LIQUIDITY AND CAPITAL RESOURCES

Net cash from operating activities

In 2021, net cash flow from operating activities rose by 3.2 times year-on-year to US$5,526 million, mainly due to a comparable increase in operating cash flow before working capital changes.

There was also a working capital release of US$577 million due to a decrease in trade and other accounts receivable of US$736 million and a rise in trade and other accounts payable of US$251 million. This was partly offset by growth in inventory of US$410 million, which was primarily caused by:

- a build-up in pig iron and steel product volumes (up 144 thousand tonnes), mainly because of the acquisition of ex-DMK inventories and increased flat product stocks
- greater volumes of iron ore products (up 904 thousand tonnes) amid delivery delays
- higher cost of stocks

At the same time, interest paid fell by 12% to US$190 million due to deleveraging, while income tax paid rose by 7.4 times to US$885 million on improved profitability.

Net cash used in investing activities

In 2021, net cash used in investing activities totalled US$1,297 million, up 57% year-on-year. Total cash used to purchase property, plant and equipment and intangible assets increased by 50% to US$1,017 million.

Principal payments under the guarantee issued in exchange for the option to purchase the remaining 75.22% in Pokrovske Coal totalled US$455 million in 2021 (US$77 million in 2020).

In addition, the Group paid US$341 million for assets relating to the integral property complex of DMK. Of this, the property, plant and equipment and intangible assets costs were US$121 million, inventories were US$123 million, and trade and other receivables were US$97 million.

At the same time, the Group received US$446 million of dividends from the Southern GOK JV (nil in 2020).

Net cash used in financing activities

In 2021, net cash used in financing activities totalled US$3,841 million, of which the Group spent US$1,266 million on net repayment of loans, borrowings and trade finance facilities. This included a repayment of most of Pokrovske Coal's debt, part of the bonds due in 2023 and 2026, the PXF facility, several other bank loans and lease liabilities, as well as lower utilisation of trade finance facilities.

This compares with US$360 million used in financing activities in 2020, of which the Group spent US$189 million on net deleveraging.

At the end of 2021, compared with a year earlier, total debt[7] was US$2,242 million (down 24%), the cash balance was US$1,166 million (up 41%) and net debt[8] was US$1,076 million (down 49%). Coupled with the strong EBITDA generation and the deleveraging, net debt to EBITDA decreased to 0.2x as at 31 December 2021 (down 0.8x year-on-year).

[7] Total debt is calculated as the sum of bank loans, non-bank borrowings, bonds, trade finance and lease liabilities.

[8] Net debt is calculated as total debt less cash and cash equivalents.

CAPITAL EXPENDITURE

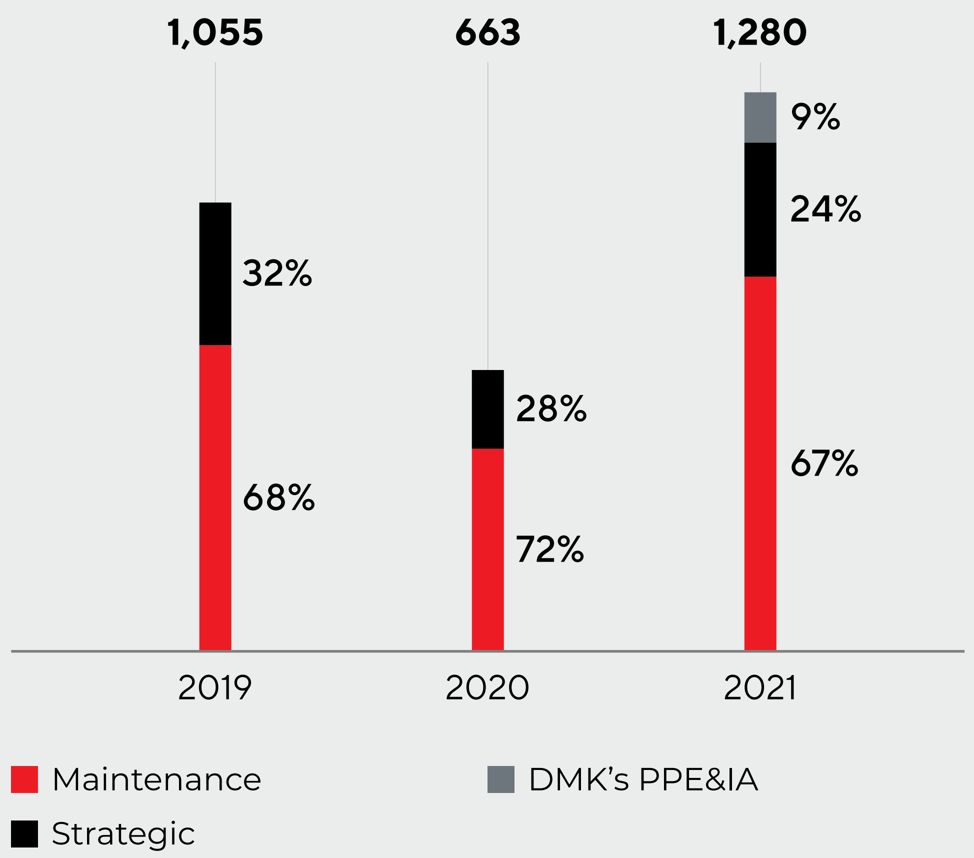
A BALANCED MIX

In 2021, Metinvest executed a capital expenditure programme that sought to balance maintaining assets, improving operational efficiency, progressing on strategic initiatives and advancing the Group's environmental agenda.

In 2021, the Group's total capital expenditure was US$1,280 million, up 93% year-on-year. Consistent with its priorities, Metinvest increased investments in maintenance by 80% and in strategic projects by 63%. This brought their respective shares in overall capital expenditure to 67% and 24% (72% and 28% in 2020), with the remaining 9% in 2021 going towards the acquisition of DMK's property, plant and equipment (PPE) and intangible assets (IA).

CAPEX by purpose

US$1,280 mn +93%



During the year, Metinvest delivered on a number of strategic projects, including the following ones.

At the iron ore producers, the Group launched a new crusher and conveyor system (CCS) at Ingulets GOK in August and a new CCS for rock transportation at Northern GOK in September 2021. The equipment, which is expected to reduce operational and capital expenditures in iron ore mining and help to maintain production volumes, cost around US$50 million at Ingulets GOK and US$200 million at Northern GOK.

At the coking coal producers, the Group continued the construction of new mine block No. 11 at the recently consolidated Pokrovske Coal. This work will help to maintain long-term production volumes.

At its Italian re-roller, Metinvest Trametal, the Group invested around EUR10 million in a new plasma cutting line, which it launched in November 2021. This helped to nearly quadruple the plant's annual production capacity of trimmed plates by around 170 thousand tonnes per year.

In terms of the segmental breakdown, the Metallurgical segment accounted for 54% of capital expenditure (50% in 2020) and Mining for 41% (47% in 2020). Corporate overheads accounted for 5% of investments in 2021 (3% in 2020).