METINVEST

Standing__together

Annual Report 2020

Welcome to the 2020 annual report of Metinvest, one of the world's leading steel and iron ore companies. As a vertically integrated concern, it operates across the value chain, from mining and processing iron ore and coking coal to making and selling semi-finished and finished steel products. It has major iron ore and coking coal reserves, metallurgical coke production assets, integrated steelmakers and re-rollers in Ukraine, the EU, the UK and the US. Its dedicated sales network covers all key global markets.

In 2020, as COVID-19 became a pandemic that caused unprecedented turbulence worldwide, the Group proactively increased engagement with its stakeholders. Drawing on its longstanding relationships, solid foundations and past experience, Metinvest delivered commendable results in rapidly changing market conditions, underscoring what can be achieved when standing together.

Standing together

For a better understanding of Metinvest's financial position and the results of operations, this document and summary financial statements should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2020. They include all disclosures required by International Financial Reporting Standards, as adopted by the European Union, and the statutory provisions of Part 9, Book 2, of the Dutch Civil Code.

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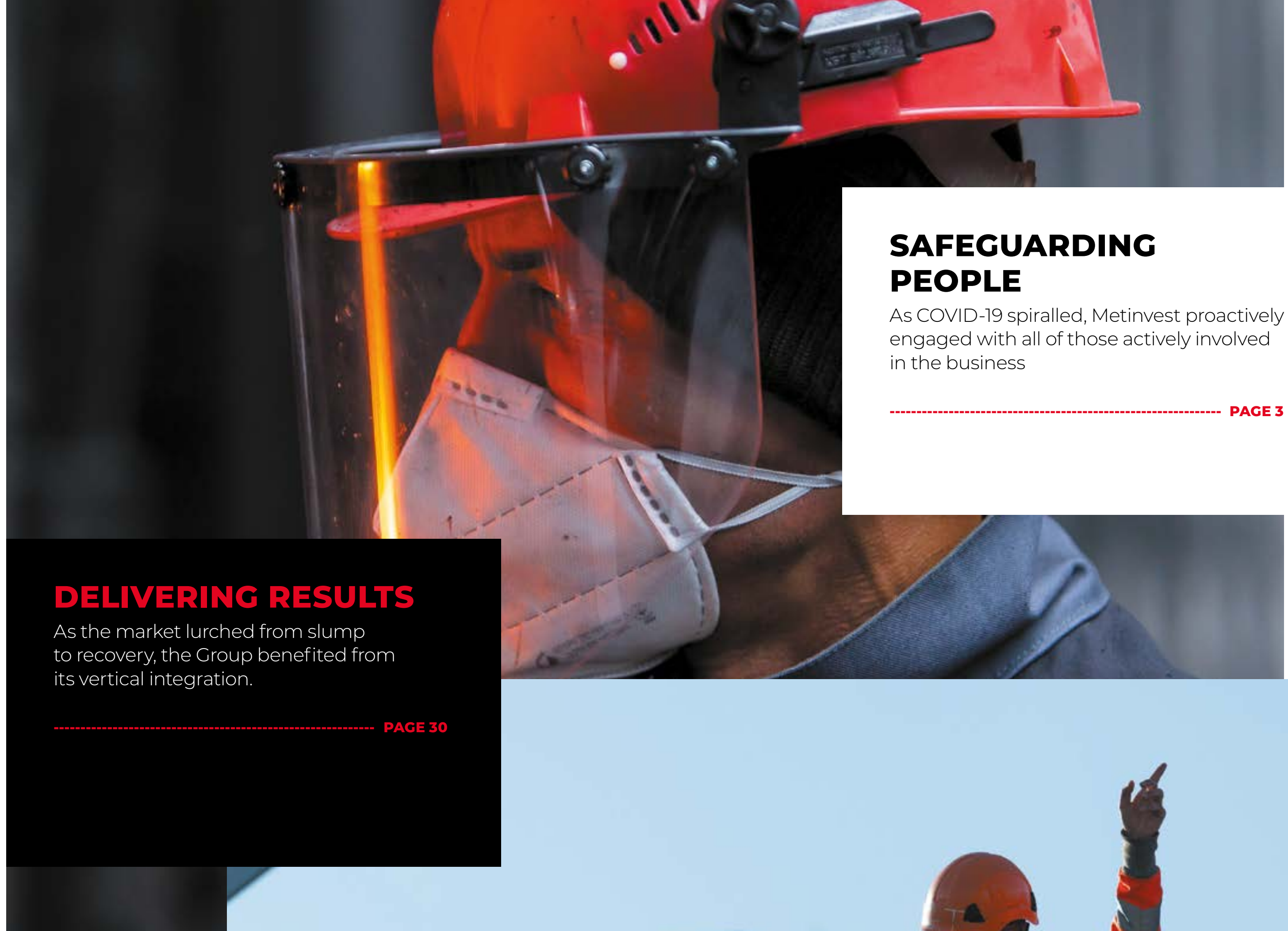

SAFEGUARDING PEOPLE

As COVID-19 spiralled, Metinvest proactively engaged with all of those actively involved in the business

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DELIVERING RESULTS

As the market lurched from slump to recovery, the Group benefited from its vertical integration.

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STRENGTHENING TIES

In addition to supporting those affected by the pandemic directly, the Group moved to strengthen ties with stakeholders.

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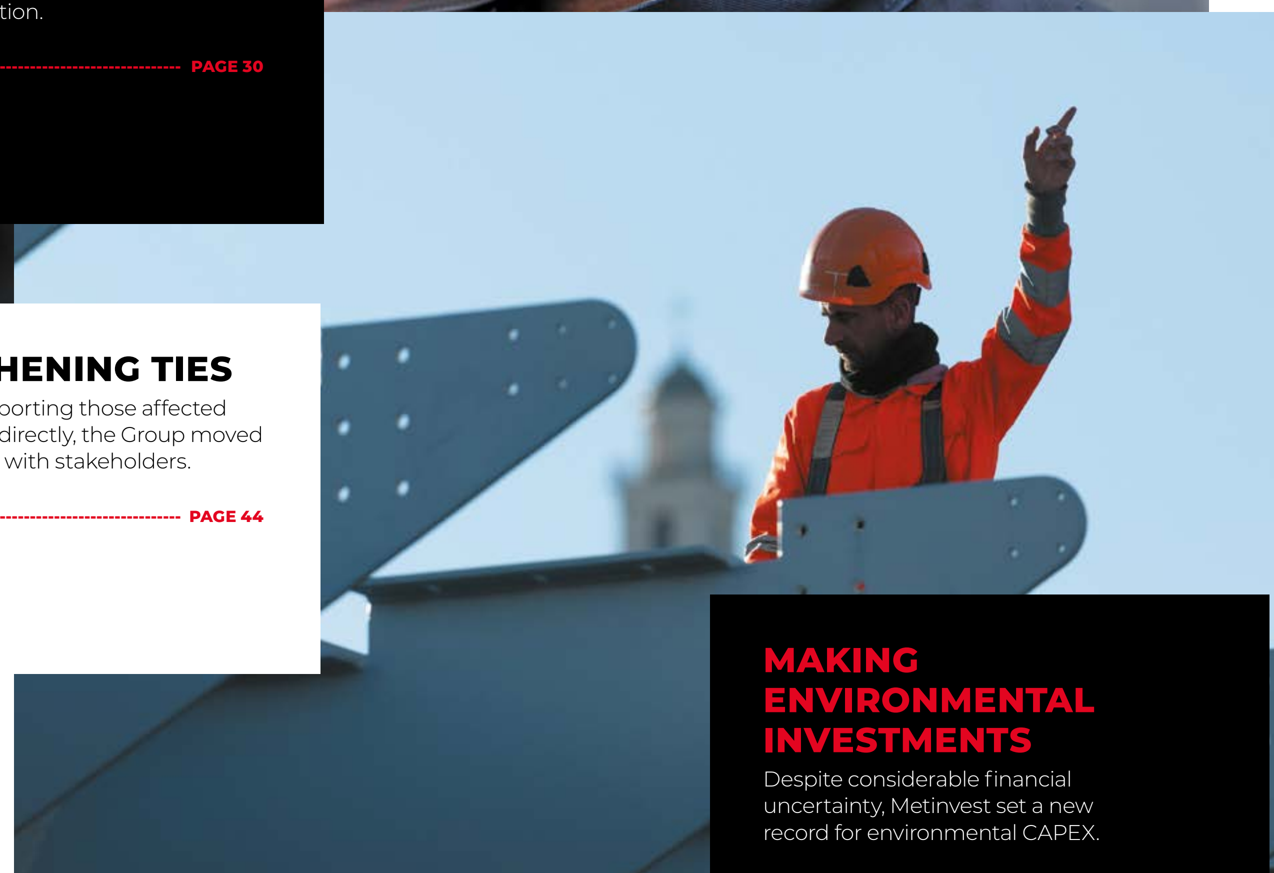

MAKING ENVIRONMENTAL INVESTMENTS

Despite considerable financial uncertainty, Metinvest set a new record for environmental CAPEX.

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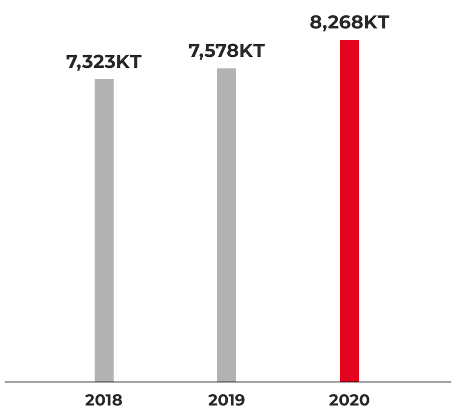
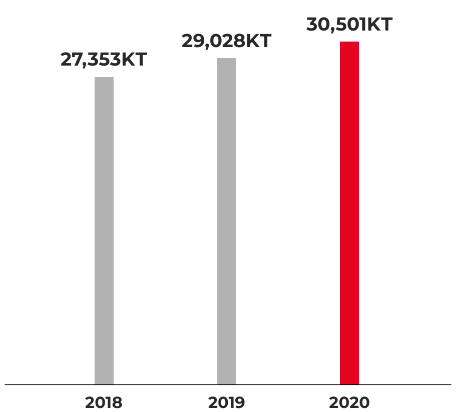
What began as a localised outbreak in late 2019 had become a global pandemic by early 2020, creating a colossal challenge for people, businesses and governments worldwide. Metinvest rose to this by working more closely with all stakeholders, and its results for the year reflect these efforts.

Operations

Crude steel output



Iron ore concentrate output



Finances

Revenues

2020: US$10,453M
2019: US$10,757M
2018: US$11,880M

EBITDA

2020: US$2,204M
2019: US$1,213M
2018: US$2,513M

Net debt

2020: US$2,111M
2019: US$2,758M
2018: US$2,463M

CAPEX

2020: US$663M
2019: US$1,055M
2018: US$898M

EBITDA margin

2020: 21%
2019: 11%
2018: 21%

Net debt to EBITDA

2020: 1.0x
2019: 2.3x
2018: 1.0x

Sustainability

Lost-time injury frequency rate

2020: 0.520
2019: 0.790
2018: 0.859

Dust emissions

2020: 23KT
2019: 26KT
2018: 30KT

Employee training sessions

2020: 111,197
2019: 108,742
2018: 90,278

Environmental spending

2020: US$450M
2019: US$384M
2018: US$263M

Taxes paid globally

2020: US$612M
2019: US$741M
2018: US$705M

Community spending

2020: US$15M
2019: US$11M
2018: US$13M

RESPONDING PROACTIVELY TO COVID-19

From the outset of the pandemic, Metinvest sought to strengthen its ties with all stakeholder groups, offering support where needed, communicating more and increasing engagement where possible.

EMPLOYEES

For Metinvest, the health and safety of employees is an unconditional priority. As part of this, the Group introduced comprehensive measures to protect staff as soon as COVID-19 became a pandemic. From mid-March, it began providing masks, gloves, sanitiser and other personal protective equipment at facilities; introduced social distancing measures; and started regularly disinfecting premises and own transportation. In parallel, it cancelled all public events and business trips, and transferred employees to remote working where possible. Since then, Metinvest has monitored developments fastidiously and erred on the side of caution throughout.

CUSTOMERS

As service inherently involves personal contact and smooth delivery, the pandemic created considerable obstacles, at least initially. However, Metinvest overcame these rapidly, largely through the reach of its global sales network and its ongoing digitalisation drive. While a crisis, the situation also created the opportunity to further strengthen customer relationships, and the Group's local presence was crucial in this regard. In tandem, the sales team quickly adapted to serving customers online, from negotiating physical orders to providing technical support.

SUPPLIERS AND CONTRACTORS

In terms of health and safety, Metinvest has long treated in-house staff and external workers alike, and COVID-19 only reinforced the importance of this. Again from the outset of the pandemic, to protect everyone – whether employed internally or sourced externally – the Group introduced temperature screening at points of entry to facilities and at regular intervals inside. To support this and the drive to contain any wider spread of the virus, it also implemented a contact tracing system for all visitors to premises. As some contractors were unable to visit production sites because of restrictions, digital tools were used during equipment installation, testing, remote training and other activities.

LOCAL COMMUNITIES

The pandemic also prompted Metinvest to bolster existing support for local communities where it is present, as they are the lifeblood of the business. Healthcare and social assistance were critical. Working closely with municipal bodies, among other measures, the Group purchased and distributed express COVID-19 tests to medical institutions and food packages to retired employees, as well as installed oxygen supply points and lines at local hospitals. In addition, at the national level, it financed the delivery of over US$1 million of humanitarian aid from China to Ukraine.

GOVERNMENT AUTHORITIES

As Metinvest is one of Ukraine's largest employers and taxpayers, its relationships with the authorities are central to the country's prosperity. From the moment that COVID-19 took hold, the Group sought greater dialogue with administrations at all levels, as communication in such times is key. To support national and local budgets, it waived the offer of a tax holiday. In Italy, in response to a government decree in March 2020, Metinvest halted operations at both of its re-rollers for around one month, resuming operations following permission.

EQUITY AND DEBT PROVIDERS

Given the situation, working more closely with investors and bank lenders was of paramount importance. Mindful that communication plays a vital role in this, Metinvest gave regular, timely updates to the financial community on its efforts to deal with COVID-19. In March 2020, it took all communication online. In addition, despite the prevailing turbulence, the Group concluded several significant financial transactions, including a major Eurobond refinancing, a credit facility from an international financial institution and loans covered by European export credit agencies.

Worldwide

ONE OF THE GLOBAL LEADERS IN STEEL AND IRON ORE

Established to manage metals and mining assets in Ukraine in 2006, Metinvest has expanded progressively to become an industry player operating internationally. Today, it has production assets in Ukraine, the EU, the UK and the US, as well as a global sales network. As a vertically integrated business, it supplies raw materials and steel products to customers worldwide.

KEY ASSETS
16

SALES OFFICES
45

COUNTRIES OF BUSINESS
~100

INTERNATIONAL SALES
72%

SALES OFFICES

1. Belarus
2. Belgium
3. Bulgaria (3 offices)
4. China
5. Dominican Republic
6. Egypt
7. Germany (2 offices)
8. Italy (2 offices)
9. Lebanon
10. Poland
11. Romania
12. Russia (11 offices)
13. Singapore
14. Spain
15. Switzerland
16. Tunisia
17. Turkey
18. Ukraine (12 offices)
19. United Arab Emirates
20. United Kingdom

Map legend

- Regions with sales in 2020
- Regions without sales in 2020

Ukraine

A RESPECTED LEADER LOCALLY

With the vast majority of its assets in Ukraine and other European countries, the Group is well connected to all key regional markets by road, rail and sea.

ENVIRONMENTAL SPENDING

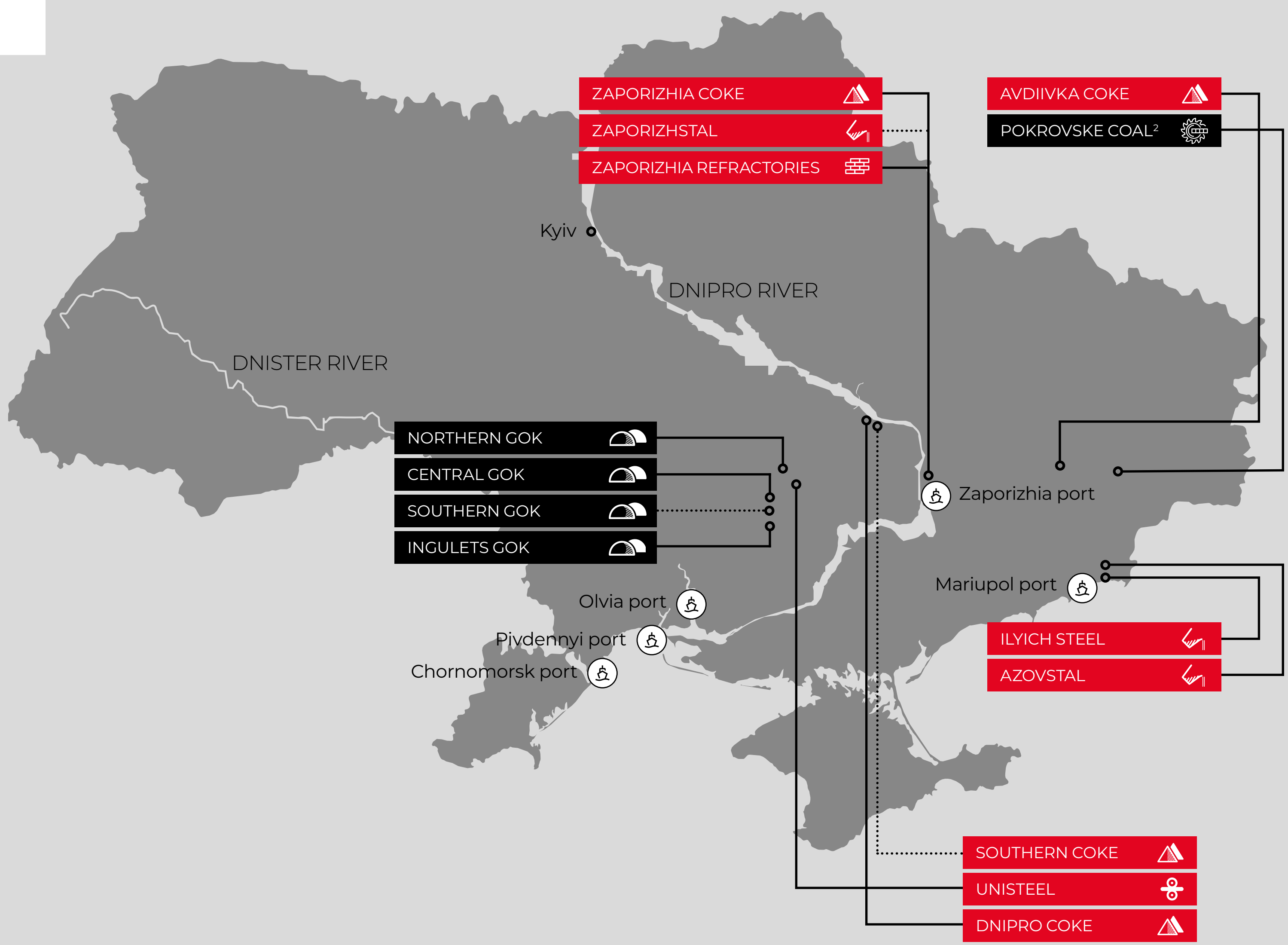
US$450M

IRON ORE SELF-SUFFICIENCY

299%

LOCAL SALES

28%



Map legend

- Metallurgical
- Mining
- JV or Associate[1]

- Coking coal
- Coke
- Iron ore
- Integrated steel
- Re-roller
- Refractories

1 For more details please see Notes 3 and 10 to the Summary IFRS Consolidated Financial Statements 2020.

2 Pokrovske Coal became a subsidiary of the Group in March 2021.

Key Production Assets

IRON ORE

Metinvest has iron ore assets with 2,296 million tonnes of reserves. All are located in the city of Kryvyi Rih, Ukraine. Their direct access to extensive rail links allows the Group to supply its steelmakers in Mariupol and third parties worldwide through ports on the Black Sea.

CUSTOMERS
In 2020, Metinvest used around one third of its overall concentrate output internally and sold the rest to third parties. Amid a 9% increase in external sales volumes, it shipped 41% of its merchant iron ore products to Southeast Asia, 39% to Ukraine, 17% to Europe and 3% to other regions.

PRODUCTION SITES
- Central GOK (Ukraine)
- Ingulets GOK (Ukraine)
- Northern GOK (Ukraine)

PRODUCTION IN 2020

30,501KT

IRON ORE CONCENTRATE

7,554KT

PELLETS

COKING COAL

The Group's high-quality coking coal assets include United Coal, a producer in the US with coal reserves of 159 million tonnes. After the reporting period, in March 2021, Metinvest consolidated control over Pokrovske Coal, the largest coking coal producer in Ukraine, with reserves of 151 million tonnes. Together, the assets cover the majority of Metinvest's needs in this raw material.

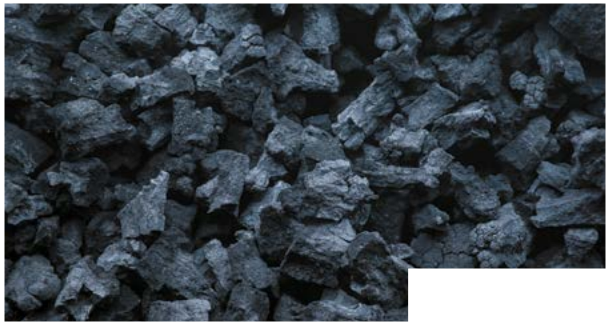
CUSTOMERS
The Group primarily uses coking coal as a feedstock for its coke production facilities in Ukraine. It sells additional volumes to third parties worldwide.

PRODUCTION SITES
- United Coal (US)
- Pokrovske Coal (Ukraine)

PRODUCTION IN 2020

2,883KT

COKING COAL CONCENTRATE[3]



METALLURGICAL COKE

Metinvest has four coking facilities in Ukraine. They have a combined annual production capacity of around 7.4 million tonnes of wet wharf coke.

CUSTOMERS
The Group's coke facilities cover the needs of its steel operations. They also sell coke to third parties, primarily other steelmakers in Ukraine.

PRODUCTION SITES
- Avdiivka Coke (Ukraine)
- Azovstal's coke facilities (Ukraine)
- Dnipro Coke (Ukraine)
- Zaporizhia Coke (Ukraine)

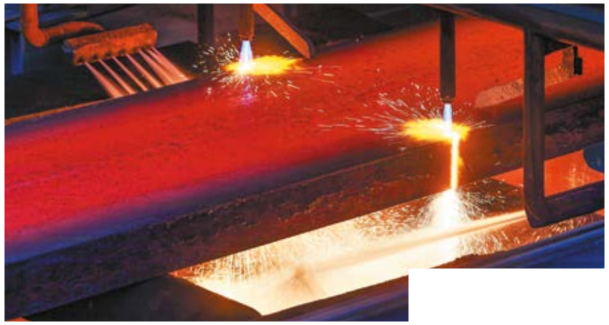
PRODUCTION IN 2020

4,808KT

DRY BLAST FURNACE COKE

3 Output of coking coal concentrate at United Coal. Pokrovske Coal became a subsidiary of the Group in March 2021.

Key Production Assets



INTEGRATED STEEL

Metinvest's integrated steelmakers are located in Mariupol, Ukraine. Their combined annual production capacity is 9.6 million tonnes of crude steel. Close to the city's port and railway infrastructure, they are well placed to receive raw materials and ship semi-finished and finished steel goods to customers in Ukraine, other European countries and beyond.

CUSTOMERS

The Group's integrated steel mills supply semi-finished products to its re-rollers in Europe, as well as similar plants across the globe. They also make finished steel products for customers in the construction, machine-building, railway and other industries. In 2020, the key markets for their finished products were Europe, Ukraine, MENA, the CIS and Asia.

PRODUCTION SITES

– Azovstal (Ukraine)
– Ilyich Steel (Ukraine)

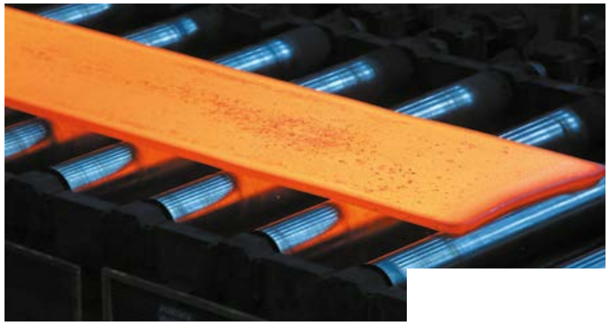
PRODUCTION IN 2020

8,268KT

CRUDE STEEL

7,284KT

MERCHANT SEMI-FINISHED AND FINISHED PRODUCTS



RE-ROLLERS

Metinvest has one galvanising line in Ukraine and four rolling mills elsewhere in Europe. Their annual capacity for flat and long products exceeds 2.2 million tonnes.

CUSTOMERS

As the re-rolling mills are in Europe, a key region for Metinvest, they can serve end users there while also shipping goods worldwide. Their key customers include construction, machine-building and shipbuilding companies, as well as retail clients of the Group's steel service centres.

PRODUCTION SITES

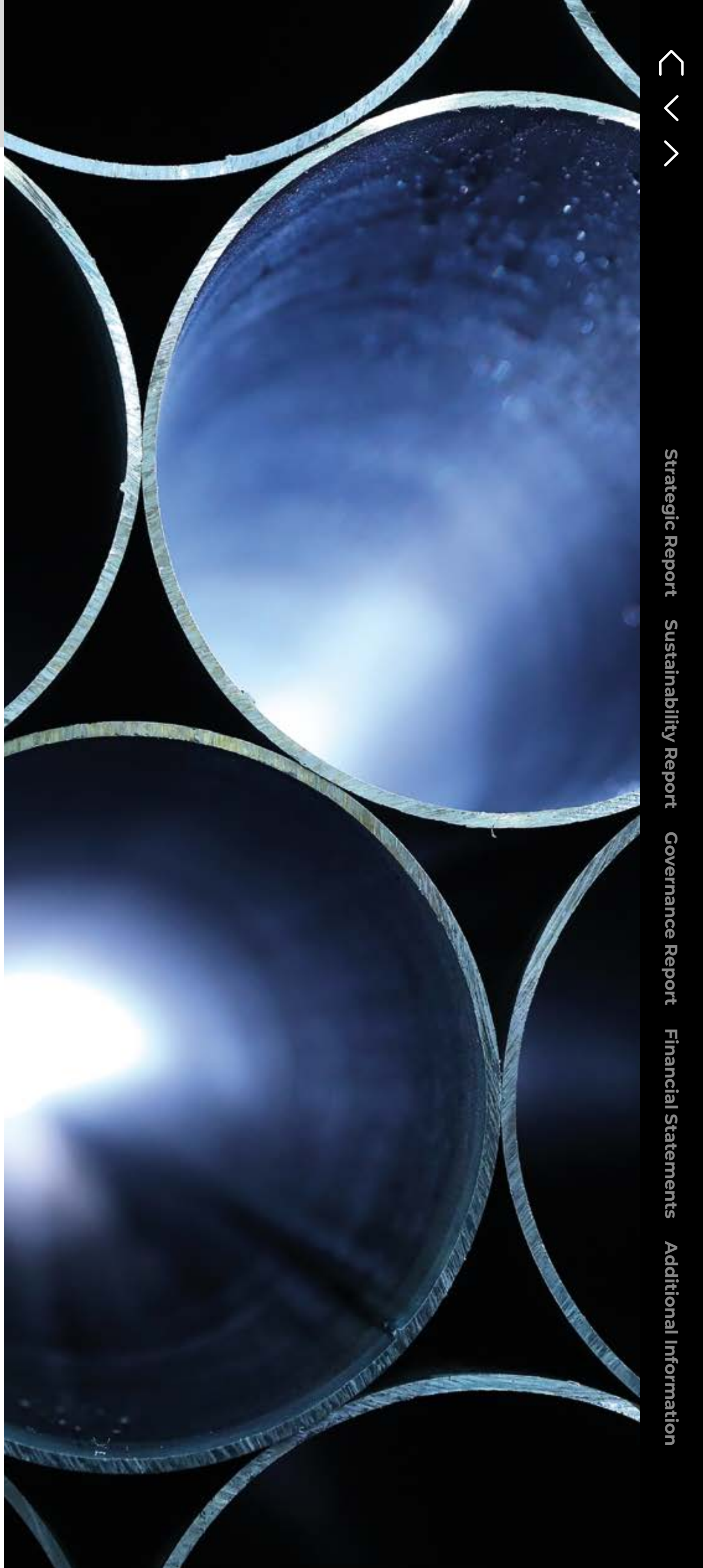
– Ferriera Valsider (Italy)
– Metinvest Trametal (Italy)
– Promet Steel (Bulgaria)
– Spartan UK (UK)
– Unisteel (Ukraine)

PRODUCTION IN 2020

1,862KT

FINISHED STEEL PRODUCTS

For more details in relation to production operations, see the Operational Review on pages 22-27.



Genova Bridge

Made of steel

In 2020, the Italian city of Genova inaugurated the San Giorgio Bridge, which was built with 18,500 tonnes of Metinvest steel. The new structure reunited the two halves of the community following the tragic collapse of the Morandi Bridge.

forged in the wind

GROUP'S INVOLVEMENT

In August 2020, almost exactly two years after Genova's Morandi Bridge collapsed, the city commemorated the opening of its replacement, the San Giorgio Bridge. For Metinvest, this was an important event for many reasons, especially as its European sales office is located in the city.

This personal connection also made the work a matter of immense pride for the Group's local team, who helped to arrange the materials used. In January 2019, Metinvest became the main supplier of heavy plate for the construction work and provided 18,500 tonnes of steel for the project, the majority of the total. Semi-finished products were made at Azovstal in Ukraine and high-strength rolled steel at Metinvest Trametal in Italy.

For the project, Metinvest underwent numerous safety and quality checks by Italy's Fincantieri shipbuilder and the RINA classification society, as well as the Rete Ferroviaria Italiana rail operator, because the bridge passes over a railway. Some 70% of the products used were certified by independent inspectors. The project was managed by a team of 20 people from Ukraine and Italy. All of the materials were delivered on time.

BRIDGE DESIGN

The bridge is a solid steel road stretching just over a kilometre with 19 spans. It has 18 reinforced concrete pillars spaced 50 metres apart, except for the span over the Polcevera River, where the pillars are installed 100 metres from each other.

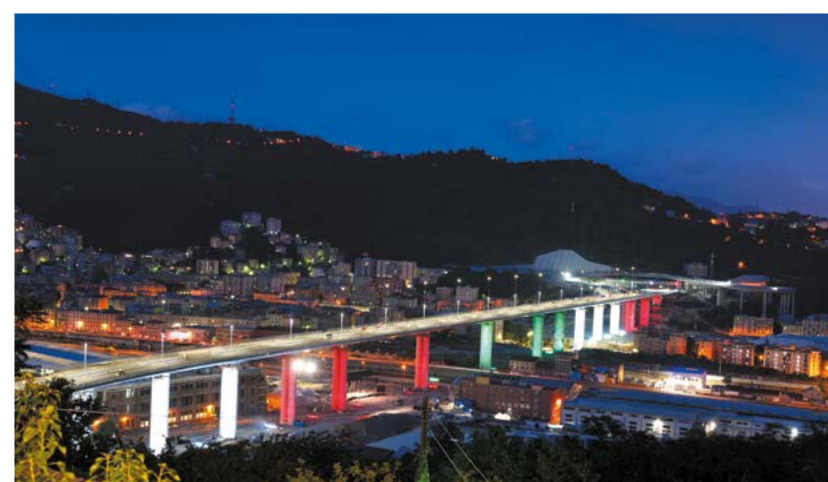
It is also a smart bridge: robots monitor all parts of the structure, while photovoltaic panels, capturing sunlight and generating energy for the bridge, illuminate it. In commemoration of everyone who died in the catastrophe, the bridge is surrounded by 43 lamps.

Pergenova, a joint venture between Salini Impregilo and Fincantieri Infrastructure, carried out the design and construction of the bridge. Fincantieri Infrastructure is part of Fincantieri Group, one of the world's largest shipbuilders, with which Metinvest has worked for more than a decade.

The project architect, the renowned Genova native Renzo Piano, is a founder of the high-tech style. He is the creator of the Pompidou Centre in Paris and the Shard skyscraper in London, which also used Metinvest steel.

18,500T

METINVEST STEEL USED



OLEG POPOV

Upholding commitments

Metinvest was not caught off guard by the tremendous challenges that 2020 presented. Thanks to the achievements of previous years and the reporting period, the Group was able to uphold commitments to stakeholders during the pandemic.

PREPARATION IS PARAMOUNT

Since its foundation in 2006, Metinvest has proven able to endure numerous challenges and emerge stronger. In 2020, I witnessed first-hand the benefit of this experience and the impact that quality leadership and prudent planning can have during such times. We went into the year well prepared for what would come, testament to our previous efforts to make the business more sustainable.

As uncertainty dominated, the Group's governance system, honed over many years, reconfirmed its worth. It provided guidance, strengthened relationships with stakeholders by acting as a framework for engagement, and enabled us to continue fulfilling our environmental, social and governance (ESG) commitments.

Metinvest does considerable business with China, where COVID-19 first appeared. Early warning from our partners in the country brought limited but invaluable insight into what would come. This helped to form our initial response to the pandemic, allowing us to support our stakeholders as much as possible.

Ultimately, despite the many challenges faced, our experience, hard work and vertically integrated business model enabled us to end 2020 with solid operational and financial results.

STANDING WITH STAKEHOLDERS

We understand that our long-term sustainability depends on the wellbeing and prosperity of our stakeholders. Even in the earliest stages of COVID-19, our immediate focus was to weather the crisis together.

As those present daily, and the heart of the business, employees are the paramount priority. While we did everything to safeguard them from the brunt of the pandemic, there unfortunately were illnesses and deaths from COVID-19 among the team, and our thoughts are with those affected directly.

We continue to make steady progress in eliminating incidents in the workplace, and this remains a paramount objective. At the time of writing, the Group employs more than 80,000 people worldwide, and we are committed to supporting and safeguarding each and every one of them.

Regarding customers, we worked diligently to provide uninterrupted service, ensuring that they received the solutions on which their businesses rely. As of the year-end, we had more than 6,800 customers, and we have sought to strengthen each relationship amid the recent events.

To support suppliers and contractors, totalling more than 8,300, we did everything possible to protect them from exposure to COVID-19 while engaging with us. Those entering or working at our facilities also benefited from our safety initiatives, as we treat them the same way as we do employees in this critical area.

Also vital during the pandemic was our efforts to help our local communities, which comprise around 2.9 million people worldwide. We provided much-needed help for healthcare, as well as social assistance for our most vulnerable neighbours. Among other initiatives, in numerous towns and cities where we are present, we helped to install oxygen equipment at medical facilities.

The Group has worked closely with government authorities since the initial outbreak of COVID-19. This included helping the Ukrainian government to arrange humanitarian aid from China in the early stages. Understanding the impact that the pandemic would have on budget revenues at all levels, we also opted to forego a tax holiday offered to businesses in Ukraine. In 2020, we paid US$612 million in tax globally.

Regarding equity and debt providers, Metinvest worked to maintain the utmost transparency and accountability throughout the year. We also expanded our cooperation with creditors, including a landmark deal with the Black Sea Trade and Development Bank. Alongside the financial and other implications, this represents important confirmation that we meet the ESG requirements of a key multilateral institution.

FOCUS ON ESG

As the importance of ESG increases, so does our commitment to sustainability. Over the years, we have worked systematically to ensure that our actions match the values that we share with our stakeholders.

The 'E' in ESG – environment – is a key focus given the impact of the steel industry in its present form. Recognising that there is a long road ahead, we make impactful changes where possible. In 2020, we dedicated capital expenditure of US$205 million to this area, a record in terms of purely environmental projects for a single year. This included completing the core work on Ilyich Steel's sinter plant modernisation, the most significant environmental project in the Group's history.

We are also actively seeking ways to reduce our carbon footprint further given the carbon-intensive nature of the integrated steelmaking process. We have made substantial progress in mitigating it over the last decade, as our direct greenhouse gas emissions dropped by 68%. At the same time, we intend to go further and contribute to meeting the goals of the Paris Agreement to tackle climate change.

We are developing a long-term decarbonisation roadmap that will guide us in the decades to come. It will help us to adjust our investment priorities while remaining focused on our core principles, regardless of industry cyclicality.

As for the 'S' – social – we have also made significant progress in this area. In addition to helping our local communities navigate the pandemic, we are in the advanced stages of many multi-year projects that support them. One important new initiative for young people in Ukraine is Metinvest Polytechnic, a new university that the Group founded recently. As a higher educational institution dedicated to industry, it will offer scientific and technical education catering to the needs of Metinvest and the national economy.

During the reporting period, we also expanded the scope of our work with non-governmental organisations in Mariupol, Zaporizhia, Kryvyi Rih and Avdiivka. These are among our most impactful social partnerships, as they allow us to contribute meaningfully to improving the quality of life in local communities.

In terms of the 'G' – governance – Metinvest introduced a Code of Business Partnership and strengthened its Code of Ethics. We also provided feedback on draft legislation governing remote work in Ukraine, which was passed in December, an important contribution to the local business community.

In addition, there were changes in the composition of the Supervisory Board. I was pleased to welcome Avetik Chalabyan as the newest member of the Supervisory Board in 2020. His depth and breadth of experience, particularly in global metals and mining consulting, will contribute greatly to the Group's governance and effective strategic decision making. I would also like to thank Stewart Pettifor, who stepped down, for his service to Metinvest and all stakeholders. We highly appreciate that he continues to support the Supervisory Board on technical issues.

OUTLOOK FOR 2021

While Metinvest navigated 2020 with purpose, we and everyone – individuals, businesses and governments – clearly need to remain vigilant. In 2021, we will continue to focus on preventing the further spread of COVID-19 and overcoming the lasting effects of the pandemic.

Our ESG agenda remains central as we develop. In 2021, we are increasing the financial aspect of our environmental commitment significantly. We will also continue to make strategic investments in the wellbeing and prosperity of our local communities.

On behalf of the Supervisory Board, I would like to extend our gratitude to all stakeholders for helping us to navigate such a trying year. I am confident that together, we will continue to stand strong in the face of any adversity.

Oleg Popov
Chairperson of the Supervisory Board

YURIY RYZHENKOV

In 2020, Metinvest stood in solidarity with its stakeholders to help to overcome the unprecedented challenges caused by the global pandemic. Supporting them played a crucial role in the Group achieving strong operational and financial results.

A YEAR TO REMEMBER

In hindsight, 2020 was a year of highs and lows as the world transitioned from a near-total standstill to tentative recovery. In the prevailing circumstances, the Group made impressive achievements. Operationally, we achieved record efficiency gains, implemented important investment projects and enhanced our vertical integration. Financially, we achieved greater margins on our products, a sizeable increase in profit and strong cash flow generation. In addition, we made significant progress in terms of supporting our employees and communities, as well as advancing our environmental, social and governance (ESG) agenda.

CHANCE FAVOURS THE PREPARED

As COVID-19 transformed from a localised outbreak into a global pandemic of historic proportions, our top priority was to protect our employees and local communities. We moved decisively from the outset by enhancing the health protocols at our assets. We also transferred administrative staff to remote work to minimise their exposure. To coordinate efforts, we centralised decision-making in our anti-crisis headquarters, established in 2017 to respond to such situations, and created anti-crisis centres at each production asset to implement action. These and other measures helped us to limit COVID-19 infections among our staff to less than 4% of the workforce.

Amid the pandemic, we did not compromise on our ultimate goal of zero occupational incidents. We have yet to achieve this ideal, as there were five workplace fatalities. Notwithstanding these tragic accidents, our steady year-on-year progress in this area brought our key safety metrics down further. The most notable achievement in this regard was our lost-time injury frequency rate, which reached 0.520, the lowest in the Group's history.

Standing_together

After ensuring the safety of our people, the next task was to maintain uninterrupted production across our assets. While we had to implement short shutdowns at our two Italian re-rolling facilities in March and April, we had no major interruptions at other units.

The flexibility provided by our vertically integrated business model allowed us to quickly adapt our product mix and sales strategy amid the rapidly changing external conditions. We were able to shift the operational focus to match market developments. For instance, when China's economy began to improve in the second quarter of 2020, as the country was the first to start recovering from the pandemic, we allocated additional volumes of iron ore and steel there.

We ultimately delivered robust operational results. Compared with 2019, output of iron ore concentrate increased by 5%, hot metal by 7% and crude steel by 9%. The share of steel products in the Group's output of merchant pig iron and steel products reached 88%, up two percentage points year-on-year.

This also reflects the positive effect of investments in our assets in recent years, such as the new down coiler at Ilyich Steel's modernised hot strip mill and the upgrade of beneficiation facilities at Central GOK. Overall, despite the difficult external environment, we maintained capital expenditure at a decent level in 2020.

DOING MORE WITH LESS

In addition, Metinvest focused on new ways to secure further operational efficiency gains throughout the business. We improved raw material and energy consumption, optimised equipment productivity, streamlined logistics and more. These efforts yielded a total economic gain of US$376 million in 2020, a six-fold increase year-on-year.

Such initiatives helped to reduce the cost base, which in turn contributed to boosting the profitability of both the Mining and Metallurgical segments. The Group's EBITDA climbed by 82% year-on-year to US$2,204 million and the EBITDA margin by ten percentage points to 21%. This drove net profit to US$526 million, up 54% year-on-year.

Meanwhile, we maintained our prudent approach to liquidity management. We released working capital of US$242 million, supported by further-reduced inventories, while lowering capital expenditures as planned. Our free cash flow generation totalled US$916 million, which made it possible to triple our year-end cash balance to US$826 million.

MANAGING LIABILITIES CAREFULLY

We undertook several major liability management transactions during the reporting period to further improve the quality of our debt portfolio.

We extended the maturity of Metinvest's existing bonds by issuing US$333 million in a seven-year paper. This provided funding to redeem the bonds due in 2021 and 38% of the bonds due in 2023. We embarked on our first partnership with an international financial institution, the Black Sea Trade and Development Bank, which extended a EUR62 million, seven-year facility. The proceeds will be used to fund capital investment plans at our iron ore producers. We also launched a new EUR75 million accounts-receivable securitisation programme for our re-rolling assets in Italy. This will help to expand our customer base and provide additional flexible solutions for financing sales in Europe.

Our prudent debt management and enhanced profitability helped to reduce the net debt to EBITDA ratio to 1.0x as of 31 December 2020.

ADVANCING OUR ESG AGENDA

In the past decade, Metinvest has significantly reduced its carbon footprint. While our transformational journey to becoming a low-emission steel producer is well underway, the global drive for carbon neutrality is creating new business opportunities.

At present, electric arc steelmaking has lower carbon footprint. Such a route requires higher-grade iron ore products as feedstock. The Group's magnetite ores are better suited to this than hematite fines produced in Australia and Brazil. In response to this opportunity, we completed the upgrade of Central GOK's beneficiation facilities in 2020, enabling us to launch production of 2.3 million tonnes of pellets with 67.5% Fe content used in DRI technology. Northern GOK is due to follow suit.

As the pandemic has shown, companies that prioritise ESG matters appear more resilient. To ensure that we remain on track, we initiated an independent third-party assessment of Metinvest's ESG performance in 2020. The Group's debut ESG Risk Rating from Sustainalytics ranked it in the top 10 of 140 rated steel companies. In April 2021, after the reporting period, the update to our ESG Risk Rating showed definitive progress in this critical area. As CEO, it is an honour to see the Metinvest team receive this recognition of its performance, particularly compared with peers.

OUTLOOK FOR 2021

Overall, the outlook for 2021 is cautiously optimistic. Significant stimulus measures in many economies and an increase in COVID-19 vaccinations worldwide is promoting a broader recovery. This illustrates how caring for the health and wellbeing of people and communities became a precondition for economic growth. At the same time, the pandemic is not yet over, and we will continue to take every precaution to protect those around us.

In 2021, Metinvest is sharpening its focus on the long-term sustainability of the business even more, especially regarding health and safety, the environment and local communities. In parallel, we are strengthening our vertical integration further, including through the consolidation of Pokrovske Coal, which we completed after the reporting period; sustaining and building on our hard-won operational efficiencies; and seeking ever-greater digitalisation. We will also continue to implement our investment programme, while looking for initiatives that will contribute to decarbonisation, and maintain astute financial management.

As 2020 has proven, we are stronger when we stand together with our stakeholders. In 2021, I am confident that we can overcome any additional challenges by working in unison with our employees, customers, suppliers and contractors, local communities, equity and debt providers, and government authorities.

Yuriy Ryzhenkov
Chief Executive Officer

Goal: sustainable growth of value

INPUTS

NATURAL CAPITAL

Iron ore mining
71,318KT

Raw coking coal extraction
7,281KT

Electricity
8,186GWh

Natural gas
1,147MCM

Water intake
603MCM

Overburden removal
76MCM

HUMAN CAPITAL

Employee headcount[4]
80,000+

Suppliers and contractors
8,300+

Average monthly salary
US$965

Employee training sessions
111,197

FINANCIAL CAPITAL

Total assets
US$13,454M

Total debt
US$2,937M

STRATEGIC GOALS

- Sustain competitive advantages in steelmaking through vertical integration
- Strengthen positions in strategic markets
- Achieve business excellence through best practice

VALUE CHAIN

INBOUND LOGISTICS → MINING OF RAW MATERIALS → PROCESSING OF RAW MATERIALS → PRODUCTION OF STEEL

FUNDAMENTALS

- Health, safety and environment
- Vertical integration
- Quality
- Transparency

4 As of March 2021, following the consolidation of Pokrovske Coal into the Group.

STRENGTHS

- Global sales network
- Geographic location
- Vast resource base
- Diversified product mix
- Strong institutions
- Lean manufacturing
- Financial prudence
- Human capital
- Solid relationships
- Corporate social responsibility

CASTING OF SEMI-FINISHED PRODUCTS → **ROLLING OF FINISHED PRODUCTS** → **OUTBOUND LOGISTICS** → **SALES AND SERVICE**

SUPPORTING ACTIVITIES

HR | FINANCE | LEGAL | PROCUREMENT | LOGISTICS | PR | IT

GOVERNANCE PRINCIPLES

- Specialisation
- Vertical integration
- Unified strategic management
- Centralisation
- Growth and investments
- Global best practices
- Tradition and innovation
- Commitment to leadership
- Personal commitment

OUTPUTS AND OUTCOMES

EXTERNAL SALES

ISO 9001 certification	**16 ASSETS**
Pig iron and steel products	**9,288KT**
Pig iron and steel product resales	**6,160KT**
Iron ore products	**19,271KT**

FINANCIAL CAPITAL

Revenues	**US$10,453M**
EBITDA	**US$2,204M**
Net profit	**US$526M**
Interest paid	**US$215M**

HUMAN CAPITAL

ISO 45001 certification	**10 ASSETS**
Health and safety spending	**US$106M**
Labour costs	**US$915M**

NATURAL CAPITAL

ISO 50001 certification	**10 ASSETS**
ISO 14001 certification	**12 ASSETS**
Environmental spending	**US$450M**

SOCIAL CAPITAL

Taxes paid	**US$612M**
Investment in communities	**US$15M**

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Delivering on strategy

STRATEGIC GOALS

SUSTAIN COMPETITIVE ADVANTAGES IN STEELMAKING THROUGH VERTICAL INTEGRATION

STRENGTHEN POSITIONS IN STRATEGIC MARKETS

ACHIEVE BUSINESS EXCELLENCE THROUGH BEST PRACTICE

STRATEGIC OBJECTIVES

Sustain competitive advantages in steelmaking through vertical integration:

- Increase operational efficiency and achieve best practice in steelmaking through focused investments in advanced technologies
- Improve Metinvest's self-sufficiency in key raw materials
- Expand production capacity by growing organically and pursuing select acquisition opportunities
- Sustain a continuous improvement culture
- Increase labour productivity

Strengthen positions in strategic markets:

- Increase sales of finished steel products
- Improve the product portfolio mix
- Increase sales of steel products in Ukraine and regional markets
- Build long-term customer relationships and deliver high-quality service worldwide

Achieve business excellence through best practice:

- Continue optimisation of the operating model
- Strengthen the unified corporate culture and maximise employees' commitment
- Enhance unified and efficient business processes
- Maintain transparency of operations and corporate responsibility

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STRATEGIC PRIORITIES	SELECT ACHIEVEMENTS IN 2020
ENHANCE SUSTAINABILITY	In 2020, Metinvest's environmental capital expenditure totalled US$205 million, the largest amount for a single year to date. The Group completed core work on the modernisation of Ilyich Steel's sinter plant, one of the largest environmental projects in Ukraine's history. This and many other key initiatives are aimed at significantly reducing Metinvest's environmental footprint.
STRENGTHEN LOW-COST PRODUCER POSITION	The Group works systematically to enhance its cost position by scrutinising operations. In 2020, it decreased seaborne coking coal purchases, replacing them with cheaper supplies from producers in Ukraine, like Pokrovske Coal, and other nearby countries. Metinvest also implemented operational efficiency initiatives with a total economic effect of US$376 million, six times higher than in 2019. It focused on streamlining back office functions to optimise its corporate overheads while improving service quality, as well as on driving digital transformation. Numerous CAPEX projects are designed to lower production costs.
ENHANCE PRODUCT PORTFOLIO TO STRENGTHEN POSITION IN KEY STRATEGIC MARKETS	In the Metallurgical segment, Ilyich Steel commissioned a new hydraulic down coiler at its recently upgraded hot strip mill 1700. The new equipment is capable of producing heavy 32-tonne hot-rolled coils and has made Metinvest's position more competitive. In the Mining segment, Central GOK completed the upgrade of its beneficiation plant allowing for production of DR-grade pellets. Global steelmakers are driving demand for DRI as they invest in production technology with a lower carbon footprint.
FOCUS ON CUSTOMER NEEDS	The Group's primary focus here was ensuring uninterrupted operations to continue providing the products that customers need. To offer additional flexible financing solutions to customers in Europe, a new accounts receivable securitisation programme was launched for the Italian re-rollers. The core part of the CRM system at Metinvest International, the Swiss trading subsidiary that was in operation for its first whole year, brought considerable value for both the Group and customers. Metinvest began preparing to roll it out in Ukraine and Western Europe.
PURSUE SELECTIVE ACQUISITION OPPORTUNITIES	The Group increased its stake in Dnipro Coke to 100%, allowing it to consolidate the coking asset as a subsidiary from April 2020. It also increased its stake in Zaporizhia Refractories to 50.79%, following which the asset also became a subsidiary from September 2020. Both are consistent with Metinvest's strategic priority of diversifying raw material supplies and improving long-term self-sufficiency to strengthen vertical integration.

In 2020, commodity markets were supported by significant government efforts to stimulate a global economy in recession due to the pandemic. These measures helped to drive global prices for steel and iron ore higher.

Buoyed by stimulus measures

GLOBAL STEEL MARKET

In 2020, global trends on the steel market were shaped by the spread of COVID-19 and government measures to stimulate economic growth amid the ongoing pandemic-triggered recession.

In the reporting period, global crude steel production amounted to 1,878 million tonnes, up 0.2% year-on-year, while apparent consumption of finished steel products totalled 1,772 million tonnes, down 0.2%. Both indicators were primarily driven by China, as its share in both global production and consumption exceeded 56%.

Early in 2020, China moved quickly to contain coronavirus and support its economy with major stimulus measures focusing largely on infrastructure and construction initiatives. As a result, its overall steel consumption climbed by 9.1% year-on-year to set a record of 995 million tonnes.

The country's steel output rose by 7.0% to 1,065 million tonnes, another new high. While in the second and third quarters, there was a deficit in semi-finished products, increased imports negated this.

Metinvest seized this opportunity to ramp up sales to China. In the reporting period, the Group sold almost 0.9 million tonnes of pig iron and steel products, up 5.7 times year-on-year.

Meanwhile, steel demand was mostly depressed in the rest of the world, where it dropped by 10.0% year-on-year. The largest declines among the leading consuming countries were in the US (down 18.0%), Japan (16.8%), India (13.7%) and the EU (11.4%).

The global recession caused by the pandemic led to ongoing protectionism in steel markets. Throughout the reporting period, both the US and EU kept their tariffs and import safeguards in place.

Steel prices started the year at low levels due to weak consumption amid the lockdowns. However, they rebounded in the second half of the year, when demand began to outstrip supply following the easing of restrictions, economic stimulus packages adopted globally, optimism regarding vaccinations, and rising prices for basic raw materials, particularly iron ore and steel scrap. The hot-rolled coil (HRC) FOB Black Sea benchmark surged to US$524 per tonne in the second half of 2020, up from US$426 in the first half, which helped to bring the overall average to US$475 (up 2% year-on-year).

GLOBAL RAW MATERIALS MARKET

In 2020, the two key production inputs for steelmakers, iron ore and coking coal, saw rather different trends.

China, which remains the world's largest consumer and importer of iron ore, continued to drive demand. Rising steel production in the country quickly depleted low inventory levels amid global supply limitations. Early in the year, there were disruptions in shipments due to COVID-19 restrictions, as well as inclement weather in Australia and Brazil, the two largest exporters. Production in Brazil also remained limited, as numerous operations awaited regulatory approval of tailings facilities following recent accidents in the country. In the reporting period, Metinvest quickly addressed the heightened demand from China, increasing shipments of iron ore products to the country by 1.7 times year-on-year to 8.0 million tonnes.

The ongoing supply-demand imbalance drove iron ore prices higher for a second year in a row. The 62% Fe iron ore fines CFR China benchmark ended the reporting period at US$159 per tonne, compared with US$92 at the end of 2019. The average price for the year was US$109 per tonne, up from US$94 in 2019.

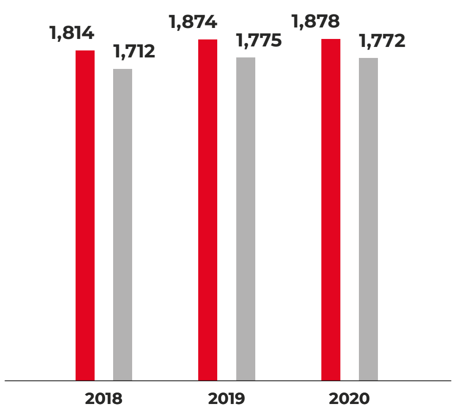
Meanwhile, pellet premiums fell globally. The premium in Europe slumped by 49% year-on-year to US$29 per tonne in 2020, amid a 9% drop in steel output in the region. The premium in China varied, plummeting from US$31 per tonne in January to US$6 in August, then recovered to US$32 in December. As a result, the 2020 average fell by 18% year-on-year to US$23 per tonne.

In the reporting period, China was the largest buyer of coking coal on the global market and accounted for more than half of global exports, despite restricting imports from Australia since the second half of 2020. Coupled with weak demand in the rest of the world, the average hard coking coal spot price index (premium LV, FOB Australia) dropped by 30% year-on-year to US$124 per tonne.

OUTLOOK FOR 2021

In early 2021, COVID-19 vaccination efforts and continued government stimulus measures drove an upswing on the metals and mining markets. The World Steel Association forecasts a rapid recovery in global demand for steel products in 2021, particularly given the low-base effect for countries that saw major declines in 2020. However, continued upward momentum could trigger a shift from steel-intensive infrastructure initiatives to a focus on restoring the hard-hit services sector. This could limit the potential for further strong growth on the global steel and raw materials markets.

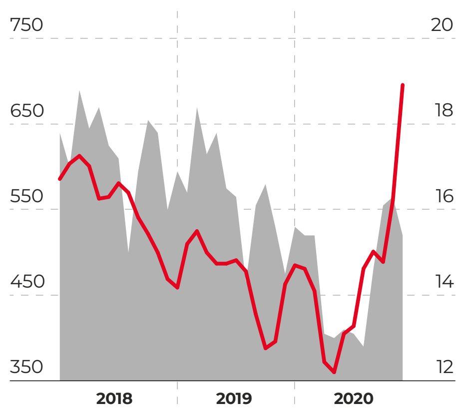
Global steel industry



Crude steel production, MT
Finished steel consumption, MT

Source: World Steel Association

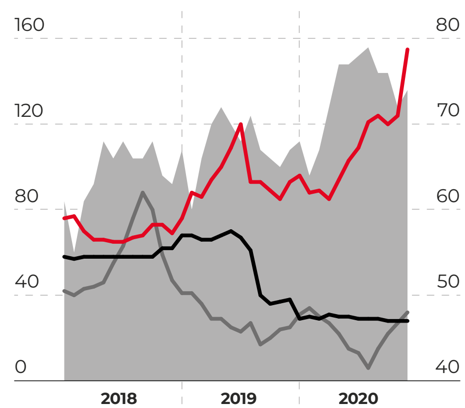
Steel price



Crude steel production in Europe, MT (RHS)
HRC, FOB Black Sea, US$/tonne (LHS)

Monthly data points
Source: World Steel Association, Metal Expert

Iron ore price and premiums



Hot metal production in China, MT (RHS)
62% Fe iron ore fines, CFR China, US$/tonne (LHS)
Atlantic basin pellet premium, US$/tonne (LHS)
Pellet premium in China, US$/tonne (LHS)

Monthly data points
Source: Bloomberg, Platts

Hard coking coal price

Daily spot index, premium LV, FOB Australia, US$/tonne

Monthly data points
Source: Platts

In 2020, the macro effects of the pandemic were felt by virtually every country worldwide. At the same time, Ukraine's steel and iron ore industries fared better than expected, led by Metinvest, whose global reach enabled it to benefit from the recovery in export markets later in the year.

Showing resilience

CAUGHT IN CONTAGION

COVID-19 impacted economies worldwide in 2020, and Ukraine was no exception. Lockdowns introduced to contain the virus hit the service sector hard and interrupted supply chains. Compared with 2019, the country's industrial output decreased by 4.5%[5], gross fixed investments by 24.4%[5] and the grain harvest by 13.6%[5]. Overall, real GDP contracted by 4.0% year-on-year in 2020.

At the same time, as the economy experienced no major structural disruptions, the easing of pandemic restrictions spurred a recovery. While real GDP contracted by 11.2% year-on-year in the second quarter of 2020, it edged down by just 0.5% in the fourth quarter.

In the reporting period, the consumer price index (CPI) totalled 2.7% year-on-year, well below the target of 4-6% set by the National Bank of Ukraine (NBU). The low inflationary pressure allowed the NBU to continue the monetary easing begun in 2019. By the end of 2020, it had gradually slashed the key interest rate to 6.0%, down from 13.5% a year earlier.

Meanwhile, the national currency weakened enough to erase its unprecedented gains of the previous year. The average hryvnia rate against the US dollar fell by 4.1% year-on-year to 26.96, compared with 25.85 in 2019. The hryvnia depreciation also helped to drive the ratio of debt to GDP to 61%[6], despite a relatively moderate increase in overall national debt.

Ukraine remains highly dependent on receiving international financial support to manage its sizeable budget deficit, which was nearly 5.4%[6] in 2020, as well as to meet scheduled debt repayments. While interest in hryvnia-denominated government bonds remained low for most of 2020, driving net outflows of US$1.9 billion[7] from March to November, it began to recover at the year-end.

The cooperation with the IMF is viewed as an important source of liquidity and a driver of positive change in the country. In 2020, a new 18-month, US$5.0 billion programme was approved mid-year, of which US$2.1 billion was drawn down immediately. The remaining US$2.9 billion was delayed amid uncertainties about future policies. Ukraine is working with the IMF on numerous issues, and its short-term funding needs are moderate.

Overall, according to the Ministry of Finance of Ukraine, the government's net borrowings during the reporting period totalled US$1.1 billion from the domestic market and US$4.8 billion from external ones. Amid prudent monetary policy and debt management, the NBU's international reserves increased by 15.1% year-on-year to US$29.1 billion as of the year-end, the highest in nearly a decade.

Ukraine's sovereign credit ratings from the international agencies Fitch and S&P remained unchanged in 2020, both at 'B' with a 'stable' outlook. Moody's upgraded its sovereign rating to 'B3' with a 'stable' outlook, and raised its country ceiling to 'B2'.

5 State Statistics Service of Ukraine.
6 Ministry of Finance of Ukraine, State Statistics Service of Ukraine.
7 NBU.

SOME BRIGHT SPOTS

In 2020, Ukraine's steel and iron ore industries fared better than had been expected amid the pandemic.

In the reporting period, the country's apparent steel consumption fell by 2.3% year-on-year to 5.3 million tonnes, driven mainly by declines of 17.6% in machinery output, 10.5% in pipe production and 16.5% in residential construction. Meanwhile, national steel output fell moderately – by 1.1% year-on-year – to 20.6 million tonnes, as the traditionally export-oriented steel industry quickly reacted to the global recovery later in the year. Consequently, overseas shipments of rolled steel products, excluding pipes, rose by 3.0% to 14.6 million tonnes, according to Metal Expert.

In 2020, Metinvest increased crude steel production at its Mariupol steelmakers by 9.1% year-on-year to 8.3 million tonnes, as it also swiftly responded to a recovery in export demand thanks to its global sales network.

According to Group estimates based on UEX data, in the reporting period, Ukraine's merchant iron ore product output climbed by 4.6% year-on-year to 75.5 million tonnes, while merchant iron ore product consumption rose by 3.1% to 32.3 million tonnes given greater hot metal output. Amid this, Metinvest's sales of iron ore products in the country increased by 19.4% in volume terms. Ukraine's exports of iron ore products climbed by 10.9% to 45.3 million tonnes.

In 2020, Ukraine's coking coal production rose by 10.3% year-on-year to 7.0 million tonnes. Driving this was a 23.2% increase in raw coal output at Pokrovske Coal, which Metinvest consolidated in March 2021, after the reporting period. This helped to further reduce the share of coking coal imports in domestic consumption to 73%, down two percentage points.

The Group's revenues in Ukraine declined by 7% year-on-year to US$2,939 million in 2020. The country's share in Metinvest's top line edged down by one percentage point to 28%.

OUTLOOK FOR 2021

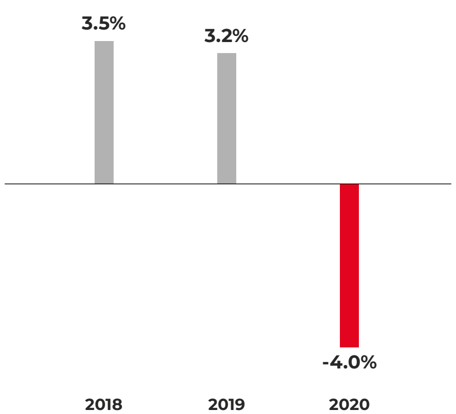
The outlook for Ukrainian steelmakers in 2021 will greatly depend on global economic trends. The limited availability of vaccines in Ukraine could act as a drag on the national economy and mean that the risk of new lockdowns remains. Meanwhile, ongoing restrictions on foreign travel will keep consumer spending focused more on domestic goods and services.

Probable inflationary pressure could trigger a substantial hike in the key interest rate, particularly if the hryvnia does not appreciate enough to prevent the regulator from tightening monetary policy.

While the moderate immediate budget needs can be funded from the government's large liquidity reserves, the deficit is currently expected to remain sizeable. As such, Ukraine needs to meet the IMF's requirements to receive the remaining tranches under that programme. These should also be supplemented with financing from the EU and World Bank.

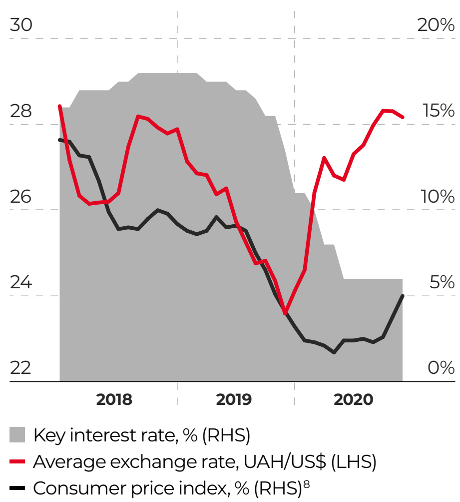
8 For CPI, the year-on-year change is for the relevant month.
9 All indexes represent the cumulative index from the beginning of the respective year, year-on-year change.

Real GDP dynamics



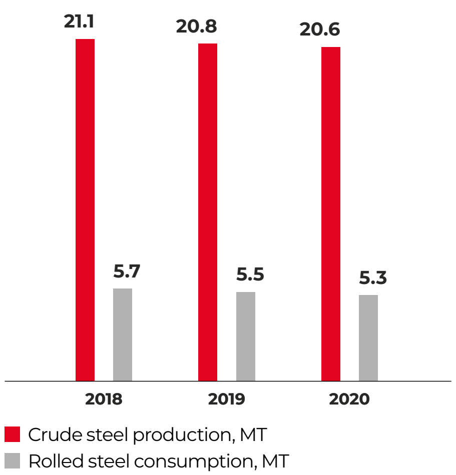
Source: State Statistics Service of Ukraine

Monetary policy



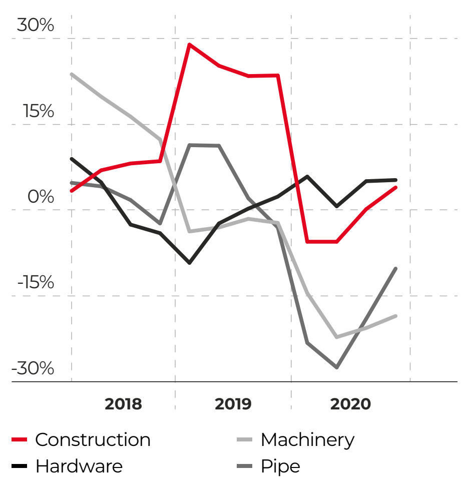
Monthly data points
Source: State Statistics Service of Ukraine, NBU

Steel industry in Ukraine



Source: World Steel Association, Metal Expert

Key steel consuming sectors[9]



Monthly data points
Source: State Statistics Service of Ukraine, Metal Expert

Despite the profound external challenges, Metinvest maintained operational continuity and increased output of key products in 2020, largely given its investments of recent years.

Continuity amid challenges

GREATER INTEGRATION PAYS OFF

In 2020, the Group's vertical integration and self-sufficiency in key production inputs was a critical source of strength. Amid the unprecedented global challenges of the year, the business delivered strong operational results. In the Mining segment, these included greater iron ore concentrate output. In the Metallurgical segment, Metinvest increased output of hot metal, crude steel and semi-finished and finished goods.

After the reporting period, another notable achievement was consolidating control of Pokrovske Coal, the largest producer of high-quality coking coal in Ukraine. Following this, the Group has significantly strengthened its self-sufficiency in this raw material.

For more details about Pokrovske Coal, see the case study on page 25.

MINING SEGMENT

IRON ORE

Metinvest is a top ten global iron ore producer and the second largest[10] in Eastern Europe, in terms of both annual output and reserves. As of 31 December 2018, the reporting date of the Group's most recent assessment of iron ore resources and reserves in accordance with the JORC Code, it had Ore Reserves of 2,296 million tonnes grading 34.2% Fe_T and 25.3% Fe_M and Mineral Resources of 10,163 million tonnes grading 35.2% Fe_T and 26.2% Fe_M.

Metinvest's iron ore extraction and processing assets are Ingulets GOK, Northern GOK and Central GOK. They produce concentrate with an Fe content that ranges from 65.0% to 70.5%.

Northern GOK and Central GOK operate pelletising plants with a combined production capacity of 11 million tonnes of pellets as of 2020. Their pellets have an Fe content from 63.2% to 67.5%. In 2020, Central GOK completed the upgrade of its beneficiation plant, unlocking the production of iron ore concentrate with 70.5% Fe content and pellets with 67.5% Fe content used in DRI technology.

In addition, the Group has a 45.9% interest in Southern GOK, which is classified as a joint venture. It produces concentrate with an Fe content from 65.2% to 68.7%. Metinvest resells the majority of the asset's products.

The Group's iron ore facilities are all located in the city of Kryvyi Rih, which is around 600 kilometres from its Mariupol steelmakers. This relative proximity helps to ensure the long-term security of iron ore supplies for them.

The Group currently mines iron ore from open pits at its enterprises (one at Ingulets GOK, two at Northern GOK and three at Central GOK) through a process of drilling, blasting and removing overburden to external dumps. It also has an underground operation at Central GOK. After shipment to onsite crushing, beneficiation and flotation facilities, as well as pelletising plants, the raw material is processed further.

10 Own estimate based on companies' public production information for 2020, excluding Chinese and Indian companies.

Wastewater from the production process, known as 'tails', is sent to the tailings storage facility at each enterprise. In 2019, Metinvest undertook an audit of its tailings storage facilities to assess dam stability. This found that each of its four facilities complies with local regulations and has capacity sufficient for many years of operations. Strict controls are in place to monitor them.

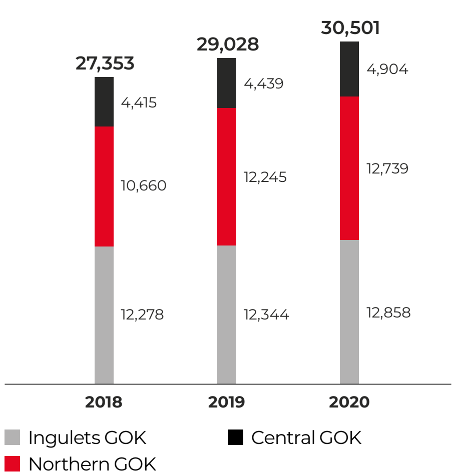
In 2020, the Group increased iron ore extraction by 4% year-on-year to 71,318 thousand tonnes. Together with the effect of operational improvements and use of third-party ore for processing at Central GOK, this resulted in iron ore concentrate output rising by 5% to 30,501 thousand tonnes.

In 2020, the iron ore product mix was affected by weak demand for pellets and reduced premiums for them globally. Consequently, Metinvest decreased total pellet output by 26% year-on-year to 7,554 thousand tonnes, while increasing the remaining concentrate volumes comparably to 21,107 thousand tonnes.

Iron ore concentrate production

30,501KT

+5%



In the reporting period, the Group's self-sufficiency in iron ore, which is calculated as actual iron ore concentrate production divided by actual consumption of iron ore products to produce hot metal, was 299%.

Of the pellets produced, 2,634 thousand tonnes were allocated for hot metal production. In addition, 6,952 thousand tonnes of iron ore concentrate were combined with purchased iron ore concentrate and sinter ore to make 12,419 thousand tonnes of sinter at Ilyich Steel. This was then used in hot metal operations at both Mariupol steelmakers.

During the reporting period, Metinvest's merchant iron ore product output grew by 8% year-on-year to 19,075 thousand tonnes. This came as merchant concentrate production surged by 32% to 14,155 thousand tonnes, mainly amid greater overall concentrate output and changes in the order book at Northern GOK. Merchant pellet output dropped by 29% to 4,920 thousand tonnes. Output of pellets with 67.5% Fe content totalled 1,004 thousand tonnes, compared with none in 2019, following the modernisation of the beneficiation plant at Central GOK.

Overall, the Southern GOK joint venture produced 12,798 thousand tonnes of iron ore concentrate during the reporting period, up 4% year-on-year. As the asset stopped producing sinter in the third quarter of 2019 amid insufficient demand, its merchant concentrate output increased by 11% in 2020. Before the suspension of operations, it had produced 946 thousand tonnes of sinter in 2019.

COKING COAL

Metinvest produces high-quality coking coal at United Coal, in the central Appalachian region of the US. As evaluated by Marshall Miller, according to the US Geological Survey Circular 891, its overall coal reserves base was around 159 million tonnes as of 31 December 2020.

In 2020, United Coal extracted 7,281 thousand tonnes of raw coal, using both underground and surface mining techniques, down 13% year-on-year. Its overall coking coal concentrate output decreased by 3% to 2,883 thousand tonnes[11], as operations were suspended at the Huffman mine in February and one block of the Affinity mine in late March. The effect of this was partly compensated by the commissioning of new sections at other mines. United Coal's output is primarily consumed by the Group's coke production facilities in Ukraine.

In March 2021, after the reporting period, Metinvest consolidated control of Pokrovske Coal, the largest high-quality coking coal asset in Ukraine. As of 1 January 2019, its JORC Mineral Resources and Reserves amounted to 248 million tonnes and 151 million tonnes, respectively.

In 2020, Pokrovske Coal mined 6,162 thousand tonnes of raw coal, using underground mining techniques, up 23% year-on-year, and produced 3,184 thousand tonnes of coking coal concentrate, up 12%.

For more details about Pokrovske Coal, see the case study on page 25.

Following the consolidation of Pokrovske Coal, Metinvest significantly strengthened its self-sufficiency in coking coal. The Group calculates its self-sufficiency as actual coal concentrate production divided by actual consumption of coal concentrate to produce coke required for production of hot metal. Coal consumption for PCI is included in the calculation.

Metinvest also sources coking coal externally. The Group works with numerous suppliers from neighbouring countries and further afield including the US, Canada, Australia and Indonesia.

In June 2019, certain restrictions were introduced on Russian coking coal exports to Ukraine. In March 2020, when these were removed, Metinvest resumed sourcing coal from Russia.

METALLURGICAL SEGMENT
COKE AND CHEMICALS

Metinvest's coking assets consist of Avdiivka Coke, Zaporizhia Coke, Dnipro Coke and the facilities at Azovstal, all of which are in Ukraine. Their current combined production capacity is around 7.4 million tonnes of wet wharf coke a year.

Metinvest also has a 23.71% stake in Southern Coke (classified as an associated company), another Ukrainian metallurgical coke producer, which has a current annual wet wharf coke production capacity of around 0.9 million tonnes.

During the reporting period, the Group's output of dry blast furnace coke grew by 3% year-on-year to 4,808 thousand tonnes. This followed the consolidation from April of Dnipro Coke's production, which amounted to 383 thousand tonnes over the rest of the year. Coke output at Avdiivka Coke declined by 258 thousand tonnes, as fewer ovens were in operation than in 2019.

In 2020, Metinvest's coke self-sufficiency, which is calculated as actual coke production divided by actual consumption of coke to produce hot metal, was 160%.

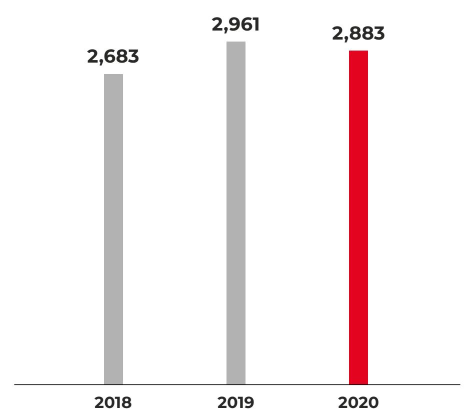
Inkor Chemicals, a chemical product manufacturer in Ukraine, was merged with Avdiivka Coke in December 2020.

> CONTINUED ON PAGE 26

11 Excludes the processing of purchased coal.
12 Starting in April 2020, the coke production data include production volumes of Dnipro Coke after the Group had increased its share in the asset above 50%.

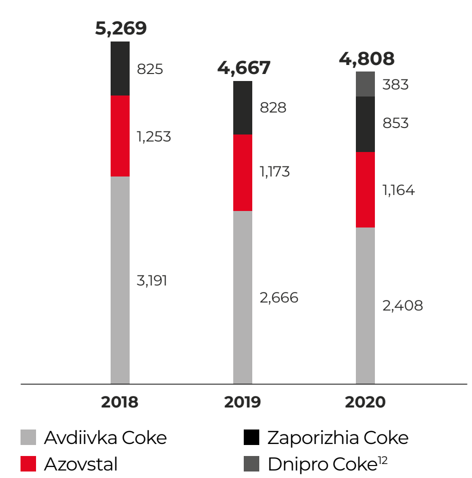
Coking coal concentrate production

2,883KT
-3%



Coke production

4,808KT
+3%



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Pokrovske Coal

Strengthening vertical integration

Metinvest has consolidated control over Pokrovske Coal, a leading producer of high-quality coking coal in Eastern Europe. This acquisition significantly strengthens the Group's self-sufficiency in coking coal.

A STRATEGIC ACQUISITION

Pokrovske Coal comprises several entities, the main ones being Pokrovske Colliery and Sviato-Varvarynska Beneficiation Factory. Together, they mine raw coal, enrich it and sell coking coal concentrate. The assets are located on the border of Ukraine's Dnipro and Donetsk regions, close to Metinvest's coke producers.

As of 1 January 2019, Pokrovske Coal had JORC Mineral Resources and Reserves of 248 million tonnes and 151 million tonnes, respectively, enough to maintain operations for at least 30 years. In 2020, it mined 6,162 thousand tonnes of raw coal, up 23% year-on-year, and produced 3,184 thousand tonnes of coking coal concentrate, up 12%.

In March 2021, after the reporting period, the Group increased its effective interest in the business to a controlling stake. This follows Metinvest's acquisition of 24.77% of the effective interest in it two years ago, as well as an option to purchase the remaining 75.22% from the other co-investors.

FINANCIAL PROFILE

According to management estimates, in 2020 Pokrovske Coal revenues fell by 24% year-on-year to US$385 million. The main driver was a decrease in the benchmark coking coal price, partly compensated by greater volumes. EBITDA totalled US$144 million, down 44%, amid lower selling prices, giving an EBITDA margin of 38%, down 13 percentage points. CAPEX increased by 15% to US$121 million, of which 40% was spent on expansion. Key ongoing strategic projects include the construction of new mine block no. 11.

In 2019-20, amid a potential business combination with the Group, Pokrovske Coal restructured a significant part of its loans and borrowings. As of 31 December 2020, it had external debt of US$535 million. This mainly consisted of a US$480 million restructured debt facility maturing in 2030. Metinvest intends to manage the business' debt portfolio prudently.

SVIATO-VARVARYNSKA BENEFICIATION FACTORY
Raw coking coal enrichment and coking coal concentrate production

LOGISTICAL SERVICES
Passenger and cargo transportation, special equipment maintenance and rail transportation

MINE CONSTRUCTION, MACHINERY PRODUCTION, AND SERVICE AND REPAIRS
Engineering and construction of underground mines, and equipment production and installation

POKROVSKE COLLIERY
Raw coking coal mining

RESOURCES AS OF 1 JANUARY 2019
248MT

EBITDA IN 2020
US$144M

STEEL

Metinvest ranks 45th among steelmakers worldwide and fourth in Eastern Europe[13]. It has two steelmaking assets: Azovstal and Ilyich Steel. Both are integrated producers and located in Mariupol, Ukraine, near the Sea of Azov. The Group's total steel production capacity is 9.6 million tonnes a year.

Metinvest also holds a 49.997% interest in Zaporizhstal, a joint venture that has annual production capacity of some 4 million tonnes of crude steel. It is also one of the Group's top purchasers of iron ore, creating additional synergy through Metinvest's share of its steelmaking capacity. In addition, its product mix is complementary to the Group's. The enterprise is located in Zaporizhia, in southeastern Ukraine, home to Zaporizhia Coke. It stands on the banks of the Dnipro River, a strategic transportation route and close to Metinvest's iron ore facilities in Kryvyi Rih.

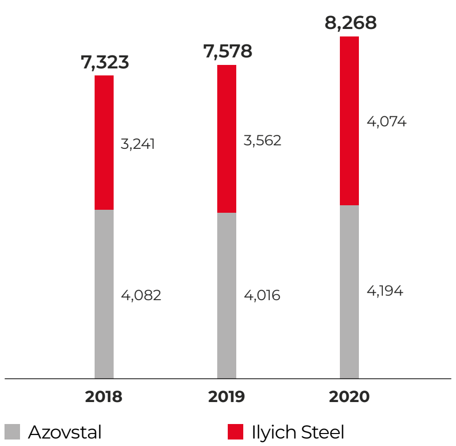
The Group also has four rolling mills in other European countries: Ferriera Valsider and Metinvest Trametal in Italy, Promet Steel in Bulgaria and Spartan in the UK. The flat producers in Italy and the UK re-roll slabs from the Ukrainian steel mills into plates and coils and are close to local customers, while the Bulgarian long producer re-rolls third-party square billets into rebar, wire rod and other long products. Metinvest's total re-rolling capacity in Europe is around 2.1 million tonnes a year.

The Group's subsidiary Unisteel operates a coil galvanising line. The plant is located in Kryvyi Rih, Ukraine, and can produce up to 100 thousand tonnes of such coils a year.

In 2020, Metinvest's hot metal output rose by 7% year-on-year to 8,475 thousand tonnes amid greater production at both Mariupol plants. At Azovstal, production climbed by 9%, as the high-efficiency blast furnace no. 3 was launched following its major overhaul and upgrade in June 2019, as well as the planned major overhaul of blast furnace no. 2 was completed in the fourth quarter of 2019.

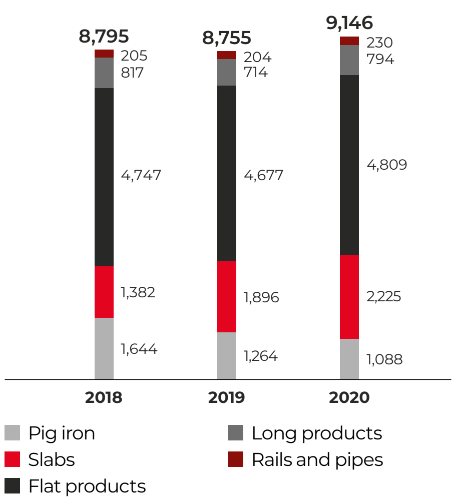
Crude steel production

8,268KT
+9%



Pig iron and steel product output[14]

9,146KT
+4%



At Ilyich Steel, output increased by 5%, mainly amid a low-base effect caused by the shutdown of blast furnaces nos. 3 and 5 for planned overhauls in 2019.

The Group's crude steel output rose by 9% year-on-year to 8,268 thousand tonnes because of two main factors. First, Ilyich Steel boosted production by 14% as hot metal was reallocated to steelmaking. Second, Azovstal increased output by 4% amid greater hot metal production.

From the total volume of crude steel produced, Azovstal and Ilyich Steel cast 7,751 thousand tonnes of slabs, of which 5,526 thousand tonnes went to their own rolling mills and Metinvest's European re-rollers to make flat products. In addition, Azovstal produced 517 thousand tonnes of steel ingots, which were used to make long products and rails.

During the reporting period, Metinvest's output of merchant semi-finished products rose by 5% year-on-year to 3,313 thousand tonnes, as the Mariupol plants boosted merchant slab output by 329 thousand tonnes in response to greater demand. Consequently, pig iron production declined by 14% to 1,088 thousand tonnes.

Output of finished products rose by 4% year-on-year to 5,833 thousand tonnes in 2020. In particular, output of flat products increased to 4,809 thousand tonnes, up 3%. This came amid greater hot-rolled coil production, following the modernisation of hot strip mill 1700 at Ilyich Steel and steady demand for the product, and greater cold-rolled product output in response to more orders, which fully compensated for the lower production of hot-rolled plates. Output of long products rose by 11% year-on-year to 794 thousand tonnes, driven mainly by more orders for rebar. Tubular product output edged down by 3% year-on-year to 151 thousand tonnes. Railway product output soared by 30 thousand tonnes to 79 thousand tonnes because of an increase in orders from Ukrainian Railways.

Overall, the Group's output of merchant pig iron and steel products totalled 9,146 thousand tonnes in 2020, up 4% year-on-year. The share of steel products increased by two percentage points to 88%, driven by their greater production.

To adapt to changing customer needs and market trends, in 2020, Metinvest developed 46 new steel products: semis, plates, hot-rolled coils, cold-rolled products, galvanised products and electric welded pipe.

During the reporting period, the Zaporizhstal joint venture produced 3,784 thousand tonnes of crude steel, down 6% year-on-year. Finished steel goods accounted for 74% of the product mix and merchant pig iron for 26%.

In July-September 2020, Metinvest acquired some 5.4% of Zaporizhia Refractories, increasing its interest to 50.79%, upon which the asset became a subsidiary of the Group. In the reporting period, Zaporizhia Refractories produced around 109 thousand tonnes of refractory products (excluding unmoulded refractories), namely 49 thousand tonnes of chamotte, 20 thousand tonnes of high-alumina products and 41 thousand tonnes of magnesia products.

OUTLOOK FOR 2021

In 2021, Metinvest intends to focus on enhancing its health and safety practices further. Other priorities will be improving product quality; increasing output at Ilyich Steel's hot strip mill 1700; and maintaining the operational efficiency indicators achieved in 2020, particularly the lower metal consumption rate at rolling mills.

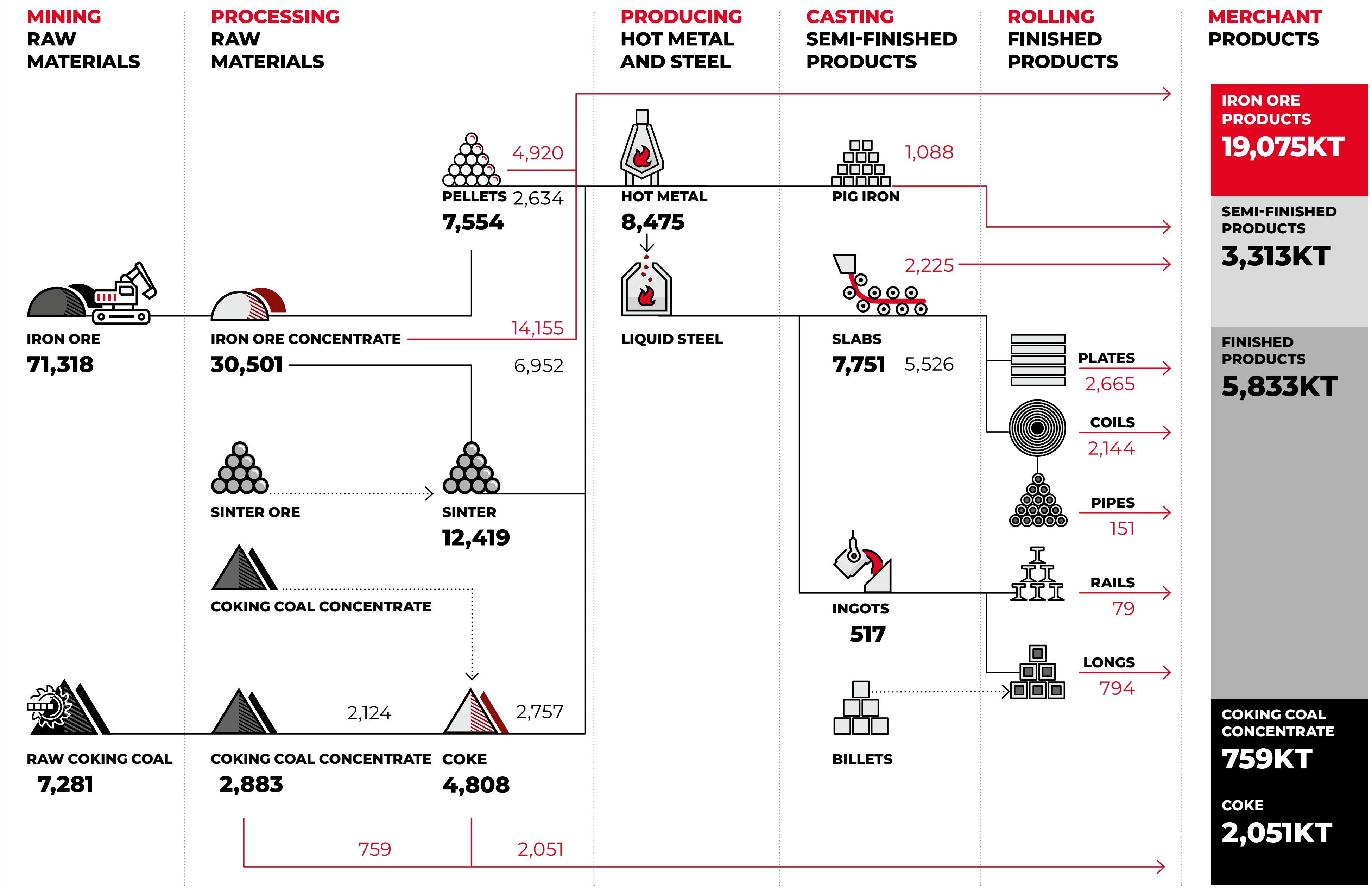
13 World Steel Association ranking for 2020, based on tonnage produced and geographical location of assets.
14 Merchant.

Maximising results from the value chain

As a vertically integrated steelmaker, Metinvest seeks to generate optimal results from every stage of production, from mining iron ore and coking coal to selling finished goods.

Legend

Total production (KT)	Production for intragroup use (KT)	Merchant volumes (KT)	Third-party supply
7,554	2,634	4,920	....



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.

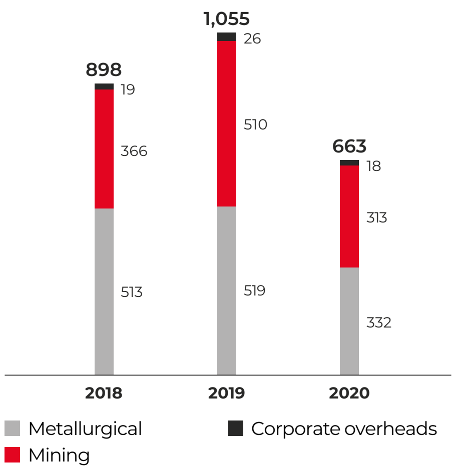
OUTLOOK FOR 2021

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.

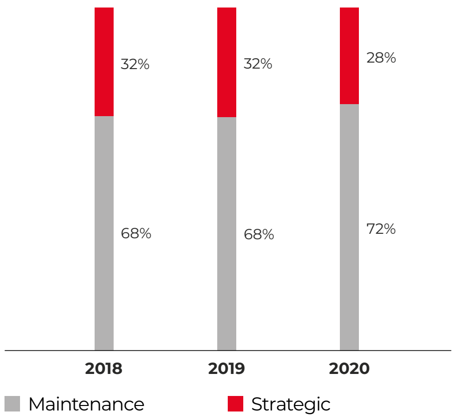
CAPEX by segment

US$663M

-37%



CAPEX by purpose



In 2020, as the global economy adjusted to the adversity caused by COVID-19, Metinvest again demonstrated its agility. Amid major movements on and among key markets, the Group delivered solid financial results due to its vertical integration, proactive response and timely positioning.

Agility amid adversity

REVENUES

Metinvest's revenues are generated from sales of its own steel, iron ore, coal and coke products and resales of goods produced by joint ventures and other third parties.

In 2020, the Group's consolidated revenues decreased by 3% year-on-year to US$10,453 million. 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-related lockdowns affected business activity and steel demand in several strategic markets. Later, the easing of restrictions spurred an economic recovery and a rebound in steel prices, as demand caught up. In addition, Metinvest benefited from iron ore prices, which remained high throughout the reporting period amid global supply disruptions and strong demand in China.

Compared with 2019, the Group's recent investments and global sales network enabled it to increase sales volumes of semi-finished and finished steel products by 7%, coke by 14% and iron ore products by 9%.

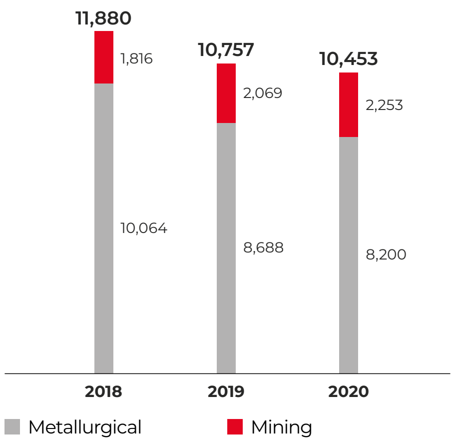
Alongside sales of own products, the Group resells pig iron, steel products and other goods produced by joint ventures and other third parties. During the reporting period, Metinvest sold 15,448 thousand tonnes of pig iron and steel products, of which 9,288 thousand tonnes were manufactured in-house and 6,160 thousand tonnes were purchased from third parties comparing with a total of 14,415 thousand tonnes of pig iron and steel products sales in 2019, of which 8,823 thousand tonnes were made in-house and 5,592 thousand tonnes came from third parties.

Overall, revenues from resales totalled US$3,118 million in 2020, down 4% year-on-year, accounting for 30% of the overall top line.

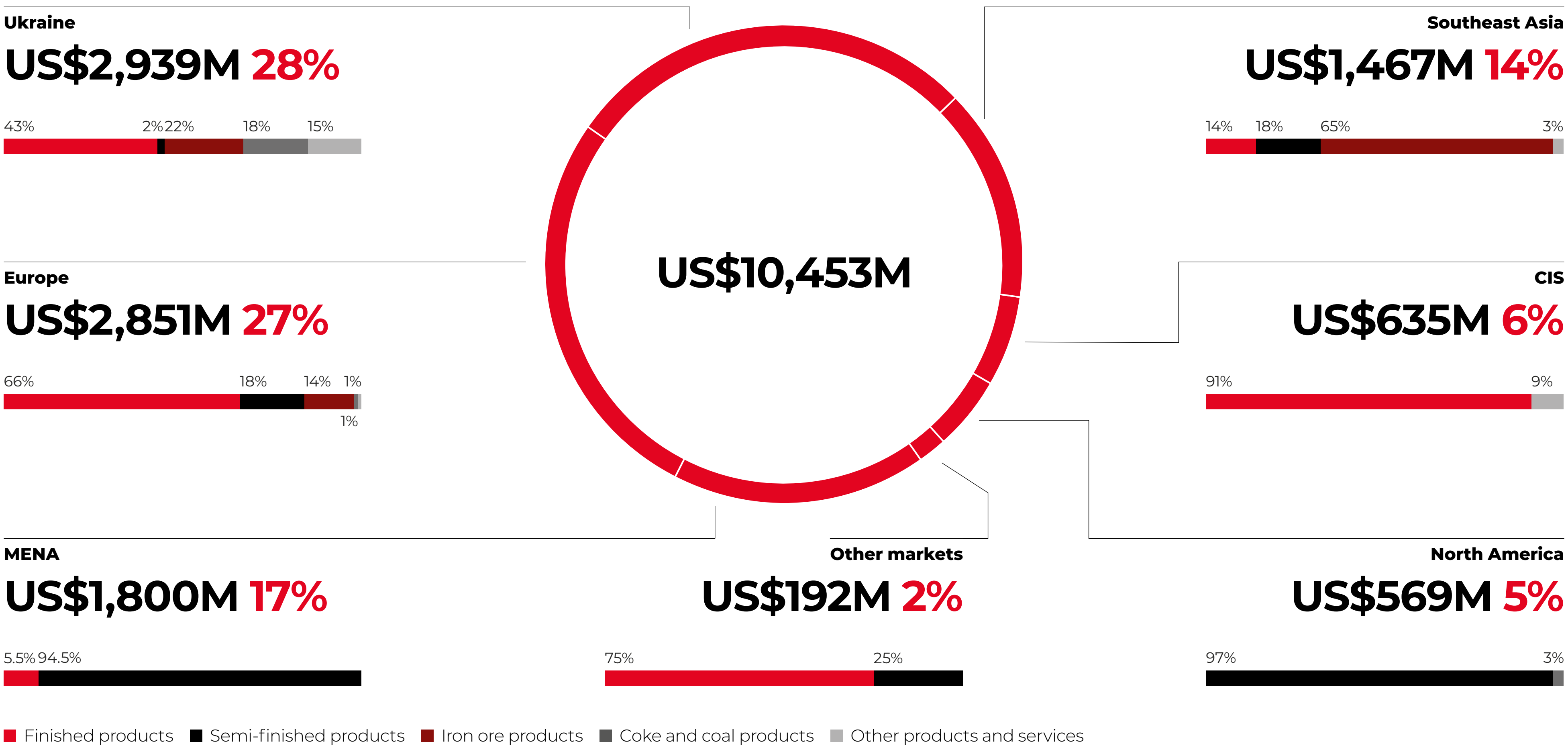
Revenues by segment

US$10,453M

-3%



REVENUES BY MARKET IN 2020



REVENUES BY MARKET

In 2020, revenues in Ukraine declined by 7% year-on-year to US$2,939 million. 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 one percentage point to 28%.

Sales to other markets decreased by 1% year-on-year to US$7,514 million in 2020, accounting for 72% of total revenues.

Sales to Europe fell by 21% year-on-year to US$2,851 million, primarily due to lower steel selling prices, as well as 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 dropped by seven percentage points to 27%.

Revenues from the Middle East and North Africa (MENA) rose by nine percentage points year-on-year to US$1,800 million, mainly on the back of higher shipments of slab (up 2.5 times) and flat products (up 12%). This boosted the region's share in consolidated revenues by 2 percentage points to 17%.

Revenues from Southeast Asia surged by 56% year-on-year to US$1,467 million as Metinvest resumed steel sales to China amid strong local demand. During the reporting period, the Group sold 862 thousand tonnes of semi-finished and finished steel products in the country, while its shipments of iron ore products there rose by 1.7 times. As a result, Southeast Asia's share in revenues climbed by five percentage points to 14%.

Revenues from the CIS fell by 23% year-on-year to US$635 million amid lower sales volumes and prices of flat products. The region's share in consolidated revenues declined by two percentage points to 6%.

Revenues from North America rose by 23% year-on-year to US$569 million, driven mainly by higher shipments of pig iron (up 40%). This boosted the region's share in consolidated revenues by one percentage point to 5%.

Sales in other regions increased by 81% year-on-year to to US$192 million, while their share in total revenues rose by one percentage point to 2%.

METALLURGICAL SEGMENT

In 2020, the Metallurgical segment's revenues decreased by 6% year-on-year to US$8,200 million, driven mainly by the factors mentioned above. The segment accounted for 78% of the overall top line, down three percentage points.

FLAT PRODUCTS

US$4,027M -9%

In 2020, revenues from flat products fell amid lower average selling prices, which follow regional benchmarks with a time lag. Overall shipments rose by 1% to 7,737 thousand tonnes, as sales volumes of in-house goods increased by 4% as a consequence of greater production. Resales declined by 5%, reducing their share in total volumes by two percentage points to 37%. Available volumes were redistributed among markets according to demand. Sales to MENA climbed by 237 thousand tonnes, mainly amid higher shipments of hot-rolled coil to Turkey and North Africa. Sales to Ukraine rose by 44 thousand tonnes, primarily as demand recovered in the second half of the year following the easing of pandemic measures and resumption of regular shipments to key customers. Sales to Southeast Asia increased by 52 thousand tonnes, as Metinvest supplied 253 thousand tonnes to China in 2020. Sales to Europe dropped by 52 thousand tonnes amid lower consumption in the region and the shutdown of the Group's Italian re-rollers in March-April. Both of those factors were caused by the restrictions introduced to combat COVID-19. Sales to the CIS fell by 196 thousand tonnes, partly because of the quota restrictions imposed by Russia, which affected shipments in early 2020. Pandemic measures also constrained demand in the region.

SLABS

US$896M +3%

Higher revenues from slabs were driven by a 51% increase in shipments to 2,187 thousand tonnes amid higher production. Incremental volumes were primarily sold to MENA, where they rose by 519 thousand tonnes because of demand in Turkey.

LONG PRODUCTS

US$861M +3%

Revenues from long products increased, as sales volumes grew by 12% to 1,604 thousand tonnes. There were two main drivers of this. First, in-house volumes rose by 12% amid greater production. Second, resales climbed by 13%, while their share in overall volumes remained flat at 45%. Additional volumes were primarily sold to Ukraine and Europe, the key markets for this product. The average selling price was lower year-on-year, following the trend in billet FOB Black Sea benchmark.

PIG IRON

US$823M +13%

Revenues from pig iron climbed, driven by higher sales volumes, which fully compensated for lower average selling prices. Shipments rose by 17% to 2,421 thousand tonnes, as resales volumes soared by 51%. Sales volumes of own goods fell by 6% because of less production.

SQUARE BILLETS

US$552M +7%

Revenues from square billet resales climbed, as higher volumes fully compensated lower average selling prices. Shipments rose by 19% to 1,352 thousand tonnes. Deliveries to MENA dropped by 134 thousand tonnes. Sales to Southeast Asia rose by 100 thousand tonnes, primarily driven by demand in China. Sales to other regions climbed by 301 thousand tonnes. The average selling price followed the dynamics of the billet FOB Black Sea benchmark, which fell by 3% year-on-year.

COKE

US$473M -17%

Revenues from coke dropped, primarily driven by a decline in the average selling price. Shipments climbed by 14% to 2,145 thousand tonnes, following the consolidation of Dnipro Coke from April 2020.

TUBULAR PRODUCTS

US$83M -12%

Revenues from tubular products fell, primarily due to a 10% decrease in shipments to 147 thousand tonnes.

OTHER

US$485M -25%

MINING SEGMENT

In 2020, the Mining segment's revenues increased by 9% year-on-year to US$2,253 million, despite a significant change in the iron ore sales mix and geography. The shift was caused by weak demand in Europe, strong demand in China and reduced pellet premiums globally. The segment accounted for 22% of the overall top line, up three percentage points.

IRON ORE CONCENTRATE

US$1,403M +53%

In the reporting period, revenues from iron ore concentrate increased by 53% year-on-year to US$1,403 million on the back of higher sales volumes and selling prices. Shipments rose by 33% to 14,220 thousand tonnes, driven by greater output and destocking. Additional supply went to Ukraine and Southeast Asia, where sales volumes rose by 1,771 thousand tonnes and 3,645 thousand tonnes, respectively. Sales to Europe fell by 2,164 thousand tonnes. Shipments to MENA increased by 342 thousand tonnes, propelled by sales to Algeria. The average selling price climbed, following the 16% increase in the 62% Fe iron ore fines CFR China benchmark.

PELLETS

US$642M -30%

In 2020, revenues from pellets fell by 30% year-on-year to US$642 million. This was primarily driven by a 28% reduction in shipments to 5,051 thousand tonnes amid weak demand. Overall, sales to all markets decreased. Selling prices were affected by reduced pellet premiums worldwide.

COKING COAL CONCENTRATE

US$98M -32%

In 2020, revenues from coking coal concentrate fell by 32% year-on-year to US$98 million. This was mainly driven by lower average selling prices, following a 30% reduction in the hard coking coal FOB Australia spot benchmark. Overall sales volumes increased marginally to 759 thousand tonnes. Greater deliveries to Europe and North America compensated lower shipments to Ukraine and other regions.

OTHER

US$110M +18%

- Percentage of segment sales.
- Percentage of remaining sales covered by other products in segment.

NET OPERATING COSTS

In 2020, net operating costs[15] fell by 7% year-on-year to US$9,507 million, driven by several factors.

Spending on raw materials decreased by US$582 million, mainly because of 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; 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.

In addition, the cost of goods and services for resale fell by US$182 million, primarily amid lower purchase prices. Spending on energy materials declined by US$160 million, caused mainly by reduced prices of natural gas (down 35%) and PCI coal (down 35%). The positive effect of the hryvnia's depreciation against the US dollar on costs totalled US$133 million in 2020.

The management reduced repair and maintenance expenses by US$57 million, primarily by a greater use of in-house repair staff. Lastly, services and other costs decreased by US$78 million, largely because of a gain from the revaluation of financial instruments and the option to acquire Pokrovske Coal.

These drivers were primarily offset by two factors. First, foreign-exchange operating losses totalled US$217 million (compared with income of US$57 million a year earlier), caused mainly by the revaluation of outstanding accounts payable balances and intragroup dividends receivable. Second, greater depreciation and amortisation amounted to US$149 million, driven by the ongoing capital expenditure programme, as well as a revaluation performed in 2019.

As a percentage of consolidated revenues, net operating costs fell by four percentage points to 91%.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

In 2020, impairment of property, plant and equipment fell to US$6 million (US$84 million in 2019) and accounted for 0% as a share of consolidated revenues (1% a year earlier).

IMPAIRMENT OF FINANCIAL ASSETS

In 2020, impairment of financial assets increased by 19% year-on-year to US$93 million. This was mainly due to an expected credit loss provision of US$115 million accrued in the first half of the year. It was subsequently partly reversed in the second half of the year.

As a share of consolidated revenues, impairment of financial assets was unchanged at 1%.

OPERATING PROFIT

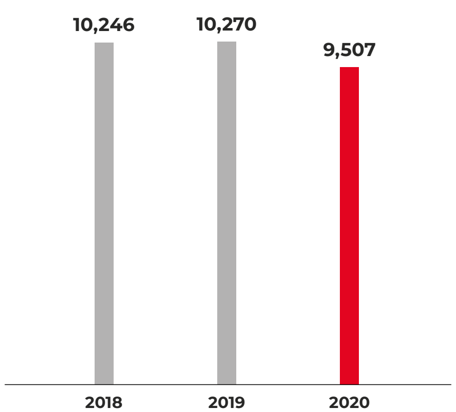
In 2020, operating profit almost tripled year-on-year to US$847 million, primarily driven by lower net operating costs and impairment of property, plant and equipment. This was partly offset by lower revenues and higher impairment of financial assets.

The operating margin stood at 8%, up five percentage points.

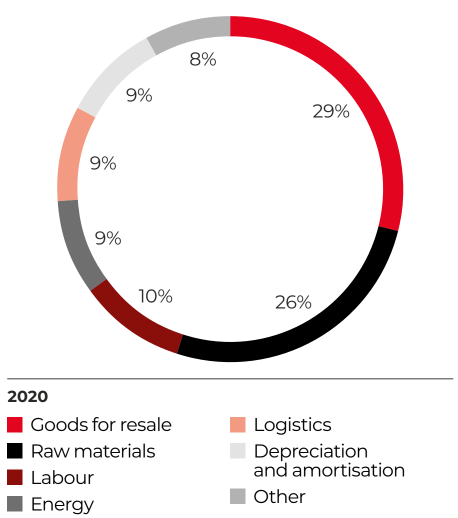
Net operating costs

US$9,507M

-7%



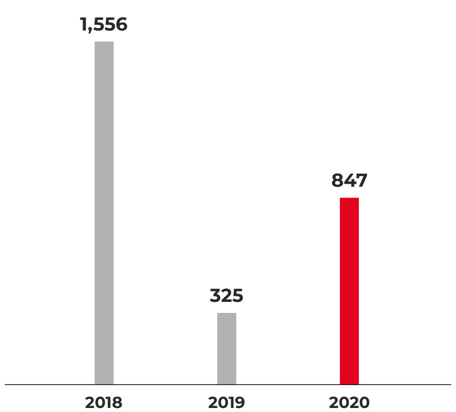
Net operating costs by category



Operating profit

US$847M

+2.6x



15 Net operating costs are presented without the effects of operational improvements.

EBITDA

In 2020, Adjusted EBITDA[16] climbed by 82% year-on-year to US$2,204 million. This was primarily due to the Metallurgical segment's EBITDA recovering to positive US$890 million, compared with negative US$107 million a year earlier. In addition, the Mining segment's EBITDA increased by US$105 million to US$1,448 million. While corporate overheads rose marginally to US$92 million, eliminations amounted to negative US$42 million, compared with positive US$63 million in 2019.

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

The increase in the Group's EBITDA was primarily driven by the positive effect of operational improvements, lower spending on raw materials, greater contributions from both joint ventures, higher sales volumes, reduced expenses on energy materials, the positive effect of the hryvnia's depreciation against the US dollar on costs, stronger earnings from resales, and higher average iron ore concentrate selling prices. These factors were partly offset by lower average selling prices for steel products, coke and coking coal concentrate, as well as by weaker pellet premiums.

For more details, see the operational improvements case study on pages 35-36

In 2020, the consolidated EBITDA margin expanded by ten percentage points year-on-year to 21%. The Metallurgical segment's EBITDA margin rose by 12 percentage points to 11%, while that of the Mining segment climbed by six percentage points to 46%.

FINANCE INCOME

In 2020, finance income fell by 76% year-on-year to US$60 million, as no foreign-exchange gains from financing activities were recorded.

As a percentage of consolidated revenues, finance income amounted to 1%, down one percentage point.

FINANCE COSTS

In 2020, finance costs doubled year-on-year to US$566 million, which was mainly attributable to foreign-exchange losses from financing activities.

As a percentage of consolidated revenues, finance costs increased by two percentage points to 5%.

SHARE OF RESULT OF ASSOCIATES AND JOINT VENTURE

In 2020, the share of net income from associates and joint ventures more than tripled year-on-year to US$285 million. This was mainly attributable to a greater contribution from the Southern GOK JV (US$147 million) amid higher iron ore prices, and from Pokrovske Coal (US$51 million), 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 year-on-year to US$100 million, due to lower income from changes in deferred taxes. The latter fell by US$70 million following the utilisation of tax losses carried forward for the 2019 financial year. The current tax expense dropped by US$17 million.

The effective tax rate, calculated as total income tax divided by profit before tax, increased to 16% in 2020, up four percentage points.

NET PROFIT

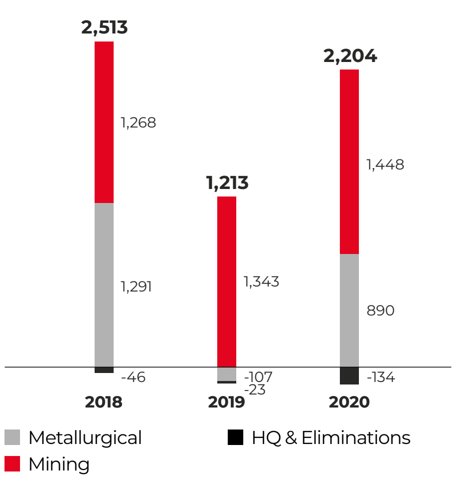
In 2020, net profit rose by 54% year-on-year to US$526 million. This was due to lower net operating costs, a greater contribution from associates and joint ventures, and lower impairment of property, plant and equipment. These factors were partly offset by lower revenues, higher finance costs, lower finance income, as well as higher income tax expense and impairment of financial assets.

The net profit margin amounted to 5%, up two percentage points.

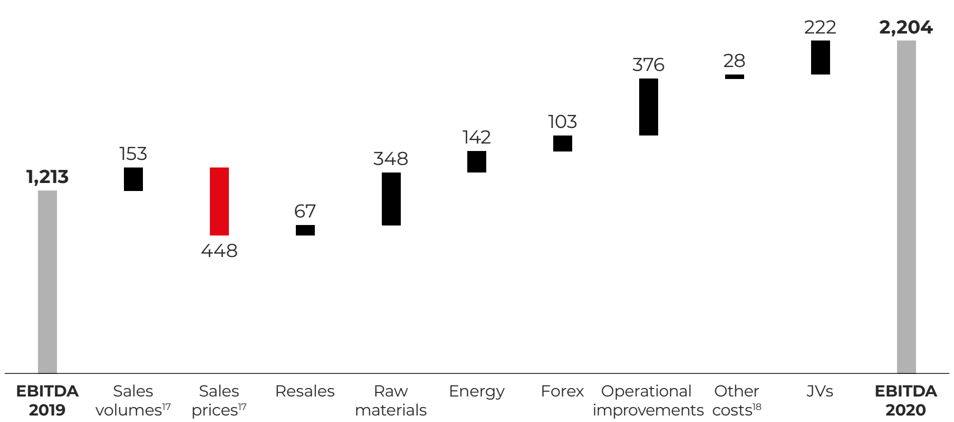
>> CONTINUED ON PAGE 37

EBITDA by segment

US$2,204M
+82%



EBITDA drivers (US$M)



16 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. Adjusted EBITDA is referred to as EBITDA in this report.
17 Net of resales.
18 Other costs include fixed costs (excluding labour costs) and other expenses; net of resales.

Operational improvements

In 2020, Metinvest continued to focus on overcoming several challenges, one being an efficiency gap compared with leading peers in the industry. By the year-end, the Group had succeeded in narrowing it significantly.

CLOSING THE EFFICIENCY GAP

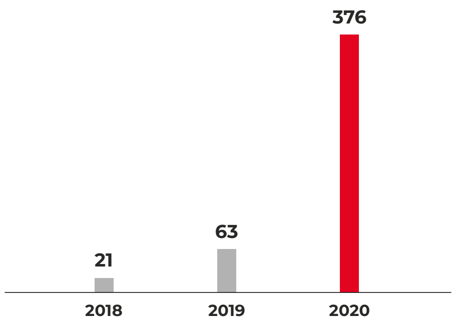
Among the many uncertainties posed by 2020, one constant was Metinvest's focus on operational efficiency. By engaging personnel in continuous improvements, in particular through customising the incentive system and using IT tools, the Group was able to connect directly with each employee to fully engage the workforce in achieving the desired goal.

Overall, Metinvest achieved operational improvements totalling US$376 million during the reporting period, a six-fold increase year-on-year. This was primarily due to reductions in variable costs, driven by such measures as lower equivalent fuel consumption at the steelmakers and improved mining fleet efficiency at the iron ore producers.

Effect of operational improvements

US$376M

+6.0x



Pursuing greater___efficiency

Strategic Report
Sustainability Report
Governance Report
Financial Statements
Additional Information

In addition, Metinvest introduced digital strategies for much of its processes and businesses.

In 2020, the Group's steel plants delivered operational efficiency gains of US$184 million, primarily from advances in sinter, iron and steelmaking operations. The single largest contributor in monetary terms was better equivalent fuel consumption in hot metal production, which resulted from numerous investment projects and operational measures.

One key operational activity was the initiative to stabilise blast furnace heat balance by reducing the silicon content of hot metal and decreasing its variability. During the second half of 2020, the variability was halved across Metinvest's blast furnaces.

This reduced the silicon content of hot metal from 0.71-0.76% to 0.64-0.65% and, in turn, coke consumption by 5 kg a tonne. One of the most promising developments in this area is the use of artificial intelligence to control blast furnace heat balance. In 2020, a solution for predicting silicon in hot metal was developed and successfully tested at Azovstal's blast furnace no. 4. In 2021, the Group plans to roll this out across all of its blast furnaces.

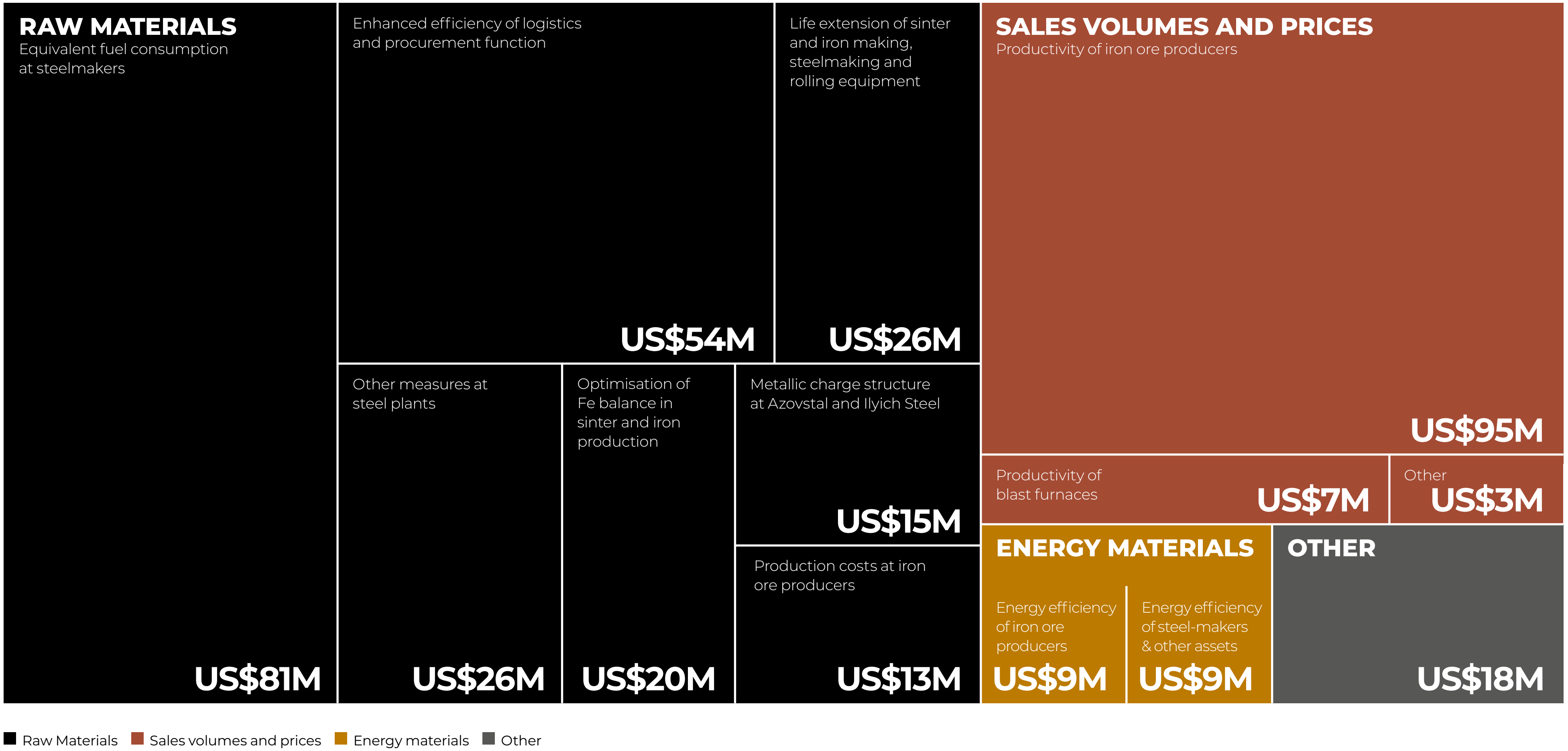
Meanwhile, Metinvest's iron ore assets made combined operational improvements of US$117 million, mostly from enhanced productivity.

First, the Group increased the equipment utilisation ratio by renovating the heavy truck fleet, optimising repair and maintenance work, and extending the life of quick wear units. Second, it extended the available operating time of open pit mines by reducing the number of blasts and enhancing their intensity. Third, the Group improved productivity at its ore beneficiation plants. Among other factors, these helped Metinvest to boost overall iron ore concentrate output by 5% year-on-year in 2020.

This had a significant economic effect, as the ability to sell additional volume coincided with a time when the benchmark iron ore price was high.

From here, the aim is to sustain the operational efficiency momentum gained in 2020. The Group recognises that each further step will be increasingly difficult. To achieve its objectives, it will need to apply creative solutions and tools, including digital technology such as artificial intelligence.

OPERATIONAL IMPROVEMENTS DURING 2020 CREATED US$376M OF SAVINGS CONSISTING OF:



LIQUIDITY AND CAPITAL RESOURCES

NET CASH FROM OPERATING ACTIVITIES

In 2020, net cash flow from operating activities more than doubled year-on-year to US$1,740 million, primarily as a result of a 66% increase in operating cash flow before working capital changes.

In addition, income tax paid decreased by 50% to US$119 million in 2020, mainly due to the utilisation of tax losses carried forward for the 2019 financial year.

While interest paid remained almost unchanged at US$215 million, there was a working capital release totalling US$242 million in 2020. The latter was attributable to:

- a drop in inventory of US$217 million (mainly iron ore products by 838 thousand tonnes, coal by 609 thousand tonnes and pig iron by 87 thousand tonnes)
- a rise in trade and other accounts payable of US$372 million
- an increase in trade and other accounts receivable of US$347 million, 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, totalled 30 days, down 22 days year-on-year.

NET CASH USED IN INVESTING ACTIVITIES

In 2020, net cash used in investing activities totalled US$824 million, down 13% year-on-year. Total cash used to purchase property, plant and equipment and intangible assets decreased by 24% to US$678 million.

In addition, US$13 million was spent on loans issued, down 91%. Principal payments under a guarantee totalled US$77 million, while US$70 million was spent on other payments (US$45 million in 2019).

At the same time, the Group received US$3 million in interest on loans issued and deposits (US$17 million in 2019) and US$1 million of proceeds from the sale of property, plant and equipment (US$3 million in 2019), while proceeds from the repayment of loans issued totalled US$10 million (nil in 2019). No dividends were received in 2020 (compared with US$124 million 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 million. During the reporting period, the Group used US$573 million to repay loans and borrowings, primarily US$308 million to redeem all Eurobonds due in 2021 and 38% of those due in 2023, as well as US$178 million to repay the PXF facility. In addition, net repayments of trade finance facilities and payments for commissions on loans totalled US$130 million and US$17 million, respectively.

Dividends paid totalled US$100 million, while US$50 million was used for the acquisition of a non-controlling interest in Northern GOK and US$4 million on other purposes. At the same time, Metinvest raised US$514 million of gross new proceeds from loans and borrowings, including the new seven-year Eurobond and the long-term facility from the Black Sea Trade and Development Bank.

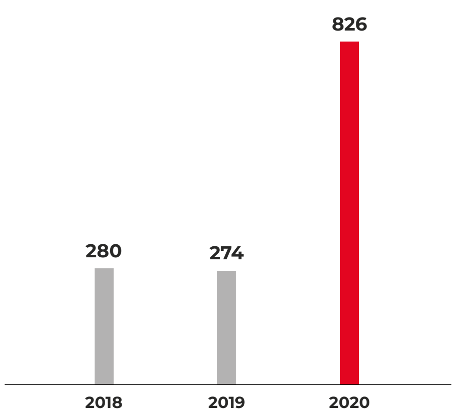
This compares with US$123 million generated from financing activities a year earlier, when the Group raised US$871 million of gross new proceeds from loans and borrowings (mainly from US$824 million from a dual-currency Eurobond offering) and US$37 million of net proceeds from trade finance facilities.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

At the end of 2020, compared with a year earlier, total debt[19] was down 3% to US$2,937 million, the cash balance had tripled to US$826 million and net debt[20] was down 23% to US$2,111 million. Given this and the strong EBITDA generation, net debt to EBITDA had decreased to 1.0x (down 1.3x).

Year-end cash balance

US$826M

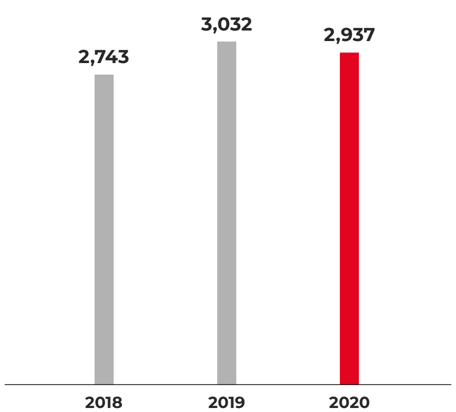
+3.0x



Year-end total debt

US$2,937M

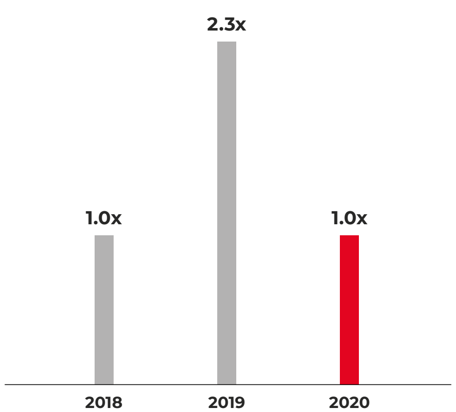
-3%



Net debt to EBITDA

1.0X

-1.3x



19 Total debt is calculated as the sum of bank loans, bonds, trade finance, lease liabilities and deferred consideration.
20 Net debt is calculated as total debt less cash and cash equivalents.

Liability management

Managing liabilities prudently

In 2020, Metinvest worked diligently to ensure that it had the financial flexibility needed in an uncertain environment. In addition to extending its bond maturity profile, the Group launched its first partnership with an international financial institution and a new securitisation programme.

EXTENDING BOND MATURITY PROFILE

In October 2020, the Group took advantage of favourable market conditions to extend the maturity of its outstanding Eurobonds. While this was effectively a debt-neutral liability management exercise, all bonds due in 2021 and 38% of those due in 2023 were extended to 2027.

Metinvest conducted two simultaneous transactions. The first involved capped tender offers to purchase for cash the US$115 million in outstanding 7.50% Eurobonds due in 2021, as well as the US$505 million in outstanding 7.75% Eurobonds due in 2023. Concurrently, it made a consent solicitation in respect of the 2021 bonds to include an issuer call option. The second transaction was a new Eurobond offering of US$333 million bearing a fixed-rate coupon of 7.65% per annum, due in 2027.

The international financial community expressed significant interest in the transactions. The new offering was oversubscribed almost five-fold, as the final book exceeded US$1.6 billion, which made it possible to significantly tighten the issue price during the bookbuilding. Early tender participation was around 90% for the 2021 bonds and 47% for the 2023 bonds.

LAUNCHING THE FIRST SECURITISATION PROGRAMME

In December 2020, the Group launched a new accounts receivable securitisation programme for its Italian re-rollers, Metinvest Trametal and Ferriera Valsider, totalling EUR75 million.

Securitisation is a part of the Group's funding strategy aimed at enhancing its debt portfolio with instruments that will improve its credit profile, reduce the cost of debt and create a prudent framework for reliable, long-term working capital financing. This landmark deal is also part of Metinvest's broader strategy to expand its customer base and provide additional, flexible solutions for financing sales in Europe.

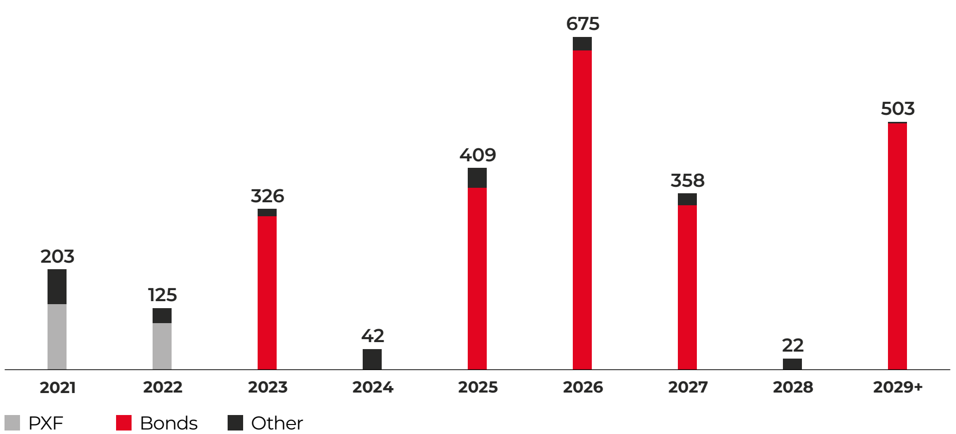
Regarding the new programme, Metinvest Trametal and Ferriera Valsider will originate and sell, on a revolving basis, portfolios of trade receivables to a special purpose vehicle. Their acquisition will be financed by issuing partially paid variable-interest notes backed by the purchased receivables.

INITIATING PARTNERSHIP WITH AN INTERNATIONAL FINANCIAL INSTITUTION

In 2020, the Group also arranged its first financing deal with an international financial institution, the Black Sea Trade and Development Bank, which supports economic development and regional cooperation in the Black Sea region.

Metinvest received a EUR62 million, seven-year credit facility with a two-year grace period for principal repayment. The funds will be used to finance and refinance machinery and equipment purchases by its iron ore producers.

Corporate debt maturity as of 31 December 2020 (US$M)[21]



21 Excluding trade finance and lease liability under IFRS 16. The scheduled instalments presented include principal only (without accrued interest, fees, commissions and discounts).

Digitisation

In September 2018, the Group spun off Metinvest Digital as a standalone entity to spearhead the digital transformation of the business. In 2020, the flexibility created by this proved its value.

The value of readiness

STRATEGICALLY PREPARED

Metinvest Digital oversees the Group's IT function and all related processes and aims to improve performance in the area. It has three primary areas of focus. Operationally, it seeks to provide high-quality IT services and support. In terms of solutions, it looks for ways to increase business effectiveness and create added value. On the innovation front, it strives to implement cutting-edge technologies to increase the Group's digital maturity and operational efficiency.

Metinvest Digital created a reliable IT infrastructure long before the pandemic. In March 2020, when COVID-19 began to spiral, the Group continued to follow the path on which it had set out. This was possible mainly because of its clear vision, a Cloud First strategy and a systematic approach.

Understanding industry trends and the need for flexibility in mobilising teams, Metinvest Digital invested in developing complex IT infrastructure. The Group has progressed its IT in line with global trends by actively introducing new technology. This approach helped it to quickly adapt to the changing realities in 2020.

MICROSOFT AZURE MIGRATION

One of the Group's key IT infrastructure development projects in 2020 was the migration of 680 servers in two data centres to the Microsoft Azure cloud platform.

The migration, the largest of its kind in Ukraine to date, created new opportunities in Metinvest's digital transformation. In particular, it paved the way for introducing the Data Governance programme, since Azure cloud technologies include specialised tools for processing big data, as well as specially optimised unstructured data storage, Azure Data Lake. The big data management programme includes 16 projects in various functional areas.

DIGITAL ROADMAP

In 2020, Metinvest Digital developed a long-term IT architecture roadmap to 2025 for developing the business' main functions: manufacturing and maintenance, finance, sales, internal audit, legal, security, technological development, quality, procurement, logistics, HSE, services, HR, sustainable development and digital initiatives.

In addition, the Group developed a strategy for the comprehensive digital transformation of its iron ore assets to 2025. The Digital GOK programme aims to reduce production costs and streamline business processes using automation. Several projects under it will be piloted at Ingulets GOK and Northern GOK.

SAP

The Group uses numerous SAP solutions. The SAP ERP system, which standardises and automates business processes, was first introduced in 2020 at an asset outside Ukraine: Metinvest International, the Switzerland-based trading subsidiary. The SAP CRM system, which aims to streamline sales, was also initially implemented at Metinvest International, which became the first Group entity to fully automate sales. SAP Ariba, which is dedicated to procurement, increased the functionality of Metinvest's e-procurement platform.

EXPERTISE

The Group constantly strives to improve its IT expertise. In 2020, Metinvest Digital achieved the new status of SAP Silver Partner and extended the status of Microsoft Gold Certified Partner with new competencies. This underscores the Group's readiness to quickly respond and adapt to new challenges, and develop in accordance with international best practice. In 2020, Metinvest Digital confirmed its SAP Customer Centre of Expertise certificate at the Advanced level.

IT SECURITY

Metinvest uses a layered IT security approach. In 2020, it further developed a monitoring function to detect attacks at early stages and react immediately.

In 2020, the pandemic forced the Group to dramatically increase the number of employees working from home. As part of the rollout of the Digital Workplace programme to create such "home offices", Metinvest Digital implemented an endpoint detection and response (EDR) system, an adaptive end-user protection solution; began introducing protection for home networks and hardware; and conducted extensive educational training (some 30,000 employees attended courses). From a vulnerability perspective, while end-users were considered the weakest link in the IT security system before 2020, Metinvest Digital has recorded almost zero damage in this area.

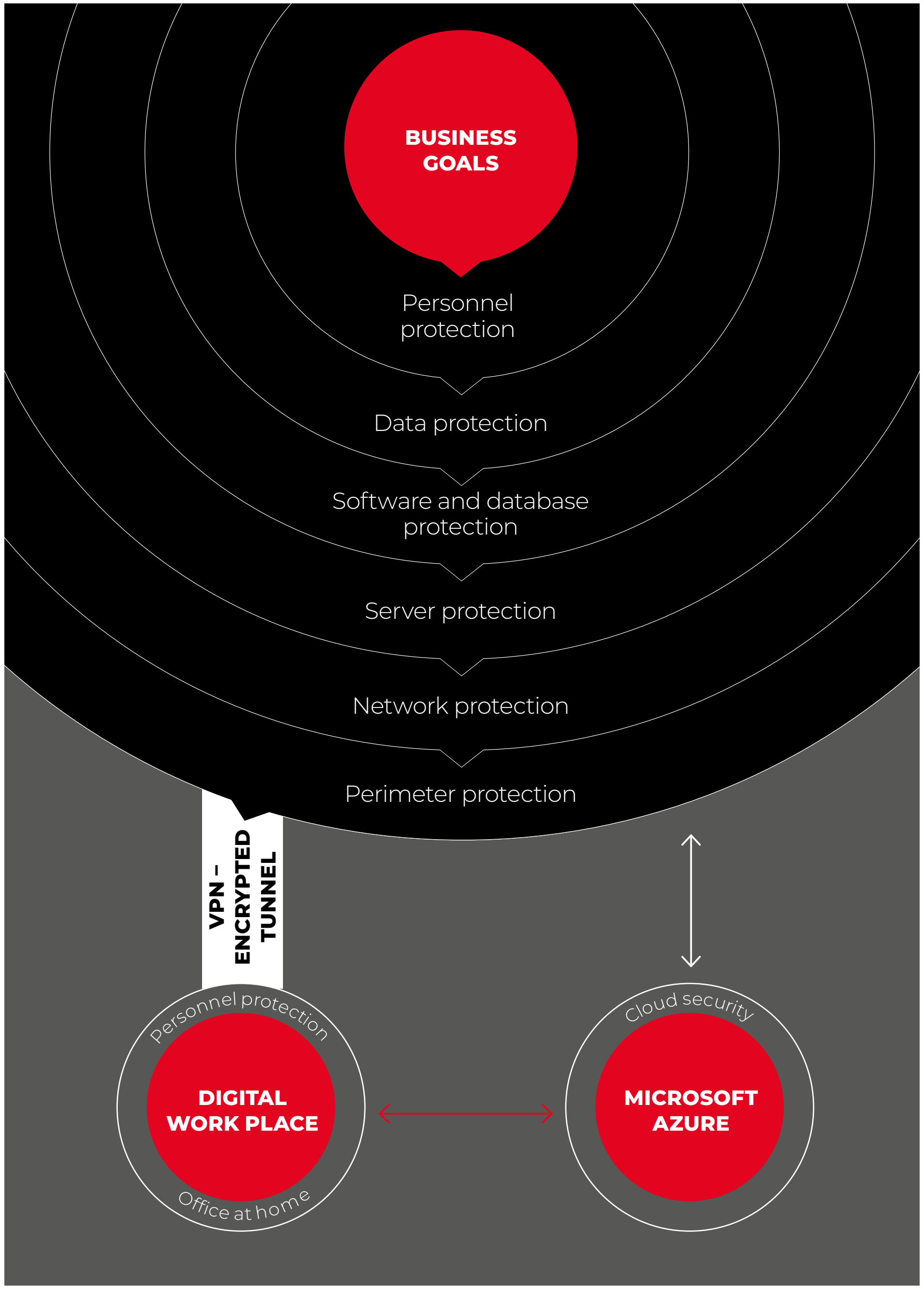
OUTLOOK FOR 2021

In 2021, Metinvest Digital intends to focus on several headline projects. The main ones are the rollout of the AI-driven predictive solution to stabilise blast furnace heat balance; Digital GOK programme; Data Governance initiative; implementation of Digital Workplace at several subsidiaries; and replication of the CRM solution at sales offices in Ukraine and Western Europe.

More broadly, the unit will continue introducing state-of-the-art technologies to create additional value and meet the business' growing demands. Other specific priorities will include improving the quality of the project management office and personnel skills to provide better support services.

Layered defence

Monitoring, response and prevention at each level of process and policy management



Metinvest Business Services

An integrated approach

Since 2013, Metinvest has been implementing a project aimed at optimising its corporate overheads while improving service quality by launching a global centre for support functions. Today, this role is played by Metinvest Business Services, a separate entity within the Group.

MAKING SMART CHOICES

Metinvest Business Services acts as a shared service centre (SSC) that provides many of the Group's key corporate functions for both its Ukrainian assets and Swiss trading arm. It currently provides accounting and tax, treasury, human resources, legal, sales support and translation services, among others. It is also developing projects to cover procurement and other business functions.

Metinvest Business Services was launched with the aim of accomplishing four distinct strategic goals:

- Implement a single global service centre that offers a high level of digitalisation and value creation for the business
- Improve service support quality
- Accelerate the integration of new entities into the Group and provide effective change management
- Minimise the cost of supporting functions without sacrificing service quality.

The SSC also applies modern IT solutions to meet business needs and has developed an internal quality control system that meets international best practice.

The success of Metinvest Business Services' flexible operational model was proven when the pandemic broke out. The SSC was able to quickly adapt, transitioning 85% of its staff to working remotely without any loss in service quality or efficiency. The aim is to grow it into a global business centre encompassing all of the Group's support activities.

OUTLOOK FOR 2021

The key priorities of Metinvest Business Services' development strategy for 2021 include to further increase service quality and scope, optimise the cost of maintaining functions and improve process management.

FOCUS

Metinvest Business Services' key functions include:

ACCOUNTING AND TAX

From transactions to statistical, financial and tax reporting.

Monthly number of transactions exceeds **490,000**.

SALES

Support for commercial transactions from order to receipt.

Monthly number of transactions exceeds **200,000**.

HUMAN RESOURCES

Full range of HR services, including new hires and organisational planning.

Over **40,000** employees use the services.

TREASURY

Unified payment centre, financial and transaction support, and operational treasury reporting.

Monthly number of payment transaction exceeds **45,000**.

LEGAL

Support in contract preparation and performance monitoring, general legal work, corporate rights, and land and real estate services, among others.

Over **60,000** employees use the services.

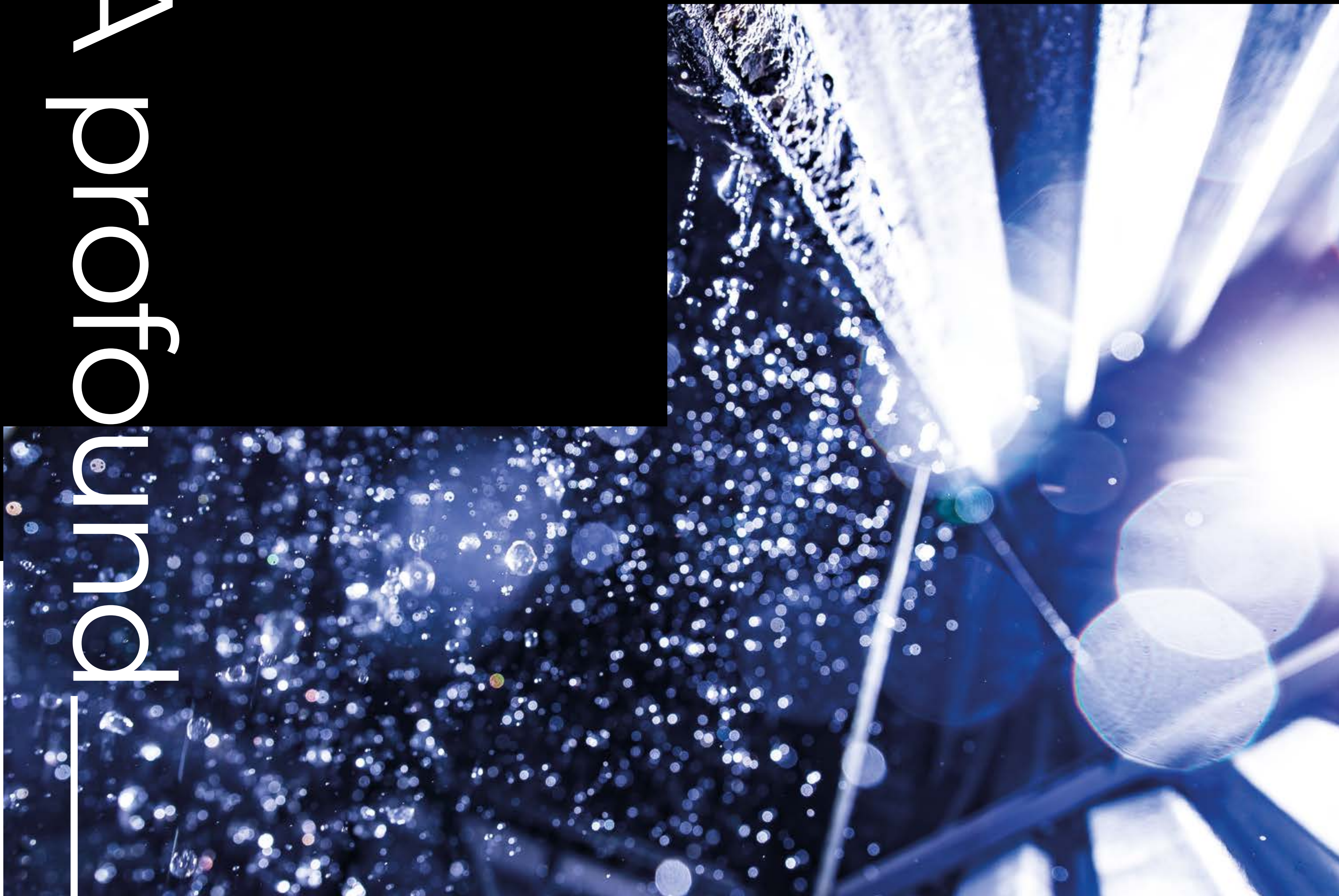
TRANSLATION

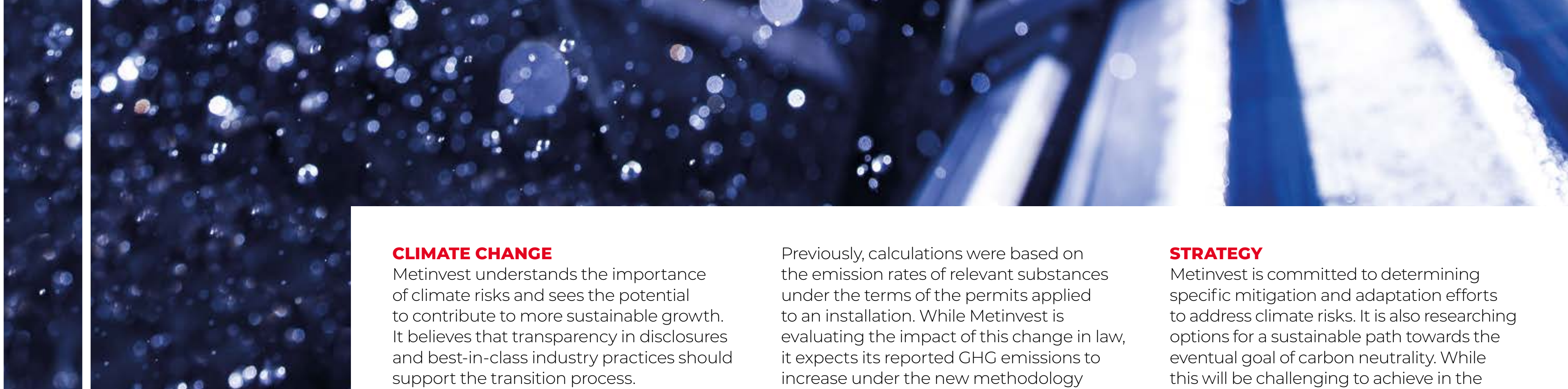
Began providing services to the management company in February 2020. Due to be rolled out to other Group enterprises in 2021.

More than **2,000** translations in 2020 (starting in December).

A profound

Metinvest recognises the increasing urgency to address climate change and supports the global drive towards a low-carbon economy. The Group is searching for a solution to its greatest long-term sustainability challenge yet: carbon neutrality.





commitment

CLIMATE CHANGE

Metinvest understands the importance of climate risks and sees the potential to contribute to more sustainable growth. It believes that transparency in disclosures and best-in-class industry practices should support the transition process.

GHG EMISSIONS

In the past decade, the Group has made significant progress in reducing the volume of its greenhouse gas (GHG) emissions. For example, from 2011 to 2020, its annual direct GHG emissions (calculated for each installation in line with methodologies applied by local regulators) declined from 29.5 million tonnes to 9.3 million tonnes of CO_2 equivalent.

Over the long term, Metinvest aims to continue making meaningful, incremental reductions in the GHGs that it produces. The first significant improvement was in 2011 when Azovstal decommissioned its open-hearth furnaces, before closing its obsolete sinter plant and three coke batteries in the following year. In 2014, Ilyich Steel closed its open-hearth furnaces.

CHANGES AHEAD

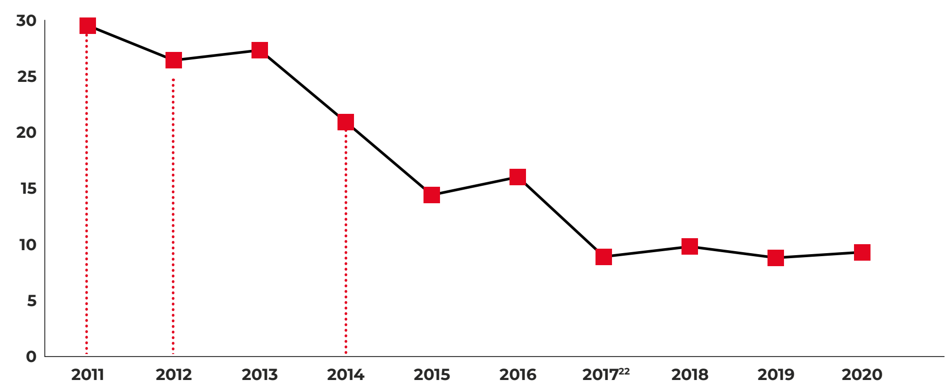
As of 1 January 2021, the way in which the Group calculates its GHG emissions changed, following the adoption of Ukraine's new Law "On the Principles of Monitoring, Reporting and Verification of Greenhouse Gas Emissions". It amends the methodology used to calculate CO_2 emissions (a major part of GHGs), using the full carbon balance at an installation's input and output points.

Previously, calculations were based on the emission rates of relevant substances under the terms of the permits applied to an installation. While Metinvest is evaluating the impact of this change in law, it expects its reported GHG emissions to increase under the new methodology (even absent any change in its operations). However, as the new approach is closer to the one adopted by the EU, it should make the Group's GHG intensity metrics more directly comparable with those of EU-based peers.

STRATEGY

Metinvest is committed to determining specific mitigation and adaptation efforts to address climate risks. It is also researching options for a sustainable path towards the eventual goal of carbon neutrality. While this will be challenging to achieve in the carbon-intensive steel industry, the Group is committed to building a better world for future generations. Metinvest is developing a long-term decarbonisation roadmap, backed by systematic action to support its goals. The key focus will be on the steelmaking and coking assets, as the largest contributors to CO_2 emissions.

Direct GHG emissions in CO_2 equivalent in 2011-20, MT



2011
Azovstal shuts open-hearth furnaces

2012
Azovstal closes obsolete sinter plant and three coke batteries

2014
Ilyich Steel closes open-hearth furnaces

22 In 2017, Metinvest lost control over assets in the temporarily non-government controlled territories of Ukraine (including a vertically integrated steelmaker with an annual crude steel production capacity of 2.7 million tonnes).

Metinvest strives to understand and proactively respond to the various concerns of its key stakeholder groups. By adhering to the principles of sustainability, the Group is better prepared to meet the diverse needs of its employees, customers, suppliers and contractors, local communities, equity and debt providers and government authorities.

Striking a balance

EMPLOYEES

IMPORTANCE FOR METINVEST

Metinvest's people are its most valuable assets. Without them, none of its achievements would be possible. Following recent additions to the Group, some of which were after the reporting period, it now employs more than 80,000 people around the world. Everyone plays a vital role: production workers in making the goods that define the business, and office personnel in supporting them.

ENGAGEMENT

The Group carries out regular engagement surveys to measure and improve the effectiveness of actions taken to increase employee satisfaction. Socially distanced communication channels are in place to allow staff to liaise with senior managers, who can act on the ideas and concerns raised. Metinvest conducts internal training to deliver comprehensive health and safety instruction. In addition, it provides internal courses to develop work skills and partners with universities to enable managers to gain additional qualifications. The Group also maintains a confidential Trust Line, giving staff a secure channel for reporting concerns and complaints.

RESULTS FOR 2020

Despite the pandemic, Metinvest continued to meet its social obligations to employees and did not change base salaries. In 2020, the Group transformed its bonus system to incentivise such priorities as health and safety, operational improvements and customer focus. It also expanded its My Choice individual social package to cover more employees and offered additional coverage options under the programme. In addition, Metinvest invested about US$7 million as part of an initiative aimed at improving the amenities and other services provided to staff. Its employee retention efforts helped to further reduce overall staff turnover to around 5%. The Group also integrated 2,800 employees from recently acquired assets into the team during the reporting period.

CUSTOMERS

IMPORTANCE FOR METINVEST

The Group's core mission as a business is to meet the needs of its customers. In 2020, its global network of 45 sales offices served more than 6,800 customers from nearly 100 countries.

ENGAGEMENT

Metinvest strives to achieve excellence in customer service. Its efforts in the area include to enhance the quality of existing products, develop new ones tailored to customers' needs and optimise logistics to minimise delivery times. The Group regularly communicates with customers to measure satisfaction and swiftly address concerns. However, because of the COVID-19 pandemic, the communication format changed.

RESULTS FOR 2020

In 2020, Metinvest advanced the development of its Key Account Management programme by updating the methodology for segmentation and selection of key customers. This helps to improve the customer service culture. Cross-functional teams continue to work actively with such accounts, as in the previous year, in order to provide a complex solution. During the reporting period, the Group's steelmakers developed 46 new steel products: semis, plates, hot-rolled coils, cold-rolled products, galvanised products and electric welded pipe. A key new product for Central GOK was pellets used in DRI technology, a new market segment for Metinvest.

SUPPLIERS AND CONTRACTORS

IMPORTANCE FOR METINVEST

The Group's suppliers and contractors provide many of the goods and services needed to achieve its goals. In 2020, Metinvest engaged with more than 8,300 suppliers and contractors to receive key production inputs and perform a wide range of services at its facilities.

ENGAGEMENT

The Group engages with suppliers aiming to ensure a fair and level playing field for everyone. It has established an extensive, yet clear set of requirements to ensure strict compliance with the Code of Ethics, as well as health and safety rules. Metinvest also recently introduced the Code of Business Partnership to establish clear standards of compliance with ethical principles and business requirements that should guide both existing partners and new potential suppliers.

RESULTS FOR 2020

During the year, to improve the efficiency of procurement for all parties and increase the transparency of this process, the Group added nine assets to its electronic trading system, which now covers 18 assets in total. As part of the introduction of the SAP ARIBA SLP Module reported in the previous annual report, Metinvest has unified the pre-qualification procedures for all suppliers and made it possible to self-register, in line with the overall drive to automate processes. During 2020, there were around 5,100 pre-qualification reviews, which resulted in the selection of about 560 new suppliers, while some 70 existing ones were disqualified.

LOCAL COMMUNITIES

IMPORTANCE FOR METINVEST

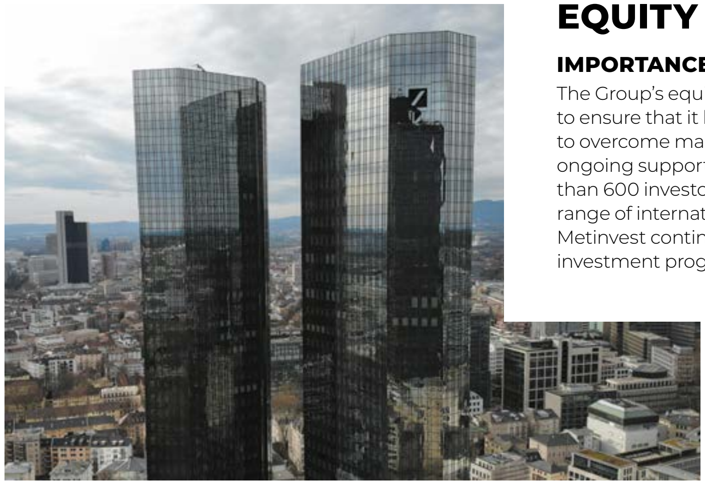
The local communities where the Group operates are more than just the home of the business and its workforce. Metinvest plays a major role in the social, economic and environmental wellbeing of its 2.9 million neighbours in cities and towns throughout Ukraine, Italy, Bulgaria, the UK and the US.

ENGAGEMENT

The Group maintains partnerships with local communities to implement development programmes and improve quality of life. It supports and organises public environmental, sporting and educational initiatives. In addition, it regularly communicates with community representatives to identify key issues and carry out investment projects. Notably, the COVID-19 pandemic added a new urgency and change in focus to many aspects of its community engagement efforts.

RESULTS FOR 2020

During the year, Metinvest deepened its social partnerships with non-governmental organisations in Ukrainian cities. In addition to Mariupol, Kryvyi Rih and Zaporizhia, this successful model for community relations has been rolled out to Avdiivka. These partnerships help to improve social infrastructure, protect the environment and support initiatives in education, healthcare, sport and culture.



EQUITY AND DEBT PROVIDERS

IMPORTANCE FOR METINVEST

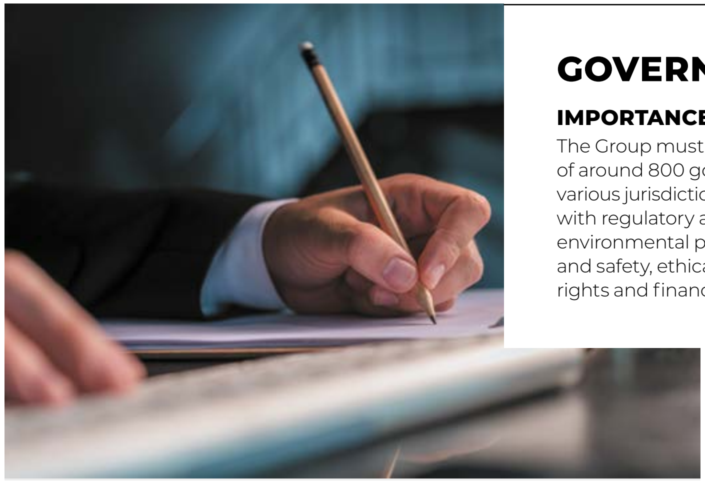
The Group's equity and debt providers help to ensure that it has the financial flexibility to overcome market turbulence. With the ongoing support of shareholders and more than 600 investors, bank lenders and a wide range of international financial institutions, Metinvest continues to implement its investment programme.

ENGAGEMENT

Being present on debt capital markets since 2010, the Group has regularly disclosed relevant financial and non-financial information. It reports publicly available annual and sustainability reports with a strong emphasis on open discussions with the investment community. The communication channels have changed since March 2020. In the absence of face-to-face meetings, everything from conferences to deal roadshows has gone online.

RESULTS FOR 2020

During the year, Metinvest published monthly and quarterly financial results, quarterly operating results, semi-annual and annual financial statements, and corporate presentations and other materials. The Group worked diligently to maintain the trusted relationships developed with the financial community. Regular communication allowed Metinvest to proactively improve its bond portfolio quality when debt market conditions were favourable. The Group also received continued support from banking partners, signing several new facilities that provided an additional liquidity cushion. Recognising the heightened attention that equity and debt providers are paying to ESG matters, Metinvest is working towards expanding the scope of disclosure in this area.



GOVERNMENT AUTHORITIES

IMPORTANCE FOR METINVEST

The Group must comply with the requirements of around 800 government authorities in the various jurisdictions in which it operates. It works with regulatory agencies in key areas such as environmental protection, occupational health and safety, ethical business practices, labour rights and financial activity.

ENGAGEMENT

Metinvest fosters partnership by meeting local legal obligations, assisting in the socio-economic development of regions and being a responsible taxpayer. The main approach is regular direct communication or communication via public meeting platforms.

RESULTS FOR 2020

During the reporting period, the Group maintained an active dialogue with government authorities in the cities, regions and countries where it is present. It sought balanced outcomes to ensure that it and the broader industry can operate under a reasonable regulatory burden, while contributing to community development on the local and national scale. To continue providing much-needed budget revenues to local government stakeholders in Ukraine, Metinvest decided to forego tax holidays offered as a form of pandemic relief for businesses. In 2020, the Group paid US$612 million in taxes globally.

In 2020, Metinvest made progress on its roadmap to adopt a more risk-oriented approach to health and safety, which resulted in an improvement of the lost-time injury frequency rate further.

Progressing towards our ultimate goal

A PROGRESSIVE APPROACH

Metinvest's ultimate long-term goal in health and safety is to achieve zero incidents involving employees and contractors at its operations. The Group is currently implementing a safety roadmap aimed at progressively making this goal a reality. The risk-oriented approach seeks to enact organisation-wide change in the safety culture and especially at worker level.

Metinvest's priorities in health and safety are set in its Policy in the Field of Health, Safety and the Environment. The Supervisory Board's Health, Safety and Environmental Committee oversees compliance with internal procedures, local regulations, as well as reviews incident investigation results to promote risk reduction initiatives and programmes. The committee also supports the Executive Team in implementing the highest standards of health, labour and environmental safety culture throughout the Group.

In 2020, Metinvest continued to transition from OHSAS 18001 to ISO 45001 as the best practice in international occupational health and safety management system standards. As of the year-end, ten of its assets were ISO 45001-certified.

The Group has 15 corporate health and safety standards based on leading international guidelines. It conducts risk assessments at every stage of operations, from planning investment projects to manufacturing and shipping products. Globally recognised standards are embedded throughout the organisation, including hazard identification (HAZID), environmental hazard identification (ENVID), hazard and operability studies (HAZOP), job safety and work safety analysis procedures, and the permit-to-work and lock out, tag out (LOTO) methods[23].

Metinvest also performs regular internal audits to evaluate the safety management systems at each facility. These help to identify areas for further improvement. Each member of the Executive Team visits at least two subsidiaries every year to check compliance with internal standards and regulations.

At each asset, a fully staffed health and safety department advises on relevant matters and ensures compliance with corporate standards, as well as all applicable laws and regulations.

KEEPING OUR PEOPLE SAFE DURING THE PANDEMIC

In 2020, Metinvest implemented a comprehensive programme to protect its employees from COVID-19. Overall pandemic-related employee health and safety spending totalled around US$5 million.

Institutionally and logistically, the Group ensured compliance with legislative requirements governing infection control throughout its operations, including pandemic response measures.

Risk management initiatives related to the pandemic are being carried out by the Metinvest anti-crisis headquarters, which is headed by the Group's CEO. The headquarters has been operating at the Group level since 2017 to rapidly respond to crisis situations of strategic importance. To implement its decisions, anti-crisis centres were created at each of Metinvest's production assets, which coordinate their efforts to prevent, contain and treat COVID-19.

The measures introduced limited the spread of COVID-19 among workers, as well as prevented interruptions in production processes.

23 HAZID, ENVID and HAZOP are procedures for assessing the safety and environmental effects of both new projects and existing processes. LOTO is a safety procedure to ensure that potentially dangerous equipment has been shut down correctly to prevent hazardous releases during maintenance, repair or cleaning.

A MEASURABLE ROADMAP

In 2020, Metinvest continued to implement its safety roadmap to upgrade the health and safety management system, extending the critical risk-oriented approach introduced in 2019.

During the reporting period, the Group progressed on implementing best practices in all areas of the roadmap. The core focus was on work at height, health and safety incentive system refinement, and work with contractors.

SAFE WORK AT HEIGHT

In 2020, Metinvest made further progress on its safe work at height programme, including developing the tools and materials to implement it. The Group also set up training centres where employees can develop practical skills in this field at Azovstal, Ilyich Steel, Central GOK, Ingulets GOK, Northern GOK and Kryvyi Rih Machining and Repair Plant.

As part of the programme, functional managers of production assets and local change champions attended training courses. Overall, around 300 people who work in high-risk areas underwent an intensive five-day course, while an additional 240 people attended a one-day session.

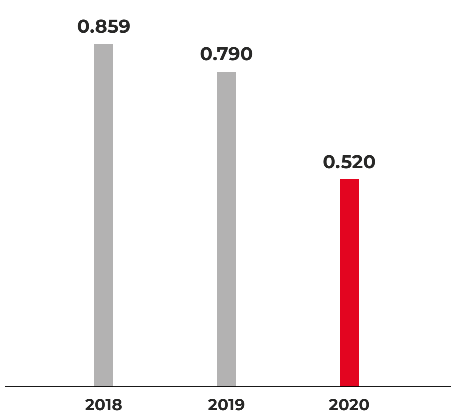
To improve visibility, control and accountability, all business units at all production assets created registers for recording work performed at height. In addition, as part of the safety roadmap capital investment programme for 2020, the Group purchased equipment to make work at height safer, including anchor points, inertia reels and horizontal and vertical lifelines.

INCENTIVISING SAFE WORK

In 2020, Metinvest launched the Safe Work Award initiative at some facilities to introduce a workplace safety bonus. Employees can receive an increased monthly bonus for detecting or preventing unsafe actions or conditions. This is now being rolled out to all facilities.

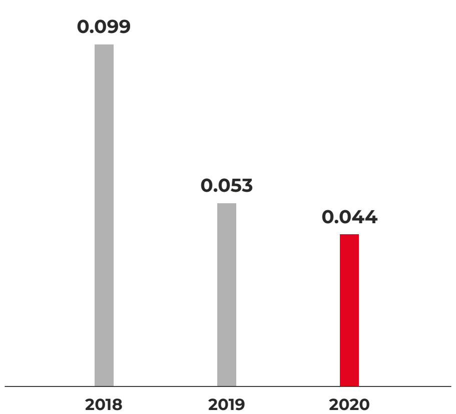
Lost-time injury frequency rate

0.520



Fatality frequency rate

0.044



Metinvest also has a system that offers financial incentives for employees to submit safety proposals at work. All proposals participate in a competition for the best HSE proposal at the business unit, asset and Group level.

For senior managers, a Health and Safety Trigger is applied to their bonus. This incentive was introduced to calibrate bonus awards based on health and safety performance of the enterprise at which they work. Line managers have clear objectives cascaded from the Group and asset levels. This process ensures clear goal-setting approaches to manage health and safety proactively.

IMPROVING CONTRACTOR SELECTION

During the reporting period, Metinvest developed a new contractor assessment and rating method. In the third quarter of 2020, the Group introduced quarterly appraisals of contractors at all assets. In January 2021, after the reporting period, the frequency became monthly.

The contractor assessment method has 29 criteria, one of which is incident history. This includes all safety incidents, road incidents, accidents, spills of chemically hazardous substances and oil, among others. Contractors are scored based on the number of incidents, as well as the preventative actions that they take. Contractors that have no incidents during a reporting period and fulfilled all corrective actions in previous ones receive the maximum score for these criteria. Health and safety is one of the criteria used for contractor selection, in addition to price and quality.

RESULTS IN 2020

In 2020, the Group recorded 54 injuries and five fatalities. This tragic loss falls short of the ultimate long-term goal of zero incidents. While it is of little comfort for those affected, these numbers represent a downward trend from the 83 injuries and six fatalities in 2019.

Metinvest follows international best practice to monitor its health and safety performance. The primary metrics that it tracks are the lost-time injury frequency rate (LTIFR) and fatality frequency rate (FFR), which are measured in terms of incidents per million man-hours worked. In 2020, the LTIFR stood at 0.520, down from 0.790 in 2019. According to the World Steel Association, the global benchmark for 2019 was 0.830. In 2020, the FFR was 0.044, down from 0.053 a year earlier. Almost all production assets of the Group improved their performance on key metrics in annual terms.

As part of the internal safety audit system, line managers performed more than 159,000 audits. Overall, these checks detected about 390,000 non-conformities and helped to develop around 267,000 risk-mitigation actions. The increase in these metrics is consistent with Metinvest's growth through the addition of new entities, as well as increased efforts to unify health and safety standards throughout the Group. In addition, senior executives performed 16 safety audits.

In 2020, Metinvest invested US$106 million in improving health and safety. Of this, occupational health accounted for 46%; industrial safety for 38%; safety in the workplace (such as safe operation of buildings, structures and communications) for 7%; emergencies and fire safety for 5%; and medical and other expenses for 4%.

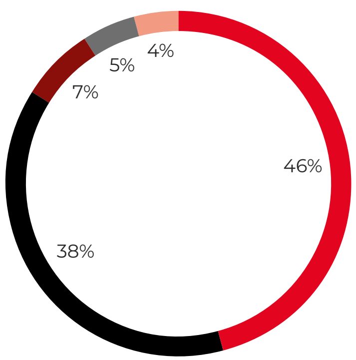
In 2020, Metinvest developed a new healthcare strategy that aims to change the approach to health, increase professional longevity and enhance the degree of care for employees. The main elements are managing occupational health risks, first aid and emergency medical care, prevention, infection control, and sanitary and hygiene safety. The Group intends to phase in the programme at all enterprises within the next five years.

During the reporting period, Metinvest was named the winner in the Change Programme of the Year category at the International Institute of Risk and Safety Management (IIRSM) 2020 Risk Excellence Awards.

Spending on health and safety

US$106M

+4%



2020

- Occupational health
- Industrial safety
- Safe operations of buildings, structures, communications
- Emergencies and fire safety
- Medical expenses

OUTLOOK FOR 2021

Metinvest continues to progress towards its ultimate goal of zero incidents, guided by its safety roadmap and Safe Workplace programme aimed at enhancing the safety culture. This includes an introduction of qualification standards and a competence matrix for the health and safety and other functions. The Group is also seeking to improve the efficiency of its health and safety motivational tools at all organisational levels.

In 2021, Metinvest's priorities under the roadmap will include a continuous effort to mitigate such critical risks as work at height. The Group will also focus on safety regarding the LOTO system, lifting and hoisting operations, railway transportation, and buildings and structures.

In addition, Metinvest will work to align the health and safety practices of the newly acquired Pokrovske Coal with the Group's standards and global best practices.

Helping our people to adapt

In 2020, Metinvest's human capital function focused on transforming processes to better serve the Group's employees. A major part of this involved helping people to work efficiently amid the conditions created by COVID-19.

A GROWING TEAM

Metinvest is one of Ukraine's largest employers. Its global headcount was more than 69,000 people at the end of 2020, up around 2,800 people year-on-year. This was primarily due to the integration of new assets, including Zaporizhia Refractories and Dnipro Coke. Following the consolidation of Pokrovske Coal in March 2021, after the reporting period, the Group employed more than 80,000 people overall.

To retain staff and attract new talent, Metinvest strives to offer industry-leading standards of human capital management, competitive compensation and motivation systems, generous social benefits, and a safe and healthy working environment. Such an approach helped to decrease the Group's staff turnover to 5% in 2020, down from 6% a year earlier[24].

CAPITALISING ON SYNERGIES

In 2020, Metinvest continued integration of its departments responsible for human capital, health and safety, environmental protection, regional development, public relations and communication into the Sustainable Development and People Management Directorate.

The decision in 2019 to undertake this transformation was the most significant event in the Group's approach to human resources since its inception. It was triggered by the need for synergy to enhance Metinvest's appeal as an employer, retain qualified professionals and attract the best new talent.

As part of the Sustainable Development and People Management Directorate, the human capital function acts as the Group's point of contact for staff. It strives to make all employees feel like they are part of a large team that shares values; is open to cooperation; assists, supports and respects one another; considers the opinions of others; and welcomes feedback. This in turn creates a sense of social support.

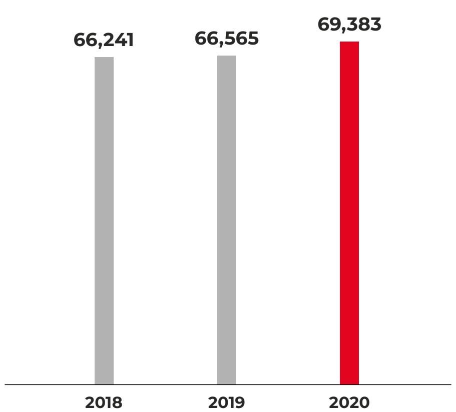
The human capital function seeks to ensure that the Metinvest team has the necessary qualifications by developing the basic skills that workers need.

In 2020, a project to launch new functions at the Shared Services Centre was implemented at Metinvest Business Services, which provides centralised corporate services for the Group.

Employee headcount

69,383

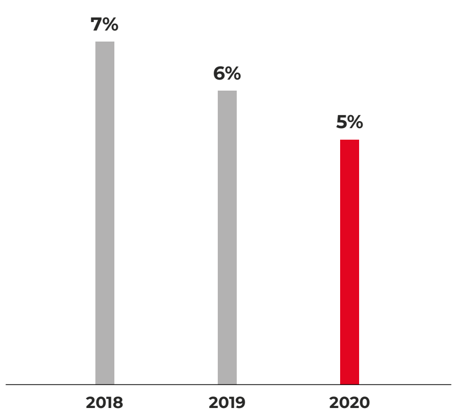
+4%



Staff turnover

5%

-1PP



24 Previously calculated using an internal methodology developed to reflect departures due to employees' decisions. 2018-2019 data is restated under a methodology based on guidelines from the Ukrainian Ministry of Justice (no. 286 of 28 September 2005).

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This included transferring to Metinvest Business Services all human capital administrative functions, such as planning, personnel administration, compensation and benefits, document archives, training and staff appraisals.

COMPENSATION

Despite the pandemic, Metinvest continued to meet its social obligations to employees and did not change base salaries. At the same time, the US dollar-denominated average overall monthly salary at Metinvest decreased by 2% year-on-year to US$965, primarily because of the hryvnia's depreciation against foreign currencies. In 2020, Metinvest transformed its KPI-based bonus payment system aimed at motivating employees to identify and implement operational improvements, enhance customer focus, and improve health and safety. It also introduced motivation systems to effectively manage investment projects and IT initiatives for the project teams of Metinvest Engineering and Metinvest Digital. An additional incentive system was implemented to boost shipments of finished products from the hot strip mill 1700.

SUPPORTING OUR TEAM

As soon as COVID-19 became a pandemic, Metinvest moved proactively to protect employees at all costs, introducing a raft of measures to limit potential exposure. All employees who can effectively perform their professional duties away from facilities transitioned to work from home. The Group also adjusted its communication methods, eliminating personal contact as much as possible while ensuring that important information continued to flow. This included suspending face-to-face meetings and increasing the use of digital tools for communication. In addition, Metinvest created a new communication channel called Territory of Health, an electronic weekly health news digest for employees working remotely during the pandemic.

In 2020, numerous tools and changes were implemented as part of the Digital Workplace initiative. These included a self-service portal, a chatbot, the automation of robotic processes, OpenText electronic document management for HR process, performance management (SAP SF) and a corporate knowledge base.

MY CHOICE

The Group continued to improve its value proposition as an employer by enhancing the package of financial and non-financial benefits that it offers to staff.

A key development in the social programmes in 2020 was the roll-out of Metinvest's My Choice project at two more enterprises, in addition to the six previously covered. My Choice offers individualised social packages tailored to each employee's needs. During the reporting period, it was expanded to cover about 60,000 personnel. Importantly, it began to offer several new options in 2020, including support for employees' school-aged children and the installation of energy-saving kits in employees' homes.

The pandemic prompted certain changes to employees' social package options. For example, staff were offered compensation for certain My Choice benefits that they were unable to use due to the restrictions. In addition, health insurance was expanded to cover all costs of testing and treatment for COVID-19.

To improve working conditions, Metinvest invested about US$7 million in 2020 as part of a programme aimed at improving staff amenities, catering, passenger transport and other services.

TRAINING AND DEVELOPMENT

In 2020, the pandemic restrictions made facilitating distance learning and fostering a culture of self-education the primary focus for training and development. For example, 12 of the 28 existing face-to-face training courses of the Corporate University for junior and middle managers switched to webinar format. In addition, the Legal Directorate added 14 new webinars to its development programme. The restrictions also caused training programmes for senior managers to be postponed.

To assist foremen and site managers in planning staff training, an online qualification profile system was rolled out to five of the Group's entities. It links a list of compulsory courses to each unique workplace covering professional knowledge, health and safety, as well as such corporate topics as the Code of Ethics. In addition, the practical skills training roadmap was implemented for several professions, including locomotive and excavator operators, electrical fitter, dump truck driver and blast furnace gas operator.

During the reporting period, Metinvest developed a new programme to support employees working remotely. It covers all aspects of remote work, as well as personal and team efficiency. Another initiative, called While Everyone is At Home, took the form of an online corporate knowledge marathon. It helped to create a virtual community where thematic posts and practical tasks were regularly published to develop effective remote work habits.

Among other projects, the Litera M Reading Club was introduced to support the Metinvest Alpina Publisher Corporate Library. The Wiki-Master electronic knowledge base, which serves as a repository for professional expertise and advice regarding production issues, was extended to all Group enterprises.

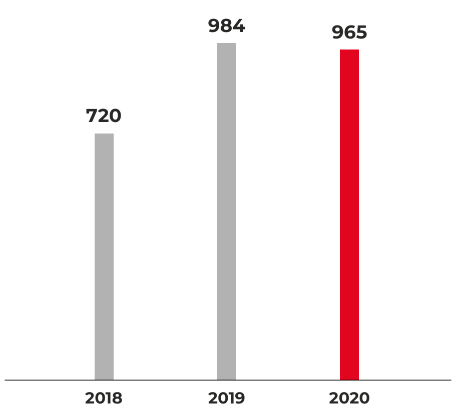
Employees also have access to Eduson's ready-made online business course platform. In addition, the Group launched a pilot programme with distance learning courses for workers.

Overall, 111,197 employee training sessions were conducted during the reporting period, up 2% year-on-year and covering 43,899 employees. The Group minimised the costs of external trainings, redirecting resources saved to programmes of personnel protection against COVID-19.

Average monthly salary

US$965

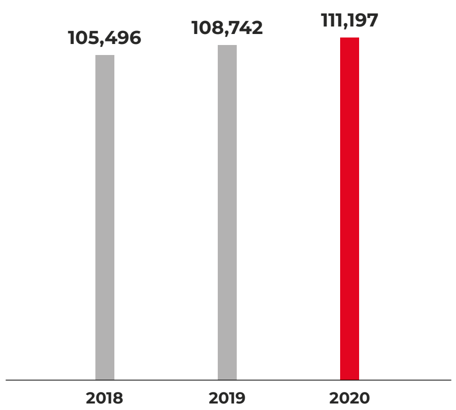
-2%



Employee training sessions

111,197

+2%



CAREER GROWTH

To ensure that motivated employees have opportunities for career growth, Metinvest holds open competitions for appointments to mid-level and senior management positions. Information about vacancies is available to all employees, who are considered independently of gender and age. Hiring decisions are made by a committee based on the results of a competitive test assignment.

The Group uses certain KPIs to measure the performance of its personnel development and promotion initiatives. One is the number of appointments to senior positions from the Talent Pool. This metric reflects the quality of employee training programmes, as well as how well the pool is being built. Monitoring it helps to shape training and focus on problem areas. It also reflects the quality of mentorship provided to young employees.

YOUNG TALENT

Metinvest's investments in young talent include internships, dual education programmes, student case study championships, the WorldSkills Ukraine professional skills competition, scholarships and a career guidance initiative for schoolchildren. In 2020, these initiatives covered more than 7,500 schoolchildren and students.

In 2020, the Group continued its pilot dual education programme for 250 students from universities and vocational schools in Mariupol, Zaporizhia and Kryvyi Rih. The initiative involves five Metinvest enterprises, two universities and three vocational schools.

In 2020, a total of 592 new graduates were hired, accounting for 9% of total recruitment. In addition, importantly, the human capital function streamlined its standards related to employee induction. The main goal was to create common principles helping new hires to adapt quickly and smoothly, ensure that their work is safe and comfortable, and provide any necessary training.

Each year, the Group's enterprises provide placements for practical study and internships to university and college students. The best performers receive job offers on completion. In 2020, Metinvest worked with 55 institutions of higher and vocational education to provide internships for students. Overall, around 2,800 students received internships, of which 1,500 were paid positions.

Metinvest continues to develop professional standards in order to modernise the training system for positions at enterprises and educational institutions. This helps to bring state qualification and educational standards in line with modern production requirements. To date, the Group has developed 50 professional standards that have been approved by the Ukrainian government.

Another new initiative is Metinvest Polytechnic, the first private university in Ukraine. Its primary goal is to provide a high-quality technical education for current employees of the Group and other young people. It is currently obtaining licences to grant state-approved diplomas in ten specialties. The first students are due to begin their studies in September 2022.

COMMITMENT TO EQUAL OPPORTUNITY

Metinvest is committed to respecting human rights in accordance with international standards, as outlined in its Code of Ethics, internal labour procedures, remuneration management policy and other internal regulatory documents that govern employee relations.

The Group's relationship with its employees is based on the principles of the International Labour Organisation (ILO) and applicable regional law. Compliance with these is overseen by several trade unions and government agencies. In addition, Metinvest monitors compliance independently to avoid breaches of standards and prevent discrimination in all forms.

The Group seeks to offer equal opportunities for everyone without discrimination. This covers access to social, training and staff development programmes, as well as hiring. Staff access to training is based on production needs and required skill levels.

Priority is given to employees who perform more strongly, as well as those preparing to transfer or take a new position internally.

In terms of diversity, women account for around 31% of headcount and 25% of the Executive Team. On the Supervisory Board, one of the ten members is a woman.

Metinvest aims to ensure a level playing field for women in terms of pay, social benefits and other guarantees. It offers parents with young children flexible working hours and additional parental leave. It also provides childcare and healthcare programmes targeted to meet the needs of employees with children.

In terms of age distribution, 62% of the workforce is between 30 and 50 years old, 24% is over 50 and 14% is under 30.

The Group has several communication channels through which employees can report a violation of their rights or others witnessed, including a Trust Line, corporate communication channels and a corporate portal. Each case is investigated to minimise the risks of such incidents reoccurring, and feedback is used to gauge satisfaction with the outcome.

OUTLOOK FOR 2021

In 2021, Metinvest plans to implement the largest capital investment programme in the social sphere to date. As part of the Group's efforts to improve the safety culture, Metinvest will work to develop a system of qualification standards and a competency matrix for all functions. In addition, it will seek to improve the efficiency of health and safety motivation tools.

By the end of 2021, Metinvest aims to adopt a non-discrimination policy. The Group also intends to test a new model for the Talent Pool system and form a general corporate standard governing it. In addition, soft skills training will continue to transition to a webinar format. Metinvest also intends to implement its roadmap for the development of electronic courses for employee vocational training programmes and health and safety courses.

Other priorities for 2021 include to improve the efficiency of the Group's mentoring system, develop an updated administrative adaptation model, integrate Pokrovske Coal and prepare for the launch of Metinvest Polytechnic.

Despite the challenges posed by the global pandemic in 2020, Metinvest implemented all of its environmental investment objectives for the year. By working together with key stakeholders, the Group made significant progress towards fulfilling its long-term agenda in this area.

A promise ___ kept

COMMITTED TO PROACTIVE GOVERNANCE

Metinvest's approach to environmental impact management is outlined in its Policy and Principles in the Field of Health, Safety and the Environment. As part of its commitment to high environmental standards and a proactive approach to incident prevention, all Group projects are assessed for their potential environmental and health and safety impact.

At the highest level of Metinvest's corporate governance, the Supervisory Board's Health, Safety and Environmental Committee provides strategic oversight of the Group's environmental investments, as well as its regulatory compliance and risk management. Environmental protection is also considered to be the responsibility of every Metinvest employee.

As a global business, and as part of Europe's steel industry, Metinvest recognises the growing concern over climate risks and need for more ambitious action to work towards carbon neutrality.

For more about Metinvest's climate agenda, see pages 42-43.

RECORD ENVIRONMENTAL CAPEX

In 2020, the Group's spending on environment reached US$450 million, up 17% year-on-year. This includes record capital expenditure of US$205 million on ecological initiatives, which rose by 32%.

Most notably, Metinvest completed one of the largest environmental projects in Ukraine's history: the large-scale modernisation of the gas cleaning system at Ilyich Steel's sinter plant. Once work to further improve the new gas cleaning system is completed in 2021, the initiative is expected to reduce dust emissions from the sinter plant by up to 90% and of sulphur dioxides by up to 46%.

For more about the project at Ilyich Steel's sinter plant, see the case study on page 55.

Among other environmental initiatives underway in 2020, Azovstal made further progress on the modernisation of the gas cleaning systems for basic oxygen furnaces nos. 1 and 2. When launched (expected in 2022), this equipment is expected to reduce the volume of solid particles in emissions by 70% and the quantity of secondary emissions by 90% at the basic oxygen furnace shop.

Northern GOK advanced replacement of the gas cleaning units in its Lurgi 552-A roasting machine. Construction work for the project is ongoing. When completed in 2022, it is expected to reduce dust emissions from the roasting machine by 40%.

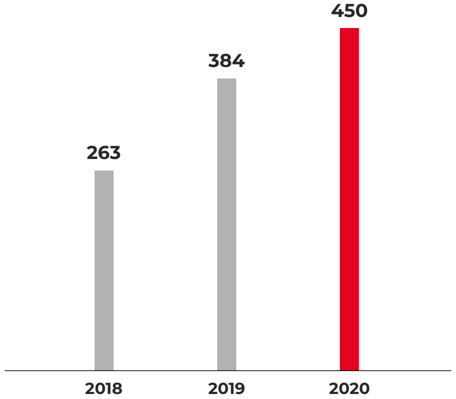
The Group also continued to implement a systematic programme of extensive maintenance on the coke oven batteries at Azovstal, Avdiivka Coke, Dnipro Coke and Zaporizhia Coke. The aim is to keep dust and gas emissions well below the permitted local levels.

In addition, Ilyich Steel made progress on an initiative to modernise the gas cleaning facilities for the casthouse and stockhouse of three blast furnaces. The upgrade at blast furnace no. 3 was completed in March 2020. The next in line are blast furnaces nos. 4 and 5. When finished, it is expected to reduce dust emissions from the blast furnaces by 65% in total.

Spending on environment

US$450M

+17%



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Other important projects included replacing ventilation systems to reduce the concentration of dust in the workplace; restoring mining sites that are no longer in use; planting greenery at the sites; installing water-saving equipment at mining assets; and modernising gas cleaners and heat recovery systems at other assets.

INCREMENTAL EFFICIENCY EFFORTS

Metinvest's operational efficiency, maintenance efforts and CAPEX are helping to gradually reduce its atmospheric emissions, water consumption, wastewater discharge, waste generation and energy consumption.

The Group uses certification processes and audits to regularly verify the compliance of its key assets with international standards. At the end of the reporting period, 12 of its enterprises had certified their environmental management systems as compliant with ISO 14001:2015. In addition, ten assets had certified their energy efficiency management systems as compliant with the ISO 50001:2011 international standard.

Gross air emissions totalled 362,000 tonnes in 2020, up 2% year-on-year. The increase mostly related to greater production of key products. At the same time, dust emissions decreased by 12% to 23,000 tonnes, supporting the downward trend of the last couple of years. The major contributors to this improvement have been the modernisation of Ilyich Steel's sinter plant, as well as numerous initiatives at Northern GOK and Central GOK.

In 2020, the Group recycled and reused 81% of the water withdrawn from all sources, up slightly from 80% in 2019 and continuing the upward trend of the last couple of years. The total volume of water intake, which is calculated as water withdrawn from water bodies for consumption or storage, declined by 4% year-on-year to 603 million cubic metres. Water intake is gradually decreasing amid the Group's operational efficiency and maintenance efforts, as well as the ongoing investment programme. These have included installing a new cooling system at Azovstal and overhauling the water recycling systems at Avdiivka Coke.

Metinvest considers waste management an important element of its environmental agenda. In 2020, the share of recycled waste amounted to 24%, down 4 percentage points year-on-year. This decrease is the result of two factors. First, more intensive utilisation of slag products from the Mariupol steelmakers and a higher volume of construction waste at Northern GOK in 2019. Second, greater iron ore production in the reporting period.

The Group closely monitors electricity and natural gas consumption and implements energy efficiency initiatives. In 2020, it generated total energy savings of 4,957 terajoules, up 7% year-on-year.

OUTLOOK FOR 2021

In 2021, Metinvest will focus on the core elements of its environmental agenda, including air emissions reduction, water resource management improvement and minimisation of the volume of waste generated, as well as such sustainability concerns as biodiversity.

The Group plans to invest further in initiatives to reduce its environmental footprint. These include the further modernisation of blast furnaces and basic oxygen furnaces at steelmakers, coke oven batteries at coke producers and roasting machines at pellet producers.

In addition, Metinvest will continue integration of its recently acquired assets and introduce its full range of environmental tools to ensure that they comply with all applicable Group standards.

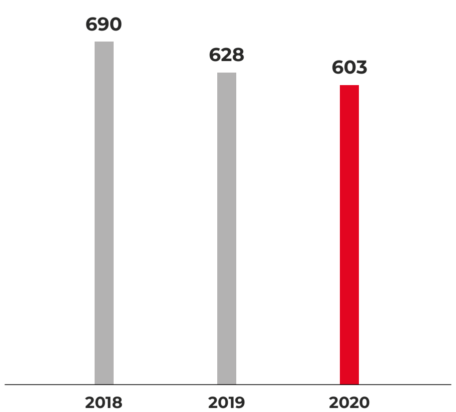
The Group will also work to enhance its public disclosure of comprehensive data on greenhouse gas (GHG) emissions.

For more on Metinvest's climate agenda, see pages 42-43.

Water intake

603MCM

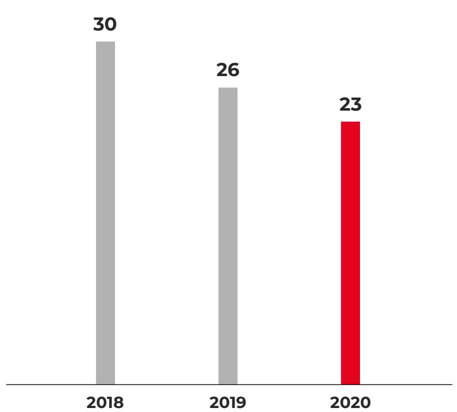
-4%



Dust emissions

23KT

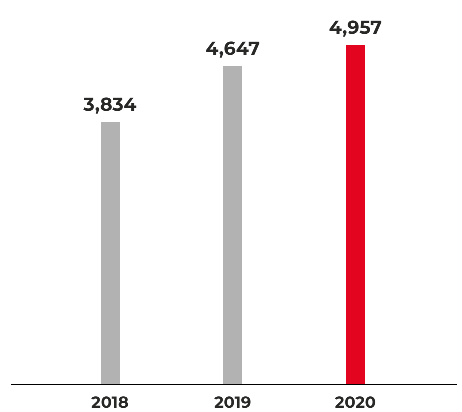
-12%



Total energy savings

4,957TJ

+7%



Time and money well spent

Ilyich Steel's Sinter Plant

To date, the most significant project in Metinvest's efforts to reduce its air emissions has been the modernisation of Ilyich Steel's sinter plant. The multi-year initiative is one of the largest such undertakings in Ukraine as an independent state.

A MAJOR ENVIRONMENTAL UNDERTAKING

One of the key priorities for Metinvest is to reduce its environmental impact. A major part of these efforts is the modernisation of Ilyich Steel's sinter plant. It has taken several years to complete the initial scope, which involved the installation of a gas cleaning system. The overall investments will exceed US$160 million.

Major construction work on the project lasted five and a half years. Throughout this time, Ukrainian and Italian employees and contractors worked to modernise the sinter plant's equipment. The installation of cyclones and bag filters – machinery weighing hundreds of tonnes – was carried out in stages, according to the sintering machine overhauls schedule.

CLEARER SKIES

The aim of the work was to reduce the sinter plant's dust emissions by 90% and sulphur dioxide emissions by 46%. Until recently, the sinter plant accounted for 80% of Ilyich Steel's dust emissions and up to 40% of the city's dust emissions. The Group expects the level of dust emissions to align with best available practices in the near future.

The modern gas cleaning system envisaged by the initial project scope is already in operation. In late 2020, Metinvest made additional commitments to improve it further. Work continues at the cooling zone of sinter shop no. 1 to upgrade electrostatic precipitators and install two bag filters, which is due to be completed in 2021.

TOTAL INVESTMENTS

>US$160M

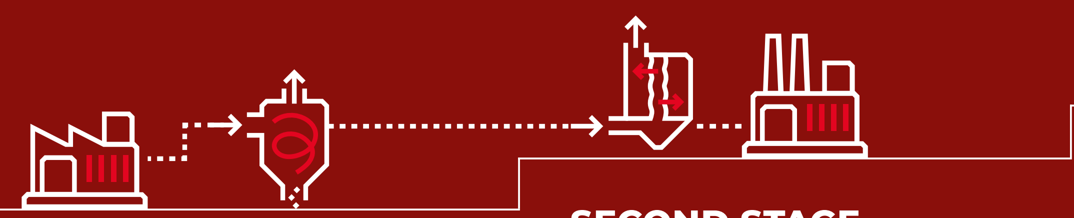
DUST EMISSIONS REDUCTION

90%

SULPHUR DIOXIDE EMISSIONS REDUCTION

46%

The technical solution implemented as part of the project involves a complex, two-stage gas cleaning system.



FIRST STAGE

A coarse dust-scrubbing system uses modern Hurriclone cyclones to capture coarse dust particles for reuse in production.

SECOND STAGE

Powerful bag filters then clean dust and sulphur compounds from the gas, reducing dust emissions more than ten-fold.

In 2020, one of the greatest senses of achievement came from helping those around to return to living more normally. Recognising its ability to provide critical aid amid the adversity, Metinvest increased its support and engagement with local communities wherever possible.

Supporting our neighbours

BUILDING SUSTAINABLE COMMUNITIES

Metinvest is a member of the UN Global Compact and works to contribute to the achievement of the 17 UN Sustainable Development Goals (SDGs), which guide its social responsibility activities. The Group prioritised five SDGs in 2020: SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action). The latter was a new goal, highlighted in line with the growing importance of environmental issues.

Metinvest recognises its role as an economic anchor (and often the largest employer) in the towns, cities and regions where it operates. Its approach is to work with local authorities, communities and society to implement joint projects and programmes. These are aimed at both improving quality of life and overall appeal in the areas in question; and establishing a model of future social design focused on increasing competition for human capital.

The Group contributes to communities by supporting initiatives with the greatest potential value. In 2020, it invested more than US$15 million in over 200 community projects, in addition to supporting critically important COVID-19 response measures.

Overall, these efforts impacted around 2.9 million people in Ukraine (in such cities as Avdiivka, Kamianske, Kryvyi Rih, Mariupol, Novhorodske (renamed New York in 2021) and Zaporizhia), as well as other countries (Bulgaria, Italy, the UK and the US).

HELPING LOCAL PEOPLE AMID COVID-19

From the moment that COVID-19 became a pandemic, Metinvest took prompt and proactive measures to prevent the mass spread of the virus and support local communities. Together with the charitable initiatives of its shareholders, the Group helped the cities where it operates to obtain vital medicine, protective equipment and medical supplies. In 2020, it spent around US$6 million on initiatives related to COVID-19.

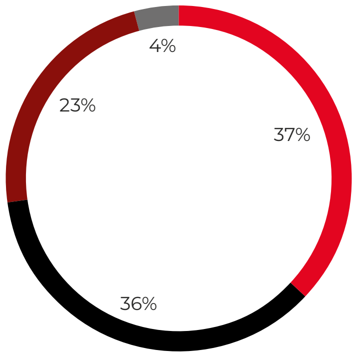
In Mariupol, Metinvest constructed oxygen supply points and new oxygen lines at four healthcare facilities and helped to upgrade the infectious diseases department in the municipal hospital. In Kryvyi Rih and neighbouring communities, it provided personal protective equipment (PPE) and antiseptics to medical staff, elderly people and other vulnerable groups. In Avdiivka, in addition to planned healthcare initiatives, the Group supported the community by providing PPE and oxygen concentrators. In Zaporizhia, it helped to supply ventilators, COVID-19 tests and PPE.

Metinvest also helped to finance and arrange logistics of vital humanitarian supplies from China to Ukraine. This included COVID-19 tests, lung ventilators, disinfectants and infrared thermometers. The supplies were distributed among Ukrainian public authorities, medical institutions and universities in Kyiv and ten of the country's regions.

Spending on communities

US$15M

+35%



2020

- NGOs
- COVID-19 response
- Social partnership programme
- Green centre

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Another way that Metinvest has helped local communities during the pandemic is its decision to forego the tax holidays offered by the government. The taxes that it pays are an important source of budget revenues at all levels.

PARTNERING WITH LOCAL NGOs

One of the most successful aspects of Metinvest's approach to supporting communities has been its strategic partnerships with local non-governmental organisations (NGOs). In 2020, the number of cities participating in these increased to four following the addition of the Avdiivka Joint Action Platform. The others are the Mariupol Development Fund, Zaporizhia Joint Action Platform and Kryvyi Rih Foundation of the Future. Overall, Metinvest contributed US$6 million to these organisations in 2020.

These efforts bring together various stakeholder groups to implement larger projects than they could alone. The primary focus areas are social infrastructure, education, healthcare, culture and sport. This contributes meaningfully to the sustainable development of the regions where the Group operates.

In 2020, the most significant initiatives implemented in cooperation with local NGOs included the improvement of Liberty and Peace Square in Mariupol; the arrangement of an art forum in Zaporizhia; the renovation of the clinical diagnostic laboratory at Avdiivka's municipal hospital; and support to set up an IT hub and co-working centre in Kryvyi Rih.

To encourage greater community engagement, 19 projects were implemented in Avdiivka under the "Transforming Avdiivka Together" contest and 22 in Novhorodske under the "Transforming Ukrainian New York Together" contest. In partnership with the Kryvyi Rih Foundation for Future, the Group also supported many social infrastructure, healthcare and education initiatives in six neighbouring communities.

ADDITIONAL COMMUNITY SUPPORT

To enhance its partnership with the city of Mariupol, Metinvest signed a memorandum of cooperation with the municipality in 2020. It was the first company in Ukraine that started implementing a sustainable urban development approach. Under the memorandum, it intends to help implement complex, long-term programmes in Mariupol, including "More Than Care", "More Than Steel" and "More Than A Dream".

As part of the ongoing "Green Centre" initiative, the Group also implemented more than 100 community environmental initiatives in Mariupol, Kryvyi Rih and Zaporizhia. These included the Green Plant and Ecoschool educational initiatives for children, 100 Green Yards, Clean Entrance Hall, Forever Green and others.

FOSTERING MUNICIPAL LEADERS

During the reporting period, Metinvest supported a new enrolment campaign for the Master of Public Administration programme in Mariupol, Kryvyi Rih, Zaporizhia, Avdiivka, Pokrovsk and Melitopol. This two-year degree programme seeks to foster the next generation of municipal leaders in Ukraine.

The broader focus is on developing modern cities and communities that are safe, dynamic, creative and attractive from an investment standpoint. This aims to reduce the brain drain and migration from the country's regional centres. The project won the Economic Development category of the UN Global Compact Partnership for Sustainability Award 2020 in Ukraine.

PROMOTING STEAM EDUCATION

Another major community initiative in 2020 was the STEAM-CAMP Leadership Educational Programme for 500 teachers of STEAM disciplines such as mathematics, physics, chemistry and computer science in Kryvyi Rih, Zaporizhia and Mariupol. It aims to improve the quality of STEAM education at schools and motivate students to choose career paths in technical disciplines.

Currently, fewer than 30% of school graduates in the region choose to take external independent testing in science, such as physics and chemistry. In addition, only 6 to 8% achieve the required score to study technical professions at university. Meanwhile, the need for technical specialists and professionals in the region's industry remains high.

The programme is a joint effort of the Mariupol Development Fund, Zaporizhia Joint Action Platform, the Kryvyi Rih Foundation of the Future and Metinvest.

ENHANCED ACCOUNTABILITY

Metinvest prepared its 2019 sustainability report, its seventh, in accordance with the Global Reporting Initiative international sustainability reporting guidelines, principles of the UN Global Compact and recommendations of the Sustainability Accounting Standards Board. The report was published in Ukrainian and English. The Group plans to publish its sustainability report on an annual rather than biennial basis as before. The document shows its progress in achieving sustainable development goals and unveils future plans.

OUTLOOK FOR 2021

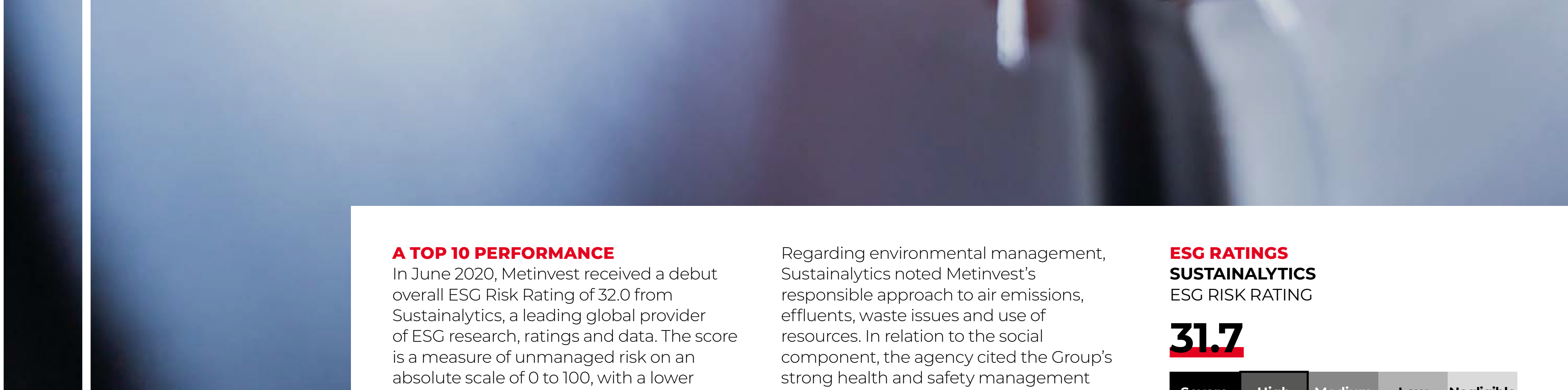
In 2021, Metinvest aims to continue helping local communities to recover from the COVID-19 pandemic. It will also focus its community investments by benchmarking projects to determine their impact on local socioeconomic development. Priorities include efforts that contribute to communities' attractiveness, projects aimed at reducing the brain drain of young professionals from cities, and educational initiatives to build pools of skilled workers in cities.

The Group intends to deepen the partnership with local NGOs and attract international expertise for successful project implementation.

The two most important ongoing projects involving education and regional development are the Master of Public Administration programme and STEAM-CAMP Leadership Educational Programme. Metinvest also strives to improve vocational education to motivate young people to work in and develop their home cities. The focus for infrastructure projects will be on improving quality of life, giving new meaning to public spaces and increasing the tourist appeal of cities.

Achieving recognition

In 2020, Metinvest received an inaugural ESG Risk Rating score from Sustainalytics that placed it in the top 10 global steelmakers of the 140 assessed. This is an important metric of sustainability that the Group aims to continuously improve.



for ESG

A TOP 10 PERFORMANCE

In June 2020, Metinvest received a debut overall ESG Risk Rating of 32.0 from Sustainalytics, a leading global provider of ESG research, ratings and data. The score is a measure of unmanaged risk on an absolute scale of 0 to 100, with a lower figure indicating less risk.

While Sustainalytics assessed the risk of experiencing material financial impacts driven by ESG factors as high, given the steel industry's significant exposure, it evaluated the Group's management of material ESG issues as strong. Among the 140 global steelmakers analysed, Metinvest ranked in the top 10.

In February 2021, after the reporting period, Metinvest improved its Sustainalytics ESG Risk Rating, which decreased to 31.7. As such, the Group retained its top 10 position in the agency's ranking at the time.

Sustainalytics again evaluated Metinvest's exposure to different ESG risks as high given the nature of the steel industry. At the same time, the agency improved its assessment of the Group's management of material issues in the area. Sustainalytics noted the robustness of Metinvest's ESG programmes, practices and policies, highlighting that ESG is integrated into its core business strategy and overseen by the Supervisory Board. The agency added that the Group's overall ESG-related disclosure follows best practice, which implies strong accountability to all stakeholders.

Regarding environmental management, Sustainalytics noted Metinvest's responsible approach to air emissions, effluents, waste issues and use of resources. In relation to the social component, the agency cited the Group's strong health and safety management system, contractor safety programmes and human capital practices. Metinvest's risk management in all categories for governance was also assessed as strong, given its high standards of business ethics, efficient anti-bribery and anti-corruption programmes, and product governance.

MSCI

In 2020, Metinvest received an MSCI ESG Rating of 'B', unchanged from the previous year.

MSCI ESG Research gives MSCI ESG Ratings to global public and some private companies on a scale ranging from 'AAA' ("leader") to 'CCC' ("laggard"), according to exposure to industry-specific ESG risks and ability to manage those relative to peers.

ESG RATINGS

SUSTAINALYTICS

ESG RISK RATING

31.7

Severe	High	Medium	Low	Negligible

100 0

MSCI

ESG RATING

B

CCC	B	BB	BBB	A	AA	AAA

Metinvest recognises that impeccable business conduct is a fundamental requirement for industry leadership. Since its establishment almost 15 years ago, the Group has worked progressively to develop a corporate governance system that ensures rigorous oversight and meets the standards set by international best practice.

Ensuring rigorous___oversight

CORPORATE GOVERNANCE SYSTEM

Metinvest has established a corporate governance system designed to ensure effective stewardship and works continuously to keep its institutions in line with international best practice. By focusing on oversight, disclosure and engagement, the Group aims to serve the interests of all stakeholders and further strengthen its reputation in the global investor community.

While a privately-held business today, Metinvest recognises the importance of adhering to the highest standards of corporate governance. As such, it strives to work towards implementing global lessons learned in the area.

SHAREHOLDERS

As at 31 December 2020, Metinvest B.V. was 71.24%-owned by SCM (Class A shares) and 23.76% by SMART (Class B shares). The remaining 5% interest (in the form of Class C shares) has been acquired from the previous owners for the benefit of SCM and SMART. It is the intention of SCM and SMART to dispose of the said 5% interest in due course (after the receipt of respective governmental approvals, if such will be necessary), and in such a manner that the ultimate interest of SCM in Metinvest B.V. shall be 75% minus 1 share, and the ultimate interest of SMART in Metinvest B.V. shall be 25% plus 1 share, thus SCM remaining as the controlling shareholder.

GOVERNANCE PRINCIPLES

Metinvest's vertically integrated structure and business model lend themselves to clear lines of governance and accountability that cascade down through various levels of the organisation. The Group conducts oversight based on a clearly established set of core principles that are aligned with its strategic approach. They are: specialisation, vertical integration, unified strategic management, centralisation, growth and investments, global best practices, tradition and innovation, commitment to leadership, personal commitment.

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CORPORATE GOVERNANCE STRUCTURE

Metinvest B.V.'s corporate governance structure is built in accordance and compliance with Dutch law.

It comprises the General Meeting of Shareholders, Supervisory Board and Management Board. On the Group level, the Executive Team supports operations.

GENERAL MEETING OF SHAREHOLDERS

Under Dutch law and the Articles of Association of Metinvest B.V., the General Meeting of Shareholders is authorised to resolve the following matters, among others: to issue shares; to exclude or limit pre-emptive rights; to acquire shares and to transfer shares in the capital of Metinvest B.V. held by Metinvest B.V.; to reduce the share capital; to determine the remuneration of the Management Board; to adopt the annual accounts; to allocate profits; to amend the Articles of Association; and to dissolve, merge or demerge Metinvest B.V.

In 2020, the General Meeting of Shareholders convened 38 times and discussed and took decisions on a wide range of matters, including but not limited to: approval of financial statements and related resolutions; attracting external financing; establishment, acquisition, disposal and liquidation of companies; optimisation of the Group's corporate structure; appointment of securities account managers; approval of material transactions; and changes in the composition of the Supervisory Board.

SUPERVISORY BOARD

The Supervisory Board has ten members, including:
- seven A-Members appointed by the Class A and Class C shareholders
- three B-Members appointed by the Class B shareholders

A member of the Supervisory Board is appointed for an indefinite period of time, unless otherwise specified in the decision concerning their appointment.

Each member of the Supervisory Board may be suspended or dismissed at any time by the same body that has the right to appoint them.

Suspension may be extended one or more times, but in general it cannot last more than three months. If, at the end of the period, a decision has not been made to terminate the suspension or to dismiss them, the suspension shall end.

The Supervisory Board's duty is to supervise the activity of the Management Board and the general course of affairs in Metinvest B.V., the Group and the business connected therewith. The Supervisory Board assists the Management Board by giving advice. Four committees assist the Supervisory Board in its work: the Strategy and Investments Committee; the Audit and Finance Committee; the Appointments and Compensations Committee; and the Health, Safety and Environmental Committee.

Decisions relating to the following matters, among others, must be approved or ratified by a resolution of the Supervisory Board: the Group's strategic goals; the Group's investment programme for each calendar year; the Group's annual business plan; appointments at the level of top management, approval of their compensation system and key performance indicators (KPIs), and decisions on annual bonuses; the appointment of an independent external auditor; approval of the annual consolidated financial statements of Metinvest B.V. and recommendation to the shareholders on approval of the standalone financial statements of Metinvest B.V. and all mergers and acquisitions to be undertaken by the Group; approval of investment projects with budgets over US$20 million (up to US$500 million), material transactions of over US$100 million (up to US$500 million), external financing of over US$30 million, if included in the annual financing programme approved by the Supervisory Board, and any financing transaction regardless of the amount if they are not included; approval of the annual plan for the Supervisory Board's activities; and approval of the regulations of the committees of the Supervisory Board.

In 2020, the Supervisory Board convened 27 times and discussed and took decisions on a wide range of matters, including: annual business planning; investment projects; the financial statements; the annual report; the appointment of an independent external auditor; the compliance programme; external financing; material transactions; mergers and acquisitions; the establishment of an educational institution; health, safety and the environment; performance appraisals; remuneration; and other material corporate events.

MANAGEMENT BOARD

The Management Board consists of two Directors: Director A is appointed by the joint meeting of holders of Class A shares and holders of Class C shares, while Director B is appointed by a meeting of holders of Class B shares. Under Dutch law, the Management Board is responsible for the management of Metinvest B.V. Under its Articles of Association, Metinvest B.V. may be represented by the entire Management Board only (that is, Director A and Director B, acting jointly). In performing their duties, the Directors must act in the best interests of Metinvest B.V. and its business. The Articles of Association of Metinvest B.V. do not determine a specific term of office for members of the Management Board.

Director A and the CEO is Yuriy Ryzhenkov. Director B is ITPS (Netherlands) B.V., a legal entity registered in the Netherlands. After the end of reporting period, in May 2021, Eliza Désirée den Aantrekker was appointed as Director B in place of ITPS (Netherlands) B.V.

EXECUTIVE TEAM

The Executive Team is responsible for overseeing, coordinating and executing the day-to-day activities of Metinvest, as well as for implementing the strategic decisions of the Supervisory Board and its committees.

STRATEGY AND INVESTMENTS COMMITTEE

The Committee's main responsibility is to conduct reviews and provide recommendations to the Supervisory Board regarding the Group's strategic objectives, including existing and new businesses, investments, mergers and acquisitions. It is assisted by the Technology Sub-committee, which advises and assists the management in developing and implementing the technological strategy.

In 2020, the Strategy and Investments Committee convened three times and discussed the following matters, among others: macroeconomic and industry trends; operations and development programmes; energy efficiency projects; the capital investment programme; the quality management system; product strategy in the iron ore segment; and business planning.

During the reporting period, the Technology Sub-committee convened four times and discussed the following matters, among others: the overall capital investment programme and individual projects; environmental agenda; tailings facilities; operational improvements' programme; digital transformation of the Group's assets; pellet development strategy; use of artificial intelligence to control the heat balance of blast furnaces; and complex automation of blast furnaces.

AUDIT AND FINANCE COMMITTEE

The Committee is tasked with ensuring the ongoing supervision of all aspects of Metinvest's financial and audit activities in the interests of the shareholders and on behalf of the Supervisory Board. Its main responsibilities include overseeing the budget, financial reporting, risk management, internal controls, the internal audit function and assessment of the external auditor. It is assisted by the Internal Audit Directorate.

In 2020, the Audit and Finance Committee convened 11 times and discussed the following matters, among others: management reporting; internal audit reporting and strategy; external auditor selection for the 2020 financial year; the financial statements for the 12 months ended 31 December 2019 and the six months ended 30 June 2020; the annual report for 2019; the compliance programme; bond issuance and other external financing; material transactions; working capital management; tax issues; ESG matters; and the development status of Metinvest Business Services.

APPOINTMENTS AND COMPENSATIONS COMMITTEE

The Committee is responsible for making recommendations to the Supervisory Board regarding dismissals and new appointments for senior positions at Metinvest; KPIs and annual bonuses for senior management; and the Group's motivation, assessment and reward systems and succession planning.

In 2020, the Appointments and Compensations Committee convened six times and discussed the following matters, among others: performance evaluations; the transformation of the top management motivation system; payroll and headcount budgeting; the integrated internal and external communications system; strategic initiatives for Metinvest's sustainable development; digital transformation; and the development strategy of Metinvest Business Services as the Group's shared service centre.

HEALTH, SAFETY AND ENVIRONMENTAL COMMITTEE

The Committee's remit is to support the Executive Team in implementing and maintaining the highest standards of health, labour and environmental safety culture throughout the business.

In 2020, the Health, Safety and Environmental Committee convened four times. It discussed the following matters, among others: COVID-19 situation updates; the status of the health and safety roadmap implementation; incident investigations; environmental safety reports; environmental management strategy and projects; and tailings storage.

EXECUTIVE PERFORMANCE EVALUATION AND REMUNERATION

The Supervisory Board annually sets team goals for senior management, as well as personal goals for the CEO, who allocates them to each member of the Executive Team in accordance with their job functions, subject to approval of the Supervisory Board.

These goals are incorporated into a KPI scorecard, where each target is weighted based on a manager's ability to influence its achievement. In addition, a Health and Safety Trigger acts as a supplemental incentive tool for members of the Executive Team.

After a year-end, the Supervisory Board conducts an annual performance appraisal for members of the senior management based on their self-assessment.

In 2020, the Group paid US$14.6 million in current salaries and related bonuses to the Executive Team, compared with US$15.0 million in 2019.

Contracts with members of the senior management do not provide for any pension or other benefits upon termination of service.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Metinvest maintains worldwide directors' and officers' (D&O) liability insurance for all entities, renewing it annually. This type of insurance covers the liability of everyone appointed as a director and/or officer of a Group entity, including, but not limited to, members of the Supervisory Board, Management Board and Executive Team.

D&O liability insurance provides cover for financial losses and legal expenses resulting from claims made against directors and/or officers arising from an actual or alleged wrongful act committed in their capacity. Key areas of cover include management liability, pre-claim insurance, special excess protection for directors, company securities liability and additional extensions.

Metinvest relies on global insurance brokers to arrange D&O liability cover, which is provided by reputable, international insurers.

COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES

	Status	Class membership	Strategy and Investments Committee	Audit and Finance Committee	Appointments and Compensations Committee	Health, Safety and Environmental Committee
Oleg Popov	Chairperson	A	M		M	
Alexey Pertin	Deputy Chairperson	B	C		M	
Christiaan Norval	Member	A	M	C		M
Johan Bastin	Member	A	M	M		
Natalia Izosimova	Member	A			C	M
Damir Akhmetov	Member	A	M			
Gregory Mason	Member	B	M			C
Mikhail Novinskii	Member	B	M	M		
Yaroslav Simonov	Member	A		M		
Avetik Chalabyan	Member	A	M			

M Member
C Chairperson

Bringing together extensive expertise in both the industry and business more widely, the Supervisory Board ensures that the Group remains on track strategically and acts in the interests of all stakeholders.

Oleg Popov

Chairperson and Class A Member of the Supervisory Board

Age: 51

Tenure: six years

Oleg Popov was appointed as a Class A Member of the Supervisory Board on 14 July 2014 and became Chairperson on 11 August 2018. He is a member of the Strategy and Investments Committee and the Appointments and Compensation Committee. He has been the CEO of System Capital Management since 2006 and is also the Chairperson of the supervisory boards of DTEK Energy, DTEK Oil and Gas, DTEK Renewables and First Ukrainian International Bank (FUIB). He served as Chief Operating Officer of System Capital Management from 2001 to 2006. Before that, he worked at various state establishments and enterprises for eight years.

Oleg graduated from Donetsk Polytechnic Institute (Ukraine) in 1990 and Donetsk State University (Ukraine) in 1996.

Note: age and tenure in full years are as of 31 December 2020.

Alexey Pertin

Deputy Chairperson and Class B Member of the Supervisory Board

Age: 48

Tenure: six years

Alexey Pertin was appointed as a Class B Member of the Supervisory Board on 14 July 2014. He is responsible for the following areas: strategic development, production efficiency, sales and management of investment projects. He is also Chairperson of the Strategy and Investments Committee and a member of the Appointments and Compensation Committee. Since October 2015, he has been CEO of Smart Holding. Before that, he was the Chairperson of the supervisory board of Smart Holding from 2014 to 2015 and served as its CEO from 2008 to 2014. His career started in 1995 at Cherepovets Iron and Steel Works. He later continued working at Severstal Group in different positions, including CEO of Izhora Pipe Plant and Deputy CEO for Business Development at Severstal Group.

Alexey graduated from the faculty of General Technology at Cherepovets State University in 1994 and from St Petersburg State Technical University with a major in financial management in 2001. He received a degree in Financial Management from the Institute of Professional Managers (ACCA) in 2005 and later studied for an MBA at the Newcastle Business School of Northumbria University (UK).

Christiaan Norval

Class A Member of the Supervisory Board

Age: 61

Tenure: six years

Christiaan Norval was appointed as a Class A Member of the Supervisory Board on 14 July 2014. He oversees issues relating to his industrial expertise, the implementation of best practices in management and production, and international affairs. He is the Chairperson of the Audit and Finance Committee, a member of the Strategy and Investments Committee and a member of the Health, Safety and Environmental Committee. Christiaan spent a significant part of his career building what is today known as BHP Billiton as head of corporate finance. He oversaw most of the transactions to create BHP Billiton, including the IPO of Billiton Plc in 1997. He also served as the CEO and President of Sual International Group, a leading producer of aluminium and alumina.

Christiaan holds a BCom (Hons) from the Rand Afrikaans University in Johannesburg (South Africa), and is a Chartered Accountant. He is a member of the South African Institute of Chartered Accountants, as well as the Institute of Chartered Accountants in England and Wales.

Avetik Chalabyan

Class A Member of the Supervisory Board

Age: 48

Tenure: less than one year

Avetik Chalabyan was appointed as a Class A Member of the Supervisory Board on 1 October 2020. He is a member of the Strategy and Investments Committee, supervising the Group's overall strategy development, as well as helping the management with design of strategic business projects.

Before joining the Supervisory Board, Avetik served as a Senior Partner at McKinsey & Company from 2013 and chaired its global Metallurgical practice during 2015-20. He joined McKinsey's & Company's Moscow office in 2001 and worked for leading metals and mining and advanced manufacturing companies over his 19 years at the firm. Avetik began his career at the Ministry of Economic Development of Armenia, where he focused on the country's accession to the World Trade Organization, and briefly worked at a leading investment bank in New York.

Avetik holds an MBA from the University of North Carolina's Kenan-Flagler Business School (US) and an MSc in Physics from Yerevan State University (Armenia), both with first-class honours.

Natalia Izosimova

Class A Member of the Supervisory Board

Age: 62

Tenure: two years

Natalia Izosimova was appointed as a Class A Member of the Supervisory Board on 1 August 2018. She is also the Chairperson of the Appointments and Compensation Committee and a member of the Health, Safety and Environmental Committee. She currently sits on the boards of several major companies and acts as a consultant to top business executives. From 2007 to 2013, she headed the Foundation for Effective Governance, a charity founded by Rinat Akhmetov, and was a member of the supervisory boards of numerous SCM group companies. After beginning her career at McKinsey & Company in 1994, she became the Director of Human Resources and then Corporate Transformation at SCM in 2005.

Natalia holds a master's degree from Moscow Pedagogical State University (Russia), where she specialised in English and German.

Damir Akhmetov

Class A Member of the Supervisory Board

Age: 32

Tenure: six years

Damir Akhmetov was appointed as a Class A Member of the Supervisory Board on 14 July 2014. He oversees the areas of strategy, corporate development, governance and production efficiency. He is also a member of the Strategy and Investments Committee of the Supervisory Board.

From 2013 through October 2020, Damir worked at SCM Advisors (UK) Limited, a company leading SCM's venture capital efforts, most recently as its Chairperson. Since 2011, Damir has been a member of the supervisory board of DTEK Energy B.V., and since 2014, also of DTEK Oil and Gas B.V. and DTEK Renewables B.V.

Damir has degrees of Bachelor of Science in Business Studies (2009) and Master of Science in Finance (2010) from City University London, Cass Business School. He is also a CFA® charterholder, CFA Institute (2017).

Yaroslav Simonov

Class A Member of the Supervisory Board

Age: 42

Tenure: six years

Yaroslav Simonov was appointed as a Class A Member of the Supervisory Board on 14 July 2014. He oversees legal matters, compliance and corporate governance. He is also a member of the Audit and Finance Committee. He previously worked at The Silecky Firm (affiliated with Squire Sanders and Dempsey) and Renaissance Capital Ukraine. From 2008 to 2017, he was Deputy Director of Voropaev and Partners Law Firm. In August 2017, he was appointed Director, Legal Affairs at System Capital Management.

Yaroslav graduated from the Law department of Kyiv National Taras Shevchenko University (Ukraine) and holds an LLM in International Business Law from the Central European University in Budapest (Hungary).

Note: age and tenure in full years are as of 31 December 2020.

Johan Bastin

Class A Member of the Supervisory Board

Age: 68

Tenure: two years

Johan Bastin was appointed as a Class A Member of the Supervisory Board on 1 August 2018. He oversees investor relations and investment strategy and is a member of the Audit and Finance Committee and the Strategy and Investments Committee. He is also the Managing Partner at Iveaghouse Capital Investment Advisors and Chairperson of the supervisory boards of several DTEK entities, as well as a Non-Executive Director of the Private Infrastructure Development Group. Johan's previous positions include serving as the CEO of CapAsia, Managing Director at Darby Private Equity (a Franklin Templeton Investments subsidiary) and several senior roles with the European Bank for Reconstruction and Development (EBRD) in London (UK).

Johan holds a master's in Urban Planning from Eindhoven University of Technology (the Netherlands) and a PhD in Regional Planning from Université de Montréal (Canada), and attended McGill University's MBA programme in Montreal (Canada).

Note: age and tenure in full years are as of 31 December 2020.

Gregory Mason

Class B Member of the Supervisory Board

Age: 68

Tenure: six years

Gregory Mason was appointed as a Class B Member of the Supervisory Board on 14 July 2014. He contributes his expertise in strategic and operations management and is responsible for technological innovation and the implementation of continuous improvement practices. He is also the Chairperson of the Health, Safety and Environmental Committee and a member of the Strategy and Investments Committee. He was a member of the supervisory board of Smart Holding from 2014 to 2015. He previously served as the CEO of Severstal International, managing North American and European operations. Prior to that, he held various positions in steel companies and consulting firms, from engineering and operations management to senior executive roles.

Gregory is a registered professional engineer in the US. He received his master's degree in Electrical Engineering from the Naval University of St Petersburg (Russia) in 1975.

Mikhail Novinskii

Class B Member of the Supervisory Board

Age: 34

Tenure: three years

Mikhail Novinskii was appointed as a Class B Member of the Supervisory Board on 29 September 2017. He is responsible for defining the strategy and devising business development programmes, assessing their production and innovation potential, and coordinating the development and implementation of promising new business projects. He is also a member of the Strategy and Investments Committee and the Audit and Finance Committee. He has been the Chief Development Officer of Smart Holding since November 2018. Mikhail began his career in 2013 as a manager of tangible and intangible production projects and programmes at the business controlling and information department of Smart Holding. He then occupied various managerial positions in the company, including head of the project management department, member of the supervisory board and adviser to the CEO.

Mikhail graduated from St Petersburg State University (Russia) with a degree in Business Management in 2008. He also holds an MSc in Finance and Management from the University of St Andrews (UK).

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In the Executive Team, Metinvest has assembled a group of highly qualified and experienced professionals with a track record of managerial excellence.

Yuriy Ryzhenkov

Chief Executive Officer

Age: 44

Tenure: seven years

Yuriy Ryzhenkov was appointed Chief Executive Officer of Metinvest Holding in December 2013. Before that, he held senior positions at DTEK (also part of SCM): namely, Chief Operating Officer and Director from 2010 and Chief Financial Officer from 2007. Prior to DTEK, he worked as Chief Financial Officer of International Steel and Tube Industries Limited (ISTIL, Donetsk and London), in the finance business units of Mini Steel Mill ISTIL (Ukraine) and at Donetsk Iron and Steel Works.

Yuriy has degrees in International Economics from Donetsk State Technical University (Ukraine) and in Business Management from King's College (UK). He also holds an MBA from London Business School (UK).

Aleksandr Pogozhev

Chief Operations Officer

Age: 54

Tenure: four years

Aleksandr Pogozhev has been Chief Operations Officer since September 2016, when a new, single directorate was established to streamline the Group's production activities. Prior to that, he was Director of the Metallurgical division from October 2011 and interim Director of the Mining division from March 2016. Previously, he was Director of the Steel and Rolled Products division from October 2010. He has extensive professional experience at large enterprises in the metals industry. He served as Chief Operations Director of Severstal International (US) from 2008 to 2010 and worked at Severstal from 1991 to 2008, where he held several executive positions, including Chief Operating Officer.

Aleksandr holds a degree in Financial Management from the Moscow State Academy of Management (Russia) and an MBA from Newcastle Business School at Northumbria University (UK).

Olga Ovchinnikova

Economics and Business System Development Director

Age: 44

Tenure: two years

Olga Ovchinnikova has been Economics and Business System Development Director since April 2018. Prior to that, she served as Logistics and Procurement Director from 2014 and Logistics Director from February 2013, having been Logistics Director of the Supply Chain Management directorate from 2012 to 2013. Before joining the Group, from 2006 to 2012, she headed the logistics department of Severstal Resources, the raw materials division of the Russian steelmaker. From 2002 to 2006, she headed the operations department at Alyanstransoil, part of Alliance Oil.

Olga has master's degrees in Economics and Transportation Management from Moscow State University of Railway Engineering (Russia) and in Logistics and Supply Chain Management from the Higher School of Economics in Moscow (Russia).

Dmytro Nikolayenko

Sales Director

Age: 45

Tenure: nine years

Dmytro Nikolayenko became Sales Director in August 2011, having previously headed the same function in the Steel and Rolled Products division from 2010. Before that, he was a Director at Metinvest-SMC, a sales unit, from 2007 to 2010; SM Leman, its predecessor, from 2003 to 2007; and Energostal from 1996 to 2003.

Dmytro holds a degree in Economics from the Kyiv-Mohyla Academy (Ukraine) and an MBA from the International Management Institute in Kyiv (Ukraine).

Note: age and tenure in full years are as of 31 December 2020.

Iuliia Dankova

Chief Financial Officer

Age: 42

Tenure: four years

Iuliia Dankova became Chief Financial Officer in July 2016, having been the interim Chief Financial Officer from March of that year. Before that, she was the Director of the Controlling department in the Finance directorate from 2015, and the Financial Control Director of the Mining division from 2010. From 2006 to 2010, Iuliia headed the Finance department at the Group's iron ore mining and enrichment assets in Kryvyi Rih. From 2001 to 2003, she worked in the Bank Card department in the Kyiv branch of UkrSibbank; and from 2000 to 2001, as an Economist in the Sales and External Economic Relations department at Southern GOK.

Iuliia holds an MBA from the LINK International Institute of Management (Russia) and a diploma with honours in Foreign Trade Management from Kryvyi Rih Technical University (Ukraine).

Alexey Gromakov

Logistics and Procurement Director

Age: 46

Tenure: two years

Alexey Gromakov has been Logistics and Procurement Director since April 2018. Prior to that, he served as Director for Corporate Strategy and Regional Development at Beeline from 2015 to 2018. From 2009 to 2015, he was Director of Purchasing and Logistics at Aeroflot. Before that, from 1998 to 2009, he held management positions at several large telecom companies and the petrochemicals holding Sibur.

Alexey is a graduate of the State University of Management (Russia) and holds a degree in Project Management from George Washington University (US). He also has an MBA from Kingston University (UK) and a diploma in Strategy and Innovation from Oxford University's Saïd Business School (UK).

Andriy Yemchenko

Chief Technology Officer

Age: 59

Tenure: two years

Andriy Yemchenko has been Chief Technology Officer since March 2018. Before joining the Group, he worked at Donetsksteel, including as Deputy CEO for Strategic Development from 2007 to 2018 and as Director for Corporate Planning from 2004 to 2007. He worked at Consortium Energo in the role of Deputy CEO from 1993 to 2004.

Andriy holds both a diploma and a PhD in Metal Treatment Under Pressure from Donetsk Polytechnic University (Ukraine).

Aleksei Komlyk

Chief Sustainability Officer

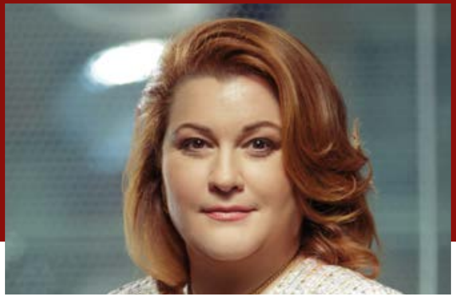
Age: 44

Tenure: one year

Aleksei Komlyk became Chief Sustainability Officer in October 2019. In this role, he oversees the Sustainable Development and People Management directorate, which was created to streamline several interrelated functions, including health and safety, environment, human resources and social policy, public relations (PR) and regional development. Prior to that, he was PR and Regional Development Director from November 2013. Before that, from 2011 to 2013, he served as Managing PR Director at AFK Sistema (Russia). He previously worked at Uralkali (Russia), serving as Vice President of PR from 2006 to 2008 and as Head of the Media Relations Office from 2003 to 2006.

Aleksei holds an executive MBA from the Institute for Management Development in Lausanne (Switzerland) and a degree in English and German from Irkutsk State Pedagogical University (Russia).

Note: age and tenure in full years are as of 31 December 2020.



Svitlana Romanova

Chief Legal Officer

Age: 44

Tenure: eight years

Svitlana Romanova joined Metinvest in September 2012. Before that, she was a Partner in the Kyiv office of Baker and McKenzie CIS Limited, the global law firm's regional business, from 2008 to 2012, having previously served as a lawyer there from 2000. Svitlana also covered CIS issues at Cargill in the US from 1998 to 2000.

Svitlana has a master's degree in International Law and Translation (English) from the Kyiv Taras Shevchenko National University (Ukraine), as well as an LLM in International and Comparative Law from the University of Iowa's College of Law (US). She has also completed coursework in International Management at the University of St Thomas Graduate School of Business in St Paul, Minnesota (US).

Sergiy Detyuk

Chief Information Officer

Age: 42

Tenure: four years

Sergiy Detyuk was appointed as Chief Information Officer in March 2016. He has also been Chief Executive Officer at Metinvest Digital LLC, the IT spinoff company of Metinvest Holding, since September 2018. Before that, he worked at DTEK as Chief Information Officer from 2009 to 2016 and Deputy Finance Director for IT from 2007 to 2009. Prior to DTEK, he headed the Information Technology department at Dniprospetsstal from 2006 to 2007 and at ISTIL from 2004 to 2006. From 2000 to 2004, he was Deputy Manager of a project to create a corporate information system at Ukrpidshypnyk.

Sergiy has a master's in Computer Programming and Financial Economics from Donetsk State Technical University (Ukraine), an MBA from Kyiv-Mohyla Business School (Ukraine) and a corporate MBA from the London School of Business (UK, Ukraine). He has also completed executive management programmes at INSEAD (France), IMD (Switzerland) and Chicago Booth (US).

Oleg Shudra

Internal Audit Director

Age: 44

Tenure: five years

Oleg Shudra was appointed as Internal Audit Director in April 2015, having been Director of the Controlling department since 2010. He joined Metinvest from PwC (Ukraine), where he served as Director from 2008 to 2010 and Senior Manager from 2005 to 2008.

Oleg has a master's degree in Production Management from Kyiv National Economic University (Ukraine). He is a CFA® charterholder and a fellow of the Association of Chartered Certified Accountants (FCCA).

Oleg Perozhok

Security Risk Analysis and Management Director

Age: 48

Tenure: less than one year

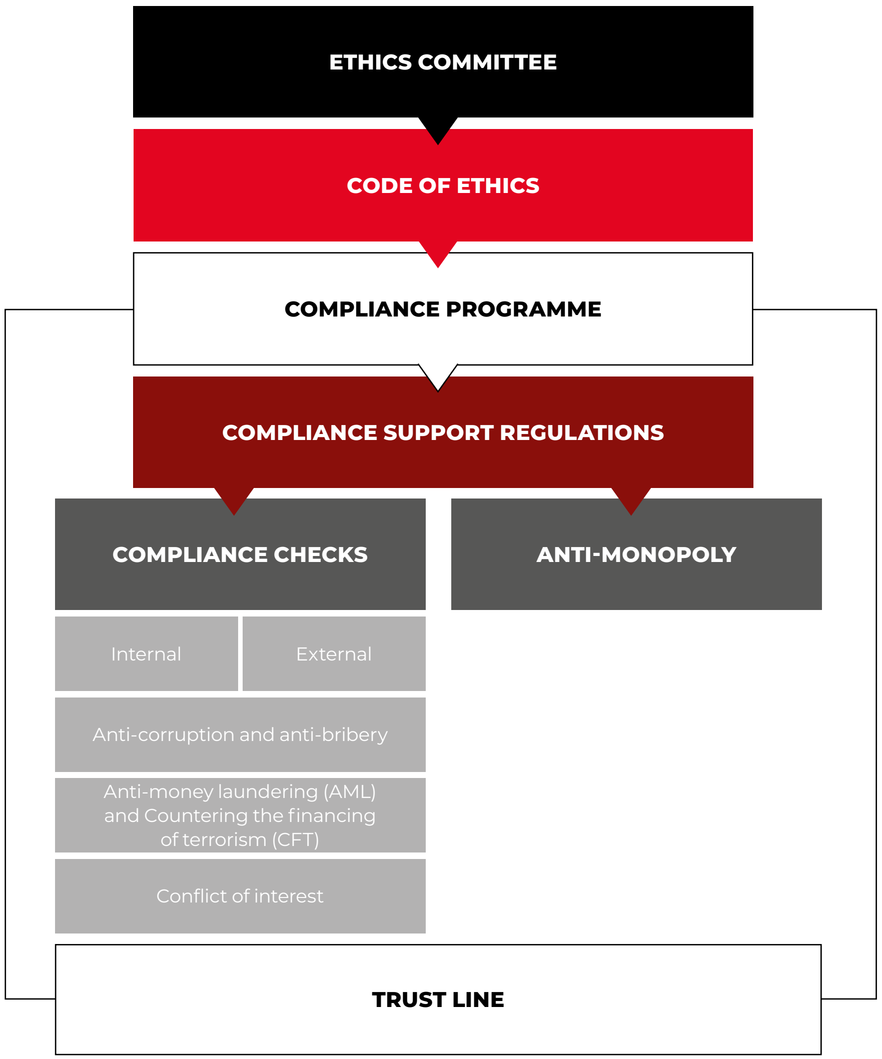
Oleg Perozhok was appointed as Security Risk Analysis and Management Director in November 2020. Before that, he was Director of the Security Risk Analysis and Management department of the Risk Analysis and Management directorate from April 2017; Director of the Security department from November 2016; Security Director of the Mining division from August 2015; and Security Director of the Metallurgical division from May 2015. Prior to joining Metinvest, he worked in law enforcement agencies in Ukraine for 26 years.

Oleg graduated from the Kyiv Institute of Internal Affairs at the National Academy of Internal Affairs (Ukraine) and is a qualified lawyer.

Note: age and tenure in full years are as of 31 December 2020.

GOVERNANCE CODES AND POLICIES

While a privately owned organisation, Metinvest places great importance on having a robust system of corporate governance. This is fitting for an international business, demonstrating adherence to best practice and providing reassurance for all stakeholders. As part of this, the Group has devised and introduced numerous codes, policies and other safeguards.



CODE OF ETHICS

Metinvest's Code of Ethics establishes core ethical and business standards, including anti-corruption, to which all employees and management must adhere. The Code of Ethics is built around the following core values for dealing with stakeholders: health and the environment, customer focus, professionalism, leadership, teamwork, non-discrimination and lawfulness. These are promoted through the personal example of leadership, as well as ongoing training and communication campaigns to raise awareness about the Code of Ethics.

In 2020, the Group amended the Code of Ethics to incorporate a new approach to types of conflicts of interest and the contact details of the Trust Line.

The Code of Ethics is available for stakeholders at: https://metinvestholding.com/en/about/ethic.

Metinvest has conducted training on its Code of Ethics since 2014 and uses tests to evaluate how well employees understand it. Initially limited to senior executives, they have been a mandatory element of such training online for all Group staff since September 2019. In the reporting period, around 16,710 employees passed the online Code of Ethics test, or 25% of the headcount, compared with 25,588 employees in 2019.

In September 2020, Metinvest held an "Ethics Week" at its companies in Ukraine, Russia, Belarus, Switzerland and Italy. The aim was to promote the Code of Ethics and its principles through numerous activities, including interviews and videos with senior executives and compliance coordinators, as well as contests and quizzes.

COMPLIANCE PROGRAMME

Since 2014, Metinvest has had a Compliance Programme to ensure transparency and act as an anti-corruption mechanism. The Group monitors its implementation, including by assessing the approach to anti-corruption management, through a quarterly review by the Ethics Committee.

ETHICS COMMITTEE

To ensure that the tone is set from the top, Metinvest has an Ethics Committee. Chaired by the CEO and including the senior management, it meets once a quarter to discuss the implementation of the Compliance Programme throughout the Group, take decisions concerning conflicts of interest and review reports received through the Trust Line. In addition, the progress of tasks on the Compliance Programme agenda is reported quarterly at meetings of the Supervisory Board's Audit and Finance Committee and annually at a meeting of the Supervisory Board.

TRUST LINE

Since 2013, Metinvest has used the Trust Line maintained by SCM, one of the Group's shareholders, to increase transparency and responsibility. It allows stakeholders to anonymously report violations of the law, breaches of business conduct and corporate ethics, and non-compliance with standards and principles of the Code of Ethics.

The Trust Line operates around the clock, with an authorised representative available to speak at any time, and can receive information through other channels, in particular, email and text message. Submissions are possible in any working language.

In 2020, 825 reports were submitted through the Trust Line, of which 430 were confirmed as violations of internal procedures, HR cases and others. This compares with a respective 746 and 359 in 2019 and 722 and 363 in 2018. Such statistics suggest that Metinvest's stakeholders feel empowered to speak up and report their concerns.

The Trust Line is available through the following channels:

Toll free number within the borders of Ukraine:
0800 60 07 77

International number:
+38 044 224 72 32

Email: trustline@scm.com.ua

Web: www.scm.com.cy/trust-line

CONFLICTS OF INTEREST

Metinvest recognises that employees have personal interests and encourages their development, especially where they are beneficial to the community at large. However, it also understands the necessity for staff to avoid conflicts between their interests and those of the Group.

Metinvest's Procedure for Declaring Conflicts of Interest requires employees to inform their direct supervisor and the legal team in a timely manner about a real or potential conflict of interest. In addition, those in management positions are required to submit declarations confirming that they do not have any conflicts of interest to declare any issues. They are also required to submit declarations further to taking up employment in management positions (initial declaration), if any real or potential conflict appears during a year (current declaration) and once a year regardless of whether there is a conflict (annual declaration).

In 2020, 99% of declarants submitted annual declarations and 40 forms disclosed a conflict of interest. In addition, a webinar called "Settling Conflicts of Interest" was launched, and more than 1,500 declarants across the Group watched it and passed a test on the subject.

ANTI-CORRUPTION AND ANTI-BRIBERY

Many of the countries where Metinvest operates have adopted anti-corruption laws that seek to prevent companies and individuals from gaining undeserved benefits. The Group strictly follows these laws in its daily operations. It does not offer or take bribes, nor does it promote corruption. It is committed to working with counterparties and business partners whose reputation is not associated with corruption and bribery. For this purpose, the Code of Ethics specifies the rules that all employees must follow in terms of anti-corruption and anti-bribery.

Metinvest performs mandatory anti-corruption verification of suppliers and customers, while operations with representatives of the public sector and programmes for financing social projects receive special scrutiny.

All internal and external candidates for senior and high-risk positions are subject to mandatory internal security screening. Former government officials and politicians are subject to more detailed verification. In 2020, there were 43 checks of candidates for high-risk positions.

In 2020, there were no reported or confirmed cases of corruption violations.

AML/CFT

Metinvest's Procedure on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) requires obligatory due diligence checks of all counterparties, including for watchlists covering sanctions, terrorism, money laundering, dual/military-use products, corruption and other areas of interest. In addition, automatic sanctions checks are in place for all counterparties registered in SAP MDG (the Group's counterparty pool).

In 2020, Metinvest also checked 421 transactions for risk of violation of economic sanctions and AML/CFT regulations, seven of which resulted in a ban on cooperation.

ANTI-MONOPOLY COMPLIANCE

Metinvest recognises the need for fair competition in its Code of Ethics and complies with all competition laws in the countries where it operates. Anti-monopoly policies are in place at its largest enterprises, while the legal team has a unit dedicated to monitoring compliance in this area. In addition, annual training is provided to help managers to identify and prevent actions that might be considered violations of competition laws.

In 2020, no fines and/or sanctions for anti-competitive behaviour were imposed on the Group.

CODE OF BUSINESS PARTNERSHIP

In 2021, after the reporting period, the Code of Business Partnership was adopted to ensure that Metinvest and its partners establish truly fair commercial relationships. It aims to do this by setting clear standards for compliance with ethical principles and business requirements to guide both existing suppliers and new potential ones.

The Code's objectives include:

- determining, on the basis of common values, criteria for the fair conduct of partners and Group employees in relation to partners
- identifying and preventing any misuses and abuses of office, as well as related potential risks
- developing a unified culture of interaction based on high ethical standards, and maintaining an atmosphere of trust, respect and decency
- forming a focus on balanced development and social responsibility when interacting with partners.

The Code is based on the following principles:

Respect and focus on cooperation – Metinvest respectfully communicates with its partners and seeks to comply with agreements. The Group expects partners to deal with it in an open and professional manner, abide by all obligations and avoid using unverified information.

Health and safety at work and the environment – Metinvest conducts its operations in compliance with occupational health and safety standards and strives to mitigate environmental impact. It expects partners, including those within the Group, to provide its employees with safe and healthy working conditions and to prevent accidents and injuries.

Confidentiality – Metinvest protects personal information about its employees and partners. It expects partners to use commercially sensitive or otherwise protected information with discretion.

Compliance with the law and the Code of Ethics – The Group condemns all forms of fraud; requires openness, integrity and honesty in all areas of activity; and strives to be an example in matters of ethics, working environment and equality. It expects partners to counteract corruption, on both their part and that of Metinvest employees.

Social responsibility – The Group adheres to the principles of sustainable development throughout its operations. It protects human rights, assesses the impact of its activities on local communities and seeks to improve their quality of life. It expects partners to share these values and to conduct their business in accordance with high ethical standards and considering their impact on the environment, economy and society.

The document is available for stakeholders at: https://metinvestholding.com/Content/CmsFile/ru/codes__Code_of_Business_Partnership.pdf

PROCUREMENT PRACTICES

The Group always seeks to work with partners and contractors that share its ethical and business principles, including relating to conducting supplier assessments through pre-qualification and pre-contract procedures.

Metinvest employs a competitive and transparent tender procedure that evaluates offers for compliance with the specified procurement parameters. The Tender Committee, which consists of a minimum of three members from different departments, considers certain approved criteria, including price, quality, delivery and payment terms, and guarantees, among others.

Information about major future tenders is published on the Group's website a minimum of three days in advance. In addition, Metinvest uses the SAP Ariba digital solution for competitive supplier choice, which enables information to be exchanged with bidders quickly and securely online.

New suppliers, and existing suppliers requiring requalification, are required to undergo a pre-qualification procedure in the corresponding purchasing area. Each applicant must confirm their familiarisation with the Code of Ethics and agree to comply with it. The Group notifies pre-qualified suppliers of new purchases and invites them to participate in the competitive procurement process.

Metinvest is committed to creating a supply chain capable of tracking the origin of goods in order to assess and control the associated risks. In mid-2018, the Group introduced a mandatory pre-contractual supplier assessment. In 2020, around 10,800 pre-contract assessment procedures were conducted, during which Metinvest assessed suppliers' technical, financial and organisational capacities, supply chain, staffing and equipment safety through field visits and documentary review.

The Group reserves the right to disqualify suppliers for a specified period or indefinitely in the event of unfair business with its companies. In 2020, around 70 suppliers were disqualified. Disqualification criteria are published on Metinvest's website. The Group notifies counterparties of the reasons and terms of their disqualification to provide feedback and give them the opportunity to improve their corporate governance as needed.

Metinvest strives to work with partners and contractors that share its business standards. In 2020, the Group began piloting a supplier performance evaluation procedure, which establishes a unified approach to assessing the work of suppliers, including by defining a list and areas of responsibility for those involved.

Ensuring scrutiny

To help to oversee risk management, internal control and governance, Metinvest has an internal audit function, which acts as an independent body. In addition, to ensure the utmost scrutiny, the Group appoints an independent external auditor to review and approve its financial statements.

INTERNAL AUDIT

Metinvest's Internal Audit Directorate is an independent appraisal function established within the Group to examine and evaluate its activities.

Key internal audit roles are:

- Helping the management to achieve strategic objectives by using a systematic and consistent approach to risk assessment, and improving the risk management process, control systems and corporate governance in accordance with best practice
- Assisting management in evaluating and developing appropriate/efficient internal controls within key processes by providing quality assurance to other functions
- Ensuring management identifies and monitors all key risks in a structured and efficient manner, as well as addresses any significant gaps in operational control in real time
- Applying an aligned assurance approach throughout the organisation, whereby all audit activities of all functions are coordinated.

The independence of the Internal Audit function is ensured by its direct line of reporting to the Chairperson of the Supervisory Board's Audit and Finance Committee.

After being reorganised in 2020, the function now consists of the following streams:

- Audit
- Internal control
- Risk management

In 2020, the Internal Audit team accomplished 38 engagements according to the approved audit plan. Key areas of attention were production, supply of raw materials and services management, internal logistics, risk management, IT integrity and effectiveness of operations, as well as the efficiency of maintenance and repairs.

Management is responsible for ensuring that issues raised by the Internal Audit function are addressed in a timely manner. In 2020, management made significant progress on improving performance in production, procurement and sales, which were the priority areas identified and included in Metinvest's objectives for the year.

In addition, the function implemented an aligned assurance concept to provide better risk coverage by coordinating the efforts of all assurance activities within the Group. This helps to avoid work duplication by risk assurance providers and to establish and monitor quality assurance standards.

EXTERNAL AUDIT

Since 2007, the Group has prepared its consolidated financial statements in accordance with IFRS, as adopted by the EU, and has engaged an independent external auditor to audit them each year. For the 12 months ended 31 December 2020, Metinvest appointed PwC to perform this external audit and provide an opinion on the IFRS consolidated financial statements. The measures in place to safeguard the external auditor's independence and ensure high quality of service include rules requiring rotating the signing partner and obtaining pre-approval for all non-audit services.

Mitigating uncertainty

Amid the unprecedented turbulence of 2020, Metinvest's robust risk management system again demonstrated its ability to mitigate uncertainty in challenging times.

CONTROL ENVIRONMENT

Metinvest maintains a rigorous risk management system. This ensures that the management is provided with the right tools to identify, assess and mitigate risks that may arise in day-to-day business activity, including in project planning and strategic decision making.

The goal of the risk management system is to ensure the safety of people, safeguard and enhance the value of assets, protect the Group's reputation and help Metinvest to achieve operational and financial goals in line with its plans.

The Group assesses the effect of global developments on its business. It recognises that its sustainable development requires the effective adaptation of its business model to the changing expectations of society, customers, employees, suppliers, creditors and shareholders.

The risk management structure assigns responsibilities, roles and authorities for all management levels.

RISK MONITORING

The Executive Team reviews the results of monitoring strategic risks and their dynamics annually. Key priorities are defined and additional corrective measures decided upon. Metinvest conducts annual reviews of the effectiveness of its operational risk management through a customised internal control assessment system, which encompasses all of the Group's enterprises and key business processes.

The operational risk monitoring system is connected to management and internal audit practices through a feedback loop. The results of the reviews and key issues identified are communicated to the senior executives involved for analysis and further decisions, as well as to members of the Audit and Finance Committee. Findings are used to prepare plans for audits and internal consulting projects, and reviews are updated based on the results.

RISK MANAGEMENT PRACTICE

Metinvest has implemented a risk management structure that assigns responsibilities, roles and authority to each key management position.

The Group's Management and Internal Control Policy supports risk-based decision making. The conceptual basis for this is the Organisation Risk Management Methodology developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). A policy update, which was planned for 2020 but postponed until 2021, will align it with best practices for risk management standards (ISO 31000).

A dedicated unit in the Internal Audit Directorate coordinates the risk management system at the Group level; while the relevant operational managers are responsible for risk management in practice.

In developing corporate risk management requirements, Metinvest uses local risk management subsystems in the areas of business planning, tax management, PR, health and safety, CAPEX, credit management, outsourcing, security and anti-fraud management, information security and emergency situation management. This enables the Executive Team to take decisions based on analysis of specific risks.

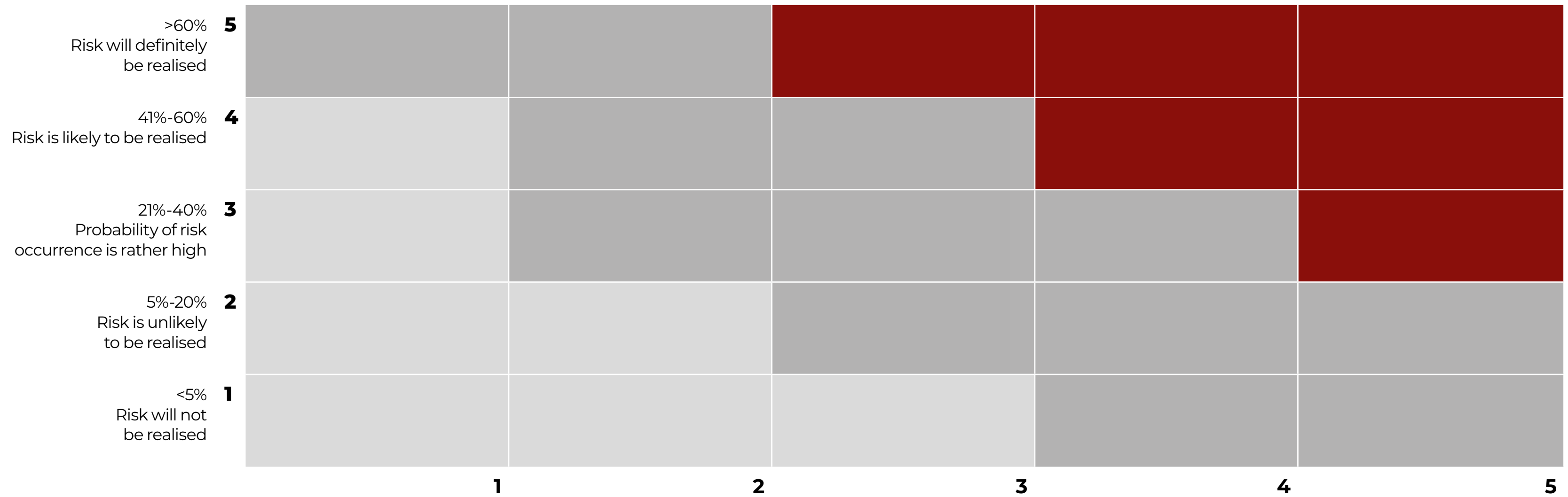
Annual business planning take place in conjunction with preparation of the Group's risk map for the year, which includes key issues that may hinder the achievement of objectives. Together with commercial threats such as market, operational, financial, liquidity and other risks, Metinvest analyses and assesses non-commercial ones, including:

- Environmental impact of production
- Health and safety of employees and contractors
- Social risks of employees and local communities
- Compliance with ethical requirements
- Reputation
- Information Security.

Risk assessment is performed using a unified corporate scale. When evaluating the probability of a threat materialising and its potential impact on the Group, Metinvest also regularly analyses its existing risk management measures and includes additional ones if required.

FRAMEWORK OF RISK ASSESSMENT IN 2020

PROBABILITY



IMPACT

Quantitative and qualitative indicators applied for evaluation of impact of commercial and non-commercial risks

Financial losses (effect on EBITDA and cash flows)	<0.1%	0.1-1.5%	1.5-3.5%	3.5-5%	>5%
Effect on Metinvest's value	Minor	Small	Medium	High	Critical
Labour safety	Light injuries to one or several employees.	Severe injuries to one employee resulting in partial or total disability.	Severe injuries to several workers resulting in partial or total disability.	Single fatal incident.	Two or more fatal incidents.
Reputation	Minor impact on reputation. Negative mention in the local press.	Short-term, easily recoverable damage to reputation. Article in local media with negative coverage of the Company's activity.	Significant damage to reputation. Recovery of reputation will take several months. Negative article in local and national media.	Damage to reputation that is hard to recover from. Incurrence of financial and other losses. Negative coverage at the national level or short-term coverage at an international level.	Irretrievable damage to reputation that leads to significant financial and other losses. Prolonged and negative media coverage on the national and international levels.
Quality of goods sold	100% of products meet order specifications. Product characteristics allow Group to meet customers' requirements for the next 10 years without capital investments.	> 99.5% of products meet order specifications. Product characteristics allow for meeting customers' requirements for the next 8 years without capital investments.	> 99.0% of products meet order specifications. Product characteristics allow for meeting customers' requirements for the next 6 years without capital investments.	> 98.5% of products meet order specifications. Product characteristics allow for meeting customers' requirements for the next 4 years without capital investments.	< 98% of products meet order specifications. Product characteristics allow for meeting customers' requirements for the next 2 years without capital investments.
Information security	Slowdown in execution of business processes. A stop in the work of an employee or a small group of workers.	Disruption in fulfilling production tasks for certain employees with a minor impact on business. Loss of non-critical information resources with an acceptable recovery time of 8 to 48 hours. Information leak that can stop the work of a business unit.	Disruption in delivering certain business processes with a medium financial and other losses for business. Loss of information resources with an acceptable recovery time of 4 to 8 hours. Information leak that may lead to a partial or complete stoppage of asset operations.	Shutdown of operations at an asset and significant financial and other losses for business. Loss of critical information resources with an acceptable recovery time up to 4 hours. Leak of personal data and/or confidential information.	Shutdown of operations across the Group. Complete and irrecoverable loss of critical information resources. Leak of strictly confidential information and critical personal data.

Credit Ratings

A track record

Over the past three years, Metinvest has focused on strengthening its overall business fundamentals to deliver sustainable growth of value and improve its resilience to economic cycles. The leading international credit rating agencies have recognised these efforts with progressively more positive evaluations.

of success

APPRECIATED RECOGNITION

Overall, Metinvest has a history of improving its credit ratings from all three leading international agencies in the area. This has been underpinned by the Group's prudent debt management and consistent efforts to make its business model more flexible to withstand industry cyclicality and deliver sustainable growth in value for stakeholders. Such a successful track record has been possible thanks to Metinvest's experienced team, strong corporate governance, focus on astute capital investments, systematic approach to operational improvements and self-sufficiency in key raw materials, among other factors.

While Metinvest's credit ratings from Fitch and Moody's were first assigned in 2010, when the Group placed its debut Eurobond, its inaugural credit rating from S&P was received in early 2018.

FITCH

Fitch has long-term local and foreign-currency issuer default ratings for Metinvest of 'BB-', the outlook 'stable'. Notably, this is two notches above Ukraine's sovereign rating and country ceiling, due to a strong hard-currency debt service ratio. The latter has been driven by several factors. First, the Group generates the majority of its revenues from export sales. Second, it has assets located outside Ukraine. Third, Metinvest holds a significant share of its cash at leading international banks. Fourth, it has a sustainable debt maturity profile with no material repayments in the next couple of years. Fitch has recognised the Group's strong cash flow generation, use of financial flexibility to drive earnings growth and clear deleveraging capacity.

MOODY'S

Moody's has a corporate family rating for Metinvest of 'B2', the outlook 'stable'. This is one notch higher than Ukraine's sovereign rating, while still capped by the country ceiling. The rating reflects the agency's expectation that the Group will sustain a strong operational and financial performance for that level and maintain healthy liquidity. It is also driven by Metinvest's focus on reducing its environmental footprint and introducing more efficient energy-saving technologies to meet the highest global standards in this area.

S&P

S&P has a long-term issuer credit rating for Metinvest of 'B', the outlook 'stable', which is in line with its sovereign rating for Ukraine. In its July 2020 announcement, the agency cited the Group's better-than-expected performance amid the COVID-19 pandemic and liquidity improvement measures.

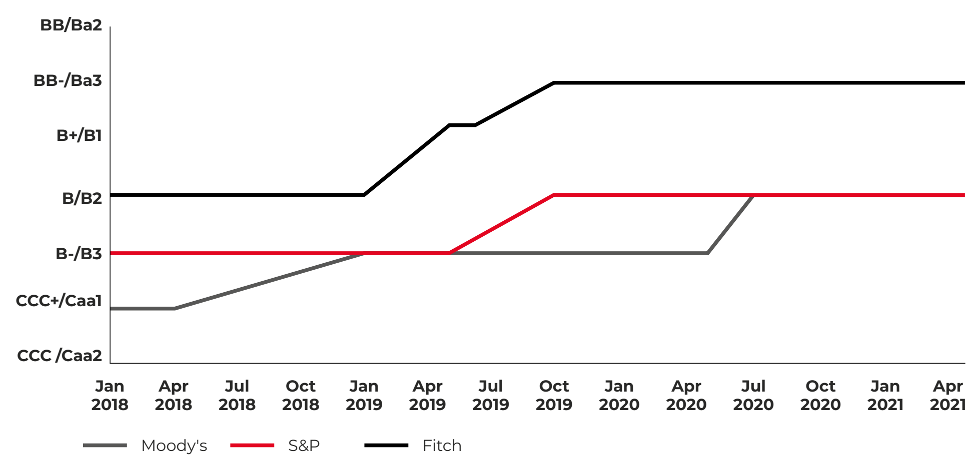
Credit ratings as of 12 April 2021

Fitch
BB- stable

Moody's
B2 stable

S&P
B stable

Evolution of credit ratings



Note: the left column of Y axis relates to Fitch and S&P rating scale, the right column represents the Moody's rating scale

METINVEST B.V.

SUMMARY IFRS CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2020

SUMMARY IFRS CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY IFRS CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO: THE MANAGEMENT BOARD AND THE AUDIT COMMITTEE OF METINVEST B.V.

REPORT ON THE SUMMARY IFRS CONSOLIDATED FINANCIAL STATEMENTS 2020

OUR OPINION

In our opinion, the accompanying summary IFRS consolidated financial statements 2020 of Metinvest B.V., are consistent, in all material respects, with the audited statutory financial statements, in accordance with the basis described in note 1.

THE SUMMARY FINANCIAL STATEMENTS

The summary IFRS consolidated financial statements of Metinvest B.V., The Hague ('the company'), derived from the audited statutory financial statements for 2020, comprise:

- the summary consolidated balance sheet as at 31 December 2020;
- the summary consolidated income statement for the year then ended;
- the summary consolidated statement of comprehensive income for the year then ended;
- the summary consolidated statement of changes in equity for the year then ended;
- the summary consolidated statement of cash flows for the year then ended; and
- the related notes to the summary IFRS consolidated financial statements.

The summary IFRS consolidated financial statements do not contain all of the disclosures required by International Financial Reporting Standards as adopted by the European Union and Part 9 of Book 2 of the Dutch Civil Code. Reading the summary financial statements, therefore, is not a substitute for reading the audited statutory financial statements of Metinvest B.V. and the auditor's report thereon.

The audited statutory financial statements and the summary IFRS consolidated financial statements do not reflect the events that occurred subsequent to the date of our report on the audited statutory financial statements.

THE AUDITED FINANCIAL STATEMENTS AND OUR AUDITOR'S REPORT THEREON

We expressed an unmodified audit opinion on the audited financial statements in our report dated 10 February 2021. The report also includes:

- the communication of key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the audited statutory financial statements of the current period.

RESPONSIBILITIES OF THE MANAGEMENT BOARD FOR THE SUMMARY IFRS CONSOLIDATED FINANCIAL STATEMENTS

The management board is responsible for the preparation of the summary IFRS consolidated financial statements in accordance with the basis described in note 1.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary IFRS consolidated financial statements are consistent, in all material respects, with the audited statutory financial statements based on our procedures, which we conducted in accordance with Dutch Law, including the Dutch Standard 810 'Engagements to report on summary financial statements'.

Rotterdam, 10 February 2021 PricewaterhouseCoopers Accountants N.V.

Original has been signed by A.F. Westerman RA

Metinvest B.V. – FTF4VSSUFADU-1158685585-69

PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam,
P.O. Box 8800, 3009 AV Rotterdam, the Netherlands

'PwC' is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services.

These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At www.pwc.nl more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.

Summary Consolidated Balance Sheet

All amounts in millions of US dollars

	Note	Year ended 31 December 2020	Year ended 31 December 2019
ASSETS			
Non-current assets			
Goodwill	7	630	601
Other intangible assets	8	121	140
Property, plant and equipment	9	5,289	6,354
Investments in associates and joint ventures	10	1,389	1,301
Deferred tax asset	24	110	85
Trade and other receivables	12	736	842
Total non-current assets		**8,275**	**9,323**
Current assets			
Inventories	11	937	1,185
Income tax prepaid		11	27
Trade and other receivables	12	3,405	3,028
Cash and cash equivalents	13	826	274
Total current assets		**5,179**	**4,514**
TOTAL ASSETS		**13,454**	**13,837**
EQUITY			
Share capital	14	0	0
Share premium	14	6,225	6,225
Other reserves	15	(8,957)	(7,804)
Retained earnings		9,186	8,411
Equity attributable to the owners of the Company		6,454	6,832
Non-controlling interest	16	42	98
TOTAL EQUITY		**6,496**	**6,930**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	17	2,427	2,442
Retirement benefit obligations	18	591	597
Deferred tax liability	24	184	273
Other non-current liabilities	19	201	195
Total non-current liabilities		**3,403**	**3,507**
Current liabilities			
Loans and borrowings	17	510	590
Income tax payable		69	31
Trade and other payables	20	2,976	2,779
Total current liabilities		**3,555**	**3,400**
TOTAL LIABILITIES		**6,958**	**6,907**
TOTAL LIABILITIES AND EQUITY		**13,454**	**13,837**

Signed and authorised for release on behalf of Metinvest B.V. on 10 February 2021:

Originally signed by Managing Director A, Yuriy Ryzhenkov

Originally signed by Managing Director B, ITPS (Netherlands) B.V.

Summary Consolidated Income Statement

All amounts in millions of US dollars

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Revenue	6	10,453	10,757
Net operating costs (excluding items shown separately)	21	(9,507)	(10,270)
Impairment of property, plant and equipment	9	(6)	(84)
Impairment of financial assets	12	(93)	(78)
Operating profit		**847**	**325**
Finance income	22	60	253
Finance costs	23	(566)	(276)
Share of result of associates and joint ventures	10	285	86
Profit before income tax		**626**	**388**
Income tax expense	24	(100)	(47)
Profit for the year		**526**	**341**
Profit is attributable to:			
Owners of the Company		519	331
Non-controlling interests		7	10
Profit for the year		**526**	**341**

Summary Consolidated Statement of Comprehensive Income

All amounts in millions of US dollars

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Profit for the year		526	341
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss:			
Revaluation of property plant and equipment	9	–	1,164
Revaluation decreases that offset previous increases in the carrying amount of property, plant and equipment		(9)	(310)
Remeasurement of retirement benefit obligation	18	(34)	(80)
Share in other comprehensive income/(loss) of joint ventures and associates	10	49	44
Income tax related to items that will not be reclassified subsequently to profit or loss		7	(131)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(897)	859
Total other comprehensive (loss)/income		**(884)**	**1,546**
Total comprehensive (loss)/income for the period		**(358)**	**1,887**
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(348)	1,847
Non-controlling interests		(10)	40
Total comprehensive (loss)/income for the period		**(358)**	**1,887**

Summary Consolidated Statement of Cash Flows

All amounts in millions of US dollars

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from operating activities			
Profit before income tax		626	388
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	21	820	704
Impairment of property, plant and equipment and intangible assets	9	6	84
Gain on disposal of property, plant and equipment and intangible assets	21	(1)	(5)
Finance income	22	(60)	(253)
Finance costs	23	566	276
Foreign exchange losses less gains/(gains less losses), net	21	217	(57)
Net change in retirement benefit obligations, except for interest costs, remeasurements and currency translation	18	(14)	(19)
Impairment of trade and other accounts receivable	12	93	78
Share of result of associates and joint ventures	10	(285)	(86)
Write-down of inventories, net	11	(34)	27
Write-off of trade and other payables	21	(10)	(23)
Other non-cash operating expenses/ (income), net		(92)	(13)
Operating cash flows before working capital changes		**1,832**	**1,101**
Decrease in inventories		217	340
Increase in trade and other accounts receivable		(347)	(328)
Increase in trade and other accounts payable		372	151
Cash generated from operations		**2,074**	**1,264**
Income taxes paid		(119)	(240)
Interest paid		(215)	(210)
Net cash from operating activities		**1,740**	**814**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(678)	(895)
Proceeds from sale of property, plant and equipment		1	3
Acquisition of associates		–	(1)
Loans issued		(13)	(146)
Interest received		3	17
Proceeds from repayments of loans issued		10	–
Dividends received		–	124
Principal payments under the guarantee	10	(77)	–
Other payments		(70)	(45)
Net cash used in investing activities		**(824)**	**(943)**
Cash flows from financing activities			
Repayment of seller's notes and deferred consideration	17	–	(55)
Payments for loans commission		(17)	(33)
Proceeds from loans and borrowings	17	514	871
Repayment of loans and borrowings	17	(573)	(586)
Net trade financing (repayments)/ proceeds	17	(130)	37
Acquisition of non-controlling interest		(51)	(6)
Dividends paid		(100)	(100)
Other finance costs		(3)	(5)
Net cash (used in)/from financing activities		**(360)**	**123**
Effect of exchange rate changes on cash and cash equivalents		(4)	–
Net increase/(decrease) in cash and cash equivalents		552	(6)
Cash and cash equivalents at the beginning of the year		**274**	**280**
Cash and cash equivalents at the end of the year	13	**826**	**274**

The accompanying notes form an integral part of these summary consolidated financial statements.

Summary Consolidated Statement of Changes in Equity

All amounts in millions of US dollars

	Attributable to owners of the Company						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interest (NCI)	Year ended 31 December 2019
Balance at 1 January 2019	**0**	**6,225**	**(9,144)**	**8,264**	**5,345**	**58**	**5,403**
Revaluation of property, plant and equipment (Note 9)	–	–	830	–	**830**	24	**854**
Share in other comprehensive income of joint venture and associates (Note 10)	–	–	60	(16)	**44**	–	**44**
Remeasurement of retirement benefit obligation (Note 18)	–	–	–	(78)	**(78)**	(2)	**(80)**
Income tax relating to components of other comprehensive income (Note 24)	–	–	(142)	15	**(127)**	(4)	**(131)**
Currency translation differences	–	–	847	–	**847**	12	**859**
Other comprehensive income/ (loss) for the period	**–**	**–**	**1,595**	**(79)**	**1,516**	**30**	**1,546**
Profit for the period	–	–	–	331	**331**	10	**341**
Total comprehensive income/ (loss) for the period	**–**	**–**	**1,595**	**252**	**1,847**	**40**	**1,887**
Realised revaluation reserve, net of tax	–	–	(255)	255	**–**	–	**–**
Dividends declared	–	–	–	(360)	**(360)**	–	**(360)**
Balance at 31 December 2019	**0**	**6,225**	**(7,804)**	**8,411**	**6,832**	**98**	**6,930**
Revaluation of property, plant and equipment (Note 9)	–	–	(9)	–	**(9)**	–	**(9)**
Share in other comprehensive income of joint venture and associates (Note 10)	–	–	51	(2)	**49**	–	**49**
Remeasurement of retirement benefit obligation (Note 18)	–	–	–	(33)	**(33)**	(1)	**(34)**
Income tax relating to components of other comprehensive income (Note 24)	–	–	1	6	**7**	–	**7**
Currency translation differences	–	–	(881)	–	**(881)**	(16)	**(897)**
Other comprehensive income/ (loss) for the period	**–**	**–**	**(838)**	**(29)**	**(867)**	**(17)**	**(884)**
Profit for the period	–	–	–	519	519	7	**526**
Total comprehensive income/ (loss) for the period	**–**	**–**	**(838)**	**490**	**(348)**	**(10)**	**(358)**
Acquisition of subsidiaries	–	–	–	–	–	17	**17**
Acquisition of non-controlling interest in subsidiaries	–	–	–	(30)	(30)	(52)	(82)
Disposal of investment in associate	–	–	(3)	3	–	–	–
Realised revaluation reserve, net of tax	–	–	(312)	312	–	–	–
Dividends declared by non-wholly-owned subsidiaries	–	–	–	–	–	(11)	(11)
Balance at 31 December 2020	**0**	**6,225**	**(8,957)**	**9,186**	**6,454**	**42**	**6,496**

The accompanying notes form an integral part of these summary consolidated financial statements.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020

1 METINVEST B.V. AND ITS OPERATIONS

Metinvest B.V. (the "Company" or "Metinvest"), is a private limited liability company registered in the Netherlands. The Company is beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management ("SCM"), and Mr. Vadym Novynskyi, through various entities commonly referred to as "SMART" or "Smart Group".

The Company and its subsidiaries (together referred to as the "Group" or "Metinvest Group") are an integrated steel producer, owning assets in each link of the production chain – from iron ore mining, coking coal mining and coke production, through to semi-finished and finished steel production. The steel products, iron ore and coke and coal are sold on both the Ukrainian and export markets.

As of 31 December 2020 and throughout the periods presented in these consolidated financial statements, Metinvest B.V. is owned 71.24% by SCM Limited (Cyprus) and 23.76% by companies of the Smart Group. The remaining 5% interest in the Company in the form of Class C shares has been acquired from the previous owners of Ilyich Group for the benefit of SCM and SMART. It is the intention of SCM and SMART to dispose of the said 5% interest in due course (after receipt of respective governmental approvals, if such will be necessary), and in such manner that the ultimate interest of SCM in the Company shall be 75% minus 1 share, and the ultimate interest of SMART in the Company shall be 25% plus 1 share, thus SCM remaining as the controlling shareholder.

The principal subsidiaries of Metinvest B.V. are presented below:

Name	Effective % interest as at 31 December		Segment	Country of incorporation
	2020	2019		
Metinvest Holding LLC	100.0%	100.0%	Corporate	Ukraine
Metinvest Management B.V.	100.0%	100.0%	Corporate	Netherlands
PrJSC Azovstal Iron and Steel Works	100.0%	100.0%	Metallurgical	Ukraine
PrJSC Yenakiieve Iron and Steel Works	92.2%	92.2%	Metallurgical	Ukraine
JV Metalen LLC	100.0%	100.0%	Metallurgical	Ukraine
PrJSC Khartsyzsk Pipe Plant	98.5%	98.5%	Metallurgical	Ukraine
Ferriera Valsider S.p.A.	100.0%	100.0%	Metallurgical	Italy
Metinvest Trametal S.p.A.	100.0%	100.0%	Metallurgical	Italy
Spartan UK Limited	100.0%	100.0%	Metallurgical	UK
Metinvest International SA	100.0%	100.0%	Metallurgical	Switzerland
Metinvest Eurasia LLC	100.0%	100.0%	Metallurgical	Russia
Metinvest Service Metal Centres LLC	100.0%	100.0%	Metallurgical	Ukraine
JSC Promet Steel	100.0%	100.0%	Metallurgical	Bulgaria
PrJSC Makiivka Iron and Steel Works	90.2%	90.2%	Metallurgical	Ukraine
PrJSC Ilyich Iron and Steel Works	100.0%	100.0%	Metallurgical	Ukraine
PrJSC Avdiivka Coke Plant	100.0%	100.0%	Metallurgical	Ukraine
PrJSC Zaporizhcoke	57.2%	57.2%	Metallurgical	Ukraine
PrJSC Donetskcoke	93.8%	93.8%	Metallurgical	Ukraine
PrJSC Dniprovskiy Coke Plant (Note 10)	100.0%	49.4%	Metallurgical	Ukraine
PrJSC Northern Iron Ore Enrichment Works	100.0%	96.8%	Mining	Ukraine
PrJSC Central Iron Ore Enrichment Works	100.0%	100.0%	Mining	Ukraine
PrJSC Ingulets Iron Ore Enrichment Works	100.0%	100.0%	Mining	Ukraine
PrJSC Komsomolske Flux Plant	99.7%	99.7%	Mining	Ukraine
United Coal Company LLC ("UCC")	100.0%	100.0%	Mining	USA
PrJSC Krasnodon Coal Company	99.9%	99.9%	Mining	Ukraine

As at 31 December 2020, the Group employed approximately 69 thousand people (31 December 2019: 66 thousand).

The Company's registered address is Nassaulaan 2A, 2514 JS, The Hague. The company is registered with the commercial trade register under the number 24321697. The principal places of production facilities of the Group are in Ukraine, Italy, UK and the USA.

The consolidated financial statements of Metinvest B.V. for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Supervisory Board on February 9, 2021.

For better understanding of Metinvest's financial position and the results of operations, these summary financial statements should be read in conjunction with the Metinvest's audited financial statements as of and for the year ended 31 December 2020, which include all disclosures required by International Financial Reporting Standards as adopted by European Union and the statutory provisions of Part 9, Book 2, of the Dutch Civil Code.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

2 OPERATING ENVIRONMENT OF THE GROUP

The Ukrainian economy demonstrated sustained growth for four straight years through the end of 2019, amid overall macroeconomics stabilisation supported by structural reforms, a rise in domestic investment, a revival in household consumption, an increase in industrial production and construction activity, as well as an improved environment on external markets. Starting from the first quarter of 2020, the Ukrainian economy has been contracting amid a decrease in industrial output and lockdown measures introduced in March 2020 to contain the spread of the COVID-19 pandemic. The easing of restrictive anti-pandemic measures spurred economy recovery in the second half of the year. Overall, the National Bank of Ukraine ("NBU") expects real GDP to fall by 4.4% year-on-year in 2020, compared with a growth of 3.3% in 2019.

The NBU follows an interest rate policy consistent with inflation targets and keeps the hryvnia floating. The annualised inflation rate in Ukraine was 5.0% in 2020 (compared to 4.1% in 2019), which allowed the NBU to continue its key policy of interest rate cuts after a lengthy period of rate increases – from 18.0% effective 7 September 2018 to 6.0% effective from 12 June 2020.

As of the date of this report the official NBU exchange rate of Hryvnia against US dollar was UAH 27.64 per USD 1, compared to UAH 28.27 per USD 1 as at 31 December 2020 and UAH 23.69 per USD 1 as at 31 December 2019.

In 2019, the NBU has continued to further ease the currency control restrictions introduced in 2014–2015. In particular, the required share of foreign currency proceeds subject to mandatory sale on the interbank market was gradually decreased from 50% to 30% starting from 1 March 2019 and was cancelled from 20 June 2019. Additionally, the settlement period for export-import transactions in foreign currency was steadily increased from 180 to 365 days starting from 16 May 2019. On 7 May 2019, the NBU increased the amount of the dividends payments allowed to Ukrainian companies to non-residents to EUR 12 million per month and subsequently cancelled this limitation starting from 10 July 2019.

In order to manage external debt repayments and secure access to external financing, Ukraine continues cooperation with international financial institutions, which are major creditors of its economy. In June 2020, the Executive Board of the International Monetary Fund approved a new 18-month Stand-by Arrangement (SBA) for Ukraine with the total limit of about USD 5 billion. The approval of the SBA enabled the immediate disbursement of about USD 2.1 billion while further disbursements will be considered, depending on Ukraine's success in fulfilling the terms of the SBA. In July 2020, Ukraine and the EU signed an agreement granting Ukraine EUR 1.2 billion in macro-financial assistance funds.

Ukraine has remained active on international debt capital markets to manage external debt maturity profile. In 2018- 2020, Ukraine not only issued several USD-denominated Eurobond tranches, but also issued several EUR- denominated Eurobond tranches with 2019 issue being its first in the last 15 years.

The Group's financial performance is largely dependent on the global prices of and demand for steel, iron ore and coking coal products. The prices of steel products are influenced by many factors, including global economic conditions, demand for steel products, worldwide production capacity, capacity utilisation rates, raw material costs, currency exchange rates and improvements in steel making processes. In 2019-2020, steel and iron ore prices have experienced significant fluctuations.

Compared with the average for the first half of 2020, the benchmark hot-rolled coil price (Metal Expert HRC CIS export FOB Black Sea) in the second half 2020 increased by 23% to an average of USD 524 per tonne, the benchmark iron ore price (Platts 62% Fe CFR China) increased by 38% to an average of USD 126 per dry tonne, while the benchmark coking coal price (HCC LV, FOB Australia) decreased by 18% to an average USD 112 per tonne.

In 2019, the average benchmark hot-rolled coil price (Metal Expert HRC CIS export FOB Black Sea) amounted to USD 468 per tonne, the benchmark iron ore price (Platts 62% Fe CFR China) to USD 93 per dry tonne and the benchmark coking coal price (HCC LV, FOB Australia) to USD 178 per tonne.

In March 2020, the outbreak of COVID-19 has led to quarantine and various types of movement restrictions imposed in many countries. This in turn has led to reduced activity in certain sectors of the economy, reduced demand for certain goods and services and increased risks of slowing economic growth and recession in key economies around the world.

The effects of the COVID-19 outbreak have resulted in a volatility in the metallurgical segment's revenue in April 2020 mainly caused by the decrease in global steel prices and temporary closure of the European steel plants; however, in May 2020, the situation started to improve following the recovery of construction sector in China and expectations of increased demand in other sectors amid quarantine measures easing. At the same time, the mining segment's performance was less affected as a result of positive dynamics in global iron ore prices.

During 2020 governments across the world have undertaken several stimulus packages aimed to counter the effects of COVID-19 including fiscal and monetary measures targeting households, health care, and manufacturing and servicing industries. Until the end of 2020, multiple vaccines have been successfully developed and some countries have started vaccination drives.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

2 OPERATING ENVIRONMENT OF THE GROUP CONTINUED

Since the beginning of the outbreak, the Group has been taking measures to prevent the spread of the virus and ensure the safety of its personnel. Risk management measures carried out by the Group's anti-crisis headquarters include among others remote work for administrative staff, cancelled public events and business trips, regular temperature screenings for employees at all production sites, provision of means for personal protection. All the Group's internal controls remain in place and operating effectively. In addition, the Group supported local communities in the regions where it operates. As of 31 December 2020, the Group has invested around USD 5 million in initiatives to prevent the spread of the virus.

At the date of issuing these consolidated financial statements, the situation with the COVID-19 is still evolving and its consequences are currently uncertain; however, management believes that it is taking appropriate measures to support the stable operation of the Group, necessary in the current circumstances. Management concludes that there is no material uncertainty due to the COVID-19 outbreak in relation to the going concern assumption used for preparation of these consolidated financial statements.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and statement of compliance. These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by European Union and the statutory provisions of Part 9, Book 2, of the Dutch Civil Code. The consolidated financial statements have been prepared under the historical cost convention unless stated otherwise. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These consolidated financial statements are presented in millions of US dollars and all values are rounded off to the nearest million except where otherwise indicated.

Critical accounting estimates and judgements in applying accounting policies. The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources.

Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the IFRS consolidated financial statements are disclosed in Note 4.

Principles of consolidation. Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. The date of exchange is the acquisition date where a business combination is achieved in a single transaction. Where a business combination is achieved in stages, the previously held interest in an acquired business is included into the cost of business combination at fair value as of the acquisition date with resulting gains recognised in consolidated income statement.

Costs directly related to acquisition of subsidiaries are recognised in the consolidated income statement in the period in which they incurred and the services are received.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the Group.

Non-controlling interest ("NCI") is that part of the net results and of the net assets of a subsidiary, including the fair value adjustments, which is attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of equity.

Purchases of subsidiaries from parties under common control and merger reserve in equity. Purchases of subsidiaries from parties under common control are accounted under the predecessor values method. Under this method the financial statements of the entity are presented as if the businesses had been consolidated from the beginning of the earliest period presented (or the date that the entities were first under common control, if later). The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's book values. The difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to equity. This is recorded as a merger reserve. No additional goodwill is created by such purchases.

Transactions with non-controlling interests. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. Non-controlling interest is measured on proportionate basis of net assets.

Investments in associates and joint ventures. Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint ventures.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. The carrying amount of associates and joint ventures includes goodwill identified on acquisition, and is reduced for accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of associates and joint ventures is recorded in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate, including any other unsecured accounts receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and their associates and joint ventures are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the General Director of the Group that makes strategic decisions.

Company reports separately information about an operating segment that meets any of the following quantitative thresholds unless aggregation criteria are met:
(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments.
(b) The absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of
  (i) the combined reported profit of all operating segments that did not report a loss and
  (ii) the combined reported loss of all operating segments that reported a loss.
(c) Its assets are 10 per cent or more of the combined assets of all operating segments.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation. The functional currency of each of consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency for the majority of the consolidated entities is either Ukrainian hryvnia ("UAH") or US dollar ("USD").

Transactions denominated in currencies other than the relevant functional currency are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates are recognised in the consolidated income statement.

The principal rate of exchange used for translating foreign currency balances is as follows:

	31 December 2020	31 December 2019
USD/UAH	28.27	23.69
EUR/UAH	34.74	26.42

Monetary assets and liabilities are translated into functional currency at the official exchange rate at the respective balance sheet dates. Translation at year end does not apply to non-monetary items.

Translation from functional to presentation currency. The Group has selected the US dollar ("USD") as the presentation currency. The USD has been selected as the presentation currency for the Group as: (a) management of the Group manages business risks and exposures, and measures the performance of its businesses in the USD; (b) the USD is widely used as a presentation currency of companies engaged primarily in metallurgy; and (c) the USD is the most convenient presentation currency for non-Ukrainian users of these IFRS consolidated financial statements.

The results and financial position of each consolidated entity are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised through comprehensive income and they accumulate as a separate component of equity. All the components of consolidated equity at each balance sheet date are translated at the historical rate. The balancing figure goes to cumulative currency translation reserve in other reserves in equity. All the elements within equity are presented at the rates prevailing at the dates of such movements (or an average rate for the period when this approximates the transaction date exchange rate).

As follows from policy on translation from functional to presentation currency revaluation results, and reclassification from revaluation reserve to retained earnings are translated into USD using the exchange rates prevailing at the dates of transaction. Because of lower strength of UAH as compared to USD (and consequent depreciation against USD since the historical revaluations dates), the revaluation reserve in presentation currency is carried at rates lower than the closing UAH/USD rate, thus, differs from the revaluation balances recognised in the Group`s property, plant and equipment. Upon disposal, sale or liquidation of assets or liabilities related to these equity components these differences are reclassified to retained earnings.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and at each balance sheet date are translated at the closing rate. When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the currency translation differences deferred in equity are reclassified to the consolidated income statement.

Current exchange restrictions in Ukraine are explained in Note 2. At present, the UAH is not a freely convertible currency outside of Ukraine.

Property, plant and equipment. Property, plant and equipment are stated using the revaluation model. Fair values are based on valuations by external independent valuers. The frequency of revaluation depends upon the movements in the fair values of the assets being revalued. Initial acquisitions and subsequent additions to property, plant and equipment are recognised at cost. Cost includes expenditure directly attributable to acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and accumulated in the other reserves in equity. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Decreases that offset previous increases in the carrying amount of the same asset decrease the previously recognised revaluation reserve through other comprehensive income; all other decreases are charged to the income statement. The revaluation reserve in equity is transferred directly to retained earnings when the surplus is realised either on the retirement or disposal of the asset or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Upon recognition, items of property, plant and equipment are divided into components, which represent items with a significant value that have different useful lives.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as an expense when incurred.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset. Gains and losses on disposals determined by comparing proceeds with carrying amount of property, plant and equipment are recognised in the consolidated income statement.

Depreciation is charged to the consolidated income statement on a straight-line basis to allocate costs or revalued amounts of individual assets to their residual value over the estimated remaining useful lives. Depreciation commences at the moment when assets is ready for use. The estimated useful lives are as follows:

	Useful lives in years
Buildings and structures	from 2 to 60
Plant and machinery	from 2 to 35
Furniture, fittings and equipment	from 2 to 10

Estimates of remaining useful lives are made on a regular basis for all buildings, plant and machinery, with annual reassessments. Changes in estimates are accounted for prospectively.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents prepayments for property, plant and equipment, and the cost of property, plant and equipment, construction of which has not yet been completed. No depreciation is charged on such assets until they are ready for use.

The Company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Asset retirement obligations. According to the Code on Mineral Resources, Land Code of Ukraine, Mining Law, Law on Protection of Land and other legislative documents of Ukraine and the US, the Group is responsible for site restoration and soil rehabilitation upon abandoning its mines. Estimated costs of dismantling and removing an item of property, plant and equipment are added to the cost of an item of property, plant and equipment when the item is acquired. Changes in the measurement of an existing asset retirement obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate are recognised as an adjustment to the cost of the respective asset through the income statement or other reserves in equity to the extent of any revaluation balance existence in respect of the related asset. Provisions in respect of abandonment and site restoration are evaluated and re-estimated annually, and are included in these consolidated financial statements at each balance sheet date at their expected net present value, using discount rates which reflect the economic environment in which the Group operates and are specific to a liability.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leased assets. The Group recognises assets and liabilities for all leases within term of more than 12 months, unless the underlying asset is of low value. A lessee recognises a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset (underlying asset) for a period of time in exchange for consideration. The Group determines the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The right-of-use asset is initially recognised at the commencement date and measured at cost. The cost of right-of-use asset includes the amount of initial measurement of the lease liability and any lease payments made at or before the commencement date, less any lease incentive received. The lease liability is initially recognised at the commencement date and measured at present value of the lease payments that are not paid at that date.

The rights-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses. The lease liability is subsequently measured using effective interest rate method. The carrying amount is remeasured to reflect any re-assessment or lease modifications, or to reflect revised in-substance fixed lease payments. A re-assessment of the lease liability takes place if the cash flows change based on the original terms and conditions of the lease. A lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease. Described above changes to the lease liability amount should be adjusted in the right-of use asset amount. Any changes that are required by original lease agreement terms, including changes impacted by reviewed market lease payment or extension of lease period, should be treated rather as reassessment than modification. Effective date of changes is the date on which both parties agree to lease agreement changes.

The Group depreciates the right-of-use asset on the straight line basis from the lease commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. Depreciation should be recognised separately from interest on lease liabilities in the income statement.

Goodwill. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated balance sheet. It is carried at cost less accumulated impairment losses, if any. Gains and losses on the disposal of an entity or business unit include the carrying amount of goodwill relating to the entity or business unit disposed of.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the synergies of the business combination.

Other intangible assets. All of the Group's other intangible assets have definite useful lives and primarily include capitalised computer software and licences, mining licences, mining permits and coal reserves. Acquired computer software and other licences are capitalised on the basis of the costs incurred to acquire and bring them to use.

Other intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal. Cost of SAP ERP system is amortised on a straight-line basis over estimated useful life of 10 years. Licences and coal reserves are amortised using the units-of-production method over all estimated proven and probable reserve assigned to the mines. Proven and probable reserves exclude non-recoverable coal and ore reserves and estimated processing losses. Amortisation rates are updated when revisions to coal reserve estimates are made.

Impairment of non-financial assets. Goodwill is tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. For purposes of assessing impairment, assets are grouped to the lowest levels for which there are separately identifiable cash flows (cash generating unit). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Initial recognition of financial instruments. At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus transaction costs that are directly attributable to the acquisition of the financial instruments if financial asset or financial liability are not accounted at fair value through profit or loss ("FVPL"). Transaction costs of financial assets or financial liabilities carried at FVPL are expensed in profit and loss in the consolidated income statement.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between the transaction price and the fair value, which can be evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets.

Classification and subsequent measurement of financial assets. The Group classifies its financial assets in the following measurement categories:
- those to be subsequently measured at fair value (either through other comprehensive income ("FVOCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) or (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets' performance is assessed.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Three measurement categories into which the Group classifies its debt financial assets are as follows:
1) Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating income/(expenses). Impairment losses are presented in other operating income/(expenses) or as a separate line item in the consolidated income statement, if material.
2) Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. Interest income from these financial assets is included in profit or loss using the effective interest rate method. Impairment expenses are presented in other operating income/(expenses) or as a separate line item in the consolidated income statement, if material.
3) Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other operating income/(expenses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other operating income/(expenses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets impairment – expected credit loss allowance. After the initial recognition, an expected credit loss allowance ("ECL") is recognised for financial assets measured at amortised cost and at FVOCI, resulting in an immediate accounting loss in the consolidated income statement.

The measurement of expected credit losses reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Financial instruments measured at amortised cost and contract assets are presented in the consolidated balance sheet net of the allowance for expected credit losses.

Generally the impairment methodology is a three stage model applied dependent on whether there has been a significant increase in credit risk of a financial instrument since the initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses (Stage 1 of ECL model) considering that the maximum period of credit risk exposure cannot exceed financial instrument term to maturity. At each reporting date, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition (Stage 2 of ECL model). If the Group determines that a financial asset is credit- impaired, the asset is transferred to Stage 3 and its ECL is measured as a lifetime ECL.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised at the time of the initial recognition of the receivables (Stage 2 of ECL model). For loans issued and bank accounts the Group applies general model for impairment based on changes in credit quality since initial recognition is applied. For loans that are repayable on demand, expected credit losses is equal to the effect of discounting the amount due on the loan.

As at reporting date the Group has three types of financial assets that are subject to expected credit loss model:
- cash and cash equivalents
- trade receivables for sales of goods and services
- loans issued

The Group uses different approaches for analysis of expected credit losses arisen on the financial assets from related parties, significant customers and other customers.

For all significant debtors and related parties, the calculation of expected credit losses is carried out on an individual basis taking into account agreement terms, expected repayment period, internally assessed credit risks for significant debtors based on the financial performance and taking into account external credit rating, if available. ECL rate is calculated based on credit spread implicit in the average yield on bonds of similar credit risk companies and adjusted for maturity, risk free rate and liquidity premium.

For individually insignificant debtors the Group calculates expected credit losses using a provision matrix by grouping customers by country of location. This matrix is based on the Group's historical default rates over the expected life of the financial receivables and is adjusted for forward-looking estimates.

The Group does not recognise the expected credit loss allowance on cash and cash equivalents if it was determined that the effect of such loss allowance is not material as at the reporting date.

Reclassification of financial assets. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Modification and derecognition of financial assets. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: change in contractual terms that substantially affects the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of modification is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether significant increase in credit risk has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assess whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

The Group enters into transactions in the normal course of business by which it transfers financial assets to third parties. Depending on the circumstances, these transfers may either result in these financial assets being derecognised or continuing to be recognised.

Full derecognition occurs when the Group transfers its contractual right to receive cash flows from the financial assets, or retains the right but assumes an obligation to pass on the cash flows from the asset, and transfers substantially all the risks and rewards of ownership. The risks include credit, interest rate, foreign currency, prepayment and other price risks.

Derecognition does not occur when the Group transfers its contractual right to receive cash flows from the financial assets, or retains the right but assumes an obligation to pass on the cash flows from the asset, but either:

– retains substantially all of the risks and rewards of ownership of the transferred asset; or
– neither retains nor transfers substantially all of the risks and rewards of ownership but has retained control of the financial asset. In this situation, the financial assets are recognised on the balance sheet to the extent of Group's continuing involvement.

The write-off of financial asset also represents a derecognition event. Financial assets are written-off, in whole or in part, when the Group has no reasonable expectations of recovering these assets.

Classification and subsequent measurement of financial liabilities.
All the financial liabilities are classified as subsequently measured at amortised cost, except for (i) derivatives, financial liabilities held for trading, contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition, which are measured at FVPL and (ii) financial guarantee contracts and loan commitments at a below-market interest rate.

Modification and derecognition of financial liabilities. Upon modification of financial liabilities the Group adjusts the amortised cost of a financial liability to reflect revised estimated contractual cash flows. For these purposes the Group recalculates the amortised cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate. Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upon determination of whether modification or an extinguishment have occurred the Group performs analysis in order to determine if there was a substantial modification of the terms quantitative in nature of an existing financial liability or a part of it. The quantitative analysis represents performance of a 10 per cent test. No qualitative factors are considered.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantees. Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an expected credit loss allowance is recognised for fees receivable that are recognised in the consolidated balance sheet as an asset.

Income taxes. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of most likely amounts expected to be paid to the tax authorities. The income tax charge is recognised in the consolidated income statement except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post-acquisition retained earnings and other post-acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average principle. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads based on normal operating capacity but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are charged to the income statement when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in other non- current assets.

Share capital. Ordinary shares issued are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented as a share premium.

Dividends. Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue. If settlement of a dividend liability exceeds twelve months from the balance sheet date it is included within long- term liabilities and measured at the present value of the future cash flows required to settle the liability using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Loans and borrowings. Loans and borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently carried at amortised cost using the effective interest method.

Cash flows related to receipt and repayment of trade finance borrowings are presented within the statement of cash flows on a net basis.

Transaction fees paid related to debt restructuring (such as legal and consulting expenses) are presented within the financing activities of the consolidated statement of cash flows.

Trade and other financial payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

Prepayments received. Prepayments are carried at amounts originally received, net of VAT.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small if it is probable that some outflow of resources will be needed to settle the class of obligations as a whole.

Where the Group expects a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent assets and liabilities. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable. When the realisation of income is virtually certain, then the related asset is not a contingent asset and the Group recognises such assets.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits. Defined benefit plan. Certain Ukrainian entities within the Group participate in a mandatory State defined retirement benefit plan, which provides for early pension benefits for employees working in certain workplaces with hazardous and unhealthy working conditions. Certain Ukrainian entities also provide lump sum benefits upon retirement subject to certain conditions, as well as some other long-term employee benefits. The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by professional actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (if there is no deep market for high quality corporate bonds) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. Past service costs are recognised immediately in profit or loss.

Revenue recognition. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group.

The Group recognises revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service to a customer and the customer obtains ability to direct the use of and substantially all of the remaining benefits from the asset. For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time.

For each performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation proportionally to the services provision period. If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time at which a customer obtains control of a promised asset.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (acting as a principal) or to arrange for those goods or services to be provided by the other party (acting as an agent). When the Group satisfies a performance obligation as a principal, revenue is recognised in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred, when as an agent – the Group recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(a) Sale of goods, by-products and merchandise
The Group manufactures and sells a range of steel products to large, medium and small size customers. By-products and merchandise are sold to the same range of customers. Revenues from sales of goods, by-products and merchandise are recognised at the point of transfer of control over the goods, normally when the goods are shipped. The Group normally uses standardised Incoterms such as cost-and-freight (CFR), free-carrier (FCA), cost-insurance- freight (CIF), free-on-board (FOB) and ex-works (EXW) which define the point of control transfer. Revenue is recorded on an accrual basis as earned.

Sales are recorded based on the price indicated in the specifications to the sales contracts. The sales price is established separately for each specification.

The Group also engages in sale and purchase transactions the objective of which is to manage cash flows and/or to sell the products of its joint ventures through the Group's sales channels and where the Group acts as an agent. Such sales are not treated as gross revenue generated by the Group and accordingly such sales and purchases are presented on a net basis with any gain or loss presented in revenue. Accounts receivable and payable from such transactions are presented gross.

(b) Sale of services
Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

The Group provides freight services to the customers as part of standard products sales contract. Management considers that freight services should be treated as separate performance obligations and should be recognised over the transportation period.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Commission income

The Group acts as an agent for sales transactions on behalf of the third parties. The commission income received by the Group as a fee for facilitating such transactions is recognised at the point of transfer of risks and rewards of ownership of the goods to the customers of the third parties. Such income is reported as part of revenue.

Interest income. Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income. Dividend income is recognised when the right to receive payment is established.

Value added tax. VAT in Ukraine where the majority of the Group operations are concentrated is levied at two rates: 20% on domestic sales and imports of goods, works and services and 0% on export of goods. Export of services is exempt from VAT. A taxpayer's VAT liability equals the total amount of VAT collected within a reporting period, and for domestic operations arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer; for export operations arises on the date of customs clearance of exported goods. A VAT credit is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. For domestic and export operations rights to VAT credit arise when a VAT invoice is received, which is issued on the earlier of the date of payment to the supplier or the date goods are received. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT. VAT assets recoverable in cash from the State are included into Group's assets. All other VAT assets and liabilities are netted only within the individual companies of the Group.

Recognition of expenses. Expenses are accounted for on an accrual basis.

Finance income and costs. Finance income and costs comprise interest expense on borrowings, pension obligations, losses on early repayment of loans, interest income on funds invested, income on origination of financial instruments and foreign exchange gains and losses.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the IFRS consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of property, plant and equipment, goodwill and other intangible assets. The Group and its subsidiaries are required to perform impairment tests for their assets or cash-generating units when there is indication that an asset or a cash-generating unit ("CGU") may be impaired.

One of the determining factors in identifying a cash-generating unit is the ability to measure independent cash flows for that unit. Within the Group's identified cash-generating units a significant proportion of their output is input to another cash-generating unit. Therefore, judgement is needed in determining a cash-generating unit.

Annually the Group assesses whether goodwill is impaired. This requires estimation of the value in use/fair value less costs of disposal of the cash-generating units or groups of cash-generating units to which goodwill is allocated.

Allocation of goodwill to groups of cash generating units requires significant judgement related to expected synergies. Estimating value in use/fair value less costs of disposal requires the Group to make an estimate of expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Precision of future cash flows is dependent, inter alia, on quality of management's forecasts of benchmark price levels for key commodities, production volumes and production costs, and necessary capital expenditure levels.

The most recent detailed calculations of goodwill impairment for Metallurgical segment were performed as of 31 December 2020, for Mining segment as of 31 December 2019 as disclosed in Note 7.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES CONTINUED

Management has carried forward Mining segment goodwill assessment in 2020, having considered that since then:
(a) the assets and liabilities making up these segments have not changed significantly;
(b) the recoverable amount calculations performed last year resulted in the amounts that exceeded the carrying amounts of the segment by substantial margins; and
(c) the likelihood that a current recoverable amount determination as of 31 December 2020 would be less than the current carrying amount of the unit is remote, based on the management's analysis of events that have occurred and circumstances that have changed, including:
- increased production and sales volumes of iron ore products as compared to the estimates made in 2019 impairment test.
- increased gross margins in 2020 as compared to the estimates made in 2019 impairment test, mainly due to increase in iron ore prices, as disclosed in Note 2, based on which the expected gross margins for 2021 and further periods have improved from the estimates made in impairment test for 2019.

Revaluation of property, plant and equipment. On an annual basis management of the Group carries out an analysis to assess whether carrying amounts of items of property, plant and equipment differ materially from that which would be determined using fair value at the end of the reporting period. The analysis is based on price indices, developments in technology, movements in exchange rates since the date of latest revaluation, profitability of underlying businesses and other relevant factors. Where the analysis indicates that the fair values of items of property plan and equipment differ materially from the carrying amounts, further revaluation is performed involving independent valuers.

As most of the Group's property, plant and equipment is of specialised nature, its fair value is determined using depreciated replacement cost (Level 3) or, where it is available, the market value (Level 2).

The majority of the structures, plant and machinery are specialised in nature and are rarely sold in the open market in Ukraine other than as part of a continuing business. The market for similar property, plant and equipment is not active in Ukraine and does not provide a sufficient number of sales of comparable assets to allow for using a market-based approach for determining fair value. Consequently, the fair value of structures, plant and machinery was primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economic depreciation, and obsolescence. The depreciated replacement cost was estimated based on internal sources and analysis of Ukrainian and international markets for similar property, plant and equipment. Various market data was collected from published information, catalogues, statistical data etc., and industry experts and suppliers.

When performing valuation using these methods, the key estimates and judgments applied by the independent valuers, in discussion with the Group's internal valuation team and technicians, are as follows:
- choice of information sources for construction costs analysis (actual costs recently incurred by the Group, specialised reference materials and handbooks, estimates for cost of construction of various equipment etc.);
- determination of similar items for replacement cost of certain equipment, as well as corresponding adjustments required to take into account differences in technical characteristics and condition of new and existing equipment;
- selection of market data when determining market value where it is available as well as corresponding adjustments required to take into account differences in technical characteristics and the condition of new and existing equipment;
- determination of applicable cumulative price indices which would most reliably reflect the change in fair value of assets revalued using indexation of carrying amounts;
- use of directories of per-unit replacement cost for buildings and constructions, assuming that all buildings and constructions of similar type and nature within industry have similar replacement costs; and
- liquidation value for items, which are expected to be realised, less cost to sell.

The fair values obtained using depreciated replacement cost and indexation of carrying amounts are validated using discounted cash flow models (income approach, Level 3), and are adjusted if the values obtained using income approach are lower than those obtained using depreciated replacement cost or indexation of carrying amounts (i.e. there is economic obsolescence). Key inputs into discounted cash flow models are consistent with the assumptions used for goodwill impairment testing (Note 7), except for discount rates which are specific to each of the Group's subsidiaries.

Changes in the above estimates and judgments could have a material effect on the fair value of property, plant and equipment, which, however, is impracticable to quantify due to wide variety of assumptions and assets being valued.

Remaining useful lives of property, plant and equipment. The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the technical characteristics, physical conditions, management's expectations on use of the respective assets and other factors. This affects depreciation charge and revaluation results.

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Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES CONTINUED

Impairment of trade and other accounts receivable. During 2015 and 2016, the Group recognised full impairment of trade receivables from some of its key customers in the total amount of USD 534 million. Factors taken into consideration by management when estimating the future cash flow included an ageing analysis of trade and other accounts receivable, and the financial position and performance of and collection history with the customers. In the current environment there is significant judgement in estimating whether the impaired trade and other receivables and any related penalty interest will be collected. During 2017, the Group commenced sales of iron ore, coke and coal products for the use by one of these customers. All the metal produce of this customer is purchased by the Group and resold externally. All the transactions are performed at an arms-lengths basis. These are not linked to the existing old impaired debt due to the Group thus impairment was not reversed.

Additionally, the estimates used to assess the impairment of trade and other accounts receivable from certain Ukrainian customers are impacted by the uncertainty caused by events in Eastern Ukraine.

Related party transactions. In the normal course of business the Group enters into transactions with related parties. Judgement is applied in determining if transactions are priced at market or non-market terms, where there is no active market for such transactions, and also in estimating the timing of settlement of the balances due from related parties, where there is a history of prolongations. Financial instruments are recorded at origination at fair value using the effective interest method. The Group's accounting policy is to record gains and losses on related party transactions, other than business combination or equity investments, in the income statement. The basis for judgement is pricing for similar types of transactions with unrelated parties and an effective interest rate analysis.

Further, estimation of timing of settlement and recoverability of balances due from related parties requires judgement. Ability of shareholders and parties under their control to repay the amounts due to the Group is dependent to large extent on cash flows from the Group. Such cash flows in the current circumstances may be limited (Note 17). The expected credit loss allowance was recognised in respect of balances due from related parties as disclosed in Note 12 of these consolidated financial statements.

Post-employment and other long-term employee benefits obligations. Management assesses post-employment and other long-term employee benefit obligations using the Projected Unit Credit Method based on actuarial assumptions which represent management's best estimates of the variables that will determine the ultimate cost of providing post-employment and other employee benefits. Since the plan is administered by the State of Ukraine, the Group may not have full access to information and therefore assumptions regarding when, or if, an employee takes early retirement, whether the Group would need to fund pensions for ex-employees depending on whether that ex-employee continues working in hazardous conditions could all have a significant impact on the pension obligation.

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The major assumptions used in determining the net cost (income) for pensions include the discount rate and future salary and benefits increase rate. Any changes in these assumptions will impact the carrying amount of pension obligations as disclosed in sensitivity analysis in Note 18.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on the current market conditions. Additional information is disclosed in Note 18.

Tax legislation. Ukrainian tax, currency and customs legislation continues to evolve. Conflicting regulations are subject to varying interpretations. Management believes its interpretations are appropriate and sustainable, but no guarantee can be provided against a challenge from the tax authorities (Note 26).

Functional currency. Judgement was applied in determining the functional currency of Metinvest B.V., which is a holding company for operations of the Group in Ukraine, Italy, the United States of America and other countries. The functional currency of Metinvest B.V. was determined on the basis that (i) in management's opinion Metinvest B.V. is not an extension of and is not integral to the Ukrainian operations; (ii) the primary economic exposures are to a number of countries; and (iii) Metinvest B.V. retains cash and obtains financing in US Dollars. Management therefore determined the US Dollar as the functional currency of Metinvest B.V.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES CONTINUED

Loss of control over the assets located on the temporarily non-controlled territory

In March 2017, the Group lost control over the assets located on the temporarily non-controlled territory. The Group accounted for this event as impairment of related property, plant, and equipment and inventories. Also, the Group has determined that the operations located on the temporarily non-controlled territories over which control was lost do not represent a disposal of foreign operations.

(i) ***Control over the legal entities whose operations on the temporarily non-controlled territory were lost.*** The Group retains a legal ownership over the entities whose physical assets and production activities are located on the temporarily non-controlled territories. Management determined that it retains control over these entities as they are registered on the controlled territory of Ukraine and the Group continues to perform transactions in accordance with Ukrainian legislation. Thus, the Group continues to consolidate the remaining assets (largely trade and other receivables) and liabilities of those entities and accounted for the loss of control of tangible assets as their impairment.

Would the position be adopted that control over the legal entities is lost as at 15 March 2017, the net assets of the entities in the amount of USD 13 million (before the impairment) would be deconsolidated and the fair value of accounts payable due to the entities and accounts receivable due from the entities would be recognised. Additionally, a reclassification of USD 601 million of accumulated net negative Currency Translation Reserve ("CTR") from other comprehensive Income to profit and loss in the income statement would have been required.

(ii) ***Currency translation reserve related to entities located on the temporarily non-controlled territory.*** The lost operations have not been consolidated directly but only together with the remaining operations of each of the legal entity, which continue to exist and be controlled by the Group. Operations and management were structured in such a way that each legal entity in its entirety was considered to be one entity and, therefore, the lost part of an entity does not represent a branch or a business. Thus the management determined that these operations do not represent a disposal of foreign operations and therefore no accumulated CTR on those entities is reclassified to profit and loss (which would be the case if it is determined that operations lost represent a disposal of foreign operations).

If all the net assets of the entities located on the temporarily non-controlled territory were derecognised, the negative charge of CTR in income statement would have been USD 601 million, as stated above; the exact amount of the charge would depend on whether only part or all the assets and liabilities of these entities were derecognised.

(iii) ***Impairment of property, plant and equipment located on the temporarily non-controlled territory.*** The Group still holds the legal title over assets located on the temporarily non-controlled territory as their seizure is illegal and might be temporary. Moreover, the Group may still be able to claim some compensation for the assets through international courts. Therefore, management has determined that the loss of control over the physical assets does not require the derecognition of these assets.

As such, management of the Group has performed an impairment assessment of the respective property, plant and equipment and determined that the recoverable amount of these assets is zero, thus recognising USD 205 million as decrease of previously recognised revaluation in Other Comprehensive Income and USD 228 million as impairment charge in profit and loss for the year ended 31 December 2017. Would the judgement be made that the assets are derecognised, the whole amount of USD 433 million of decrease of carrying value of property, plant and equipment would need to be charged as loss on disposal in profit and loss. Additionally, the remaining revaluation reserve related to these assets in the amount of USD 330 million (remained upon translation to presentation currency) would need to be transferred to retained earnings.

5 NEW ACCOUNTING PRONOUNCEMENTS

The following new standards, amendments to standards and interpretations became effective for the Group on 1 January 2020:

- ***Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7)*** (issued on 26 September 2019 and effective for annual periods beginning on or after January 1, 2020 and must be applied retrospectively. Early application is permitted.);
- ***Definition of a business – Amendments to IFRS 3*** (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020);
- ***Definition of materiality – Amendments to IAS 1 and IAS 8*** (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020);
- ***Amendments to the Conceptual Framework for Financial Reporting*** (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020);
- ***Covid-19-Related Rent Concessions – Amendment to IFRS 16*** (issued on 28 May 2020 and effective for annual reporting periods beginning on or after 1 June 2020).

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

5 NEW ACCOUNTING PRONOUNCEMENTS CONTINUED

These standards, amendments to standards and interpretations did not have a material impact on these consolidated financial statements. The following amendments to standards, which are relevant to the Group, have been issued, but have not yet been endorsed by the European Union:

– ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28*** (issued on 11 September 2014 and effective for annual periods beginning on or after the date to be determined by the IASB);
– ***Classification of liabilities as current or non-current – Amendments to IAS 1*** (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023);
– ***Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41*** (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

These amendments to standards will likely have no material impact on the Group.

6 SEGMENT INFORMATION

The Group's business is organised on the basis of the following main reportable segments:

– Metallurgical – comprising the production and sale of coke, semi-finished and finished steel products;
– Mining – comprising the production, enrichment and sale of iron ore and coal by the Group's Ukrainian operations and UCC, the Group's US coal operations. Output of the Group's mining business covers iron ore and coking coal needs of the Group's steelmaking business with surplus of iron ore sold to third parties. While management reviews financial information of UCC separately from other mining operations, UCC operating segment has been aggregated with the Group's Ukrainian mining operations into the Mining reportable segment. The two operating segments were aggregated into one reportable segment as they have similar nature of products (mineral commodities used in metallurgy) and production processes (underground and open-pit mining with further enrichment), and sell products to customers in metallurgical industry and commodity traders. Prices for their products depend on global benchmark prices for hard coking coal and iron ore; as such their margins and growth rates show comparable dynamics over longer term.

As the Group entities are present in various jurisdictions, there are some differences in regulatory environment; however, they have no significant impact on segments' operating and financing activities. Segmentation presented in these consolidated financial statements is consistent with the structure of financial information regularly reviewed by the Group's management, including Chief Operating Decision Maker (CODM).

Operating segments' performance is assessed based on a measure of adjusted EBITDA. This measurement basis excludes dividend income, impairment of goodwill, other intangible assets and property, plant and equipment, the effects of non-recurring expenditures from the operating segments and foreign exchange gains/losses. Revenues and expenses for internal reporting purposes have been accounted for using IFRS principles. Certain adjustments are applied by management to contractual prices for intersegment sales.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

All amounts in millions of US dollars

6 SEGMENT INFORMATION CONTINUED

Segment information for the year ended 31 December 2020 was as follows:

	Metallurgical	Mining	Corporate	Eliminations	Total
2020					
Sales – external	8,200	2,253	–	–	**10,453**
Sales to other segments	70	902	–	(972)	**–**
Total of the reportable segments' revenue	**8,270**	**3,155**	**–**	**(972)**	**10,453**
Timing of revenue recognition					
At a point in time	7,579	1,797	–	–	**9,376**
Over time	621	456	–	–	**1,077**
Total of the reportable segments' external revenue	**8,200**	**2,253**	**–**	**–**	**10,453**
Adjusted EBITDA	**884**	**1,065**	**(92)**	**(42)**	**1,815**
Share in EBITDA of joint ventures	6	383	–	–	**389**
Adjusted EBITDA including share in EBITDA of joint ventures	**890**	**1,448**	**(92)**	**(42)**	**2,204**
Reconciling items:					
Depreciation and amortisation	(435)	(355)	(30)	–	**(820)**
Impairment of PPE and other intangible assets	(2)	(4)	–	–	**(6)**
Share of result of associates and depreciation, amortisation, tax and finance income and costs in joint ventures					**(104)**
Finance income					**60**
Finance costs					**(566)**
Operating foreign exchange losses less gains, net					**(217)**
Gain from change in fair value of financial instruments and option					**74**
Other					**1**
Profit before income tax					**626**

	Metallurgical	Mining	Corporate	Total
Capital expenditure	332	313	18	**663**
Significant non-cash items included into adjusted EBITDA:				
– impairment of trade and other receivables	74	9	10	**93**
– write-off of trade and other payables	(7)	(3)	–	**(10)**

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

All amounts in millions of US dollars

6 SEGMENT INFORMATION CONTINUED

Segment information for the year ended 31 December 2019 was as follows:

	Metallurgical	Mining	Corporate	Eliminations	Total
2019					
Sales – external	8,688	2,069	–	–	**10,757**
Sales to other segments	83	1,321	–	(1,404)	**–**
Total of the reportable segments' revenue	**8,771**	**3,390**	**–**	**(1,404)**	**10,757**
Timing of revenue recognition					
At a point in time	8,034	1,722	–	–	**9,756**
Over time	654	347	–	–	**1,001**
Total of the reportable segments' external revenue	**8,688**	**2,069**	**–**	**–**	**10,757**
Adjusted EBITDA	**(48)**	**1,117**	**(86)**	**63**	**1,046**
Share in EBITDA of joint ventures	(59)	226	–	–	**167**
Adjusted EBITDA including share in EBITDA of joint ventures	**(107)**	**1,343**	**(86)**	**63**	**1,213**
Reconciling items:					
Depreciation and amortisation	(365)	(327)	(12)	–	**(704)**
Impairment of PPE and other intangible assets	(39)	(45)	–	–	**(84)**
Share of result of associates and depreciation, amortisation, tax and finance income and costs in joint ventures					**(81)**
Finance income					**253**
Finance costs					**(276)**
Operating foreign exchange losses less gains, net					**57**
Other					**10**
Profit before income tax					**388**

	Metallurgical	Mining	Corporate	Total
Capital expenditure	519	510	26	**1,055**
Significant non-cash items included into adjusted EBITDA:				
– impairment of trade and other receivables	65	12	1	**78**
– write-off of trade and other payables	(23)	–	–	**(23)**

Analysis of revenue by category:

	Metallurgical	Mining	Total
2020			
Sales of own products	**5,178**	**2,157**	**7,335**
– Steel products	4,507	–	**4,507**
– Iron ore products	–	2,045	**2,045**
– Coal and coke	485	98	**583**
– Other	186	14	**200**
Resale of purchased goods	**3,022**	**96**	**3,118**
– Steel products	2,808	–	**2,808**
– Coal and coke	61	57	**118**
– Other	153	39	**192**
Total	**8,200**	**2,253**	**10,453**

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

All amounts in millions of US dollars

6 SEGMENT INFORMATION CONTINUED

Analysis of revenue by category:

	Metallurgical	Mining	Total
2019			
Sales of own products	**5,535**	**1,988**	**7,523**
– Steel products	4,772	–	**4,772**
– Iron ore products	–	1,831	**1,831**
– Coal and coke	548	145	**693**
– Other	215	12	**227**
Resale of purchased goods	**3,153**	**81**	**3,234**
– Steel products	2,751	–	**2,751**
– Coal and coke	234	67	**301**
– Other	168	14	**182**
Total	**8,688**	**2,069**	**10,757**

The Group's two business segments operate in six main geographical areas. Revenue by location of customers is presented below:

	Metallurgical	Mining	Total
2020			
Ukraine	2,165	774	**2,939**
Rest of Europe	2,428	423	**2,851**
Middle East and Northern Africa	1,750	50	**1,800**
South Eastern Asia	475	992	**1,467**
Commonwealth of Independent States ("CIS")	635	–	**635**
North America	555	14	**569**
Other countries	192	–	**192**
Total	**8,200**	**2,253**	**10,453**

	Metallurgical	Mining	Total
2019			
Ukraine	2,370	786	**3,156**
Rest of Europe	2,846	763	**3,609**
Middle East and Northern Africa	1,645	11	**1,656**
South Eastern Asia	463	478	**941**
Commonwealth of Independent States ("CIS")	825	–	**825**
North America	450	14	**464**
Other countries	89	17	**106**
Total	**8,688**	**2,069**	**10,757**

As at 31 December 2020 and 31 December 2019, 95% of the Group's non-current assets, other than financial instruments and deferred tax assets, were located in Ukraine.

In 2020, average number of employees attributable to Metallurgical segment amounted to 46 thousand, Mining segment – 17 thousand (2019: Metallurgical segment – 45 thousand, Mining segment – 18 thousand). 2 employees are hired in the Netherlands.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
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All amounts in millions of US dollars

7 GOODWILL

The movements of goodwill were as follows:

	2020	2019
As at 1 January		
Original amount	1,278	1,284
Accumulated impairment	(677)	(690)
Net carrying amount	**601**	**594**
Currency translation differences	29	7
As at 31 December		
Original amount	1,358	1,278
Accumulated impairment	(728)	(677)
Net carrying amount	**630**	**601**

Management allocates and monitors goodwill at the following groups of cash generating units ("CGUs") which represent operating segments:

	31 December 2020	31 December 2019
Metallurgical	583	545
Mining	47	56
Total	**630**	**601**

After conducting the revaluation of property, plant and equipment and impairment testing of property, plant and equipment and other intangible assets (Notes 8 and 9) in 2019, management has assessed the recoverable amount of goodwill. The recoverable amount has been determined based on fair value less cost to sell estimations.

To ensure that the impairment testing model fully reflects the anticipated long-term changes in cash flows, for the impairment test the Group used cash flow projections for 10 years which are consistent with the Group's strategy approved by senior management; the first year of forecast is based on the Group's approved business plan for the year.

The valuation method used for determination of each CGU fair value is mostly based on unobservable market data, which is within Level 3 of the fair value hierarchy.

Metallurgical segment. The following table and further paragraphs summarise key assumptions on which management has based its cash flow projections to undertake the impairment testing of goodwill in metallurgical segment:

	2020	2019
Metallurgical		
Post-tax discount rate (USD)	12.21%	12.32%
EBITDA margins (based on FCA prices)	2021-2022: 15%, further – from 16% to 18%	2020: 10%, 2021: 14%, further – from 15% to 17%
Growth rate in perpetual period	3%	3%

The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources.

Discount rate reflects the current market assessment of the time value of money and risks specific to the Group. The cost of equity has been determined using the Capital Asset Pricing Model based on observable inputs, inputs from third party financial analysts and Group-specific inputs.

7 GOODWILL CONTINUED

Forecasted benchmark iron ore prices for Fe 62% fines (CFR North China) are USD 98 per tonne in 2021, USD 75 per tonne in 2022, USD 70 per tonne in 2023 and recover at 2% p.a. to USD 80 per tonne in 2030 (31 December 2019: range from USD 79 per tonne in 2020 to USD 82 per tonne in 2029). Forecasted prices for other iron ore products and prices at other markets were determined based on respective discounts or premiums for Fe content, pelletizing premiums, applicable transportation costs and historic discounts or premiums usual for those markets.

Forecasted coal prices used in the impairment test for low volatile hard coking coal (FOB Queensland) are USD 134 per tonne in 2021, USD 150 per tonne in 2022 and grow at 2% p.a. on average thereafter (31 December 2019: USD 160 per tonne in 2021, USD 157 per tonne in 2021 and grow at 2% p.a. on average thereafter). Forecasted prices for other types of coal and prices at other markets were determined based on respective historic discounts for differences in quality of each particular coal type and estimated transportation costs.

Forecasted prices for hot-rolled coils at Ukrainian ports used in the impairment test were estimated based on the benchmark (Metal Expert HRC CIS export FOB Black Sea). Forecasted prices are expected to reach USD 471 per tonne in 2021 with average increase by 3% in the period from 2022 to 2025 and further by 2% to USD 574 per tonne in 2030 (31 December 2019: USD 500 per tonne in 2020 with gradual increase by 5% till 2023 and further by 2% to USD 642 per tonne in 2029). Forecasted prices for other steel products are based on historic discounts or premiums to prices for hot-rolled coils.

Management assumed that forecasted production volumes of metallurgical plants will remain at the current level of 9.1 million tonnes.

Forecasts from industry experts and other external reputable sources, as well as internal analysis were used by management to determine price levels used in the impairment test.

An exchange rate of 27.8 UAH for 1 USD in 2021 with gradual increase to 37.1 UAH for 1 USD in 2030 was used in the impairment test as of 31 December 2020 (31 December 2019: from 26.5 UAH for 1 USD in 2020 to 37.7 UAH for 1 USD in 2029).

As at 31 December 2020, the Metallurgical segment's recoverable amount is USD 6,150 million and exceeds its total carrying amount by USD 1,568 million (31 December 2019: recoverable amount of USD 6,368 million, exceeded carrying amount by USD 1,059 million). The table below summarises the impact of changes in main assumptions with all other variables held constant to the impairment of goodwill (and subsequently to property, plant and equipment and intangible assets) related to the Metallurgical segment:

	31 December 2020	31 December 2019
Volumes of production/sales		
Decrease in all the periods by 6.9%	–	Recoverable amount equals carrying amount
Decrease in all the periods by 9.0%	–	Impairment of USD 327 million required
Decrease in all the periods by 10.0%	Recoverable amount equals carrying amount	–
Decrease in all the periods by 11.0%	Impairment of USD 157 million required	–
Steel prices		
Decrease in all the periods by 1.6%	–	Recoverable amount equals carrying amount
Decrease in all the periods by 2.6%	Recoverable amount equals carrying amount	Impairment of USD 657 million required
Decrease in all the periods by 4.0%	Impairment of USD 851 million required	Impairment of USD 1,582 million required
Iron ore prices		
Increase in all the periods by 12.8%	–	Recoverable amount equals carrying amount
Increase in all the periods by 17.0%	–	Impairment of USD 342 million required
Increase in all the periods by 19.9%	Recoverable amount equals carrying amount	–
Increase in all the periods by 22.0%	Impairment of USD 169 million required	–
Coal prices		
Increase in all the periods by 10.9%	–	Recoverable amount equals carrying amount
Increase in all the periods by 15.0%	–	Impairment of USD 395 million required
Increase in all the periods by 18.8%	Recoverable amount equals carrying amount	–
Increase in all the periods by 21.0%	Impairment of USD 182 million required	–

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

7 GOODWILL CONTINUED

	31 December 2020	31 December 2019
UAH/USD exchange rates		
Increase in all the periods by UAH 1	Recoverable amount increases by USD 435 million	Recoverable amount increases by USD 471 million
Discount rates		
Increase in all the periods by 4.4 pp	–	Recoverable amount equals carrying amount
Increase in all the periods by 6.4 pp	Recoverable amount equals carrying amount	–
Increase in all the periods by 7.0 pp	Impairment of USD 119 million required	Impairment of USD 651 million required
Growth rate in perpetual period	No reasonable changes would lead to impairment	No reasonable changes would lead to impairment

Mining segment. As described in Note 4, management has analysed the events that have occurred and circumstances that have changed since the last time goodwill impairment testing performed and concluded that the likelihood that a current recoverable amount determination of the Mining segment as of 31 December 2020 would be less than the current carrying amount of the unit is remote. As such, the relevant goodwill impairment testing details as listed below have been carried forward from the preceding period.

The following table and further paragraphs summarise key assumptions on which management has based its cash flow projections to undertake the impairment testing of goodwill in mining segment in 2019:

Mining	
Post-tax discount rate (USD)	12.57%
EBITDA margins (based on FCA prices)	2020: 38%, 2021: 29%, further – from 32% to 34%
Growth rate in perpetual period	3%

As at 31 December 2019, the recoverable amount of the Mining segment was USD 3,832 million and exceeded its total carrying amount by USD 1,297 million. The table below summarises the impact of changes in main assumptions with all other variables held constant to the impairment of goodwill related to this group of CGUs:

	31 December 2019
Iron ore prices	
Decrease in all the periods by 7.2%	Recoverable amount equals carrying amount
Decrease in all the periods by 10.0%	Impairment of USD 494 million required
UAH/USD exchange rates	
Increase in all the periods by UAH 1	Recoverable amount increases by USD 165 million
Discount rates	
Increase in all the periods by 6.5 pp	Recoverable amount equals carrying amount
Increase in all the periods by 7.5 pp	Impairment of USD 121 million required
Growth rate in perpetual period	No reasonable changes would lead to impairment

UCC. As at 31 December 2020, the recoverable amount of UCC is USD 162 million (31 December 2019: USD 170 million) and is equal to its carrying amount. The recoverable amount has been determined based on fair value less cost to sell estimations.

No additional net impairment or reversal of previous impairment was recognised in 2020.

The discount rate used for the impairment testing of UCC was 8.64% (31 December 2019: 10.58%).

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

All amounts in millions of US dollars

7 GOODWILL CONTINUED

The table below summarises the impact of changes in main assumptions with all other variables held constant to the impairment of property, plant and equipment of UCC:

	31 December 2020	31 December 2019
Coal prices		
Decrease in all the periods by 3.0%	Impairment of USD 135 million required	Impairment of USD 119 million required
Cash costs		
Increase in all the periods by 3.0%	Impairment of USD 135 million required	Impairment of USD 97 million required
Discount rates		
Increase in all the periods by 1 pp	Impairment of USD 37 million required	Impairment of USD 7 million required

8 OTHER INTANGIBLE ASSETS

The movements of other intangible assets were as follows:

	Coal reserves	Licenses and mining permits	Other intangible assets	Total
As at 1 January 2019				
Cost	418	223	228	**869**
Accumulated amortisation and impairment	(418)	(138)	(194)	**(750)**
Net carrying amount	**–**	**85**	**34**	**119**
Additions	–	–	17	**17**
Currency translation differences	–	14	5	**19**
Amortisation	–	(3)	(12)	**(15)**
As at 31 December 2019				
Cost	418	260	258	**936**
Accumulated amortisation and impairment	(418)	(164)	(214)	**(796)**
Net carrying amount	**–**	**96**	**44**	**140**
Additions	–	–	21	**21**
Currency translation differences	–	(15)	(7)	**(22)**
Amortisation	–	(3)	(15)	**(18)**
As at 31 December 2020				
Cost	418	219	263	**900**
Accumulated amortisation and impairment	(418)	(141)	(220)	**(779)**
Net carrying amount	**–**	**78**	**43**	**121**

As at 31 December 2020, the iron ore license is being amortised using the units-of-production method over its remaining useful life of approximately 28 years.

The coal reserves were acquired as part of the acquisition of UCC in 2009. As at 31 December 2020 and 31 December 2019, these reserves were fully impaired.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

All amounts in millions of US dollars

9 PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment were as follows:

	Land	Buildings and structures	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
Cost or valuation						
As at 1 January 2019	**56**	**1,906**	**3,742**	**85**	**986**	**6,775**
Additions	–	–	–	–	1,038	**1,038**
Transfers	6	215	766	27	(1,014)	**–**
Disposals	–	(12)	(48)	(2)	(2)	**(64)**
Elimination against accumulated depreciation upon revaluation	–	(371)	(1,106)	(23)	(5)	**(1,505)**
Revaluation surplus	3	337	803	1	(41)	**1,103**
Revaluation decreases that offset previous increases	(1)	(135)	(154)	–	(1)	**(291)**
Reclassification to inventory	–	–	–	–	(19)	**(19)**
Currency translation differences	(2)	285	553	11	176	**1,023**
As at 31 December 2019	**62**	**2,225**	**4,556**	**99**	**1,118**	**8,060**
Additions	–	–	–	–	642	**642**
Transfers	(4)	246	528	26	(796)	**–**
Disposals	–	(9)	(58)	–	(1)	**(68)**
Acquisition of subsidiary	–	24	94	5	8	**131**
Reclassification to inventory	–	–	–	–	(18)	**(18)**
Currency translation differences	5	(326)	(653)	(14)	(163)	**(1,151)**
As at 31 December 2020	**63**	**2,160**	**4,467**	**116**	**790**	**7,596**
Accumulated depreciation and impairment						
As at 1 January 2019	**–**	**(688)**	**(1,426)**	**(51)**	**(116)**	**(2,281)**
Depreciation charge for the year	–	(173)	(513)	(12)	–	**(698)**
Disposals	–	12	47	2	2	**63**
Transfers	–	1	(1)	–	–	**–**
Elimination against gross carrying amount upon revaluation	–	371	1,106	23	5	**1,505**
Impairment	–	(2)	(30)	(2)	(8)	**(42)**
Currency translation differences	–	(87)	(139)	(7)	(20)	**(253)**
As at 31 December 2019	**–**	**(566)**	**(956)**	**(47)**	**(137)**	**(1,706)**
Depreciation charge for the year	–	(195)	(611)	(14)	–	**(820)**
Disposals	–	7	56	–	–	**63**
Transfers	–	1	3	(4)	–	**–**
Acquisition of subsidiary	–	(6)	(32)	(3)	–	**(41)**
Impairment	–	(2)	(9)	(1)	(3)	**(15)**
Currency translation differences	–	82	103	6	21	**212**
As at 31 December 2020	**–**	**(679)**	**(1,446)**	**(63)**	**(119)**	**(2,307)**
Net book value as at						
31 December 2019	**62**	**1,659**	**3,600**	**52**	**981**	**6,354**
31 December 2020	**63**	**1,481**	**3,021**	**53**	**671**	**5,289**

As at 31 December 2020 and 2019, construction in progress balance includes prepayments for property, plant and equipment of USD 41 million and USD 62 million, respectively.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

All amounts in millions of US dollars

9 PROPERTY, PLANT AND EQUIPMENT CONTINUED

As at 31 December 2020, the Group has recognised right-of-use asset in the amount of USD 43 million within Property, plant and equipment, mainly attributable to plant and machinery (as at 31 December 2019: USD 57 million).

During 2020 and 2019, management performed assessments of whether the carrying amounts of items of property, plant and equipment are materially different from their fair values. Where the material differences were identified as probable, the Group determined the fair value of its property, plant and equipment through a combination of independent appraisers and internal assessments. The Group aims to revalue a class of property, plant and equipment simultaneously; in case of revaluing a class on a rolling basis, the Group completes the revaluation within a short period, and keeps revaluations up to date. Substantially all the property, plant and equipment balance was either revalued or tested for impairment (whenever impairment indicators existed) during both 2020 and 2019.

Fair valuation of property, plant and equipment. As of 31 August 2019, due to further fluctuations of UAH and accumulated inflation in Ukraine the Group decided to perform a revaluation of assets where fair value was expected to be significantly higher than their carrying amounts. These revalued assets represented 93% of total value of the Group's property, plant and equipment as of 31 December 2019.

The revaluation and impairment as at and for the year ended 31 December 2019 are recorded as follows:

	Recognised in profit and loss	Recognised in other comprehensive income	Total
Revaluation surplus	–	1,164	**1,164**
Revaluation decreases that offset previous increases in the carrying amount	–	(310)	**(310)**
Net effect of revaluation	**–**	**854**	**854**
Assets written down during the year	(84)	–	**(84)**
Total	**(84)**	**854**	**770**

Considerations in respect of other assets. A revaluation exercise was considered unnecessary for other property, plant and equipment balances, mainly located outside of Ukraine, as management estimated that their fair value as of 31 December 2019 was not materially different from their cumulative carrying amount of USD 264 million (4% of total value of the Group's property, plant and equipment as of 31 December 2019). No impairment indicators were noted in respect of these assets.

Also, UCC impairment test has been performed as at 31 December 2020 (Note 7). UCC represented 3% of total value of the Group's property, plant and equipment as of 31 December 2020.

During 2020, USD 32 million of borrowing costs were capitalised as part of property, plant and equipment, capitalisation rate was 8% (2019: USD 31 million, capitalisation rate was 8%).

As at 31 December 2020, USD 207 million of property, plant and equipment were pledged as collateral for loans and borrowings (31 December 2019: USD 75 million).

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

All amounts in millions of US dollars

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investment in joint ventures and associates were as follows as at 31 December 2020 and 2019:

			2020		2019	
Name	**Type of relationship**	**Segment**	**% of ownership**	**Carrying value**	**% of ownership**	**Carrying value**
Zaporizhstal Group	Joint venture	Metallurgical	49.99%	647	49.99%	823
Southern Iron Ore Enrichment Works Group	Joint venture	Mining	45.87%	531	45.87%	260
Pokrovske Coal business	Associate	Mining	24.77%	203	24.77%	189
IMU	Associate	Metallurgical	–	–	49.91%	5
PrJSC Zaporizhvohnetryv	Associate	Metallurgical	–	–	45.39%	5
PJSC Dniprovskiy Coke Plant	Associate	Metallurgical	–	–	49.37%	5
PrJSC Yuzkoks	Associate	Metallurgical	23.71%	8	23.71%	14
Total				**1,389**		**1,301**

All Group's associates and joint ventures are accounted for using the equity method.

None of the joint ventures and associates are traded on active markets and there are no reliable market prices available.

Southern Iron Ore Enrichment Works Group

Southern Iron Ore Enrichment Works Group is a large Ukrainian iron ore mining plant which produces iron ore concentrate and sinter. Its products are used by the Group's integrated steel plants and are also sold to the third parties (mostly in China, Ukraine and Europe) primarily through the Group's trading companies.

During the year ended 31 December 2019, Southern Iron Ore Enrichment Works Group has declared dividends of USD 124 million attributable to the Group.

Zaporizhstal Group

The investment in the Zaporizhstal Group is represented by the number of interests in the steel and mining businesses, the most significant being:

- 49.99% effective interest in JSC Zaporizhstal Integrated Iron & Steel Works ("Zaporizhstal"), a large Ukrainian integrated steel plant which sources majority of its iron ore and coke consumption from the Group and sells majority of its finished products through the Group's trading companies;
- 24.27% effective interest in PrJSC Zaporizhya Iron Ore Plant, large iron ore mining enterprise in Ukraine which sells part of its iron ore output to Zaporizhstal; and
- 42.77% effective interest in PrJSC Zaporizhcoke and a 49.21% effective interest in PrJSC Zaporizhvohnetryv which are Group's subsidiaries.

As at 31 December 2020 and 2019, Metinvest's investments in Zaporizhstal Group and Southern Iron Ore Enrichment Works Group were classified as joint ventures due to the fact that decisions on the key relevant activities require participation of and unanimous consents both from Metinvest and from the other shareholders of the Zaporizhstal Group and Southern Iron Ore Enrichment Works Group.

Pokrovske Coal business

The Group owns 24.77% of the effective interest in several entities, the most significant of which are PJSC "Colliery Pokrovske" and "Enrichment Factory "Svyato-Varvarinskaya" LLC (the "Pokrovske Coal business"). The acquired entities form a business of extraction of raw coal, its further enrichment and sale of coal concentrate. As of the date of acquisition, the investment was classified as an associate.

Option

Upon the initial acquisition, the Group has obtained an option to purchase the remaining 75.22% from the other co- investors conditional on obtaining all relevant governmental and other consents.

During 2019 – 2020 amid potential business combination with Metinvest, Pokrovske Coal business restructured a significant part of its loans and borrowings and changed the ownership structure of the business.

On October 1, 2020, the Group has received an approval from Antimonopoly Committee of Ukraine ("AMCU") in respect of obtaining control over the certain entities being part of the Pokrovske Coal business. Pursuant to the conditions of the AMCU approval, the transaction should be finalised within a year after the date of the approval.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

All amounts in millions of US dollars

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

As at 31 December 2020, based on management's assessment, Metinvest did not have a practical ability to exercise the option yet due to the fact that it was still in process of obtaining the consent for the potential acquisition from the creditors, shareholders and certain foreign regulators. The management expects to obtain all necessary approvals within one year from AMCU approval and to exercise the first part of the option to acquire additional 25.23% by that time, while the final part of the option to exercise 49.99% of shares is expected by the end of 2022.

When performing valuation of option through Black-Scholes-Merton option pricing model (Level 3), the key estimates and judgments applied by the management, were as follows (31 December 2020 data refers to options to acquire 25.23% and 49.99% respectively, while 31 December 2019 data refers to option to acquire the whole 75.22%):

	31 December 2020	31 December 2019
Volatility of share prices	43%	33%
Time until execution of the option	0.58/2.00 years	1.6 years
Risk free rate	0.09%/0.13%	1.59%
Fair value of the stake covered by the option	USD 244 million/USD 472 million	USD 713 million

The following table summarises key assumptions on which management has based its cash flow projections to undertake the valuation of fair value of the stake covered by the option.

	31 December 2020	31 December 2019
Post-tax discount rate (USD)	11.94%	12.41%
EBITDA margins	approximately 55%	approximately 50%
Growth rate in perpetual period	3.00%	3.00%
Coal prices forecast for 2019-2025	USD 134 per tonne in 2021, USD 150-160 in 2022-2026, starting from 2027 prices are adjusted for the level of inflation in the USA	USD 160 per tonne in 2020, USD 157-171 in 2021-2025, starting from 2026 prices are adjusted for the level of inflation in the USA

The sensitivity of the option fair value to changes in the principal assumptions is presented below:

	31 December 2020	31 December 2019
Volatility increase/decrease by 1 pp	3/(3)	3/(3)
Fair value of the stake increase/decrease by USD 10 million	6/(6)	6/(6)
Time to expiration increase/decrease by 1 month	4/(4)	3/(3)
Risk free rate increase/decrease by 1 pp	4/(4)	5/(5)

The above sensitivity analysis is based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

A reconciliation of movements in the fair value of the option for the year ended 31 December 2020 and 31 December 2019 is as follows:

	2020	2019
Fair value at 1 January	**122**	**130**
Gains/(losses) recognised in profit or loss for the year	24	(8)
Fair value at 31 December	**146**	**122**

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

Guarantee

In exchange for the option obtained, Metinvest guaranteed settlement of acquisition related obligations and took responsibility of timely payment to the sellers of USD 570 million with an interest of 8% per annum.

The fair value of financial guarantee issued at the origination date was considered to be equal to the fair value of an option received in exchange for it. As at 31 December 2020, the management has concluded, that there has been no worsening of financial position of the co-investors.

The amount of guarantee is amortised on a straight line basis over the life of the guarantee.

The guarantee issued was recorded in the Group's balance sheet within the trade and other accounts payable and other non-current liabilities.

PrJSC Yuzkoks

In January 2019, the Group acquired 23.71% effective interest in PrJSC Yuzkoks, the Ukrainian producer of metallurgical coke, for the consideration of USD 30 million. In 2020, PrJSC Yuzkoks generated revenue of USD 130 million (USD 155 million during the period from February to December of 2019) and net loss of USD 24 million (USD 60 million during the period from February to December of 2019), as at 31 December 2020 total assets amounted to USD 226 million (as at 31 December 2019: USD 309 million).

PrJSC Dniprovskiy Coke Plant

In August 2019, the Group secured additional long-term supplies of coke by acquiring 49.37% of PJSC Dniprovskiy Coke Plant for a consideration of USD 11 million. PrJSC Dniprovskiy Coke Plant generated revenue of USD 49 million and net loss of USD 10 million in the period from September to December of 2019, as at 31 December 2019 total assets amounted to USD 544 million. In the period from January to March 2020 revenue amounted to USD 37 million, net loss – USD 10 million, as at 30 March 2020 total assets amounted to USD 354 million.

In March 2020, the Group has acquired additional 23.64% stake in the PrJSC Dniprovskiy Coke Plant from third parties for the total consideration of USD 5 million. As a result, PrJSC Dniprovskiy Coke Plant (which was previously reported as the Group's associate as at 31 December 2019) became a subsidiary of the Group.

The fair value of PrJSC Dniprovskiy Coke Plant net assets at the acquisition amounted to USD 47 million. Main assets and liabilities acquired consisted of trade and other accounts receivable in the amount of USD 268 million, property, plant and equipment in the amount of USD 77 million, trade and other accounts payable in the amount of USD 251 million and bank borrowings in the amount of USD 28 million. No goodwill or gain from a bargain purchase was recognised as a result of the acquisition.

By the end of 2020, the Group acquired an additional 26.99% stake in the PrJSC Dniprovskiy Coke Plant for USD 6 million and became the sole share holder of the entity.

PrJSC Zaporizhvohnetryv

In September 2020, the Group has acquired an additional 5% of the share capital of PrJSC Zaporizhvohnetryv, a Ukrainian legal entity producing the refractory products for the total consideration of USD 0.2 million. As a result, PrJSC Zaporizhvohnetryv (which was previously reported as the Group's associate as at 31 December 2019) became a subsidiary of the Group.

The fair value of PrJSC Zaporizhvohnetryv net assets at the acquisition date amounted to USD 6 million. Main assets and liabilities acquired consisted of inventory in the amount of USD 24 million, trade and other accounts receivable in the amount of USD 19 million, property, plant and equipment in the amount of USD 14 million, trade and other accounts payable in the amount of USD 45 million. No goodwill or gain from a bargain purchase was recognised as a result of the acquisition.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

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10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

Movements in the carrying amount of the Group investments in associates and joint ventures are presented below:

	2020		2019	
	Joint ventures	Associates	Joint ventures	Associates
Carrying amount at 1 January	**1,083**	**218**	**871**	**195**
Share of after tax results of joint ventures and associates	233	52	92	(6)
Share of other comprehensive income of joint ventures and associates	49	–	83	(39)
Acquisition of controlling interest in PrJSC Dniprovskiy Coke Plant and PrJSC Zaporizhvohnetryv	–	(32)	–	–
Acquisition of Pokrovske Coal business	–	–	–	(5)
Acquisition of PrJSC Dniprovskiy Coke Plant and PrJSC Yuzkoks	–	–	–	41
Dividends declared	–	–	(124)	–
Disposal of associate	–	(5)	–	–
Currency translation difference	(187)	(22)	161	32
Carrying amount at 31 December	**1,178**	**211**	**1,083**	**218**

The summarised financial information of the Group's material joint ventures and associates is presented below.

	Zaporizhstal Group		Southern Iron Ore Enrichment Works Group		Pokrovske Coal business	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Balance sheet:						
Non-current assets	**1,120**	**1,323**	**619**	**584**	**1,601**	**1,974**
Cash and cash equivalents	15	8	12	4	7	17
Other current assets	1,266	1,473	803	265	72	284
Total current assets	**1,281**	**1,481**	**815**	**269**	**79**	**301**
Other non-current liabilities	111	145	142	110	262	324
Other non-current financial liabilities	14	20	–	–	500	4
Total non-current liabilities	**125**	**165**	**142**	**110**	**762**	**328**
Trade and other payables and provisions	1,027	1,081	134	176	418	111
Other current financial liabilities	123	111	–	–	61	1,515
Total current liabilities	**1,150**	**1,192**	**134**	**176**	**479**	**1,626**
Net assets	**1,126**	**1,447**	**1,158**	**567**	**439**	**321**

As at 31 December 2020, the temporary differences associated with interests in joint ventures for which deferred tax liabilities have not been recognised amounted to 19 million (2019: USD 19 million).

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

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10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES CONTINUED

	Zaporizhstal Group		Southern Iron Ore Enrichment Works Group		Pokrovske Coal business	
	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2019
Profit or loss for the year ended (selected items):						
Revenue	1,729	1,836	1,248	963	385	506
Depreciation and amortisation	(99)	(44)	(68)	(48)	(115)	(120)
Finance income	1	31	1	1	975	186
Finance costs	(50)	(24)	(7)	(6)	(529)	(254)
Income tax expense	26	21	(179)	(91)	36	(1)
Profit or loss	(116)	(107)	647	316	138	48
Statement of comprehensive income for the year ended:						
Other comprehensive income	32	155	73	11	4	–
Total comprehensive income	(84)	48	720	327	142	48
Dividends received by the Group during the year ended	**–**	**–**	**–**	**124**	**–**	**–**

The information above reflects the amounts presented in the financial statements of the joint ventures and associates and the impact of fair value adjustments made on acquisition of these joint ventures and associates, if any.

As at 31 December 2020 and 31 December 2019, the holding company of Pokrovske Coal business pledged 44.16% of shares of PJSC "Colliery Pokrovske" as a collateral for amounts to be paid for acquisition of Pokrovske Coal. PJSC "Colliery Pokrovske" further owns 55% of shares of "Enrichment Factory "Svyato-Varvarinskaya" LLC.

The reconciliation of the net assets of the Group's principal joint ventures and associate presented above to the carrying amounts of the respective investments is presented below:

	Zaporizhstal Group		Southern Iron Ore Enrichment Works Group		Pokrovske Coal business	
	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2019	For the year ended 31 December 2020	For the year ended 31 December 2019
Net assets	**1,126**	**1,447**	**1,158**	**567**	**439**	**321**
Group's ownership	49.99%	49.99%	45.87%	45.87%	24.77%	24.77%
Group's interest in net assets	563	723	531	260	109	80
Goodwill	84	100	–	–	94	109
Carrying value	**647**	**823**	**531**	**260**	**203**	**189**

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

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11 INVENTORIES

	31 December 2020	31 December 2019
Finished goods and work in progress	429	548
Raw materials	334	411
Ancillary materials, spare parts and consumables	132	166
Goods for resale	42	60
Total inventories	**937**	**1,185**

In 2020, the Group recognised net reversal write-downs of inventories to net realisable value amounted to USD 34 million (2019: write-downs amounted to USD 27 million).

As at 31 December 2020, inventories totalling USD 135 million (31 December 2019: USD 139 million) have been pledged as collateral for borrowings (Note 17).

12 TRADE AND OTHER RECEIVABLES

	31 December 2020	31 December 2019
Non-current assets		
Trade receivables	71	367
Loans issued to SCM (USD denominated, 9% effective interest rate)	183	171
Loans issued to SMART (USD denominated, 9% effective interest rate)	101	96
Loans issued to associates (USD denominated, 10% effective interest rate)	33	–
Option for acquisition of interest in Pokrovske Coal business (Note 10)	146	122
Other non-current financial assets	186	72
Other non-current non-financial assets	16	14
Total non-current assets	**736**	**842**
Current financial assets		
Trade receivables and receivables on commission sales	2,588	2,197
Loans issued to SCM and SMART (UAH denominated)	43	52
Loans issued to joint venture (USD denominated, 11% effective interest rate, mature in 2021, renegotiated in 2020)	108	97
Other receivables	63	98
Total current financial assets	**2,802**	**2,444**
Current non-financial assets		
Recoverable value added tax	172	307
Prepayments made	217	99
Covered letters of credit related to inventory purchases and restricted cash	72	23
Prepaid expenses and other non-financial receivables	142	155
Total current non-financial assets	**603**	**584**
Total current assets	**3,405**	**3,028**
Total trade and other receivables (including non-current assets)	**4,141**	**3,870**

Recoverable VAT mainly relates to Ukrainian subsidiaries of the Group. During 2020, VAT refunds of USD 531 million were received by the Group (2019: USD 668 million). As at 31 December 2019, VAT assets in the full amount of USD 46 million for subsidiaries whose operations were located on the temporarily non-controlled territory were impaired due to uncertainty caused by timing and probability of recoverability.

The Group has legal right to request settlement of the current loans issued to related parties within a twelve month period after the reporting date. The decision on whether to call for repayment or extend the term of the loan is subject to future developments and yet to be done.

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12 TRADE AND OTHER RECEIVABLES CONTINUED

In addition, the Group has extended the settlement dates for some of its customers for the period less than one year with no material losses recognised on the renegotiated terms.

During 2019-2020, the creditworthiness of certain Group's customers has deteriorated. The net exposure from these counterparties increased by USD 348 million from 1 January 2019 following the fluctuation of steel, coke and coal prices. The Group has assessed the lifetime expected credit losses for these balances in the amount of USD 217 million, representing 32% of the net exposure (as at 31 December 2019: USD 100 million, representing 18% of the net exposure).

The calculation of expected credit losses for these balances is carried out on an individual basis taking into account agreement terms, expected repayment period, internally assessed credit risks for these counterparties, and expected future cash flows as well as the assets which may be used to settle the indebtedness. Management assumes that the underlying assets and cash flows might be collected through various procedures where the Group will make all required efforts to find appropriate solution to recover the carrying amounts of receivables. Management assumes that the fair value of the underlying assets is sufficient to cover the outstanding balances net of expected credit losses and expects that these balances will be settled within 3 years.

Analysis by credit quality of financial trade and other receivables and expected credit loss allowance as at 31 December 2020 is as follows:

	Loss rate	Gross carrying amount	Lifetime ECL	Carrying amount	Basis
Loans issue to related parties	3.8%	483	(15)	468	Adjusted yield to maturity on corporate bonds
Total loans issued		**483**	**(15)**	**468**	
Trade and other receivables from key customers including credit impaired		1,319	(533)	786	
Trade and other receivables from related parties including credit impaired		1,534	(214)	1,320	
Total trade and other receivables for which individual approach for ECL is used		**2,853**	**(747)**	**2,106**	
Ukraine – less than 30 days overdue	0.50%	48	–	48	Historical payment discipline
Ukraine – overdue more than 30 days	13%	2	–	2	Historical payment discipline
Ukraine – credit impaired	100%	44	(44)	–	
Other countries – less than 30 days overdue	0.09%	748	–	748	Historical payment discipline
Other countries – overdue more than 30 days	8%	4	–	4	Historical payment discipline
Other countries – credit impaired	100%	12	(12)	–	
Total trade and other receivables for which provision matrix is used		**858**	**(56)**	**802**	
Total		**4,194**	**(818)**	**3,376**	

Loss rate for trade and other receivables from key customers approximated 3.8% and determined based on adjusted yield to maturity on corporate bonds, for credit impaired balances from key customers loss rate is within the range 25%-100%.

Loss rate for trade and other receivables from related parties approximated 3.8% and determined based on adjusted yield to maturity on corporate bonds, for credit impaired balances from key customers loss rate is within the range 10%-100%.

The loss rates presented in the table above for unimpaired receivables are 12-month loss rates which are adjusted to reflect the maturity of individual balances.

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12 TRADE AND OTHER RECEIVABLES CONTINUED

Analysis by credit quality of financial trade and other receivables as at 31 December 2019 is as follows:

	Loss rate	Gross carrying amount	Lifetime ECL	Carrying amount	Basis
Loans issue to related parties	2.6%	424	(8)	416	Adjusted yield to maturity on corporate bonds
Total loans issued		**424**	**(8)**	**416**	
Trade and other receivables from key customers including credit impaired		1,360	(652)	708	
Trade and other receivables from related parties including credit impaired		1,564	(101)	1,463	
Total trade and other receivables for which individual approach for ECL is used		**2,924**	**(753)**	**2,171**	
Ukraine – less than 30 days overdue	0.50%	48	–	48	Historical payment discipline
Ukraine – overdue more than 30 days	13%	8	–	8	Historical payment discipline
Ukraine – credit impaired	100%	51	(51)	–	
Other countries – less than 30 days overdue	0.09%	500	–	500	Historical payment discipline
Other countries – overdue more than 30 days	8%	7	–	7	Historical payment discipline
Other countries – credit impaired	100%	11	(11)	–	
Total trade and other receivables for which provision matrix is used		**625**	**(62)**	**563**	
Total		**3,973**	**(823)**	**3,150**	

The following table explains the changes in the credit loss allowance for trade and other receivables under simplified ECL model between the beginning and the end of the annual period:

	Trade and other receivables	Loans issued	Trade and other receivables – credit impaired	Total
Balance at 31 December 2018	**32**	**7**	**609**	**648**
Net new originated/(derecognised) during the period	4	7	8	**19**
Individual financial assets transferred to credit impaired	(16)	–	16	**–**
Changes in estimates and assumptions	(11)	(6)	76	**59**
Write-offs	–	–	(3)	**(3)**
Forex movements	2	–	98	**100**
Balance at 31 December 2019	**11**	**8**	**804**	**823**
Net new originated/(derecognised) during the period	5	3	20	**28**
Changes in estimates and assumptions	3	4	58	**65**
Write-offs	–	–	(30)	**(30)**
Forex movements	(3)	–	(65)	**(68)**
Balance at 31 December 2020	**16**	**15**	**787**	**818**

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12 TRADE AND OTHER RECEIVABLES CONTINUED

As at 31 December 2020, amount of sold trade receivables which were still unsettled to the third party was USD 260 million (31 December 2019: USD 260 million). The carrying amount of the assets and liabilities that represent the entity's continuing involvement in the derecognised assets is USD 9 million (31 December 2019: USD 1 million). The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised assets approximates the carrying value. The maximum exposure to loss from such receivables relates to customer default only and is pre-agreed with the third party purchasing the receivables as the percentage of their nominal amount sold. Such percentage is determined with reference to the historical loss ratio and the statistical model of the respective markets of the Group.

During 2020, the Group's subsidiaries entered into factoring transactions for trade receivables sales through securitization vehicles. The Group receives up to 85% of the face value of the receivable less a premium that covers the cost of financing. The Group maintains the customer relationship and collects the amounts due from customers on behalf of parties of the contract. The Group continues to recognise the receivables to the extent of its continuing involvement. Included in the figures stated above USD 39 million of trade receivables sold through securitization vehicle, as at 31 December outstanding balance of related unsettled receivables was USD 23 million.

As at 31 December 2020, trade and other receivables totalling USD 233 million (31 December 2019: USD 228 million) have been pledged as collateral for borrowings (Note 17).

As at 31 December 2020, the Group`s deposit amounting to USD 1 million was pledged for obligation of the Group`s related party (31 December 2019: USD 8 million).

13 CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Current accounts	769	213
Cash in transit	–	30
Bank deposits up to 3 months	57	31
Total cash and cash equivalents	**826**	**274**

The bank balances and term deposits are neither past due nor impaired. Analysis by credit quality of bank balances and term deposits is as follows:

	31 December 2020	31 December 2019
As rated by Moody's:		
– Aa2	–	4
– Aa3	189	–
– A1	47	72
– A2	–	–
– A3	181	35
– Baa1	37	5
– Baa2	9	–
– Baa3	–	8
– Ba2	66	5
– B3	96	–
– Caa1	8	2
Not rated – FUIB	69	78
Not rated – US and European banks	72	9
Not rated – Other Ukrainian banks	52	26
Cash in transit (in various banks)	–	30
Total cash and cash equivalents	**826**	**274**

As at 31 December 2020 and 2019, amounts in category "Not rated – FUIB" relate to First Ukrainian International Bank (a related party which is under common control of SCM).

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13 CASH AND CASH EQUIVALENTS CONTINUED

As at 31 December 2020, included into line "Not rated – US and European banks" USD 72 million of cash and cash equivalents placed in European banks (31 December 2019: USD 0 million). As of reporting date, these banks display no signs of insolvency.

As at 31 December 2020 and 2019, amounts in category "Not rated – Other Ukrainian banks" relate to balances held in state Ukrainian bank.

As at 31 December 2020, included in Ba2 rating are USD 13 million related to a balance in the Switzerland subsidiary of an international bank (2019: included in Ba2 rating are USD 2 million), which does not have its own credit rating and for which rating was based on its parents' rating.

As at 31 December 2020, cash and cash equivalents totalling USD 24 million (31 December 2019: USD 15 million) have been pledged as collateral for borrowings (Note 17).

14 SHARE CAPITAL AND SHARE PREMIUM

	Number of outstanding shares			Total par value of shares	Share premium	Total
	Class A	Class B	Class C			
At 31 December 2020	**6,750**	**2,251**	**474**	**0**	**6,225**	**6,225**
At 31 December 2019	**6,750**	**2,251**	**474**	**0**	**6,225**	**6,225**

As at 31 December 2020 and 2019, the issued share capital comprised 6,750 ordinary Class A shares, 2,251 ordinary Class B shares and 474 ordinary Class C shares with a par value of EUR 10. Each ordinary share carries one vote and is fully paid.

In 2014, the Company changed its Articles of Association and created three classes of shares (A, B and C). Ownership interests of SCM Limited were transferred to new Class A shares. Ownership interests of SMART were transferred to new Class B shares. Ownership interests of the previous Class B shares were transferred to new Class C shares. Additional rights of these new classes of shares were established, the most significant of which were:

- Class C shareholders have the right to a portion of net assets of the Company and are represented at shareholders' meetings;
- the establishment of a Supervisory Board of ten members, where seven are appointed by the majority of Class A and Class C shareholders and three are appointed by the Class B shareholder;
- a number of decisions with respect to acquisitions and financing decisions above a specified amount require effectively consent of Class A and B shareholder; and
- Class C shares are not entitled to receive dividends.

15 OTHER RESERVES

	Share in other comprehensive income of joint venture and associates	Revaluation of property, plant and equipment and share in revaluation reserve of PPE of JVs and associates	Merger reserve	Cumulative currency translation reserve	Total
Balance as at 1 January 2019	**17**	**4,421**	**(3,038)**	**(10,544)**	**(9,144)**
Total comprehensive income for the period	60	688	–	847	**1,595**
Depreciation transfer, net of tax	–	(255)	–	–	**(255)**
Balance as at 31 December 2019	**77**	**4,854**	**(3,038)**	**(9,697)**	**(7,804)**
Total comprehensive income/(loss) for the period	48	(8)	–	(881)	**(841)**
Depreciation transfer, net of tax	–	(312)	–	–	**(312)**
Balance as at 31 December 2020	**125**	**4,534**	**(3,038)**	**(10,578)**	**(8,957)**

Revaluation reserve for property, plant and equipment is transferred to retained earnings when realised through depreciation, sale or other disposal. This is a legal reserve according to art. 2:363.3 DCC, and it is non-distributable.

Currency translation reserve is transferred to profit or loss when realised through disposal of a subsidiary by sale, liquidation, repayment of share capital or abandonment of all, or part of, that subsidiary.

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15 OTHER RESERVES CONTINUED

Retained earnings of the Group represent the earnings of the Group entities from the date they have been established or acquired by the entities under common control. The Group's subsidiaries distribute profits as dividends or transfer them to reserves on the basis of their statutory financial statements prepared in accordance with local GAAP or IFRS as appropriate. Ukrainian legislation identifies the basis of distribution as retained earnings only, however this legislation and other statutory laws and regulations are open to legal interpretation.

The ability of the Group to pay dividends has been limited by the terms and conditions of the Group's agreements with its lenders and bondholders (Note 17).

16 MATERIAL NON-CONTROLLING INTERESTS IN SUBSIDIARIES

Subsidiaries that have non-controlling interest that is material to the Group have been determined by management based on combination of the following factors: (i) the percentage of shares held by non-controlling shareholders; (ii) accumulated amount of non-controlling interest ("NCI") in the subsidiary; and (iii) total assets, revenues, profit or loss and OCI of the respective subsidiaries.

The following table provides information about subsidiaries that have non-controlling interest that is material to the Group:

	Proportion of NCI (same as voting rights held by NCI)	Profit or loss attributable to NCI	OCI attributable to NCI	Amount of NCI in the subsidiary	Dividends paid to NCI during the year
As at 31 December 2020					
PrJSC Zaporizhcoke	42.8%	2	(16)	72	–
PrJSC Northern Iron Ore Enrichment Works	–	5	(9)	–	–
Other subsidiaries with NCI	n/a	–	8	(30)	
Total		**7**	**(17)**	**42**	**–**
As at 31 December 2019					
PrJSC Zaporizhcoke	42.8%	–	27	85	–
PrJSC Northern Iron Ore Enrichment Works	3.2%	10	10	55	**(4)**
Other subsidiaries with NCI	n/a	–	(7)	(42)	
Total		**10**	**30**	**98**	**(4)**

The summarised financial information of these subsidiaries (including the impact of consolidation fair value adjustments, but before intercompany eliminations), was as follows at 31 December 2020 and 2019:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Net assets
As at 31 December 2020					
PrJSC Zaporizhcoke	135	93	42	18	**168**
PrJSC Northern Iron Ore Enrichment Works	1,422	748	712	144	**1,314**
As at 31 December 2019					
PrJSC Zaporizhcoke	157	120	57	21	**199**
PrJSC Northern Iron Ore Enrichment Works	1,891	911	874	201	**1,727**

	Revenue	Profit/(loss)	Total comprehensive (loss)/income
As at 31 December 2020			
PrJSC Zaporizhcoke	231	6	**(27)**
PrJSC Northern Iron Ore Enrichment Works	948	158	**(116)**
As at 31 December 2019			
PrJSC Zaporizhcoke	472	3	**65**
PrJSC Northern Iron Ore Enrichment Works	1,290	307	**617**

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16 MATERIAL NON-CONTROLLING INTERESTS IN SUBSIDIARIES CONTINUED

The Group's centralised treasury monitors the cash flows of the Group's subsidiaries and adjusts the subsidiaries' operating cash flows (e.g. by means of changing intragroup trading balances) to provide sufficient funds for the approved investing activities or payment of taxes, interest and dividends.

Outstanding bonds (Note 17) benefit from suretyship granted by PrJSC Northern Iron Ore Enrichment Works.

PrJSC Northern Iron Ore Enrichment Works is also jointly committed to perform sales of steel products to Metinvest International SA. The proceeds from such sales are transferred through special accounts pledged in favour of the pre- export finance (PXF) lenders which had rights to these proceeds only in case when Metinvest does not make a scheduled payment under the credit facilities or otherwise defaults in respect of its obligations under the PXF loans. The amount of funds on such account as at 31 December 2020 is USD 45 million (31 December 2019: USD 8 million).

17 LOANS AND BORROWINGS

	31 December 2020	31 December 2019
Non-current		
Bonds issued	2,135	2,074
Bank loans	271	338
Lease liability	21	30
Total non-current loans and borrowings	**2,427**	**2,442**
Current		
Bonds issued	25	25
Bank loans	196	153
Trade finance	276	399
Lease liability	13	13
Total current loans and borrowings	**510**	**590**
Total loans and borrowings	**2,937**	**3,032**

As at 31 December 2020, the Bank loans include PXF in the amount of USD 230 million (31 December 2019: USD 411 million).

2019 Refinancing

In October 2019, Metinvest priced a dual – currency Eurobond offering issuing a USD 500 million 10-year tranche bearing a fixed interest rate of 7.75% per annum due in October 2029; and a EUR 300 million 5-year tranche bearing a fixed rate of 5.625% per annum due in June 2025. The USD 500 million bond offering consisted of refinancing of USD 440 million of the 2023 bond as well as raising of USD 60 million of new finances.

Refinancing of USD 440 million of the 2023 bond was accounted for as extinguishment of the prior financial liability and recognition of the new debt instrument. The loss on extinguishment amounted to USD 6 million and was recognised in income statement as part of finance costs.

2020 Refinancing

In October 2020, Metinvest issued a USD 333 million 7-year Eurobond bearing a fixed interest rate of 7.65% per annum due in October 2027. The issue was used to refinance USD 115 million of bonds due in 2021 and USD 193 million of bonds due in 2023.

The transaction was accounted for as extinguishment of the prior financial liabilities and recognition of the new debt instrument. The loss on extinguishment amounted to USD 6 million and was recognised in income statement as part of finance costs.

All outstanding bonds benefit from guarantees typical for such instruments and suretyships granted by six entities, including PrJSC Azovstal Iron and Steel Works, PrJSC Ilyich Iron and Steel Works, PrJSC Avdiivka Coke Plant, PrJSC Ingulets Iron Ore Enrichment Works, PrJSC Central Iron Ore Enrichment Works and PrJSC Northern Iron Ore Enrichment Works. The PXF facility benefits from suretyships granted by four entities, including PrJSC Ilyich Iron and Steel Works, PrJSC Ingulets Iron Ore Enrichment Works, PrJSC Central Iron Ore Enrichment Works and Metinvest Management B.V., security assignments of rights under certain export, commission and offtake contracts, as well as pledges of certain bank accounts and rights under certain commission contracts.

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17 LOANS AND BORROWINGS CONTINUED

Certain restrictive covenants are imposed on the Group, including limitation to pay dividends, make certain restricted payments, engage in certain transactions with related parties, incur new debt, as well as certain financial covenants (interest cover ratio, debt cover ratio, tangible net worth and gearing).

As of 31 December 2020, the Group's bonds were traded on open markets. Fair value of bonds and discount/premium are as follows:

	31 December 2020		31 December 2019	
	Fair value	Premium / (Discount)	Fair value	Premium / (Discount)
Bonds due in 2021	–	–	116	0.5%
Bonds due in 2023	342	6.9%	547	5.6%
Bonds due in 2025	386	4.4%	342	1.9%
Bonds due in 2026	742	12.7%	709	7.7%
Bonds due in 2027	373	10.0%	–	–
Bonds due in 2029	555	9.9%	520	2.5%
Total	**2,398**		**2,234**	

Fair values of the PXF as at 31 December 2020 approximated carrying value.

The majority of the Group's Bank loans and trade finance have floating interest rates. The weighted average effective interest rates and currency denomination of loans and borrowings as at the balance sheet dates are as follows:

	31 December 2020			31 December 2019		
In % per annum	USD	EUR	GBP	USD	EUR	GBP
Bank loans	6%	5%	–	7%	5%	–
Bonds issued	9%	6%	–	9%	6%	–
Trade finance	3%	4%	–	5%	3%	4%
Lease liability	7%	5%	5%	8%	5%	–
Reported amount	**2,290**	**646**	**1**	**2,487**	**512**	**33**

The Group defines net debt as the sum of bank loans, bonds, trade finance, lease liability, deferred consideration and seller notes, non-bank borrowings less cash and cash equivalents.

Movements in the Groups' net debt are presented below:

	Cash in banks	Deposits up to 3 months	Bank borrowings	Bonds issued	Trade finance	Deferred consideration	Lease liability	Total
Net debt as at 1 January 2019	**261**	**19**	**(592)**	**(1,709)**	**(363)**	**(60)**	**(23)**	**(2,467)**
Interest paid/(received)	(5)	–	38	145	14	2	2	**196**
Other cash flows	(18)	12	89	(384)	(37)	55	10	**(273)**
Interest accrued (Note 23, 9)	5	–	(36)	(150)	(16)	(2)	(3)	**(202)**
Legal and consulting fees capitalised	–	–	–	5	–	–	–	**5**
Commissions capitalised	–	–	7	–	–	–	–	**7**
Effect of refinancing	–	–	–	(6)	–	–	–	**(6)**
Currency translation differences	–	–	3	(2)	3	–	(2)	**2**
Equipment received as lease asset	–	–	–	–	–	–	(27)	**(27)**
Other movements	–	–	–	2	–	5	–	**7**
Net debt as of 31 December 2019	**243**	**31**	**(491)**	**(2,099)**	**(399)**	**–**	**(43)**	**(2,758)**

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17 LOANS AND BORROWINGS CONTINUED

	Cash in banks	Deposits up to 3 months	Bank borrowings	Bonds issued	Trade finance	Lease liability	Total
Net debt as at 1 January 2020	**243**	**31**	**(491)**	**(2,099)**	**(399)**	**(43)**	**(2,758)**
Interest paid/(received)	(2)	–	24	164	16	2	**204**
Other cash flows	529	27	64	(19)	130	14	**745**
Interest accrued (Note 23, 9)	2	–	(23)	(173)	(14)	(3)	**(211)**
Legal and consulting fees capitalised	–	–	–	3	–	–	**3**
Commissions capitalised	–	–	6	–	–	–	**6**
Effect of refinancing	–	–	–	(6)	–	–	**(6)**
Currency translation differences	(4)	(1)	(19)	(30)	(9)	1	**(62)**
Equipment received as lease asset	–	–	–	–	–	(5)	**(5)**
Acquisitions of subsidiaries	1	–	(28)	–	–	–	**(27)**
Net debt as of 31 December 2020	**769**	**57**	**(467)**	**(2,160)**	**(276)**	**(34)**	**(2,111)**

18 RETIREMENT BENEFIT OBLIGATIONS

The Group's defined benefit obligations relate to:

	31 December 2020	31 December 2019
State-defined early pensions for employees working in hazardous and unhealthy working conditions	561	565
Long-term employee benefits under collective bargaining agreements	30	32
Total defined benefit obligations	**591**	**597**

Nature and the risks and uncertainties associated with the Group's defined benefit obligations are further disclosed in the Note 4.

Changes in the present value of the defined benefit obligation were as follows:

	2020	2019
Defined benefit obligation as at 1 January	**597**	**411**
Acquisition of subsidiary	17	–
Current service cost	18	15
Remeasurements of the defined benefit liability resulting from:		
– changes in financial assumptions	33	20
– changes in demographic assumptions	4	(8)
– experience adjustments	(3)	68
Interest cost	54	55
Benefits paid	(32)	(34)
Currency translation difference	(97)	70
Defined benefit obligation as at 31 December	**591**	**597**

The amounts recognised in the consolidated income statement were as follows:

	2020	2019
Current service cost	18	15
Interest cost	54	55
Total	**72**	**70**

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18 RETIREMENT BENEFIT OBLIGATIONS CONTINUED

The principal actuarial assumptions used were as follows:

	31 December 2020	31 December 2019
Nominal discount rate	9.84%	10.91%
Nominal salary increase	5.00% – 5.11%	5.00% – 5.83%
Nominal pension entitlement increase (indexation)	6.19%	6.42%
Long-term inflation	5.11%	5.83%

Assumptions about mortality are based on the publicly available mortality tables for city population of the respective regions of Ukraine (depending on the location of the Group's subsidiaries) for 2020 and are consistent with the prior year.

The sensitivity of the defined benefit obligation to changes in the principal assumptions is presented below:

	2020	2019
Nominal discount rate increase/decrease by 1 pp	(50)/58	(50)/57
Nominal salary increase/decrease by 1 pp	28/(26)	28/(26)
Inflation increase/decrease by 1 pp	4/(5)	4/(5)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The methods and types of assumptions used in preparing the sensitivity analysis did not change significantly compared to the previous period.

As at 31 December 2020, the weighted average maturity of the Group's defined benefit obligations is 9.2 years and it varies across different Group's subsidiaries from 8.2 to 14.4 years (31 December 2019: 9.0 years, varying from 8.1 to 14.0 years). Payments in respect of defined benefit obligations expected to be made during the year ending 31 December 2021 are USD 34 million (2020: USD 37 million).

19 OTHER NON-CURRENT LIABILITIES

	31 December 2020	31 December 2019
Asset retirement obligations	72	64
Tax liabilities under moratorium (Note 26)	7	8
Other non-current liabilities	50	30
Guarantee issued (Note 10)	72	93
Total other non-current liabilities	**201**	**195**

20 TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019
Trade payables and payables on sales made on commission	2,113	1,760
Dividends payable to shareholders of Metinvest B.V.	204	304
Dividends payable to non-controlling shareholders of Company's subsidiaries	16	6
Payables for acquired property, plant and equipment and other intangible assets	118	227
Other financial liabilities	98	47
Total financial liabilities	**2,549**	**2,344**
Prepayments received	163	142
Accruals for employees' unused vacations and other payments to employees	104	98
Other taxes payable, including VAT	98	124
Wages and salaries payable	28	33
Guarantee issued (Note 10)	5	6
Other allowances and provisions	29	32
Total trade and other payables	**2,976**	**2,779**

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21 NET OPERATING COSTS (EXCLUDING ITEMS SHOWN SEPARATELY)

	2020	2019
Raw materials including change in finished goods and work in progress	2,446	3,059
Goods and services for resale, excluding related transportation	2,780	2,962
Energy materials including gas, electricity and fuel	885	1,050
Wages and salaries	753	790
Transportation services	847	862
Repairs and maintenance expenses	202	265
Pension and social security costs	144	140
Pension costs – defined benefit obligations (Note 18)	18	15
Depreciation and amortisation	820	704
Taxes and duties	120	119
Services and other costs	359	386
Charity and expenses on social activities	15	13
Maintenance of social infrastructure	30	24
VAT on sales below cost and VAT write-off	6	7
Operating foreign exchange (gains)/losses, net	217	(57)
Gain on disposal of property, plant and equipment, net	(1)	(5)
Write-off of trade and other payables	(10)	(23)
Change in fair value of the option	(24)	7
Change in fair value of financial instruments	(50)	(17)
Other operating income	(50)	(31)
Total net operating expenses (excluding items shown separately)	**9,507**	**10,270**

Raw materials include externally purchased coke and coal, iron ore, scrap metal, ferroalloys, ancillary and other materials and cost of their transportation.

Auditor's fees. The following fees were expensed in the consolidated income statement in the reporting period:

	2020	2019
Audit of the financial statements (including audit fee of the signing firm of USD 0.2 million in 2020 and USD 0.2 million in 2019)	2	2
Total	**2**	**2**

During 2020, tax and other non-audit services expensed in the consolidated income statement amounted to USD 0.2 million and USD 0.5 million, respectively (2019: USD 0.2 million and USD 0.3 million), including USD 0.2 million of other non-audit services fees of signing firm during 2020 (USD 0.3 million during 2019).

22 FINANCE INCOME

Finance income for the year ended 31 December was as follows:

	2020	2019
Net foreign exchange gain	–	197
Interest income:		
– loans issued	31	27
– bank deposits	4	5
Other finance income	25	24
Total finance income	**60**	**253**

Net foreign exchange gains arise on intragroup loans and dividends payable between the entities with different functional currencies. During 2020 and 2019, other finance income is represented by amortisation of the guarantee issued (Note 10).

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
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All amounts in millions of US dollars

23 FINANCE COSTS

Finance costs for the year ended 31 December were as follows:

	2020	2019
Net foreign exchange loss	300	–
Interest expense on:		
– borrowings	22	26
– bonds	156	145
– deferred consideration and seller's notes	–	2
Interest cost on retirement benefit obligations	54	55
Refinance fees	11	26
Loss on modification and extinguishment	6	6
Other finance costs	17	16
Total finance costs	**566**	**276**

During 2020 and 2019, other finance costs mainly include factoring fees and discounting of the financial instruments.

24 INCOME TAX

Income tax for the year ended 31 December was as follows:

	2020	2019
Current tax	171	187
Deferred tax	(71)	(140)
Income tax expense	**100**	**47**

The Group is subject to taxation in several tax jurisdictions, depending on the residence of its subsidiaries. In 2020 and 2019, Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18%.The tax rate for Swiss operations was 10% and for European companies tax rate varied from 10% to 28%. The tax rate for the US operations was 21%.

Reconciliation between the expected and the actual taxation charge is provided below.

	2020	2019
IFRS profit before tax	**626**	**388**
Tax calculated at domestic tax rates applicable to profits in the respective countries	106	43
Tax effect of items not deductible or assessable for taxation purposes:		
– other non-deductible expenses	68	21
– non-taxable income	(80)	–
Tax benefits	(4)	(19)
Under/(over) provision of current tax in prior years	(1)	(2)
Write-down/(reversal of write-down) of deferred tax assets, net	11	4
Income tax expense	**100**	**47**

Other non-tax deductible expenses include mainly the expenses incurred by Metinvest B.V. and other subholdings where no sufficient taxable profits are expected to utilise them.

The weighted average applicable tax rate was 17% in 2020 (2019: 11%).

Differences between IFRS and Ukrainian and other countries' statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

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24 INCOME TAX CONTINUED

	1 January 2020	Credited/ (charged) to income statement	Credited/ (charged) to other comprehensive income	Acquisition of subsidiaries	Currency translation difference	31 December 2020
Tax effect of deductible temporary differences						
Property, plant and equipment and intangible assets	2	–	–	–	–	**2**
Long-term receivables	3	–	–	–	–	**3**
Inventory valuation	1	8	–	–	–	**9**
Trade and other accounts receivable	54	12	–	2	(7)	**61**
Accrued expenses	2	6	–	–	(1)	**7**
Tax losses carried forward	74	(41)	–	1	(12)	**22**
Retirement benefit obligations	94	5	6	3	(15)	**93**
Other	47	3	–	2	(2)	**50**
Gross deferred tax asset	**277**	**(7)**	**6**	**8**	**(37)**	**247**
Less offsetting with deferred tax liabilities	(192)	29	–	(5)	31	(137)
Recognised deferred tax asset	**85**	**22**	**6**	**3**	**(6)**	**110**
Tax effect of taxable temporary differences						
Property, plant and equipment and intangible assets	(454)	79	1	(6)	71	(309)
Inventory tax differences	(8)	2	–	–	–	(6)
Other	(3)	(3)	–	(1)	1	(6)
Gross deferred tax liability	**(465)**	**78**	**1**	**(7)**	**72**	**(321)**
Less offsetting with deferred tax assets	192	(29)	–	5	(31)	137
Recognised deferred tax liability	**(273)**	**49**	**1**	**(2)**	**41**	**(184)**

Deferred tax asset on unused tax losses not recognised by Ukrainian subsidiaries as at 31 December 2020 comprised USD 80 million (31 December 2019: USD 104 million) and mainly relates to the entities whose physical assets are located on the non-controlled territory of Ukraine. The Group does not recognise this deferred tax asset as it does not expect profits to be generated by these entities in the foreseeable future. There are no expiry dates on tax losses carried forward in Ukraine and Italy. Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable; future taxable profits are estimated using the cash flow forecasts consistent with those used for impairment testing of non-current assets.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

All amounts in millions of US dollars

24 INCOME TAX CONTINUED

	1 January 2019	Credited/ (charged) to income statement	Credited/ (charged) to other comprehensive income	Currency translation difference	31 December 2019
Tax effect of deductible temporary differences					
Property, plant and equipment and intangible assets	2	–	–	–	**2**
Long-term receivables	3	–	–	–	**3**
Inventory valuation	16	(15)	–	–	**1**
Trade and other accounts receivable	39	8	–	7	**54**
Accrued expenses	1	1	–	–	**2**
Tax losses carried forward	7	66	–	1	**74**
Retirement benefit obligations	63	6	14	11	**94**
Other	52	(11)	–	6	**47**
Gross deferred tax asset	**183**	**55**	**14**	**25**	**277**
Less offsetting with deferred tax liabilities	(103)	(64)	(2)	(23)	(192)
Recognised deferred tax asset	**80**	**(9)**	**12**	**2**	**85**
Tax effect of taxable temporary differences					
Property, plant and equipment and intangible assets	(332)	85	(145)	(62)	(454)
Inventory tax differences	(8)	–	–	–	(8)
Other	(4)	1	–	–	(3)
Gross deferred tax liability	**(344)**	**86**	**(145)**	**(62)**	**(465)**
Less offsetting with deferred tax assets	104	63	2	23	192
Recognised deferred tax liability	**(240)**	**149**	**(143)**	**(39)**	**(273)**

The tax charge relating to components of other comprehensive income is as follows:

	2020			2019		
	Before tax	Deferred tax charge	After tax	Before tax	Deferred tax charge	After tax
Revaluation decreases that offset previous increases in the carrying amount of property, plant and equipment	(9)	1	(8)	(310)	56	(254)
Revaluation of property, plant and equipment	–	–	–	1,164	(201)	963
Remeasurement of retirement benefit obligation	(34)	6	(28)	(80)	14	(66)
Other comprehensive income	**(43)**	**7**	**(36)**	**774**	**(131)**	**643**

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

25 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
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25 BALANCES AND TRANSACTIONS WITH RELATED PARTIES CONTINUED

As at 31 December 2020 and 2019, significant balances outstanding with related parties are detailed below:

	31 December 2020					31 December 2019				
	SCM Limited (Cyprus)	Associates	Joint ventures	Entities related to SCM	SMART Group	SCM Limited (Cyprus)	Associates	Joint ventures	Entities related to SCM	SMART Group
ASSETS										
Non-current trade and other receivables, including:	**–**	**104**	**–**	**183**	**101**	**–**	**367**	**–**	**171**	**96**
Long-term loans issued	–	33	–	183	101	–	–	–	171	96
Trade receivables and receivables on commission sales	–	71	–	–	–	–	367	–	–	–
Current trade and other receivables, including:	**4**	**394**	**982**	**204**	**20**	**–**	**77**	**1,032**	**194**	**24**
Trade receivables and receivables on commission sales	–	269	871	93	2	–	75	903	82	2
Prepayments made	–	106	–	70	–	–	–	–	70	–
Loans issued	–	18	108	25	18	–	–	97	30	22
Other financial receivables (short- term, non-interest bearing)	4	1	3	16	–	–	2	32	12	–
Cash and cash equivalents	**–**	**–**	**–**	**69**	**–**	**–**	**–**	**–**	**78**	**–**

	31 December 2020					31 December 2019				
	SCM Limited (Cyprus)	Associates	Joint ventures	Entities related to SCM	SMART Group	SCM Limited (Cyprus)	Associates	Joint ventures	Entities related to SCM	SMART Group
LIABILITIES										
Trade and other payables, including:	**195**	**51**	**1,019**	**133**	**11**	**270**	**121**	**515**	**146**	**35**
Dividends payable to shareholders of Metinvest B.V.	194	–	–	–	10	269	–	–	–	35
Dividends payable to non-controlling shareholders of Company`s subsidiaries	–	–	1	12	–	–	–	–	3	–
Trade payables and payables on sales made on commission	–	33	1,016	93	–	–	99	503	137	–
Prepayments received	–	18	–	–	1	–	22	–	1	–
Other financial liabilities	1	–	2	28	–	1	–	12	5	–

In 2019, dividends paid disclosed in the consolidated statement of cash flows include USD 56 million of dividends paid by the Company to its Class B shareholder (SMART), USD 40 million of dividends paid by the Company to its Class A shareholders (SCM Limited (Cyprus), USD 3 million paid by the Company`s subsidiaries to entities related to SCM that are shareholders in such subsidiaries, and USD 1 million of payments to other non-related parties.

In 2020, dividends paid disclosed in the consolidated statement of cash flows include USD 25 million of dividends paid by the Company to its Class B shareholder (SMART), USD 75 million of dividends paid by the Company to its Class A shareholders (SCM Limited (Cyprus)).

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

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25 BALANCES AND TRANSACTIONS WITH RELATED PARTIES CONTINUED

Significant transactions (excluding purchases) with related parties during 2020 and 2019 are detailed below:

2020	Associates	Joint ventures	Entities related to SCM	SMART Group	Total
Sales, including:	**112**	**981**	**72**	**2**	**1,167**
Steel	28	31	55	2	**116**
Scrap metal	–	30	–	–	**30**
Coke and coking coal	78	457	–	–	**535**
Iron ore	–	402	1	–	**403**
Other	6	61	16	–	**83**
Other operating income/ (expenses), net	1	(1)	(3)	–	**(3)**
Expected credit losses charge	(91)	(6)	(4)	(1)	**(102)**
Finance income/(expenses), including:	**–**	**11**	**16**	**6**	**33**
Interest income – bank deposits	–	–	1	–	**1**
Interest income – loans issued	–	11	15	6	**32**

2019	Associates	Joint ventures	Entities related to SCM	SMART Group	Total
Sales, including:	**147**	**1,169**	**79**	**3**	**1,398**
Steel	17	30	61	3	**111**
Scrap metal	–	21	–	–	**21**
Coke and coking coal	124	665	11	–	**800**
Iron ore	–	405	1	–	**406**
Other	6	48	6	–	**60**
Other operating income/ (expenses), net	1	(1)	(3)	–	**(3)**
Expected credit losses charge	(62)	8	(2)	2	**(54)**
Finance income/(expenses), including:	**–**	**11**	**12**	**6**	**29**
Interest income – bank deposits	–	–	2	–	**2**
Interest income – loans issued	–	11	10	6	**27**

The following is a summary of purchases from related parties in 2020 and 2019:

2020	Associates	Joint ventures	Entities related to SCM	SMART Group	Total
Purchases, including:	**380**	**1,691**	**1,285**	**–**	**3,356**
Metal products	9	1,600	10	–	**1,619**
Coke and coking coal	345	–	29	–	**374**
Raw materials and spare parts	18	54	121	–	**193**
Electricity	–	–	463	–	**463**
Gas	–	–	156	–	**156**
Fuel	–	–	46	–	**46**
Services	1	9	429	–	**439**
Other	7	28	31	–	**66**

All amounts in millions of US dollars

25 BALANCES AND TRANSACTIONS WITH RELATED PARTIES CONTINUED

2019	Associates	Joint ventures	Entities related to SCM	SMART Group	Total
Purchases, including:	**525**	**1,766**	**1,391**	**1**	**3,683**
Metal products	–	1,685	11	–	**1,696**
Coke and coking coal	484	4	55	–	**543**
Raw materials and spare parts	33	50	109	1	**193**
Electricity	–	–	496	–	**496**
Gas	–	–	229	–	**229**
Fuel	–	–	91	–	**91**
Services	–	8	370	–	**378**
Other	8	19	30	–	**57**

Not included in the tables above are the Group's transactions on purchase and further re-sale of iron ore, coal and steel products from or to joint ventures where the Group is acting as an agent and not as principal. Income and costs related to such transactions are presented net within revenue. The Group's net gain on such transactions was USD 15 million in 2020 (2019: USD 7 million).

In 2020, the remuneration of key management personnel of the Group comprised current salaries and related bonuses paid totalling USD 14.6 million (in 2019: USD 15.0 million).

As at 31 December 2020 and 2019, key management held the Group's bonds in the total amount of less than USD 1 million. Rights of these bondholders are not different from the rights of other bondholders.

26 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

Tax legislation. Ukrainian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. As a result, there is significant uncertainty as to the implementation or interpretation of the new legislation and unclear or non-existent implementing regulations. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and State authorities. It is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Group's operations are vertically integrated and a significant portion of the Group's iron ore, coke and coal production is used in the subsequent production operations. Because of non-explicit requirements of the applicable tax legislation, intercompany transactions may be assessed by the Ukrainian tax authorities as non-market. Such transactions have not been challenged in the past by the tax authorities. However, it is possible with evolution of the interpretation of tax law in Ukraine and other jurisdictions as well as changes in the approach of tax authorities, that such transactions could be challenged in the future.

The tax legislation had been expanded with the new transfer pricing rules effective from 1 September 2013 that are much more detailed than previous legislation and, to a certain extent, better aligned with the international transfer pricing principles. The new legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), if the transaction price is not arm's length and is not supported by relevant documentation. Since 1 January 2015, the transfer pricing rules were amended so that transactions between Ukrainian companies (irrespective whether they are related parties or not) ceased to be treated as controlled transactions.

Management believes it is taking appropriate measures to ensure compliance with the new transfer pricing legislation.

Bankruptcy proceedings. During 2006, bankruptcy proceedings were initiated against the Group's subsidiary PrJSC Krasnodonugol. The majority of the creditors' claims summarised by the external manager relate to the Group thus are eliminated on consolidation. As at 31 December 2020, the amount of financial and tax liabilities related to the bankruptcy proceedings recorded in these consolidated financial statements is USD 10 million (31 December 2019: USD 12 million), out of which USD 7 million (31 December 2019: USD 8 million) are presented as non-current tax liabilities under moratorium (Note 19).

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

26 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS CONTINUED

In July 2019, the bankruptcy proceedings were initiated in respect of one of the Group's subsidiaries, PrJSC Yenakiieve Iron and Steel Works. Creditor's claims were assessed by the court-appointed manager and the Group`s subsidiaries formed majority in the creditor`s committee in January 2020. Management of the Group does not expect that the bankruptcy proceedings will result in liquidation of the entity.

Legal proceedings. From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

On 26 February 2019, a pre-judgment conservation order under Dutch law (the "Order") was issued by the court with respect to Metinvest B.V.'s shareholdings in its two subsidiaries registered and existing under the laws of the Netherlands (the "Dutch Subsidiaries). The Order was issued on the basis of a claim for damages for the amount of USD 47 million allegedly caused by Metinvest B.V. Except that the Group may not dispose of its shareholdings in the Dutch Subsidiaries, the Order does not affect the legal capacity of any Group entities to incur debt, create security or give guarantees, enter into commercial and trade contracts or otherwise affect in any way the ordinary course of business and operational activities of the Group. If Metinvest B.V. were to give sufficient security for the asserted claim, this would be a ground for lifting the Order. The Group continues to challenge the main claim.

Environmental matters. The enforcement of environmental regulation in Ukraine is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations (including asset retirement obligations) under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated, but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Capital expenditure commitments. As at 31 December 2020, the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling USD 316 million (31 December 2019: USD 370 million). The Group has already allocated the necessary resources in respect of these commitments. Management of the Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

Guarantees issued. As at 31 December 2019 and 31 December 2020 the Group has issued a financial guarantee related to the settlement of the obligations for the acquisition of associate as disclosed in Note 10.

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non- compliance with such covenants may result in negative consequences for the Group including increase in the cost of borrowings and declaration of default. As at 31 December 2020 and 2019, the Group was in compliance with the covenants.

Insurance. Metinvest maintains mandatory insurance policies against certain types of risk in accordance with Ukrainian law, including life and health insurance; third party liability insurance on hazardous industrial assets and in respect of cargo and motor vehicles; voluntary insurance cover for most of its production facilities and in respect of cargo and motor vehicles; "All Risk" insurance to cover property damage and provide business interruption coverage including "inter-dependency" coverage for its key production facilities in Ukraine; property damage and business interruption policies in respect of its European and US assets.

27 FINANCIAL RISK MANAGEMENT

The Group activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management is carried out jointly by the internal control and risk management department and the central treasury department. These departments identify, evaluate and mitigate financial risks in close co-operation with the Group's operating units.

(a) Market risk.

(i) Foreign exchange risk.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020 continued

27 FINANCIAL RISK MANAGEMENT CONTINUED

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed through (i) borrowings denominated in the relevant foreign currencies; (ii) different treasury operations like forward, swap and other.

At 31 December 2020, if the UAH had strengthened/weakened by 25% against the US dollar with all other variables held constant, post-tax profit for the year would have been USD 146 million lower/higher (2019: if the UAH strengthened/weakened by 25% against USD dollar, post-tax profit for the year would have been USD 130 million lower/higher), mainly as a result of foreign exchange losses/gains on translation of US dollar denominated trade receivables and foreign exchange gains/losses on translation of US dollar denominated intragroup borrowings and dividends payable.

(ii) Price risk.

The Group's revenue is exposed to the market risk from price fluctuations related to the sale of its steel and iron ore products. The prices of the steel and iron ore products sold both within Ukraine and abroad are generally determined by market forces. These prices may be influenced by factors such as supply and demand, production costs (including the costs of raw material inputs) and global economic growth. The prices of the products that the Group sells to third parties are also affected by supply/demand and global/Ukrainian economic growth. Adverse changes in respect of any of these factors may reduce the revenue that the Group receives from the sale of its steel or mined products.

The Group's exposure to commodity price risk associated with the purchases is limited as the Group is vertically integrated and is self-sufficient for iron ore and certain portion of coking coal requirements.

No financial instruments are exposed to price risk.

(iii)Cash flow and fair value interest rate risk.

The Group's income and operating cash flows are dependent on changes in market interest rates.

The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings attracted at floating rates expose the Group to cash flow interest rate risk. Borrowings attracted at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a balanced borrowings portfolio of fixed and floating rate instruments. As at 31 December 2020, 79% of the total borrowings were provided to the Group at fixed rates (31 December 2019: 75%). During 2020 and 2019, the Group's borrowings at floating rate were denominated in USD, EUR and GBP.

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or floating rates. However, at the time of attracting new debt management uses its judgment to decide whether it believes that a fixed or floating rate would be more favourable to the Group over the expected period until maturity.

Refer to Note 12, 17 and below for information about maturity dates and effective interest rates of financial instruments.

At 31 December 2020, if interest rates on USD, EUR and GBP denominated floating rate borrowings had been by 1 pp higher/lower (2019: 1 pp) with all other variables held constant, post-tax profit for the year would have been USD 5 million lower/higher (2019: USD 6 million).

(b)Credit risk

Credit risk is managed centrally by the Group management. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions and financial guarantees issued. When wholesale customers are independently rated, these ratings are used for credit quality assessment. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial assets, which potentially subject the Group to credit risk, consist principally of cash, loans, trade and other accounts receivable. Cash is placed with major Ukrainian and international reputable financial institutions, which are considered at time of deposit to have minimal risk of default.

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
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All amounts in millions of US dollars

27 FINANCIAL RISK MANAGEMENT CONTINUED

The Group has policies in place to ensure that provision of loans and sales of products/services are made to customers with an appropriate credit history. The Group's credit risk exposure is monitored and analysed on a case-by-case basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The carrying amount of loans, trade and other accounts receivable, net of provision for impairment, represents the maximum amount exposed to credit risk. Concentration of credit risk mainly relates to CIS and European countries where the major customers are located.

The maximum exposure to credit risk as at 31 December 2020 is USD 4,738 million (2019: USD 4,076 million) being the carrying value of long and short-term loans issued, receivables, cash and the amount of the commitment in respect of the financial guarantees issued as disclosed in Note 27 (c) below. In order to reduce credit risk on receivables, the Group uses letters of credit, guarantees and trade insurance. The Group does not hold any collateral as security. Management believes that credit risk is appropriately reflected in impairment allowances recognised against assets, and management does not expect any significant losses from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group treasury analyses the ageing of Group's assets and the maturity of Group's liabilities and plans their liquidity depending on the expected repayment of various instruments. In case of insufficient or excessive liquidity in individual entities, the Group relocates resources and funds among the entities of the Group to achieve optimal financing of the business needs of each entity.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Cash flows from borrowings were calculated using spot foreign exchange rates.

At 31 December 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank loans	211	123	120	59
Trade finance	276	–	–	–
Bonds issued	195	164	1,096	1,690
Guarantee	155	156	225	–
Lease liability	15	12	8	1
Financial trade and other payables	2,549	36	14	10
Total	**3,401**	**491**	**1,463**	**1,760**

At 31 December 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank loans	176	210	139	20
Trade finance	399	–	–	–
Bonds issued	194	276	914	1,754
Guarantee	116	155	381	–
Lease liability	16	15	20	1
Financial trade and other payables	2,344	30	–	8
Total	**3,246**	**686**	**1,454**	**1,783**

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28 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The Group has yet to determine its optimum gearing ratio. Presently, the majority of debt is due over 5 years and the Group is actively pursuing mechanisms to extend the credit terms to match its long-term investment strategy.

	31 December 2020	31 December 2019
Total loans and borrowings (Note 17)	2,937	3,032
Less: cash and cash equivalents (Note 13)	(826)	(274)
Net debt	**2,111**	**2,758**
Total equity	6,496	6,930
Total capital	**8,607**	**9,688**
Gearing ratio	**25%**	**28%**

29 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date, which is Level 1 of fair valuation hierarchy. The quoted market price used for financial assets held by the Group is the current bid price. This valuation technique is used for fair value disclosures of bonds issued.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Estimated discounted cash flows, are used to determine fair value for seller's notes. Calculation is based on current interest rates for new instruments with similar credit risk, currency and remaining maturity; such estimation represents Level 3 of fair value hierarchy.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is required to interpret market data to determine the estimated fair value. Ukraine continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

The estimated fair value and related methods and assumptions used for the valuation of the option received are disclosed in Note 10.

Financial assets carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of financial assets carried at amortised cost approximate their fair values.

Financial liabilities carried at amortised cost. The fair value is based on quoted market prices, if available. Except as discussed in the Note 17, the estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid (Note 17 and 19).

Notes to the Summary IFRS Consolidated Financial Statements – 31 December 2020
continued

30 RECONCILIATION OF CLASSES OF FINANCIAL INSTRUMENTS WITH MEASUREMENT CATEGORIES

All of the Group's financial assets and financial liabilities are carried at amortised cost, except for investments in associates and joint ventures which are accounted for by the equity method of accounting, trade receivables subject to factoring and the option carried at fair value through profit or loss. As at 31 December 2020 the carrying amount of the balances subject to factoring amounted to USD 87 million (31 December 2019: USD 104 million).

31 EVENTS AFTER THE BALANCE SHEET DATE

In February 2021, Metinvest B.V. declared dividends in the amount of USD 200 million.

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Strategic Report
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Additional Information

Artificial intelligence
The ability of a computer or robot to perform tasks commonly associated with human beings.

Bars
Long steel products that are rolled from billets. Merchant bar and reinforcing bar (rebar) are two common categories of bars. Merchant bar includes rounds, bulb flats, angles, squares and channels that are used by fabricators to manufacture a wide variety of products, such as furniture, stair railings and farm equipment. Rebar is used to strengthen concrete in highways, bridges and buildings.

Basic oxygen furnace (BOF)
A pear-shaped furnace, lined with refractory bricks, that refines molten iron from the blast furnace and scrap into steel through the oxidising action of oxygen blown into the melt under a basic slag. The basic oxygen process is widely used steelmaking method. About 67% of the crude steel in the world is made in BOFs.

Beneficiation (enrichment, concentration)
Complex treatment of mined material to make it more concentrated or richer. Uses crushing, grinding and often froth flotation to remove waste rock from ore. The metal content increases as waste is removed.

Blast furnace (BF)
A towering cylinder lined with heat-resistant (refractory) bricks and used by integrated steel mills to smelt iron from ore. Its name comes from the 'blast' of hot air and gases forced up through the iron ore, coke and limestone that are charged into the furnace. Under extreme heat, chemical reactions among the ingredients release liquid iron from the ore.

Bloom
A semi-finished continuous casted or rolled steel product with a round, square or rectangular cross-section that is used for rolling heavy long products with large dimensions.

Coils
Hot or cold flat-rolled products supplied in regularly wound coils. These flat products can also be coated with metallic or organic coatings.

Coke
The solid product obtained from the dry distillation of coking coal in the absence of oxygen. Depending on property, coke is known as hard coke, soft coke and metallurgical coke.

Coking coal
Coal suitable for making into coke. Coking coal needed to produce blast furnace coke (the correct type of fuel/reductant needed for a blast furnace) is characterised by certain specific properties in terms of appropriate composition: for example, low ash (up to 10%), volatile matter (17% to 26%), low sulphur and phosphorous.

Cold rolling
Plastic deformation of a metal at room temperature that might result in substantial increases in strength and hardness. The usual end product is characterised by improved surface, desired thickness and improved mechanical properties compared with hot-rolled steels. Cold-rolled products typically include sheets, coils, strips and rebar, among others.

Continuous casting
A method of casting steel into a billet, bloom or slab directly from its molten form. Continuous casting avoids the need for large, expensive mills for rolling ingots into semi-finished products. Continuously cast slabs and billets also solidify in a few minutes, compared with several hours for an ingot. As a result, the chemical composition and mechanical properties are more uniform. Steel from the blast or electric arc furnace is poured into a tundish (a shallow vessel that looks like a bathtub) atop the continuous caster. As steel carefully flows from the tundish down into the water-cooled copper mould of the caster, it solidifies into a ribbon of red-hot steel to form slabs or blooms.

Crude steel
Steel in the first solid state after melting, suitable for further processing or for sale. Synonymous with raw steel.

Crusher and conveyor system
Equipment for ore size reduction and a transportation system used to move bulk materials from mine shafts and open pits to the surface for further processing.

Customer relations management (CRM) system
An information technology system used to manage customer data and support the sales function, delivering analytical insights for improving work with existing and potential clients. An effective CRM system allows companies to improve customer relationships and deliver high-quality service more efficiently.

Direct reduced iron (DRI)
The solid metallic iron product obtained through the direct reduction of high-grade iron ore in solid state without being converted into liquid form as happens in a blast furnace. DRI is also known as sponge iron because of its spongy microstructure. Merchant DRI product is delivered mainly in the form of pellets or briquettes.

Downstream
In manufacturing, this term refers to processes that happen later in a production sequence or production line.

Electric arc furnace (EAF)
A furnace that uses heat generated by an electric arc to melt metals and other materials. In the ferrous metallurgy EAF, together with the basic oxygen process, is one of the two modern ways of making steel.

Enterprise resource planning (ERP)
An integrated system of software applications used by companies to monitor all core aspects of their business. These include purchasing to manufacturing to sales, facilitating information sharing and allowing managers to make decisions informed by a global view of the supply chain.

Environmental impact identification (ENVID)
A systematic approach designed to identify and reduce the risk of incidents that can damage the surrounding environment, and to limit environmental impact throughout the production process.

Environmental, social and governance (ESG) reporting
A system of reporting built around three central factors underlying sustainability. ESG reporting covers both mandatory and best-practice voluntary reporting of non-financial, sustainability aspects of companies. Effective ESG reporting is a central component for a company's adoption of integrated reporting, an emerging global set of standards for demonstrating in company disclosures how financial and non-financial factors contribute to create value in an organisation.

Fatality frequency rate (FFR)
An internationally recognised safety indicator (also called the fatal accident frequency rate), the FFR is the ratio of fatalities per million hours worked.

Fe content
The chemical symbol for iron, Fe comes from the Latin word 'ferrum'. Fe content refers to the iron content of an ore.

Ferroalloys
Alloys consisting of certain elements (such as manganese, silicon, molybdenum, vanadium, nickel, boron, chromiumand so on) combined with iron and used in steelmaking to reach the necessary chemical composition and properties of steel products. In some cases, ferroalloys may serve as deoxidisers.

Finished products
Products that emerge at the end of a manufacturing process. In metallurgy, they are obtained from hot rolling, cold rolling, forging and other processing of semi-finished steel (blooms, billets and slabs). They cover two broad categories of products, namely long and flat.

Flat products
Finished steel products having almost rectangular cross sections, the width being much greater than the thickness. These are supplied in hot-rolled, cold-rolled or in coated condition, depending on the requirement. Flat products include plates, sheets, and wide and narrow strips, that are produced from slabs on rolling mills.

Forging
Shaping ferrous and non-ferrous metals and alloys while hot by repeated hammer blows.

Free cash flow
Net cash from operating activities less net cash used in investing activities.

Galvanised steel
Steel coated with a thin layer of zinc to provide corrosion resistance.

Greenhouse gas (GHG) reporting
For a steelmaker, GHG emissions are primarily carbon dioxide (CO_2), but also consist of methane (CH4) output, primarily from blast furnaces, but also from mining, transportation and office energy consumption. Local legislation, a company's own emissions monitoring and international best practices prescribe regular GHG reporting in metric tonnes of the relevant GHG.

Hard coking coal (HCC)
A type of coking coal with better coking properties, as traditionally measured by the 'coke strength after reaction' (CSR) of coke made from a specific kind of coal. Usually the CSR for HCC is assumed to be about 60%.

Hazard and operability study (HAZOP)
A structured and systematic examination of a planned or existing process or operation, aiming to identify and evaluate problems that may represent risks to personnel or equipment or prevent efficient operation.

Hazard identification (HAZID)
A systematic approach designed to identify and reduce the risk of dangerous incidents, and to ensure safety throughout the production process.

Heavy plate
Thick, flat finished product with a width from 500 millimetres to 5 metres and a thickness of at least 3 millimetres. Heavy plate is normally produced and supplied in hot-rolled condition with or without specific heat treatment. It is mainly used for construction, machinery, shipbuilding or large-diameter pipe fabrication.

Hot rolling
Rolling of steel at above the re-crystallisation temperature (normally above 1,000°C) to produce hot-rolled long and flat products from semis. Ingots are also hot-rolled to obtain semis.

Human capital management
An approach to employees that perceives people as human capital consisting of knowledge and skills, as well as assets whose value can be measured and enhanced through continuous investment.

Human resources (HR)
The people who make up the workforce of a company. The term also frequently refers to the management function responsible for ensuring the recruitment and retention of qualified employees, managing goal setting and assessments, overseeing the process of training and further education to meet company requirements and employee potential, and other processes required to maintain an effective workforce.

Ingot
The primary solid product obtained on solidification of liquid steel in conventional vertical cast iron moulds, which are intended for rolling into intermediate/semi-finished products after re-heating.

Integrated steelmaking plant
A plant that converts iron ore into semi-finished or finished steel products. Traditionally, this process required coke ovens, sintering machines, blast furnaces, steelmaking furnaces and rolling mills.

Iron ore
A naturally occurring mineral from which iron (Fe) is extracted in various forms, mainly for producing hot metal and direct-reduced iron.

Iron ore concentrate
Iron ore containing the valuable minerals of an ore from which most of the waste material has been removed.

JORC Code
The code of the Joint Ore Reserves Committee (JORC) of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia for Reporting of Exploration Results, Mineral Resources and Ore Reserves. It is an internationally recognised reporting standard for mineral exploration results, mineral resources and ore reserves that is adopted worldwide for market-related public reporting and financial investments. The code was first published in 1989 and has been regularly updated since, the last time in 2012.

Liquid steel
The immediate hot molten steel product from steelmaking shop.

Lock out, tag out, try out (LOTOTO)
A safety procedure that is used to isolate hazardous energy during repair and maintenance work.

Long products
Finished steel products produced normally by hot rolling or forging blooms, billets and pencil ingots into useable shapes and sizes (such as rounds, bulb flats, angles, squares, rebars, channels, etc). They are normally supplied in cut length, except wire rods, which are supplied in wound coils. Long products are used in all industrial sectors, particularly in the construction and engineering industries.

Lost-time injury frequency rate (LTIFR)
An internationally recognised safety indicator, the LTIFR is the ratio of lost-time injuries per million hours worked. It is calculated using the total number of incidents leading to the loss of one day/shift or more from work.

Merchant
Term used to differentiate products sold to third parties from those consumed internally.

Mineral
A natural, inorganic substance having a definite chemical composition and physical characteristics, or any chemical element or compound occurring naturally as a product of inorganic processes.

Mineral resources
A concentration or occurrence of solid material with geological characteristics known, estimated or interpreted from specific geological evidence and knowledge and having reasonable prospects for economic extraction.

Non-governmental organisation
An organisation that is dedicated to achieving social or political aims, but is not controlled by a government.

Open-hearth furnace (OHF)
A furnace for melting metal, in which the bath is heated by the combustion of hot gases over the surface of the metal and by radiation from the roof. The furnace is used to derive steel from pig iron and scrap. The open-hearth process has been replaced by the basic oxygen process or electric arc method in most modern facilities.

Operational efficiency
The ability of a business to deliver outputs, for example products and services for customers or returns for debt and equity providers, more efficiently by reducing relative costs, often through such processes as automation, centralisation or improved working practices. Also known as operational improvement or operational excellence.

Ore reserves (proven, probable)
Proven ore reserves are the part of measured resources that can be mined in an economically viable fashion. They include diluting materials and allowances for losses that occur when the material is mined. Proven ore reserves represent the highest confidence category of a reserve estimate.

Probable ore reserves are the part of indicated and, in some circumstances, measured mineral resources that can be mined in an economically viable fashion. They include diluting material and allowances for losses, which may occur when the material is mined. Probable ore reserves have a lower level of confidence than proven ones but are of sufficient quality to serve as the basis for a decision to develop a deposit.

Overburden
Used in mining to describe material that lies above a zone of economic interest: for example, the rock and soil above an iron ore body. Overburden is removed during surface mining, but is typically not contaminated with toxic components and may be used to restore a mining site to a semblance of its appearance before mining began.

Pelletising
The process of compressing or moulding a product into the shape of a pellet. When doing so with iron ore concentrate, spheres of typically 8-18 millimetres (0.31-0.71 inches) in diameter are produced. The process combines agglomeration and thermal treatment to convert the raw ore into pellets with characteristics appropriate for use in a blast furnace and DRI processes.

Pelletising machine
Specific equipment designed for production of pellets (see Pelletising).

Pellets
An enriched form of iron ore shaped into small balls that are used as raw material in the iron making process (see Pelletising). There are two types of pellets: BF-grade pellets, which are used in blast furnaces, and DR-grade pellets, which have a quality suitable for use in the direct iron reduction process.

Permit-to-work procedure
A process used to control work that is identified as possibly hazardous.

Pickling line
Specialised equipment for the chemical removal of surface oxides (scale) and other contaminants such as dirt from steel product by immersion in an aqueous acid solution. The most common pickling solutions are sulphuric and hydrochloric acids.

Pig iron
High-carbon (above 2.14%) iron alloy made by reducing iron ore in a blast furnace. A product in solid form obtained on solidification of hot metal in a pig casting machine.

Public relations (PR)
Communications between an organisation and external stakeholders, in particular members of the general public, aimed at communicating both a positive impression of the organisation and its activities and identifying and addressing negative perceptions. PR uses mass and targeted media as well as public events and other outreach.

Pulverised coal injection (PCI)
Technologies whereby pulverised/ granulated/ dust coal is injected into a blast furnace through the tuyeres along with the blast to replace natural gas and a part of the coke requirement.

Resale
The act of selling third-party products.

Roasting machine
One type of equipment used in the process of thermal treatment of iron ore pellets.

Rolled products
Products obtained from hot rolling semi-finished steel (blooms, billets and slabs) or cold rolling hot-rolled steel.

Scrap
Steel waste that is not usable in its existing form and is re-melted to produce crude steel or sold. Depending on its form and type, it is classified as heavy melting scrap, light melting scrap or turnings/borings and other categories.

Sections
Hot-rolled long products obtained by rolling blooms or billets. They include angles, channels, girders, joists, I-beams, H-beams, rails and so on. Some sections can also be produced by welding together pieces of flat products. They are used for a wide variety of purposes in the construction, machinery and transportation industries.

Semi-finished products
Intermediate solid steel products obtained by hot rolling or forging ingots or by continuously casting liquid steel. They are intended for further rolling or forging to produce finished steel products.

Sinter
An aggregate that is normally produced from relatively coarse fine iron ore, mixed with coke breeze, limestone dolomite fines and various metallurgical return wastes used as an input/raw material in blast furnaces. Sinter improves blast furnace operation and productivity and reduces coke consumption.

Slab
A semi-finished rectangular steel product used to make finished hot-rolled flat products such as plates, sheets and coils.

Square billet
A semi-finished steel product with a square cross section of up to 200 millimetres x 200 millimetres. This product is used as input material to make finished long steel products such as bars, rods and light sections.

Stakeholder
According to the Global Reporting Initiative, this term is defined as an entity or individual that can reasonably be expected to be significantly affected by the reporting organisation's activities, products and services, or whose actions can reasonably be expected to affect the organisation's ability to successfully implement its strategies and achieve its objectives. Namely, stakeholders can include those who are invested in the organisation (such as employees and shareholders), as well as those who have other relationships to the organisation (such as other workers who are not employees, suppliers, vulnerable groups, local communities, and non-governmental organisations or other civil society organisations, among others).

Tails and tailings
A waste stream generated by mine processing plants as part of their normal functioning and consist of ground rock and effluent and stored as tailings in special ponds or dumps secured behind dams. The flow between the plants and tailings is maintained as a closed cycle of clarified water to prevent contamination of nearby ground and river water. Tailings ponds and dams must be regularly monitored to ensure their stability and the safety of surrounding facilities and communities.

Water intake
Withdrawal from water bodies for consumption or storage.

Wire
A broad range of products produced by cold-reducing hot-rolled wire rod through a series of dies or through rolls to improve surface finish, dimensional accuracy and physical properties. Typical applications include nets, screws, rivets, upholstery springs, furniture wire, concrete wire, electrical conductors, rope wire and structural cables.

Wire rod
Hot-rolled coiled plain bar and rods of up to 18.5 millimetres in diameter. Wire rod is normally used to make steel wire, cold-rolled rebar and hardware.

ABBREVIATIONS

COMPANY ABBREVIATIONS

Avdiivka Coke
PJSC 'AVDIIVKA COKE'

Azovstal
PJSC 'AZOVSTAL IRON & STEEL WORKS'

Central GOK
PJSC 'CENTRAL GOK'

Dnipro Coke
PJSC 'DNIPROVSKYI COKE PLANT'

Ferriera Valsider
Ferriera Valsider S.P.A.

Ilyich Steel
PJSC 'ILYICH IRON AND STEEL WORKS OF MARIUPOL'

Ingulets GOK
PJSC 'INGULETS GOK'

Inkor Chemicals
'SMA 'INKOR & Co', LLC

Kryvyi Rih Machining and Repair Plant
'METINVEST – KMRP', LLC

Mariupol Machining and Repair Plant
'METINVEST M&R', LLC

Metinvest
Metinvest Group

Metinvest Business Services
'MBS', LLC

Metinvest Digital
LLC 'Metinvest Digital'

Metinvest Distribution
'METINVEST DISTRIBUTSIYA', LLC

Metinvest Engineering
'METINVEST ENGINEERING' LLC

Metinvest Eurasia
'METINVEST EURASIA', LLC

Metinvest Holding
'METINVEST HOLDING', LLC

Metinvest International
Metinvest International SA

Metinvest Polytechnic
'Technical University 'Metinvest Polytechnic'', LLC

Metinvest-Promservice
'METINVEST-PROMSERVICE', LLC

Metinvest-SMC
'METINVEST-SMC', LLC

Metinvest-Shipping
'METINVEST-SHIPPING', LLC

Metinvest Trametal
METINVEST TRAMETAL S.P.A.

Northern GOK
PJSC 'NORTHERN GOK'

Pokrovske Coal
Coking coal assets in Ukraine, the most significant being Pokrovske Colliery and Sviato-Varvarynska Beneficiation Factory

Pokrovske Colliery
PJSC 'CG 'POKROVS'KE''

Promet Steel
PROMET STEEL JSC

SCM
A group of companies beneficially owned by Mr Rinat Akhmetov and commonly referred to as System Capital Management

SMART, Smart Group or Smart Holding
A group of companies beneficially owned by Mr Vadym Novynskyi

Southern Coke
PJSC 'YUZKOKS'

Southern GOK
JSC 'YUZHNIY GOK'

Spartan UK
Spartan UK Limited

Sviato-Varvarynska Beneficiation Factory
LLC 'CONCENTRATING FACTORY 'SVIATO-VARVARYNSKA''

Unisteel
'UNISTEEL' LLC

United Coal
United Coal Company LLC

Zaporizhia Coke
PJSC 'ZAPORIZHCOKE'

Zaporizhia Refractories
PJSC 'ZAPOROZHOGNEUPOR'

Zaporizhstal
PJSC 'ZAPORIZHSTAL'

OTHER TERMS

ACCA
Association of Chartered Certified Accountants

BF
Blast furnace

CAPEX
Capital expenditure

CFA®
Chartered Financial Analyst

CFR
Cost and freight

CIS
Commonwealth of Independent States

COSO
Committee of Sponsoring Organisations of the Treadway Commission

COVID-19
Coronavirus disease that appeared in 2019

CPI
Consumer price index

CRM
Customer relationship management

CSR
Corporate social responsibility

D&A
Depreciation and amortisation

D&O
Directors and officers

DRI
Direct reduced iron

EBITDA
Earnings before interest, taxes, depreciation and amortisation

ECA
Export credit agency

ENVID
Environmental hazard identification

ESG
Environmental, social and governance

FCA
Free carrier

FCCA
Fellow of the Association of Chartered Certified Accountants

Fe_M
Magnetic iron

Fe_T
Total iron

FFR
Fatality frequency rate

FOB
Free on board

GDP
Gross domestic product

GHG
Greenhouse gas

GRI
Global Reporting Initiative

GW
Gigawatt

HAZID
Hazard identification

HAZOP
Hazard and operability study

HR
Human resources

HRC
Hot-rolled coil

HSE
Health, safety and the environment

HSM
Hot strip mill

HVA
High value-added

IFRS
International Financial Reporting Standards

IMF
International Monetary Fund

ISO
International Organisation for Standardisation

IT
Information technology

JSC
Joint-stock company

JV
Joint venture

KPI
Key performance indicator

KT
One thousand metric tonnes

LHS
Left-hand side

LLC
Limited liability company

LOTO
Lock out, tag out safety procedure

LTIFR
Lost-time injury frequency rate

MCM
Million cubic metres

MENA
Middle East and North Africa

M
Million

MT
One million metric tonnes

NBU
National Bank of Ukraine

NGO
Non-governmental organisations

OHSAS
Occupational Health and Safety Advisory Services

PCI
Pulverised coal injection

PJSC
Public or private joint-stock company

PP
Percentage point

PPE
Property, plant and equipment

PPE
Personal protective equipment

PR
Public relations

PXF
Pre-export finance

RHS
Right-hand side

SDGs
Sustainable Development Goals

SSC
Shared service centre

S&OP
Sales and operations planning

SM
Sintering machine

TJ
Terajoule

UAH
Ukrainian hryvnia

UEX
Ukrainian Industry Expertise

USD
US dollar

WSA
World Steel Association

Because of rounding, numbers presented in this report may not add up precisely to the totals provided and percentages may not precisely reflect absolute figures.