OPERATIONAL REVIEW

ADAPT AND OVERCOME

In 2023, Metinvest continued to adapt its business to maintain operational continuity. The Group mitigated various challenges, making it possible to normalise its production, while the reopening of Black Sea navigation late in the year improved its performance.

OPERATIONAL AGILITY

Against the backdrop of the ongoing impacts of the full-scale war, Metinvest maintained a flexible operational approach during 2023.

The Group was unable to conduct business at the assets in Mariupol and Avdiivka throughout the year. Metinvest's other plants in Ukraine functioned at different capacity utilisation levels subject to security, electricity, personnel, logistics and economic factors.

The non-Ukrainian production assets and trading arms were an important pillar of the Group's business resilience. They continued to ensure additional geographical, product and revenue diversification.

In late 2022 and early 2023, Ukraine faced significant challenges with its electricity supply, primarily due to massive attacks on its power infrastructure. These disruptions impacted the operational performance of Metinvest's assets, notably Kamet Steel, which was under an emergency shutdown during part of late 2022.

The situation began to improve from January 2023 onwards, not only through the restoration of the national power system but also by gaining access to strategic imports of electricity from the EU. The stabilisation of the electricity supply helped to improve the operational performance of the Group's Ukrainian assets, including the gradual resumption of production at Kamet Steel and increased output across mining and processing plants.

A major development happened in August 2023, when the Ukrainian defence forces effectively reopened the country's Black Sea commercial navigation without limitations to any particular goods.

To adequately reflect Metinvest's operating environment, this section presents the Group's performance through a geographical lens. This approach allows for a more nuanced understanding of the way different production assets functioned during the reporting period.

A PIVOTAL ROLE

In the evolving landscape of global trade, Metinvest's trading arms, including Metinvest International, Metinvest-SMC and Metinvest Polska, act as a pillar of support for the Group by helping to optimise the sales strategy.

Metinvest International, headquartered in Switzerland, operates as the Group's global sales network. It offers a comprehensive suite of products ranging from iron ore and coking coal to semi-finished and finished steel products, as well as PCI coal.

Established in 1997, it has been instrumental in navigating international complexities, ensuring the Group's presence across key regional market segments. In response to the disruptions caused by the war in Ukraine since February 2022, Metinvest International expanded its role to include the procurement of third-party semi-finished steel products to maintain supply chain continuity.

Metinvest Polska, operational since 2015, serves as a crucial link within Central European markets, including Poland, Czechia, Hungary and Slovakia. Initially acting as an agent for Metinvest International, it has grown to encompass direct sales activities. It has also fostered relationships with local insurance providers to secure additional financing avenues.

Metinvest Polska has adapted to changing market dynamics, focusing on products from Zaporizhstal, Kamet Steel and Unisteel.

Similarly, Metinvest-SMC specialises in the distribution of rolled steel across Ukraine and Moldova. It also imports steel products that are not made locally. With a network of 14 metal centres and a partnership model with regional companies, Metinvest-SMC ensures the accessibility of steel products to its customers.

NAVIGATING NATIVE WATERS

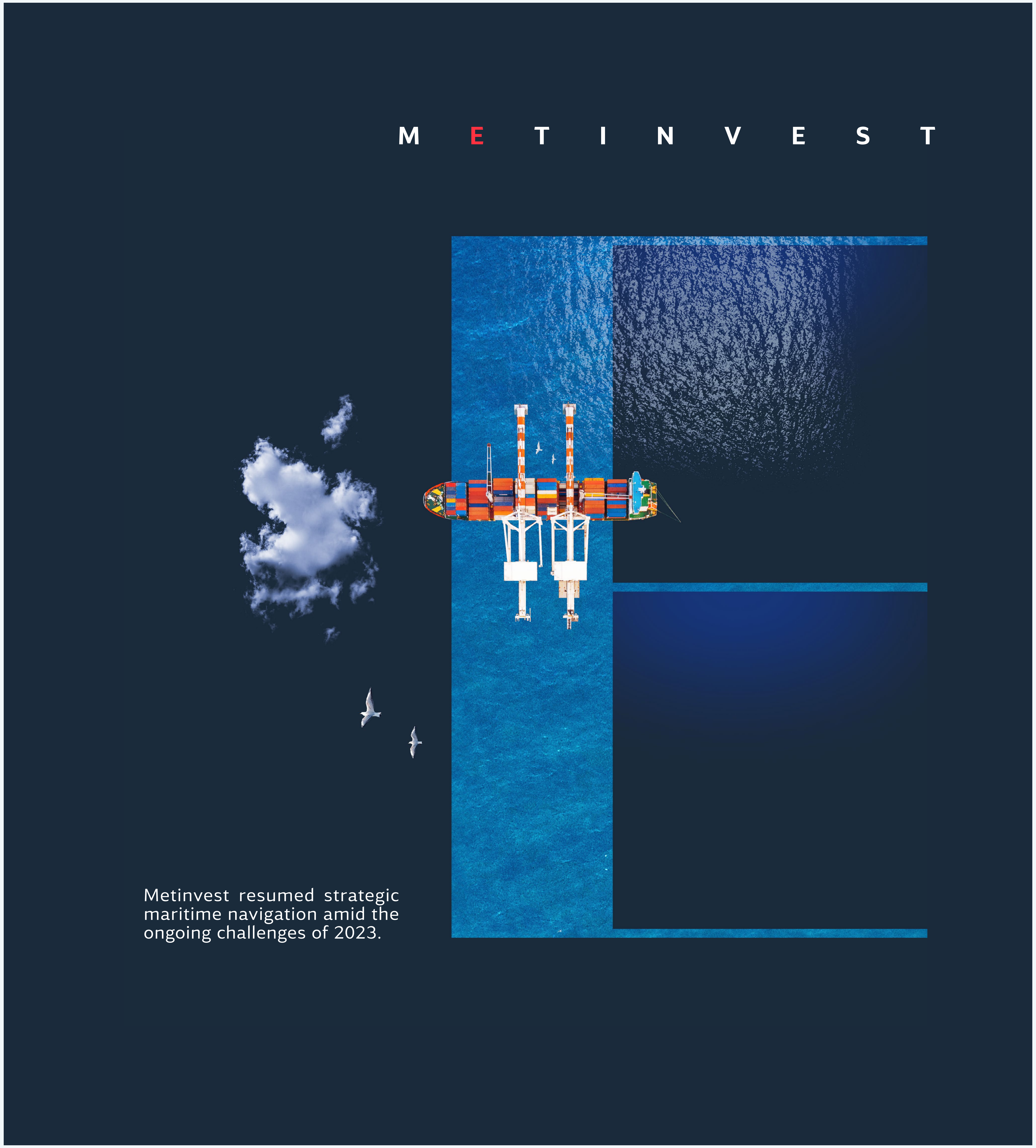
Since the war's onset, Russia had effectively blocked or occupied Ukrainian seaports, ending maritime activities beyond the operation of the Grain Deal from July 2022 to July 2023.

This affected Metinvest's operational and export abilities, although the Group continued working to adapt its logistics chain given limited capacity at western railway crossings.

A pivotal shift happened in August 2023, when the Ukrainian defence forces established a maritime route open to merchant ships for all types of products. September 2023 saw the departure of the first new vessel carrying Metinvest's products through the Black Sea to the Bosphorus since the start of the blockade. This milestone enabled the Group to resume seaborne exports of mining and metallurgical products, enhance capacity utilisation and unlock efficient access to distant markets.

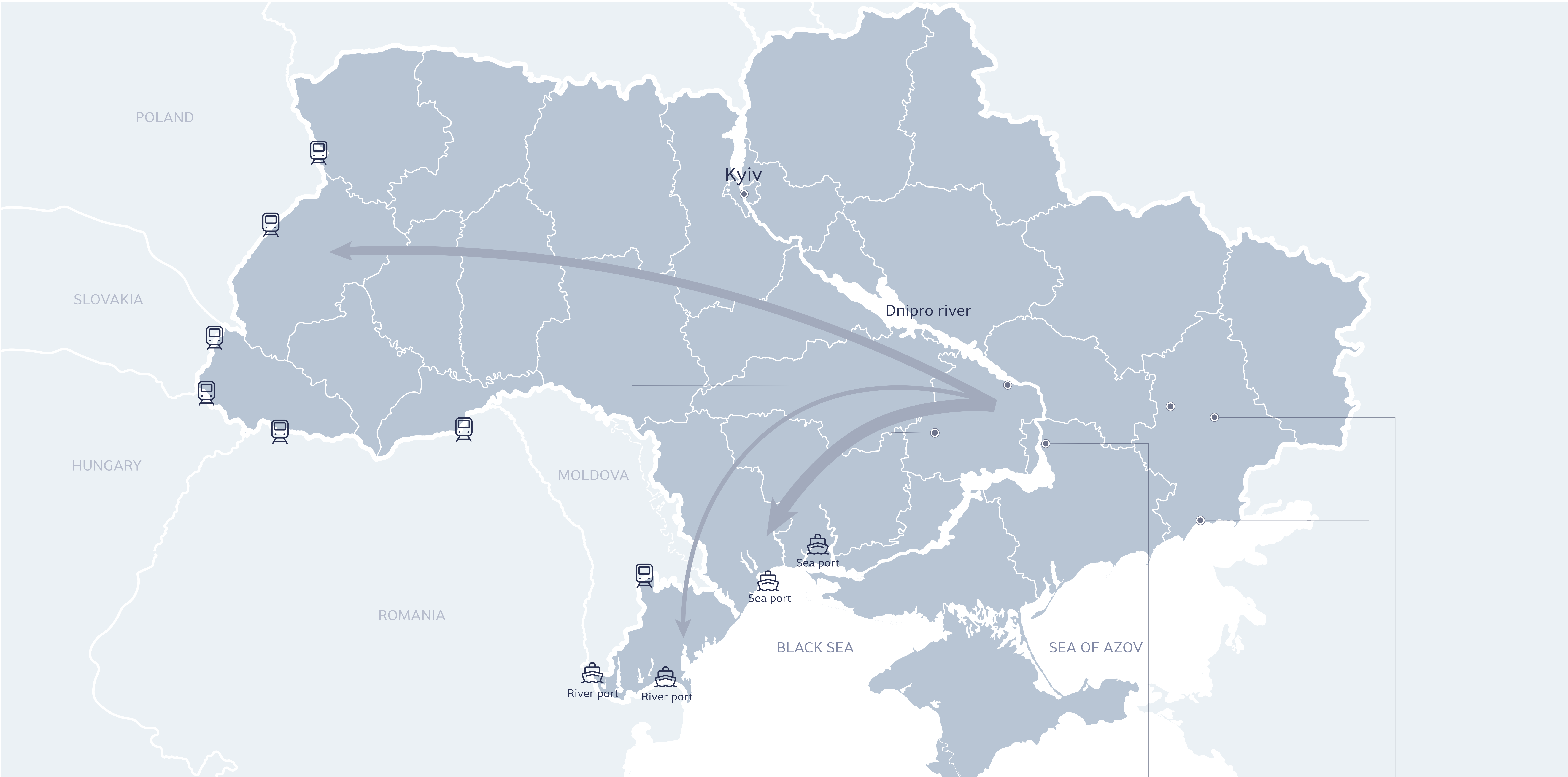
For example, Metinvest's iron ore shipping volumes to Asia grew from one Panamax vessel in the third quarter of 2023 to six Capesize vessels by the end of the year, allowing for a spike in average quarterly exports of that product. Likewise, the Group's steel product shipping volumes to more distant markets grew from one vessel in October 2023 to five vessels in January 2024.

Despite these advances, considerable military threats to navigation and port operations persist.



Metinvest resumed strategic maritime navigation amid the ongoing challenges of 2023.

UKRAINIAN OPERATIONS



MAP LEGEND

- Coking coal
- Coke
- Iron ore
- Integrated steel
- Re-roller
- Refractories
- JV or associate
- Key export routes
- Sea and river ports
- Railway routes
- Suspended operations

Kamet Steel
Southern Coke

Northern Iron Ore
Central Iron Ore
Inhulets Iron Ore
Southern Iron Ore (JV)
Unisteel

Zaporizhstal (JV)
Zaporizhia Refractories
Zaporizhia Coke
Pokrovske Coal

Azovstal
Ilyich Steel
Avdiivka Coke

OPERATIONS IN UKRAINE

MINING SEGMENT

Iron ore

Northern Iron Ore[1], Central Iron Ore[1] and Inhulets Iron Ore[1] are Metinvest's iron ore extraction and processing facilities. The concentrate they produce has an Fe content that ranges from 64.5% to 70.4%. All the Group's iron ore assets are located in the city of Kryvyi Rih.

As of 1 July 2021, the reporting date of Metinvest's most recent assessment of iron ore resources and reserves in accordance with the JORC Code, it had total Ore Reserves of 2,142 million tonnes grading 33.5% Fe_T (total iron) and 25.0% Fe_M (magnetic iron) and total Mineral Resources of 10,576 million tonnes grading 35.1% Fe_T and 26.0% Fe_M. Both are reported on an aggregated and not attributable basis. For more details, please refer to the respective announcement at Euronext Dublin.

In 2023, the pelletising plants that Northern Iron Ore and Central Iron Ore operate had a total annual design production capacity of 8.6 million tonnes of pellets. The Fe content of their pellets ranges from 63.1% to 67.6%; the higher ones are suitable for use in DRI technology.

The Group holds a 45.9% stake in Southern Iron Ore[1], which is classified as a joint venture. The concentrate that it produces has an Fe content from 65.0% to 68.5%.

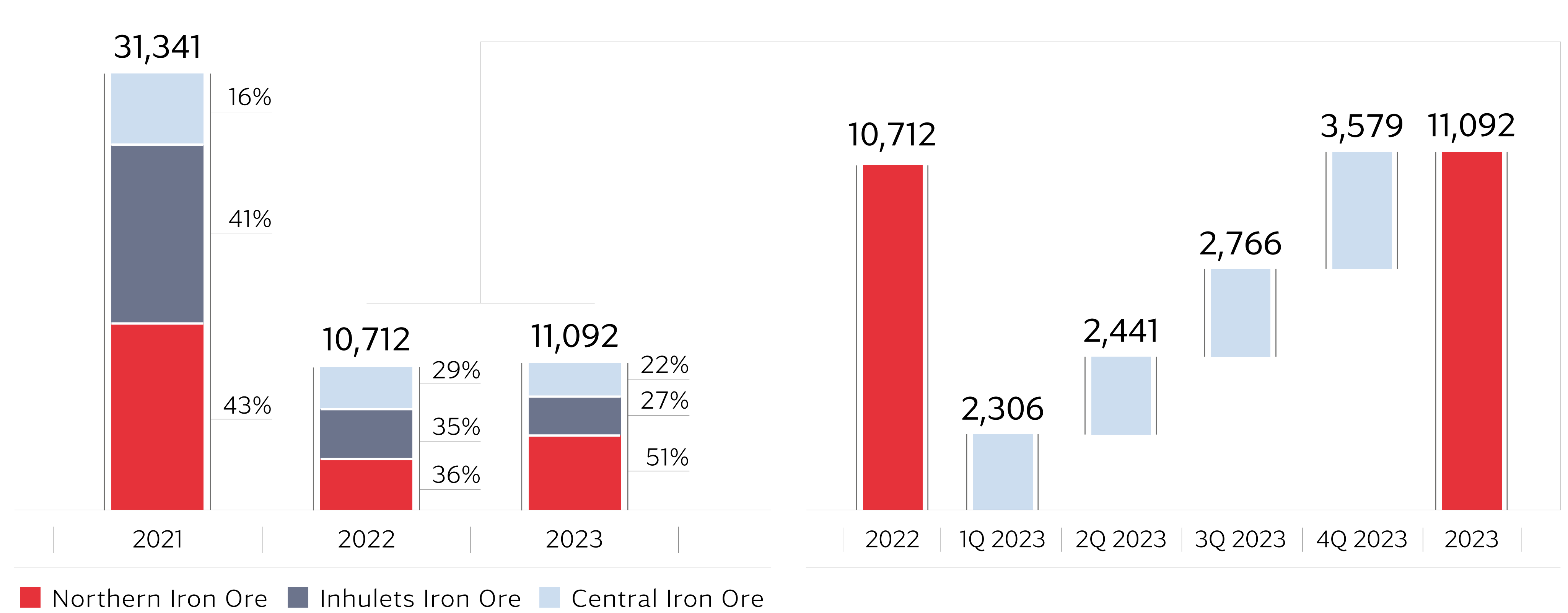
Although most of Southern Iron Ore's sales volumes in 2023 went to the domestic market prior to the reopening of Black Sea navigation, it also exported to third parties to the extent possible within existing logistics capacities, primarily through Metinvest's trading companies[2].

Throughout the year, the Group's iron ore output continued to be impacted by infrastructural and export logistics limitations caused by the war. The stabilisation of power supplies early in the year and resumption of Ukraine's Black Sea trade in the third quarter of 2023 helped to partly relieve some of these constraints.

Overall, in 2023, Metinvest's iron ore extraction was 26,621 thousand tonnes (almost flat year-on-year). Meanwhile, total output of iron ore concentrate rose by 4% to 11,092 thousand tonnes.

IRON ORE CONCENTRATE PRODUCTION

11,092 kt | ^ 4%



The Group began to gradually increase the capacity utilisation of its mining and processing plants following the restoration of seaborne exports from Ukraine via the Black Sea.

Additional support came from a demand recovery in the country's steel industry. These and other factors made it possible for Metinvest to ramp up production at Inhulets Iron Ore and Northern Iron Ore, as well as the use of iron ore from Southern Iron Ore to produce concentrate at Central Iron Ore.

Output of merchant iron ore products climbed by 18% to 9,354 thousand tonnes[3]. The iron ore product order book was re-oriented towards pellets, while concentrate output also favoured high-grade products.

The production of merchant pellets surged by 66% to 5,283 thousand tonnes and that of merchant iron ore concentrate fell by 14% to 4,071 thousand tonnes.

[1] In this report, the names Northern Iron Ore, Central Iron Ore, Inhulets Iron Ore and Southern Iron Ore correspond to the legal names of Northern GOK, Central GOK, Ingulets GOK and Southern GOK, respectively.
[2] Under such resale transactions, Metinvest is acting as an agent and not as principal.
[3] Merchant iron ore product output excludes intragroup sales and consumption.

PRODUCT QUALITY MANAGEMENT

Metinvest's product quality management function is supervised by the Technology and Quality Directorate.

The core document that outlines the Group's internal processes and procedures in this area is the Product Quality Policy.

Officially approved in January 2024, after the reporting period and aligned with the ISO 9001 standard, it sets out the Group's quality goals and areas of focus. The document serves as a guide for the employees involved in these aspects of the business, promoting a unified approach to quality improvement. It is central to the continuous development and enhancement of Metinvest's quality management system.

The Product Quality Policy is also supported by the Regulation on Product Quality Management, which covers asset-level processes and procedures. In addition, production facilities have separate regulations in place. For example, during the reporting period, new asset-level regulations covering a variety of product quality issues were introduced at Zaporizhia Casting and Mechanical Works, which was consolidated in 2023.

Following best market practices, Metinvest continues to apply ISO 9001 at its facilities. At the end of 2023, 14 of its operating production sites[4] were certified under this standard.

The Group conducts regular dedicated trainings related to product quality initiatives. In 2023, around 3,500 employees involved in quality management activities participated in such trainings.

[4] Central Iron Ore, Ferriera Valsider, Inhulets Iron Ore, Kamet Steel, Kryvyi Rih Machining and Repair Plant, Metinvest-Promservice, Metinvest Trametal, Northern Iron Ore, Promet Steel, Spartan UK, Unisteel, Zaporizhia Casting and Mechanical Works, Zaporizhia Coke and Zaporizhia Refractories.

Coking coal

In Ukraine, Metinvest's Pokrovske Coal produces high-quality coking coal at facilities located on the border of the Dnipropetrovsk and Donetsk regions. The most significant of Pokrovske Coal's assets are Pokrovske Colliery and Sviato-Varvarynska Beneficiation Factory.

As of 1 July 2021, the reporting date of the Group's most recent assessment of metallurgical coal resources and reserves in accordance with the JORC Code, Pokrovske Coal had total Coal Reserves of 181 million tonnes and total Coal Resources of 224 million tonnes. Both are reported on an aggregated and not attributable basis. For more details, please refer to the respective announcement at Euronext Dublin.

In 2023, Metinvest produced 3,109 thousand tonnes[5] of coking coal concentrate in Ukraine, up 26% year-on-year. The increase was primarily due to a general improvement in the quality of coking coal compared with the previous year. Overall, throughout the reporting period, Pokrovske Coal was operating at around pre-war levels of capacity utilisation and accounted for 57% of the Group's coking coal concentrate production. Pokrovske Coal's shipments were distributed primarily in Ukraine, and, to a lesser extent, to Europe and Asia.

METALLURGICAL SEGMENT

Coke

In 2023, Metinvest's coke output[7] declined by 25% year-on-year to 1,241 thousand tonnes. This was due to the stoppage in coke production at Azovstal and Avdiivka Coke from late February 2022. During the year, the Group continued to produce metallurgical coke at Zaporizhia Coke and the coke facilities of Kamet Steel.

In addition, Metinvest has a 23.71% interest in Southern Coke, a Ukrainian metallurgical coke producer classified as an associated company. In 2023, its annual dry blast furnace coke production totalled 618 thousand tonnes, up 8% year-on-year.

Steel

In 2023, Metinvest's steel production was buoyed by Kamet Steel, its sole operational and fully consolidated steelmaking asset. The plant's annual production capacity is 3.2 million tonnes of crude steel from three blast furnaces.

During the reporting period, the Group produced 1,765 thousand tonnes of hot metal and 2,025 thousand tonnes of crude steel, down 36% and 31% year-on-year, respectively.

These figures reflected a high-base effect from the contributions of the Mariupol facilities early in 2022, which were subsequently halted because of the war.

Notably, Kamet Steel delivered an improvement in production, increasing its hot metal and crude steel output by 19% and 30% year-on-year, respectively. This uplift was attributed to stabilised power supplies and the efficient operation of two blast furnaces throughout the reporting period, subject to regular maintenance downtime. Kamet Steel supplied billets and long products to external customers, while also providing feedstock to the Group's Bulgarian re-roller and serving as an internal customer for its iron ore and coking coal.

Metinvest also has a 49.997% stake in Zaporizhzhia-based integrated steelmaker Zaporizhstal, which is classified as a joint venture and is the Group's largest iron ore and coke consumer. The plant's annual production capacity of hot metal is c.4.4 million tonnes from four blast furnaces and c.4 million tonnes of crude steel. Using its wide range of sales offices, Metinvest engages in the resale of Zaporizhstal's products to enhance its sales strategy.

During the reporting period, Zaporizhstal's crude steel output rose by 65% year-on-year to 2,467 thousand tonnes. The increase in production was caused by greater blast furnace utilisation compared with the previous year, among other factors.

Importantly, in 2023, Metinvest was able to partly restore slab supplies from Ukraine to its re-rolling plants in Italy by producing at Zaporizhstal merchant slabs that meet their requirements. Also, during the year, Bureau Veritas and RINA certified Zaporizhstal for the production of merchant slabs for ship steel.

Metinvest's Zaporizhzhia-based Zaporizhia Refractories makes refractory products and materials for the Group. In 2023, its output of those products totalled 66 thousand tonnes (up 4% year-on-year), excluding unmoulded refractories. Also, in the reporting period, the plant began producing lining and bricks that were previously imported.

In addition, in 2023, Metinvest's Kryvyi Rih-based Unisteel increased production of galvanised coils by 10% year-on-year to 70 thousand tonnes.

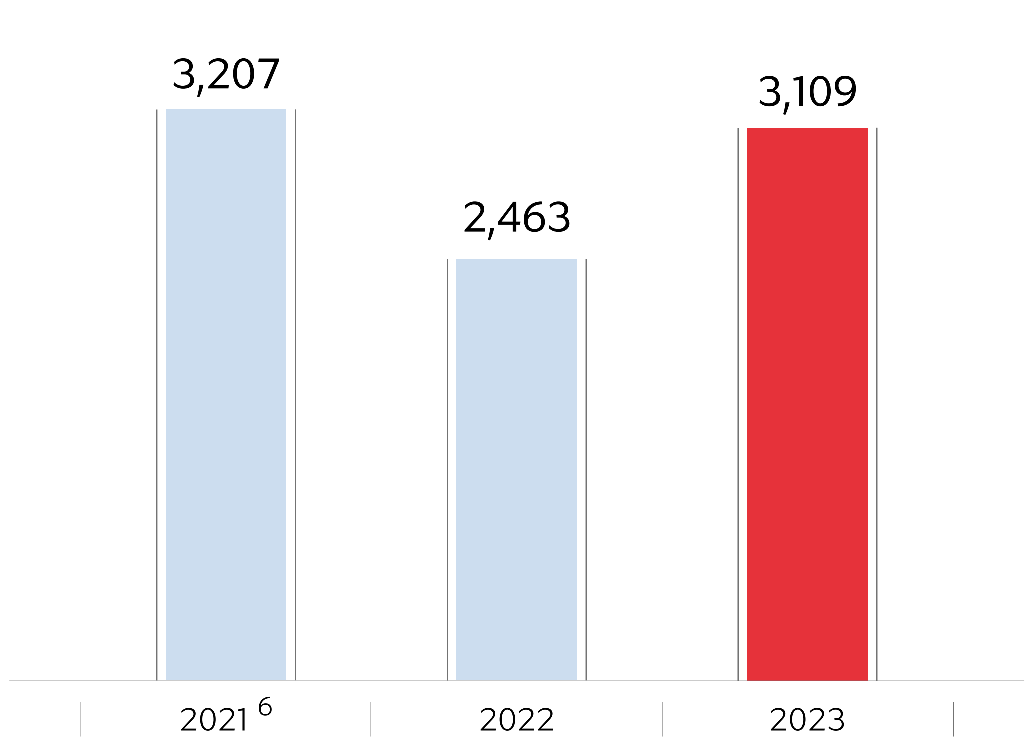
In 2023, Metinvest launched the production of 11 new steel offerings: two semi-finished products, two kinds of galvanised coils and seven types of rolled sections.

Key initiatives included expanding the range of structural rolled products for building and reconstructing Ukrainian infrastructure.

In addition, the Group continued to develop new solutions to cater to the needs of Ukraine's defence forces. For example, it launched production of steel underground fortifications to protect command teams on the front line. On top of this, Metinvest began producing mine trawls that the defence forces can use to demine Ukrainian territory.

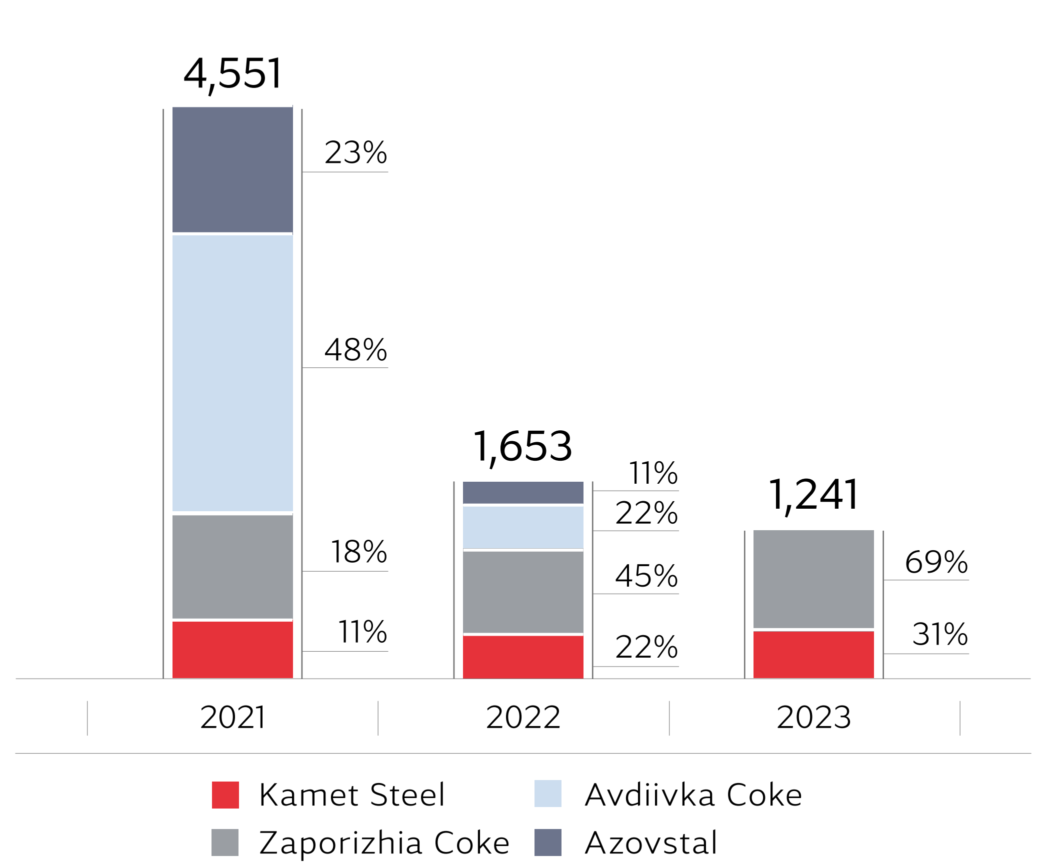
COKING COAL OUTPUT: POKROVSKE COAL

3,109 kt ^ 26%



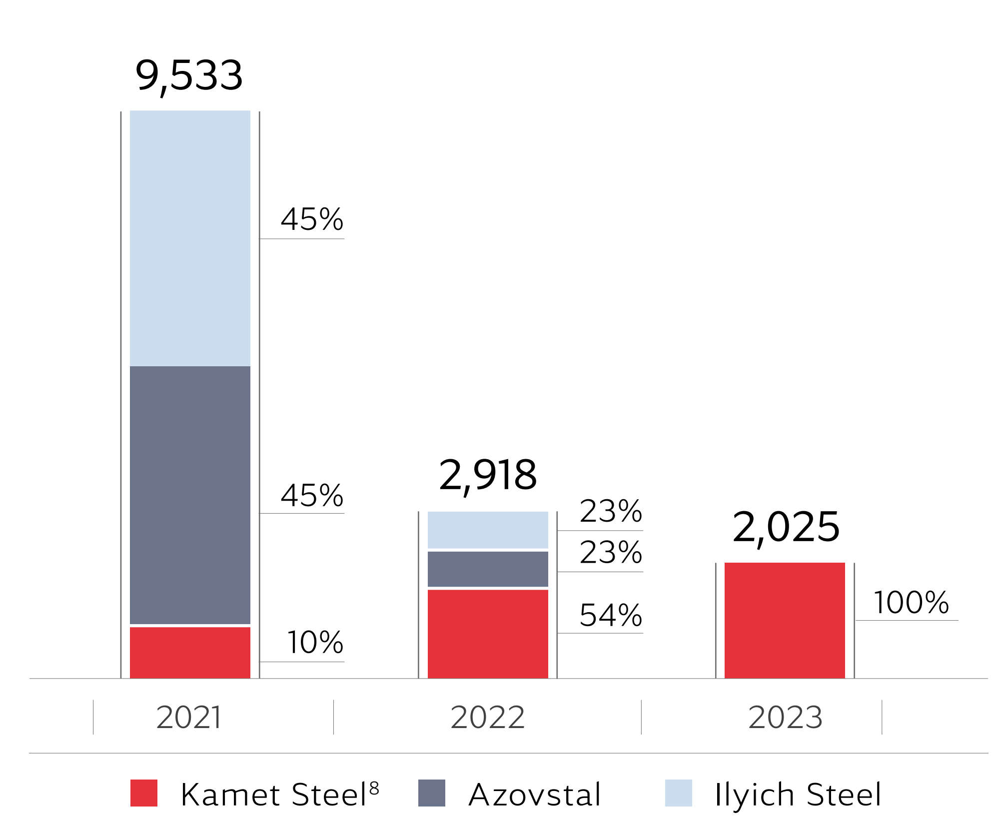
COKE PRODUCTION

1,241 kt ∨ 25%



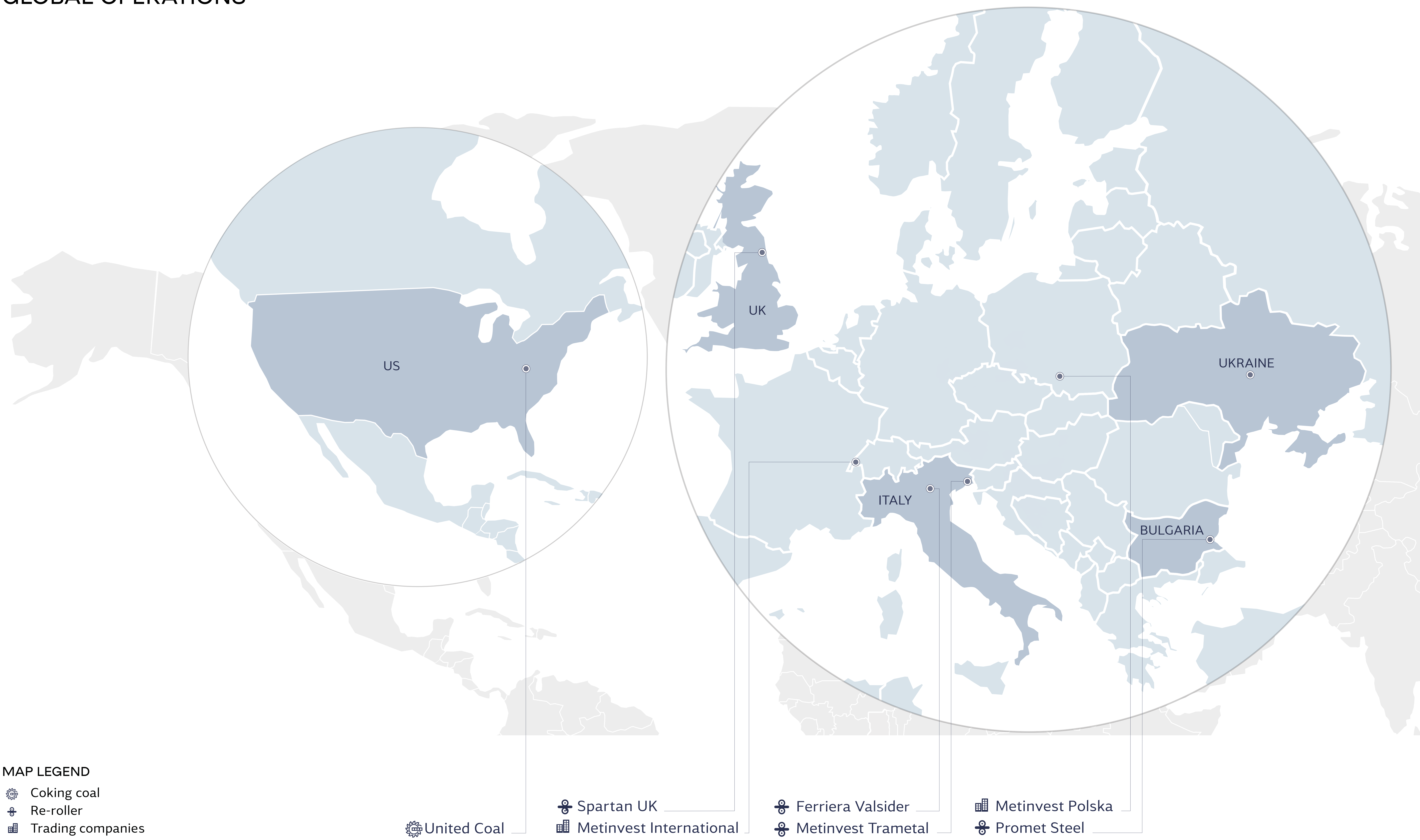
CRUDE STEEL PRODUCTION

2,025 kt ∨ 31%



[5] The total coal concentrate production figure represents coal production converted to coal concentrate and excludes the processing of coal purchased from third parties.
[6] Full-year production, covering period prior to consolidation.
[7] Dry blast furnace coke output.
[8] Since the moment of consolidation

GLOBAL OPERATIONS



OPERATIONS IN THE US, UK, EU

MINING SEGMENT

Coking coal

Metinvest produces coking coal at United Coal, in the central Appalachian region of the US. As of 1 July 2021, the reporting date of the Group's most recent assessment of metallurgical coal resources and reserves in accordance with the JORC Code, United Coal had total Coal Reserves of 126 million tonnes and total Coal Resources of 187 million tonnes. Both are reported on an aggregated and not attributable basis. For more details, please refer to the respective announcement at Euronext Dublin.

In 2023, driven by a combination of market and internal factors, including cost and product quality, United Coal suspended operations or reduced production at some of its subsidiaries. This led to a decrease of coking coal concentrate output by 6% year-on-year to 2,346 thousand tonnes. It also supported the normalisation of inventory levels. In 2023, coal volumes were shipped to customers within and outside the US.

METALLURGICAL SEGMENT

Re-rolling

Outside Ukraine, Metinvest has four re-rolling mills: Italy-based Ferriera Valsider and Metinvest Trametal, Bulgaria-based Promet Steel and the UK-based Spartan UK. In these countries, the Group has a total re-rolling capacity of around 2.1 million tonnes a year.

In 2023, Metinvest Trametal and Ferriera Valsider made flat products, sourcing feedstock from EU, Zaporizhstal and seaborne suppliers. Spartan UK, a plate manufacturer, sourced slabs from local third parties. Promet Steel, a long product manufacturer, obtained feedstock from Kamet Steel and, to a lesser extent, from third-party suppliers.

Overall, these re-rolling plants produced a cumulative 1,573 thousand tonnes of steel products in 2023 (up 16% year-on-year). The output of flat products was 482 thousand tonnes at Trametal (up 30%), 344 thousand tonnes at Ferreira Valsider (up 3%) and 196 thousand tonnes at Spartan UK (up 5%). The output of long products was 551 thousand tonnes at Promet Steel (up 18%).

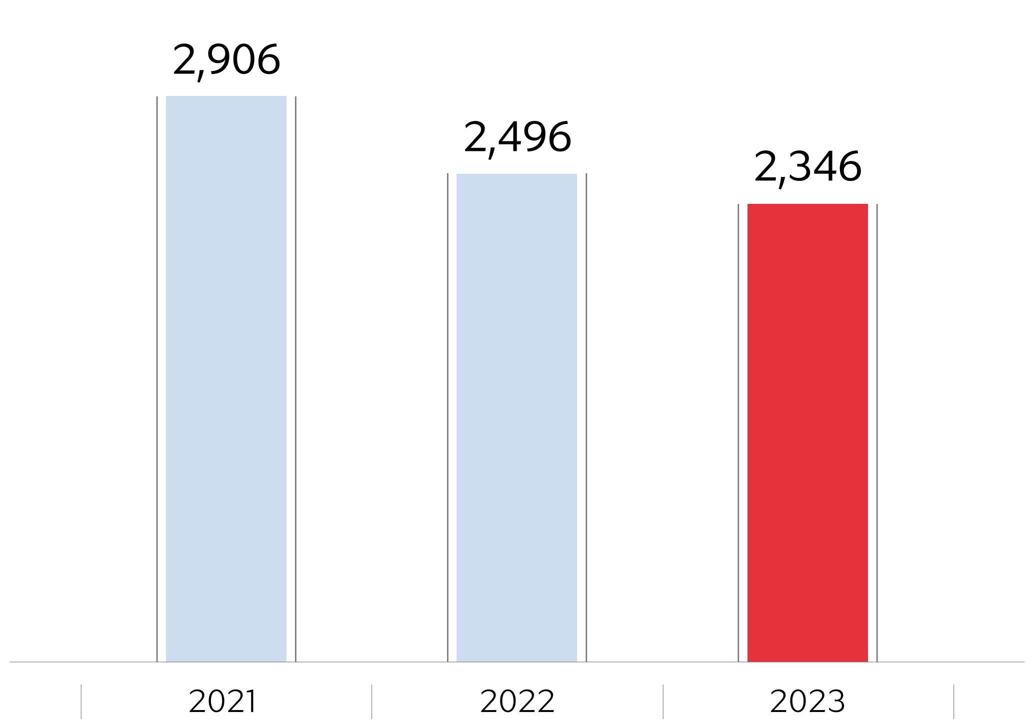
OVERALL OUTPUT OF SEMI-FINISHED AND FINISHED PRODUCTS

In 2023, Metinvest produced 3,123 thousand tonnes of merchant pig iron and steel products across all its assets[9], down 18% year-on-year. This decline was mainly due to the lack of production at the Mariupol steelworks from the end of February 2022. Namely, no slabs, rail and tubular products were produced during the reporting period. Merchant pig iron output decreased by 90% year-on-year to 21 thousand tonnes, while flat product output declined by 36% to 1,100 thousand tonnes.

At the same time, Kamet Steel's improved performance led to greater output of merchant billets (up 25% to 811 thousand tonnes) and long products (up 17% to 1,191 thousand tonnes).

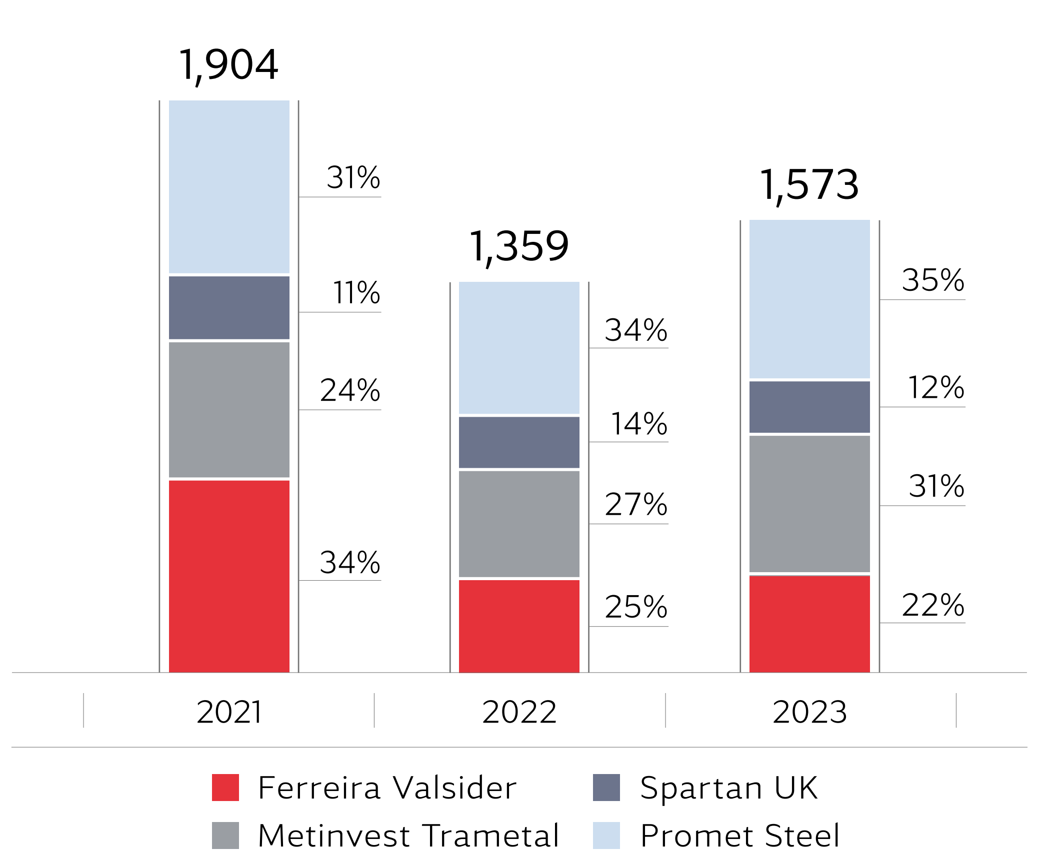
COKING COAL OUTPUT IN THE US

2,346 kt ⌄ 6%



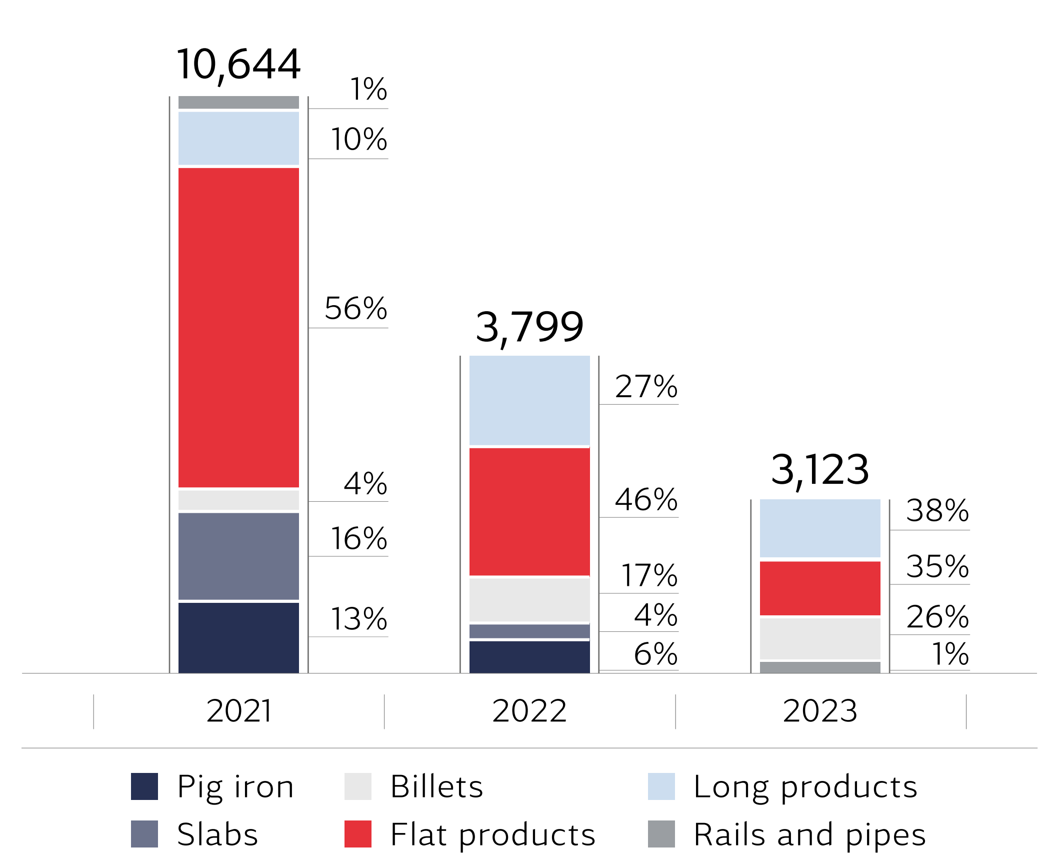
RE-ROLLERS OUTPUT IN THE UK AND EU

1,573 kt ⌃ 16%



PIG IRON AND STEEL PRODUCT OUTPUT

3,123 kt ⌄ 18%



[9] Excludes intragroup sales and consumption.