

CHAIRMAN'S STATEMENT

OLEG POPOV



In 2018, Metinvest delivered a robust operational and financial performance, posting results that set a new benchmark compared with recent years. Alongside this, the Group strengthened the expertise of its Supervisory Board and Executive Committee, focused even more on attracting and retaining talent, and made strong additional environmental, social and governance achievements.

A CLEAR ROUTE AHEAD

In 2018, it was an honour to be elected Chairman of the Supervisory Board of Metinvest, after serving as a Board member since 2014. I am also pleased to report that the year was an exciting one for the Group and saw important breakthroughs for the business. We posted strong growth in profits; concluded a debt refinancing agreement that ensured access to global financial markets; and made our first acquisitions since 2014: stakes in Ukrainian coal and coke producers, as well as a domestic manufacturer of galvanised steel. In addition, Metinvest disbursed capital expenditure of almost US\$900 million, making production facilities across the Group cleaner and more efficient. We also pressed ahead with key environmental, social and governance (ESG) initiatives.

Effective governance has long been crucial to ensuring the Group's success and delivering on its ambitious ESG agenda, alongside sustainable social investment and progress on reducing environmental footprint. Over more than a decade, Metinvest has worked to build strong corporate governance institutions appropriate for the most transparent international

companies, as a clear system of checks and balances delivers stronger results and helps to ensure the trust of all stakeholder groups.

ADDING FRESH EXPERTISE

Last year, the Supervisory Board was strengthened with two appointments. As both Chairman and a member of the Appointments and Compensation Committee, I am pleased to welcome Johan Bastin and Natalia Izosimova. As an independent member, Johan brings deep, international experience gained in international debt capital markets and leading European financial institutions by overseeing investor relations and investment strategy. Natalia, also an independent member, is a seasoned senior executive with diverse experience, including at a top global consulting company, overseeing HR questions. These appointments enhance the Supervisory Board's expert capacity for strategic decision-making and add expertise on the committee level.

I would like to thank Igor Syry, the former Chairman of the Supervisory Board and the first Chief Executive Officer of the Group, and Amir Aisatov, a former member of the Supervisory

Board, for their service to Metinvest and all of its stakeholders. The Group has benefited tremendously from their expertise, which helped it to navigate both unprecedented market and geopolitical challenges and take advantage of new opportunities in the global steel and iron ore markets. We will build on the foundations that they helped to create.

In 2018, Metinvest made important appointments to the Executive Committee. The changes represent valuable additions to our core, experienced team, which has demonstrated a track record of exceptional leadership over the past several years.

Following the comprehensive review of the Technological Strategy, we understand that we need a new position to oversee its implementation. In that light, I am pleased to announce the appointment of Andriy Yemchenko as Chief Technology Officer in March 2018. He will primarily be responsible for accelerating the implementation of strategic technology projects, including fast-tracking the design and documentation stages.

In addition, as part of the drive to ensure the Group's long-term sustainability and generate even greater value for all stakeholders, the Supervisory Board set the task of implementing a business value management system. As part of this, Metinvest created a new Directorate for Economics and Business System Development and named Olga Ovchinnikova, former Logistics and Procurement Director, as its head. Her responsibilities will include focusing on the efficiency of the sales and operations planning process, investments and continuous improvements. Aleksey Gromakov has been appointed as the new Logistics and Procurement Director.

INVESTING IN PEOPLE

An important challenge last year was sustaining sufficient human resources, and this is expected to remain a primary concern over the short to medium term. The main issue is a shortage of skilled workers, as many thousands of Ukrainians have relocated to neighbouring European countries since 2017. These challenges are facing all large industrial Ukrainian employers, as well as Group subcontractors.

In 2018, Metinvest continued to take decisive steps to retain existing personnel and recruit talented employees. For the third year in a row, the Group increased salaries well above Ukraine's inflation rate to attract and retain talented workers, while continuing to offer an attractive benefits package. Equally, we believe that non-material incentives play a crucial role in attracting and retaining talent at all levels. As a result, we have invested significantly in improving working conditions at our facilities. The Group is committed to being an employer of choice, in not only Ukraine, but also surrounding markets. We provide continuing training and education and, for the right people, practically unlimited career growth potential. As a result of this approach, we have been able to maintain our employee headcount and retain core staff.

Health and safety remain absolute business and moral priorities for Metinvest, which has achieved long-term and steady declines in workplace incidents as measured by the lost-time incident frequency rates for the Group and individual enterprises. This has been achieved through technological improvements, as well as relentless training and occupational health programmes, all designed to create a safety-focused culture.

The reporting period saw fresh challenges, linked to the tight labour market and the intensive investment programme. While the overall accident rate continued to decline in 2018, the number of fatal incidents rose. This regrettable factor is primarily attributable to incidents involving subcontractors, whose numbers

at Metinvest facilities jumped amid the resurgence in modernisation projects.

The Group considers any regression in health and safety to be unacceptable, and addressing this spike in incidents is an absolute priority for all levels of management. As part of this, Metinvest is examining training programmes and rules for both internal and external workers, alongside successful existing training approaches that have delivered a progressive overall decline in total injuries, while also helping employees to address health concerns that could pose a future safety hazard for themselves and others. In 2018, the Group spent around US\$95 million, while doubling its efforts on safety of buildings, facilities and transportation.

SUSTAINABLE COMMUNITIES

As one of Ukraine's largest companies and the owner of a global business, Metinvest's greatest contribution to local communities is providing 66,000 jobs worldwide. It is also a major taxpayer, paying around US\$700 million in taxes in 2018, including US\$315 million in corporate income tax. In this way, the Group's success is shared with national and local stakeholders.

Through the Technological Strategy, Metinvest is also addressing a long legacy of environmental issues in local communities. Several major environmental projects continued to make progress in 2018, including the rebuilding of the sinter plant at Ilyich Steel. Overall, Metinvest allocated some US\$263 million for environmental operating and capital expenditure, which is the highest level in four years. Importantly, environmental CAPEX reached US\$92 million, the most since 2011, as the Group follows the roadmap of projects outlined in its Technological Strategy 2030. Over the long term, these will bring significant positive environmental effects. In addition, they will ensure that the facilities meet ever-stricter international standards in the area and that all markets remain open for the Group's products.

In 2018, Metinvest also invested around US\$13 million directly in communities, up more than 50% compared with 2017. The Group continued to work with an array of reputable local and international partners through the city development fund pioneered in Mariupol, while extending the model to Zaporizhia and Kryvyi Rih. Metinvest and its partners are able to deliver transformative change to communities by ensuring that all projects are rigorously planned and have the support of all stakeholders.

OUTLOOK

The outlook for the coming year is promising, as the Group is poised to benefit from a supportive pricing environment for its products, although there could also be fresh challenges from an

uncertain global situation. Understanding and mitigating risk remains a strategic priority challenge in the areas where we do business.

For the Supervisory Board, as the representative of all stakeholders, the ESG agenda remains central, as it continues to oversee the sustainable growth of the business. As Metinvest has built a corporate governance system in line with global best practices, it must continue to rise to the challenge and meet the rapidly increasing requirements for ESG performance and reporting. This will be a priority in 2019.

On behalf of the Supervisory Board, I would like to thank our employees, customers, investors, shareholders, partners and other stakeholders for their continued loyalty, belief and support.

Oleg Popov

Chairman of the Supervisory Board