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, 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.

In 2021, EBITDA rose by 3.2 times year-on-year to US$7,044 million, driven by stronger contributions from both segments.

The Mining segment's EBITDA increased by 2.9 times to US$4,214 million and the Metallurgical segment's EBITDA by 3.7 times to US$3,257 million.

Corporate overheads and eliminations totalled US$427 million in 2021 (US$134 million in 2020).

As a result, the split between the Mining and Metallurgical segments was 56% to 44% in 2021, compared with 62% to 38% in 2020.

In 2021, the Group's EBITDA margin expanded by 18 percentage points year-on-year to 39%. The Mining segment's EBITDA margin rose by 21 percentage points to 67% and the Metallurgical segment's climbed by 11 percentage points to 22%.

The increase in the Group's EBITDA was primarily driven by higher sales prices for steel and iron ore products, which also improved contributions of both joint ventures and earnings from resales.

In addition, the stronger EBITDA performance was driven by higher sales volumes of in-house goods, primarily pig iron, flat and long products, and pellets.

It was also boosted by a record amount of operational improvements.

These factors were partly offset by:

- increased expenses on energy materials primarily due to higher natural gas and electricity prices
- growth in spending on raw materials mainly due to inflated market prices, greater consumption amid higher production levels and the integration of steelmaking facilities in Kamianske
- higher labour costs due to recent acquisitions and a pay rise at Ukrainian assets
- increased railway costs and elevated freight rates globally.

[5] Net of resales.
[6] Other costs include logistics, forex, fixed costs (excluding labour costs) and other expenses. They are presented net of resales.

OPERATIONAL IMPROVEMENTS

A COMPLEX UNDERTAKING

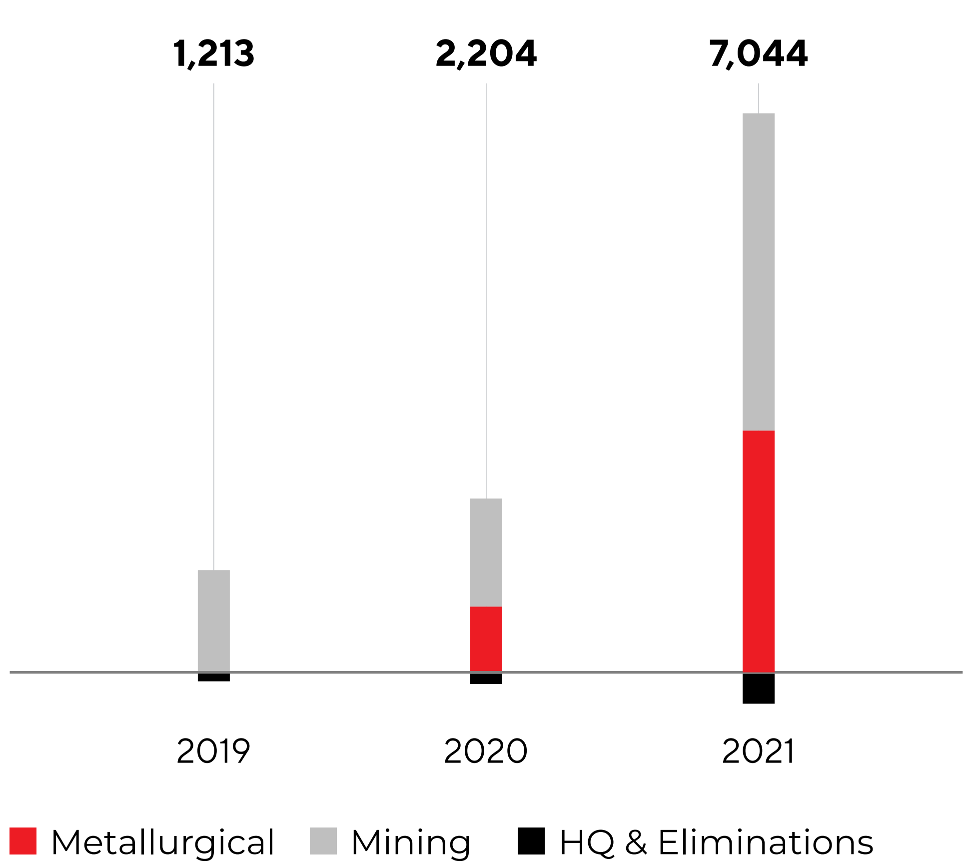
In 2021, the Group delivered strong operational improvements. It achieved these results through numerous initiatives, both small and large.

During the reporting period, Metinvest generated total operational improvements of US$568 million, an increase of 51% year-on-year.

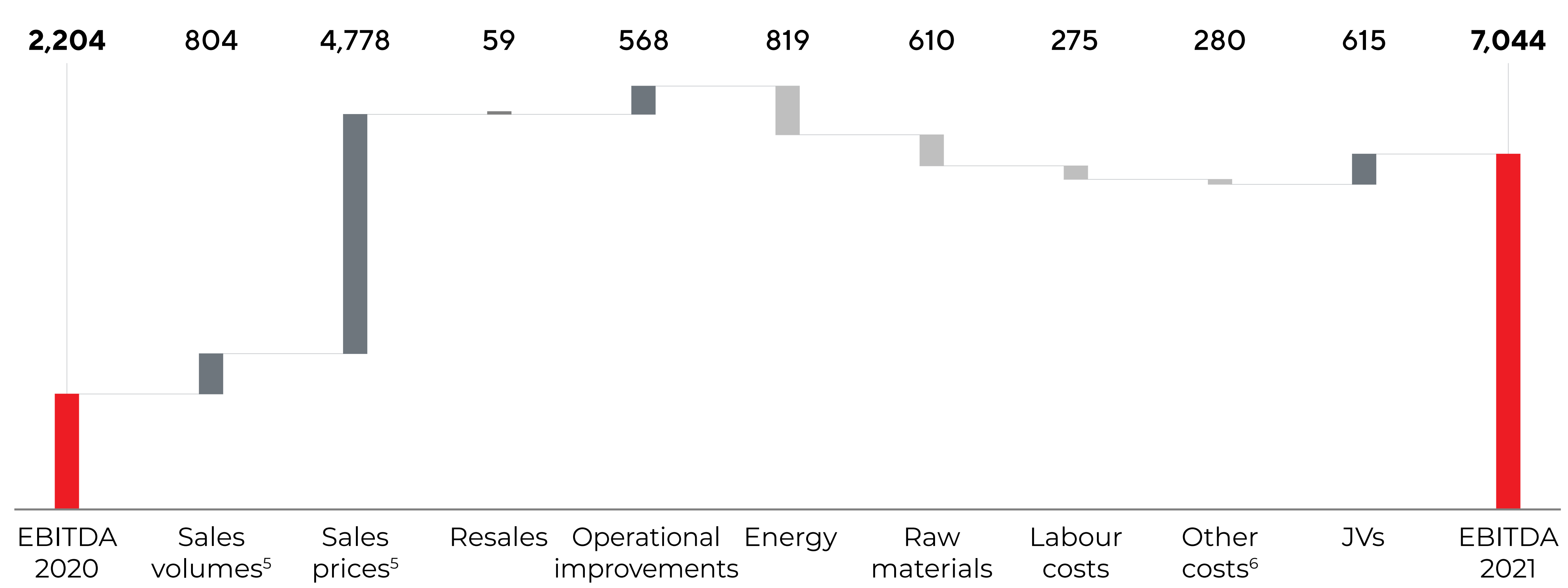
The main drivers of the additional increase were the capitalisation of the operational improvements efforts to advance equipment performance in a high market environment, as well as enhanced sales efficiency, procurement and logistics initiatives.

EBITDA by segment

US$7,044 mn +3.2x



EBITDA drivers (US$ mn)



Effect of operational improvements

US$568 mn +51%