

## **METALLOINVEST ANNOUNCES 2019 IFRS FINANCIAL RESULTS**

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**Moscow, Russia – 17 March 2020** – Metalloinvest (“the Company”), a leading global iron ore and HBI producer, and one of the regional producers of high-quality steel, today publishes its audited IFRS financial results for the full year ended 31 December 2019.

### **Management comments**

Andrey Varichev, CEO of Management Company Metalloinvest, commented:

“In 2019, we faced the unusual market conditions driven by spreads between global iron ore and steel prices. Metalloinvest business model based on high value-added products proved its sustainability. The Company demonstrated solid financial results despite the external challenges.

We also continued to work on key areas of strategic development – upgrading production facilities, improving product quality, increasing focus on customer requirements, introducing digital technologies, ensuring occupational health and safety, and reducing our environmental impact.”

Alexey Voronov, Finance Director of Management Company Metalloinvest, added:

“In 2019, the Company’s EBITDA amounted to USD 2.5 billion, while the EBITDA margin remained at the high level of 36%. A large-scale programme of credit portfolio optimisation, which was implemented last year, allowed us to significantly reduce interest costs on debt servicing. At the same time, the Company’s leverage remains at a comfortable level, with a Net Debt / EBITDA of 1.49x at the end of the reporting period, and the share of short-term debt as a percentage of our total liabilities recorded at less than 2%.”

### **FINANCIAL HIGHLIGHTS**

- Revenue USD 6,960 mn (-3.2% y-o-y<sup>1</sup>)
- EBITDA<sup>2</sup> USD 2,514 mn (-14.3%)
- EBITDA margin 36.1% vs. 40.8% in 2018
- Net Income USD 1,731 mn (+5.1%)
- Total Debt USD 4,059 mn (+0.2% compared to 31 December 2018)
- Net Debt / EBITDA<sup>3</sup> 1.49x vs. 1.14x as of 31 December 2018
- Capital Expenditure USD 517 mn (+17.2%)

### **PRODUCTION HIGHLIGHTS**

- Iron ore<sup>4</sup> 40.2 mn tonnes (-0.3%)
- Pellets 28.1 mn tonnes (+1.5%)
- HBI/DRI 7.9 mn tonnes (+0.5%)
- Hot metal 2.7 mn tonnes (-9.1%)
- Crude steel 4.9 mn tonnes (-3.7%)

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<sup>1</sup> Hereinafter comparison with 2018 unless indicated otherwise

<sup>2</sup> Hereinafter EBITDA stands for EBITDA adjusted according to IFRS requirements

<sup>3</sup> The indicator is for information only and does not contain adjustments as per the loan documentation

<sup>4</sup> Iron ore refers to iron ore concentrate and sintering ore

## **KEY CORPORATE HIGHLIGHTS**

### **Operational developments and capital expenditure**

- Launch of the first technological phase of Derrick Fine Screening Technology at MGOK
- Launch of shipments of premium quality pellets with high basicity from MGOK
- Start of construction of grinding ball mill at OEMK
- Launch of heat treatment facility for hot-rolled steel (SBQ) at OEMK
- Launch of CCM #3<sup>5</sup> at OEMK after technical re-equipping
- Launch of two electric arc furnaces using FMF<sup>6</sup> technology at Ural Steel
- Coordination meetings with United Metallurgical Company (OMK), KAMAZ and ChelPipe Group
- Completion of the second stage of Metalloinvest's major digital transformation (the launch of a unified integrated financial and business management system)

### **Financing**

- Upgrade of the Company's corporate credit rating by S&P to BB+/Stable, Moody's to Ba1/Stable, Fitch to BB+/Stable and by Expert RA, the Russian rating agency, to ruAA/Stable
- Improvement of the parameters of existing loans as well as raising of new funds (RUB-denominated bonds, pre-export financing in EUR, bank loans, etc.) in order to optimise the credit portfolio
- Opening of a sustainable finance credit line with ING Bank in the amount of up to USD 100 mn (or EUR equivalent)
- Signing of a framework agreement with 12 banks for executing deals under ECA backed financing: the first deal was set up with MUFG bank in the amount of EUR 9.9 mn (for the technical re-equipping of CCM #3 at OEMK)

## **INCOME STATEMENT**

USD mn	2019	2018	Change, %
Revenue	<b>6,960</b>	7,187	-3.2%
EBITDA	<b>2,514</b>	2,934	-14.3%
EBITDA margin	<b>36.1%</b>	40.8%	-4.7 p.p.
Net income	<b>1,731</b>	1,647	+5.1%

### **Revenue**

In 2019, the Company's revenue decreased by 3.2% to USD 6,960 mn. This is mainly related to the different price trends for the Mining and Steel Segment products as well as change in sales structure:

- During the year, global prices for iron ore demonstrated growth trends (+16%<sup>7</sup> y-o-y) despite a decline in the global price of pig iron (-12%<sup>8</sup> y-o-y) and steel products (-17%<sup>9</sup> y-o-y)
- In the reporting period, steel segment product shipments were reduced (-7.6% y-o-y), mainly owing to a decrease in pig iron shipments. This was primarily as a result of pig iron internal consumption growth under the development of FMF steel production technology at Ural Steel. Conversely, Mining Segment product shipments grew by 3.3%

<sup>5</sup> Continuous Casting Machine

<sup>6</sup> Flexible Modular Furnace

<sup>7</sup> Iron ore fines index, CFR Qingdao 65% Fe

<sup>8</sup> Pig Iron index, FOB Black Sea

<sup>9</sup> Steel billet index, FOB Black Sea

In the reporting period, revenues from iron ore products increased by 11.4% to USD 3,544 mn, where the share of high value-added (HVA) iron ore products (pellets and HBI) accounted for 82.3%. At the same time, revenues from pig iron and steel products decreased by 15.2% to USD 3,242 mn.

In 2019, domestic sales remained at 40.7% of the consolidated revenue. The share of sales in Europe, Middle East and CIS countries amounted to 21.2%, 11.5% and 4.6% respectively and remained at the levels of the previous year. Meanwhile, the share of shipments to Asia increased to 13.9% (compared with 5.9% in 2018) mainly due to the increase of HBI and pellet shipments to China.

### **Cost of sales, distribution and general and administrative expenses**

In 2019, the Company's cost of sales decreased by 2.2% to USD 3,195 mn, which was mainly due to a decline in consumption of materials and components purchased within the Steel Segment. Consumption of scrap and electrodes was reduced as a result of the launch of FMF technology at Ural Steel. The cost of sales as a proportion of overall revenue amounted to 45.9%, remaining unchanged compared with 2018.

In 2019, distribution expenses increased by 26.6% and amounted to USD 1,084 mn as a result of growth in transportation costs (due to the increase of shipping share, indexation of tariffs, growth of rates for attracting of rolling stock and RUB depreciation). Distribution expenses amounted to 15.6% of revenue in 2019.

In 2019, general and administrative expenses declined by 5.7% y-o-y to USD 328 mn, accounting for 4.7% of revenues.

### **Profitability**

In 2019, the Company's EBITDA decreased by 14.3% y-o-y and amounted to USD 2,514 mn, which was mainly due to average steel product prices decline despite a growth in iron ore prices. The EBITDA margin amounted to 36.1% vs 40.8% in 2018, a decrease of 4.7 p.p.

The Mining Segment EBITDA amounted to USD 2,426 mn, up 7.0% y-o-y. The increase was mainly due to higher prices for iron ore products, as well as the increase of share of high value-added products in shipments structure. The Mining Segment accounted for 96% of consolidated EBITDA.

Steel Segment EBITDA declined to USD 118 mn from USD 654 mn in 2018. The decrease was due to downturn dynamics of global prices for Steel Segment products and growth of global prices for iron ore. Thus, the average market price for steel<sup>10</sup> reduced in 2019 to USD 407 per tonne compared to USD 489 per tonne in 2018, while the average market price for high quality iron ore<sup>11</sup> rose to USD 104 per tonne from USD 90 per tonne in 2018.

Net income in 2019 amounted to USD 1,731 mn, a 5.1% increase y-o-y, mainly due to net foreign exchange gain from financing activities.

### **FINANCIAL POSITION**

As of 31 December 2019, the Company's Total Debt remained unchanged compared with the level at 31 December 2018 and totalled USD 4,059 mn. It should be noted that the Total Debt level is also explained by the implementation of the new IFRS 16 standard since 1 January, 2019 (+USD 115 mn of operational lease payments) and rouble appreciation (RUB/USD = 61.9<sup>12</sup> as of 31 December 2019 vs. 69.5 as of 31 December 2018). At the same time, net debt repayment in 2019 amounted to USD 252 mn.

The long-term debt represented the major part of the Company's Total Debt (98% as of 31 December 2019). Short-term debt as of the reporting date amounted to USD 70 mn.

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<sup>10</sup> Steel billet index, FOB Black Sea

<sup>11</sup> Iron ore fines, CFR Qingdao 65% Fe

<sup>12</sup> According to the official website of the Central Bank of Russia

As of 31 December 2019, Metalloinvest's cash and cash equivalents totalled USD 304 mn. In addition, as of the end of 2019, the Company had undrawn committed credit lines available in RUB, USD and EUR totalling approximately 600 mn in USD equivalent.

At the end of the reporting period, the Company's Net Debt amounted to USD 3,755 mn. The leverage ratio remains at a comfortable level, with a Net Debt / EBITDA of 1.49x as of 31 December 2019 compared to 1.14x as of 31 December 2018.

Between February 2019 and May 2019, the international rating agencies S&P, Moody's and Fitch upgraded the Company's corporate credit rating by one notch: to BB+/Stable from BB/Stable from S&P, to Ba1/Stable from Ba2/Positive from Moody's and to Ba1/Stable from Ba2/Positive from Fitch.

In May 2019, the Russian ratings agency Expert RA upgraded Metalloinvest's credit rating to ruAA/Stable from ruAA/Positive.

### **LIQUIDITY AND CAPITAL RESOURCES**

In 2019, Metalloinvest has continued improving the repayment schedule and optimising its debt portfolio:

- In April 2019, the Company partially refinanced its loan portfolio by signing a new loan agreement with Gazprombank in the amount of RUB 8.33 bn with a 6-year tenor. Raised funds were used in full for the early repayment of one of the Sberbank loans, the repayment of which was scheduled for the first quarter of 2020
- In April 2019, Metalloinvest placed BO-09 series exchange RUB-denominated bonds in the amount of RUB 5 bn, with a maturity period of 10 years and a call option at 100.5% of the nominal value in 4 years (after the 8<sup>th</sup> coupon period). It was also included a put option at the nominal value in 7 years (after the 14<sup>th</sup> coupon period). The coupon rate has been set at 8.85%. Metalloinvest used the raised RUB 5 bn of funds for the advanced repayment of a portion of its loan from Sberbank, with repayment scheduled for July 2020
- In April 2019, the Company opened a sustainable finance credit line with ING Bank in the amount of up to USD 100 mn (or EUR equivalent) until 30 November 2020. The terms of the agreement state that the interest rate of the 'Sustainability Improvement Loan' depends on the level of the Company's Corporate Social Responsibility rating (assigned by EcoVadis), and may be reduced if Metalloinvest's rating indicators improve
- In May 2019, the Company redeemed part of the outstanding Eurobonds-2020 for the nominal value of USD 62.1 mn using its own funds. In September 2019, the Company announced the early repayment of its remaining part of Eurobonds-2020 in the principal amount of USD 270.6 mn. The bonds maturity date was scheduled for April 2020. The early redemption in October 2019 was financed by the new pre-export finance facility loan (PXF-2019/1)
- In June 2019, the Company improved the commercial terms for tranche B of its pre-export finance facility (PXF-2017), signed in 2017 in the amount of USD 250 mn and with maturity in 2022–2024. The additional agreement constitutes a significant decrease in the interest rate margin linked to LIBOR
- In August 2019, the Company signed a framework agreement with 12 banks for executing deals under ECA backed financing<sup>13</sup>. The signed framework agreement has been designed to optimise the financing process (reduce the duration of documentation preparation, optimise financial expenses and conditions) related to the Company's annual investment programmes, which include an acquisition of imported equipment. In October 2019, Metalloinvest signed the first ECA backed financing deal under the existing framework agreement. The agreement was signed with MUFG in the amount of EUR 9.9 mn. The loan will be used for the technical re-equipping of CCM #3 at OEMK, with the equipment supplied by INTECO melting and casting

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<sup>13</sup>ECA backed financing is a credit obtained under a guarantee of export credit agencies as part of a signed contract for the supply of an equipment as part of an investment project. The guarantee facilitates the obtaining of monetary funds over the long-term under more competitive percentage rates

technologies GmbH. Insurance cover will be provided by Oesterreichische Kontrollbank AG, the Austrian export credit agency. The loan provided under the agreement with MUFG will be repaid in equal semi-annual payments over the course of 10 years

- In September 2019, Metalloinvest opened a new credit line for pre-export financing (PXF-2019/1) with a club of international and Russian banks in the amount of EUR 300 mn. The loan has a 4.25 year tenor with a quarterly amortisation after the grace period set at 3.75 years. The interest rate is fixed for the entire loan period
- In October 2019, the Company placed its RUB-denominated BO-03 series bonds for a total amount of RUB 10 bn through a public offering. The coupon rate was set at 7.15%. The BO-03 series bonds have a maturity period of 10 years (3,640 days) and a put option in 5.5 years (2,002 days). The proceeds were used to refinance the BO-01 series bonds in the same amount within a call-option
- In December 2019, Metalloinvest opened a new credit line for pre-export financing (PXF-2019/2) with a club of international banks in the amount of EUR 200 mn. The loan has a 6.5 year tenor with a semiannual amortisation after the grace period set at 5.5 years. The interest rate is fixed for the entire loan period. Furthermore, the parties intend to link the loan pricing to the sustainable development indicators

As of the end of 2019, LGOK consolidated 100% of the shares of MGOK.

As part of the Distribution Policy, which was adopted at the beginning of 2019 year, the Company paid shareholders about USD 1,339 mn in 2019, including USD 303 mn of dividends.

## **OPERATIONAL RESULTS**

### **Production**

tonnes '000	2019	2018	Change, %
Iron ore	<b>40,242</b>	40,359	-0.3%
Pellets	<b>28,076</b>	27,658	1.5%
HBI/DRI	<b>7,866</b>	7,826	0.5%
Hot metal	<b>2,749</b>	3,025	-9.1%
Crude steel	<b>4,867</b>	5,053	-3.7%

### **Shipments**

tonnes '000	2019	2018	Change, %
Iron ore	<b>7,435</b>	7,573	-1.8%
Pellets	<b>14,871</b>	14,013	6.1%
HBI/DRI	<b>4,369</b>	4,248	2.8%
Pig iron	<b>1,735</b>	2,175	-20.2%
Steel products	<b>4,568</b>	4,642	-1.6%

In 2019, iron ore production amounted to 40.2 mn tonnes (-0.3% y-o-y). This was due to a change in both the product mix and the quality characteristics of the mined iron ore. Another factor was the production of concentrate with a higher iron ore content after the four sections of fine screening technology started to operate at full capacity at MGOK, which in turn led to a decrease in the physical volume of production.

In 2019, pellet production increased by 1.5% y-o-y and amounted to 28.1 mn tonnes, as a result of the completion of major maintenance works at Pellet Plant #2 at LGOK, the reconstruction of Pellet Plant #3 at MGOK, the optimisation of the duration of maintenance works, and a change in the pellet production mix.

In 2019, the Company produced 7.9 mn tonnes of HBI/DRI, which represents 0.5% growth y-o-y, as a result of the increase in production volumes at HBI-3 Plant, the most productive facility.

As a result of increasing the level of iron ore processing, the share of HVA iron ore products (pellets, HBI/DRI) in the total volume of iron ore product shipments increased to 72% in 2019 (compared to 71% in 2018 and 61% in 2017).

In 2019, the output of hot metal decreased by 9.1% y-o-y and amounted to 2.7 mn tonnes, due to maintenance works at the blast furnaces. At the same time, crude steel production decreased by 3.7% y-o-y to 4.9 mn tonnes mainly as result of the reconstruction of FMF #1 & FMF #2 at Ural Steel.

In March and December 2019, Metalloinvest and OMK held a Coordination Committee meeting, during which they discussed the production of concast billets at Ural Steel in order to produce railway wheels at Vyksa Steel Works (part of OMK), as well as plans to supply steel flat products and pipe billets.

In May 2019, Metalloinvest and KAMAZ held their fourth Coordination Committee meeting to discuss technical and commercial issues under the cooperation agreement for the supply of SBQ from OEMK. During the meeting, opportunities to develop and supply new grades of steel were discussed, focused on reducing the cost of final products for the automotive plant, without compromising on quality.

In June 2019, Metalloinvest signed a binding agreement with Ultramar for the construction of a specialised terminal for the transfer of iron ore pellets and HBI at the Ust-Luga port, located in the Leningrad region. The contract is valid for five years on a take-or-pay basis, and 2.5 mn tonnes of transfers will take place per year. Construction of the terminal will be completed by the middle of 2020. Ultramar will finance the construction of the terminal using its own and raised funds.

In July and December 2019, Metalloinvest and ChelPipe Group held several Coordination Committee meetings to discuss commercial issues around ongoing supplies of rolled steel to produce large diameter pipes at Chelyabinsk Pipe Rolling Plant (part of ChelPipe Group). At the meetings, the positive impact of equipment modernisation at the Sheet Rolling Facility and Electric Arc Furnace Shop at Ural Steel was highlighted and participants discussed further steps to improve product quality.

In July 2019, Ural Steel started trialling an experimental batch of briquettes produced by YUGPK<sup>14</sup> for smelting pig iron in the blast furnace. As a part of a long-term agreement, Ural Steel receives limestone from YUGPK, and in exchange supplies smelter slag, which YUGPK uses in the production of cement. After the launch of the briquetting line in July 2019, YUGPK began to also use smelter slag in the production of high-strength briquettes. The briquettes are an innovation in the slag re-processing strategy.

In October 2019, Metalloinvest launched shipments of premium quality pellets from MGOK. Pellets with a basicity of 1.0 (Fe content of >63%, compressive strength of >240 kg/pellet) were supplied to ArcelorMittal (Belgium) and Nippon Steel (Japan).

In November 2019, Metalloinvest and TMK signed agreements for the supply of HBI produced by LGOK and rolled steel (strips) produced by Ural Steel.

## **CAPEX PROGRAMME**

In 2019, the Company's capital expenditure amounted to USD 517 mn, an increase of 17.2% y-o-y.

The most significant capital expenditure in 2019 included the technical re-equipping of the open-pit mines through the purchase of special equipment – mining dump trucks with a lifting capacity of 180-220 tonnes, heavy-duty excavators, locomotives, dump cars and other equipment, totalling USD 96 mn.

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<sup>14</sup> South Ural Mining and Processing Company

Key development projects in the reporting period included:

- Construction of a crushing and conveyor facility at MGOK and LGOK (USD 47 mn)
- Construction of the heat treatment facility for hot-rolled steel (SBQ) at OEMK (USD 32 mn)
- Development of wet magnetic separation with the launch of fine screening technology at MGOK (USD 26 mn)
- Construction of medium pressure boilers in the thermal power plant at Ural Steel (USD 22 mn)
- Modernisation of blast furnace #2 and blast furnace #3 at Ural Steel (USD 20 mn)
- Reconstruction of EAFs at Ural Steel (USD 15 mn)
- Construction of HBI-3 Plant infrastructure at LGOK (USD 13 mn)
- Technical re-equipping of CCM #3 at OEMK (USD 13 mn)
- Construction of external electric power supply facilities at LGOK (USD 13 mn)

In 2019, the Company continued to implement the cyclical and continuous transportation system project at LGOK. The development of detailed engineering has been completed. Equipment supplies, detailed design, mining, preparatory construction and installation works are ongoing. The launch is scheduled for Q3 2021. In 2019, MGOK continued the construction of a crushing and conveyor facility. For the conveyor on the south side of the quarry, equipment supply and design works were completed in 2019. The construction and installation work is ongoing, while equipment installation is proceeding as planned. The launch is scheduled for Q3 2020. For the conveyor on the north side of the quarry, a tender process started in 2019. The launch is scheduled for Q2 2023. Implementation of projects will reduce iron ore mining and transportation costs due to the use of more efficient continuous technology of iron ore rock transportation and reducing the mining fleet at the open-pit.

In Q4 2019, OEMK conducted guarantee tests of a new hot-rolled rolled heat treatment facility with an annual capacity of 70,000 tonnes of high-quality (SBQ) bars to meet customers' requirements on microstructure.

In Q3 2019, the first technological stage of Derrick Fine Screening Technology was launched at 4 technological sections of the beneficiation plant at MGOK. As a result of the first stage of implementation, over 3.7 mn tonnes of iron concentrate with an increased iron content of 67%, as compared to 65.1% previously, will be produced in 2020. At the second stage of the project, a new facility for the beneficiation of concentrate using high-quality Derrick equipment will be built. As a result of the second stage, production of high-quality concentrate with an iron content of 68.7% will amount to 16.9 mn tonnes in 2022. The project will enable the processing of complex ores with a higher iron content and will reduce overburden and production costs.

In 2019, the Company continued the modernisation of the thermal power plant at Ural Steel. Part of the plant project involves the construction of a new complex with 2 medium pressure boilers, each with a capacity of 220 tonnes of steam per hour.

In 2019, Metalloinvest continued the modernisation of blast furnace #2 and blast furnace #3 at Ural Steel to operate with charges comprising 95% pellets. Detailed engineering was adopted for blast furnace #2, the main equipment was received and detailed design was carried out. For blast furnace #3 detailed engineering has been developed and detailed design works have commenced. The completion of the project is scheduled for 2021.

In 2019, a set of works on construction, installation, pre-commissioning and performance testing of two FMF furnaces were completed at the Ural Steel. FMF furnace allows to increase the share of hot metal in the charge to 85%.

In 2019, after the completion of construction and installation works, the infrastructure facilities of the HBI-3 Plant were commissioned (including testing laboratory and protective facilities).

In Q4 2019, as part of the programme aimed at increasing customer focus and SBQ quality, CCM #3 was commissioned at OEMK's EAF shop after the completion of a technical re-equipping.

In 2019, the construction of external electric power supply facilities of the 2<sup>nd</sup> and 3<sup>rd</sup> complexes at LGOK was continued. The commissioning of the facilities is scheduled for Q4 2020.

In Q3 2019, the Company began construction of the grinding ball mill at OEMK with an annual capacity of 43,000 tonnes of grinding balls with a diameter of 100-120 mm. Commissioning of the grinding ball mill is scheduled for Q4 2020.

In the reporting period, the Company completed the second stage of its digital transformation, involving the introduction of a unified integrated financial and business management system based on the latest SAP S/4HANA solution at four Metalloinvest production sites, as well as at the Company's trading and logistics operators.

### **SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE**

In April-May 2019, Metalloinvest signed social partnership agreements for 2019 with the administrations of the Kursk, Belgorod and Orenburg regions and the towns of Zheleznogorsk, Stary Oskol, Gubkin and Novotroitsk.

In August 2019, three Metalloinvest enterprises were among the winners of the 16<sup>th</sup> 'Metals and Mining Enterprises with Highly Effective CSR' competition of 2018; LGOK and OEMK were awarded in the 'Employee Development' category, while Ural Steel was awarded in the 'Environmental Protection and Resource Management' category.

In August 2019, Metalloinvest confirmed its Human Rights Policy. The Company guarantees compliance with labour and human rights legislation which has been ratified by the constitution of the Russian Federation, the Labour Code of the Russian Federation, UN conventions and the International Labour Organisation.

In August 2019, Metalloinvest joined the United Nations Global Compact (UNGC), an international initiative centered on corporate sustainability and social responsibility. Sustainable development is the foundation of Metalloinvest's business strategy. Metalloinvest's Sustainable Development Report is prepared based on the international standards of the Global Reporting Initiative (GRI) and ISO:26000, and with consideration of international best practice.

In September 2019, the Company approved the Code of Corporate Ethics – a set of principles and ethical standards for business conduct of employees, and ethical, social and environmental principles of doing business.

In December 2019, Metalloinvest again became a leader in the Russian Union of Industrialists and Entrepreneurs (RSPP) sustainable development rankings.

In December 2019, Metalloinvest improved its position in the WWF's environmental responsibility rating, ranked in 4<sup>th</sup> place. In 2018, the Company was ranked 6<sup>th</sup>, while in its debut year in 2017 it finished in 13<sup>th</sup> place. For the second consecutive year, Metalloinvest has received the highest rating out of all companies in the ferrous metallurgy industry.

In December 2019, the Company took 45<sup>th</sup> place in Interfax-ERA's Fundamental Efficiency (environmental and energy) rating. The rating covers the largest 150 companies in Russia and Kazakhstan. Moreover, Metalloinvest ranked second among the top 5 steel companies in terms of steel production.

In December 2019, following the reassessment of the Corporate Social Responsibility (CSR) rating by the international agency EcoVadis, Metalloinvest was awarded a "Silver" level of recognition of its CSR practices. Metalloinvest's rating improved by 3 points year-on-year to 60 points in 2019, while the average industry rating was 43 points. Metalloinvest was ranked in the top 12% of companies rated by EcoVadis globally. At the same time, the Company featured in the top 8% in the 'Environment' category and in the top 4% in the 'Labour and Human Rights' category among metal and steel producers.

In 2019, the Company re-elected a new Board of Directors. The renewed Board of Directors comprises the following members: Ivan Streshinsky (Chairman), Galina Aglyamova, Uluc Ergin, Valery Kazikaev, Vakhtang Kocharov, Gleb Kostikov, Irina Lupicheva, Pavel Mitrofanov, Dmitry Tarasov and Andrey Varichev.

## **SUBSEQUENT EVENTS**

### **January 2020**

Metalloinvest and Zagorsk Pipe Plant (ZTZ) announced that they are holding discussions regarding a strategic partnership between the two companies for the development of Ural Steel, as well as regarding ZTZ becoming a shareholder in Ural Steel. The conclusion of a deal depends on the successful completion of negotiations, on the procedure for auditing the financial and economic activities of Ural Steel, the signing of legally-binding documentation and obtaining the necessary regulatory approvals.

### **February 2020**

Metalloinvest priced its BO-04 series bonds for a total amount of RUB 10 bn through a public offering. The coupon rate was set at 6.55%. The bonds have a maturity of 10 years<sup>15</sup>. The proceeds were used in full to refinance the current debt in order to improve the parameters of our loan portfolio.

Metalloinvest's Social Council decided to increase the wages of its enterprises' employees from 1 March 2020. The payroll fund will be increased by 5%. This rise will amount to 1.7 billion roubles, taking into account deductions for social security contributions.

### **March 2020**

Metalloinvest approved programmes of initiatives for 2020 with the governments of the Belgorod and Orenburg regions as part of their socio-economic partnerships.

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<sup>15</sup> According to the issue parameters, there is a call option at the bond's nominal value in 3 years (1,092 days) on the maturity date of the 6th coupon. If the Company decides to complete an early repayment on the maturity date of the 6th coupon, investors are entitled to redeem their bonds at 100.5% of the nominal value. The issue also has a put option at the bond's nominal value in 6 years on the maturity date of the 12th coupon.

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Metalloinvest is a leading global iron ore and merchant HBI producer and supplier, and one of the regional producers of high-quality steel. The Company has the world's second-largest measured iron ore reserve base and is one of the lowest-cost iron ore producers. Metalloinvest is wholly controlled by HC USM LLC, the main beneficiary is Alisher Usmanov (49%).