METINVEST ANNOUNCES FINANCIAL RESULTS FOR 2020

16 February 2021 – Metinvest B.V., the parent company of a vertically integrated group of steel and mining companies (jointly referred to as "Metinvest" or "the Group"), has released its audited IFRS consolidated financial statements for the 12 months ended 31 December 2020.

Due to rounding, numbers presented throughout this release may not add up precisely to the totals provided and percentages may not precisely reflect absolute figures.

Summary - financial results	FY2020	FY2019	Change, y-o-y	
			US$ mn	%
Income statement highlights				
Revenues	10,453	10,757	-304	-3%
Adjusted EBITDA[1]	2,204	1,213	991	82%
Margin	21%	11%		10 pp
Net profit	526	341	185	54%
Margin	5%	3%		2 pp
Cash flow highlights				
Net cash from operations	1,740	814	926	>100%
Net cash used in investing activities	-824	-943	119	-13%
Net cash used in financing activities	-360	123	-483	<-100%
CAPEX	663	1,055	-392	-37%

Summary - financial position	31-12-20	31-12-19	Change, YTD	
			US$ mn	%
Total debt[2]	2,937	3,032	-95	-3%
Cash and cash equivalents	826	274	552	>100%
Net debt[3]	2,111	2,758	-647	-23%
Net debt/EBITDA	1.0x	2.3x		-1.3x

Summary - production results	FY2020	FY2019	Change, y-o-y	
			kt	%
Crude steel	**8,268**	**7,578**	**690**	**9%**
Azovstal	4,194	4,016	178	4%
Ilyich Steel	4,074	3,562	512	14%
Iron ore concentrate	**30,501**	**29,028**	**1,473**	**5%**
Northern GOK	12,739	12,245	494	4%
Ingulets GOK	12,858	12,344	514	4%
Central GOK	4,904	4,439	465	10%
Coking coal concentrate	**2,883**	**2,961**	**-78**	**-3%**
United Coal	2,883	2,961	-78	-3%

Notes:

1) Adjusted EBITDA is calculated as earnings before income tax, finance income and costs, depreciation and amortisation, impairment and devaluation of property, plant and equipment, foreign-exchange gains and losses, the share of results of associates and other expenses that the management considers non-core, plus the share of EBITDA of joint ventures. Throughout this release, adjusted EBITDA will be referred to as EBITDA.
2) Total debt is calculated as the sum of bank loans, bonds, trade finance and lease liabilities.
3) Net debt is calculated as total debt less cash and cash equivalents.

ESG HIGHLIGHTS

- Metinvest did everything possible to protect its employees and communities from the COVID-19 pandemic.
- The lost-time injury frequency rate decreased to 0.529 in 2020, an all-time low for the Group.
- Metinvest set a record in terms of environmental CAPEX investments, which exceeded US$200 mn in 2020. This included completing the core works of the large-scale environmental reconstruction of Ilyich Steel's sinter plant.
- Avetik Chalabyan joined the Supervisory Board in October 2020, strengthening its expertise in the area of strategy and investments in the metallurgical industry.
- In June, Sustainalytics, a leading global provider of environmental, social and governance (ESG) research, ratings and data, completed a comprehensive assessment of the Group's performance. Using its ESG Risk Ratings methodology, it ranked Metinvest within the top 10 of the industry group that it assessed. Sustainalytics awarded Metinvest an overall ESG Risk Rating score of 32.0 on a scale between 0 (lowest risk) and 100 (highest risk).

OPERATIONAL HIGHLIGHTS

- Due to the pandemic, Metinvest Trametal and Ferriera Valsider in Italy shut down production operations from March 25 to April 12 and April 30, respectively.
- Metinvest completed numerous CAPEX projects, including the upgrade of Central GOK's beneficiation plant. This project unlocked production of iron ore concentrate with 70.5% Fe content and pellets with 67.5% Fe content used in direct reduced iron (DRI) technology.
- The Group has extended its raw material production base by increasing stakes in assets that then became subsidiaries. Dnipro Coke is a Ukrainian producer of coke and chemicals, while Zaporizhia Refractories is a Ukrainian producer of refractory products and materials.

DEBT MANAGEMENT HIGHLIGHTS

- Metinvest successfully extended its bond maturity profile by issuing a US$333 mn, 7-year paper bearing a fixed rate coupon of 7.65% per annum. The proceeds were used to redeem the bonds due in 2021 and 38% of the bonds due in 2023.
- The Group entered its first partnership with an international financial institution, the Black Sea Trade and Development Bank. This secured a 7-year, EUR62 mn facility for CAPEX at Metinvest's iron ore assets.
- The Group attracted more than US$70 mn under other facilities to fund CAPEX at its assets. This included three long-term loans covered by European export credit agencies totalling around EUR50 mn.
- Metinvest launched an all-new accounts receivable securitisation programme for its Italian re-rollers in the amount of EUR75 mn.
- The Group's strong liquidity position allowed it to repay US$178 mn of its pre-export finance (PXF) facility, including a US$45 mn advance payment in December.
- Metinvest's credit ratings were revised: Moody's upgraded to 'B2' (outlook 'stable'), S&P affirmed 'B' (outlook 'stable') and Fitch affirmed 'BB-' (outlook 'negative').

Commenting on the results, Yuriy Ryzhenkov, Chief Executive Officer of Metinvest, said:

"Last year, the COVID-19 pandemic brought much of the global economy to a standstill. I am proud to report that Metinvest again proved able to navigate profound market challenges. We achieved higher margins and carried out key investment projects. We also protected our employees and communities while making progress on our environmental, social and governance (ESG) agenda.

Our number one priority as the pandemic emerged was to safeguard our employees and local communities. We took firm and immediate steps, implementing enhanced health protocols at all assets and switching administrative staff to work remotely. We also supplied test kits and oxygen equipment to local healthcare institutions.

After ensuring the safety of our people, the next task in our COVID-19 response was to maintain uninterrupted production across our assets. We ultimately delivered strong operational results, reflecting the positive effect of investments implemented in recent years.

Anticipating a difficult external environment, the Group took the decision to reduce CAPEX in 2020, while maintaining it at a decent level. Key projects completed include launching the new down coiler at Ilyich Steel's modernised hot strip mill and upgrading the beneficiation facilities at Central GOK. We are carrying out a planned review of the Technological Strategy 2030 to ensure that projects bring maximum benefits.

At the same time, Metinvest's focus on operational improvements to ensure global cost competitiveness yielded a total effect of US$376 million in 2020. We increased the efficiency of raw material and energy consumption, improved equipment productivity, streamlined logistics, enhanced the product mix and more.

Our investments in the global sales network continued to generate results, highlighting our ability to respond promptly to market changes. Throughout the reporting period, we were able to quickly adjust our product mix and redirect sales volumes: for instance, allocating more ore and steel to China as that country recovered quickly and invested in large-scale economic stimulus.

Coupled with a lower cost base, the Mining and Metallurgical segments both showed strong profitability. EBITDA rose by 82% year-on-year to US$2,204 million, while the EBITDA margin increased by 10 pp year-on-year to 21%. We generated free cash flow of US$916 million, enabling us to triple our year-end cash balance to US$826 million.

The Group further improved the quality of its debt portfolio through three major transactions that underlined the range of financing options available to it. We extended our bond maturity profile and achieved our first partnership with an international financial institution, the Black Sea Trade and Development Bank. We also launched an inaugural securitisation programme for our Italian re-rollers. Amid prudent debt management and strong profitability, our net debt to EBITDA ratio decreased to 1.0x as of 31 December 2020.

While we talk about sustainability from an operational and financial perspective, reducing our carbon footprint is a vital part of our ESG agenda. The targets of the Paris Agreement and European Green Deal impact our business globally. In 2020, we contributed to them by completing the core work to modernise Ilyich Steel's sinter plant, the largest environmental project in Ukraine's history. In the year, the Group's environmental CAPEX exceeded US$200 million, a record.

We are optimistic about 2021, as the rollout of vaccination campaigns worldwide fulfils a key precondition for a broader economic recovery. The pandemic has only highlighted that the health and safety of our employees and communities are paramount.

Alongside the implementation of the investment programme, building on the hard-won operational efficiencies will remain a central focus in 2021. We are also working to maintain strong liquidity and continue to review options to strengthen vertical integration.

We are grateful for the support of our stakeholders during these extraordinary times."

RESULTS OF OPERATIONS

Results of operations	FY2020		FY2019		Change, y-o-y		
	US$ mn	% of revenues	US$ mn	% of revenues	US$ mn	%	pp of revenues
Revenues	**10,453**	**100%**	**10,757**	**100%**	**-304**	**-3%**	**-**
Net operating costs (excl. impairment)	-9,507	-91%	-10,270	-95%	763	-7%	4
Impairment of property, plant and equipment	-6	0%	-84	-1%	78	-93%	1
Impairment of financial assets	-93	-1%	-78	-1%	-15	19%	-
Operating profit	**847**	**8%**	**325**	**3%**	**522**	**>100%**	**5**
Finance income	60	1%	253	2%	-193	-76%	-1
Finance costs	-566	-5%	-276	-3%	-290	>100%	-2
Share of result of associates and JV	285	3%	86	1%	199	>100%	2
Profit before income tax	**626**	**6%**	**388**	**4%**	**238**	**61%**	**2**
Income tax	-100	-1%	-47	0%	-53	>100%	-1
Net profit	**526**	**5%**	**341**	**3%**	**185**	**54%**	**2**

Revenues

Revenues by market	FY2020		FY2019		Change, y-o-y		
	US$ mn	% of revenues	US$ mn	% of revenues	US$ mn	%	pp of revenues
Total revenues	**10,453**	**100%**	**10,757**	**100%**	**-304**	**-3%**	**-**
Ukraine	2,939	28%	3,156	29%	-217	-7%	-1
Europe	2,851	27%	3,609	34%	-757	-21%	-7
MENA	1,800	17%	1,656	15%	144	9%	2
CIS	635	6%	825	8%	-190	-23%	-2
Southeast Asia	1,467	14%	941	9%	525	56%	5
North America	569	5%	464	4%	105	23%	1
Other regions	192	2%	106	1%	86	81%	1

In 2020, Metinvest's consolidated revenues decreased by 3% y-o-y to US$10,453 mn. This was primarily due to a drop in average selling prices of steel, coking coal and coke, which followed global benchmarks. It was also partly the result of reduced pellet premiums worldwide.

In the first half of the year, pandemic lockdowns affected business activity and steel demand in several strategic markets for the Group. Meanwhile, the easing of restrictions later in the year spurred an economic recovery and a rebound in steel prices amid catch-up demand. In addition, Metinvest benefited from iron ore prices, which remained high throughout the reporting period amid global supply disruptions and strong demand in China.

Importantly, the Group's recent investments and global sales network enabled it to increase sales volumes of semi-finished and finished steel products by 7% y-o-y, coke by 14% y-o-y and iron ore products by 9% y-o-y.

During the reporting period, revenues in Ukraine declined by 7% y-o-y to US$2,939 mn. This was mainly due to lower average selling prices of steel products and coke, as well as lower sales volumes of pellets (down 26%). The reduction in revenues was partly compensated by greater local shipments of long products (up 23%), coke (up 14%) and iron ore concentrate (up 43%). Overall, the share of Ukraine in consolidated revenues edged down by 1 percentage point (pp) y-o-y to 28%.

Sales to other markets decreased by 1% y-o-y to US$7,514 mn in 2020, accounting for 72% of total revenues.

- Sales to Europe fell by 21% y-o-y, primarily amid lower steel selling prices. This was also caused by reduced sales volumes of semi-finished products (down 31%) and iron ore products (down 48%). As a result, the region's share in overall revenues went down by 7 pp y-o-y to 27%.
- Revenues from the Middle East and North Africa (MENA) rose by 9% y-o-y, mainly amid higher shipments of slab (up 2.5x) and flat products (up 12%). This boosted the region's share in consolidated revenues by 2 pp y-o-y to 17%.
- Revenues from Southeast Asia surged by 56% y-o-y, as Metinvest resumed steel sales to China amid strong local demand. The Group sold 862 kt of semi-finished and finished steel products in the country during the reporting period. In addition, shipments of iron ore products to China rose by 1.7x y-o-y. As a result, Southeast Asia's share in revenues climbed by 5 pp y-o-y to 14%.
- Revenues from the CIS fell by 23% y-o-y due to lower sales volumes and prices of flat products. The region's share in consolidated revenues declined by 2 pp y-o-y to 6%.
- Revenues from North America rose by 23% y-o-y, mainly due to higher shipments of pig iron (up 40%). This boosted the region's share in consolidated revenues by 1 pp y-o-y to 5%.
- Sales in other regions increased by 81% y-o-y, while their share in total revenues rose by 1 pp y-o-y to 2%.

Metallurgical segment

In 2020, the Metallurgical segment's revenues decreased by 6% y-o-y to US$8,200 mn. This was mainly driven by lower sales of flat products (down US$409 mn), coke (down US$95 mn), tubular products (down US$12 mn) and other products and services (down US$162 mn). The reduction was partly compensated by greater sales of pig iron (up US$98 mn), square billets (up US$38 mn), slabs (up US$27 mn) and long products (up US$27 mn). During the reporting period, the segment accounted for 78% of the overall top line, down 3 pp y-o-y.

Metallurgical segment Sales by market	FY2020			FY2019			Change, y-o-y		Change, y-o-y %	
	US$ mn	% of revenues	kt	US$ mn	% of revenues	kt	US$ mn	kt	US$ mn	kt
Total sales	**8,200**	**100%**	**17,592**	**8,688**	**100%**	**16,297**	**-488**	**1,295**	**-6%**	**8%**
Ukraine	2,165	26%	4,574	2,370	27%	4,091	-205	482	-9%	12%
Europe	2,428	30%	4,678	2,846	33%	5,190	-417	-511	-15%	-10%
MENA	1,750	21%	4,047	1,645	19%	3,392	104	655	6%	19%
CIS	635	8%	1,032	825	9%	1,243	-190	-211	-23%	-17%
Southeast Asia	475	6%	1,218	463	5%	984	12	233	3%	24%
North America	555	7%	1,612	450	5%	1,206	104	406	23%	34%
Other regions	192	2%	431	89	1%	191	103	240	>100%	>100%

Metallurgical segment Sales by product	FY2020		FY2019		Change, y-o-y		Change, y-o-y %		
	US$ mn	kt	US$ mn	kt	US$ mn	kt	US$ mn	due to price	due to volume
Semi-finished products	**2,271**	**5,960**	**2,108**	**5,152**	**162**	**808**	**8%**	**-8%**	**16%**
Pig iron	823	2,421	725	2,074	98	347	13%	-3%	17%
incl. resales	428	1,241	289	823	139	418	48%	-3%	51%
Slabs	896	2,187	869	1,941	27	246	3%	-10%	13%
Square billets	552	1,352	514	1,136	38	215	7%	-12%	19%
incl. resales	552	1,352	514	1,136	38	215	7%	-12%	19%
Finished products	**4,971**	**9,488**	**5,365**	**9,263**	**-394**	**225**	**-7%**	**-10%**	**2%**
Flat products	4,027	7,737	4,436	7,673	-409	64	-9%	-10%	1%
incl. resales	1,340	2,840	1,534	2,986	-194	-146	-13%	-8%	-5%
Long products	861	1,604	834	1,427	27	177	3%	-9%	12%
incl. resales	351	728	343	647	8	81	2%	-10%	13%
Tubular products	83	147	95	163	-12	-16	-12%	-2%	-10%
Coke	**473**	**2,145**	**569**	**1,882**	**-95**	**262**	**-17%**	**-31%**	**14%**
incl. resales	15	71	80	251	-65	-180	-82%	-10%	-72%
Other products and services	**484**	**-**	**646**	**-**	**-162**	**-**	**-25%**	**-**	**-**
Total sales	**8,200**	**17,592**	**8,688**	**16,297**	**-488**	**1,296**	**-6%**	**-14%**	**8%**

Pig iron

In 2020, sales of pig iron increased by 13% y-o-y to US$823 mn. This was driven by a 17% y-o-y uptick in sales volumes, which fully compensated for lower average selling prices. Shipments rose by 347 kt y-o-y to 2,421 kt due to higher resales (up 418 kt). Meanwhile, sales of in-house goods went down by 71 kt amid less production. As a result, the share of resales in total sales volumes of pig iron reached 51% in 2020, up 11 pp y-o-y. Sales to North America, the key market for this product, grew by 455 kt. Sales to Southeast Asia rose by 64 kt, as the Group ramped up shipments to China. At the same time, sales to Europe decreased by 202 kt due to lower consumption in the region amid the COVID-19 pandemic.

Slabs

In 2020, sales of slabs climbed by 3% y-o-y to US$896 mn, driven by greater sales volumes. Shipments rose by 51% y-o-y (or 418 kt) to 2,187 kt amid higher production. Incremental volumes were primarily sold to MENA, where they rose by 519 kt due to demand for high-quality products in Turkey. Shipments to Southeast Asia went up by 17 kt y-o-y, as the Group shipped 223 kt of goods to China in 2020. The latter fully compensated the lack of sales to Thailand. At the same time, sales to Europe, the key market for this product, fell by 322 kt. This was mainly due to weak consumption in the region amid the pandemic. While the average selling price fell y-o-y, this reflected a change in regional benchmarks with a time lag.

Square billets

In 2020, sales of square billets grew by 7% y-o-y to US$552 mn, as higher resales volumes fully compensated lower average selling prices. Resales rose by 19% y-o-y (or 215 kt) to 1,352 kt. MENA, the key market for this product, accounted for 57% of shipments (79% in 2019), although overall shipments to the region dropped by 134 kt. This was due to lower sales in North Africa (namely Algeria and Tunisia) and the Gulf region (mainly the United Arab Emirates). Sales to Southeast Asia increased by 100 kt, primarily driven by demand in China. Sales to other regions, including the Dominican Republic, Peru and Columbia, climbed by 301 kt. The average selling price followed the dynamics of the square billet FOB Black Sea benchmark, which fell by 3% y-o-y.

Flat products

In 2020, sales of flat products fell by 9% y-o-y to US$4,027 mn. This was primarily due to lower average selling prices, which follow regional benchmarks with a time lag. Overall sales volumes rose by 1% y-o-y (or 64 kt) to 7,737 kt. This was due to an increase of 210 kt in sales of in-house goods amid greater production. Meanwhile, resales declined by 5% (or 146 kt) y-o-y to 2,840 kt, reducing their share in total volumes by 2 pp y-o-y to 37%. Available volumes were redistributed among markets according to demand.

Sales to MENA climbed by 237 kt, mainly due to higher shipments of hot-rolled coils (HRC) to Turkey and North Africa. Sales to Ukraine rose by 44 kt y-o-y, primarily due to a demand recovery in the second half of the year. The latter was the result of the easing of pandemic measures and resumption of regular shipments to key customers. Sales to Southeast Asia increased by 52 kt as shipments resumed to China (253 kt in 2020) amid strong demand in the country. This helped to offset lower sales in Singapore (down 133 kt) and India (down 70 kt).

Sales to Europe dropped by 52 kt due to lower consumption in the region and the shutdown of the Group's Italian re-rollers in March-April. Both of these factors were caused by the restrictions that were introduced to prevent the spread of COVID-19. In 4Q 2020, shipments in this region began to recover for almost all types of products. Meanwhile, sales to the CIS fell by 196 kt, partly due to the quota restrictions imposed by Russia, which affected shipments in early 2020. Quarantine controls also constrained demand throughout the rest of the year.

Long products

In 2020, sales of long products increased by 3% y-o-y to US$861 mn due to a 12% growth in sales volumes. Shipments rose by 177 kt y-o-y to 1,604 kt, following higher in-house volumes (up 96 kt) amid greater production and greater resales (up 81 kt). The share of resales in overall volumes remained flat y-o-y at 45%.

Additional volumes were primarily sold to Ukraine and Europe, the key markets for this product. The shares of these regions in total volumes reached 50% and 37% in 2020, respectively, compared with 46% and 35% in 2019. Shipments to Ukraine climbed by 152 kt amid higher sales of rebar and railway products. Deliveries to Europe rose by 94 kt due to greater demand for rebar in Romania.

Meanwhile, the average selling price was lower in y-o-y terms following a drop of 3% y-o-y in the billet FOB Black Sea benchmark.

Tubular products

In 2020, sales of tubular products fell by 12% y-o-y to US$83 mn. Overall, 10 pp of the reduction was attributable to a decrease in shipments to 147 kt and 2 pp to a lower average selling price.

Coke

In 2020, sales of coke dropped by 17% y-o-y to US$473 mn. This was primarily driven by a decline in the average selling price. At the same time, shipments climbed by 14% (or 262 kt) y-o-y to 2,145 kt. The latter was driven by greater sales of own goods following the consolidation of Dnipro Coke from 2Q 2020.

Mining segment

In 2020, the Mining segment's revenues increased by 9% y-o-y to US$2,253 mn, despite a significant change in the iron ore sales mix and geography. This shift was caused by weak demand in Europe, strong demand in China and reduced pellet premiums globally.

External sales of iron ore concentrate climbed by US$483 mn, while those of pellets fell by US$269 mn. At the same time, sales of coking coal concentrate decreased by US$47 mn, while sales of other products and services rose by US$17 mn. In the reporting period, the segment accounted for 22% of the overall top line, up 3 pp y-o-y.

Mining segment Sales by market	FY2020			FY2019			Change, y-o-y		Change, y-o-y %	
	US$ mn	% of revenues	kt	US$ mn	% of revenues	kt	US$ mn	kt	US$ mn	kt
Total sales	**2,253**	**100%**	**20,030**	**2,069**	**100%**	**18,499**	**184**	**1,531**	**9%**	**8%**
Ukraine	774	34%	7,870	786	38%	6,795	-12	1,075	-1%	16%
Europe	423	19%	3,551	763	37%	6,489	-340	-2,938	-45%	-45%
MENA	50	2%	450	11	1%	65	40	385	>100%	>100%
CIS	-	-	-	-	-	-	-	-	-	-
Southeast Asia	992	44%	7,988	478	23%	4,887	514	3,100	>100%	63%
North America	14	1%	172	14	1%	145	-0	27	-3%	18%
Other regions	-	-	-	17	1%	117	-17	-117	-100%	-100%

Mining segment Sales by product	FY2020		FY2019		Change, y-o-y		Change, y-o-y %		
	US$ mn	kt	US$ mn	kt	US$ mn	kt	US$ mn	due to price	due to volume
Iron ore products	**2,045**	**19,271**	**1,831**	**17,747**	**214**	**1,524**	**12%**	**3%**	**9%**
Merchant iron ore concentrate	1,403	14,220	920	10,697	483	3,523	53%	19%	33%
Pellets	642	5,051	911	7,050	-269	-1,999	-30%	-1%	-28%
Coking coal concentrate	**98**	**759**	**145**	**752**	**-47**	**7**	**-32%**	**-33%**	**1%**
Other products and services	**110**	**-**	**93**	**-**	**17**	**-**	**18%**	**-**	**-**
Total sales	**2,253**	**20,030**	**2,069**	**18,499**	**184**	**1,531**	**9%**	**1%**	**8%**

Iron ore concentrate

In 2020, sales of merchant iron ore concentrate increased by 53% y-o-y to US$1,403 mn amid higher sales volumes and selling prices. Volumes rose by 33% y-o-y (or 3,523 kt) to 14,220 kt, driven by greater merchant product output and destocking in the reporting period.

Additional supply went to Ukraine and Southeast Asia, where sales volumes rose by 1,771 kt and 3,645 kt, respectively. At the same time, sales to Europe fell by 2,164 kt amid weak demand. Shipments to MENA totalled 407 kt (65 kt in 2019) due to sales to a customer in Algeria.

The average selling price was higher in y-o-y terms, following the 62% Fe iron ore fines CFR China benchmark. The latter rose by 16% y-o-y to an average of US$109/t in 2020, up from US$94/t a year earlier.

Pellets

In 2020, sales of pellets fell by 30% y-o-y to US$642 mn. This was primarily driven by a 28% y-o-y reduction in shipments to 5,051 kt amid weak demand. Sales to Ukraine, Europe and Southeast Asia decreased by 557 kt, 958 kt and 527 kt, respectively. Selling prices were affected by reduced pellet premiums worldwide, including declines of 49% y-o-y to US$29/t in Europe and 18% y-o-y to US$23/t in China.

Coking coal concentrate

In 2020, sales of coking coal concentrate fell by 32% y-o-y to US$98 mn. This was mainly driven by lower average selling prices, following the reduction of 30% y-o-y in the hard coking coal FOB Australia spot benchmark. At the same time, sales volumes increased marginally y-o-y to 759 kt. Sales to Europe and North America rose by 184 kt and 27 kt, respectively. Meanwhile, shipments to Ukraine and other regions fell by a respective 139 kt and 65 kt.

Net operating costs (excluding impairment)[1]

In 2020, Metinvest's net operating costs fell by 7% y-o-y to US$9,507 mn, primarily due to the following factors:

- lower spending on raw materials (US$582 mn), mainly due to decreased market prices (for coking coal, coke, scrap and ferroalloys), reduced consumption of seaborne coking coal and lower railway costs in the US and Ukraine, as well as lower inventory destocking and fewer purchases of third-party coils for further processing at Unisteel and Ilyich Steel's cold-rolling mill after the revamp of hot strip mill 1700
- lower cost of goods and services for resale (US$182 mn), primarily due to lower purchase prices

[1] Net operating costs are presented without the effects of operational improvements.

- lower spending on energy materials (US$160 mn), mainly due to reduced prices of natural gas (down 35% y-o-y) and PCI coal (down 35% y-o-y)
- the positive effect of the hryvnia's depreciation against the US dollar on costs (US$133 mn)
- reduced repair and maintenance expenses (US$57 mn), mainly amid a greater amount of works performed by in-house repair staff
- decreased services and other costs (US$78 mn), mainly due to a gain from revaluation of financial instruments and the option to acquire the Pokrovske coal business

These factors were primarily offset by:

- operating foreign exchange losses of US$217 mn (compared with income of US$57 mn a year earlier), mainly due to the revaluation of outstanding accounts payable balances and intragroup dividends receivable
- greater depreciation and amortisation (US$149 mn) amid the ongoing capital expenditure programme, as well as due to a revaluation performed in 2019

As a percentage of consolidated revenues, net operating costs fell by 4 pp y-o-y to 91% in 2020.

Impairment of property, plant and equipment

In 2020, impairment of property, plant and equipment (PPE) fell to US$6 mn, compared with US$84 mn in 2019. As a share of consolidated revenues, impairment of PPE declined to 0% in 2020 from 1% a year earlier.

Impairment of financial assets

In 2020, impairment of financial assets increased by 19% y-o-y to US$93 mn. This was mainly due to an expected credit loss provision in the amount of US$115 mn accrued in the first half of the year. The provision was subsequently partly reversed in the second half of the year. As a share of consolidated revenues, impairment of financial assets was unchanged y-o-y at 1% in the reporting period.

Operating profit

In 2020, operating profit almost tripled y-o-y to US$847 mn, primarily driven by a drop in net operating costs of US$763 mn and a reduction in impairment of PPE of US$78 mn. This was partly offset by a decrease in revenues of US$304 mn and an increase in impairment of financial assets of US$15 mn. The operating margin rose by 5 pp y-o-y to 8% in 2020.

EBITDA

In 2020, consolidated EBITDA climbed by 82% y-o-y to US$2,204 mn. This was primarily due to the Metallurgical segment's EBITDA recovering to positive US$890 mn, compared with negative US$107 mn a year earlier. In addition, the Mining segment's EBITDA increased by US$105 mn y-o-y to US$1,448 mn. While corporate overheads marginally increased y-o-y to US$92 mn in 2020, eliminations amounted to negative US$42 mn, compared with positive US$63 mn in 2019.

As a result, the split between the Metallurgical and Mining segments was 38% to 62% in 2020. For comparison, the Mining segment generated all of the Group's EBITDA in 2019.

EBITDA by segment	FY2020		FY2019		Change, y-o-y	
	US$ mn	% of segment revenues	US$ mn	% of segment revenues	US$ mn	pp of segment revenues
Metallurgical segment	890	11%	-107	-1%	997	12
- incl. JV	6		-59		65	
Mining segment	1,448	46%	1,343	40%	105	6
- incl. JV	383		226		157	
Corporate o/hs and eliminations	-134		-23		-111	
Total EBITDA	**2,204**	**21%**	**1,213**	**11%**	**991**	**10**

The increase in the Group's EBITDA was primarily driven by:

- the positive effect of operational improvements (US$376 mn), including optimising the efficiency of raw and energy material consumption, increasing the productivity of key mining and steel production equipment, streamlining logistics and enhancing the value proposition for customers
- lower spending on raw materials (US$348 mn), mainly due to decreased market prices, reduced consumption of seaborne coking coal and lower railway costs in the US and Ukraine, as well as lower inventory destocking and fewer purchases of third-party coils for further processing
- greater contributions from both joint ventures (US$222 mn)
- higher sales volumes of goods manufactured at Metinvest's assets (US$153 mn)
- reduced expenses on energy materials (US$142 mn), mainly due to reduced prices of natural gas and PCI coal
- the positive effect of the hryvnia's depreciation against the US dollar on costs (US$103 mn)
- higher earnings from resales (US$67 mn), mainly amid greater sales volumes
- lower other costs (US$28 mn)

These factors were partly offset by lower average selling prices for Metinvest's semi-finished and finished steel products, coke and coking coal concentrate, as well as by weaker pellet premiums (US$448 mn).

In 2020, the consolidated EBITDA margin expanded by 10 pp y-o-y to 21%. The Metallurgical segment's EBITDA margin rose by 12 pp y-o-y to 11%, while that of the Mining segment climbed by 6 pp y-o-y to 46%.

Finance income

In 2020, Metinvest's finance income fell by 76% y-o-y to US60 mn, as no foreign-exchange gains from financing activities were recorded. As a percentage of consolidated revenues, finance income amounted to 1% in 2020, down 1 pp y-o-y.

Finance costs

In 2020, finance costs doubled y-o-y to US$566 mn, which was mainly attributable to foreign-exchange losses from financing activities. As a percentage of consolidated revenues, finance costs increased by 2 pp y-o-y to 5% in the reporting period.

Share of result of associates and joint venture

In 2020, the share of net income from associates and joint ventures more than tripled y-o-y to US$285 mn. This was mainly attributable to a greater contribution from the Southern GOK JV (US$147 mn) amid higher iron ore prices and to the Pokrovske coal business (US$51 mn), which recognised a gain after completing the restructuring of a significant part of its loans and borrowings.

Income tax expense

In 2020, the income tax expense doubled y-o-y to US$100 mn, amid lower income from changes in deferred taxes. The latter fell by US$70 mn y-o-y following the utilisation of tax losses carried forward for the 2019 financial year. Meanwhile, the current tax expense dropped by US$17 mn y-o-y.

The effective tax rate, calculated as total income tax divided by profit before tax, increased by 4 pp y-o-y to 16% in 2020.

Net profit

In 2020, net profit rose by 54% y-o-y to US$526 mn. This was due to lower net operating costs (US$763 mn), a greater contribution from associates and joint ventures (US$199 mn), as well as lower impairment of PPE (US$78 mn). These factors were partly offset by lower revenues (US$304 mn), higher finance costs (US$290 mn), lower finance income (US$193 mn), as well as higher income tax expense (US$53 mn) and impairment of financial assets (US$15 mn). The net profit margin amounted to 5% in 2020, up 2 pp y-o-y.

LIQUIDITY AND CAPITAL RESOURCES

Net cash from operating activities

In 2020, Metinvest's net cash flow from operating activities more than doubled y-o-y to US$1,740 mn, primarily due to a 66% y-o-y increase in operating cash flow before working capital changes. In addition, income tax paid decreased by 50% y-o-y to US$119 mn in 2020, mainly due to the utilisation of tax losses carried forward for the 2019 financial year. While interest paid remained almost unchanged y-o-y at US$215 mn, there was a working capital release for the second year in a row, totalling US$242 mn in 2020, following US$163 mn in 2019. The latter was attributable to:

- a drop in inventory of US$217 mn (mainly iron ore products by 838 kt, coal by 609 kt and pig iron by 87 kt)
- a rise in trade and other accounts payable of US$372 mn
- an increase in trade and other accounts receivable of US$347 mn, mainly due to the recovery of steel and iron ore prices in the second half of the year

As a result, the cash conversion cycle, calculated as days of inventories on hand and days of sales outstanding less days of payables, was shortened to 30 days in 2020, down 22 days y-o-y.

Net cash used in investing activities

In 2020, net cash used in investing activities totalled US$824 mn, down 13% y-o-y. Total cash used to purchase property, plant and equipment (PPE) and intangible assets (IA) decreased by 24% y-o-y to US$678 mn. In addition, US$13 mn was spent on loans issued, down 91% y-o-y. Principal payments under a guarantee totalled US$77 mn, while US$70 mn was spent on other payments (US$45 mn in 2019).

At the same time, the Group received US$3 mn of interest on loans issued and deposits (US$17 mn in 2019) and US$1 mn of proceeds from the sale of PPE (US$3 mn in 2019), while proceeds from the repayment of loans issued totalled US$10 mn (nil in 2019). No dividends were received in 2020 (compared with US$124 mn received from the Southern GOK JV a year earlier).

Net cash used in financing activities

In 2020, net cash used in financing activities totalled US$360 mn. During the reporting period, the Group used US$573 mn to repay loans and borrowings, primarily US$308 mn to redeem all Eurobonds due in 2021 and 38% of those due in 2023, as well as US$178 mn to repay the PXF facility. In addition, net repayments of trade finance facilities and payments for loans commissions totalled US$130 mn and US$17 mn, respectively. Dividends paid totalled US$100 mn, while US$50 mn was used for the acquisition of a non-controlling interest in Northern GOK and US$4 mn on other purposes. At the same time, Metinvest raised US$514 mn of gross new proceeds from loans and borrowings, including the new 7-year Eurobond and the long-term facility from the BSTDB.

This compares with US$123 mn generated from financing activities a year earlier, when the Group raised US$871 mn of gross new proceeds from loans and borrowings (mainly from US$824 mn from a dual-currency Eurobond offering) and US$37 mn of net proceeds from trade finance facilities. At the same time, US$586 mn was used to repay loans and borrowings (primarily US$440 mn to tender Eurobonds due in 2023 and US$123 mn to repay the PXF facility), US$100 mn to pay dividends, US$55 mn to fully settle the remaining balance for the acquisition of 24.77% stake in the Pokrovske coal business, US$33 mn to pay commission on loans and US$11 mn on other purposes.

At the end of 2020, total debt equalled US$2,937 mn (-3% y-o-y), the cash balance was US$826 mn (+3.0x y-o-y), while net debt amounted to US$2,111 mn (-23% y-o-y). Coupled with the strong EBITDA generation, net debt to EBITDA decreased to 1.0x as of 31 December 2020 (-1.3x y-o-y).

Capital expenditure

As planned, Metinvest reduced capital expenditure by 37% y-o-y to US$663 mn in 2020. In line with the Group's 2020 CAPEX priorities of only conducting crucial maintenance and completing ongoing strategic projects, investments in maintenance decreased by 34% y-o-y and in strategic projects by 45%, bringing their shares in total expenditures to a respective 72% and 28% of total investments in the reporting period (68% and 32% in

2019). The Metallurgical segment accounted for 50% of capital expenditure (49% in 2019) and Mining for 47% (48% in 2019). Corporate overheads accounted for 3% of investments in 2020, unchanged y-o-y.

At the steelmakers, the largest strategic projects were focused on Ilyich Steel. The upgrade of the hot strip mill 1700 was completed with the installation of a new down-coiler and equipment operation is approaching design parameters. An auxiliary infrastructure upgrade is also ongoing at the plant. A new air separation unit is being constructed to increase the generation of oxygen and nitrogen required for steel production. Basic engineering has been developed, with commissioning expected in 1H 2022. The project's budget is around US$80 mn, of which around 35% is financed using proceeds from the credit facility covered by the French export guarantee.

At the iron ore producers, the upgrade of transportation infrastructure at Northern GOK and Ingulets GOK has progressed and, the new crusher and conveyor systems at both GOKs are expected to be completed in 2H 2021. In terms of quality improvement at the mining assets, two projects were completed this year. The re-equipment of beneficiation facilities at Central GOK, completed in March 2020, unlocked production of concentrate with 70.5% Fe content and pellets with 67.5% Fe content that are used in DRI technology. The upgrade of the OK-306 roasting machine at Northern GOK improved the mechanical properties of pellets.

Environmental CAPEX totalled US$204 mn in 2020, up 32% y-o-y. The key environmental project is the reconstruction of the sinter plant at Ilyich Steel, where core works on construction of the complex for the two-stage gas cleaning system of sintering and cooling zones for all 12 sintering machines have been completed. Some auxiliary works are due to be completed in 1H 2021. The Group also completed the reconstruction of gas cleaning facilities of the casthouse and stockhouse of blast furnace no. 3 at Ilyich Steel in March 2020 and launched similar projects at blast furnaces nos. 4 and 5.

The Group has also made progress on the reconstruction of basic oxygen furnaces nos. 1 and 2 at Azovstal (the basic and detailed engineering contracts have been signed and documentation is being developed) and on the replacement of gas cleaning units in the Lurgi 552-A roasting machine at Northern GOK (all electrostatic cleaning plants have been supplied, three of them have been put into operation).

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