STEELING OUR BUSINESS FOR A MARKET DOWNTURN

Understanding the cyclical nature of the business, Metinvest was well prepared for the adverse steel market developments in the second half of 2019. Amid considerable challenges, the Group further reduced operating costs, completed crucial maintenance work and implemented the investments planned under the Technological Strategy 2030. It also extended the maturity of its debt portfolio and increased environmental investment significantly. Last, but not least, Metinvest strengthened its health and safety system to achieve its uncompromising goals in this area.

OPERATIONS

CRUDE STEEL OUTPUT

7,578KT

The Group's combined crude steel production rose by 3% year-on-year, primarily due to a 10% increase at Ilyich Steel following the launch of the new continuous casting machine no. 4 as part of the Technological Strategy 2030.

IRON ORE CONCENTRATE OUTPUT

29,028KT

Metinvest's overall production of iron ore concentrate grew by 6% year-on-year, driven by a 15% increase at Northern GOK amid higher ore output, as well as modernisation and renovation of equipment and facilities.

COKING COAL CONCENTRATE OUTPUT

2,961KT

The Group's coking coal concentrate production at United Coal, its US met coal company, rose by 10% year-on-year, driven by an overall productivity increase and favourable geological conditions at the Affinity mine.

SHARE OF STEEL PRODUCTS

86%

In 2019, the share of steel goods reached 86% of the total 8,755 thousand tonnes of merchant semi-finished and finished products, as the Group continues its upward movement on the value-added ladder.

SHARE OF PELLETS

38%

The share of pellets in the merchant iron ore product mix amounted to 38% in 2019, compared with 49% in 2018, reflecting a shift in market demand towards concentrate and a reduction in pellet premiums worldwide.

POKROVSKE COKING COAL SUPPLIES

2,377KT

The Group's coking coal purchases from the Pokrovske coal business, in which Metinvest has had a 24.77% stake since July 2018, rose by 18% year-on-year, in line with the current long-term supply agreement.

FINANCES

REVENUES

US$10,757M

The Group saw a 9% drop in its top line in 2019 amid a challenging steel market environment and lower resale volumes, which was partly compensated by greater in-house steel product sales volumes and higher iron ore sales.

EBITDA

US$1,213M

Metinvest's consolidated EBITDA halved year-on-year due to lower steel prices, upward pressure on costs – including of raw materials, logistics and labour – and unprecedented hryvnia appreciation in the second half of 2019.

NET DEBT

US$2,758M

Net debt rose by 12% year-on-year in 2019, as the Group used the favourable debt market environment to extend its debt maturity and secure roughly US$350 million of new proceeds, used to fund investment and partly repay a pre-export finance facility.

CAPEX

US$1,055M

Capital expenditure increased by 17% year-on-year, as the Group completed or reached important milestones on key projects in the Mining and Metallurgical segments, and carried out maintenance at production assets.

EBITDA MARGIN

11%

The consolidated EBITDA margin amounted to 11% in 2019, compared with 21% in 2018, as profitability from iron ore, the price of which hit a multi-year high, was offset by declining margins on steel products.

NET DEBT TO EBITDA

2.3X

The ratio of net debt to EBITDA rose to 2.3x in 2019, primarily as a function of a deterioration in profitability that was mainly linked to external market factors, and a rise in net debt.

SUSTAINABILITY

LOST-TIME INJURY FREQUENCY RATE

0.790

In 2019, the Group revised its health and safety management system at every level. A new, five-year plan was put in place to ensure that Metinvest is on a realistic path towards achieving its ultimate target of zero injuries. One major result from last year was the reduction of the lost-time injury frequency rate to an all-time low.

DIRECT GREENHOUSE GAS EMISSIONS

-10%

In 2019, Metinvest reduced its direct GHG emissions by 10% year-on-year to 8.8 million metric tonnes of CO_2 equivalent, primarily due to alterations in blast furnace utilisation at Azovstal, as well as the shutdown of blast furnace no. 3 at Ilyich Steel and coke chambers at coke producers for major overhaul.

EMPLOYEE TRAINING SESSIONS

108,742

Metinvest is committed to investing in professional training at all levels. The ultimate aim is to maximise the potential of all employees, while ensuring that they remain up-to-date in their knowledge and skills, particularly regarding the Group's health and safety practices.

GLOBAL TAXES PAID

US$741M

In 2019, the Group increased the amount of all taxes paid globally, including corporate income tax, by 5% year-on-year. Metinvest is committed to being a responsible corporate citizen in all jurisdictions where it operates. As one example of this, the Group has consistently been Ukraine's leading private-sector taxpayer.

ENVIRONMENTAL SPENDING

US$384M

The Group's combined capital and operating expenditure on environmental measures increased by 46% year-on-year in 2019, as Metinvest reinforced its commitment to reducing its footprint. These measures also represent the Group seeking to do its part in the global fight against climate change.

COMMUNITY SPENDING

US$11M

The Group continued to invest in its communities in 2019, maintaining its focus on partnerships with local residents, volunteer groups and city governments to pursue projects that bring a direct and rapid benefit.