FINANCIAL REVIEW

A TENACIOUS PERFORMANCE

In 2023, Metinvest showcased resilience in a year of challenge. The Group responded strategically to market shifts, managing war-related operational disruptions and associated impacts with unwavering determination.

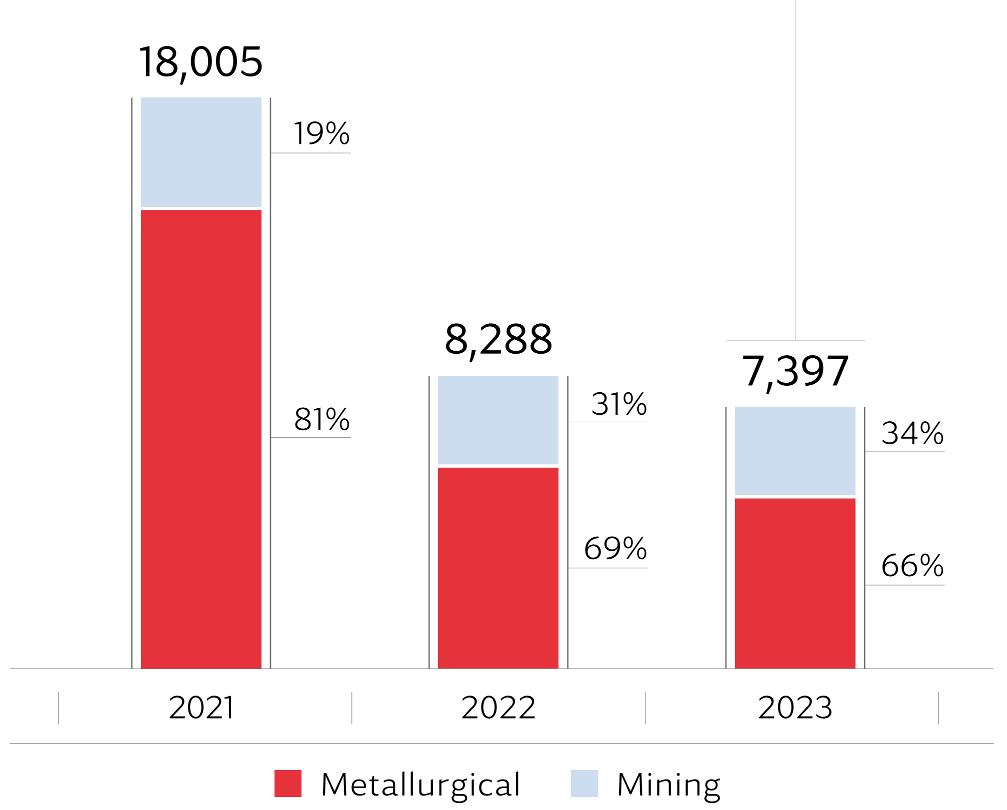
REVENUES

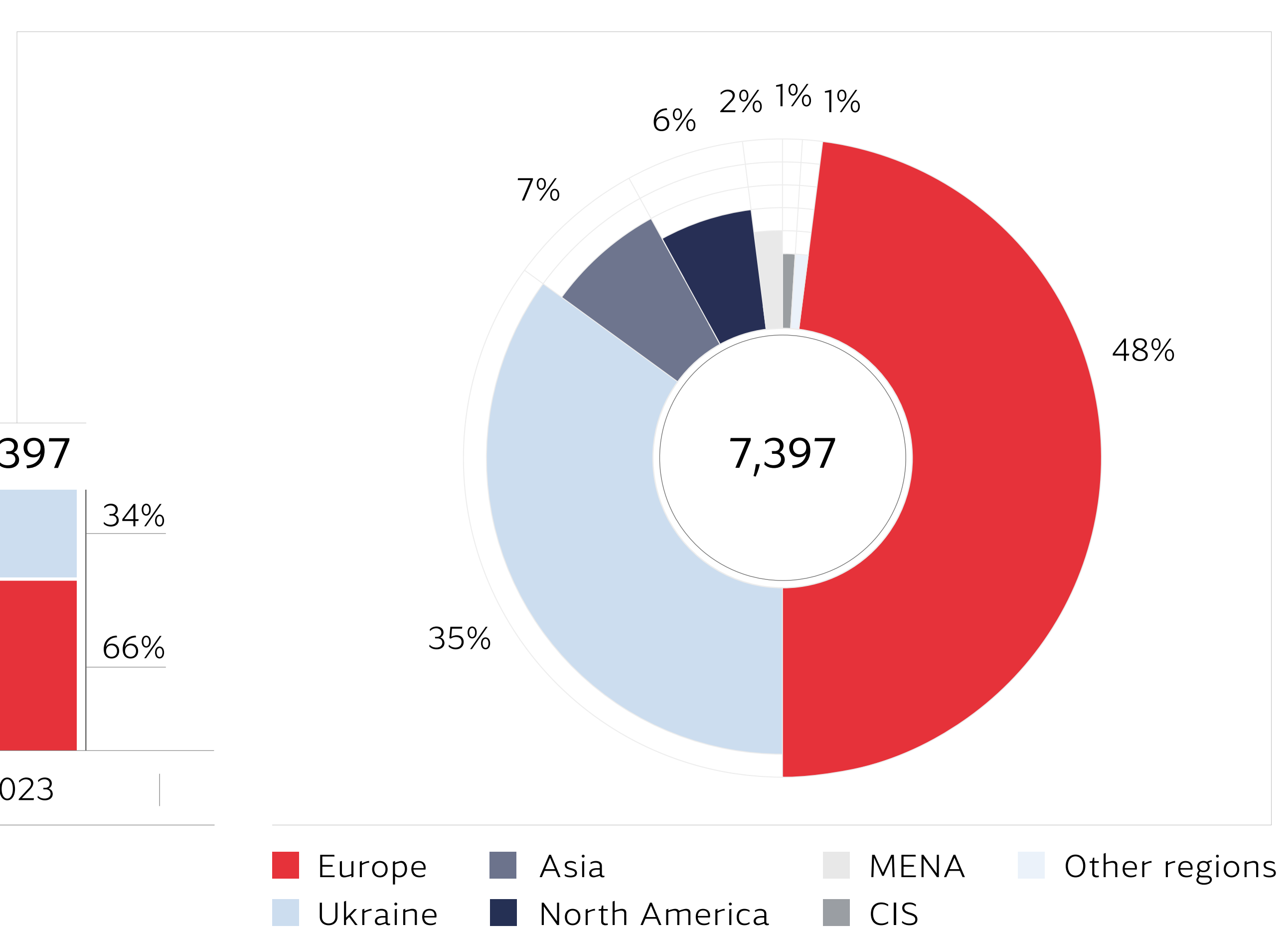
Metinvest generates revenues primarily through the sale of its own steel, iron ore, coal and coke products. It also resells goods produced by joint ventures and other third parties. Unless otherwise stated, revenues are reported net of value added tax and discounts, and after eliminating sales within the Group.

In 2023, Metinvest's consolidated revenues amounted to US$7,397 million, down 11% year-on-year. This reduction was mainly due to a decrease in the selling prices of steel, iron ore and coking coal products, which followed global benchmarks. Also, the full-scale war in Ukraine affected sales volumes of pig iron, slabs, flat and tubular products as a result of suspended production at the Mariupol steelmakers.

REVENUES

US$7,397 mn | ↓ 11%





Metinvest increased shipments of certain other in-house goods in its portfolio (primarily billets by 6% year-on-year, long products by 28% year-on-year, pellets by 70% year-on-year and coking coal concentrate by 32% year-on-year), as well as steel and coke resales amid greater production levels at Zaporizhstal.

Overall, revenues from resales totalled US$2,204 million in 2023, up 23% year-on-year. They accounted for 30% of the top line, up eight percentage points year-on-year. In the second half of 2023, the Group aligned its approach to present the Mining JV resales with the Metallurgical JV resales for the full-year 2023. In 2022, the results of the Mining JV resales were presented on a net basis in revenues.

REVENUES BY MARKET

Metinvest's sales in Ukraine rose by 14% year-on-year to US$2,628 million, mainly due to recovering demand for iron ore and coking coal from the domestic steel industry, as well as for flat and long products from the country's key steel consuming sectors. As a result, Ukraine's share in consolidated revenues grew by seven percentage points to 35%.

Sales to other markets fell by 20% year-on-year to US$4,769 million in the reporting period, accounting for 65% of overall revenues, down from 72% in 2022.

Sales to Europe[1] fell by 13% year-on-year, mostly because of lower selling prices, decreased shipments of long products (down 20%) and coking coal concentrate (down 18%). There were no sales of slabs. At the same time, sales volumes of flat products rose by 19%. The region's share in overall revenues fell by one percentage point to 48%.

Revenues from the Middle East and North Africa (MENA) decreased by 80% year-on-year, mainly amid lower shipments of flat products (down 83%). This reduced the region's share in overall revenues by five percentage points to 2%.

Sales to Asia[2] rose by 53% year-on-year, mainly amid significant shipments of coking coal concentrate (1,163 thousand tonnes in 2023) and iron ore concentrate (2,014 thousand tonnes in 2023) after the Black Sea corridor resumed working in the second half of the year. The region's share in overall revenues increased by three percentage points to 7%.

Revenues from North America decreased by 7% year-on-year, mainly because of lower sales of pig iron and reduced selling prices for coking coal concentrate. The region's share in consolidated revenues remained flat year-on-year at 6%.

Sales to the CIS dropped by 74% year-on-year as the Group stopped trading with Russia and Belarus. The region's share in overall revenues decreased by two percentage points to 1%.

Revenues from other regions fell by 70% year-on-year and their share in total revenues declined by two percentage points to 1%.

[1] Europe excludes Ukraine, European CIS countries and Türkiye.
[2] Asia excludes the Middle East and Central Asia.

REVENUES BY PRODUCT

METALLURGICAL SEGMENT

In 2023, the Metallurgical segment's revenues decreased by 15% year-on-year to US$4,846 million, mainly driven by lower sales of semi-finished (down 34%) and finished (down 15%) products. The segment accounted for 66% of the overall top line, down three percentage points year-on-year.

During the reporting period, Metinvest sold 5,426 thousand tonnes of pig iron and steel products, of which 3,112 thousand tonnes were manufactured in-house and 2,314 thousand tonnes were purchased from third parties. This compared with a total of 5,684 thousand tonnes of pig iron and steel product sales in 2022, of which 3,800 thousand tonnes were made in-house and 1,884 thousand tonnes came from third parties.

Pig iron

In 2023, pig iron sales declined by 32% year-on-year to US$315 million. First, the average selling price decreased. Second, sales volumes fell by 18% to 662 thousand tonnes, mainly because of a 69% reduction in deliveries of in-house goods amid lower production in 2023 and destocking in 2022. The share of resales in total volumes rose by 16 percentage points to 91%. North America and Europe remained key destinations for this product, accounting for 70% and 26% of all shipments in 2023, compared with 63% and 23% in 2022.

Billets

In 2023, sales of billets fell by 15% year-on-year to US$358 million because of lower average selling prices. They followed the dynamics of the square billet CFR Türkiye benchmark, which decreased by 15% year-on-year. At the same time, sales volumes increased by 6% to 617 thousand tonnes because of greater production at Kamet Steel. Due to logistical constraints, available volumes were sold primarily to nearby markets. As such, shipments to Europe accounted for 68% of overall shipments (56% in 2022), while deliveries to MENA accounted for 20% of overall shipments (26% in 2022).

Slabs

There were no slab sales by the Group's consolidated subsidiaries in the reporting period due to the shutdown of the Mariupol steelmakers since February 2022.

Flat products

In 2023, sales of flat products decreased by 21% year-on-year to US$2,396 million. This was driven primarily by lower average selling prices, in line with global benchmarks. Overall deliveries totalled 2,845 thousand tonnes, down 6%, from the Group's re-rolling operations and resales. The latter rose by 41% to 1,681 thousand tonnes, bringing the share of resales in total volumes to 59%, up 20 percentage points. Goods were distributed among markets depending on the availability of delivery routes. Sales to Europe, the key market for this product, rose by 322 thousand tonnes. The region's share in overall sales volumes totalled 71%, compared with 56% in 2022. Deliveries in Ukraine increased by 43 thousand tonnes and accounted for 25% of overall shipments, compared with 22% in 2022.

Long products

Sales of long products grew by 4% year-on-year to US$951 million in 2023, driven by higher sales volumes. Shipments rose by 21% to 1,301 thousand tonnes amid greater output at Kamet Steel and the Bulgarian re-roller. Ukraine and Europe remained key markets for these products, accounting for 48% and 39% of total sales volumes, respectively, compared with 38% and 58% in 2022. In addition, the Group ramped up deliveries to North America, which accounted for 12% of total sales volumes in 2023. The average selling prices fell, following the square billet CFR Türkiye benchmark.

Tubular products

In 2023, sales of tubular products fell by 96% year-on-year to US$1 million, caused by lower sales volumes amid the lack of production from Ilyich Steel from late February 2022.

Coke

During the reporting period, sales of coke rose by 13% year-on-year to US$456 million. This was mainly driven by greater shipments, which increased by 26% to 1,143 thousand tonnes, primarily due to higher resales to the Metallurgical JV.

MINING SEGMENT

In 2023, the Mining segment's revenues were almost flat compared with 2022 at US$2,551 million. The segment accounted for 34% of the overall top line (up three percentage points year-on-year).

Iron ore concentrate

In 2023, sales of merchant iron ore concentrate increased by 9% year-on-year to US$744 million, as the Group revised its approach to presenting iron ore concentrate resales. Such resales totalled 3,207 thousand tonnes for US$348 million of revenues in 2023. As a result, overall sales volumes increased to 7,340 thousand tonnes. At the same time, average selling prices were down as a substantial part of the 2022 volumes was sold before the Russian Aggression. Ukraine accounted for 41% of overall shipments, while other deliveries were equally distributed over Europe and Asia following the reopening of the Black Sea corridor.

Pellets

In 2023, pellet revenues increased by 29% year-on-year to US$693 million. This was driven by a 70% rise in sales volumes to 5,299 thousand tonnes, largely due to demand from key customers. Most of the available volumes were distributed to Europe (84% in 2023, 86% in 2022) and, to a lesser extent, to Ukraine (15% in 2023, 11% in 2022). At the same time, average selling prices declined, primarily due to a year-on-year reduction in pellet premiums.

Coking coal concentrate

In 2023, sales of coking coal concentrate decreased by 9% year-on-year to US$1,081 million. This was driven by a reduction in selling prices in line with the hard coking coal FOB Australia spot and LV FOB USEC benchmarks. At the same time, sales volumes increased by 32% to 4,462 thousand tonnes due to higher shipments from Pokrovske Coal and United Coal amid lower intragroup consumption. During the reporting period, United Coal distributed almost all its products to Europe, Asia and North America, with sales split almost equally between those regions. At the same time, Pokrovske Coal's shipments were distributed primarily in Ukraine, and, to a lesser extent, to Europe and Asia.

NET OPERATING COSTS

In 2023, net operating costs (excluding items shown separately) decreased by 9% year-on-year to US$6,817 million. This was due to several factors[3].

Specifically, the positive effect of the hryvnia's depreciation against the US dollar on costs was US$300 million. Energy material costs decreased by US$277 million, primarily as a result of a 56% decline in prices for natural gas, reduced consumption of natural gas and PCI, as well as enhanced energy efficiency. Operating foreign exchange losses fell by US$252 million, mainly due to the revaluation of outstanding accounts payable balances and intragroup dividends receivable following the hryvnia's devaluation in the reporting period. Depreciation and amortisation decreased by US$170 million. Raw material costs dropped by US$31 million, primarily because of lower production of crude steel as a result of suspended operations at plants in Mariupol and Avdiivka.

As a percentage of consolidated revenues, net operating costs increased by two percentage points year-on-year to 92% in 2023.

ALLOWANCE FOR IMPAIRMENT OF ASSETS

As a result of the Russian Aggression, for the purposes of preparing the consolidated financial statements, the Group determined that it is not in a position to continue in the short-term perspective normal production operations by the entities whose assets are located on temporarily occupied territory, including assets of Azovstal and Ilyich Steel. As a result, the Group fully impaired these assets. In addition, Metinvest charged an allowance for impairment on tangible assets of its subsidiaries located on the territory controlled by Ukraine, which were heavily affected by hostilities, including those from physical damage. Also, the Group deconsolidated Metinvest Eurasia and Metinvest Distribution, its trading companies in Russia and Belarus, and ceased operations in those countries. This was followed by the launch of the liquidation of its subsidiaries located in both countries. In February 2024, after the reporting period, the liquidation process was completed for Metinvest Distribution.

Consequently, in 2022, the Group recognised an allowance for impairment of assets amounting to US$2,224 million through the profit and loss, accounting for 27% of consolidated revenues. In 2023, the amount of allowance for impairment of assets decreased to US$12 million, bringing its share of consolidated revenues down 27 percentage points year-on-year.

IMPAIRMENT OF FINANCIAL ASSETS

In 2023, the impairment of financial assets was US$123 million, compared with US$13 million a year earlier. As a percentage of consolidated revenues, the impairment of financial assets increased by two percentage points year-on-year to 2% in 2023.

FINANCE INCOME

In 2023, Metinvest's finance income was US$31 million, accounting for 0% of consolidated revenues. This compares with US$43 million in 2022, accounting for 1% of consolidated revenues.

FINANCE COSTS

In the reporting period, finance costs decreased by 58% to US$279 million, primarily caused by an 87% year-on-year reduction of foreign exchange losses from financing activities coming mainly from intragroup borrowings. As a percentage of consolidated revenues, finance costs declined by four percentage points to 4%.

SHARE OF RESULTS OF ASSOCIATES AND JOINT VENTURES

In 2023, Metinvest's share in the net result of its associates and joint ventures was a negative US$232 million, compared with a negative US$6 million in 2022, on the back of the loss-making performance of each such entity.

INCOME TAX EXPENSE

In 2023, the income tax expense grew by 11% year-on-year to US$159 million, primarily as a result of the write down of deferred tax assets at some of the Group's assets.

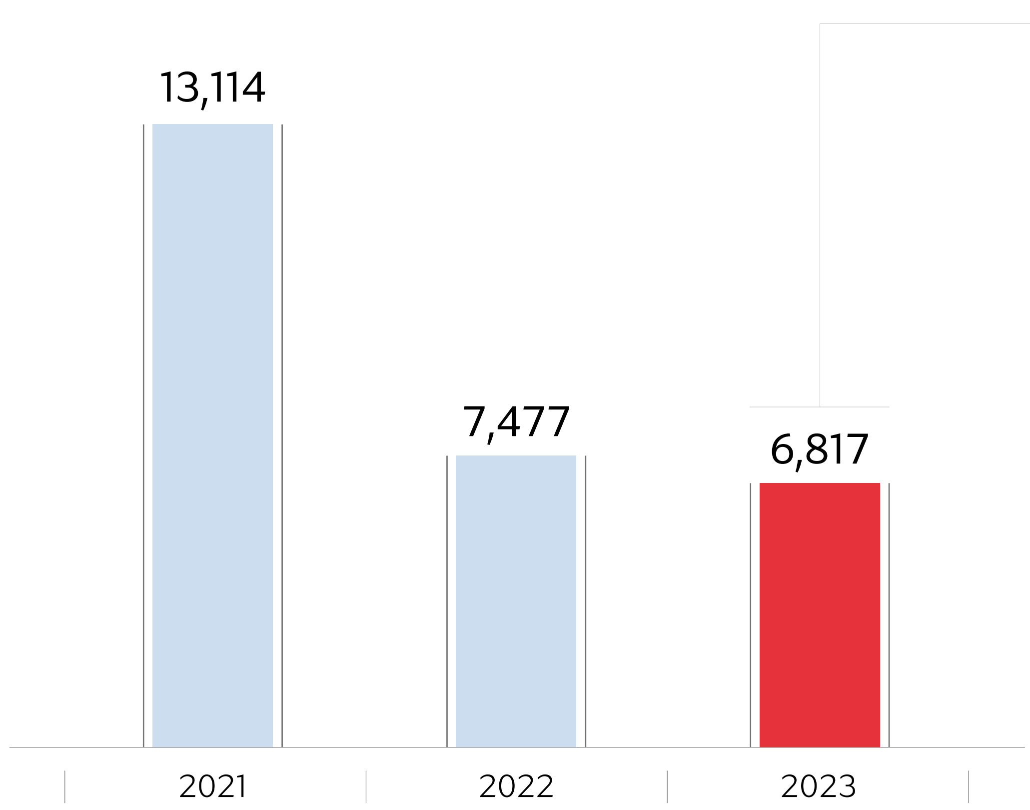
NET LOSS

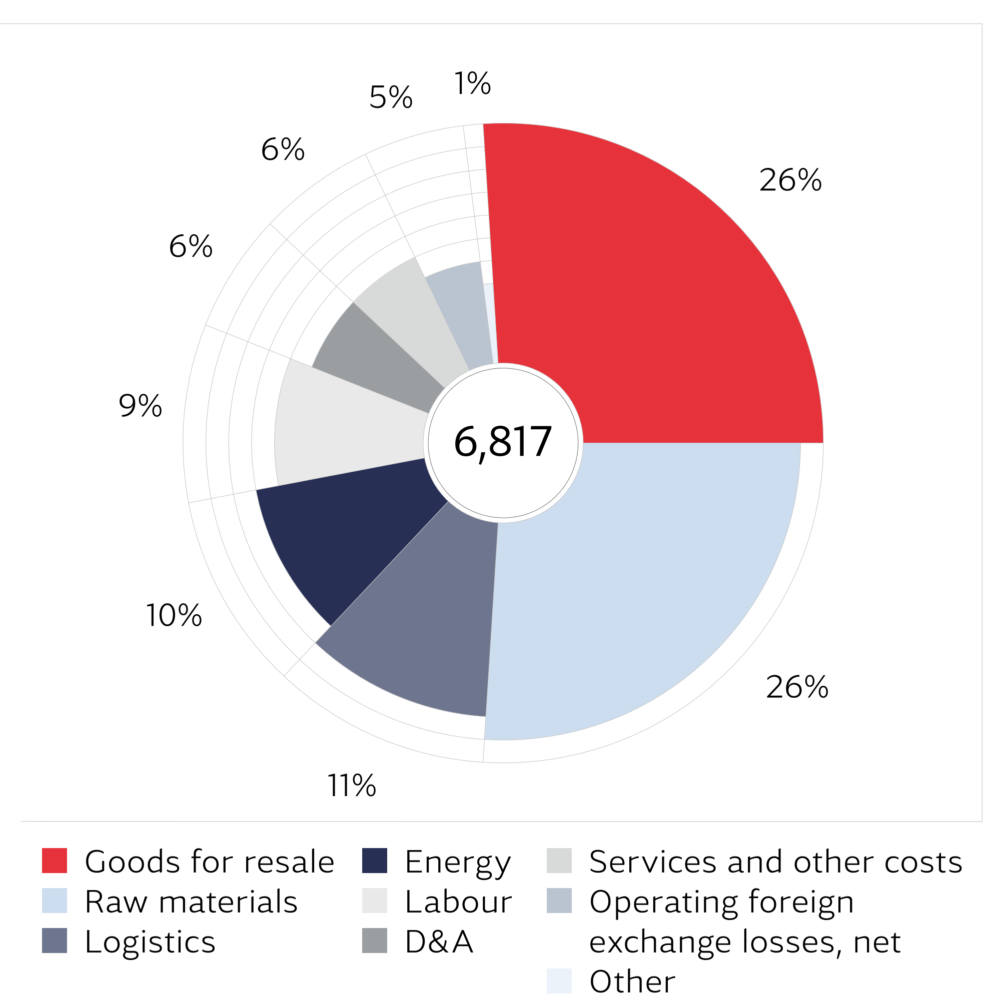
In 2023, the net loss was US$194 million, compared with a loss of US$2,193 million a year earlier. This was due to the lower allowance for impairment of assets (US$2,212 million), decreased net operating costs (US$660 million) and reduced finance costs (US$382 million). These factors were partly offset by lower revenues (US$891 million), an increased loss on a contribution from associates and joint ventures (US$226 million) and a higher impairment of financial assets (US$110 million).

The net loss margin was 3% in the reporting period, compared with a net loss margin of 26% in 2022.

NET OPERATING COSTS

US$6,817 mn | ⌄ 9%





[3] In the factor analysis, all costs are presented net of the impact of exchange rate fluctuations between the hryvnia and the presentation currency, which is calculated separately and included in other costs. Net operating costs are presented without the effects of operational improvements.

EBITDA

Adjusted EBITDA is calculated as earnings before income tax, finance income and costs, depreciation and amortisation, impairment and devaluation of property, plant and equipment, operating foreign exchange gains and losses (net), the share of results of associates and other expenses that the management considers extraordinary, plus the share of EBITDA of joint ventures. Throughout this report, adjusted EBITDA will be referred to as EBITDA.

In 2023, Metinvest's EBITDA was US$861 million, down 54% year-on-year. The Mining segment's EBITDA amounted to US$770 million (down 50%) and the Metallurgical segment's EBITDA was US$159 million (down 40%). While corporate overheads decreased by 30% year-on-year to US$72 million, compared with US$103 million in 2022, the positive result from eliminations declined to US$4 million, compared with US$162 million in 2022.

As a result, in 2023, the Mining segment's contribution to the Group's EBITDA (before adjusting for corporate overheads and eliminations) stood at 83% (85% in 2022), while the Metallurgical segment's contribution grew to 17% (15% in 2022).

In 2023, the Group generated a positive EBITDA margin of 12%, down 11 percentage points. The Mining segment's EBITDA margin was 26%, 19 percentage points less year-on-year, while the Metallurgical segment's was 3%, down two percentage points.

The decrease in EBITDA was primarily driven by:

- lower sales of in-house products due to the effect of lower selling prices and volumes
- increased expenses on transportation of goods primarily due to extended logistical routes for Ukrainian goods because of constrained Black Sea commercial navigation
- greater freight costs upon the opening of the Black Sea corridor
- higher railway tariffs in Ukraine and the US
- reduced contribution from the two JVs
- higher other costs[4].

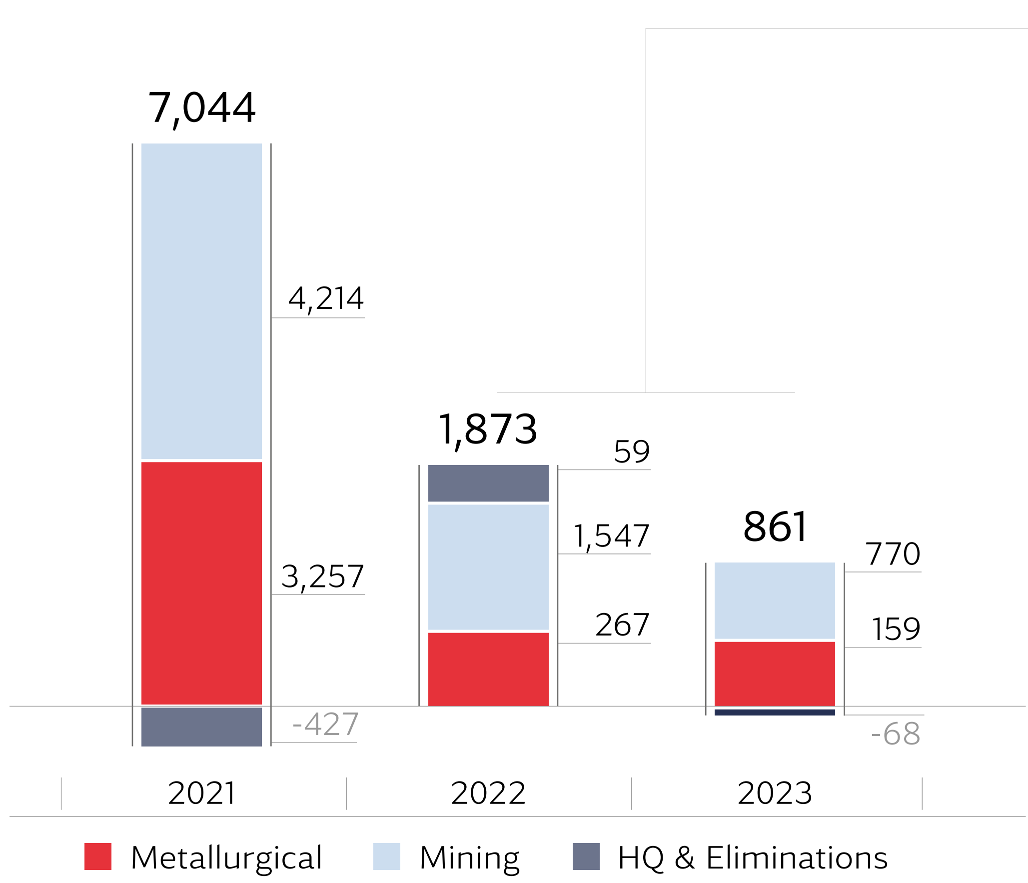
Those factors were partly compensated by:

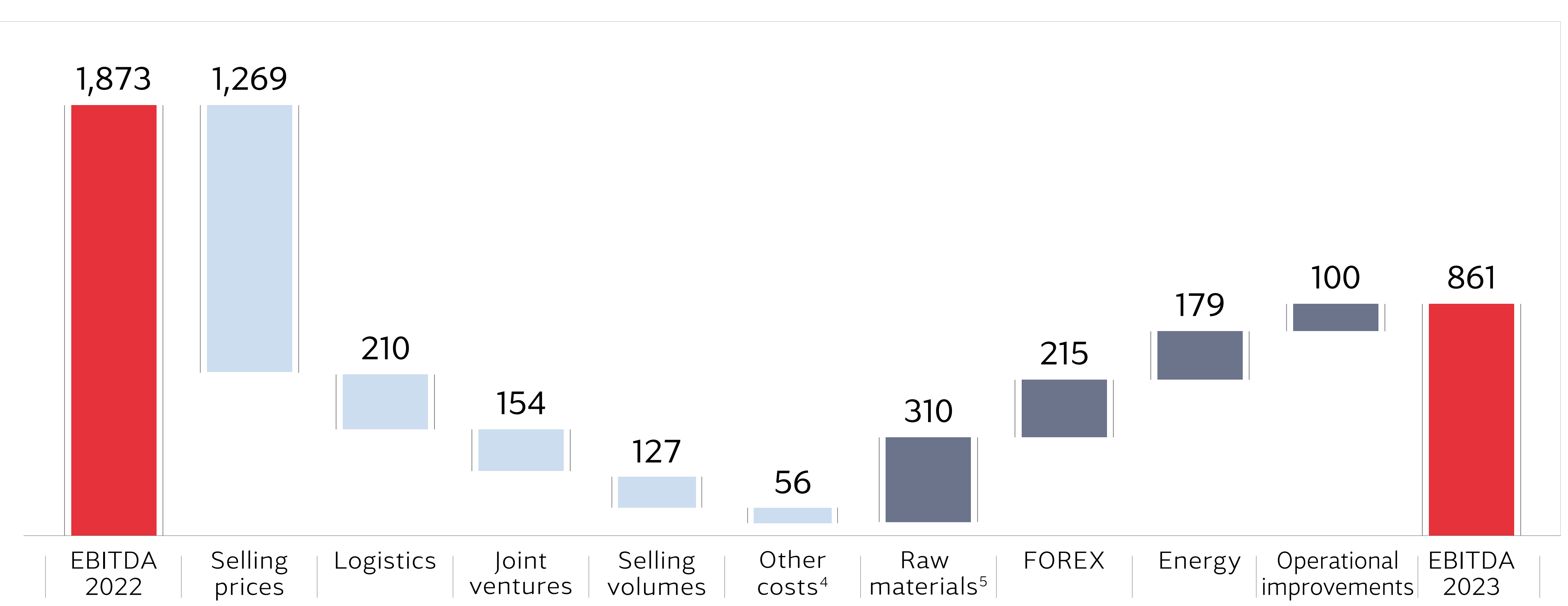
- reduced spending on raw materials[5], primarily due to decreased consumption by the Mariupol steelmakers
- the positive effect of the hryvnia's depreciation against the US dollar on costs
- lower spending on energy materials
- strong results from operational improvements that enhanced energy efficiency, increased capacity utilisation during the night shifts, improved productivity of key equipment, and optimised consumption of raw materials, among other effects.

[4] Other costs include labour, repairs and maintenance, purchases of semi-finished products, services and other costs, as well as the net result for resales.
[5] Excluding purchased feedstock for re-rollers.

EBITDA

US$861 mn | ∨ 54%





APPROACH TO TAX

Metinvest applies a methodical approach to overseeing its tax obligations and has a dedicated function within the Financial Directorate that ensures compliance with established external regulations and internal policies.

The Group is guided by the Tax Policy, which enshrines the following principles:

- declaration and payment of taxes in line with business jurisdiction rules
- use of tax deductions and benefits as set out by legislation
- mandatory identification and management of tax risks
- inclusion of the tax function into the business decision-making process
- arm's length principle

Metinvest's Tax Policy framework includes a mechanism for reporting policy violations through the Trust Line, supported by a centralised decision-making process. This forms part of a broader strategy to manage tax risks effectively, employing a structured approach that includes risk identification, assessment, mitigation and continuous monitoring.

The process for ensuring compliance and the accuracy of tax disclosures involves thorough internal assessments. The Group's systematic interaction with tax authorities through regulated processes for audits and consultations reflects its commitment to maintaining a transparent relationship with fiscal bodies.

Metinvest's tax payments to the national and local budgets in the countries where it operates provide significant economic support for their development. In 2023, the Group made global tax contributions of US$447 million, including US$313 million in Ukraine.

LIQUIDITY AND CAPITAL RESOURCES

Net cash from operating activities

In the reporting period, Metinvest's net cash flow from operating activities decreased by 50% year-on-year to US$707 million, mainly due to a comparable year-on-year reduction in operating cash flow before working capital changes. Income tax paid declined by 49% to US$145 million, while interest paid grew by 2% year-on-year to US$167 million. Working capital release totalled US$83 million, compared with an outflow of US$68 million in 2022, following destocking of steel and coal products, as well as higher payables for resales, which were to a certain extent offset by higher receivables amid the reopening of Black Sea navigation.

Net cash used in investing activities

In 2023, net cash used in investing activities totalled US$297 million, down 2% year-on-year. Total cash used to purchase property, plant and equipment (PPE) and intangible assets (IA) fell by 20% to US$305 million, while proceeds from the sale of PPE amounted to US$7 million, up from US$1 million in 2022.

Interest received was US$6 million, down from US$16 million a year earlier. In 2022, the effect of proceeds from repayments of loans issued was US$67 million, while other payments were US$5 million (both effects were nil in 2023). In March 2023, Metinvest acquired 99.72% of Zaporizhia Casting and Mechanical Works for a consideration of US$5 million to further enhance the repair service function within the Group.

Net cash used in financing activities

In 2023, net cash used in financing activities totalled US$115 million, compared with US$1,877 million in 2022. Repayment of loans and borrowings totalled US$195 million, compared with US$63 million in 2022, primarily on the redemption of bonds due in April 2023. The increase in net trade finance amounted to US$70 million, compared with a repayment of US$48 million in the previous year. No distributions were paid to the shareholders in 2023. Proceeds from loans amounted to US$10 million, up from US$3 million in 2022.

The cash balance jumped by 85% year-to-date to US$646 million as at 31 December 2023.

CAPITAL EXPENDITURES

In 2023, CAPEX initiatives across all assets, including non-Ukrainian operations, were strategically adjusted to align with current operational and market realities.

Metinvest refined its capital investment approach in Ukraine in response to the complexities of the ongoing war. The Group emphasised the safety of personnel and preservation of equipment, as well as maintenance of essential production processes.

These considerations led Metinvest to reduce capital expenditure by 20% year-on-year to US$284 million in 2023. The share of investments in maintenance grew by six percentage points year-on-year to 86% of overall expenditure, while strategic investments were 14% of the total amount.

Despite the suspension of development projects in Ukraine, the Group retained a portfolio of strategic initiatives crucial for its immediate sustainability and future expansion in the Mining and Metallurgical segments. Targeting CAPEX to its business needs, Metinvest continued to refine project scopes and budgets to enhance cost efficiencies in alignment with asset configuration.

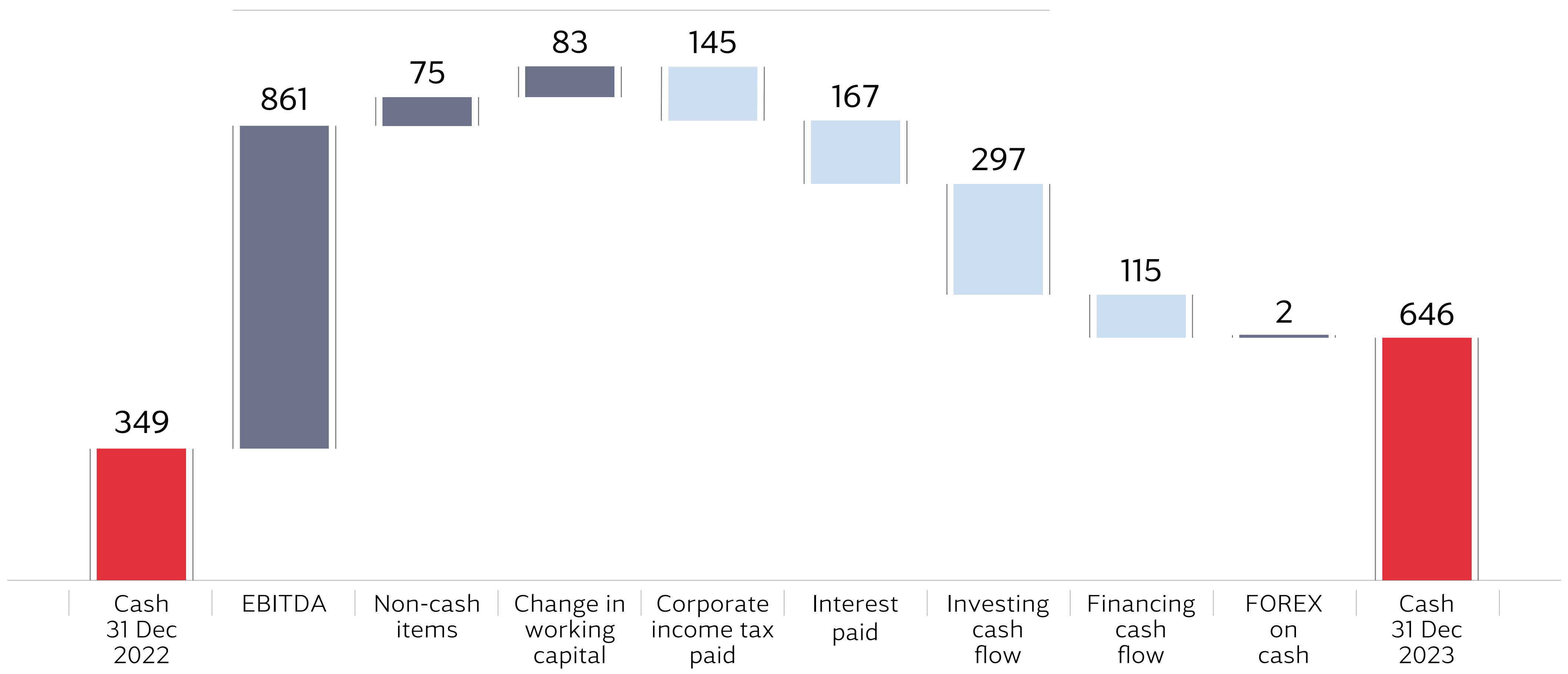
Although the Group postponed several environmental projects, it remains committed to ecological stewardship.

Despite the constraints imposed by the realities of war, Metinvest is carefully preparing for future opportunities where possible. Among the important initiatives is Project Adria, a steel production facility in Italy. For more details, please see page 49.

[6] In August 2021, Metinvest (through Dnipro Coke) acquired assets relating to the integral property complex of PJSC Dneprovsky Iron & Steel Works (DMK) in Kamianske, Ukraine. In February 2022, Dnipro Coke was renamed Kamet Steel.

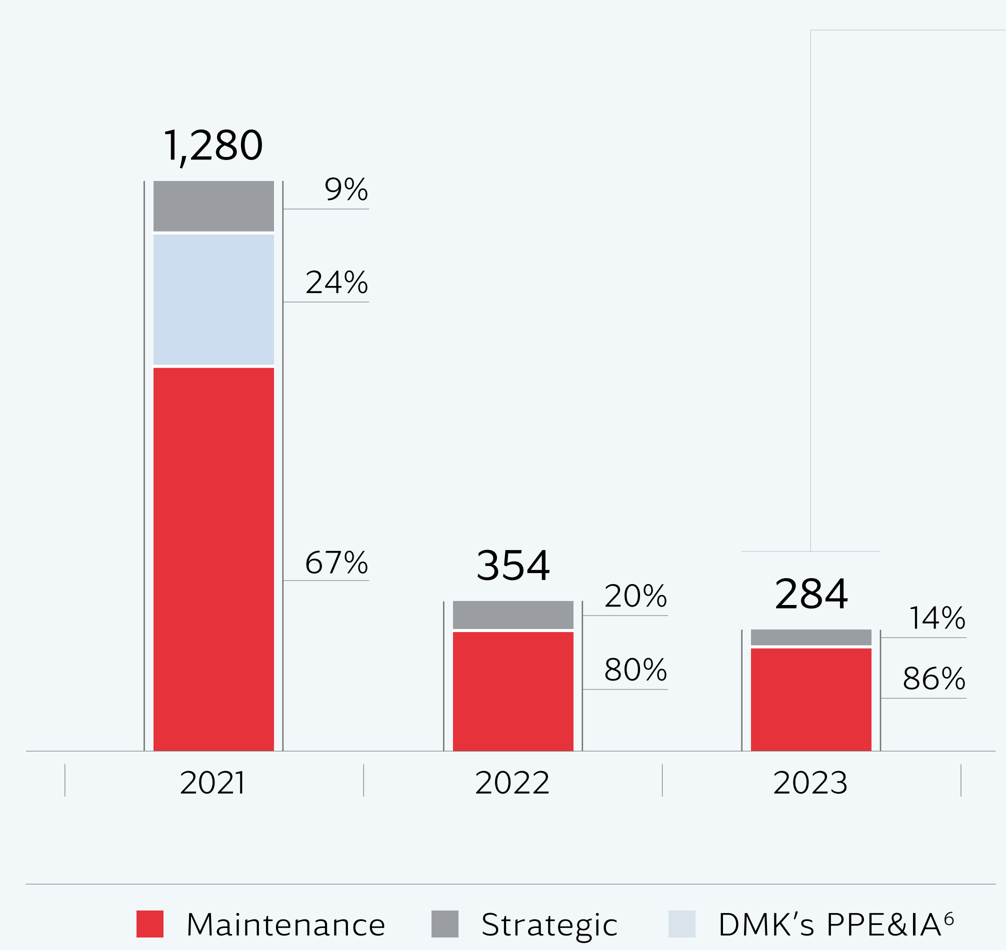
CASH FLOW

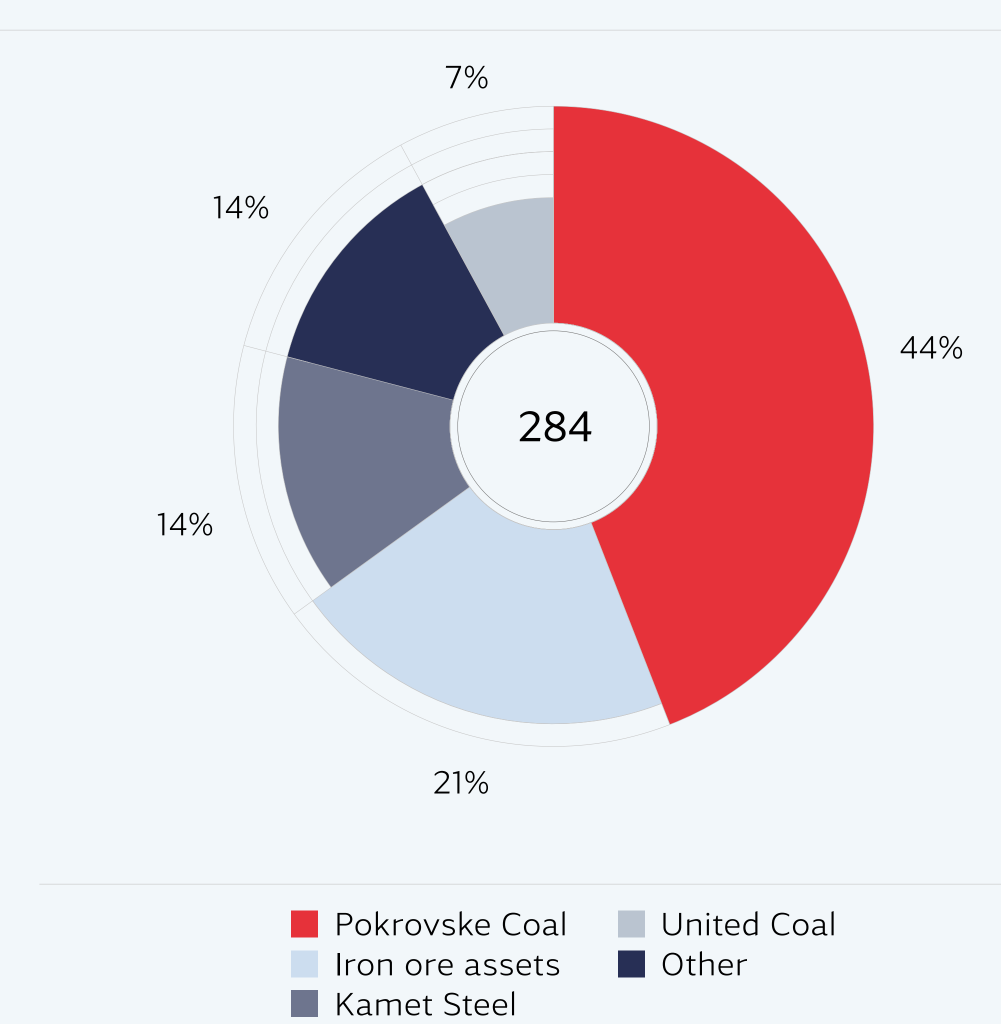
Free cash flow: US$410 mn



CAPEX

US$284 mn ⌄ 20%





DELEVERAGING

The Group has continued to focus its efforts towards further deleveraging.

Even in the face of war-related disruptions, the Group has repaid more than US$500 million of debt from the start of the full-scale invasion through to the end of June 2024.

TOTAL DEBT DECREASE SINCE THE OUTBREAK OF WAR

OVER **US$500 mn**

2023 IN FOCUS

April 2023 witnessed a landmark event not only for Metinvest, but for the entire Ukraine-related corporate space during the war. The Group redeemed the remaining principal amount of its bonds due 2023 on time and in full. This was a remarkable achievement in the context of the ongoing war: despite the extraordinarily challenging environment, Metinvest demonstrated its strong commitment to bondholders.

As a result, as at December 2023, the Group's total debt[7] was US$1,981 million (down 5% year-on-year). Also, net debt[8] was US$1,335 million (down 23% year-on-year), while the ratio of net debt to EBITDA was 1.6x (up 0.7x year-on-year).

Bonds listed on the Euronext Dublin Stock Exchange continued to account for the lion's share of Metinvest's debt portfolio: 84% as at 31 December 2023, compared with 86% as at 31 December 2022.

On a separate matter, in 2023, the Group agreed with one of its lenders under a bilateral term loan to replace certain covenants involving tangible net worth with the current ratio to comply with financial covenants.

AFTER THE REPORTING PERIOD

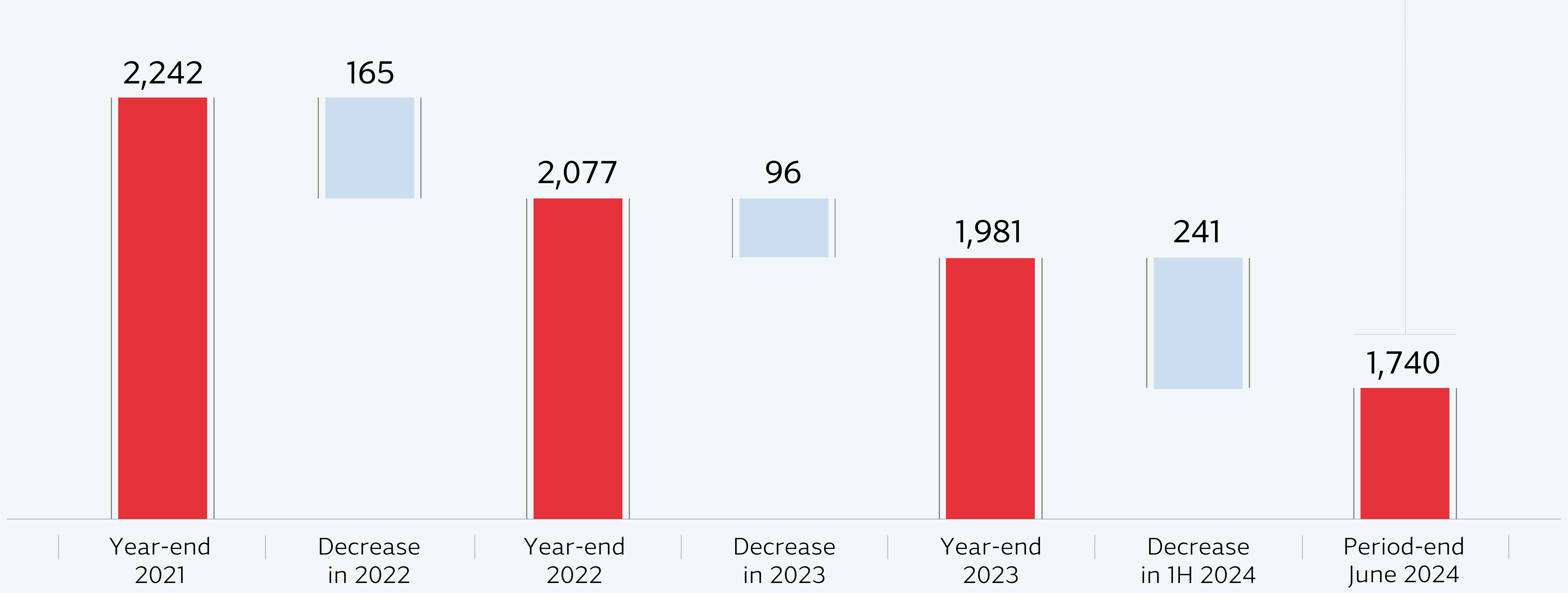
Metinvest continued its proactive deleveraging path. In the first half of 2024, the Group repurchased and promptly cancelled afterwards around EUR75 million of its bonds due 2025.

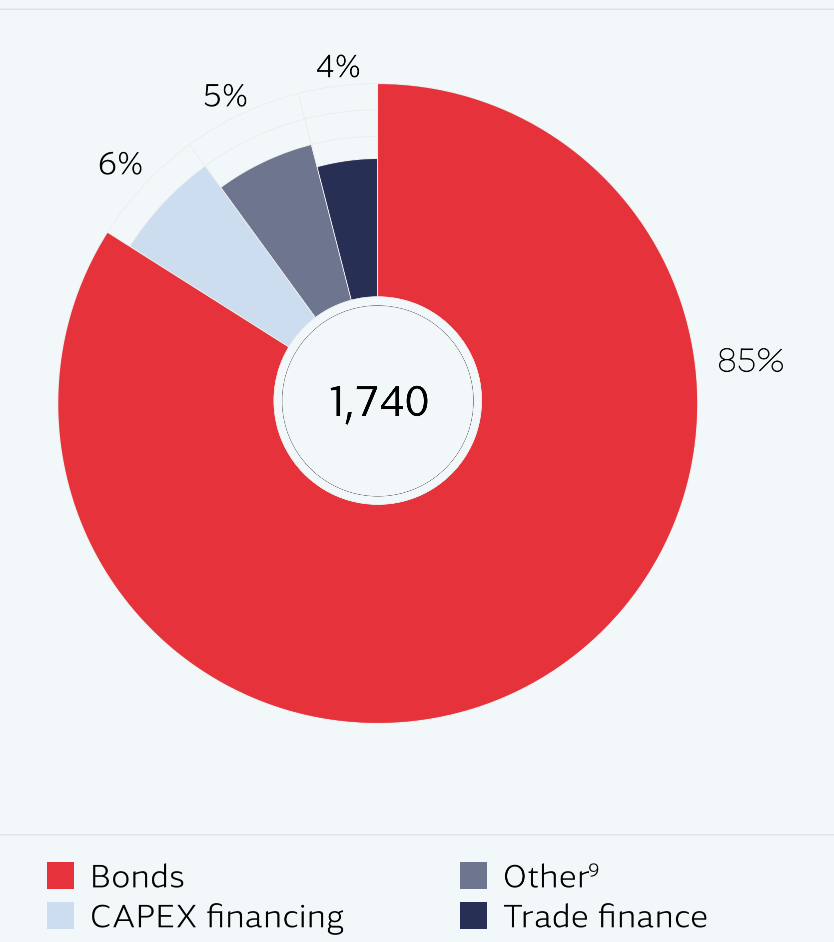
Furthermore, in early May 2024, Metinvest completed a cash tender offer and accepted EUR37 million worth of 2025 bonds and US$56 million of 2026 bonds.

Consequently, outstanding principal under 2025 bonds and 2026 bonds fell to EUR183 million and US$438 million, respectively. Based on preliminary results, as at 30 June 2024, the Group's total debt decreased further to US$1,740 million. Bonds accounted for 85% of the total portfolio.

TOTAL DEBT DYNAMICS

Overall debt repayment, 2022 - 1H 2024: US$502 mn





[7] Total debt is calculated as the sum of bank loans, non-bank borrowings, bonds issued, trade finance and lease liabilities.
[8] Net debt is calculated as total debt less cash and cash equivalents.
[9] Debt resulting from the consolidation of Pokrovske Coal in March 2021, other bank loans and other lease liabilities.