

STATEMENT FROM THE CEO



Nazim EFENDIEV,
CEO of Management Company Metalloinvest

Dear colleagues and partners!

Metalloinvest is pursuing its development with a strategic focus on increasing the output of high value-added products.

In 2019, the Company achieved a major digital transformation milestone – we have introduced an integrated SAP S/4HANA-based financial and business management system.

We are underway with the implementation of comprehensive development programmes aimed at improving the product quality at all our enterprises.



In 2019, Metalloinvest's business model proved its resilience, and the Company demonstrated strong financial results despite the external challenges. Net income increased by 5.1% to USD 1.7 billion, and the EBITDA margin remained high, at 36%.

Financial and operating results

In 2019, Metalloinvest's business model proved its resilience, and the Company demonstrated strong financial results despite the external challenges. Net income increased by 5.1% to USD 1.7 billion, and the EBITDA margin remained high, at 36%. The Company's leverage is kept at comfortable levels, with a Net Debt/EBITDA of 1.49x as at the end of the reporting period.

In 2019, we hit the output targets and fulfilled the production plans. The Company's enterprises have increased the output of products with high added value – pellets and HBI/DRI – 72% in the total amount of iron ore product shipments. In 2019, steel production decreased mainly due to equipment repairs and capital improvements.

Key projects

Lebedinsky GOK and Mikhailovsky GOK have shifted into high gear with the implementation of comprehensive development programmes aimed at improving the quality of iron ore concentrate, pellets and HBI. We have launched Derrick Fine Screening Technology and upgraded the induration furnace at Mikhailovsky GOK. This has, in turn, resulted in an increased output of concentrate and premium quality pellets.

The construction of conveyor facilities (cyclical and continuous transportation system and the crushing and conveyor facility) for the transportation of mined iron ore from Lebedinsky GOK and Mikhailovsky GOK is in progress.

In 2019, OEMK continued with the programme to improve the quality and customer focus of SBQ steels. Ural Steel has upgraded its steelmaking capacities applying the innovative Flexible Modular Furnace solution (FMF); blast furnace renovation is underway along with the construction of an air separation unit, and modernisation of the existing thermal power plant.

In 2019, Metalloinvest has developed a company-wide Environmental Programme providing for the reconstruction and upgrade of gas-cleaning equipment. In addition to this, it envisages the construction of additional treatment facilities.

By 2025, we are planning to reduce air emissions by 7%, ensure 100% processing of technological waste and materials (without including overburden and tailings from Lebedinsky GOK and Mikhailovsky GOK), and reduce greenhouse gas emissions by 1 million tonne (CO₂ equivalent) among Metalloinvest's iron ore consumers.

Our response to COVID-19

Today, in 2020, the world is facing an unprecedented global challenge fighting coronavirus COVID-19 pandemic. It is impossible to predict its effects and certain future impacts for the global economy. Therefore, we have identified key areas of our focus in the face of turbulence: ensuring occupational safety and protecting employee health along with stable production and strong sales performance.

Every day, we monitor the epidemiological situation round-the-clock, implementing a set of measures to protect our employees and their families from the threat of emerging viral diseases. We are carefully studying Russian experience and global best practice to develop and take new measures as the situation evolves.

In addition to this, the Company implements a large-scale programme to support healthcare institutions, which amounts to RUB 2 billion. It will help prevent the spread of new coronavirus infection and strengthen the health system in the regions of operation investing for the future.

Future outlook

We believe that the Company's well-targeted development strategy covering production, finance and investment issues, along with professional staff, excellent teamwork and an effective management system at all levels will contribute to our future success, strong performance and significant results.