

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 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

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 2019

ENHANCE SUSTAINABILITY

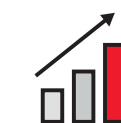
The Group increased spending on sustainability improvements in such areas as health, safety and the environment by 36% year-on-year to US\$486 million. Multiple environmental initiatives were ongoing during the year, the biggest one being the large-scale reconstruction of the sinter plant at Ilyich Steel, which entered its final stage.

**STRENGTHEN LOW-COST STEEL PRODUCER POSITION**

To strengthen its competitive standing, Metinvest systematically works to reduce its costs, scrutinising every link of its operations. The Group implemented several initiatives in 2019, including diversifying spare part suppliers for railway transport, transitioning to long-term supply contracts for key and auxiliary goods and materials, ensuring on-time delivery of goods and materials, and further improving the e-procurement system to significantly reduce required man hours. 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, completed in 2019.

**INCREASE PRODUCTION CAPACITY BY GROWING ORGANICALLY**

In line with the Technological Strategy 2030, Metinvest's organic growth projects include the major overhaul and upgrade of Azovstal's blast furnace no. 3, which was completed last year and is expected to increase its hot metal production capacity by 0.6 million tonnes per year to more than 1.3 million tonnes per year. In addition, the new continuous casting machine no. 4 at Ilyich Steel, the construction of which was completed in late 2018, allowed the plant to deliver a 10% year-on-year increase in crude steel production in 2019.

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

In the Metallurgical segment, the revamp of the hot strip mill 1700 at Ilyich Steel allowed the Group to advance its product strategy by increasing the plant's coil annual output capacity by around 1 million tonnes, improving quality and offering a wider range of products to existing and new markets. In the Mining segment, the upgrades of the Lurgi 278-A and OK-306 roasting machines at Northern GOK and beneficiation equipment at Central GOK aim to open up premium markets for the Group's iron ore products.

**FOCUS ON CUSTOMER NEEDS**

The Group launched a CRM system to provide customers with flexibility in ordering, as well as dedicated service and support on production, logistics and finance issues. Metinvest further developed project-based sales for the construction sector in Ukraine. It also ensured the provision of covered transportation and storage of cold-rolled and galvanised products in Ukrainian seaports. In addition, a programme was launched in 2019 to better define key customers and improve the customer service culture, which led to the introduction of more than 300 related initiatives.

**INCREASE EFFICIENCY**

The management intensified the cost optimisation programme and tripled operating efficiencies to US\$63 million for the year. The Group enhanced productivity of such equipment as sintering machines, blast furnaces and roasting machines. Metinvest was also able to improve waste management, which reduced the iron content of new tailings. In addition, the Group continued to streamline its back office functions by developing its shared service centre, as well as advancing its digital transformation.

**PURSUE SELECTIVE ACQUISITION OPPORTUNITIES**

In 2019, Metinvest acquired interests in two Ukrainian metallurgical coke producers: 23.71% of Southern Coke and 49.37% of Dnipro Coke¹. Both deals enhance the Group's coke supplies and are consistent with its strategic priority of diversifying raw material supplies and improving long-term self-sufficiency to strengthen vertical integration, particularly given the ongoing capacity increase of Metinvest's steelmakers.



¹ In March 2020, after the reporting period, Metinvest acquired another 23.64% of Dnipro Coke, increasing its interest to 73.01%.