

STRATEGY

STRATEGIC GOALS

STRATEGIC OBJECTIVES

SUSTAIN COMPETITIVE ADVANTAGES IN STEELMAKING THROUGH VERTICAL INTEGRATION

Increase operational efficiency and achieve best practices in steelmaking through focused investments in advanced technologies

Continue improving Metinvest's self-sufficiency in key raw materials

Increase production capacity by growing organically and by pursuing selective acquisition opportunities

Establish and sustain a continuous improvement culture

Increase personnel productivity

STRENGTHEN POSITIONS IN STRATEGIC MARKETS

Increase focus on finished products

Improve the product portfolio mix

Increase sales of steel products in the Ukrainian and regional markets

Build long-term customer relationships and deliver high-quality customer service worldwide

ACHIEVE BUSINESS EXCELLENCE THROUGH BEST PRACTICES

Further develop the operating model

Strengthen the unified corporate culture and maximise employees' commitment

Enhance unified and efficient business processes

Maintain transparency of operations and corporate responsibility

STRATEGIC PRIORITIES 2030

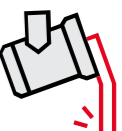
SELECT ACHIEVEMENTS IN 2018

ENHANCE SUSTAINABILITY

The Group increased its spending on sustainability improvements to US\$358 million, up 17% year-on-year. A key sustainability project was commissioning the first-phase facility of the new gas cleaning equipment in the sinter plant at Ilyich Steel. Other ESG initiatives included the replacement of all gas-cleaning filters on the Lurgi 552-B pelletising machine at Northern GOK.

**ENHANCE LOW-COST STEEL PRODUCER POSITION**

Despite upward pressure on costs driven mainly by market factors worldwide and increases in hryvnia-denominated expenses in Ukraine, Metinvest implemented various measures to optimise spending. Examples include making shipments to and from Mariupol more efficient and introducing several SAP initiatives, including an optimisation model for coal, coke and hot metal planning. In addition, numerous CAPEX projects are designed to improve cost efficiency, such as the installation of pulverised coal injection technology at Azovstal's blast furnace no. 3, which progressed this year.

**INCREASE PRODUCTION CAPACITY BY GROWING ORGANICALLY**

As part of the Technological Strategy 2030, Metinvest's organic growth projects include the completion of continuous casting machine no. 4 at Ilyich Steel, which increased the plant's steel production capacity by around 40% a year. The major overhaul of Azovstal's blast furnace no. 3, which will increase the plant's annual hot metal capacity by some 10-15%, also advanced during the year.

**ENHANCE PRODUCT PORTFOLIO TO STRENGTHEN POSITION IN KEY STRATEGIC MARKETS**

In the Metallurgical segment, the Group made further progress in implementing its steel distribution strategy in Europe. It also acquired Unisteel, a Ukrainian producer of galvanised coils. This improved the share of high value-added products in its steel portfolio, which amounted to 51% of sales (excluding re-sales) in 2018. As for the Mining segment, Metinvest boosted the shares of Ukraine and Europe in revenues and increased the proportion of higher-margin pellets in the iron ore sales mix. It also sold 82% of iron ore under long-term contracts, compared with 72% in 2017.

**FOCUS ON CUSTOMER NEEDS**

The Group completed various projects to improve customer service in 2018. It launched accounts for customers, accessible through the new website, introduced more trade finance tools for customers and developed forwarding and agent functions in Italy. It also worked to enhance product quality and technical support.

**INCREASE EFFICIENCY**

In 2018, Metinvest implemented several initiatives to strengthen its S&OP system, one of which was a planning model for the 'iron ore-sinter-hot metal' chain that optimises the loading of the sintering and blast furnace production stages. Other operational improvements, which had a total positive effect on EBITDA of more than US\$20 million, included projects to increase the use of sinter in the charge, as well as to reduce the consumption of coke and pulverised coal by adjusting the hot blast temperature.

**PURSUE SELECTIVE ACQUISITION OPPORTUNITIES**

The Group purchased a 24.99% stake in the Pokrovske coal business in Ukraine. This targeted acquisition will help to secure raw material supplies and improve long-term self-sufficiency to strengthen vertical integration.

