2001 to 2003.

Ruslan holds an MSc in International Investment Management from Kyiv National University of Economics and is a member of the Association of Chartered Certified Accountants (ACCA).

JACK MACLACHLAN
Committee Member, Chief Technology Officer
Jack MacLachlan has been CTO of Metinvest since November 2010. Before that, he was Director of the Steel and Rolled Products division from May 2008 to 2010 and Chief Operating Officer of the division from 2007 to 2008. Prior to joining Metinvest, he was a Managing Director at Corus from 2004 to 2007 and of the group's Strip Products division from 2000 to 2004. He served as a Vice President at Tuscaloosa Steel in Alabama, in the US, from 1999 to 2000; a Works Manager in numerous plants at British Steel from 1989 to 1999; and an Engineer/Operations Manager at British Steel from 1980 to 1989.

Jack graduated from Strathclyde University in 1980, obtaining a BSc in Electrical and Electronic Engineering with first-class honours. He obtained an MBA with distinction from the University of Warwick in 1996 and completed an International Leadership Programme at Wharton Business School in 2003. He is a Chartered Engineer and a Fellow of the Institute of Engineering and Technology.

NATALIYA STRELKOVA
Committee Member, Director of Human Resources and Social Policy
Nataliya Strelkova has been Director of Human Resources and Social Policy since June 2010. Before that, she held the same post at MTS (Russia) from 2006 to 2010 and was Director of HR Policy at MTS from 2004 to 2006. She was a Senior Specialist in the HR Policy department at Yukos (Russia) from 2001 to 2004 and Director of HR at the ESN Group (Russia) from 1997 to 2001.

Nataliya graduated from Moscow State University in 1996 with a diploma in Organisational Psychology, and obtained a diploma in Physics of Nuclear Reactors and Nuclear Power Generation Systems from the Moscow Institute of Engineering and Physics in 1992. She obtained an MBA from IMD (Lausanne, Switzerland) in 2010.

SERGIY IGNATOVSKIY
Committee Member, Chief Legal Officer
Sergiy Ignatovskiy has been CLO since 2011. Before that, he was a Partner at a leading Ukrainian law firm Sayenko Kharenko from 2006 to 2011. He served as CLO at Dyckerhoff from 2000 to 2006 and International Commerce Bank from 1998 to 2000. He was also a Lawyer at Arthur Andersen from 1996 to 1998 and at Salkom from 1994 to 1996.

Sergiy graduated from the Law faculty of Kyiv's Taras Shevchenko National University in 1997 and is a member of the Ukrainian Bar Association.

DMITRY NIKOLAYENKO
Committee Member, Sales Director
Dmitry Nikolayenko became Sales Director in the organisational restructuring, which took effect in October 2011, having previously headed the same function in the Steel and Rolled Products division since 2010. Before that, he was a Director at Metinvest-SMC, a sales unit, from 2007 to 2010; SMC Leman from 2003 to 2007; and Energostal from 1996 to 2003.

Dmitry holds a degree in Economics from the Kyiv-Mohyla Academy and obtained an MBA from IMI (Kyiv) in 2002.

HOW DO WE ENSURE SUSTAINABLE GROWTH?

Our strategy is based on a clear long-term view for the global steel market and what we want to achieve. We are implementing our strategy with a clear set of qualitative and quantitative goals to chart our progress. We are investing in state-of-the-art technology to deliver top-quality finished steel products more efficiently and with less environmental impact.

Find the answers:

GENERAL DIRECTOR'S REVIEW
WINNING TODAY, BUILDING FOR TOMORROW

In 2011, Metinvest began to implement a new corporate strategy designed to deliver sustainable and profitable growth for our shareholders over the long term. In line with our vertical integration drive, we introduced a new operating model with a greater focus on our core objectives. Despite substantial economic volatility on our key product markets, we also demonstrated our ability to maintain strong growth on the top and bottom lines, boosting revenues significantly and tripling net profit.

BLUEPRINT FOR SUCCESS

We have developed our business model based on the clear long-term strategy adopted in 2010. It takes into account our analysis of the key long-term trend on the global steel market, namely a shift in profitability from raw materials to finished steel products, and features investments in technology to create the right product mix using environmentally sustainable and efficient approaches. Our ultimate goal is to manage every link in the value chain, from mining coal and iron ore to making finished steel products, while maximising operating efficiency.

To this end, we created a new organisational structure last year, streamlining our operations into two divisions. The Steel division will focus on steel and coke production, while the Mining division will oversee the development of our raw materials enterprises.

Importantly, the new organisational structure also prioritises client relationships, and we have merged our divisional sales units into a single Sales function, whose head reports directly to the General Director. This ensures that our customers' needs are paramount in our planning, and that we can adapt our product mix in response to changes on the global market. We have also centralised other functions, such as procurement and logistics, into a Supply Chain function within the Managing Company.

INVESTMENT IN THE FUTURE

We also made crucial progress in developing our ambitious Technological Strategy over 2011. It envisages investments that will enable us to compete in terms of both cost and quality while making our plants safer and reducing our environmental impact and exposure to energy price volatility. These investments are a cornerstone for our future expansion.

Last year, our capital expenditure totalled a record US$1,165 million, up 100.2% year-on-year. Among our main achievements over the year was the completion of the state-of-the-art blast furnace no. 3 at Yenakiieve Steel, which was launched in late 2011, adding 0.4 million tonnes net to our hot metal capacity. We also decommissioned the open-hearth furnaces at Azovstal and continued the installation of an accelerated cooling system, increasing efficiency and cutting energy consumption and emissions, as well as began an unprecedented modernisation programme at Ilyich Steel.

Finally, as part of the lean manufacturing initiative, Metinvest decided to implement a Continuous Improvement (CI) programme in 2011. Its aim is to enhance operating efficiency by establishing a culture of constantly seeking areas for improvement. A road map was prepared and approved, long-term aims were set, and the Steel and Mining divisions began to phase in the programme.

The savings targets for the CI programme were met last year. Key achievements included streamlining maintenance work, enhancing productivity, and reducing resource consumption.

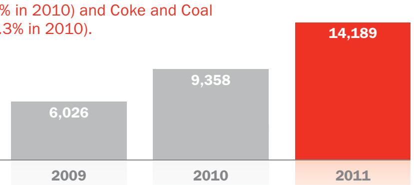
KEY PERFORMANCE INDICATORS

Revenues

US$14,189M

+51.6%

The main driver of the top line was record sales of steel and iron ore products. The Steel segment accounted for 72.7% of external revenues (compared with 61.0% in 2010), Iron Ore for 19.8% (26.7% in 2010) and Coke and Coal for 7.5% (12.3% in 2010).

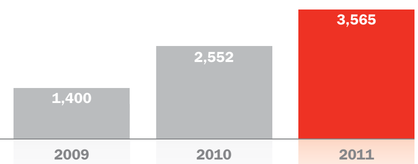


EBITDA

US$3,565M

+39.7%

The EBITDA margin remained solid at 25.1%, despite challenging macroeconomic conditions. The Iron Ore segment accounted for 92.4% of the total EBITDA, Coke and Coal for 14.2%, and Steel for -3.6%.

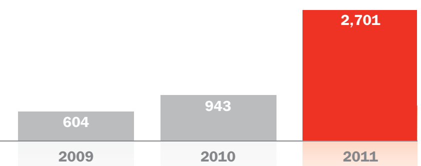


Operating Profit

US$2,701M

+186.4%

Our operating profitability was well above the industry average.

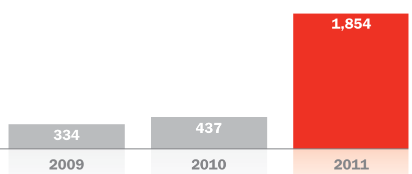


Net Profit

US$1,854M

+324.3%

This impressive performance reflected our prudent cost management and greater sales of high-margin products. The net profit margin was 13.1%, up 8.4 percentage points year-on-year.

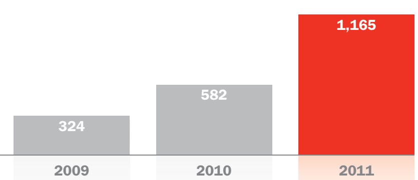


Capital Expenditure

US$1,165M

+100.2%

Capital expenditure doubled, as we made major investments in our plants. In terms of CAPEX by division, Iron Ore accounted for 39.5%, Steel for 36.6%, and Coke and Coal for 23.9%.

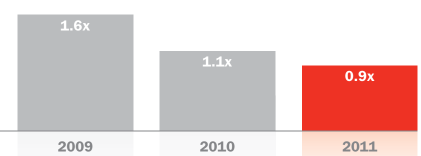


Net Debt to EBITDA Ratio

0.9X

-0.2X

The ratio of our net debt to EBITDA remained comfortable, reflecting the effectiveness of our prudent financial management.

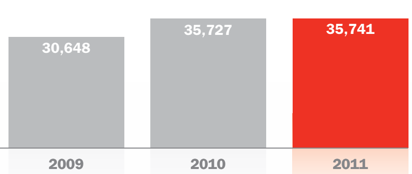


Iron Ore Concentrate Production

35,741KT

+0.0%

In 2011, we matched the previous year's record. In line with our increasing steel production, the share of iron ore consumed internally rose by 12.4 percentage points to 47.4%.

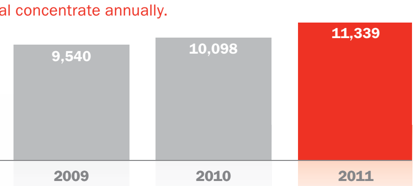


Coking Coal Mining

11,339KT

+12.3%

In 2011, we launched production at United Coal's Affinity mine, which is expected to boost our supply of coking coal concentrate by 1.2 million tonnes a year. We also plan to develop the Roaring Creek mine, which should provide another 1.4 million tonnes of coking coal concentrate annually.

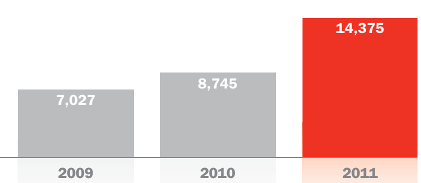


Crude Steel Production

14,375KT

+64.4%

The main driver of the impressive production growth was the successful completion of the integration of Ilyich Steel, which has expanded our steelmaking annual capacity to 15 million tonnes.



CAPITAL EXPENDITURE

+100%

Increase to a record US$1,165 million in 2011 compared to 2010

GENERAL DIRECTOR'S REVIEW
CONTINUED

WITH THE RIGHT STRATEGY AND BUSINESS MODEL IN PLACE, WE ARE CONFIDENT THAT OUR UNIQUE COMBINATION OF GLOBAL PRESENCE, RESOURCE SUFFICIENCY AND RELATIVELY LOW-COST AND PROFITABLE PRODUCTION WILL ALLOW US TO EMERGE AS A LEADING GLOBAL STEELMAKER.

At the end of 2011, we launched the second stage of our magnetic flotation refining facility at Ingulets GOK. This increased the output of premium-class iron ore concentrate with an Fe content of 67%, thereby helping to ensure higher-quality finished steel products.

Upstream, we are working to ensure the long-term security of supplies of coking coal to support our rising steel output. We are boosting production at United Coal in the US, and launched the Affinity mine last year. In addition, we are building a new mining complex at Roaring Creek, due for completion in 2014.

A crucial component of our long-term vision is an ambitious production modernisation programme through to 2020, which will include an upgrade of our blast furnaces, conversion and rolling facilities. We plan to install more efficient pulverised coal injection (PCI) technology at all steelworks, which will substitute consumption of natural gas, reduce consumption of coke, increase productivity of blast furnaces and mitigate our environmental footprint. This year, we plan to pilot our first PCI facility at Ilyich Steel.

We devoted significant time and resources to developing comprehensive technological strategies for the Steel and Mining divisions last year.

These road maps detail our planned investments over the next few years and will help to ensure that they are delivered on time, on budget and without disruption to production. Our Supervisory Board approved the Technological Strategy for the Steel division in 2011, and is due to complete it for the Mining division in the second half of 2012.

STRONG FINANCIAL AND OPERATIONAL RESULTS

Even as we undertook unprecedented organisational change and investment projects – and despite major market and price volatility worldwide – Metinvest again delivered strong financial and operational results in 2011.

Consolidated revenues climbed by 51.6% year-on-year to a record US$14,189 million. EBITDA rose by 39.7% to US$3,565 million, giving an EBITDA margin of 25.1%, above the industry average. Net profit surged by 324.3% to US$1,854 million.

Meanwhile, we maintained healthy debt ratios, striking the right balance between funding growth and our conservative approach to debt. Thanks to this approach, the strength of our business model and our track record of transparency, we issued a US$750 million, seven-year Eurobond and secured a US$1 billion, five-year syndicated pre-export facility, despite the challenging lending conditions in the market.

We also set operational records, with the consolidation of Ilyich Steel helping us to boost total crude steel production by 64.4% to 14,375 thousand tonnes. In line with our drive to move up the value chain, we increased the share of finished steel products to almost 80% of our sales portfolio. Iron ore output remained steady at record levels, while coking coal output rose by 12.3% to 11,339 thousand tonnes, as we expanded capacity to support greater steel output.

SAFETY-DRIVEN CULTURE

Our people are our greatest asset, and since Metinvest was founded five years ago, one of our paramount objectives has been to improve health and safety at all facilities, both in Ukraine and internationally. While we have consistently reduced lost-time incidents across the business in recent years, our ultimate aim is to implement long-term qualitative improvements in workplace safety. As such, since 2008, alongside the standard requirements, we have provided additional training to around 30,000 employees.

We are proud that our achievements in occupational safety have been recognised. Since 2009, we have been operating an innovative 'Train the Trainer' programme, which brings veteran managers out of retirement to train the next generation in safety standards. For this, in October, we received an award for Best Occupational Safety Improvement Project from the World Steel Association, making us the first company from Ukraine and the wider Eastern European region to do so.

The tragedy at Krasnodon Coal in July 2011 was a stark reminder of the dangers in our industry, and it reinforced our commitment to safety. We have reviewed, and continue to study, the causes of this accident, both internally and with external investigators. As with any incident, we are committed to learning lessons and doing everything possible to avoid a repeat.

While investing in new equipment and training is crucial, we recognise that there is also a need to foster a truly safety-driven work culture at all levels. This requires every employee to constantly monitor their own safety and that of their colleagues.

GLOBAL, RESOURCEFUL AND PROFITABLE

We have a clear agenda for 2012 and through to 2020. Given the uncertain outlook for the key global economies, we see numerous challenges for the steel industry in the short to medium term. At the same time, we believe that margins will shift firmly in favour of steel producers over the long term. As such, with the right strategy and business model in place, we are confident that our unique combination of global presence, resource sufficiency and relatively low-cost and profitable production will allow us to emerge as a leading global steelmaker.

We would like to thank all of our stakeholders – including our shareholders, investors, customers, suppliers, employees and local communities – for their commitment to our shared success in 2011 and belief in our ambitious plans for the future.

Igor Syry
General Director

CORPORATE STRATEGY

OVERVIEW

Last year, Metinvest began implementing the right business model to fulfil our long-term strategy to meet the challenges of a changing world. It has been developed to respond to long-term trends in the global steel market and has clear quantitative and qualitative targets for 2020. In line with our core values, the strategy is designed to ensure that the Group grows steadily over the long term and delivers returns above the industry average for our shareholders. Equally, it is centred on responsible growth that creates value for all stakeholders, including investors, customers, suppliers, employees and local communities.

Our strategy is designed to transform Metinvest from a mining and steel company into a vertically integrated steelmaker that produces high value-added goods and fully exploits the existing and potential competitive advantages. These include low production costs, an ideal geographical location between Europe and the CIS, a global sales network and a strong management.

The strategy envisions large-scale investments in technology to improve the volume, quality and efficiency of steel production while reducing emissions and enhancing safety. Such investments will mitigate the effect of rising labour costs. They are being made in line with our Technological Strategy, which is designed to complete large-scale, complex projects on time and on budget.

Using a high-tech production platform, we aim to increase steel output to take advantage of our captive iron ore reserves, while boosting our coal production, especially at United Coal. We will also pursue carefully selected acquisitions of additional assets to raise output.

In addition, our strategy aims to leverage our strong management team to achieve business excellence across the Group. We are implementing a lean production approach that is designed to streamline processes and deliver the right product for the final user. Astute financial management, including prudent borrowing and strong corporate governance, allow us to raise financing at attractive rates to fund our long-term growth.

The aim of lean production is to reduce costs and increase efficiency and quality. Under this management approach, we focus our resources on what creates end value for our customers, and we seek to eliminate other expenditures of time and money as inefficient. This requires us to re-think every aspect of our work and question how it translates into better products and services for our clients.

The lean production initiatives planned for 2012 include installing infrastructure to support the Continuous Improvement (CI) programme and developing a harmonised methodology for the process. Alongside this, Metinvest will continue implementing measures to optimise productivity, quality and costs; launch pilot projects at Northern GOK, Krasnodon Coal and United Coal; and adjust the long-term aims and implementation of the CI road map as necessary.

Our strategy also focuses on strengthening our global approach to sales and, of course, ensuring quality for customers. Our product strategy is designed to meet their needs while maximising value-added potential; last year, finished steel products accounted for 79.5% of total steel sales. We are investing in expanding our sales channels in key markets, including Ukraine, Russia, Europe and fast-growing emerging markets in the Middle East, North Africa and Asia.

OUR STRATEGY IS DESIGNED TO TRANSFORM METINVEST FROM A MINING AND STEEL COMPANY INTO A VERTICALLY INTEGRATED STEELMAKER THAT PRODUCES HIGH VALUE-ADDED GOODS AND FULLY EXPLOITS THE EXISTING AND POTENTIAL COMPETITIVE ADVANTAGES.

VISION

Our vision is to become the leading vertically integrated steelmaker in Europe, delivering sustainable growth and profitability that are resilient to business cycles and providing investors with returns that are above industry benchmarks.

OBJECTIVES

Our strategic objectives represent key success factors towards realising our long-term vision. They are:

- **Sustain our competitive advantages in steelmaking** by achieving world-class levels of operational efficiency, boosting capacity to maximise the value of captive iron ore, and increasing self-sufficiency in the key raw materials
- **Strengthen positions in strategic markets** by creating value for key customers and increasing sales of finished steel products, including by expanding our presence in new segments for higher value-added products
- **Achieve world-class business excellence** by implementing outstanding practices in managing the Group and delivering results

VALUES

Our values underpin our long-term vision, they are why we come to work each day, and they reflect the interests of all stakeholders. They are:

- **Professionalism:** we strive to fulfil our responsibilities to the highest possible standards throughout
- **Client focus:** we consider customer service to be one of the core principles of our business
- **Life, health and environment:** we seek to improve our wellbeing, our working conditions and the surroundings in which we live
- **Leadership:** we encourage leadership among employees to develop and maintain a talent pool
- **Teamwork:** we foster a working culture of close cooperation and mutual concern for safety among all personnel

RESULTS

Many of the results and key achievements last year demonstrate Metinvest's clear commitment to realising our long-term vision. These include:

- Raising the output of value-added steel products to 9,995 thousand tonnes, up 91.5% year-on-year
- Increasing the share of finished steel products in the sales mix to 79.5%, up 6.7 percentage points year-on-year
- Ensuring self-sufficiency in raw materials of 185% in iron ore and 65% in coking coal
- Boosting crude steel production to 14,375 thousand tonnes, up 64.4% year-on-year, thanks to the integration of Ilyich Steel
- Maintaining strong positions in key markets, despite the turbulent macroeconomic environment
- Developing distribution channels in target markets, including the CIS, Europe, the Middle East and North Africa

TECHNOLOGICAL STRATEGY

Last year, one of Metinvest's main achievements was developing a Technological Strategy, which covers the period to 2020. The strategy is aimed at maintaining our competitive advantage through vertical integration, reinforcing our positions on key markets and ensuring best practices throughout our work.

A crucial element of our competitive advantage is our resource base. Metinvest's long-term view about the development of the steel industry envisions profits shifting from raw materials to finished steel products. With captive steelmakers and a geographical location that offers that offers excellent routes for further distribution, we are extremely well placed to benefit from this. As such, one of the Technological Strategy's key objectives is to channel all of our iron ore to our steel facilities by 2020, boosting production of higher value-added steel goods.

Another key factor that gives us an edge over peers is the low cost base in Ukraine. While this is ultimately expected to erode, the combination of vast domestic resources and low labour rates will remain in place for the foreseeable future. This creates a window in which to make the changes needed to survive and thrive in the global steel market. On that basis, the Technological Strategy envisages large-scale investments in upgrading equipment and introducing state-of-the-art production processes at our facilities.

Naturally, investing such large sums and implementing such ambitious projects successfully is a considerable undertaking. In recognition of this, as part of laying the correct foundations for the Technological Strategy, we conducted major preparatory work with external consultants last year. This included building a strategic CAPEX delivery model with the Boston Consulting Group, which we will test with DuPont in 2012. The results give us confidence that our plans meet best practices and are in line with the direction of environmental requirements in Ukraine.

Other preparatory work included an in-depth review of how best to reinforce our positions on key markets. We critically analysed our main sales regions – particularly Ukraine, Russia, Europe, the Middle East and North Africa, given their proximity and steel transportation costs – and identified optimal product-market combinations. The research identified the need to move away from semi-finished products to more sophisticated ones, such as galvanised sheets and coils, large diameter pipes and rails. This reinforces our decision to move along the value chain.

Ukraine in particular offers vast potential, as steel consumption per capita is a fraction of domestic production. As a dominant supplier on our home market, we are ideally placed to profit from a surge in local demand for steel. At the same time, we recognise that fundamental changes are required to stimulate this. As part of the Technological Strategy and our work to ensure best practices, we intend to encourage the use of quality steel products in industry. Examples include: working with the government to implement European standards, with architects and those in construction to increase the use of new products and with fabricators to develop their sector.

ONE OF THE TECHNOLOGICAL STRATEGY'S KEY OBJECTIVES IS TO CHANNEL ALL OF OUR IRON ORE TO OUR STEEL FACILITIES BY 2020, BOOSTING PRODUCTION OF HIGHER VALUE-ADDED STEEL GOODS.

Central to all of our key objectives, from both a financial and an operational perspective, is the need to enhance energy efficiency at our facilities. With this in mind, the Technological Strategy sets some ambitious targets for 2020. By then, for example, we aim to reduce energy consumption per tonne of steel by 15% at Azovstal and 24% at Yenakiieve Steel. Such measures will lower our cost of sales and contribute to our compliance with European environmental standards.

Last year, as part of the Technological Strategy, we implemented numerous major investment projects. At Yenakiieve Steel, we commissioned blast furnace no. 3 and replaced the gas treatment units in the converter shop, while at Azovstal, we decommissioned the open-hearth furnaces and fully shifted to converter technology. We also launched the second stage of the magnetic flotation refining facility at Ingulets GOK. The completion of several large projects simultaneously bodes well for the Technological Strategy, and we look forward to building further on this in 2012 and beyond.

HOW PROFITABLE IS OUR BUSINESS?

Despite the challenges on the global steel market and in our core sales regions, we achieved strong results on the top and bottom lines in 2011. We have consistently outperformed our assigned ratings, which are capped by Ukraine's sovereign rating.

Find the answers:

FINANCE DIRECTOR'S REVIEW[1]
ANOTHER IMPRESSIVE PERFORMANCE, DESPITE VOLATILITY WORLDWIDE

We are delighted to have improved our financial track record yet again in 2011, delivering another set of strong results despite considerable macroeconomic volatility. Driven overwhelmingly by greater sales of steel products and a rise in average steel prices, consolidated revenues, EBITDA and net profit all rose solidly, while our operating profitability was well above the industry average. We continued to generate substantial cash flow, increasing our cash balance by almost 80%. We also repaid a record amount of debt, secured several new funding facilities and issued Eurobonds on favourable terms, reconfirming the financial community's confidence in the Group and its prospects.

REVENUES

In 2011, consolidated revenues amounted to US$14,189 million, 51.6% higher than the US$9,358 million in 2010. The Steel segment accounted for 72.7% of external revenues (compared with 61.0% in 2010), Iron Ore for 19.8% (26.7% in 2010) and Coke and Coal for 7.5% (12.3% in 2010).

The overwhelming contributor to the top-line growth was the Steel segment, which accounted for 95.4%. It was driven primarily by a 68.7% rise in sales volumes of own products, along with a 26.7% gain in average steel prices. Most in demand were plates and coils (sale volumes were up 127.9% year-on-year), pipes (up 119.4%) and long products (up 17.7%). The main factors that enabled Metinvest to boost output so significantly were the integration of Ilyich Steel, active demand on key markets, an increase in capacity at Makiivka Steel and a new product launch at Yenakiieve Steel.

Iron ore sales accounted for 6.4% of the growth in consolidated revenues. This was primarily driven by a rise in average iron ore prices, which was offset by a fall in external sales volumes. Geographically, the share of sales in Ukraine dropped in favour of those in Europe and Southeast Asia. The decrease in domestic sales volumes was due to greater levels of internal consumption at Ilyich Steel.

Lower sales in the Coke and Coal segment accounted for a fall of 1.8% on the top line. While higher product prices drove external revenue growth, overall external sales volumes dropped due to greater internal consumption of coke and other coke products at Ilyich Steel.

1 Prepared from the financial statements for 2011, based on the previous divisional structure (Steel, Iron Ore, and Coke and Coal divisions), in accordance with Note 7. From 2012, our financial results will be prepared based on the new operating model.

DRIVEN OVERWHELMINGLY BY GREATER SALES OF STEEL PRODUCTS AND A RISE IN AVERAGE STEEL PRICES, CONSOLIDATED REVENUES, EBITDA AND NET PROFIT ALL ROSE SOLIDLY, WHILE OUR OPERATING PROFITABILITY WAS WELL ABOVE THE INDUSTRY AVERAGE.

COST OF SALES

In 2011, the cost of sales amounted to US$9,873 million, 54.9% higher than US$6,372 million in 2010. As a share of consolidated revenues, the cost of sales was 69.6%, up from 68.1% in the previous year.

The increase in costs was primarily due to the higher sales volumes and cost of raw materials and energy (natural gas). It was partly offset by the effect of fixed costs, which remained relatively unchanged year-on-year.

OTHER OPERATING EXPENSES

Distribution costs rose to US$1,049 million, against US$820 million in 2010, primarily due to a rise in transportation costs stemming from higher sales volumes and freight rates. General and administrative expenses amounted to US$395 million, up 38.6% year-on-year and equalling 2.8% of consolidated revenues. This increase was mainly caused by general and administrative expenses at Ilyich Steel following its consolidation.

Other expenses fell to US$171 million, 35.0% lower than the US$263 million in 2010.

EBITDA

Consolidated adjusted EBITDA totalled US$3,565 million, 39.7% higher than the US$2,552 million in 2010. The EBITDA margin contracted slightly to 25.1%, from 27.3% in 2010, due to deteriorating conditions on the global steel markets that squeezed margins on steel products. The Iron Ore segment accounted for 92.4% of Metinvest's adjusted EBITDA[2], Coke and Coal for 14.2%, and Steel for -3.6%.

FINANCE INCOME AND COSTS

Finance income climbed to US$78 million, up 73.3% year-on-year, its share of consolidated revenues remaining virtually unchanged at 0.6%.

Finance costs equalled US$265 million, 7.7% higher than the US$246 million in 2010. This was primarily due to an increase in interest expenses on bonds and borrowings, while partly offset by a decrease in losses from the origination of financial assets. The share of finance costs in consolidated revenues dropped to 1.9%, from 2.6% in 2010, due to the surge on the top line.

INCOME TAX EXPENSE

Income tax expenditure stood at US$650 million, up 140.7% year-on-year. This stemmed mainly from the jump in pre-tax profits, which more than tripled from US$707 million in 2010 to US$2,504 million. The effective tax rate applicable to the Group's operations dropped to 26.0%, down 12.2 percentage points.

NET PROFIT

The bottom line amounted to US$1,854 million, up 324.3% from the US$437 million in 2010. This gave a net profit margin of 13.1%, up 8.4 percentage points year-on-year.

LIQUIDITY AND CAPITAL RESOURCES

The Group seeks to maintain an optimal capital structure to reduce the cost of raising capital and ensure its long-term stability and ability to deliver returns to shareholders.

Cash balances stood at US$792 million at 31 December 2011, compared with US$449 million a year earlier. Proceeds from bank loans and bonds issued increased by 58.4% to US$2,140 million during the reporting period, compared with US$1.351 million in 2010. Repayments of bank loans, bonds and sellers notes totalled US$1,508 million, against US$775 million in 2010.

Net debt (loans, borrowings and sellers' notes less cash and cash equivalents) stood at US$3,189 million at 31 December 2011, compared with US$2,715 million a year earlier.

Metinvest's credit is rated by two international ratings agencies, Fitch ('B') and Moody's ('B2'), and is currently capped by Ukraine's sovereign rating.

CAPITAL EXPENDITURE

Capital expenditure almost doubled to US$1,165 million, from US$582 million in 2010. The Iron Ore segment accounted for 39.5% of total CAPEX, Steel for 36.6%, and Coke and Coal for 23.9%.

Sergiy Novikov
Chief Financial Officer

2 The contribution is to the gross EBITDA before deduction of corporate overheads and eliminations.

HOW ARE WE PERFORMING GLOBALLY?

We are client-focused. We have developed our product portfolio strategy and global sales network to meet the needs of our customers worldwide and compete successfully on both a quality and cost basis. We have moved along the value chain to focus on high-quality finished steel products that are tailored to meet our customers' needs worldwide.

Find the answers:

DIVISIONAL REVIEW
IRON ORE

IN LINE WITH OUR INCREASING STEEL PRODUCTION, PRIMARILY DUE TO THE ADDITIONAL CAPACITY OF ILYICH STEEL, THE SHARE OF IRON ORE CONSUMED INTERNALLY ROSE BY 12.4 PERCENTAGE POINTS TO 47.4% IN 2011.

As part of the organisational restructuring in 2011, we created a new Mining division encompassing both iron ore and coal production, in line with our vertically integrated operating model.

HIGHLIGHTS

- **Iron ore output reached 35,741 thousand tonnes, another record**
- **CAPEX increased by 79.9% compared with 2010**
- **The second phase of magnetic and flotation refining facility was launched at Ingulets GOK**
- **Production capacity was expanded at Northern GOK**

PRODUCTION ASSETS

Metinvest's key iron ore facilities are Ingulets GOK, Northern GOK and Central GOK, which produce iron ore concentrate and pellets. In addition, as part of the acquisition of Ilyich Steel, Metinvest acquired control over Komsomolske Flux Plant, a large Ukrainian producer of limestone and flux that has three active quarries and two crushing and beneficiation plants. Komsomolske Flux Plant became part of the Mining division last year. We have around 7,433 million tonnes of long-life mineral resources, including 1,867 million tonnes of proven and probable ore reserves[1].

1 As of 31 December 2009, according to JORC standards.

In 2011, we were fully self-sufficient in iron ore, covering 185% of our internal requirements. Major external buyers include Arcelor Mittal, the Industrial Union of Donbass, US Steel Kosice, Zaporizhia Iron and Steel Works, and Donetsk Iron and Steel Works.

The Group maintains a quality management system that is certified by Bureau Veritas and Ukrainian state enterprise Krivbasstandartmetrologiya as conforming to the standards required for producers of merchant concentrate and pellets. The system is also certified under ISO 9001 standards.

PERFORMANCE

In 2011, our total output of iron ore concentrate matched the previous year's record and equalled 35,741 thousand tonnes. Production of pellets totalled 12,544 thousand tonnes and the volume of pellets for sale rose by 16.6% to 6,216 thousand tonnes. In line with our increasing steel production, primarily due to the additional capacity of Ilyich Steel, the share of iron ore consumed internally rose by 12.4 percentage points to 47.4% in 2011.

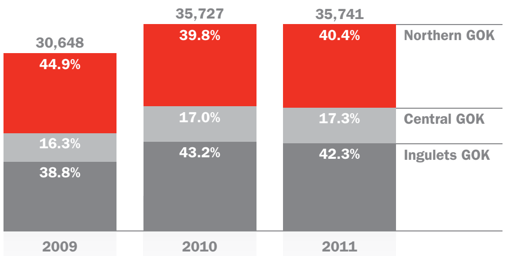
In 2011, a key accomplishment of the Mining division was developing a long-term Technological Strategy, which governs major investments in production capacity for both iron ore and coal through to 2020. The strategy was completed at the end of April 2012 and is due for approval by the Supervisory Board in the second half of 2012.

In line with our modernisation programme, we increased capital expenditure for the Mining division substantially in 2011. Some US$457 million went on iron ore projects, compared with US$254 million in 2010.

Meanwhile, we completed the second stage of the magnetic and flotation refining complex at Ingulets GOK, reaching our target quality for concentrate of 67.0% Fe and increasing output of premium-class concentrate to 6.5 million tonnes a year. The complex provides us with better concentrate for steelmaking and allows us to command higher prices from external customers.

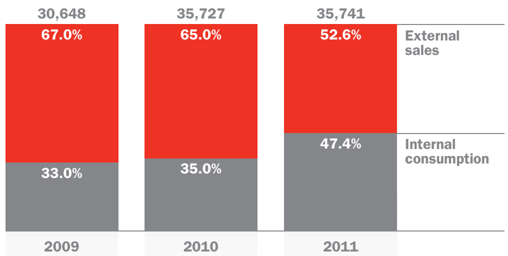
Production of Iron Ore Concentrate by Asset

35,741KT



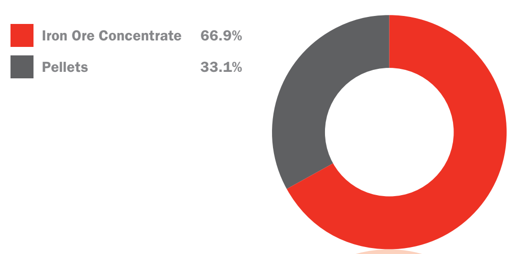
Consumption of Iron Ore Concentrate

35,741KT



Output of Iron Ore Products in 2011[2]

18,793KT



2 Saleable iron ore products exclude intra-group sales and internal consumption.

We also carried out major investments at Northern GOK, completing the second phase of a project to boost the volumes and quality of its iron ore. These investments are expected to expand capacity by 2.3 million tonnes of pellets and 0.9 million tonnes of concentrate a year. They were spent on rebuilding the 15th and 16th sections of ore-dressing plant no. 1, as well as modernising the OK-306-1 pelletising machine, completed in 2011, and the Lurgi 278-B pelletising machine, the latter being due for completion in 2014. Also in 2013, we expect to complete the first and second sections of a major project to build a new rock crushing and transferring complex at the plant.

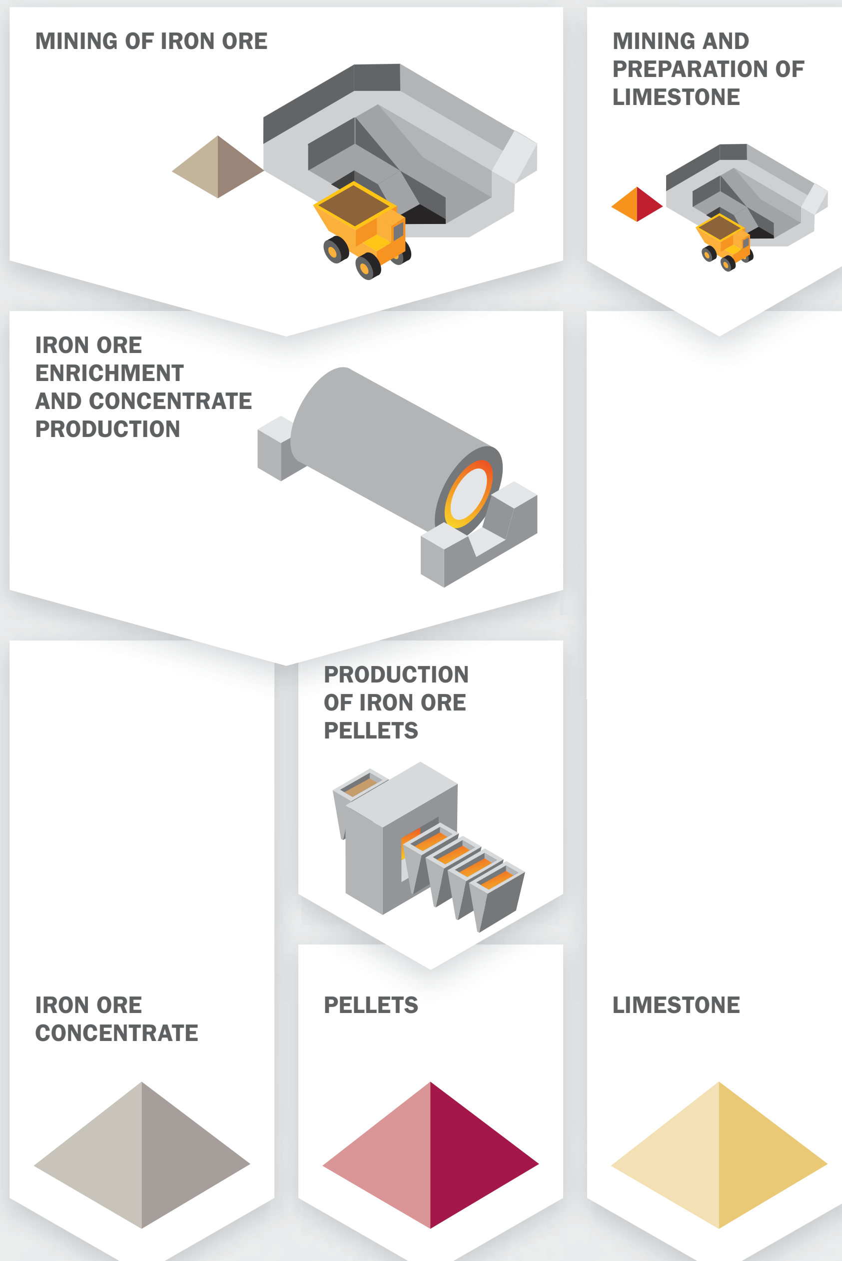
At Central GOK, we are advancing plans to invest in projects that will benefit the environment and enhance efficiency. This includes developing facilities for treating slime.

DIVISIONAL STRATEGY AND OUTLOOK

The restructuring of our business units into Steel and Mining divisions in 2011, with standalone logistics and sales functions at the senior management level, serves our vertical integration as a steelmaker. Our Mining division is being developed, in the first instance, to deliver the volume and quality of iron ore and coking coal needed to support greater steel production. Our long-term goal is that our steel plants consume 100% of our raw materials.

Our strategy for iron ore is to maintain our record production and continue to focus on upgrading our enrichment plants to deliver iron ore concentrate and pellets with a high ferrous content. We also intend to enhance the margins on sales to external clients further.

VERTICAL INTEGRATION IN ACTION: MINING AND PROCESSING IRON ORE



OUR CAPTIVE IRON ORE AND LIMESTONE BASE IN UKRAINE PROVIDES US WITH THE RAW MATERIALS NEEDED TO PRODUCE HIGH-QUALITY CONCENTRATE, PELLETS AND LIMESTONE PRODUCTS SUFFICIENT TO COVER ALL OF OUR STEELMAKING NEEDS AND SELL TO THIRD PARTIES.

DIVISIONAL REVIEW
COAL

IN 2011, WE LAUNCHED PRODUCTION AT UNITED COAL'S AFFINITY MINE, WHICH IS EXPECTED TO BOOST OUR SUPPLY OF COKING COAL CONCENTRATE BY 1.2 MILLION TONNES A YEAR. WE ALSO PLAN TO DEVELOP THE ROARING CREEK MINE, WHICH SHOULD PROVIDE ANOTHER 1.4 MILLION TONNES OF COKING COAL CONCENTRATE ANNUALLY.

In line with our vertically integrated operating model, our new Mining division encompasses both iron ore and coal production.

HIGHLIGHTS

- **Output of coking coal totalled 11,339 thousand tonnes**
- **The Affinity mine was launched at United Coal**
- **CAPEX doubled compared with 2010**
- **A new safety drive was launched and investments in training and equipment were made**

PRODUCTION ASSETS

Our main production facilities are represented by Krasnodon Coal in the Donbass region of Ukraine and United Coal in the US. We met around 65% of our internal coking coal needs in 2011, and we expect this to rise to 75% with the opening of additional mines at United Coal in 2012 and 2014.

PERFORMANCE

In 2011, our Ukrainian and US mines produced 11,339 thousand tonnes of coking coal, up 12.3% year-on-year. Krasnodon Coal alone accounted for a quarter of Ukraine's coking coal output.

United Coal mined 2,013 thousand tonnes of steam coal and produced 1,305 thousand tonnes of steam coal concentrate in 2011. As Metinvest does not require steam coal concentrate, United Coal sells all of its output in the US. The production and sale of steam coal provides an additional source of revenue for our US coal assets, where we continue to invest in increasing long-term production capacity of coking coal concentrate for both internal use and external sale.

Our total captive long-life coal reserves stood at 635 million tonnes, including 160 million tonnes of high-quality coal reserves in the US[3].

The finalisation of the Mining division's Technological Strategy in 2012 sets the stage for continued major investments in both capacity and safety at our coal mines. Our coal strategy looks forward to 2020 and to some extent 2030, as we seek to secure long-term supplies to fulfil our plans for expanding steel production. CAPEX on coal production was US$277 million in 2011, compared with US$134 million in 2010.

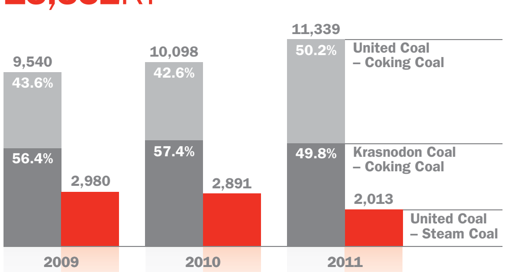
We continued to increase supplies of coal from United Coal to Ukraine last year, raising the total to around 1 million tonnes. Thanks to additional port capacity and the elimination of bottlenecks, we can expand this to five-six million tonnes. United Coal also provides us with an arbitrage option, whereby we sell its output in the US and buy coal in Russia for a lower price.

In 2011, we launched production at United Coal's Affinity mine, which is expected to boost our supply of coking coal concentrate by 1.2 million tonnes a year. We also plan to develop the Roaring Creek mine, which should provide another 1.4 million tonnes of coking coal concentrate annually. The additional capacity will support our long-term strategy to expand our steel production.

3 As of 31 December 2011 (unaudited).

Mining of Coal by Asset[4]

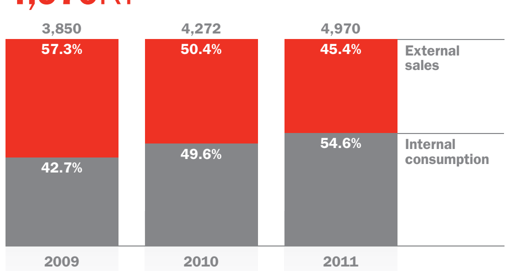
13,352KT



4 Production figures for coking and steam coal in 2009 fully consolidate the production from United Coal, which was acquired that year.

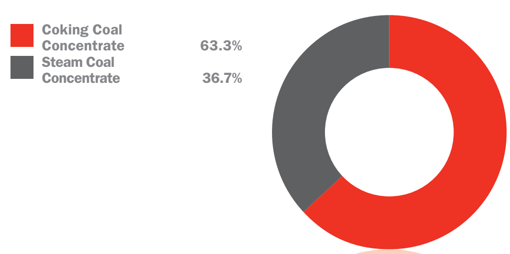
Consumption of Coking Coal Concentrate

4,970KT



Output of Coal Products in 2011[5]

3,560KT



5 Saleable coal products exclude intra-group sales and internal consumption.

Safety remained a central priority in 2011, in line with our core corporate value of life, health and the environment. Following the accident at Krasnodon Coal, we conducted a major review, alongside investigations by the Ukrainian authorities. As a result, we enacted a series of safety measures that go above and beyond current legislation to maximise the safety of our employees. The moves are being accompanied by longer-term investments in equipment and automation to improve safety and enhance efficiency.

Furthermore, we have increased round-the-clock oversight of the mine and the monitoring of dust and gas levels, ventilation and dust-explosion protection. We have invested in additional air-cooling systems. In late 2011, a programme was launched to provide personnel with positioning devices for use in search and rescue operations. We have also extended the training period for new employees and set up a bonus system for positive contributions to safety.

Our policy remains that no injury or death in the workplace is acceptable to Metinvest, and the division continues to work on providing training and equipment to reduce risks ever further.

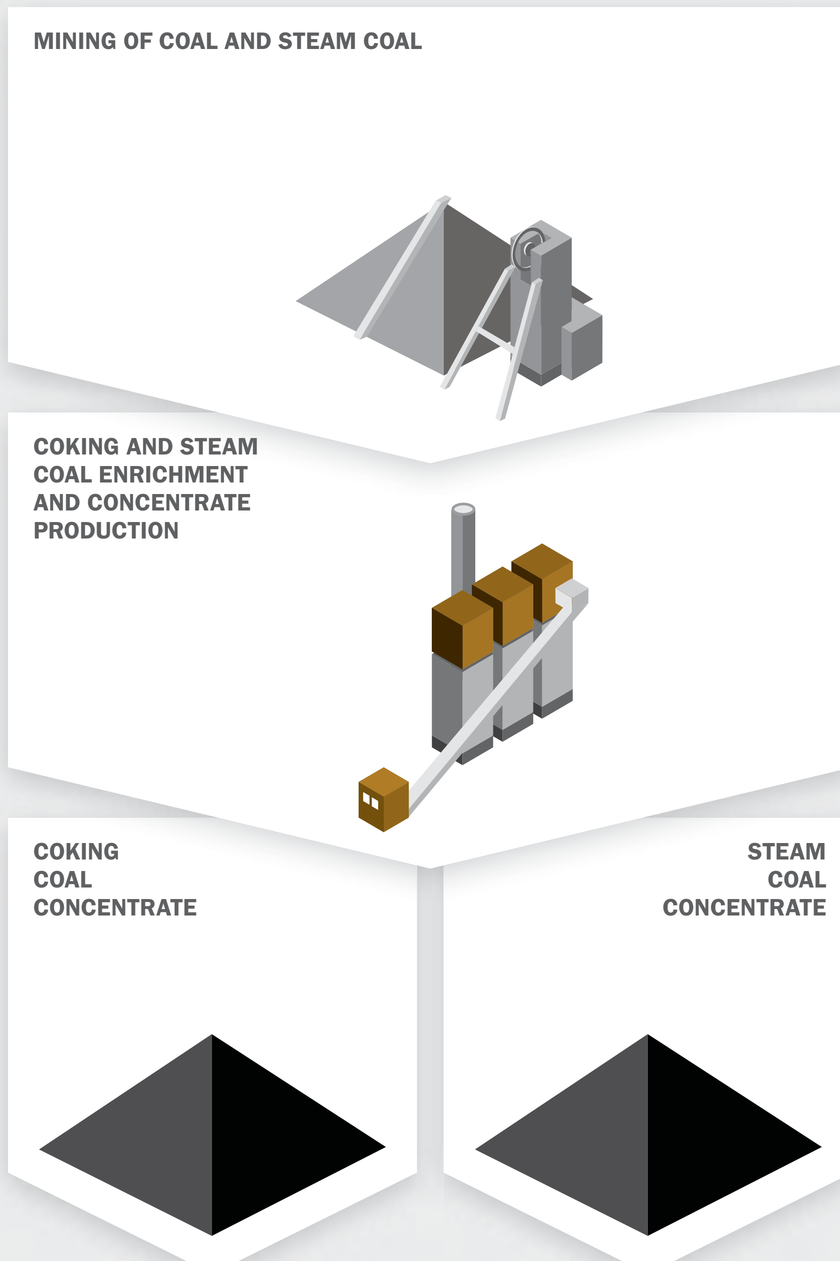
DIVISIONAL STRATEGY AND OUTLOOK

Our strategy for coal is to boost production of high-quality HCC to increase our self-sufficiency from 65% to 75% and above over the next few years. We plan to achieve this by increasing production at Affinity in 2012 and commissioning Roaring Creek in 2014. We also intend to maintain our current HCC production capacity at our Ukrainian mines. All of these investments include a major focus on safety through the use of modern equipment and greater automation of the mining process.

In 2011, as part of our lean manufacturing initiatives, an Operational Excellence project was launched at United Coal. Additional pilot projects under the Continuous Improvement programme are planned in 2012.

Safety is an integral part of our strategy, and our goal is to reach global standards of workplace protection and continue to reduce lost-time incidents at our mining facilities. This requires a concerted, long-term drive to promote a culture of safety in which every employee considers their safety and that of their colleagues at all times.

VERTICAL INTEGRATION IN ACTION: MINING AND PROCESSING COKING AND STEAM COAL



OUR COAL PRODUCTION AND ENRICHMENT BASE IN UKRAINE AND THE US, ALONG WITH OUR CHEMICALS PLANTS, PROVIDE US WITH SECURE, LONG-TERM SUPPLIES OF COKING COAL THAT IS PROCESSED BY OUR FACILITIES INTO METALLURGICAL COKE IN THE FIRST STAGE OF STEEL PRODUCTION.

DIVISIONAL REVIEW
STEEL

THE DIVISION'S STRONGER PRODUCTION AND REVENUES IN 2011 WERE DRIVEN PRIMARILY BY THE SUCCESSFUL INTEGRATION OF ILYICH STEEL AND ENHANCED EFFICIENCY OF OUR STEELMAKING FACILITIES.

As part of the organisational restructuring in 2011, we created a new Steel division encompassing both steel and coke production, in line with our vertically integrated operating model.

HIGHLIGHTS

- **Crude steel output reached 14,375 thousand tonnes following the integration of Ilyich Steel**
- **Output of steel products totalled 12,969 thousand tonnes**
- **The volume of finished steel products amounted to 9,995 million tonnes, more than double year-on-year**
- **CAPEX doubled compared with 2010**
- **Blast furnace no. 3 was launched at Yenakiieve Steel**

PRODUCTION ASSETS

Metinvest has nine steelmaking assets, including three hot facilities (Ilyich Steel, Azovstal and Yenakiieve Steel), a rolling mill (Makiivka Steel) and a pipe plant (Khartsyzk Pipe) in Ukraine; three rolling mills in continental Europe (Ferriera Valsider, Metinvest Trametal and Promet Steel); and a rolling mill in the UK (Spartan UK).

In addition, Metinvest acquired a 24.9% stake in the Industrial Group's steel and mining business, which controls the fifth largest steelmaker in Ukraine, Zaporizhia Iron and Steel Works. As a result, Metinvest retains a minority stake in the plant, which is one of the Group's largest customers for iron ore products.

We also run Avdiivka Coke and plants at Azovstal to produce coke, as well as Inkor Chemicals to make chemical products. These assets were transferred from the Coke and Coal division to the Steel division, following our organisational restructuring last year. The Group is 100% self-sufficient in coke for its steelmaking.

The Steel division makes an extensive range of products, including semi-finished (slabs and square billets), finished flat (hot-rolled plates and coils, cold-rolled and hot-dip galvanised coils), long (hot-rolled sections, debars, merchant bars and wire rods), railway and tubular products.

Metinvest maintains an ISO 9001:2008 quality management system at all major steelmaking facilities.

PERFORMANCE

Our Steel division delivered a robust performance last year. In line with our aggressive targets and despite a challenging market, we increased output of crude steel by 64.4% year-on-year to 14,375 thousand tonnes. Output of steel products amounted to 12,969 thousand tonnes, value-added finished products accounting for 9,995 million tonnes. This equals 77.1% of the product mix, up from 63.4% in 2010, in line with our product strategy.

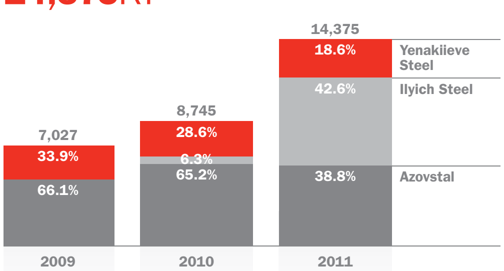
The division's stronger production and revenues in 2011 were driven primarily by the successful integration of Ilyich Steel, acquired in late 2010, and the realisation of synergies with nearby Azovstal. The addition of Ilyich Steel has expanded our annual steelmaking capacity to 15 million tonnes, and its rapid and smooth integration has been a major step in fulfilling our long-term strategy of increasing steel production to utilise our raw material base in full. The asset has 12 sintering machines that process raw materials for blast furnaces at both Ilyich Steel and Azovstal, guaranteeing stable supplies of sinter and increasing production efficiency. Both plants are also connected with each other logistically and have access to Mariupol's port complex.

Ilyich Steel's products have contributed to broadening our output mix, while significantly increasing the share of finished steel products in 2011, in line with our strategy. The integration of the plant has also added distribution networks, customers and markets.

Modernisation was a primary theme for the division in 2011, as capital expenditure reached US$423 million, more than double the US$190 million in 2010. Upgrading our facilities not only improves the quality of steel products, but also reduces emissions and improves safety significantly.

Production of Crude Steel by Asset[6]

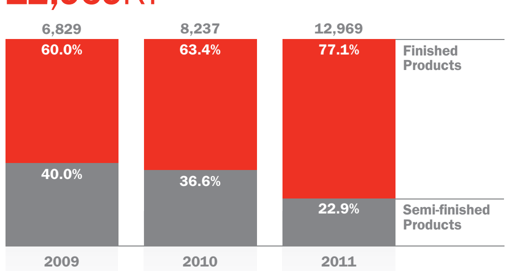
14,375KT



6 Production figures for 2010 include 547KT of crude steel produced in December 2010 by Ilyich Steel and consolidated into Metinvest's total output.

Steel Product Mix[7]

12,969KT

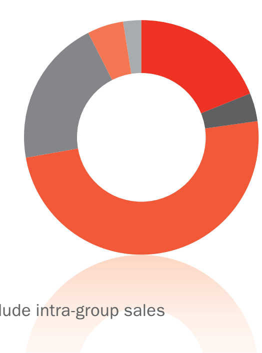


7 Production figures for 2010 include 464KT of steel products in December 2010 by Ilyich Steel and consolidated into Metinvest's total output.

Output of Steel Products in 2011[8]

12,969KT

Semi-finished Products	
Slab	19.0%
Square Billet	3.9%
	22.9%
Finished Products	
Flat Products	49.4%
Long Products	20.2%
Tubular Products	5.2%
Railway Products	2.3%
	77.1%



8 Saleable steel products exclude intra-group sales and internal consumption.

The division completed several major projects last year. These included the new, state-of-the-art blast furnace no. 3 at Yenakiieve Steel, giving the plant a third furnace and increasing annual output of hot metal by 0.4 million tonnes net. We also replaced the gas treatment units in the plant's converter shop, which will help to meet European environmental standards.

Another key step in our modernisation programme was the closure of the open-hearth furnaces and shift to converter technology at Azovstal without a significant impact on overall production. The move is expected to lower gross emissions by 17,000 tonnes a year. We also continued the installation of an accelerated cooling system at the plate mill to improve efficiency and broaden the range of high-strength strips for pipes at Azovstal. These projects are due to be completed in the first half of 2012.

Perhaps the most important achievement in 2011 was the development of our Technological Strategy for the Steel division. Representing a crucial road map for more than 10 major projects at our steel and coke facilities through to 2020, it details the complex management and logistical planning required to implement them without disrupting production.

A major project for us is the introduction of pulverised coal injection (PCI) technology at all steelmaking assets, as it substitutes natural gas, reduces coke consumption, increases the productivity of blast furnaces and mitigates the environmental impact of our operations. We plan to pilot a PCI project in mid 2012 at Ilyich Steel and then to commission the unit for PCI preparation and injection into blast furnaces nos. 1-5 towards the year-end.

Elsewhere, we continued to implement lean production methods at our steelmakers, a key approach that focuses on eliminating waste and delivering the right products for clients. As part of the initiative, pilot projects to build Continuous Improvement systems were implemented at Khartsyzk Pipe and Makiivka Steel. In addition, to track our progress better, we launched a new and consistent system of KPIs (Key Performance Indicators) for each steel plant.

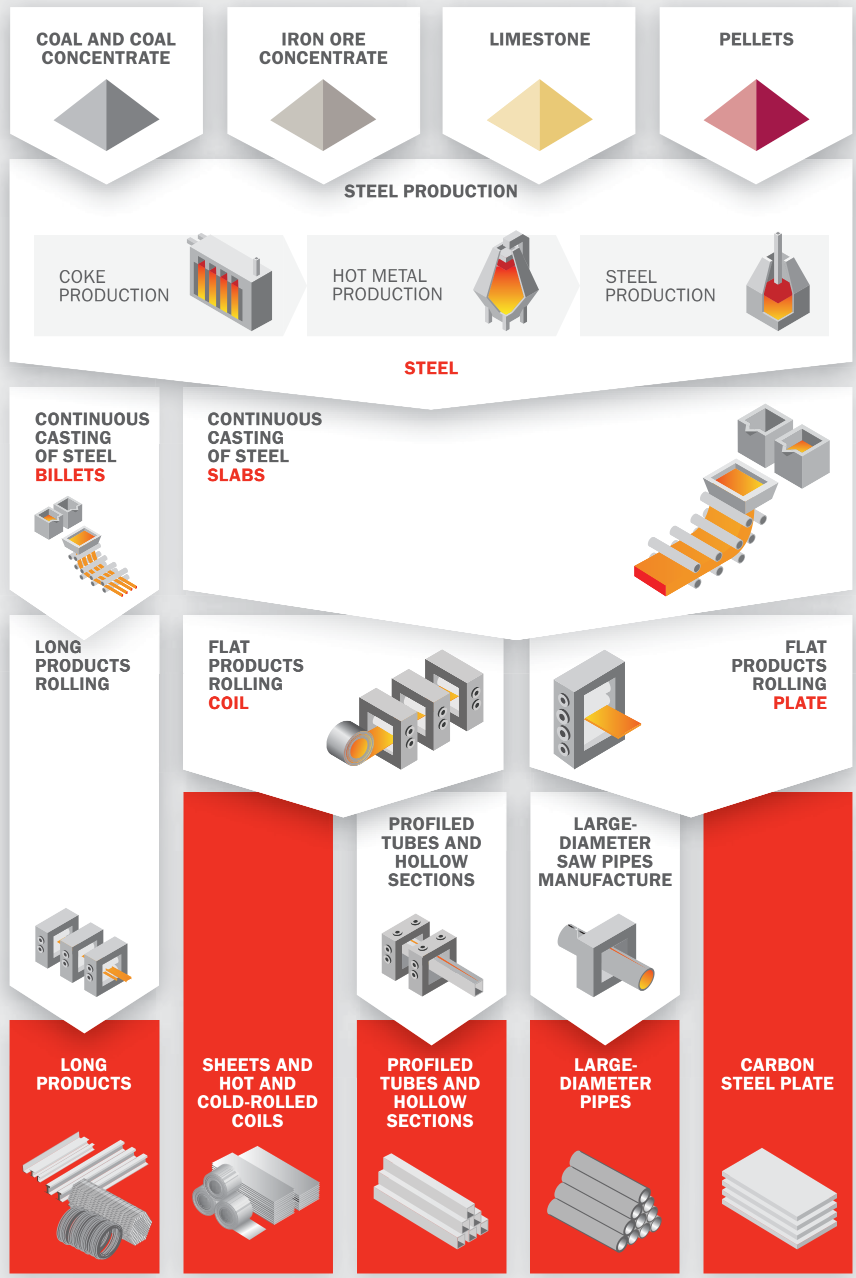
DIVISIONAL OUTLOOK AND STRATEGY

Adding coal capacity and improving iron ore processing in the Mining division will help us to develop even better steel products in the future. We are also investing substantially in our supply chain, which is enhancing value throughout the Group. Improved logistics, both rail and seaborne, allow us to deliver raw materials to our steel mills more efficiently and products to customers more rapidly and cheaply.

Throughout 2012, we will be implementing our Technological Strategy and plan to maintain CAPEX. At Ilyich Steel, we are planning to reconstruct a rolling mill as part of ongoing modernisation work. At Azovstal, we have advanced plans to install a new PCI unit, coke battery and iron ore screening. At Yenakiieve Steel, we are planning to begin the implementation of a PCI unit in the second half of 2012 and are carrying out design work for a new sinter plant. We are also focusing on projects to reduce emissions of coke facilities at Avdiivka Coke.

As mentioned, last year, we acquired a minority stake in Zaporizhia Steel and the option to increase it to a controlling one in the future. This gives us the opportunity to expand steel production in line with our strategy of making selective mergers and acquisitions.

VERTICAL INTEGRATION IN ACTION: MAKING FINISHED STEEL PRODUCTS



OUR STEELMAKING ASSETS USE COAL AND COAL CONCENTRATE, IRON ORE CONCENTRATE, LIMESTONE AND PELLETS TO MAKE SEMI-FINISHED AND TOP-QUALITY FINISHED STEEL PRODUCTS. THE CONTROL OF OUR SUPPLY CHAIN AND INVESTMENTS IN NEW TECHNOLOGY MEAN THAT WE CAN DELIVER VALUE-ADDED, FINISHED STEEL PRODUCTS TO CUSTOMERS WORLDWIDE.

GLOBAL SALES PORTFOLIO
A TRULY WORLDWIDE CUSTOMER BASE

OVERVIEW

One of our core missions as a company is to deliver top-quality products to our customers worldwide. In 2011, in line with our new functional structure and vertically integrated operating model, we consolidated our divisional sales into a single enhanced Sales function run by a corporate-level Sales Director reporting directly to the General Director.

The Sales function has overseen the development of Metinvest's product strategy, which is designed to deliver high value-added, customised products to our clients and ensure our production assets can respond quickly to changes in the marketplace.

MARKET DYNAMICS

Last year was another challenging one for steelmakers even as global steel production set another record, reaching 1,490 million tonnes, according to the World Steel Association. Steel, iron ore and, to a certain degree, coal felt the impact of a sharp drop in global demand in the final quarter of the year.

Steel Business Briefing (SBB) reports that the monthly average for steel prices (based on semi-finished/billet prices FOB, Black Sea Port) was US$629 a tonne last year, compared with US$524 in 2010. Prices peaked in August, at US$677 a tonne, falling to a low of US$571 in November, as the market saw growth weaken due to slower demand in China and the impact of the Eurozone crisis.

Upstream, after performing strongly in the first half of 2011, spot prices for iron ore fell sharply in October, following the downward trend of the steel market. According to figures from Wood Mackenzie, global iron ore production grew by 4.3% to 1,781 million tonnes last year.

For coal, Australian hard coking coal (HCC) spot and contract prices were fairly stable during the first three quarters of the year, before softening in line with other raw materials in the final quarter. The average monthly price stood at US$289 per tonne for contracts and US$296 per tonne for the spot market. Meanwhile, Shanxi premium coking coal remained firmer in US dollar prices, reflecting continued demand from the domestic Chinese market.

PERFORMANCE

Despite volatility in the global steel market, Metinvest achieved record sales volumes in 2011, that of steel products reaching 13,309 thousand tonnes, up 52.1% year-on-year. The share of flat products in the sales mix increased by 12.7 percentage points, primarily due to the integration of Ilyich Steel in 2011. Our focus on value-added goods was reflected by the 79.5% share of finished steel products in the sales mix. Metinvest continued to expand its market presence and increase sales of finished flat, long, railway and tubular products. In terms of geography, 34.5% of our steel sales were to Europe, 20.0% to Ukraine, 18.4% to the CIS, 13.3% to Southeast Asia, and 11.6% to the Middle East and North Africa.

Sales in Ukraine rose by 40.3% in volume and 61.2% in value, while the corresponding figures for Europe were 59.2% and 87.5%. Our global presence provided us with diverse exposure to both developed and emerging markets and cushioned the blow of the sharp economic slowdown in Europe in the fourth quarter, as well as the continued uncertainty in early 2012.

DESPITE VOLATILITY IN THE GLOBAL STEEL MARKET, METINVEST ACHIEVED RECORD SALES VOLUMES IN 2011, THAT OF STEEL PRODUCTS REACHING 13,309 THOUSAND TONNES, UP 52.1% YEAR-ON-YEAR.

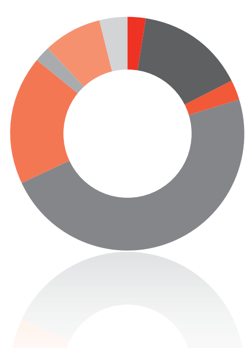
Our iron ore sales increased by 12.4% in US dollar terms. Geographically, 53.5% of the iron ore that we sold went to customers in Ukraine, 29.6% to Asia and 16.8% to Europe. Our solid performance in Asia reflected strong demand in China and was supported by continued improvements in logistics.

Using Capesize vessels to bring iron ore to China has been a major breakthrough, allowing us to reduce the price per tonne of iron ore products by US$5, making us truly competitive in that market. Last year, we signed our first long-term supply contract in China with Delong Steel, and we foresee continued scope for increasing sales there over the short to medium term.

Steel Sales[9]

US$**10,318**M

By Product



Pig Iron	263M	2.5%
Slabs	1,546M	15.0%
Square Billets	306M	3.0%
Flat Products	4,911M	47.6%
Long Products	1,853M	18.0%
Railway Products	228M	2.2%
Tubular Products	828M	8.0%
Other Products	383M	3.7%

By Region

Ukraine	2,066M	20.0%
Europe	3,558M	34.5%
MENA	1,196M	11.6%
CIS	1,900M	18.4%
SEA	1,369M	13.3%
Other Regions	229M	2.2%

9 External sales exclude intra-group sales.

MENA: Middle East and North Africa; SEA: Southeast Asia; CIS excludes Ukraine.
CIS: Commonwealth of Independent States.

Importantly, we also continued to establish long-term contracts for iron ore with external clients based on transparent pricing mechanisms that allow both parties to assess future volumes and pricing and reduce risks. This decreases our exposure to market volatility.

Our external sale of coal products fell by 7.7% in 2011, as increased production by our steel mills drove internal demand for HCC. Some 52.5% of our external sales came from the Ukrainian market, with a further 33.9% sold in the US by United Coal.

Alongside our record sales performance, our successful organisational restructuring in 2011 placed the Sales function at the helm of our vertically integrated corporate structure, replacing our previous divisional distribution units. We also defined our product strategy for now and the future, focusing firmly on value-added steel goods and customisation. This includes greater sales of coils and heavy sections, made possible by the ongoing modernisation of our steel facilities.

Last year, we also actively developed our distribution channels in strategic markets, including Ukraine, Russia and the EU. As part of this, we opened new metals centres in Lviv and Mariupol in Ukraine. Our products are helping to build stadiums and infrastructure for the Euro 2012 football tournament, which was co-hosted by Ukraine this summer. We also plan to open a new warehouse complex in Vinnytsya in 2012.

In Russia, we opened a new metals centre and sales office in Saratov, in the Volga Federal District, a key area of the country for us. In 2012, we plan to open a warehouse in Belgorod, on the Russian-Ukrainian border. Our work in Russia helped us to nearly double steel sales there, and we believe that Russian infrastructure development will be an important driver for us in the future. We also won tenders to supply pipes for the East-West and Beyneu-Shymkent pipeline projects and rails for endeavours across the CIS.

OUTLOOK

Our focus in 2012 and beyond will be on implementing our product strategy, developing our distribution network and enhancing customer service. Our aim is to use our vertically integrated operating model to continue to bridge the gap between production and clients, to deliver the right products and quality. Most importantly, in difficult global economic conditions, where we derive around 70% of our sales from outside Ukraine, we must fight to win and keep each customer. As such, we will continue to invest in expanding our sales and distribution presence.

Iron Ore Sales[10]

US$2,810M

By Product

Iron Ore Concentrate	1,743M	62.0%
Pellets	937M	33.3%
Other Products	130M	4.6%

By Region

Ukraine	1,502M	53.5%
Europe	471M	16.8%
SEA	832M	29.6%
CIS	5M	0.2%

10 External sales exclude intra-group sales.

SEA: Southeast Asia; CIS excludes Ukraine.
CIS: Commonwealth of Independent States.

Coal Sales[11]

US$1,061M

By Product

Coking Coal Concentrate	472M	44.5%
Steam Coal Concentrate	109M	10.3%
Chemical Products	173M	16.3%
Other Products[12]	307M	28.9%

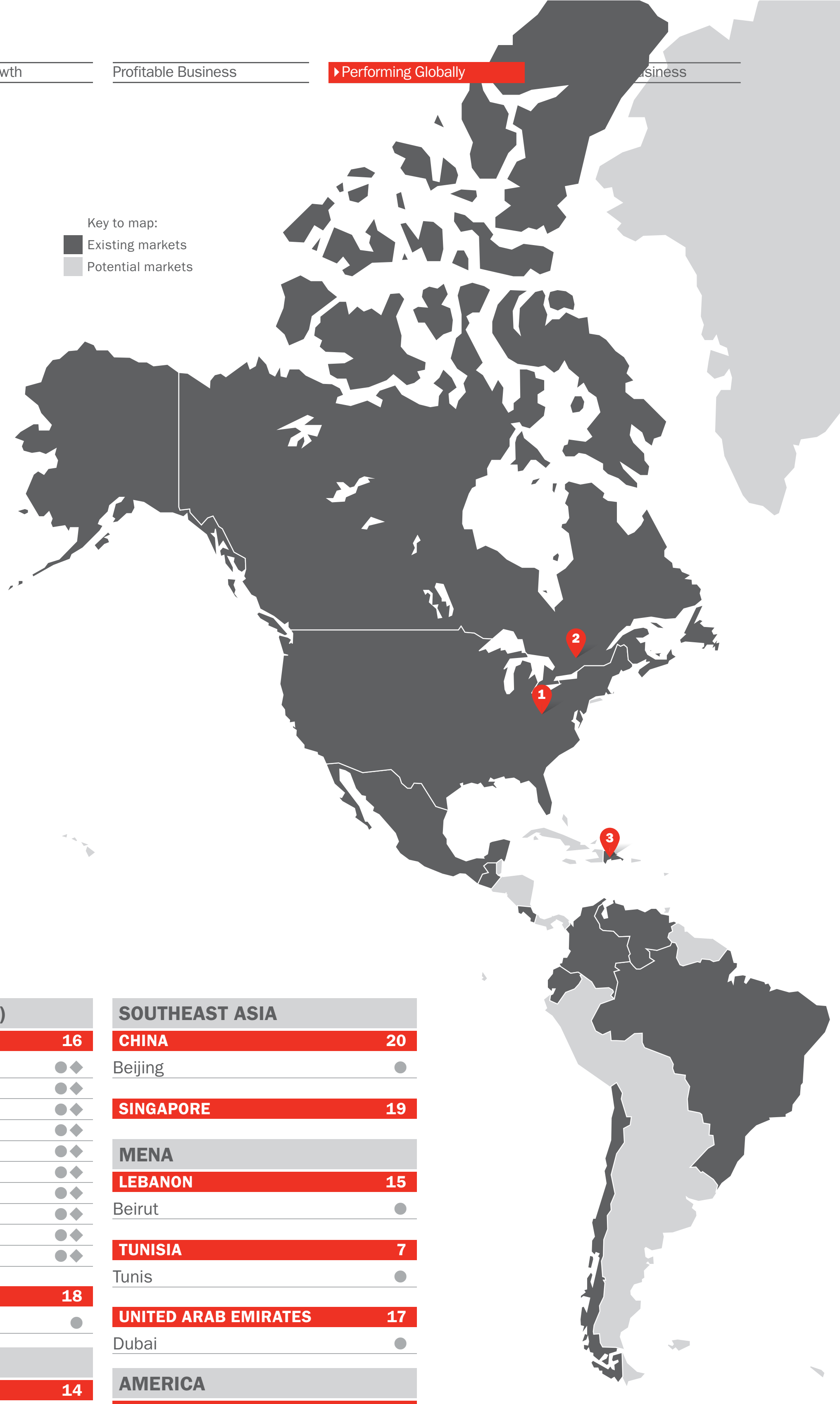
By Region

Ukraine	557M	52.5%
North America	360M	33.9%
Europe	43M	4.1%
Other Regions	101M	9.5%

11 External sales exclude intra-group sales.

12 Other products include resale of coal products purchased from third parties, coke, coke breeze and nut.

GLOBAL SALES PORTFOLIO
CONTINUED



Metinvest is a truly international steel player with a sales and distribution network reaching all four corners of the globe, and we are present in more than 75 countries. The sale and distribution of our steel, iron ore and coal products is carried out through four primary sales channels:

Metinvest International SA maintains 16 offices, as well as a worldwide network of sales representatives, for the sale and distribution of our products. It focuses on global sales of our steel and iron ore products.

Metinvest Eurasia manages sales to our customers in Russia and has rapidly emerged as a leading market player since 2008. It maintains 30 warehouses located in the Central, Southern, Northern Caucasus, North Western and Volga federal districts. Its clients number around 3,000 and include companies from the engineering, steelmaking, construction and structural steel sectors, as well as steel traders and metal retailers.

Metinvest Ukraine supplies the full range of steel products to industrial customers in Ukraine and countries in the CIS (excluding Russia). Its clients number over 400 and include leaders in the heavy machinery, ship building, railcar building, mining, hardware, pipe and transport industries, as well as national rail operators in Ukraine and other CIS countries.

Metinvest-SMC carries out regional retail sales of steel products through a network of some 13 service metals centres in Ukraine. It has around 5,000 clients, including leaders in the machine building, steel processing, oil and gas, energy, and transportation sectors.

EUROPE

BELGIUM	5
Brussels	●

BULGARIA	11
Sofia	●
Burgas	●

GERMANY	8
Munich	●
Essen	●

ITALY	9
Oppeano	●
Genoa	●

LITHUANIA	12
Vilnius	●

SERBIA	10
Savski Venac	●

SWITZERLAND	6
Geneva	●

TURKEY	13
Istanbul	●

UNITED KINGDOM	4
Gateshead	●

CIS (EXCEPT UKRAINE)

RUSSIA	16
Moscow	● ◆
St Petersburg	● ◆
Belgorod	● ◆
Rostov-on-Don	● ◆
Krasnodar	● ◆
Sochi	● ◆
Volgograd	● ◆
Voronezh	● ◆
Mineralniye Vody	● ◆
Saratov	● ◆

TURKMENISTAN	18
Ashkhabad	●

UKRAINE

UKRAINE	14
Dnipropetrovsk	● ◆
Donetsk	● ◆
Kharkiv	● ◆
Kremenchug	● ◆
Kryvyi Rih	● ◆
Kyiv	● ◆
Mykolaiv	● ◆
Odesa	● ◆
Sevastopol	● ◆
Simferopol	● ◆

SOUTHEAST ASIA

CHINA	20
Beijing	●

SINGAPORE	19

MENA

LEBANON	15
Beirut	●

TUNISIA	7
Tunis	●

UNITED ARAB EMIRATES	17
Dubai	●

AMERICA

CANADA	2
Toronto	●

DOMINICAN REPUBLIC	3
Santo Domingo	●

UNITED STATES OF AMERICA	1
Blountville	●

MENA: Middle East and North Africa.

Key:
● Sales office
◆ Metals centre

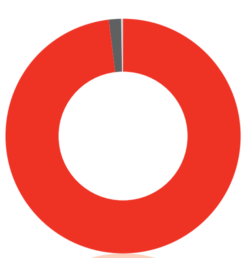
Europe

US$**4,072**M
+79.9%

Steel	3,558M
Coal	43M
Iron Ore	471M

CIS (except Ukraine)

US$**1,935**M
+111.7%



Steel	1,900M
Coal	30M
Iron Ore	5M

Ukraine

US$**4,125**M
+19.5%

Steel	2,066M
Coal	557M
Iron Ore	1,502M

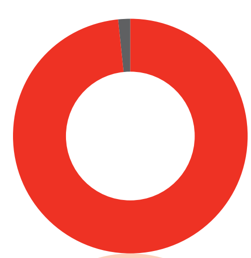
Southeast Asia

US$**2,212**M
+49.2%

Steel	1,369M
Coal	11M
Iron Ore	832M

Middle East and North Africa

US$**1,213**M
+50.9%



Steel	1,196M
Coal	17M

North America and Other Regions

US$**632**M
+43.3%

Steel	229M
Coal	403M

WHAT MAKES US A RESPONSIBLE BUSINESS?

We take our responsibility for our people, environment and communities very seriously. We aim to mitigate the risks in our business and make the health and safety of our employees paramount. We are investing sustainably in our local communities, while our Technological Strategy focuses on reducing emissions and other environmental effects dramatically over the long term.

Find the answers:

CORPORATE GOVERNANCE

We are determined to serve the interests of all our stakeholders. Metinvest strives to adhere to the best international practices of corporate governance and information disclosure. Our solid corporate governance institutions reinforce the investment case and help to secure capital on attractive terms, while stringent checks and balances ensure that operations are as efficient as possible. In addition, far-reaching regulations governing conflicts of interest and insider trading have been adopted.

As part of this commitment, we created the dedicated position of Chief Compliance Officer last year. In addition, after the reporting period, General Director Igor Syry stepped down from the Supervisory Board in April 2012 to ensure a clear division between it and the management.

PRINCIPLES

Metinvest's vertically integrated structure lends itself to clear lines of governance. The Group is managed according to a well defined set of core principles that are closely linked to its strategic approach. They are:

- **Specialisation** – We focus on the strategic management of mining and steel businesses, and we strive to do so better than peers. This increases efficiency and enhances shareholder value and investment attractiveness.
- **Vertical integration** – We control all elements of the metals and mining production cycle, from extracting coal and iron ore to selling finished products worldwide. This reduces exposure to market volatility and thus provides greater stability.
- **Unified strategic management** – We carry out unified and consistent strategic planning and management across all enterprises. This helps to maximise synergies among our businesses and enhances shareholder value.
- **Centralisation** – We have streamlined our centralised organisational structure even further. This helps to optimise management costs, unifies business processes and technology, and enhances overall efficiency.
- **Growth and investments** – We believe that making ongoing, careful investments in our business enables us to prosper in international markets.
- **Global best practices** – We study international best practices in business, steelmaking and mining, carefully selecting the most effective management, production and IT approaches for our operations. This helps us to maximise returns on investment and compete in the global market.
- **Tradition and innovation** – We maintain the best traditions in steelmaking, enriching them with modern knowledge and technologies. This ensures that customers receive the best products.
- **Commitment to leadership** – We aim for excellence and foster leadership among our people. This ensures long-term growth and maintains a pool of talented leaders.
- **Personal commitment** – We promote a corporate culture based on personal commitment to work. This ensures employees take responsibility for their actions and care for others.

OUR SOLID CORPORATE GOVERNANCE INSTITUTIONS REINFORCE THE INVESTMENT CASE AND HELP TO SECURE CAPITAL ON ATTRACTIVE TERMS, WHILE STRINGENT CHECKS AND BALANCES ENSURE THAT OPERATIONS ARE AS EFFICIENT AS POSSIBLE.

POLICIES

Metinvest's corporate governance policies are overseen by the de facto Supervisory Board, which is responsible for strategic management, and the Executive Committee, which monitors operations.

SUPERVISORY BOARD

The Supervisory Board consists of nine directors, including two independent ones. It is responsible for key decisions related to Metinvest's activities, including:

- Devising strategies and business plans
- Comparing results with objectives
- Appointing senior managers, setting their KPIs (Key Performance Indicators) and approving their compensation plans and bonuses
- Appointing the external auditor
- Approving annual reports and financial statements
- Selecting mergers and acquisitions
- Approving investment projects with budgets over US$20 million (up to US$1 billion)
- Endorsing external financing of over US$50 million
- Approving annual work plans and reports of Board committees

BOARD COMMITTEES

The Supervisory Board is assisted by four committees:

- Strategy and Investment
- Audit and Finance
- Health, Safety and Environment
- Remuneration and Nomination

STRATEGY AND INVESTMENT COMMITTEE

The Strategy and Investment Committee's main responsibility is to conduct reviews and provide recommendations to the Supervisory Board regarding:

- Strategic objectives, including new and existing businesses
- Mergers and acquisitions
- Investment projects exceeding US$20 million

AUDIT AND FINANCE COMMITTEE

The Audit and Finance Committee's objective is to analyse and support the internal audit system. Its main responsibilities include:

- Overseeing financial reporting processes, including recommended changes to accounting policies
- Nominating the external auditor for approval by the Supervisory Board
- Liaising with the external auditor
- Analysing the internal control and risk management systems, including recommending any improvements
- Analysing and supporting the internal audit system
- Ensuring compliance with legislation and standards of business conduct

The Audit and Finance Committee is assisted in its work by the Internal Audit Department.

INTERNAL AUDIT DEPARTMENT

The Internal Audit Department works constantly to improve the risk management system, internal control system and overall corporate governance. It also supports the Audit and Finance Committee.

The department consists of professional managers with expertise in internal control, audit and accounting. It reports to the Audit and Finance Committee and senior management regularly.

The department's main functions include independently assessing the work of the risk management and internal control systems as well as making recommendations about improving them. It also ensures that Metinvest fully complies with internal and external regulatory and legal requirements.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

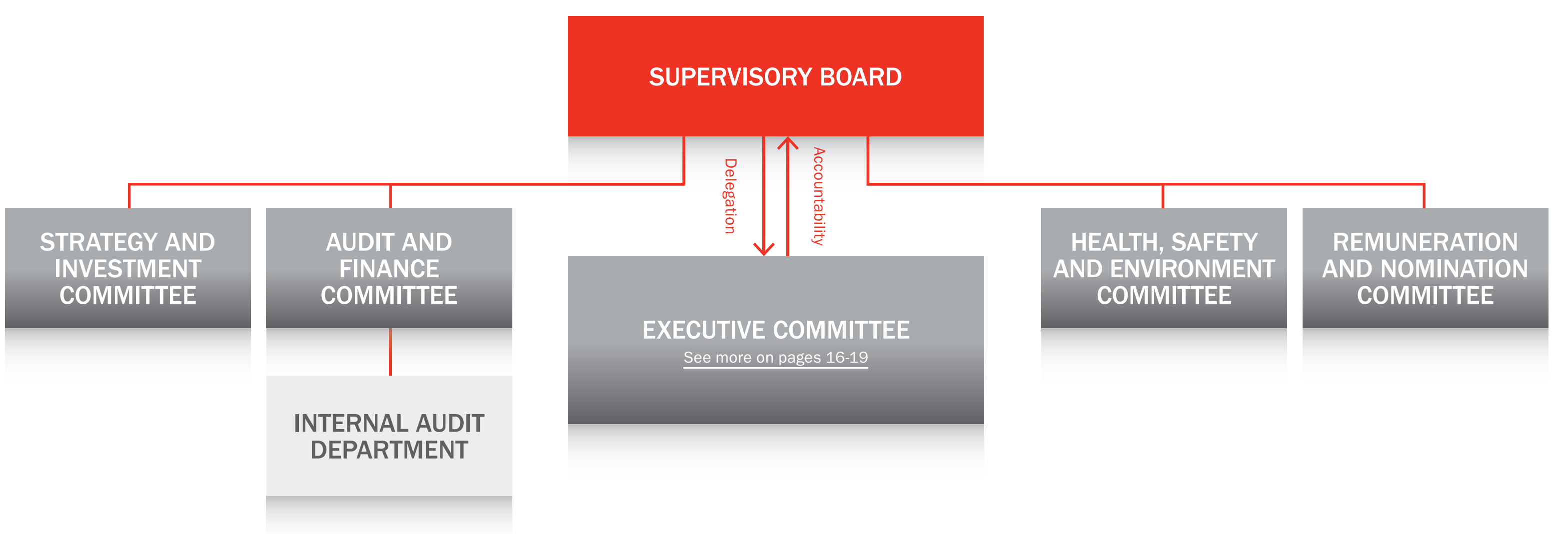
The Health, Safety and Environment Committee's objective is to support the management in maintaining the highest international standards in the area. Its main responsibilities include:

- Leading the development and implementation of the HSE strategy
- Participating in key HSE projects, including analysing and approving plans and budgets
- Maintaining a world-class HSE managerial reporting system
- Reviewing investigations and preliminary conclusions regarding fatal and other serious on-site and off-site incidents involving harm to health and/or the environment
- Uncovering the underlying causes of fatal and other serious incidents and developing plans to minimise future risks
- Conducting both announced and unplanned site visits to check HSE practices at facilities

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee oversees the appointment and terms of employment of senior executives and Directors. Its responsibilities include:

- Defining the framework for remunerating members of the Supervisory Board and its committees, the General Director, members of the Executive Committee, heads of key enterprises and other senior executives
- Establishing terms and conditions for employment contracts for the Supervisory Board
- Recommending appointments and changes to the Supervisory Board
- Making recommendations regarding KPIs and annual bonuses for senior managers
- Establishing the Company's succession policy
- Maintaining the system for motivation, assessment and compensation



OUR PRINCIPAL RISKS
RISK MANAGEMENT IS AN INTEGRAL PART OF THE LONG-TERM STRATEGY

Like any company, Metinvest faces various risks in conducting its business and it manages these on a daily, medium-term and long-term basis. The mitigation of potential threats is an integral part of the Group's long-term strategy. As such, risk management will also play a central role as Metinvest implements its Technological Strategy through to 2020, to ensure that projects are completed successfully, on time and on budget.

OVERVIEW

Metinvest's Internal Control and Risk Management system has been developed on the basis of leading international guidelines, including the 'Enterprise Risk Management – Integrated Framework', developed by the Committee of Sponsoring Organisations of the Treadway Commission. Reporting to the CFO, the Internal Control and Risk Management department oversees all aspects of risk management at Metinvest. These include monitoring operations and mapping strategic, operational and financial risks, both external and internal. The risk map describes the various threats, evaluates their likelihood and severity, and details responses. The department updates the risk map each quarter, after which potential risks and mitigation measures are discussed with the key managers involved and the Executive Committee.

Our Board of Directors regularly reviews our risk map and risk management process, including semi-annual reviews by its Audit Committee.

MARKET RISKS

CYCLICALITY OF DEMAND AND SELLING PRICE VOLATILITY

FLUCTUATIONS IN THE PRICES OF RAW MATERIALS, ENERGY AND SERVICES (PURCHASE PRICE VOLATILITY)

OPERATING IN A HIGHLY COMPETITIVE MARKETPLACE

FINANCIAL RISKS

INTEREST-RATE FLUCTUATIONS

FOREIGN-EXCHANGE FLUCTUATIONS

COUNTERPARTY RISK (CLIENTS AND FINANCIAL INSTITUTIONS)

LIMITED DEBT MARKET CAPACITY AND LIQUIDITY RISK

Comments	Risk Mitigation
The steel and mining industries are cyclical, which can lead to fluctuations in demand and prices for Metinvest's products. Similarly, industries that are the main consumers of steel, including construction, are also cyclical.	Metinvest carefully monitors current demand and prices, maps potential price volatility and forecasts changes in price and consumption patterns. Its low production costs reduce overall exposure to selling price volatility. The Company's strategy includes investment programmes that help retain this competitive advantage, make production more efficient and focus on higher-value products.
As seen in the first three quarters of 2011, global supplies of raw materials have remained tight; the cost of energy and gas has steadily increased.	Metinvest's vertically integrated business means it can source virtually all of its iron ore and a significant part of its coking coal internally. The acquisition of United Coal in the US in 2009 and the start of regular coal deliveries from there to production facilities in Ukraine in 2010 helped to secure coal supplies for the future. Investments in new and more efficient production technologies, such as PCI, will continue to raise the energy efficiency of operations.
The global steel industry is highly competitive: there are major international steel companies with greater capital resources and more efficient production facilities. Metinvest also faces competition in the CIS and, increasingly, other emerging markets where production costs are low.	Metinvest has historically competed on the basis of low-cost production, and has a unique location between the EU and CIS markets, as well as relative proximity to markets in North Africa and the Middle East. Its strategy envisions exploiting these advantages, make production more efficient and focus on improving the sales mix and product quality, and enhancing customer relationship management to compete.
Interest rates paid by Metinvest on its borrowings are either fixed or variable. Both are subject to changes in the interest rate: variable ones through links to a benchmark rate, such as LIBOR; fixed ones at the time of financing.	The Company maintains a diversified debt portfolio in terms of both interest rates (fixed and floating) and maturity, and it works with a diverse group of international banking partners. Metinvest has also implemented procedures for monitoring and taking advantage of various opportunities for hedging interest rates.
Metinvest is exposed to exchange-rate risks as a result of payments made or received in various currencies. It also faces exchange-rate exposure when translating assets and liabilities into other currencies for the purposes of financial reporting.	Like much of its financing, most of Metinvest's export sales are in US dollars, providing a significant natural hedge. As part of its risk management process, the Company assesses its exchange-rate exposure and, if necessary, uses hedging instruments, including swaps and forward contracts, to minimise risk.
The bankruptcy or insolvency of a client or banking partner, or a broader systemic banking crisis, could adversely affect Metinvest's business.	Metinvest has developed and implemented procedures for monitoring the credit risk of clients: it obtains the necessary guarantees and modifies payment terms according to the risk involved. The Company holds its liquid assets in first-class international banks, subject to established limits. The risk management function monitors the profile of partners and the broader banking and financial market environment.
Metinvest may fail to generate adequate liquidity from its operating activities to meet its business needs and financial obligations. Deteriorating debt market conditions may also affect the Company's ability to meet existing debt maturities and forward cash requirements.	Metinvest monitors and manages its forecast cash position constantly. If funding is not available, commitments are not assumed. The Company adheres to a conservative, maturity matching approach in its borrowing. Therefore, in 2010, it further increased the share of long-term debt. Metinvest plans to complete a comprehensive long-term financing strategy, focused primarily on further optimising its debt profile and improving its overall financial position to ensure the long-term financial sustainability of the business.

OUR PRINCIPAL RISKS
CONTINUED

Our Risk Management approach represents a rigorous and systematic process to identify, assess, mitigate and monitor potential threats. We identify risks in both day-to-day operations and medium to long-term business planning, including our long-term strategy.

When we detect a potential risk, we calculate the probability of it occurring within the next three years. We then measure its potential impact on key aspects of our business, including: revenue and cash flow, health and safety, the environment and our long-term value. We also evaluate potential cross-dependencies that might affect the risk.

The next stage of the process is risk mitigation, where we seek to eliminate or minimise the impact of a threat on our business. Our Risk Management department works in collaboration with our business functions to develop responses. To ensure that they are executed, their successful implementation is a criterion in our annual performance management system. Our Executive Committee and Board of Directors regularly monitors our risk map to evaluate our responses.

OPERATIONAL RISKS

EFFICIENCY OF CAPITAL PROJECTS DELIVERY

POST M&A INTEGRATION

HEALTH, SAFETY AND THE ENVIRONMENT

LOGISTICAL RISKS

POLITICAL RISKS

POLITICAL RISK FACTORS IN COUNTRIES WHERE ASSETS ARE BASED AND IN KEY SALES MARKETS

Comments	Risk Mitigation
Metinvest's substantial capital investment programme may not be implemented on schedule or within budget due to a lack of capacity or qualified contractors.	Having updated its long-term corporate strategy in 2010, the Group started to develop a comprehensive Technological Strategy in 2011. A centralised unit for strategic projects works to ensure: investment decisions are made on a rigorous basis; the requisite in-house project management and technological skills are in place; the right technology providers and contractors have been selected for each project; and budget, schedule and quality objectives are met. Other steps include: periodical strategic reviews, regular monitoring of key risks, performance indicators, forecasts and reviews of underlying assumptions. All key investment projects are also monitored constantly by the Group's Strategy and Investment Committee.
Metinvest has grown rapidly, partly through acquiring production and trading assets, and it has plans to pursue selective M&A opportunities in the future. There is thus a risk that the Company may fail to integrate these assets within the planned timeframes and budgets.	The Company's strategy focuses on organic growth as well as selective acquisitions to strengthen the existing business. Metinvest has demonstrated its ability to smoothly integrate new assets, such as Ingulets GOK, Trametal, Spartan and United Coal, where it has improved performance and invested in expanding capacity. The most recent example of this is Ilyich Steel, acquired in late 2010, which was integrated into the Steel and Rolled Products division rapidly and successfully.
Metinvest operates heavy industrial facilities that process heavy metals and other hazardous materials. As a result, they could pose major risks to the health and safety of employees and the neighbouring population, as well as the surrounding environment. Industrial accidents could lead to liabilities for damages to people, property and the environment.	Metinvest has created a dedicated board-level Health, Safety and Environment Committee and integrated provisions into every level of strategic and day-to-day decision-making. The Group has achieved significant reductions in lost time due to accidents by investing heavily in extensive training, facilities and personal protection equipment for employees. Planned investments will further reduce CO_2 and other emissions and the risk of releasing other pollutants (for more information, see page 55). A major step forward in reducing our environmental impact in 2011 was the decommissioning of the open-hearth furnaces and shift to converter technology at Azovstal. The closure of the furnace is expected to reduce gross emissions by 17,000 tonnes a year.
Metinvest has comprehensive inbound and outbound logistic routes, as well as intercompany delivery. Therefore there is a dependence on availability of railway transport, ports, vessels, etc.	Metinvest pays significant attention to managing the supply chain. As part of its new operating model, the Company introduced the position of Supply Chain Director. Metinvest diversifies its transport services providers.
Metinvest carries out its activities in Ukraine, the wider CIS, North America, Europe, North Africa, the Middle East and Asia. These countries and regions have different political climates as well as varying effectiveness and enforcement of legislation governing contracts and property rights, while the Company also faces potential exposure to trade disputes.	As the largest taxpayer in Ukraine, which is home to the majority of its production assets, Metinvest maintains a positive working relationship with the local and national authorities and considers this risk to be low. The Company incorporates careful assessments of political risks into its investment decisions. Its strategy includes further diversification of sales markets to limit exposure to any single market or region.

OUR PEOPLE

OVERVIEW

With more than 100,000 employees across the world, Metinvest is a truly multinational group and Ukraine's largest employer. Our people are the key to our future success and we take responsibility for them. Investing in employees is a core part of our long-term strategy as we become a knowledge-based business.

RIGHT PLACE FOR THE RIGHT PEOPLE

In line with our corporate strategy, our Human Resources Strategy was put in place in 2011, and it defines our work in this area. A key priority since 2010 has been to establish across the Group an integrated system of human resources management. It includes such constituent parts as setting key performance indicators (KPIs), evaluating employees' performance, planning promotions and defining the remuneration system based on job grading.

Another key element of the HR management system is a common corporate culture, which we started fostering across the Group last year. We formalised a set of five corporate values that encapsulate our approach to clients, colleagues and stakeholders. They are: professionalism; client focus; life, health and environment; leadership; and teamwork. These values form the basis for our competencies model, which both defines our approach and encourages the right attitude required for us to succeed.

Our HR team also played an important role in our reorganisation and transitioning to the structure designed around the Steel and Mining divisions, in line with our vertically integrated business model.

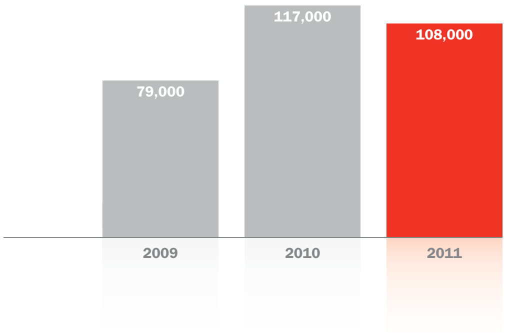
A central focus of our HR work is to sustain and enhance the productivity of our employees while restraining labour costs in a changing labour market. We aim to give our employees a balance of incentives, including fair salaries and benefits that provide them with security and encourage loyalty and productivity.

Most importantly, to ensure our people reach their full potential, we provide extensive training opportunities for employees at all levels to enhance existing skills or master new ones. We recognise that improving the professional skills of employees at all Group's entities is an ongoing process, and our main focus is developing the leadership and managerial skills of our executives and talent pool.

Full Time Employee Headcount

108,000

-7.7%



RESULTS IN 2011

Last year, we continued to develop our talent pool of future leaders and succession planning. We launched our in-house Corporate University, which has numerous programmes for managers of enterprises and a separate track for senior managers as part of our succession planning.

In addition, we launched a programme developed with the Moscow School of Management SKOLKOVO for executives in our talent pool. One characteristic of this programme is that our managers not only receive special professional and managerial training from professors of leading business schools, but develop and implement business projects that are applicable to real business processes. Over 80 managers took part in the first course, which was successfully completed in February 2012.

Metinvest's continued investments in technology are transforming our production assets, making them more efficient and less labour-intensive. This allows us to boost output with a lower headcount and thus increase labour productivity.

We have also implemented a unified KPI setting system, which merges the Group's strategy with individual goals, for all employees in the Management Company and the two upper management levels at all assets. Their performance and competencies appraisal then form the basis for decisions about remunerating employees, forming the talent pool, planning promotions and careers, developing skills and recruiting.

We made further progress in establishing a unified grading system as a foundation for setting salaries. The system has been developed using globally recognised standards set by the Hay Group.

In 2011, we determined our target corporate culture and further action needed to achieve it. The first steps towards launching our 'Developing a Corporate Culture' initiative were formalising corporate values, communicating them to employees at all assets, and developing a competencies model.

We also launched a major programme to create a more convenient working environment, including such initiatives as upgrading changing rooms. We worked to restructure our longstanding network of holiday camps for our employees, to improve their quality and efficiency and focus resources on the best facilities.

OUTLOOK

In implementing its long-term strategy, the HR function will continue to play an important role in our vertically integrated business model. It will build on our new organisational structure and foster a corporate culture that focuses on our five core values.

We continue to review our incentive models and roll out the KPI setting system at new assets and on lower management levels. Creating a unified grading and evaluation system, developing a talent pool, conducting further succession planning and building competency models are all important contributors to an efficient, vertical business model, and they are our priorities for 2012.

A crucial task for the future is to recruit young specialists to work at our plants. We will focus on university graduates, as our technology investments will reduce total headcount over the longer term, but also require more skilled technical workers. To attract the next generation of leaders, we are positioning Metinvest as an employer of choice in Ukraine.

TRAINED

80+

Managers from our talent pool took part in the first class of our new professional training course


HEALTH AND SAFETY
+50%
Increase in spending at our plants to meet world-class standards

HEALTH AND SAFETY

Ensuring the highest levels of safety and working conditions for all employees is critical to the sustainability of our business. Health and safety is a cornerstone of our corporate strategy and included in all of our planning. We have achieved important long-term reductions in injuries at our plants through investing in improved safety equipment, modernising facilities and focusing relentlessly on training.

SAFETY VERTICAL

We are justly proud of the history of our plants and their contribution to the modernisation of the regions we operate in. We are also acutely aware that in past decades, production results sometimes took priority over safety. We have invested heavily in making our plants safer and equipping all workers with state-of-the-art personal protection equipment. At the same time, we intend to instil a safety-driven culture on all levels, where safety is not just a priority, but also a core value.

Leading the drive across the Group is the Supervisory Board's Health, Safety and Environment Committee. It oversees Metinvest's policies in the area, verifies compliance with local and national laws, and ensures that international best practice and learning are adopted. A senior manager oversees health and safety practices across the holding, while each plant has its own health and safety team.

If an incident occurs that affects the health and safety of our employees, we conduct root-cause analysis to identify the system failures. Our aim is not to assign blame, but to understand how an unsafe situation has come about and how we can prevent a repeat. The General Director is notified within two hours of any fatal incident and within 24 hours of any lost-time incident. In addition, we regularly conduct both planned and surprise safety audits at our facilities.

We are committed to obtaining OHSAS 18001 and ISO 14001 certification for all of our enterprises. Azovstal, Yenakiieve Steel, Khartsyzk Pipe, Northern GOK, Central GOK, Ingulets GOK, Krasnodon Coal and Inkor Chemicals are already certified in accordance with OHSAS 18001 standards.

RESULTS IN 2011

In 2011, Metinvest spent US$168 million on health, labour protection and safety, up 50.0% year-on-year and representing 1.2% of its revenues[1]. The number of lost-time incidents at our Ukrainian facilities fell from 528 in 2008 to 244 in 2011.

The rise in lost-time incidents between 2010 and 2011 was due to the consolidation of Ilyich Steel, which boosted our workforce by around 40,000 employees. However, the Lost-Time Incident Frequency Rate (LTIFR), a relative indicator, demonstrated a continued decline, from 1.728 in 2010 to 1.301 in 2011.

Last year, 18,749 employees received additional health, safety and environment training beyond the essential instruction provided to all personnel, taking the total to over 30,000 since 2008.

We also introduced a single standard for responding to medical emergencies at all plants in 2011. Moreover, since 2010, we have been upgrading the medical facilities at our assets and training the healthcare professionals at our enterprises to high international standards.

Meanwhile, our Health and Safety function played an important role in developing the technological strategies for the Steel and Mining divisions. Our long-term investments in new technology at both metals and mining facilities are expected to contribute significantly to continued improvements in health and safety indicators.

The tragedy at Krasnodon Coal in July 2011 was the most serious fatal accident in our history. Alongside the official investigation, our Supervisory Board oversaw an audit, approved a road map for improvements at the mine and then conducted a re-audit to ensure compliance with all mandated changes.

IN OCTOBER 2011, OUR WORK IN OCCUPATIONAL SAFETY RECEIVED IMPORTANT RECOGNITION FROM OUR INDUSTRY PEERS IN THE WORLD STEEL ASSOCIATION (WSA), WHEN WE WON THE BEST OCCUPATIONAL SAFETY PROJECT AWARD FOR OUR 'TRAIN THE TRAINER' PROGRAMME.

In October 2011, our work in occupational safety received important recognition from our industry peers in the World Steel Association (WSA), when we won the Best Occupational Safety Project award for our 'Train the Trainer' programme. Under the scheme, retired managers with vast experience and knowledge of particular plants are trained in the latest corporate safety standards and then instruct other personnel. The former managers, who know every corner of the plants where they worked for many years, are also trained to conduct safety audits of facilities.

At the same time, Metinvest organised a major international Health, Safety and Environment conference and we plan to make it a regular event. The conference featured representatives from more than 80 companies, associations and government bodies. The focus was how to transform production safety in the cultural and technological environment of the CIS.

We continue to promote innovation from within as well, through the General Director's prize for projects that raise safety awareness in the workplace. For the first prize, awarded in July 2011, there were more than 300 submissions.

OUTLOOK

We are committed to continuous improvement and innovation in health and safety. One such example in 2011-12 was the trial project with Finland's Lindstrom at Khartsyzk Pipe, where we leased clothing and personal equipment and eliminated in-house laundry and storage facilities. The trial was successful, as it allowed us to maintain clothing and equipment to a high standard.

In addition, the LOTOTO (lock out, tag out, try out) standard was introduced at all subsidiaries in 2011. This best practice is used to isolate hazardous energy during repair and maintenance work. In 2012, significant investments will be made in buying the equipment needed to implement the standard.

The next standard to be introduced in 2012 is 'Working at Heights', which aims to eliminate falls from height by giving clear guidelines for such work. The standard will be a comprehensive document encompassing global best practices that go beyond the legal requirements in Ukraine.

1 Ukrainian legislation mandates that companies dedicate at least 0.5% of their revenues to labour protection.

ENVIRONMENT AND COMMUNITIES

ENVIRONMENT

Overview

Responsible environmental stewardship is critical to our long-term business outlook. The investments contained in our Technological Strategy will make us more efficient and reduce consumption of energy and greenhouse gas emissions. We are mindful that our ability to lead the market will depend on us meeting or exceeding the highest European environmental standards.

Investing in Sustainability

In 2011 we spent US$463 million on engineering solutions to improve environmental standards at all plants, up 67.8% year-on-year.

The decommissioning of the open-hearth furnace and shift to converter technology at Azovstal was a major step forward in reducing our environmental impact. The closure of the furnace is expected to reduce gross emissions by 17,000 tonnes a year.

Elsewhere, we commissioned the new state-of-the-art blast furnace no. 3 at Yenakiieve Steel. We also replaced the gas treatment units in the plant's converter shop, which will help our steel facilities to meet European environmental standards. As a result, we expect overall emissions to fall by 706 tonnes a year and the unit amount (per tonne of hot metal) to decrease by a factor of 3. In another important project, we began to upgrade gas filter installations at Northern GOK with more efficient equipment.

At present, six of our production assets have ISO 14001 environmental management certification. We are working to obtain this at our other plants and expect them all to be compliant within the next few years.

The Group has already made important progress in reducing greenhouse gas emissions under its Kyoto Protocol commitments. For 2008 to 2012, Metinvest expects to have lowered emissions by 8.7 million tonnes of CO_2 equivalent, which equals 2.5 million tonnes of coking coal. At the end of 2011, Metinvest was involved in 19 projects as part of the Kyoto Protocol Joint Initiative programme, and these have reduced greenhouse gas emissions by around 8 million tonnes of CO_2 equivalent a year.

To comply with Ukrainian legislation, Metinvest makes regular payments to the state budget to compensate for emissions and waste generated by its business. In 2011, they amounted to some US$18 million, compared with US$13 million in 2010.

Outlook

In accordance with our HSE strategy, Metinvest innovates constantly to improve its environmental standards. We have made reducing environmental impact a centrepiece of our Technological Strategy. Our HSE department collaborates closely on major investment projects by our Steel and Mining divisions, and they will bring revolutionary changes in our environmental standards in the future.

COMMUNITIES

Overview

The prosperity of our local communities is another critical aspect of our sustainability as a business. Metinvest is the largest taxpayer and one of the main employers in Ukraine. Its primary contribution to local communities in Ukraine, Europe and the US where it has key assets, is in providing high-quality jobs, supporting employees' families and creating a solid base for the development of a vibrant and diversified economy.

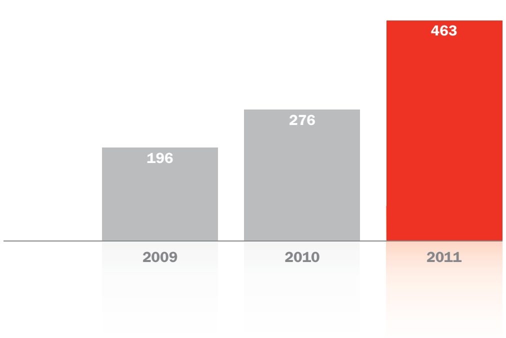
We also provide direct financial assistance to local communities where we operate. Rather than charitable giving, our aid is targeted and we sign cooperation agreements with local councils to channel our funding into priority areas, such as social infrastructure, healthcare, education, culture and sport. We manage these projects as we do any other business endeavour, focusing strictly on deliverables, complete transparency and accountability.

We work closely with local and international third parties on projects to make regional development more effective and empower communities. For example, since 2010, we have worked in strategic partnership with the US Agency for International Development (USAID) to help the city of Krasnodon to prepare a strategic development plan aimed at attracting investment and increasing its competitiveness.

Total Spending on Environmental Technology

US$**463**M

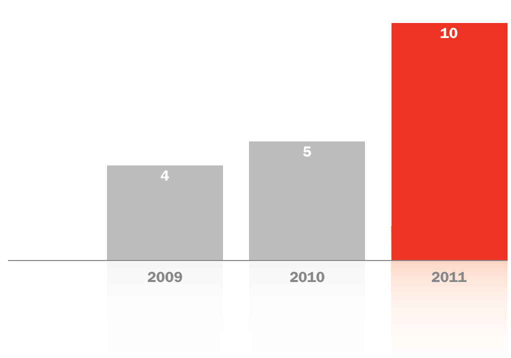
+67.8%



Total Spending on Communities

US$**10**M

+100.0%



OUR SECOND SOCIAL REPORT, AUDITED BY ERNST & YOUNG, MEETS GLOBAL REPORTING INITIATIVE (GRI) ‘B’ STANDARDS, MAKING METINVEST ONE OF ONLY A HANDFUL OF COMPANIES IN UKRAINE TO COMPLY WITH THIS LEVEL.

Metinvest is a signatory of the United Nations Global Compact, a strategic policy initiative for businesses committed to aligning their operations and strategies with 10 universally accepted principles regarding human rights, labour, environment and anti-corruption.

Effectiveness and Transparency in CSR

Last year, our social investments in local communities were around US$10 million. More than 1,500 members of local communities participated in our projects.

Our CSR efforts over the year were recognised in March 2012, when Gvardiya ranked Metinvest number one among Ukrainian companies in terms of corporate social responsibility (CSR), reflecting our contributions, transparency and accountability in the area.

In 2011, the Supervisory Board approved a new five-year strategy for our social investments. It aims to unify priorities across the Group to enhance their effectiveness and involve local communities more at every stage. Our priorities include infrastructure, education, healthcare and healthy living in the communities where we operate.

Last year, we launched three new social initiatives that involved local communities in their implementation. Among them is the initiative called ‘Our Town in Our Hands’ in Yenakiieve and Kryvyi Rih. The project reflects our strategy of empowering local communities by providing a forum for local residents, NGOs and town officials to bring projects to us. On the basis of a competition in Kryvyi Rih, Metinvest chose four final projects from 30 proposals and combined them into a single project to build community sports and recreational facilities at a former waste area.

The programme aims to encourage social activity and support projects by citizens to improve living standards in cities where Metinvest operates. It applies the approach whereby initiative groups, NGOs and municipal institutions formulate issues of concern, prove their relevance, suggest solutions and present ways to implement them. The Group finances the most innovative and original projects.

In August 2011, Metinvest published its second social report, ‘From Workplace to Community’. Audited by Ernst & Young, it details how the Group and its shareholders made a difference to local communities in 2009-10. The report meets Global Reporting Initiative (GRI) ‘B’ standards, making Metinvest one of only a handful of companies in Ukraine to comply with this level. For a copy of the report see www.metinvestholding.com.

Meanwhile, Metinvest became a general partner of Enterprise 2020 in Ukraine. This major initiative has been developed in cooperation with the Ukrainian Centre for Corporate Social Responsibility Development and is based on the EU’s Europe 2020 strategy and Vision 2050 by the World Business Council for Sustainable Development.

Enterprise 2020 seeks to create a productive dialogue between stakeholders in business and society, focusing on seven key areas: demography, environment, health, education, innovation, the labour market, and infrastructure and regional development. A major initiative for both Metinvest and Ukraine, it is being developed with domestic and international stakeholders, including the Ministry for Environment and Natural Resources, the European Bank for Reconstruction and Development and USAID.

OUTLOOK

As with every part of our business, achieving sustainability in our local communities requires continuous innovation and transparency. We are excited about Enterprise 2020 and our ability to share our experience and learn new best practices from our peers and stakeholders ahead of the UN Global Compact’s Rio+20 Corporate Sustainability Forum. We plan to apply the conclusion from this important dialogue to our social investments in Ukraine and internationally.

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GLOSSARY AND ABBREVIATIONS

TECHNICAL METALS AND MINING TERMS

Basic oxygen furnace (BOF)
A pear-shaped furnace lined with refractory bricks that refines molten iron from the blast furnace and scrap into steel.

Batteries
Coke ovens are constructed in batteries of 10-100 ovens.

Beneficiation
A series of unit operations to liberate and then separate ore minerals from gangue minerals. The products of beneficiation are referred to as: concentrates (enriched in ore minerals), tailings (depleted of ore minerals) and slimes (fines rejected by washing).

Billet
A semi-finished steel product with a square cross section of up to 150mm x 150mm. This product is either rolled or continuously cast and is further processed by rolling to produce finished long products.

Blast furnace (BF)
A towering cylinder lined with heat-resistant (refractory) bricks, used by integrated steel mills to smelt iron from ore. Its name comes from the 'blast' of hot air and gases forced up through the iron ore, coke and limestone that load the furnace.

Carbon steel
Steel in which the only main alloying constituent is carbon; the other elements present are in quantities too small to affect the properties.

Coils
Steel sheets that have been wound. A slab, once rolled in a hot-strip mill, can be more than 1 mile long; coils are the most efficient way to store and transport sheet steel.

Cold rolling
Cold rolling occurs with the metal below its recrystallisation temperature (usually at room temperature), which increases the strength via strain hardening up to 20%. It also improves the surface finish and supports tighter tolerances. Commonly cold-rolled products include sheets, coils and strips.

Coke
The basic fuel consumed in blast furnaces in the smelting of iron. Coke is a processed form of coal. About 450kg of coke is needed to process a tonne of hot metal, an amount which constitutes more than 50% of an integrated steel mill's total energy use. Coke is used because metallurgical coal burns sporadically and reduces into a sticky mass. Processed coke, however, burns steadily inside and out, and is not crushed by the weight of the iron ore in the blast furnace. It is produced inside the narrow confines of a coke oven, in which coal is heated without oxygen for 18 hours to drive off gases and impurities.

Coking coal
A grade of coal that meets the requirements for making coke. It must have a low ash and sulphur content and form a coke that is capable of supporting the charge or iron ore and limestone in a blast furnace.

Concentrate
Material that has been processed to increase the percentage of valuable minerals in order to facilitate transportation and downstream processing.

Continuous casting
A method of pouring steel directly from a ladle through a tundish into a mould shaped to form billets or slabs. Continuous casting avoids the need for large mills to roll ingots into slabs. Continuous cast slabs also solidify in a few minutes, versus several hours for an ingot. Because of this, the chemical composition and mechanical properties are more uniform.

Crude steel
Steel in the primary form of hot molten metal.

Downstream
In manufacturing, this term refers to processes that occur later on in a production sequence or production line.

Fe content
Ferrum is the Latin word for iron and the source of its chemical symbol, Fe.

Ferroalloy
A metal product commonly used as a raw material feed in steelmaking, usually containing iron and other metals that improve the physical and chemical properties of the final steel product.

Finished products
Products obtained through the hot-rolling or forging of semi-finished steel (blooms/billets/slabs). These cover two broad categories of products, namely 'long' and 'flat' products.

Flat product
A product that is produced by rolling with smooth surfaces and a range of dimensions, varying in thickness and width. Flat products are used in the automotive and white goods industries, in the production of large welded pipes, and in ship building, construction, major works and boilers. They include hot-rolled quarto plates, hot-rolled heavy plates, and hot-rolled, cold-rolled and hot-dip galvanised sheets and coils

Flotation
A process in which a prepared mixture of minerals is conditioned with reagents and subjected to agitation and aeration to cause those minerals rendered hydrophobic to float and the other minerals to sink.

Furnace coke
The term is used to refer to metallurgical coke that is used for making iron in blast furnaces. It fulfils three main functions in the blast furnace operation:

i) It acts as a fuel providing heat for all reactions.
ii) It acts as a reductant, providing carbon dioxide gas and carbon for the reduction of iron ore.
iii) It provides the required permeability for the movement of gases through the bed of iron ore, coke and limestone inside the blast furnace.

Galvanised steel sheet
Steel coated with a thin layer of zinc to provide corrosion resistance in underbody car parts, rubbish bins, storage tanks and fencing wire. Sheet steel normally must be cold-rolled prior to the galvanising stage.

Heavy plate
A steel sheet with a width up to 5m and a thickness of at least 5mm. It is mainly used for construction, heavy machinery, ship building or large-diameter pipes.

Hot-rolling mill
A rolling mill that reduces hot slab into a coil of specified thickness; the whole production process is carried out at a relatively high temperature (when the steel is still red).

Hot rolling
Hot rolling is a metalworking process that occurs above the recrystallisation temperature of the material. After the grains deform during processing, they recrystallise, which maintains an equiaxed microstructure and prevents the metal from work hardening. The starting material is usually large pieces of metal, such as semi-finished casting products like slabs and billets.

Integrated steelmaking plant
A steel plant using iron ore as the basic raw material for the production of crude steel, which is further rolled into finished shapes in-house. Conventionally, these plants also have captive coke ovens and the sensible heat of the outgoing gases from iron/coke making is utilised as fuel for various applications. It therefore includes units with in-house coke making (optional) and iron making, followed by the production of crude steel and finished steel. Thus, all integrated steel plants adopting the BF-BOF route, and major producers adopting Corex-BOF, DRI-EAF or MBF-EOF technology fall under this category of mill.

Iron ore
A mineral containing enough iron to be a commercially viable source of the element for use in steelmaking.

Iron ore concentrate
Iron ore containing the valuable minerals of an ore from which most of the waste material has been removed.

JORC Code
The 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

KT
One thousand metric tonnes.

Limestone
A sedimentary rock composed largely of the mineral calcite (calcium carbonate or $CaCO_3$). It is used in the blast furnace to form slags, which are then used in construction and other applications.

Long products
A classification of steel products that include hot-rolled sections (light, medium, heavy), debars, merchant bars and wire rods that are 'long' rather than 'flat' and that are produced from blooms or billets.

LSAW pipe
Large-diameter pipes that are produced using longitudinal submerged arc welding.

Lurgi machine
The Lurgi process is an above-ground coal liquefaction and oil shale extraction technology. It is classified as a hot recycled solids technology.

Magnetic flotation
A method for mineral upgrading or concentration, in which a gangue-associated mineral having a hydrophobic surface and being in particulate form is contacted with particles of a magnetic material also having a hydrophobic surface, whereby the mineral particles become attached to the surface of the magnetic particles, the magnetic particles with the attached mineral particles are separated from the gangue by magnetic means, and the mineral particles are then detached from the magnetic particles.

Magnetic separation
Magnetic separation is a process in which magnetically susceptible material is extracted from a mixture using a magnetic force.

Merchant bars
Merchants include long bars with round, square, flat, angled and channelled cross sections.

Merchant iron ore concentrate
A term used to designate various types of iron ore concentrate, which are sold to external customers for further processing or for direct use/consumption.

Mineral
A natural, inorganic, homogenous material that can be expressed by a chemical formula.

MT
One million metric tonnes.

Open-hearth furnace (OHF)
A broad, shallow hearth used to refine pig iron and scrap into steel. Heat is supplied from a large flame over the surface and the refining takes 7 to 9 hours.

Ore dressing
The crushing and separating of ore into valuable substances or waste by any of a variety of techniques.

Pellets
An enriched form of iron ore shaped into small balls or pellets. Pellets are used as raw material in the iron making process.

Pellet plant
A processing facility that takes iron concentrate as its input and produces iron ore pellets.

Pelletising
Pelletising is the process of compressing or moulding a product into the shape of a pellet. Pelletising of iron ore produces spheres of typically 8-18mm (0.31-0.71") in diameter. The process combines agglomeration and thermal treatment to convert the raw ore into pellets with characteristics appropriate for use in a blast furnace. In the case of iron ore, which is transported over a large distance, the ore becomes powder due to friction. Therefore, it is first sintered and then compressed into pellets.

Pelletising machine
A pelletising machine has a rotatable matrix disc, a variety of vertically adjustable pressing rollers that control the position of the upper and lower plungers, a drive for adjusting the height of the rollers, a housing accommodating the drive, and a bearing block supporting the pressing roller. It is connected with the housing and can be released.

Pig iron
Crude iron obtained directly from the blast furnace and cast in moulds.

Pulverised coal injection (PCI)
Technologies whereby pulverised/granulated/dust coal is injected into the blast furnace through the tuyers along with the blast to replace natural gas and a part of the coke requirement.

Rail fasteners
Metal devices used to link rails on railway lines.

Rails
Steel bars that are laid on the ground, forming a railway track.

Refining
A stage in the process of making crude steel during which most residual impurities are removed from the cured steel and additions of other metals may be made before it is cast.

Reserves (proven, probable, recoverable)
A 'proven ore reserve' is the economically mineable part of a measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate that, at the time of reporting, extraction could reasonably be justified.

A 'probable ore reserve' is the economically mineable part of an indicated mineral source and, in some circumstances, a measured mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate that, at the time of reporting, extraction could reasonably be justified.

'Recoverable reserves' are an estimate of how much recoverable coal/ore is still left in already found deposits. It can only be an estimate since it is impossible to know exactly how much coal/ore is still in the ground. Because of this uncertainty, reserves are calculated with a certain probability. A reserve estimate followed with, for instance, 'P90' means that there is a 90% chance that there is at least as much recoverable coal/ore as the reserve estimate claims.

Rolled steel (products)
Steel produced to a desired thickness by being passed through a set of rollers.

Scrap
Steel waste that is not usable as such in its existing form, which is further re-melted to produce crude steel to produce various products. Depending on its form and type, scrap is classified as Heavy Melting Scrap, Light Melting Scrap, and Turnings/Borings, etc.

Secondary metallurgy
Using modern technology, the process of producing steel can be divided into two steps. All further steps required to produce high-grade steel take place exclusively in the ladle. Such ladle metallurgy is called secondary metallurgy.

Sections
Blooms or billets which are hot-rolled in a rolling mill to form shapes including 'L', 'U', or 'T', amongst others. Sections can also be produced by welding together pieces of flat products. Sections can be used for a wide variety of purposes in the construction, machinery and transportation industries.

GLOSSARY AND ABBREVIATIONS
CONTINUED

Semi-finished (products)
A product category that includes pig iron, slabs, blooms and billets. Slabs, blooms and billets are the first solid forms in the steelmaking process. These usable shapes are further processed to become more finished products, including rebars, structural steel and wire rod.

Sinter
An aggregate that is normally produced from relatively coarse fine iron ore and various metallurgical return wastes used as an input/raw material in blast furnaces.

Slab
The most common type of semi-finished steel. Traditional slabs measure 18-25cm thick x 75-225cm wide, and are usually about 6-12m long, while the output of recently developed 'thin slab' casters is approximately 5cm thick. Subsequent to casting, slabs are sent to hot-strip mills to be rolled into coiled sheet and plate products.

Slag
Slag is a by-product generated when nonferrous substances in iron ore, limestone and coke are separated from the hot metal. Slag is used in cement and fertiliser production as well as for base course material in road construction.

Steam coal
A term used to describe coal that is used primarily to generate heat. It is defined as all other hard coal not classified as coking coal. Also included in this category are recovered slurries, middlings and other low-grade coal products not further classified by type. Coal of this quality is also commonly known as thermal coal.

Top blowing converter
A basic oxygen furnace (BOF) with a closed bottom and an open upper cone through which a water-cooled oxygen lance can be raised and lowered.

Upstream
Within the steel industry, upstream is a term that describes the exploration, extraction and raw material production sectors.

Washing plant
Washing plants produce clean coking coal from raw coking coal through the process of decreasing the ash content to levels of 8.0-9.0%.

Wire
A broad range of products produced by cold and hot reducing, or by drawing wire rod through a series of dies to reduce the diameter, and improve surface finish, dimensional accuracy, and physical properties. Typical applications include nets, screws, rivets, upholstery springs, furniture wire, concrete wire, electrical conductors, rope wire and structural cables.

Wire rod
Formed from billets, wire rods in coils are an intermediate product with a uniform round cross section dimension.

COMPANY ABBREVIATIONS

Avdiivka Coke
PJSC Avdiivka Coke Plant

Azovstal
PJSC Azovstal Iron and Steel Works

Central GOK
PJSC Central Iron Ore Enrichment Works

Ferriera Valsider
Ferriera Valsider S.p.A.

Ilyich Steel
PJSC Ilyich Iron and Steel Works

Ingulets GOK
PJSC Ingulets Iron Ore Enrichment Works

Inkor Chemicals
Scientific and Manufacturing Association 'Inkor and Co' LLC

Khartsyzk Pipe
PJSC Khartsyzk Pipe Plant

Komsomolske Flux Plant
PJSC Komsomolske Flux Plant

Krasnodon Coal
PJSC Krasnodon Coal Company

Makiivka Steel
PJSC Makiivka Iron and Steel Works

Metinvest
Metinvest Group

Metinvest Eurasia
Metinvest Eurasia LLC

Metinvest International
Metinvest International SA

Metinvest-Resource
Metinvest-Resource LLC

Metinvest-SMC
Metinvest Service Metal Centres LLC

Metinvest Trametal
Metinvest Trametal S.p.A.

Metinvest Ukraine
Metinvest Ukraine LLC

Northern GOK
PJSC Northern Iron Ore Enrichment Works

Promet Steel
JSC Promet Steel Plant

SCM
JSC System Capital Management

Skiff-Shipping
Skiff-Shipping LLC

Smart
JSC Smart Holding

Spartan UK
Spartan UK Limited

United Coal
United Coal Company LLC

Yenakiieve Steel
PJSC Yenakiieve Iron and Steel Works and JV Metalen LLC

Zaporizhia Steel
PJSC Zaporizhia Iron and Steel Works

OTHER TERMS

ACCA
The Association of Chartered Certified Accountants

CFA®
Chartered Financial Analyst

CI
Continuous improvement

CIS
Commonwealth of Independent States

CSR
Corporate Social Responsibility

Executive Committee
A group of Directors appointed to act on behalf of, and within the powers granted to them by, the Board of Directors or Supervisory Board.

GRI
Global Reporting Initiative

HCC
Hard coking coal

HSE
Health, Safety and the Environment

IMF
International Monetary Fund

ISO
International Organisation for Standardisation, the world's largest standards developing organisation. Between 1947 and the present day, ISO has published more than 16,500 international standards, ranging from standards for activities such as agriculture and construction, through mechanical engineering, to medical devices, and to the newest information technology developments.

JSC
Joint Stock Company

KPI
Key performance indicator

Kyoto Protocol
An international agreement linked to the United Nations Framework Convention on Climate Change. The Kyoto Protocol was adopted in Kyoto, Japan, on 11 December 1997 and came into force on 16 February 2005. The Kyoto Protocol establishes legally binding commitments for the reduction of greenhouse gas (GHG) emissions produced by industrialised countries and the European community.

LOTOTO
Lock out, tag out, try out. A standard that is used to isolate hazardous energy during repair and maintenance work.

NGO
Non-government organisation

OHSAS
Occupational Health and Safety Advisory Services

PJSC
Public Joint Stock Company

SBB
Steel Business Briefing

Supervisory Board
A group of individuals chosen by the shareholders of a company to promote their interests through the governance of the company and to hire and supervise the Executive Directors and CEO or General Director.

USAID
US Agency for International Development

WSA
World Steel Association

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