

## Capital expenditure

Amid lockdown restrictions and volatile markets, the 2020 investment programme was one of the more prudent in Metinvest's history. Despite all the challenges faced, the Group executed it successfully.

# Investing prudently executing successfully

### 2020 RESULTS

The Group expected 2020 to be challenging for the industry. It set several CAPEX priorities for the year: continue with the environmental agenda, complete ongoing strategic projects, conduct crucial maintenance and develop design for projects in the pipeline.

Overall capital expenditure totalled US\$663 million in 2020, down 37% year-on-year. In line with the priorities, investments in maintenance decreased by 34% and in strategic projects by 45%, bringing their shares in the total to 72% and 28% respectively (68% and 32% in 2019).

### COVID-19 IMPACT

The pandemic posed a challenge to the timely completion of projects, which rely on both internal and external factors. Specifically, numerous contractors simply could not physically start work or missed equipment delivery dates because of closed borders and quarantine restrictions. As such, significant flexibility was needed in the project execution process. Metinvest found solutions to the challenges through the joint efforts of all stakeholders involved. Various digital solutions for working and communicating remotely enabled the Group to promptly address organisational issues and remain focused on the key areas.

### KEY PROJECTS

At the steelmakers, the largest strategic projects focused on Ilyich Steel. The revamp of the hot strip mill 1700 was completed with the installation of a new down coiler, and equipment operation has reached the design parameters in 2021. The upgrade expanded the mill's capacity to at least 2.5 million tonnes of high-quality coils a year and increased coil weight to 32 tonnes. Overall investments in the project, including the down coiler, exceeded US\$135 million. An auxiliary infrastructure upgrade is also ongoing at the plant. A new air separation unit is being constructed to generate more oxygen and nitrogen for steel production. Basic engineering has been developed and commissioning is expected in the first half of 2022. The project's cost is around US\$80 million.

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 are expected to be completed in the second half of 2021. The systems will cost around US\$200 million at Northern GOK and US\$50 million at Ingulets GOK.

In terms of quality improvement at the mining assets, Metinvest completed the upgrade of beneficiation facilities at Central GOK in March 2020. It allowed for production of concentrate with 70.5% Fe content and pellets with 67.5% Fe content, which are used in DRI technology. Overall investments in the project amounted to US\$21 million.

The Group also worked on designs for new projects in the pipeline, including flotation technology, a new roasting machine and waste thickening initiatives at Northern GOK.

Despite the uncertainties, environmental CAPEX was ring-fenced and totalled a record US\$205 million in 2020, up 32% year-on-year. Among a long list of

environmental initiatives, the key project was the modernisation of the sinter plant at Ilyich Steel.

**For more details, see the Environment section (page 53).**

**TECHNOLOGICAL STRATEGY**

In 2020, Metinvest began the process of updating its technological strategy. This was driven by the risk of significant pressure on global steel and iron ore markets in the future; greater focus on premium iron ore products; and a new decarbonisation challenge requiring innovative solutions.

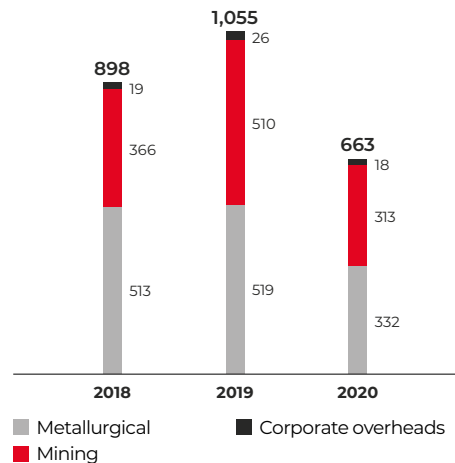
**OUTLOOK FOR 2021**

In 2021, the Group's investment priorities include maintaining environmental CAPEX and introducing more digital tools at both iron ore producers and steelmakers. Also in focus will be strategic projects, both existing and new initiatives guided by the technological strategy. These include the construction of a new cold-rolling mill at Ilyich Steel and thickening of beneficiation waste at Northern GOK.

**CAPEX by segment**

**US\$663M**

-37%



**CAPEX by purpose**

