

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.

Pokrovske Coal

Strengthening vertical integration

OPERATIONAL REVIEW CONTINUED

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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.

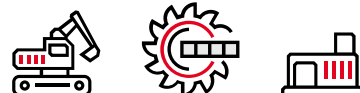
This mainly consisted of a US\$480 million restructured debt facility maturing in 2030. Metinvest intends to manage the business' debt portfolio prudently.



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