METINVEST

# 2017 Results

19 March 2018

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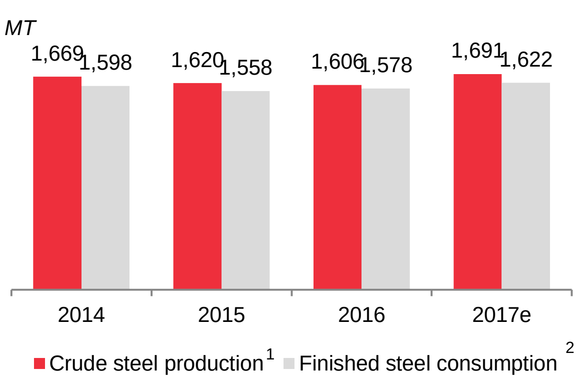
# Industry overview

# Global steel, iron ore and coking coal markets

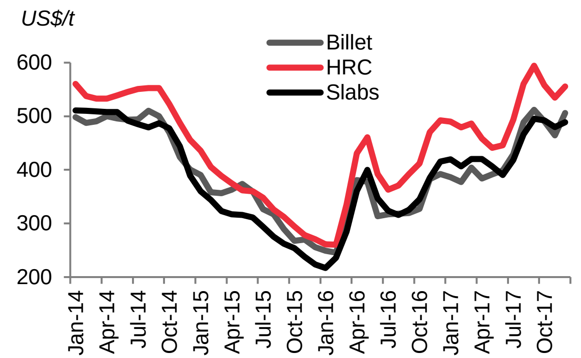
- In 2017, global steel consumption rose by 2.8% y-o-y and global steel production by 5.3% y-o-y
- In 2017, global steel prices continued to grow, mainly driven by:
  - strong demand in all regions
  - China restructuring its steel industry with the aim of increasing efficiency by cutting excess capacity
  - China introducing monetary stimulus measures, leading to increased domestic infrastructure spending and robust steel demand
  - rising worldwide protectionism
  - higher prices of coking coal
- HRC FOB Black Sea trended in line with global steel benchmarks, increasing to an average of US$508/t in 2017 (+31% y-o-y)
- 62% Fe iron ore price averaged US$72/t in 2017 (+23% y-o-y), driven by:
  - stronger global demand for higher grade products amid a drive to improve steel production efficiency and closure of induction furnaces in China, which spurred greater utilisation of furnaces using iron ore products as key raw material
  - increased prices for steel products
  - delayed new capacity launches
- Spot hard coking coal proved one of the most volatile commodities, driven mainly by the supply side. While the spot price averaged US$189/t in 2017 (+33% y-o-y), it varied from US$141/t to US$305/t.

### Global steel industry



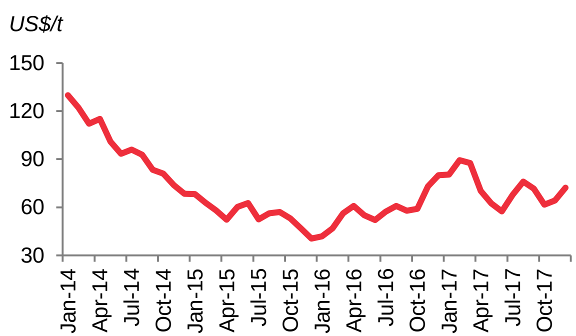

Source: World Steel Association

### Steel product prices[3]



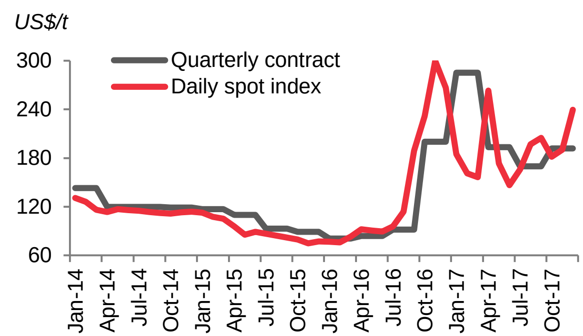

Source: Metal Expert

### Iron ore price[4]




Source: Bloomberg

### Hard coking coal price[5]



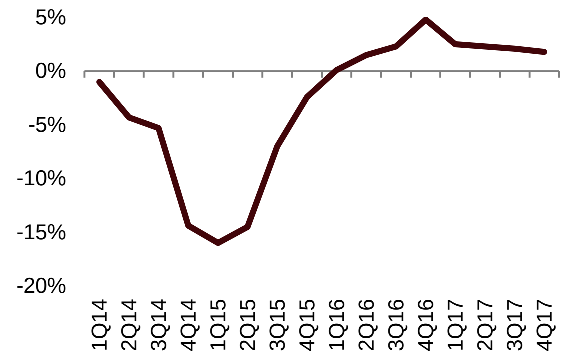

Source: Bloomberg

1. Global steel production does not include production at induction furnaces in China
2. Apparent consumption of finished steel products
3. FOB Black Sea
4. 62% Fe iron ore fines CFR China
5. FOB Australia

# Macro and steel industry in Ukraine

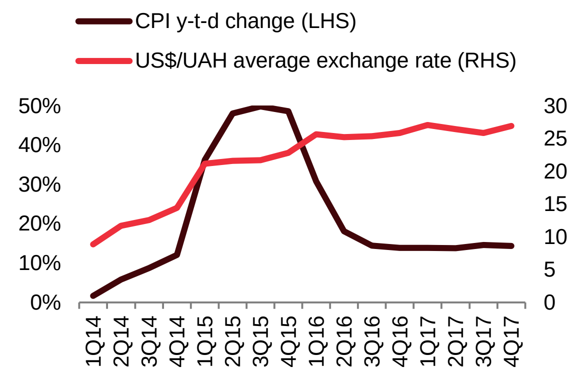
- In 2017, the upturn of the Ukrainian economy continued amid structural economic reforms, favourable export market environment and ongoing increase in consumer spending
- Real GDP growth was 2.2% y-o-y in 2017
- Monetary policy progress: inflation targeting is in place, capital and currency control is easing
- Local currency depreciated y-o-y against the US dollar to an average of 26.60 in 2017, although it strengthened q-o-q in 2Q 2017 and 3Q 2017
- CPI was 14.4% in 2017, exceeding expectations in the beginning of the year
- Ukraine returned to international debt markets, having issued a US$3B 15-year Eurobond at 7.375% pa in September 2017, the largest Ukrainian Sovereign issuance ever
- Significant advance in ease of doing business ranking prepared by the World Bank: from 137 in 2013 to 76 in 2018
- In 2017, apparent steel consumption in Ukraine continued to grow (+6.5% y-o-y), supported by renewed real demand in key steel-consuming industries:
    - construction activity +26.3% y-o-y
    - machine-building industry +7.9% y-o-y
    - hardware production +3.2% y-o-y
- In 2017, steel production in Ukraine fell by 8.1% y-o-y, after steelmaking assets located in the non-government controlled territory were seized in 1Q 2017, while some production was temporarily shutdown amid supply chain disruptions and liquidity constraints

### Real GDP growth in Ukraine (y-o-y)



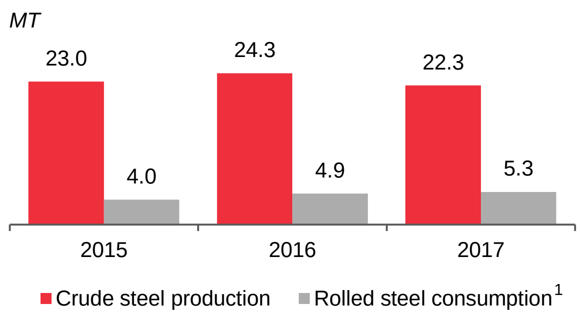

Source: State Statistics Service of Ukraine

### US$/UAH exchange rate vs CPI




Source: National Bank of Ukraine, State Statistics Service of Ukraine

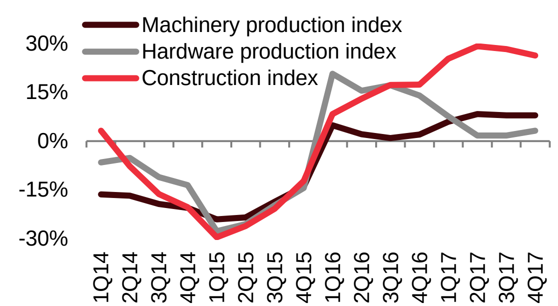
### Steel industry in Ukraine




Source: Metal Expert

1. Consumption in Ukraine includes flat, long and certain semi-finished products but excludes pipes

### Key steel-consuming sectors in Ukraine[2]




Source: State Statistics Service of Ukraine, Metal Expert

2. All indexes represent the cumulative index from the beginning of the respective year, y-o-y change

# 2017 highlights

# Summary

| US$M | 2017 | 2016 | Change |
|---|---|---|---|
| **Revenues** | **8,931** | **6,223** | **44%** |
| **Adjusted EBITDA[1]** | **2,044** | **1,153** | **77%** |
| EBITDA margin | 23% | 19% | 4 pp |
| **Net cash from operating activities** | **595** | **490** | **22%** |
| **CAPEX** | **542** | **374** | **45%** |

| US$M | 31 Dec 2017 | 31 Dec 2016 | Change |
|---|---|---|---|
| **Gross debt[2]** | **3,017** | **2,969** | **2%** |
| **Cash and cash equivalents[3]** | **259** | **226** | **15%** |
| **Net debt[4]** | **2,298** | **2,318** | **-1%** |
| **Net debt[4] to LTM Adjusted EBITDA** | **1.1x** | **2.0x** | **-0.9x** |

| Production (kt) | 2017 | 2016 | Change |
|---|---|---|---|
| **Crude steel** | **7,630** | **8,393** | **-9%** |
| **Coke** | **4,736** | **4,325** | **10%** |
| **Iron ore concentrate** | **27,464** | **29,640** | **-7%** |
| **Coking coal concentrate** | **2,590** | **3,051** | **-15%** |

1. Adjusted EBITDA is calculated as earnings before income tax, finance income and costs, depreciation and amortisation, impairment and devaluation of property, plant and equipment, foreign exchange gains and losses, the share of results of associates and other expenses that the management considers non-core plus the share of EBITDA of joint ventures. Adjusted EBITDA will be referred to as EBITDA in this presentation. On 15 March 2017, Metinvest lost control over all tangible assets owned by enterprises located in the temporarily non-government controlled territory of Ukraine, including Yenakiieve Steel, Krasnodon Coal and Khartsyzk Pipe. Subsequently, the Group made a provision for impairment of assets of these enterprises, of which impairment related to inventories totalling US$92M is accounted in the 2017 EBITDA.
2. Gross debt is calculated as the sum of bank loans, bonds, trade finance, finance lease, seller notes and subordinated shareholder loans.
3. Cash and cash equivalents do not include blocked cash for cash collateral under issued letters of credit and irrevocable bank guarantees, but do include cash blocked for foreign-currency purchases.
4. Net debt is calculated as gross debt less cash and cash equivalents and less subordinated shareholder loans.

Due to rounding, numbers presented throughout this presentation may not add up precisely to the totals provided and percentages may not precisely reflect absolute figures.

# 2017 achievements

| Challenge | Response |
|---|---|
| **Technological Strategy 2030** | • The Technological Strategy 2030 has been approved. It is based on the new operating environment and aims to:<br>○ enhance operational safety and reduce environmental footprint<br>○ increase steel production capacity at Mariupol plants to 11 mt/y, focusing on downstream while improving cost efficiency<br>○ pursue quality over quantity strategy in iron ore to penetrate premium markets while maintaining low-cost position<br>○ increase coal self-sufficiency |
| **Premium products** | • To secure long-term demand for its products, Metinvest increased sales of premium products<br>○ share of HVA steel products[1] reached 42% (+1 pp y-o-y)<br>○ share of 68% Fe iron ore concentrate reached 26% (+17 pp y-o-y), 65% Fe pellets – 54% (+16 pp y-o-y) |
| **Premium markets** | • Redistribution of iron ore products from China to Europe allowed us to capitalise on the Atlantic Basin Premium; higher sales to Europe as a result of new long-term contracts with numerous customers |
| **Crude steel capacity substitution** | • Capacity utilisation has been maximised at the Mariupol steelmakers: Azovstal and Ilyich Steel increased steel production by 15% and 13% y-o-y in 2017 |
| **Square billet capacity substitution** | • To maintain operations of Bulgarian re-roller, Promet Steel, supplies of third-party square billets have been arranged to replace billets produced at Yenakiieve Steel[2] |
| **Coking coal capacity substitution** | • To replace coal produced at Krasnodon Coal[2], Metinvest expanded production at its US mines by 7% y-o-y and increased third-party seaborne coal purchases |
| **Power supply to Avdiivka Coke** | • Avdiivka Coke, a major coke producer, has resumed operations using all eight coke oven batteries following the installation of a new electricity transmission line on government-controlled territory |

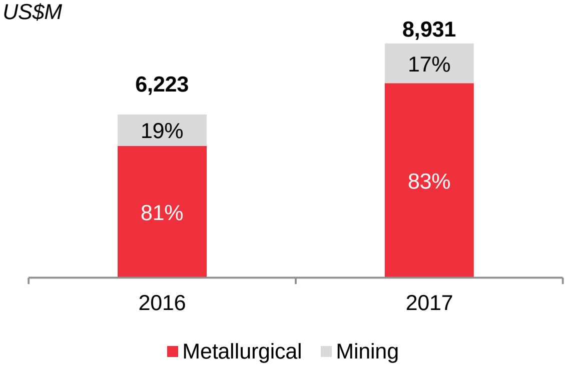
1. HVA products include thick plates, cold-rolled flat products, hot-dip galvanised sheets and coils, structural sections, rails and pipes
2. Seized in March 2017

# Financial highlights

- Total revenues increased by 44% y-o-y
  - Metallurgical revenues rose by 47% y-o-y to US$7,411M
  - Mining revenues climbed by 27% y-o-y to US$1,520M
- Total EBITDA increased by 77% y-o-y
  - Metallurgical EBITDA rose by 10% y-o-y to US$808M
  - Mining EBITDA soared by 152% y-o-y to US$1,380M
- The segments' shares in EBITDA[1] changed in 2017: 63% for Mining (43% in 2016) and 37% for Metallurgical (57% in 2016)
- Consolidated EBITDA margin was 23%, up 4 pp y-o-y
  - Metallurgical EBITDA margin dropped by 3 pp y-o-y to 11%
  - Mining EBITDA margin rose by 16 pp y-o-y to 40%
- Total CAPEX increased by 45% y-o-y to US$542M

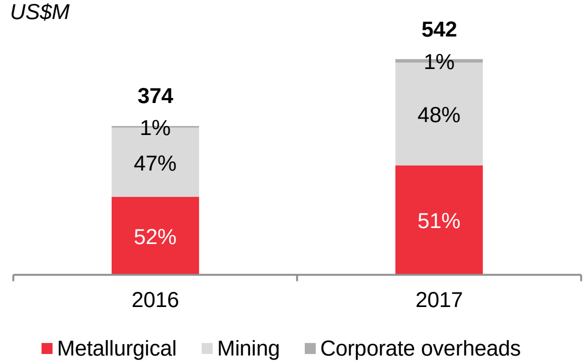
**Revenues**

*US$M*



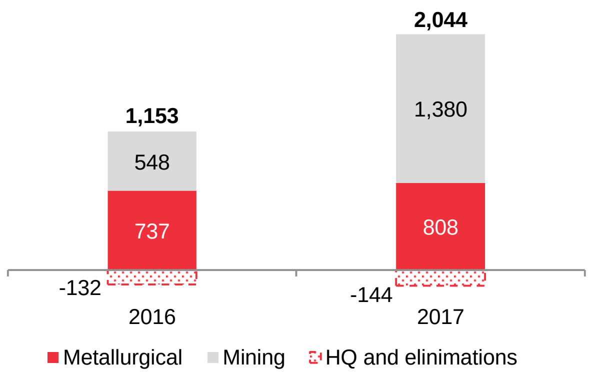

**CAPEX**

*US$M*



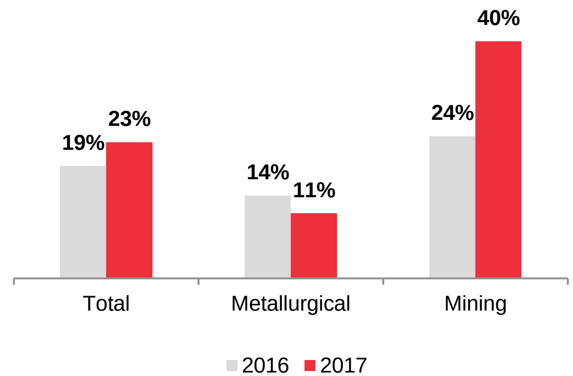

**EBITDA**

*US$M*




**EBITDA margin**

*%*



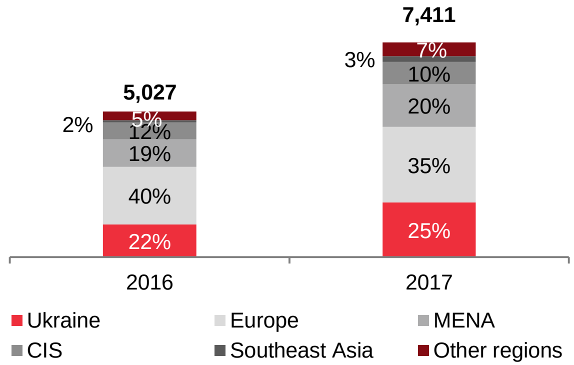

1. The contribution is to the gross EBITDA, before adjusting for corporate overheads and eliminations

# Sales portfolio

- Total sales increased by US$2,708M y-o-y, mainly driven by:
  - higher selling prices
  - greater sales volumes of pig iron, slabs, flat products and coke
  - launch of resales of square billets and long products to substitute lost capacities
- Metallurgical sales
  - higher share of Ukraine (+3 pp y-o-y), due to greater demand for steel amid a recovery in the local economy
  - lower share of Europe (-5 pp y-o-y), mainly caused by reduced sales of square billets and long products following lost capacities
- Mining sales
  - given lower iron ore production and weaker demand in Ukraine, sales structure by region changed to maximise profitability
  - share of Europe rose by 17 pp y-o-y to 40%, while share of Southeast Asia dropped by 8 pp y-o-y to 20%
- Proportion of sales in hard currencies (US$, EUR, GBP) amounted to 77% in 2017, flat y-o-y

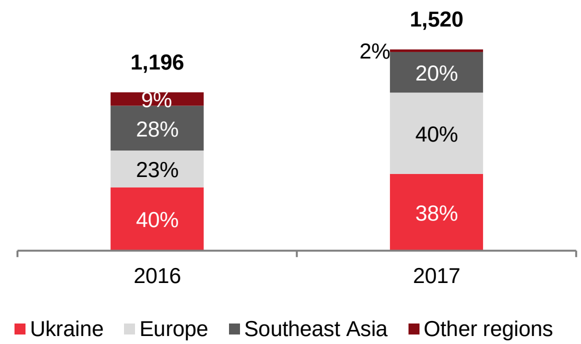
## Metallurgical sales by region

*US$M*



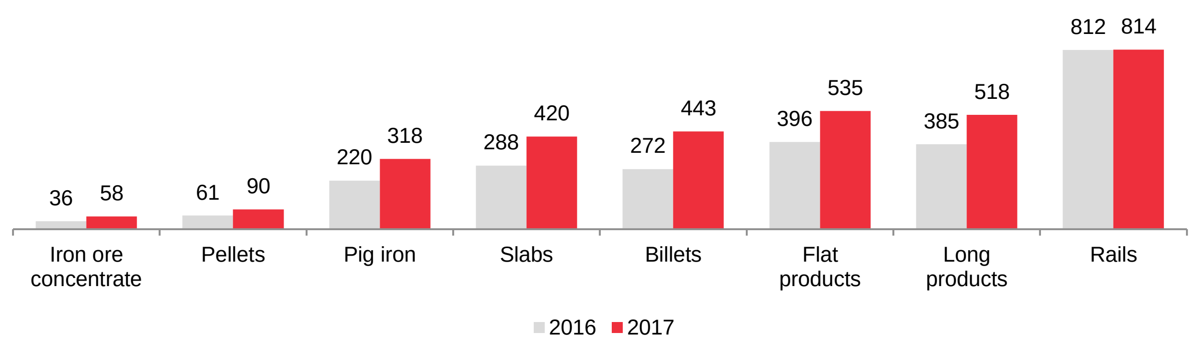

## Mining sales by region

*US$M*




## Price dynamics, FCA basis

*US$/t*

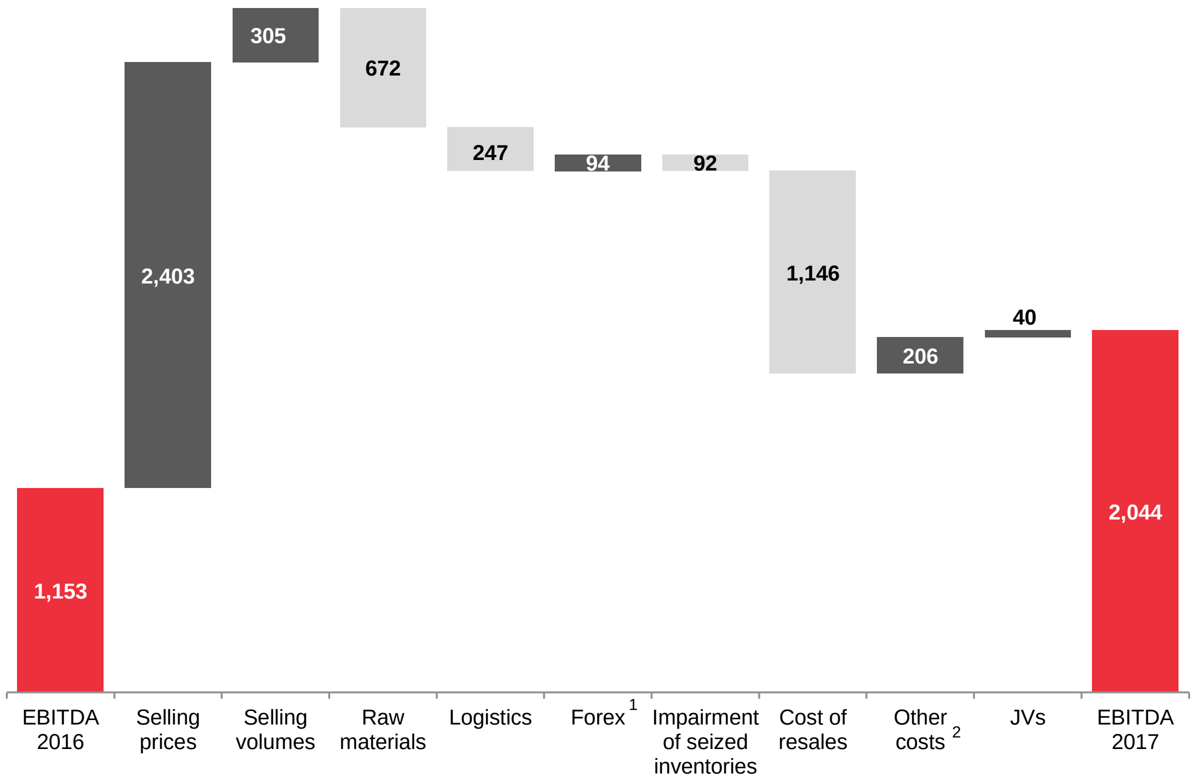


# EBITDA

- Total EBITDA soared by US$891M y-o-y to US$2,044M
- Positive EBITDA drivers were:
  - higher average selling prices
  - greater sales volumes
  - higher contribution of Southern GOK JV
  - hryvnia depreciation
  - lower other costs
- Negative EBITDA drivers were:
  - greater cost of goods and services for resale due to higher both prices and volumes
  - higher cost of raw materials, primarily amid increased coal, coke and scrap prices
  - greater logistics costs, mainly amid an increase in railway costs in the US related to coal supplies, upward railway tariff indexation in Ukraine, greater rail shipments and a rise in freight costs
  - impairment of inventories seized in March 2017

**EBITDA drivers**

*US$M*



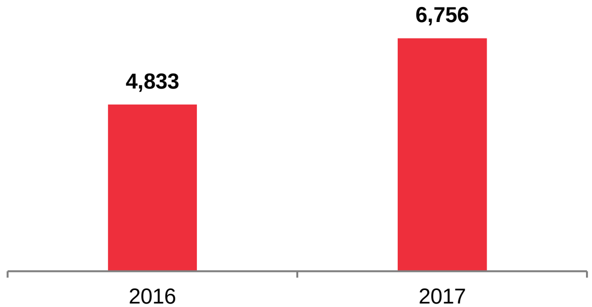

1. Forex includes forex on cost of sales, distribution costs, general and administrative expenses and other operating expenses.
2. Other costs include fixed costs, change in WIP and FG, impairment of trade and other accounts receivable, other expenses and spending on energy

# Operating expenses

- Cost of sales increased by 40% y-o-y to US$6,756M, mainly due to:
  - higher cost of goods and services for resale (US$1,146M), mainly pig iron, steel products and coal
  - higher prices of raw materials (US$625M), including coal (US$495M), coke (US$48M) and scrap (US$68M)
  - greater expenses on raw materials transportation (US$162M)
- Distribution costs rose by 9% y-o-y to US$721M, driven by:
  - greater steel sales volumes to Italy, the Middle East, the Red Sea region and the US, which affected freight costs
  - higher freight tariffs globally, given increased crude oil prices
  - greater iron ore and steel product distribution by rail
  - a 15% upward tariff indexation by the Ukrainian state railway operator on 30 April 2016 and further 15% on 1 November 2017
- General and administrative expenses increased by 5% y-o-y to US$193M, mainly due to higher labour costs and service fees

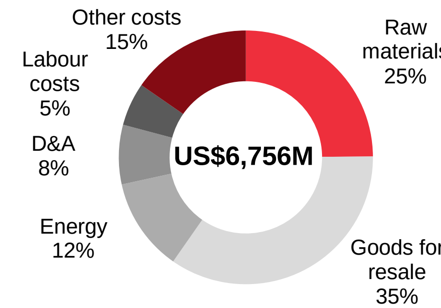
**Cost of sales**

*US$M*



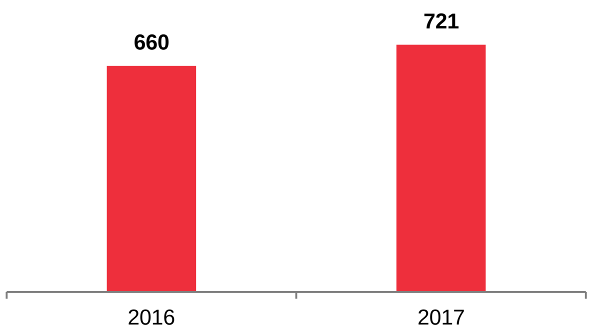

**Cost of sales by nature in 2017**

*US$M*



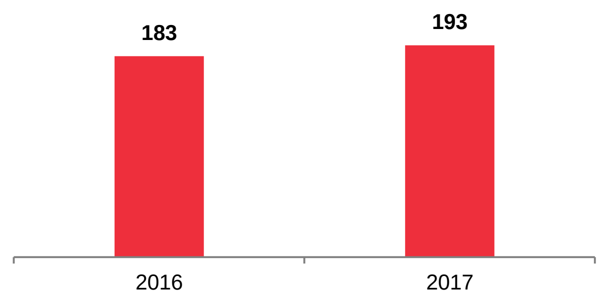

**Distribution costs**

*US$M*




**General and administrative expenses**

*US$M*

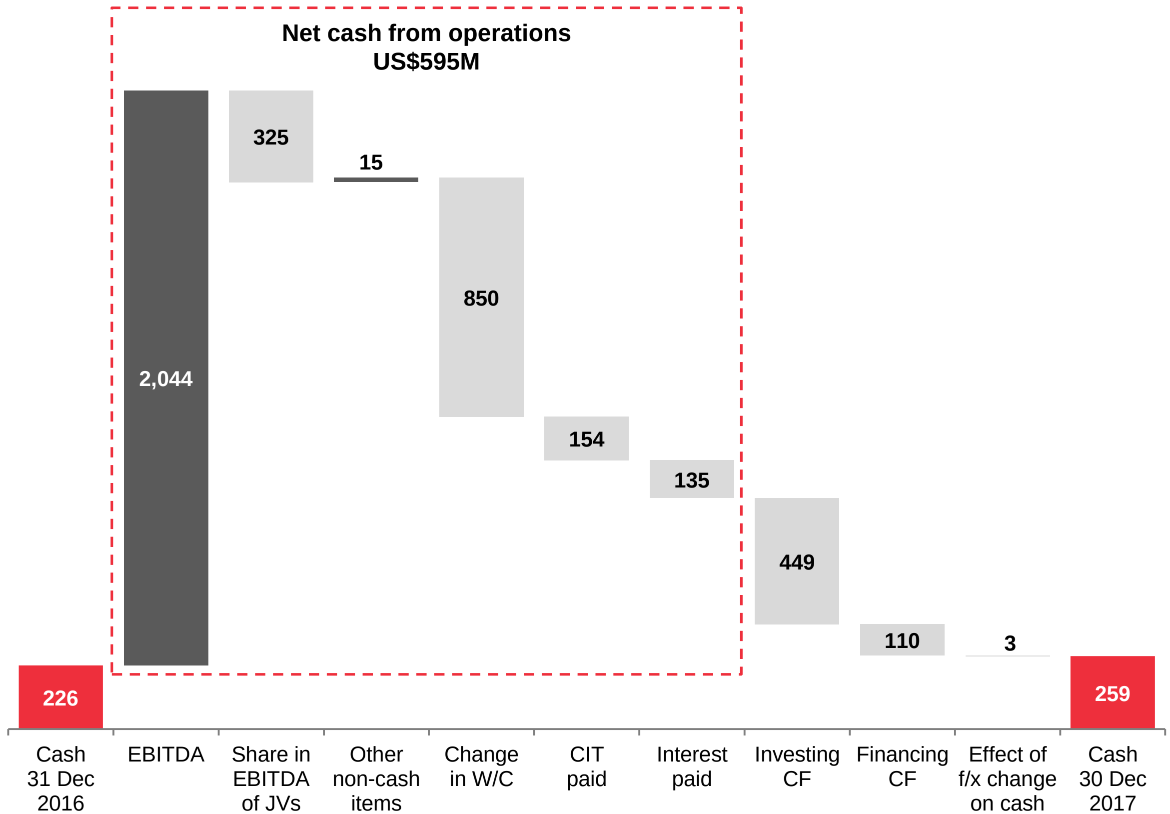


# Cash flow

- Net cash from operating activities increased by 22% y-o-y to US$595M
- Working capital outflow of US$850M, driven by:
  - a change in the operating model following the loss of control over seized assets
  - an increase in stocks (US$358M) amid
    - greater production costs y-t-d due to raw material price growth
    - a rise in inventories of coal (+301 kt) to create contingency stock following a fall in its self-sufficiency, slabs (+76 kt) amid a temporary lack of vessels for intragroup deliveries and third-party sales in 3Q 2017, flat products (+177 kt) amid higher production in 4Q 2017, and pig iron (+50 kt) to create stock to substitute scrap during winter
  - a rise in the net receivable position from JVs (US$345M), amid substantially greater iron ore and coke sales to Zaporizhstal
  - higher third-party receivables (US$151M), mainly driven by selling price growth y-t-d
- Bond and PXF contingent interest, all previously capitalised interest and partial principal paid via cash sweep amid improved liquidity
- US$85M of seller notes repaid in 2017 and the remaining balance fully repaid in February 2018

**Cash flow in 2017**

*US$M*

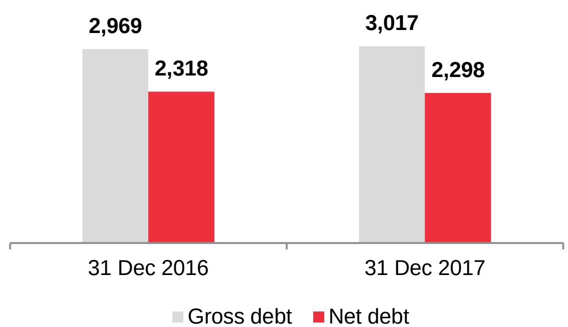


# Debt profile

- As of 31 December 2017:
  - gross debt[1] was US$3,017M (+2% y-t-d)
  - net debt[2] was US$2,298M (-1% y-t-d)
  - net debt[2] to LTM EBITDA was 1.1x (-0.9x y-t-d)
  - 95% of gross debt is USD-denominated – debt service is hedged by revenues in hard currencies
- US$21M of equipment financing secured in 2017
- US$90M of seller notes repaid in February 2018
- Debt maturity profile features:
  - no fixed principal amortisation until 2019
  - partial coupon payment under bonds and PXF until 2019, unpaid interest is capitalised
  - repayment of capitalised interest and principal under bonds and PXF at par
  - shareholder loans are subordinated and due only after bonds and PXF are repaid; interest is accrued but not capitalised
- Given the stabilised operating environment, Metinvest is current on interest and started repaying principal under bonds and PXF

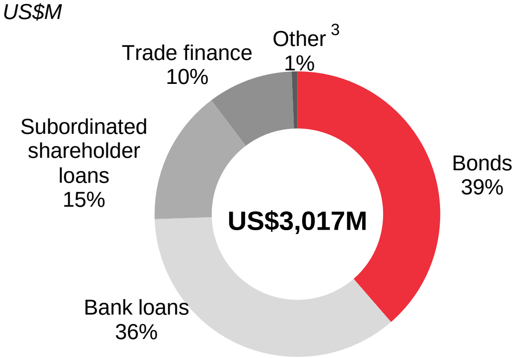
## Gross debt

*US$M*



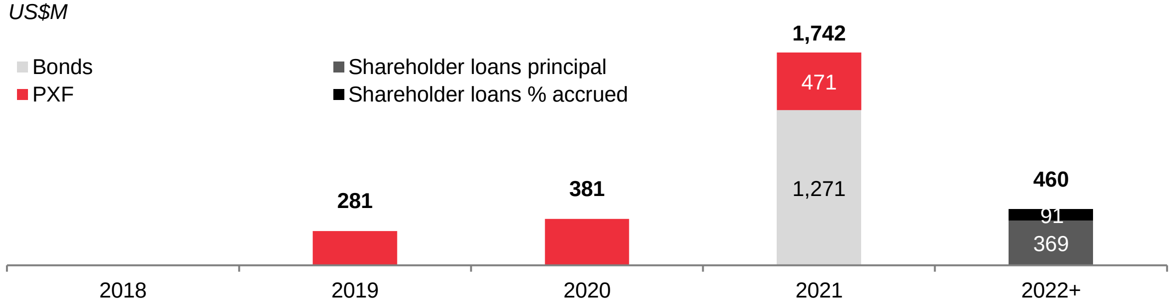

## Gross debt by instrument: 31 Dec 2017

*US$M*




## Corporate debt maturity profile (assuming conservative case)[4]

*US$M*




1. Gross debt is calculated as the sum of bank loans, bonds, trade finance, finance lease, seller notes and subordinated shareholder loans.
2. Net debt is calculated as gross debt less cash and cash equivalents and less subordinated shareholder loans
3. Other include finance lease and seller notes

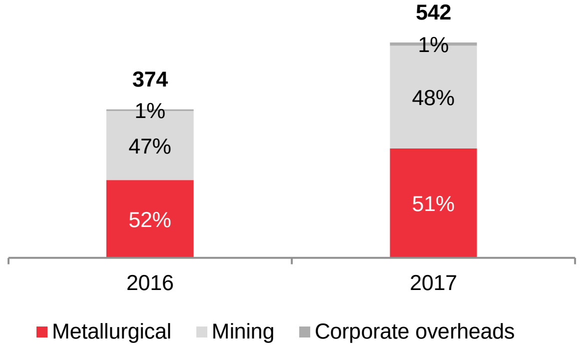
4. Assumptions:
   - Bonds: principal as of 31 December 2017, no cash sweep, all unpaid amounts to be capitalised, bullet repayment on 31 December 2021
   - PXF: principal as of 31 December 2017, no cash sweep, all unpaid amounts to be capitalised, quarterly fixed repayments and normalisation repayments (LIBOR is assumed at 1.2827% pa and is floored at 1.0% pa) starting 2019, the remaining balance payable on 30 June 2021
   - Subordinated shareholder loans: interest accrued as of 31 December 2017
   - ECA facility, trade finance, finance lease and seller notes are not included

# Capital expenditure

- In 2017, CAPEX increased by 45% y-o-y
- Share of maintenance projects reached 83% (+8 pp y-o-y)
- 2018 CAPEX is capped at US$751M[1] by restructuring terms
- Metinvest reviewed its Technological Strategy 2030
- Key strategic projects are presented on slide 16
- Maintenance CAPEX
  - Mining maintenance includes replacement and repairs of open-pit mine machinery, such as drilling rigs, excavators, dump trucks and bulldozers, as well as maintenance of open-pit mines, tailing stocks and pelletising machines
  - Metallurgical maintenance includes reconstruction of overhead cranes, repairs and upgrade of other equipment

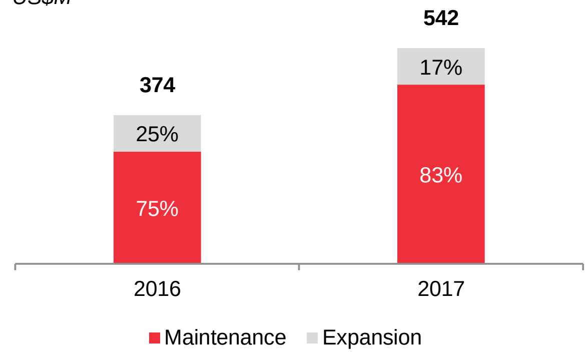
**CAPEX by segment**

*US$M*



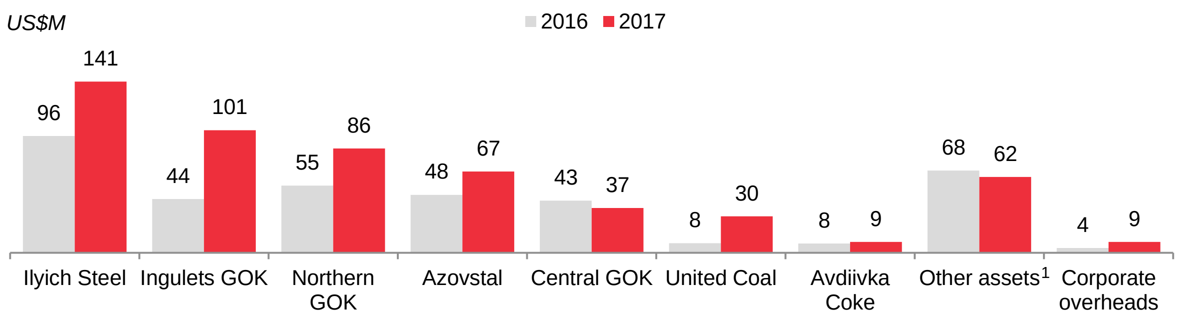

**CAPEX by purpose**

*US$M*




**CAPEX by key asset**

*US$M*




1. Includes CAPEX of assets seized in March 2017

# Key strategic CAPEX projects in 2017

| No | Project | Asset | Description | Status |
|---|---|---|---|---|
| 1 | Construction of pulverised coal injection (PCI) facilities | Azovstal | Minimise the need for natural gas in the production process and use coke more efficiently | PCI injection into BF no. 4 started in November 2016 and into BF no. 2 in September 2017. Construction at BF no. 3 is ongoing: PCI injection is expected to start in 3Q 2018 |
| 2 | Major overhaul of blast furnace (BF) no. 3 | Azovstal | Increase hot metal production capacity by 0.5-0.8 mt/y to 1.3-1.6 mt/y, and reduce production cost by decreasing consumption of coke and coke nuts | Final investment decision was made in July 2017, and active stage of construction started. Launch is expected in 3Q 2018 |
| 3 | Construction of continuous casting machine no. 4 | Ilyich Steel | Boost slab casting capacity to 4 mt/y, improve product quality, decrease costs and reduce environmental impact | Active stage of construction started in September 2016 and launch is expected in 4Q 2018 |
| 4 | Reconstruction of 1700 hot strip mill | Ilyich Steel | Increase hot strip mill capacity, improve the quality of steel surface and reduce the process waste during slab production | Basic engineering development started in 3Q 2017. Detailed engineering and documentation are expected to be ready in 2H 2018. Commissioning is expected in 2Q 2019 |
| 5 | Sinter plant reconstruction | Ilyich Steel | Comply with environmental requirements | Reconstruction is ongoing. Filters on sintering machines nos. 7-9 are being replaced |
| 6 | Construction of crusher and conveyor system at Pervomaisky quarry | Northern GOK | Reduce operational and capital expenditures in iron ore mining and maintain production volumes | The first facility for iron ore transportation was launched in July 2016. The launch of the second facility for rock transportation is expected in 2Q 2019 |
| 7 | Replacement of gas cleaning unit on Lurgi 552-B pelletising machine | Northern GOK | Comply with the maximum permissible concentrations of pollutants in the air and improve conditions in the workplace | Currently, 4 of 5 filters have been replaced. Filter no. 1 was replaced by May 2017. The replacement of the last one, no. 5, is postponed to 3Q 2018 to align with the major overhaul schedule |
| 8 | Construction of crusher and conveyor system | Ingulets GOK | Reduce operational and capital expenditures in iron ore mining and maintain production volumes | Construction is ongoing on the Vostochny conveyor line |
| 9 | Purchase of 1,800 open rail wagons | Metinvest-Shipping | Purchase rail wagons to deliver raw materials and dispatch finished products to curtail negative effect from rolling stock shortage in Ukraine | 800 open wagons purchased in 2017, the remaining wagons are to be supplied in 1H 2018 |

# Segmental review

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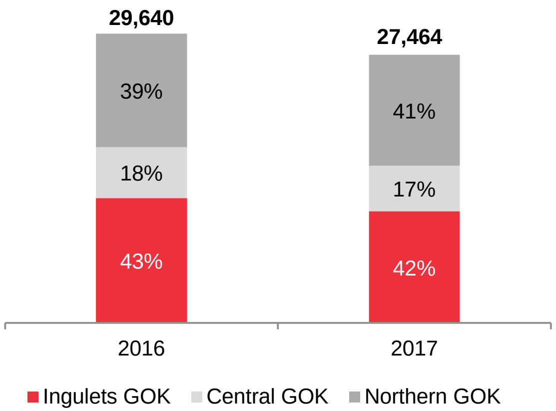
# Mining operations

### Iron ore concentrate production

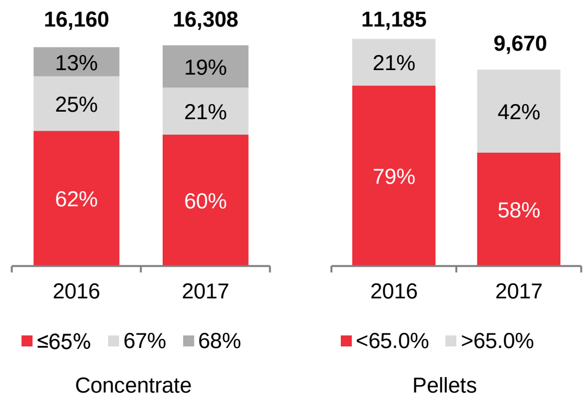
*kt*




- A drive to catch up with overburden removal work, which fell amid the liquidity constraints in 2014-1H 2016, and expected retirement of iron bearing sands for concentrate production led to a 7% y-o-y decrease in iron ore concentrate production
- Iron ore self-sufficiency was 282%[1] in 2017
- Metinvest used 43%[2] of total iron ore concentrate internally and allocated 57%[2] for third-party sales

### Output of iron ore products[3] by Fe %

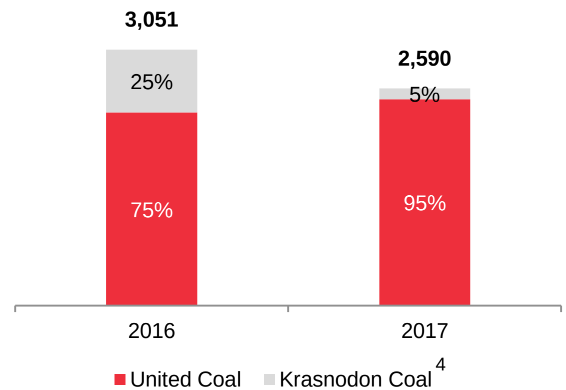
*kt*




- Metinvest's strategy is to produce premium products (with greater Fe content and better mechanical and chemical characteristics) to penetrate premium markets
  - share of 68.0% Fe concentrate rose by 6 pp y-o-y to 19%[3]
  - share of >65.0% Fe pellets increased by 21 pp y-o-y to 42%[3]

### Coking coal production

*kt*




- Coking coal concentrate production decreased by 15% y-o-y following the loss of control over Krasnodon Coal
- Meanwhile, production at US mines of United Coal increased by 159 kt y-o-y to 2,461 kt to cover c.30%[5] of internal needs amid greater output at the Wellmore mines
- High-quality US coking coal is delivered to Metinvest's Ukrainian coke production facilities
- Other coal volumes required for coke production are delivered by international and local suppliers

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1. Iron ore self-sufficiency is calculated as actual iron ore concentrate production divided by actual consumption of iron ore products to produce hot metal in the Metallurgical segment. It excludes iron ore consumption by Yenakiieve Steel, which was seized in March 2017.
2. In iron ore concentrate equivalent
3. Including production for intragroup consumption
4. Seized in March 2017
5. Coal self-sufficiency is calculated as actual coal concentrate production divided by actual consumption of coal concentrate to produce coke required for production of hot metal in the Metallurgical segment. Coal consumption for PCI is included in the calculation. It excludes coal production by Krasnodon Coal and coke consumption by Yenakiieve Steel, both of which were seized in March 2017.

# Mining segment financials

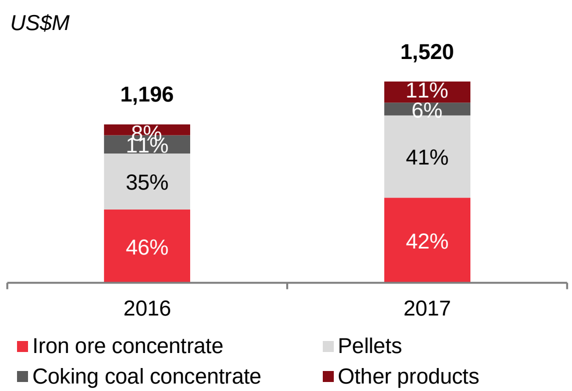
- Sales
  - External revenues increased by 27% y-o-y, driven by higher selling prices
  - Merchant concentrate accounted for 61% of iron ore sales mix and pellets for 39% in 2017 (66% and 34% in 2016 respectively)
  - Share of 68% Fe iron ore concentrate reached 26% of external sales (+17 pp), 65% Fe pellets – 54% (+16 pp)
  - Top five iron ore customers accounted for 72% of segmental sales
- EBITDA
  - Contribution to the gross EBITDA[1] rose by 20 pp y-o-y to 63%, driven by higher iron ore and coal prices
  - EBITDA margin reached 40% (+16 pp), due to increased prices, reallocation of volumes to premium markets and no impairment of trade receivables (US$157M in 2016)
- Segment's CAPEX increased by 49% y-o-y to US$258M

1. The contribution is to the gross EBITDA, before adjusting for corporate overheads

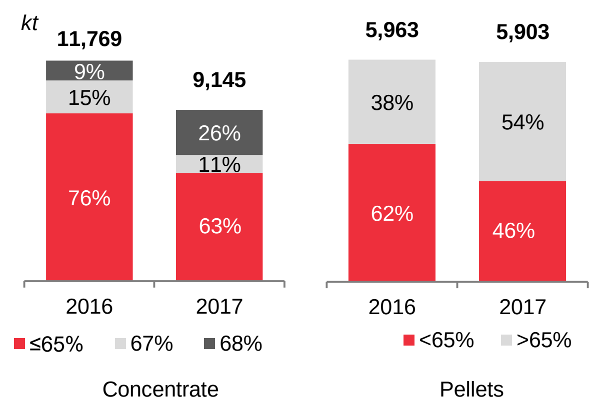
**Segment financials**

| US$M | 2017 | 2016 | Change |
|---|---|---|---|
| **Sales (total)** | **3,460** | **2,267** | **53%** |
| **Sales (external)** | **1,520** | **1,196** | **27%** |
| *% of Group total* | *17%* | *19%* | *-2 pp* |
| **EBITDA** | **1,380** | **548** | **152%** |
| *% of Group total*[1] | *63%* | *43%* | *+20 pp* |
| *margin* | *40%* | *24%* | *+16 pp* |
| **CAPEX** | **258** | **174** | **49%** |

**Sales by product**



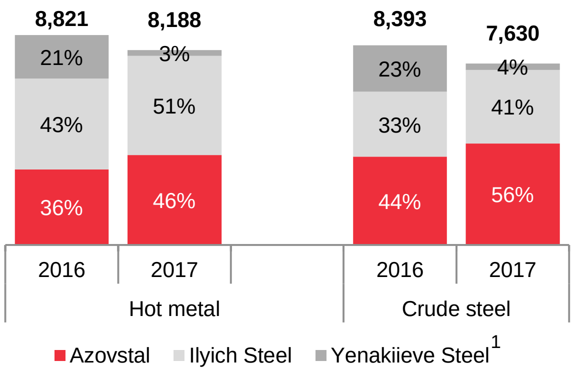

**Iron ore external sales by Fe %**



# Metallurgical operations

### Hot metal and crude steel production

*kt*

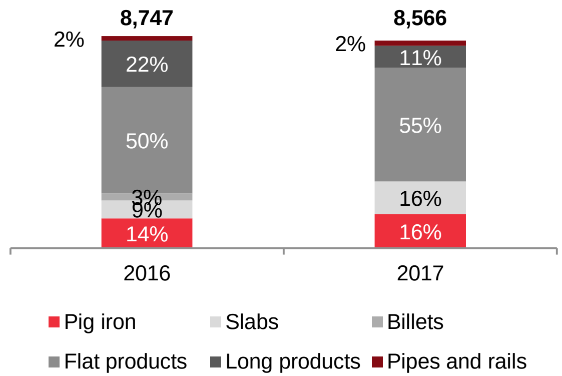



- Total crude steel output decreased by 9% y-o-y following the loss of control over operations at Yenakiieve Steel
- Nevertheless, production at both plants in Mariupol increased following major blast furnace overhauls:
  - +15% y-o-y at Azovstal
  - +13% y-o-y at Ilyich Steel

1. Seized in March 2017

### Output of merchant steel products

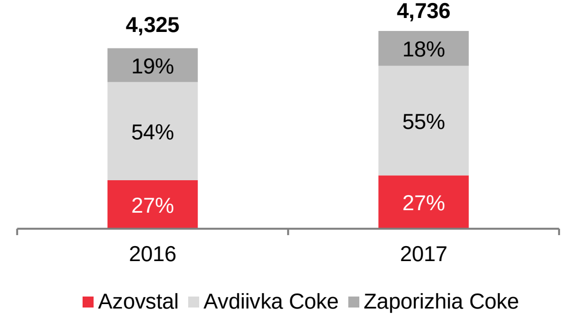
*kt*




- Steel product mix changed y-o-y:
  - flat product share reached 55% (+5 pp) due to a rise in output of plates at Azovstal and Ilyich Steel and sheet and coils at the European re-rollers given strong demand
  - shares of slabs and pig iron reached 16% (+7 pp) and 16% (+2 pp) respectively, amid a rise in output at Azovstal and Ilyich Steel following a favourable market trend
  - shares of square billets and long products fell to 0% and 11% respectively, following lost capacities: lower output of long products at Promet Steel was partly compensated by higher output at Azovstal

### Coke production

*kt*




- Coke[2] output increased by 10% y-o-y to 4,736 kt, mainly driven by:
  - a rise in output of 280 kt at Avdiivka Coke as all eight coke oven batteries have been in operation since May 2017
  - an increase in production of 113 kt at Azovstal amid more stable coal deliveries
- Metinvest covered 120%[3] of its coke needs with own production in 2017

2. Dry blast furnace coke output
3. Coke self-sufficiency is calculated as actual coke production divided by actual consumption of coke to produce hot metal in the Metallurgical segment. It excludes coke consumption by Yenakiieve Steel, which was seized in March 2017

# Metallurgical segment financials

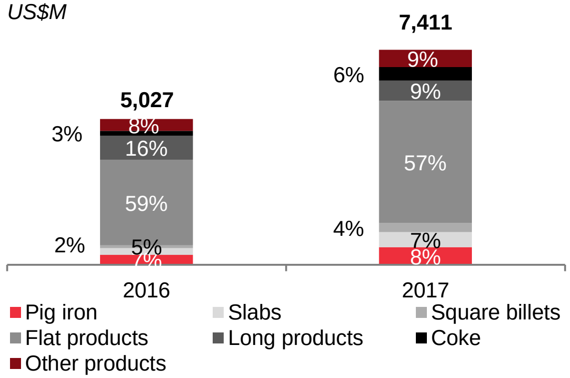
- External sales rose by 47% y-o-y, mainly due to:
  - higher selling prices
  - increased sales volumes of products manufactured at Metinvest's facilities
  - greater resales
- Share of HVA products in steel sales mix reached 42% (+1 pp) in 2017
- Top five steel customers accounted for 15% of segment's revenues
- EBITDA
  - EBITDA rose by 10% y-o-y, mainly attributable to increased prices
  - EBITDA margin dropped by 3 pp y-o-y primarily due to raw material price pressure
  - 2017 EBITDA includes US$81M for impairment of inventories seized in March
- Segment's CAPEX increased by 40% y-o-y to US$275M

**Segment financials**

| US$M | 2017 | 2016 | Change |
|---|---|---|---|
| **Sales (total)** | **7,464** | **5,104** | **46%** |
| **Sales (external)** | **7,411** | **5,027** | **47%** |
| *% of Group total* | *83%* | *81%* | *+2 pp* |
| **EBITDA** | **808** | **737** | **10%** |
| *% of Group total[1]* | *37%* | *57%* | *-20 pp* |
| *margin* | *11%* | *14%* | *-3 pp* |
| **CAPEX** | **275** | **196** | **40%** |

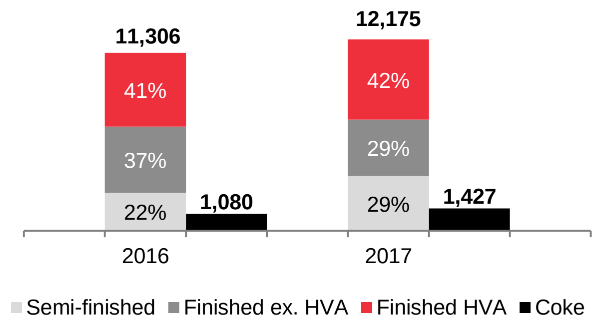
**Sales by product**

*US$M*




**Sales by product incl. steel HVA share[2]**

*kt*




1. The contribution is to the gross EBITDA, before adjusting for corporate overheads
2. Steel sales mix include pipes – 92 kt in 2016 and 147 kt in 2017

# Appendix

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# Group structure

**71.24%** SCM

**23.76%** SMART

**5.00%** Clarendale Limited[1]

**Metinvest**

### Mining segment

- Top 15 iron ore producer in the world[2]
- Top 5 iron ore producer in the CIS[2]
- Long-life proven and probable iron ore reserves in Ukraine of 1,254 mt[3]
- More than fully self-sufficient in iron ore concentrate and pellets
- Captive long-life coal reserves of 126 mt[4] in the US
- Contribution to the Group’s total EBITDA of 63%[5] in 2017
- Sales outside Ukraine accounted for 62% of external revenues in 2017

### Metallurgical segment

- Top 40 steel producer in the world[6]
- Top 10 steel producer in the CIS[6]
- Annual steelmaking capacity of 8.4 mt/y[7]
- Annual coke production capacity of 6.9 mt/y
- 42% share of HVA products in steel sales mix in 2017
- Contribution to the Group’s total EBITDA of 37%[5] in 2017
- Sales outside Ukraine accounted for 75% of external revenues in 2017

1. As at 31 December 2017, a 5% interest in Metinvest B.V. in the form of Class C shares has been acquired from the previous owners of Ilyich Group for the benefit of SCM and SMART. It is the intention of SCM and SMART to dispose of the said 5% interest in due course (after receipt of respective governmental approvals if such will be necessary), and in such a manner that the ultimate interest of SCM in the Company shall be 75% minus 1 share, and the ultimate interest of SMART in the Company shall be 25% plus 1 share, thus SCM remaining as the controlling shareholder.
2. Metinvest’s estimate based on companies’ public 2017 production data
3. According to JORC methodologies, as at 1 January 2010 and adjusted for production of 612MT of reserves between 1 January 2010 and 31 December 2017. Ore reserves refer to the economically mineable part of mineral resources.
4. As at 31 December 2017, excluding reserves of Krasnodon Coal which assets were seized in March 2017
5. The contribution is to the gross EBITDA, before adjusting for corporate overheads and eliminations
6. World Steel Association 2016 ranking based on tonnage
7. Metinvest’s annual steel capacity, excluding capacity of Zaporizhstal and excluding 2.7 mt capacity of Yenakiieve Steel which assets were seized in March 2017

# Global presence

## Production assets

1. **Ukrainian operations**
   - Azovstal
   - Ilyich Steel
   - Zaporizhstal JV
   - Avdiivka Coke
   - Zaporizhia Coke
   - Northern GOK
   - Central GOK
   - Ingulets GOK
   - Southern GOK JV
   - Yenakiieve Steel*
   - Khartsyzk Pipe*
   - Krasnodon Coal*
2. **Ferriera Valsider (Italy)**
3. **Trametal (Italy)**
4. **Spartan (UK)**
5. **Promet Steel (Bulgaria)**
6. **United Coal (US)**

## Sales assets

1. China
2. Turkmenistan
3. United Arab Emirates
4. Russia (13 offices)
5. Lebanon
6. Turkey
7. Ukraine (8 offices)
8. Belarus (2 offices)
9. Romania
10. Bulgaria (3 offices)
11. Spain
12. Poland
13. Italy (3 offices)
14. Tunisia
15. Germany
16. Switzerland
17. Belgium
18. United Kingdom
19. Dominican Republic
20. Canada
21. United States

## Map legend

Regions with sales

Regions with no sales


(*) Seized in March 2017

# Operations in Ukraine

- In March 2017, three assets located in the non-government controlled territory – Yenakiieve Steel, Krasnodon Coal and Khartsyzk Pipe – were seized
- Metinvest made a provision to fully impair those seized assets of $516M, of which US$329M affected net income
- Since March 2017, all of Metinvest's assets are operating without disruption. Metinvest does not have any operations in the non-government controlled territory.

# Corporate social responsibility

| | Health and Safety | Environment | Community |
|---|---|---|---|
| **Goals** | ▪ Meet the highest standards of health and safety and ensure the safety of employees in all aspects of their work<br>▪ Create a safety-driven culture throughout the Group and ensure that employees take responsibility for themselves and their colleagues | ▪ Reduce environmental footprint<br>▪ Introduce more efficient energy-saving technology<br>▪ Meet European standards in this area<br>▪ Respond rapidly to any critical issues | ▪ Work in partnership with the communities where Metinvest operates to achieve long-term improvements in social conditions<br>▪ Maintain close dialogue with local stakeholders |
| **Initiatives** | ▪ Continue implementation of measures to reduce the risk of fatalities due to cardiovascular diseases<br>▪ Reinforce a gas safety programme to eliminate incidents of CO poisoning<br>▪ Introduce protective barrier standard to reduce injuries associated with working at heights, moving/rotating equipment and other hazardous production factors<br>▪ Continue a risk assessment programme covering all production processes and investment projects using HAZID[1], HAZOP[2] and ENVID[3] | ▪ Continually examine and enhance environmental standards within the framework of the Technological Strategy<br>▪ Require all newly built and reconstructed assets to meet EU environmental standards<br>▪ Regularly review the environmental action plan to target efforts more effectively | ▪ Implement social partnership programmes with local authorities<br>▪ Empower local communities<br>▪ Foster the development of green and ecological initiatives<br>▪ Enhance the sustainable development of regions |
| **Results in 2017** | ▪ Around US$81M was spent on health and safety<br>▪ Provided extensive HSE training for over 7,296 managers and supervisors<br>▪ Conducted 173,157 audits and identified 259,464 safety issues, which were addressed swiftly<br>▪ Conducted 345 HAZIDs and 7 HAZOPs at subsidiaries, and developed 10,378 recommendations to reduce risks to an acceptable level (since the project start) | ▪ Around US$225M was spent on environmental safety (including both capital and operational improvements)<br>▪ Progress on key environmental projects<br>○ reconstruction of gas cleaning system of sinter plant at Ilyich Steel<br>○ completed construction of dust-trapping facilities of BOF no. 2 at Ilyich Steel<br>○ major overhaul of gas-cleaning equipment of BOF no. 2 at Azovstal<br>○ replacement of gas cleaning units of Lurgi 552-B pelletising machine at Northern GOK | ▪ Invested around US$8M to support communities in cities where Metinvest operates<br>▪ Selected and implemented 50 community projects under the "We Improve the City" initiative<br>▪ Selected 53 projects of the "100 households" initiative<br>▪ Continued cooperation with the Mariupol Development Fund<br>▪ Held around 820 environmental events as part of "Green Centre" in Mariupol and Kryvyi Rih |

1. HAZID study is a tool for hazard identification, used early in a project as soon as process flow diagrams, draft heat and mass balances, and plot layouts are available
2. HAZOP (hazard and operability study) is a structured and systematic examination of a planned or existing process or operation in order to identify and evaluate problems that may represent risks to personnel or equipment, or prevent efficient operation
3. Environmental (Hazard) Identification is conducted like HAZID, but with the aim of identifying environmental issues

# Thank you!

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