STRATEGIC REPORT

The Strategic Report describes Metinvest's highlights of 2021 supported by statements from the Chairperson and CEO. It also provides an overview of global steel market and the macroeconomic environment in Ukraine, as well as the Group's financial and operational results of the reporting period. In addition, it discloses the digital progress achieved by Metinvest in 2021.

CHAIRPERSON'S STATEMENT

STRONG AND UNDAUNTED

The war in Ukraine has ushered in a new reality for the world and brought considerable uncertainty for Metinvest and many of its stakeholders. However, the Group's strong results of 2021 have reinforced its fundamental resilience and empowered it to devote substantial resources for Ukraine and its people in 2022.

GRI 102-14

A NEW REALITY

As Chairperson of Metinvest, it both pains me deeply and fills me with undying hope to see how the Group is responding to the unprovoked military aggression in Ukraine. A few months ago, we had planned to harness one of the best financial performances in Metinvest's history to further strengthen and develop our business and communities. Among other important long-term initiatives, we were focused on the search for practicable decarbonisation pathways and the imminent launch of a modern new campus for Metinvest Polytechnic, Ukraine's first private metals and mining university.

On 24 February 2022, the world as we know it changed forever. Russia's full-scale invasion of Ukraine has had a material impact on the Group and its home country. While our core priorities remain the same – the health and safety of our people, the well-being of our communities, and the sustainability of our business – our immediate focus has shifted.

I join in mourning for the loss of life among Metinvest's employees and their families from the war. We remember those who have given their lives as members of the Armed Forces of Ukraine and other defence forces. And we mark the many others who have died or suffered because of the aggressor state's indiscriminate attacks on workplaces, homes and public spaces in Mariupol, Avdiivka and numerous other Ukrainian cities and towns.

Multiple ongoing hardships and related measures have affected the Group's performance. Foremost among these are the hostilities and subsequent introduction of martial law in Ukraine, military blockades of seaports, destruction of infrastructure, and war-induced migration of people to safer areas. In addition, numerous regulatory changes have been implemented in response to the wartime conditions.

DEFENCE AND HUMANITARIAN EFFORTS

The tenacity and unity that Ukraine's people are exhibiting is inspiring the world. They are fighting fiercely to defend their independence and European future from a brutal and senseless Russian assault against the fundamental values of peace and democracy. Metinvest and its shareholders are committed to helping Ukraine achieve victory.

Since the start of the war, thousands of employees and local residents have taken refuge at some of the Group's facilities, where we had prepared emergency accommodation. In particular, the bomb shelters at Metinvest's Azovstal steel plant became the last bastion of defence in Mariupol, helping the Ukrainian military to withstand countless weeks of siege while protecting the city. Their heroic deeds won the admiration and respect of the free world. I stand in awe of their resolve and grieve their innumerable sacrifices, together with the members of the Supervisory Board and the entire Group.

To do our part in helping the people of Ukraine, we have organised a massive international relief effort through the Saving Lives humanitarian aid centre, which Metinvest has co-founded with other SCM companies. This and other humanitarian initiatives have been coordinated with the charitable foundations of the Group's shareholders, Rinat Akhmetov and Vadym Novynskyi.

Together with our partners, we have provided critical assistance to our employees and other members of local communities affected by the war. Our priorities have included civilian humanitarian aid, shelter for displaced people, support for Ukraine's defenders and funding for other life-saving initiatives.

OVERWHELMING GRATITUDE

On behalf of the entire Supervisory Board, I would first like to express overwhelming gratitude to Ukraine's brave defenders and, second, to all Ukrainians and volunteers. There are no words worthy of your devotion to country, dedication to duty and heroism. We will always be in your debt.

I would also like to thank our stakeholders for helping the Group to withstand the difficulties that we currently face and for their solidarity at this historic moment for Ukraine and for the world. The Metinvest family, both inside Ukraine and internationally, has risen to the occasion and the individual bravery and kindness of our people is inspiring.

In addition, I would like to acknowledge the generosity of our international friends and partners who have supported Ukraine materially and spiritually in its time of need and helped us to organise the collection and delivery of vital aid. Amid the tragedy and loss of this war, we are inspired by your actions.

Together, I believe that we are prepared to overcome whatever obstacles the future holds.

Oleg Popov
Chairperson of the Supervisory Board

CEO'S STATEMENT

RESILIENCE AND RESISTANCE

In 2021, Metinvest delivered a remarkable operational and financial performance amid strong markets. This helped the Group to adjust its business in response to Russia's full-scale invasion of Ukraine in 2022, as well as to support its new-found humanitarian mission.

GRI 102-14

ON A WAR FOOTING

As CEO of Metinvest, an international industrial holding with a significant share of its assets in Ukraine, I am proud of the speed and dedication with which the Group has responded to the war. In particular, our quick decision to mothball some facilities has prevented an environmental disaster, including at the assets in Mariupol, which have suffered substantial damage.

Consistent with the decision of our shareholders, in addition to supporting Ukraine's economy, we are devoting resources to help the country and its people. This includes providing humanitarian aid and supporting the Armed Forces of Ukraine, the Territorial Defence Forces and other forces.

As part of this essential mission, we are helping employees, especially those from hard-hit Mariupol, where around one third of our staff lived and worked. Regrettably, the indiscriminate nature of Russian attacks has made it difficult to protect people in areas close to the front lines.

To assist the employees and family members who have evacuated from those areas, we have opened rehabilitation and reintegration centres in Zaporizhzhia and Kamianske that provide shelter, medical aid and psychological assistance to internally displaced persons.

Metinvest Career Centres, in cooperation with partners, have offered opportunities for displaced employees.

We have also been adjusting the business to the constantly evolving circumstances. An assessment of the impact of the hostilities on Mariupol-based steelmakers will be possible once the city returns to Ukrainian control. Meanwhile, other Ukrainian assets have continued to operate to the extent it is safe for people and economically sound. Also, our mines and plants in other countries have started to function on a standalone basis with the support of the Group.

LIFE BEFORE THE INVASION

While war is the new reality in 2022, the reporting period was a time of relative normality for Metinvest. We were well prepared to capitalise on superlative steel, iron ore and coking coal market conditions. These results were driven primarily by three factors.

First, we delivered outstanding operational improvements. The Group generated additional EBITDA totalling US$568 million by optimising raw material and energy consumption, enhancing sales efficiency, increasing equipment productivity and streamlining logistics and procurement.

Second, over the last five years, we have completed most of the front-end projects of the technological strategy that we launched in 2017. This included implementing a record capital expenditure programme of US$1,280 million in 2021. These investments helped to drive production growth and product quality improvements.

Third, we completed two strategic acquisitions in 2021 that strengthened Metinvest's business. They provided the opportunity to improve self-sufficiency in coking coal and diversify both the geographic footprint and product portfolio. We began unlocking the synergies of these assets straight away, while working to integrate them into our business practices and corporate culture.

Meanwhile, our strong financial performance enabled us to allocate more than US$1,238 million towards deleveraging, which helped to strengthen the Group's balance sheet.

We also continued to deliver on our ESG agenda. A determined focus on the environment and numerous initiatives in the area yielded quantifiable results during the reporting period, including lower greenhouse gas intensity, reduced air emissions and decreased energy intensity of the existing asset base prior to recent acquisitions.

We remained focused on occupational health and safety, a top priority. Metinvest's injury and fatality rates both increased in 2021, which is unacceptable. We will continue to relentlessly pursue an ultimate goal of zero incidents. During the year, we expanded our safety roadmap to cover new critical risk areas and recently acquired assets, including Pokrovske Coal, where a disproportionate number of incidents occurred.

One important initiative was Metinvest Polytechnic, Ukraine's first private steel and mining university. While the war has forced us to delay parts of this project, the university and its staff have not stopped working and are welcoming the first students.

STEADFAST RESOLVE

Although the war has impacted every aspect of the business, the fundamental strength of the team and the diversity that we have built into the asset base will help us to withstand this tremendous challenge. We will uphold our commitments steadfastly and do our utmost to help Ukraine resist and defend itself.

Together with our partners, we will work to survive these trying times and build a future in which we can thrive together. I thank the Supervisory Board and all our stakeholders for their continued support.

Yuriy Ryzhenkov
Chief Executive Officer

HIGHLIGHTS OF 2021

In 2021, Metinvest delivered strong operational and financial results, significantly reduced its debt burden and consolidated new assets following a pair of major acquisitions. During the year, the Group also maintained its focus on ESG factors in line with its strategic priorities.

GRI 102-7

OUTPUT

Crude steel
9,533 kt +15%

Iron ore concentrate
31,341 kt +3%

Coking coal concentrate
5,542 kt +92%

Merchant pig iron and steel products
10,644 kt +16%

Merchant iron ore products
17,530 kt -8%

Coke
4,551 kt -5%

FINANCES

Revenues
US$18,005 mn +72%

EBITDA
US$7,044 mn +3.2x

Net debt
US$1,076 mn -49%

CAPEX
US$1,280 mn +93%

EBITDA margin
39% +18 pp

Net debt to EBITDA
0.2x -0.8x

SUSTAINABILITY

Taxes paid globally
US$1,587 mn +2.6x

Environmental spending
US$511 mn +14%

Health and safety spending
US$138 mn +31%

Employee headcount
86,955 +25%

Direct CO_2 emissions intensity
2.17 $\frac{\text{tonnes of } CO_2}{\text{tonne of crude steel}}$ -6%

Lost-time injury frequency rate
0.794 +53%

VALUES AND STRATEGY

GRI 102-16

VALUES

Metinvest's values are the foundation for its corporate culture and define its strategy. Whatever the challenges, adhering to these principles ensures that the Group acts in the long-term interests of its stakeholders.

LIFE, HEALTH AND ENVIRONMENT
Human life as a priority in seeking to achieve business goals

PROFESSIONALISM
Professionalism in every endeavour

CUSTOMER FOCUS
Ensure best value for customers through cooperation by offering the best ways of meeting their needs

LEADERSHIP
Demonstrate leadership regardless of position and occupation

TEAMWORK
Work as one team, sharing common goals and acting for the benefit of the Group

STRATEGIC GOALS

In 2021, Metinvest made important progress on its strategic goals, while also starting to envisage a new strategy to address the decarbonisation challenge. The Group expects to continue to review its strategy when the war is over to reflect new realities in both Ukraine and the global marketplace.

SUSTAIN COMPETITIVE ADVANTAGES IN STEELMAKING THROUGH VERTICAL INTEGRATION

STRENGTHEN POSITIONS IN STRATEGIC MARKETS

ACHIEVE BUSINESS EXCELLENCE THROUGH BEST PRACTICE

PRIORITIES IN 2021

Metinvest established five core areas as its priorities for the reporting year. While the Group will adjust its strategy to account for the impact of the war, they remain areas of focus for Metinvest going forward.

HEALTH AND SAFETY
Metinvest continued to expand the occupational health and safety roadmap by adding new critical risks and rolling out its programmes at newly acquired assets

See pages 36-39

ENVIRONMENT
The Group advanced in its drive to reduce the environmental impact from its core asset base and improve the efficient use of natural resources

See pages 46-50

CUSTOMER FOCUS
Metinvest worked to develop its core portfolio by expanding the product mix, improving service quality, developing project sales and enhancing digital instruments

See pages 19, 21

OPERATIONAL EFFICIENCY
The Group delivered strong operational improvements by implementing numerous initiatives, both small and large

See page 25

CORPORATE CULTURE
Metinvest improved its talent management system by focusing on the succession pool and worked to create an integrated communication system by enhancing feedback mechanisms and updating the corporate media platform

See page 40

MARKET REVIEW: GLOBAL

A YEAR OF GROWTH

In 2021, commodity markets saw a recovery in both supply and demand as the global economy rebounded from lows reached during the COVID-19 pandemic. Steel, iron ore and coking coal prices stood at multi-year highs, although they subsided somewhat towards the end of the year.

GLOBAL STEEL MARKET

During the year, global crude steel production totalled 1,951 million tonnes, up 3.8% year-on-year, and apparent consumption of finished steel products amounted to 1,834 million tonnes, up 2.7%.

Although China continued to produce and consume more steel than the rest of the world, it was no longer the global growth driver in annual terms. As part of its official policy, the country capped its 2021 steel output at 2020 levels to align with CO_2 emissions goals. Weakness in China's property sector also affected domestic demand for construction steel in the second half of 2021. Taking into account the high-base effect of 2020, caused by China rebounding from the pandemic more quickly than other major economies, its overall crude steel production declined in 2021 by 3.0% to 1,033 million tonnes and apparent consumption of finished steel products dropped by 5.4% to 952 million tonnes.

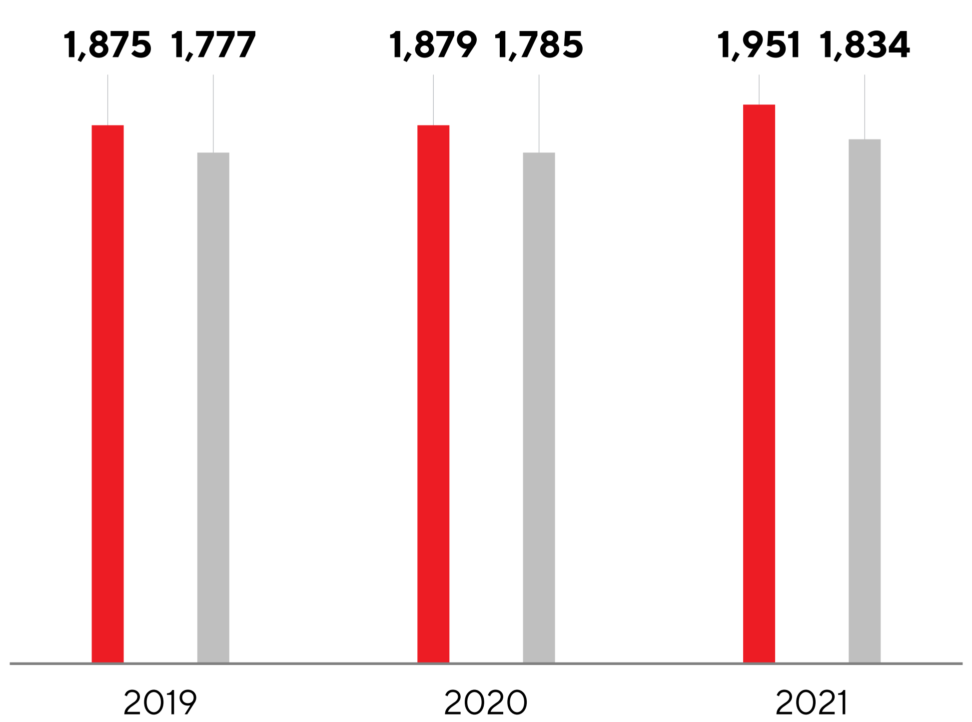
Supply and demand in the rest of the world recovered from the pandemic-driven lows of 2020, driven by economic stimulus measures and the easing of COVID-19 related restrictions. In response, crude steel production expanded by 12.7% to 918 million tonnes and apparent consumption of finished steel products climbed by 13.2% to 882 million tonnes. In particular, the latter increased by 21.3%, 16.6% and 9.3% in the US, the EU-27 and Japan, respectively.

Consistent with these trends, Metinvest shifted sales in favour of strategic markets. For example, sales volumes of semi-finished and finished steel products to Europe rose by 40.7% and 29.7% year-on-year, respectively. Meanwhile, sales volumes of those products to Asia, primarily to China, fell by 81.9% year-on-year.

Protectionist measures remained a central issue for the global steel industry in 2021. After the US and EU relaxed their trade restrictions to some extent, the two sides also agreed to address the challenge of carbon emissions in steelmaking. This announcement came after the EU presented the first iteration of its Carbon Border Adjustment Mechanism (CBAM) in mid-2021. To ensure that the EU's climate policies are effective, the CBAM aims to impose an additional tariff on imports of carbon-intensive products, including steel, to stem carbon leakage from countries without carbon emission trading or taxation regimes. Nevertheless, the final design, scope of application and timing of the CBAM remain to be seen.

Amid these developments, global steel prices reached multi-year highs in the first half of 2021, driven primarily by greater global demand and international supply chain disruptions. In the second half of the year, global prices subsided somewhat, largely due to improvements in steel mill utilisation in Europe and the US, but were supported by elevated coking coal prices despite the fall in iron ore prices induced by collapsing Chinese iron ore demand. Overall, the 2021 average of the hot-rolled coil (HRC) FOB Black Sea benchmark reached US$875 per tonne, up 84.3% year-on-year. While the monthly average peaked in May 2021 at US$1,083 per tonne, it ended the year at US$788 per tonne in December 2021.

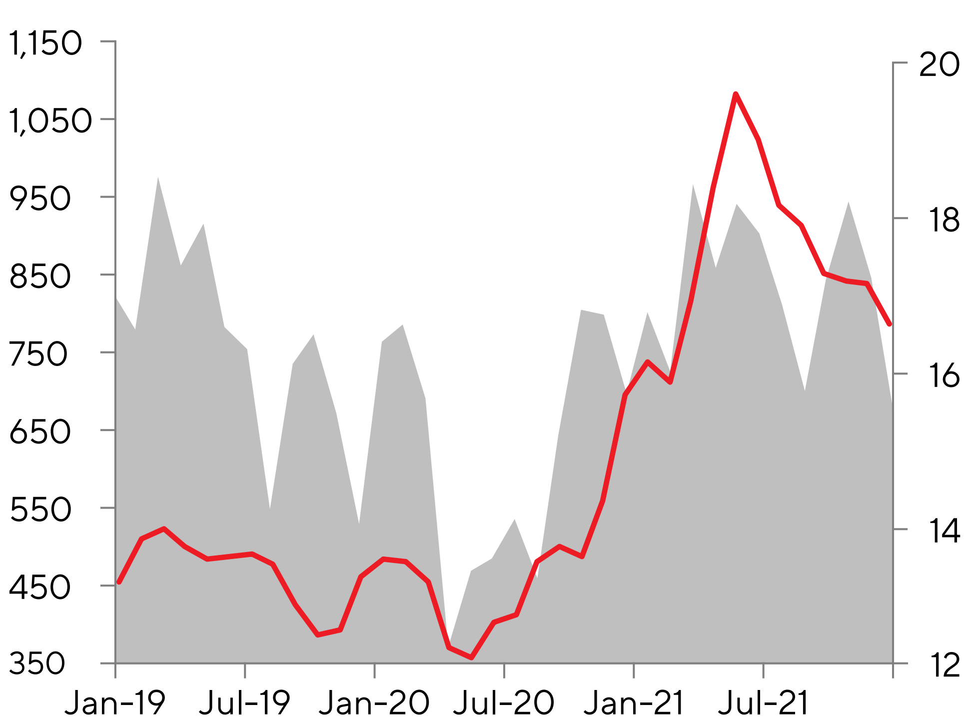
Global steel industry



Crude steel production, mt
Finished steel consumption, mt

Source: World Steel Association

Steel price



Crude steel production in Europe, mt (RHS)
HRC, FOB Black Sea, US$/tonne (LHS)
Europe includes current EU-27 members, the UK, Bosnia and Herzegovina, North Macedonia, Norway, Serbia and Turkey.

Source: World Steel Association, Metal Expert

GLOBAL RAW MATERIALS MARKET

In 2021, both iron ore and coking coal prices demonstrated growth trends.

The key developments for China's steel sector described earlier were among the main drivers impacting global iron ore demand, as the country accounts for more than 67% of worldwide iron ore imports. In 2021, global iron ore trade remained almost flat at 1,663 million tonnes, a 0.3% year-on-year increase, as the 45 million tonne drop in China's iron ore imports in 2021 was almost entirely offset by the 50 million tonne increase in the rest of the world, according to the World Steel Association.

In this environment, Metinvest maximised iron ore sales to markets in Europe and MENA that were logistically closer and resulted in higher margins. Shipments of iron ore products to these two regions rose by 42.4% and 3.5 times year-on-year, respectively. Meanwhile, deliveries to Asia fell by 37.7%, mainly amid significantly lower supplies to China.

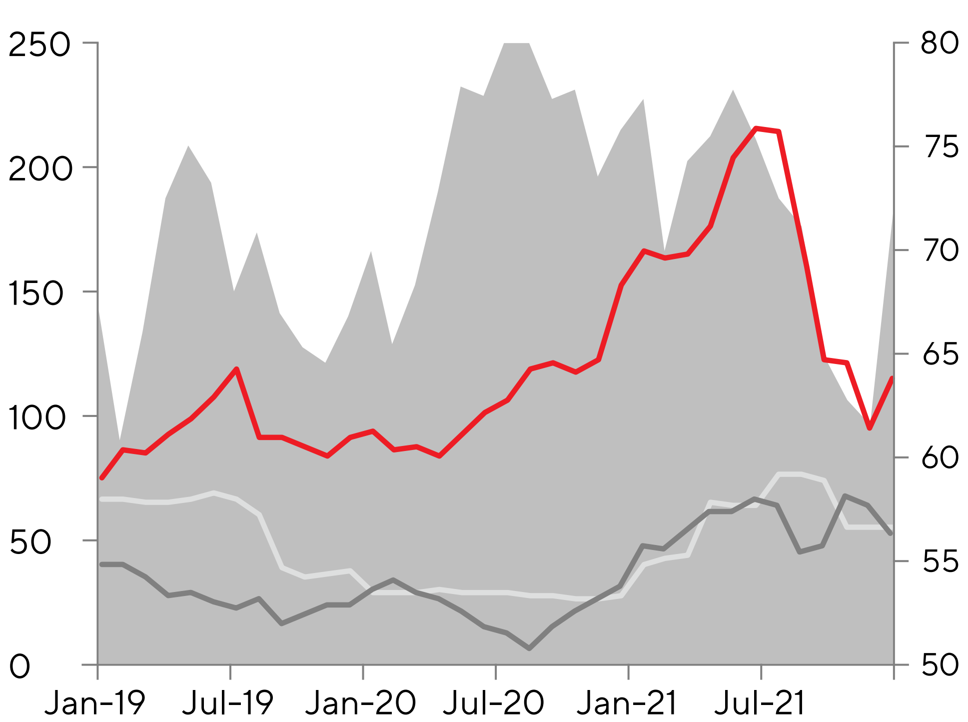
Consequently, the 62% Fe iron ore fines CFR China benchmark price grew from US$159 per dry metric tonne (dmt) at the end of 2020 to a peak of US$233 per dmt in May 2021 before subsiding to close the year at US$119. Overall, the average price climbed by 47.3% year-on-year to US$162 per tonne in 2021.

In 2021, a greater focus on efficiency in hot metal production coupled with increased environmental concerns supported pellet premiums globally. In Europe, the Atlantic basin premium rose by 107.6% year-on-year to US$60 per tonne. In China, the 65% Fe premium grew by 150.7% to US$57 per tonne. Driven by these favourable trends, Metinvest increased overall shipments of pellets by 13.4% year-on-year in the reporting period.

The international coking coal market was in flux after China introduced restrictions on imports of the product from Australia in the second half of 2020 and amid greater demand for coal in India. Meanwhile, weather constraints limited shipments from Australia and COVID-19 border closures between China and Mongolia reduced supplies from the latter.

A tight coking coal supply and demand balance, exacerbated by a sudden tension in global natural gas and thermal coal markets, led to a surge in prices in the second half of the year. The average annual hard coking coal spot price index (premium LV, FOB Australia) increased by 81.5% year-on-year to US$225 per tonne in 2021.

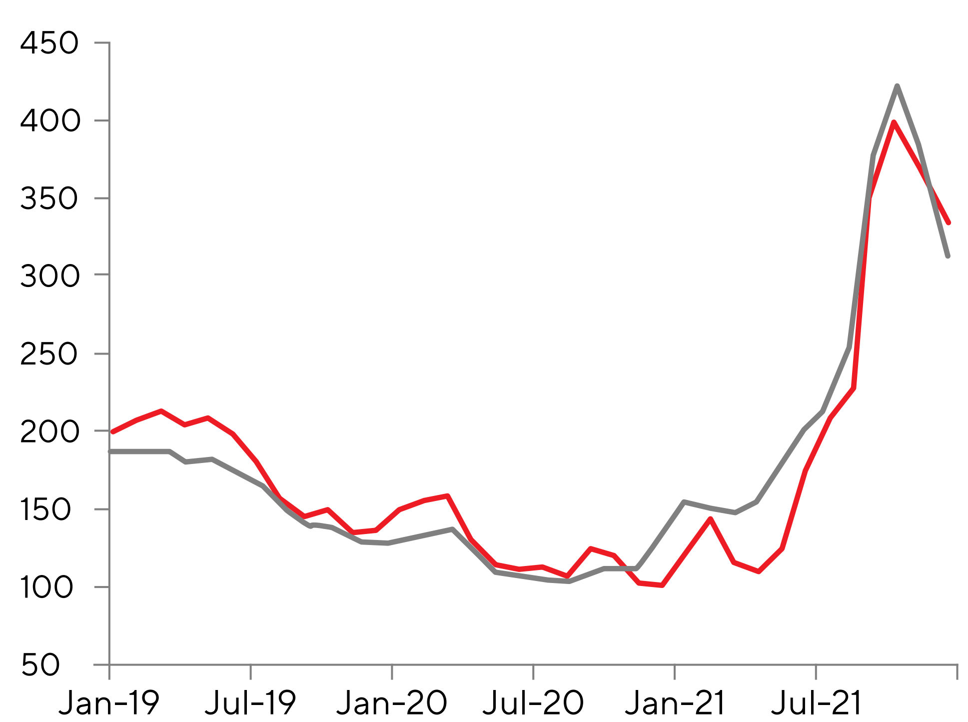
Iron ore price and premiums



Hot metal production in China, mt (RHS)
62% Fe iron ore fines, CFR China, US$/dmt (LHS)
Pellet premium in Europe, US$/tonne (LHS)
Pellet premium in China, US$/tonne (LHS)

Source: Bloomberg, Platts, World Steel Association

Hard coking coal price



Daily spot index, premium LV, FOB Australia, US$/tonne
Daily spot index, HCC LV FOB USEC, US$/tonne

Source: Platts

DEVELOPMENTS AFTER THE REPORTING PERIOD

Global economic developments in 2022 have posed significant challenges for the steel, iron ore and coking coal markets. Russia's full-scale invasion of Ukraine in late February 2022 soon materialised into surging steel prices in Europe and the US. The burden of overall cost inflation has been exacerbated by higher energy prices, especially in Europe and the US, amid a combination of Western sanctions and Russia's retaliatory reductions in gas supplies.

Following a wave of steel, iron ore and coking coal restocking, global demand has softened amid renewed COVID-19 restrictions in China and continued weakness in its property sector. This led to a cooling in the pricing environment in the second quarter of 2022.

Adding to these factors, numerous central banks around the world have doubled their efforts to combat inflation throughout 2022. They have begun to increase interest rates, reduce the liquidity injections started during the pandemic and even introduce quantitative tightening. These measures have resulted in greater concerns about slowing growth and possible recessions in major global economies, including the EU, UK and US, placing further downward pressure on prices for steel and raw materials.

MARKET REVIEW: UKRAINE

A LIMITED RECOVERY

In 2021, Ukraine's economy saw moderate upside. Among key growth drivers, the easing of pandemic restrictions unleashed pent-up domestic demand and global commodity markets supported exports. Amid these broader trends, consumption of the country's steel and iron ore products rose.

MODERATE GROWTH

In 2021, Ukraine's economy saw a reversal of the previous year's negative performance. Overall, real GDP expanded by 3.4% year-on-year after declining by 3.8% in 2020. At the same time, nominal GDP rose to a historic high in dollar terms of US$200 billion, compared with US$157 billion a year ago.

The recovery was driven by improved domestic household demand amid the relaxing of pandemic restrictions. It was also led by record harvests of grain and oilseeds, as well as favourable export markets. In addition, it was aided by the government's sizeable road infrastructure programme. In year-on-year terms, industrial output edged up by 1.9%[1], gross fixed investments increased by 7.5%[1] and the grain harvest rose by 32.5%[1].

Inflation accelerated in 2021, with the annual CPI reaching 9.4% compared with 2.7% a year before. This was above the National Bank of Ukraine (NBU)'s target range of 4-6%, primarily due to food and energy price inflation. This inflationary pressure led the NBU to begin monetary tightening, progressively hiking its key interest rate to 9.0% in December 2021, compared with 6.0% a year earlier.

Though the national currency appreciated throughout most of the year, the trend reversed in November and December 2021. Overall, the average hryvnia rate against the US dollar depreciated by 1.2% year-on-year to 27.29 in 2021, compared with 26.96 in 2020. Coupled with the strong nominal GDP in US dollars, the GDP growth saw the ratio of public debt to GDP drop to 49%, compared with 61%[2] in 2020.

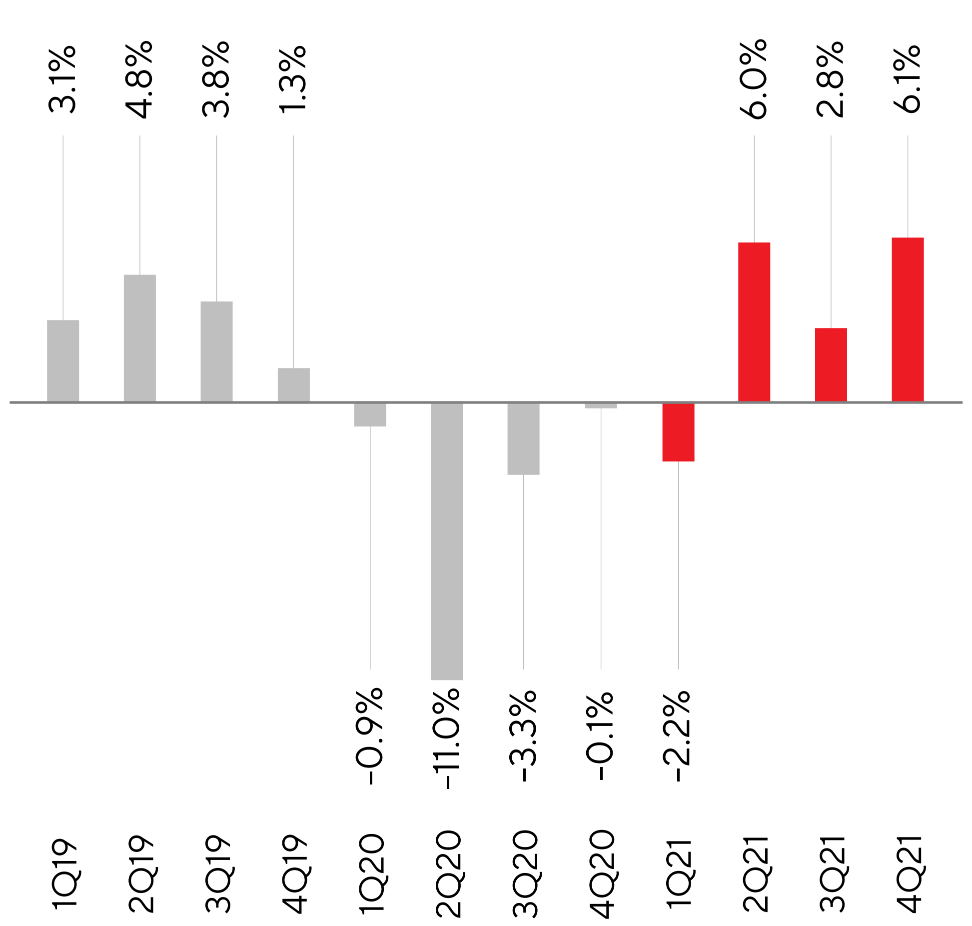
Although Ukraine's budget deficit fell to 3.4%[2] in 2021, down from 5.3%[2] in 2020, amid an increase of 20.7%[2] in budget revenues, external financing remained an important source of support. After a delay of more than a year, the country completed the review of the IMF programme. In November 2021, the IMF released a second, US$0.7 billion tranche under the US$5.0 billion Stand-By Arrangement.

According to the Ministry of Finance of Ukraine, the government's net borrowings in the year amounted to US$4.2 billion domestically and US$3.5 billion internationally. Funding was provided by several international institutions, including the EU, IMF, World Bank, European Investment Bank and European Bank for Reconstruction and Development. Ukraine also used the favourable environment on international debt capital markets in 2021 to issue US$1,250 million (with additional tap issuance of US$500 million on top) in 8.1-year Eurobonds with a coupon of 6.876% per annum. This is the lowest US-dollar denominated coupon achieved by the sovereign in international capital markets since 2011.

Amid prudent monetary policy and debt management, the NBU increased its international reserves by 6.2% year-on-year to US$30.9 billion as of the year-end.

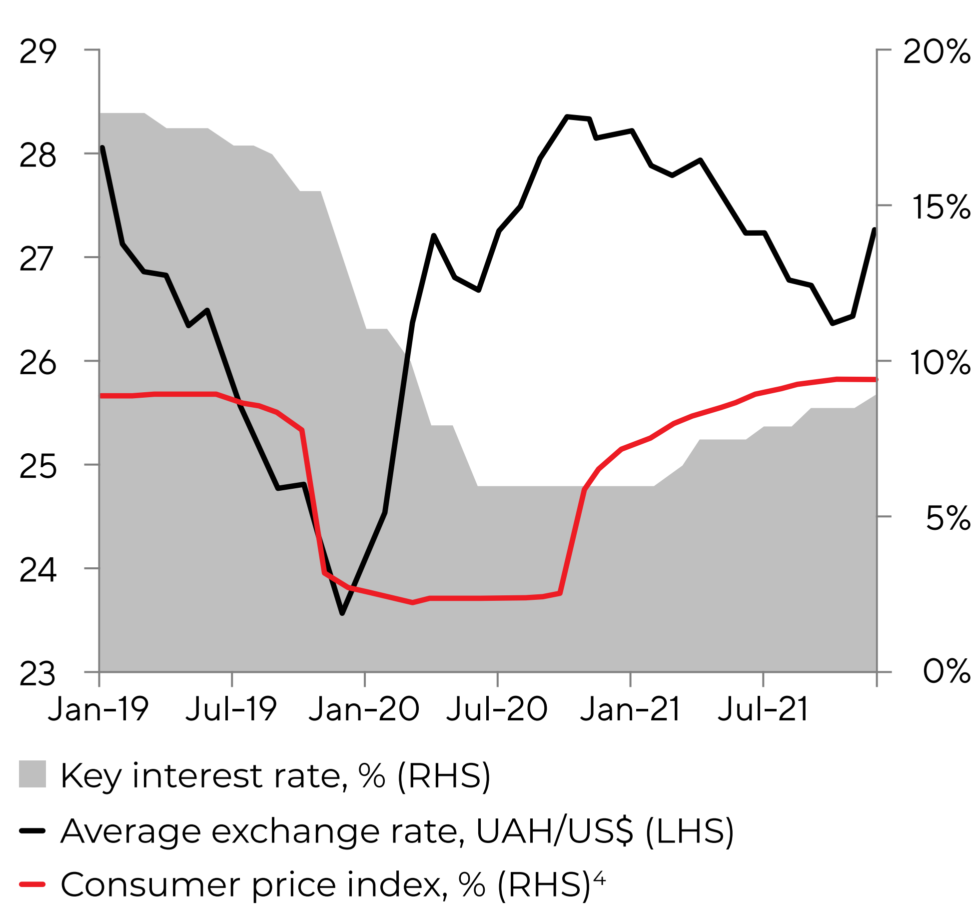
At the end of 2021, Ukraine's sovereign credit ratings from international agencies Fitch and S&P remained aligned at 'B'. Moody's had a rating of 'B3' for the country. The outlook on all three ratings was 'stable'.

Real GDP dynamics[3]



Source: State Statistics Service of Ukraine

Monetary policy



Source: State Statistics Service of Ukraine, NBU

1 State Statistics Service of Ukraine.
2 Ministry of Finance of Ukraine, State Statistics Service of Ukraine.
3 Percent change over the corresponding quarter of the previous year.
4 For CPI, the year-on-year change is for the corresponding cumulative monthly periods since the beginning of the year.

FOLLOWING THE UPWARD TREND

In 2021, Ukraine's traditionally export-oriented steel and iron ore industries followed the global and domestic economic growth trends.

Apparent steel consumption (excluding pipes) in the country climbed by 6.4% year-on-year to 5.7 million tonnes. This was driven by greater construction activity (up 6.8%), machinery output (up 8.5%), pipe production (up 11.3%) and metalware output (up 9.3%). In response to stronger local and export demand, domestic steelmakers increased their crude steel production by 3.6% year-on-year to 21.4 million tonnes.

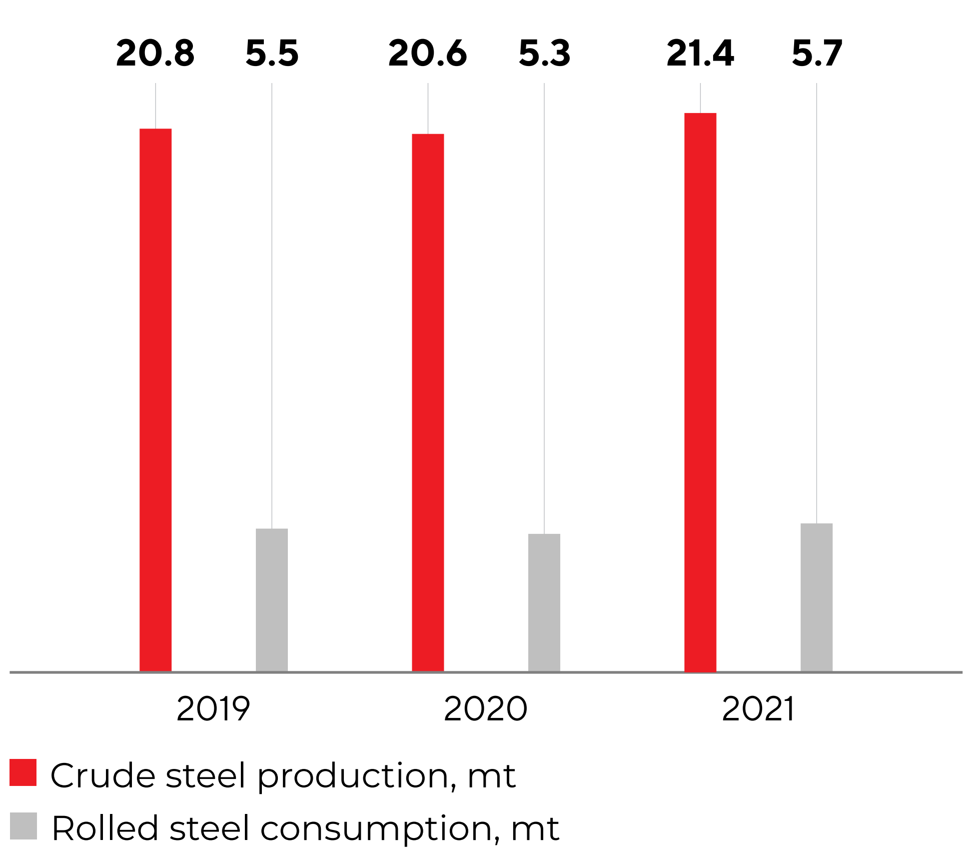
Metinvest followed these trends. It boosted crude steel production by 15.3% year-on-year to 9.5 million tonnes, lifted by the acquisition of new assets in Kamianske and greater output at its steel plants in Mariupol. The Group also increased sales volumes of flat and long products in Ukraine by 6.0% year-on-year.

Greater hot metal output in the country and favourable steel and iron ore export markets spurred the iron ore industry. According to the Group's estimates based on UEX data, Ukraine's merchant iron ore product output and consumption rose by 4.3% and 2.6% year-on-year to 78.8 million tonnes and 33.1 million tonnes, respectively. Metinvest, being the largest iron ore producer in the country, also increased its iron ore concentrate output by 2.8% year-on-year to 31.3 million tonnes.

Ukraine's coking coal production increased by 3.7% year-on-year to 7.2 million tonnes[5]. This was mostly caused by output growth at several state-owned mines, as well as an increase at Metinvest's Pokrovske Coal. As a result, the share of coking coal imports in domestic consumption decreased by one percentage point to 72%[6].

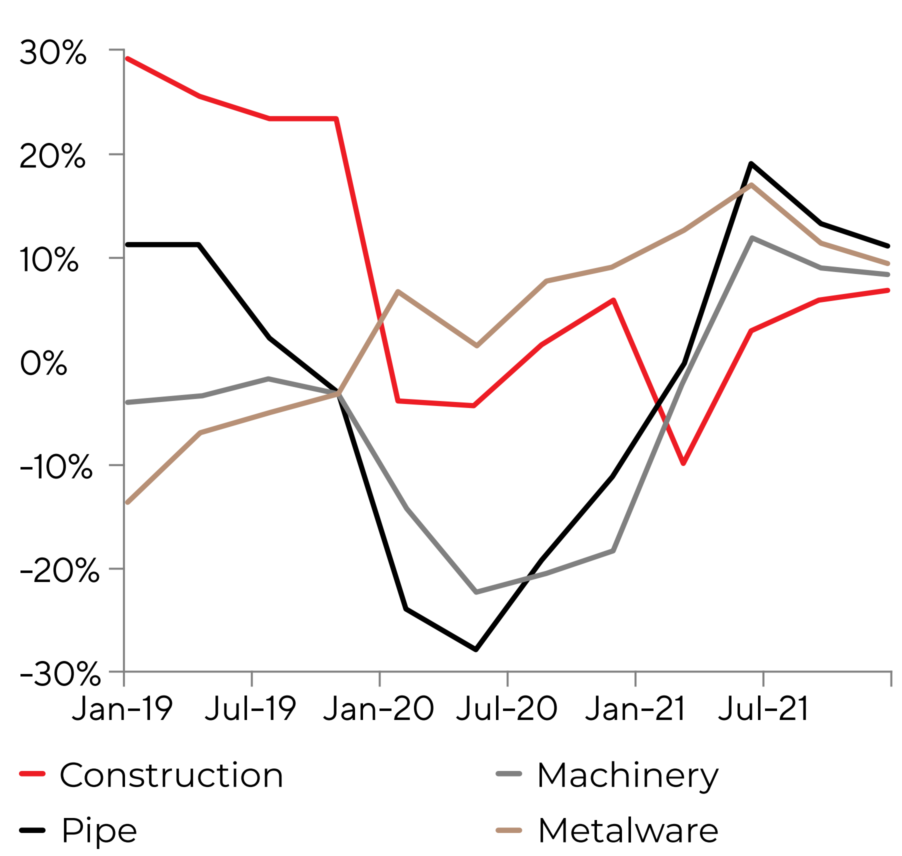
[5] Ministry of Energy of Ukraine.
[6] Ukrainian Coke Producers' Association.
[7] All indexes represent the cumulative index from the beginning of the respective year, year-on-year change.

Steel industry in Ukraine



Source: World Steel Association, Metal Expert

Key steel consuming sectors[7]



Source: State Statistics Service of Ukraine, Metal Expert

WAR IMPACT

The war has fundamentally changed life in Ukraine. While Russian troops initially occupied northern regions of the country and reached the Kyiv suburbs, they were later repelled from there. At the time of writing, active conflict is ongoing, primarily in southern and eastern regions, while some territories remain temporarily occupied. Unfortunately, both civilian and military casualty numbers are likely to continue to rise.

The impact on the people of Ukraine has been profound. Of an average population of roughly 41 million[8] in 2021, about 6.2 million[9] have fled as refugees to other European countries. Ukraine also has more than 6.3 million[9] internally displaced people.

The damage to Ukraine's assets and physical infrastructure has been extensive. Russia has blocked or occupied key seaports, while the limited railway capacity with Western countries has been unable to completely replace seaborne throughput. This has prevented most seaborne imports and exports. The latter include agricultural crops, oils, steel and iron ore, which represent a significant portion of the country's export revenues. In July 2022, the UN brokered an agreement to enable exports of Ukrainian grain and related foods via three Black Sea ports in the Odesa region. It remains to be seen whether such maritime traffic will be sufficient to achieve meaningful export volumes.

In terms of key economic developments, the IMF estimates[10] that real GDP could fall by as much as 35% year-on-year in 2022. The state budget is experiencing a deep deficit amid falling budget revenues and a major increase in military expenses. Ukraine needs significant external financial support to cover its balance of payments and budget needs. To maintain economic resilience, the NBU has imposed several capital control restrictions, including fixing the official hryvnia exchange rate against the US dollar and suspending its inflation targeting regime.

The Ukrainian steel and iron ore mining industries have also been affected materially. Most steel mills halted production in March 2022 to preserve equipment and ensure the safety of personnel. As of August 2022, key mills outside Mariupol have resumed operations, albeit at reduced volumes. Iron ore producers had to scale back operations, mainly because of lower local demand and logistical constraints on exports.

Following the Russian invasion, all three international rating agencies downgraded their sovereign credit ratings for Ukraine. As of 1 August 2022, S&P's rating was 'CC', the outlook 'negative'; Moody's assessment was 'Caa3', the outlook 'negative'; and Fitch's rating stood at 'C'.

This is undeniably the greatest challenge that Ukraine has faced since gaining independence. The situation remains highly unstable and war is inherently unpredictable. The courage of the people of Ukraine and support of the international community are vital to the country's ability to withstand this attack on its sovereignty.

[8] State Statistics Service of Ukraine.
[9] As at 22-29 July 2022, according to the UN High Commissioner for Refugees.
[10] As at April 2022.

OPERATIONAL REVIEW

INTEGRATION AND EFFICIENCY

In 2021, Metinvest consolidated new production assets, which promptly started to generate material business synergies. Coupled with the results of recent investments and a multi-year focus on efficiency, this helped the Group to post a robust operational performance.

STENGTHENING THE BUSINESS

In 2021, Metinvest was prepared to take advantage of steel and iron ore market developments. Recent investments in its assets and a relentless focus on operational improvements bore fruit. On top of an increase in overall production volumes at its steelmakers and iron ore producers, the Group improved the quality of its product portfolio. As such, the share of finished goods in the merchant pig iron and steel product mix increased, while the iron ore product mix was redistributed to expand pellet output.

In addition, Metinvest made two strategically important acquisitions during the year. In March 2021, it obtained control over Pokrovske Coal, the largest high-quality coking coal producer in Ukraine, by exercising an option. Pokrovske Coal comprises several entities, the main ones being Pokrovske Colliery and Sviato-Varvarynska Beneficiation Factory. Following this, the Group has significantly strengthened its self-sufficiency in this raw material.

In August 2021, Metinvest acquired assets relating to the integral property complex of a once integrated steelmaker in Kamianske, Ukraine. They have been consolidated under the umbrella of Kamet Steel. For more details about this acquisition and its synergies for the Group, see page 17.

MINING SEGMENT

GRI 102-2; 102-7

Iron ore

In 2021, Metinvest remained a top ten global iron ore producer and the second largest[1] in Eastern Europe in terms of annual output. As of 1 July 2021, the reporting date of the Group'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 as reported on an aggregated and not attributable basis). For more details please refer to the respective announcement at Euronext Dublin.

Metinvest's iron ore extraction and processing assets are Central GOK, Ingulets GOK and Northern GOK. They produce concentrate with an Fe content that ranges from 64.7% to 70.5%.

Northern GOK and Central GOK operate pelletising plants that had a combined annual production capacity of 8.6 million tonnes of pellets as of 2021 using the three roasting machines that remained in operation. Their pellets have an Fe content from 63.1% to 67.9%; the higher ones are suitable for use in DRI technology.

In addition, the Group has a 45.9% interest in Southern GOK, which is classified as a joint venture. It produces concentrate with an Fe content from 65.2% to 68.5%. Its products are used by Metinvest's integrated steel plants or sold to third parties, primarily through the Group's trading companies[2].

Metinvest's iron ore assets are all located in the city of Kryvyi Rih, Ukraine, which is in relative proximity to its steelmaking facilities. This helps to ensure the long-term security of iron ore supplies for them. Their direct access to extensive rail links also allows them to ship their products to third parties worldwide.

[1] Own estimate based on companies' public production information for 2021, excluding Chinese and Indian companies.

[2] As under such resale transactions, Metinvest is acting as an agent and not as principal, income and costs related to them are presented net within revenues.

In 2021, the Group's iron ore extraction climbed by 3% year-on-year to 73,508 thousand tonnes. Greater ore mining and processing volumes, both attributable to increased productivity of mining transport facilities and throughput of the ore beneficiation plants, as well as recently realised investments, contributed to the overall iron ore concentrate output rising by 3% year-on-year to 31,341 thousand tonnes.

During the year, the iron ore product mix was redistributed in favour of pellets. This led to an increase in total pellet output of 14% year-on-year to 8,603 thousand tonnes amid strong pellet premiums globally and robust demand. The remaining concentrate volumes dropped to 20,446 thousand tonnes.

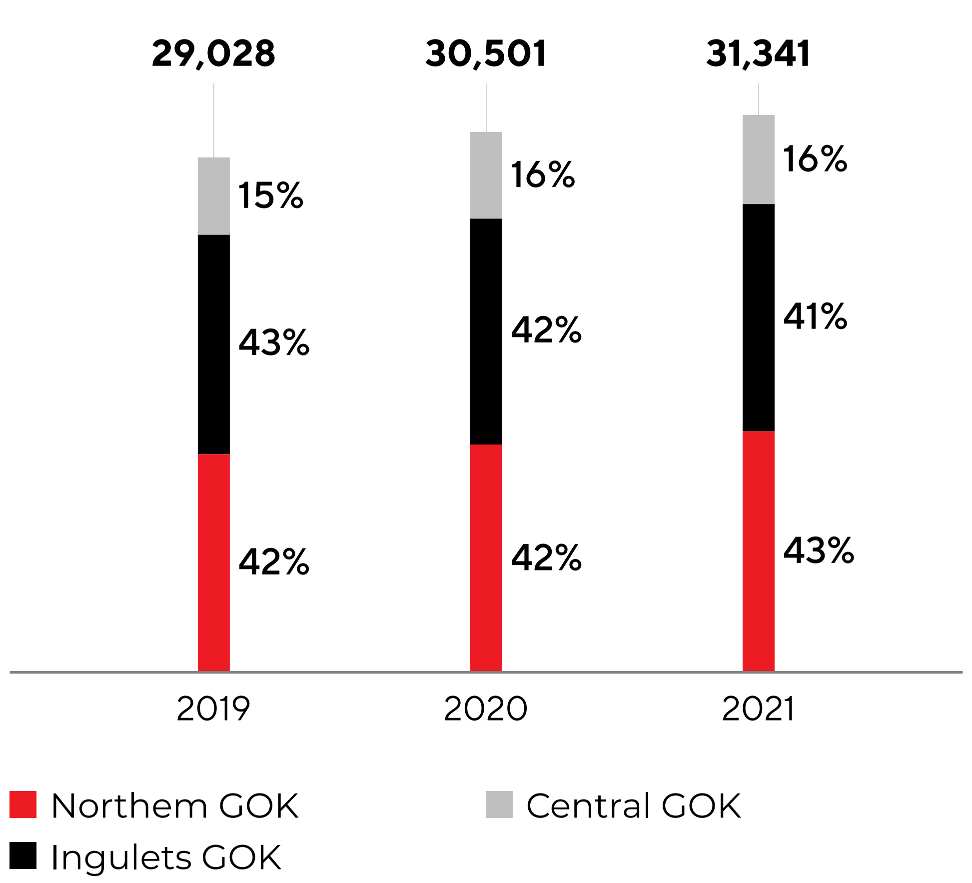
In the reporting period, Metinvest's self-sufficiency was 228%[3].

A total of 2,792 thousand tonnes of pellets were allocated for hot metal production. In addition, 8,727 thousand tonnes of iron ore concentrate was combined with purchased iron ore concentrate and sinter ore to make 14,616 thousand tonnes of sinter. This was then used in hot metal operations at the Group's steelmakers.

An increase in intragroup consumption of iron ore and the redistribution of orders in favour of pellets shaped Metinvest's merchant iron ore product output in 2021. As such, it declined by 8% year-on-year to 17,530 thousand tonnes. Merchant concentrate production dropped by 17% to 11,719 thousand tonnes, of which high-grade concentrate (with an Fe content of 67% or higher) accounted for 38% (22% in 2020). Meanwhile, merchant pellet output rose by 18% to 5,811 thousand tonnes, of which high-grade pellets (with an Fe content of 65% or higher) accounted for 38% (46% in 2020). Notably, following recent technological upgrades, Central GOK ramped up production of DR-grade pellets, which reached 617 thousand tonnes in 2021, compared with 45 thousand tonnes in 2020.

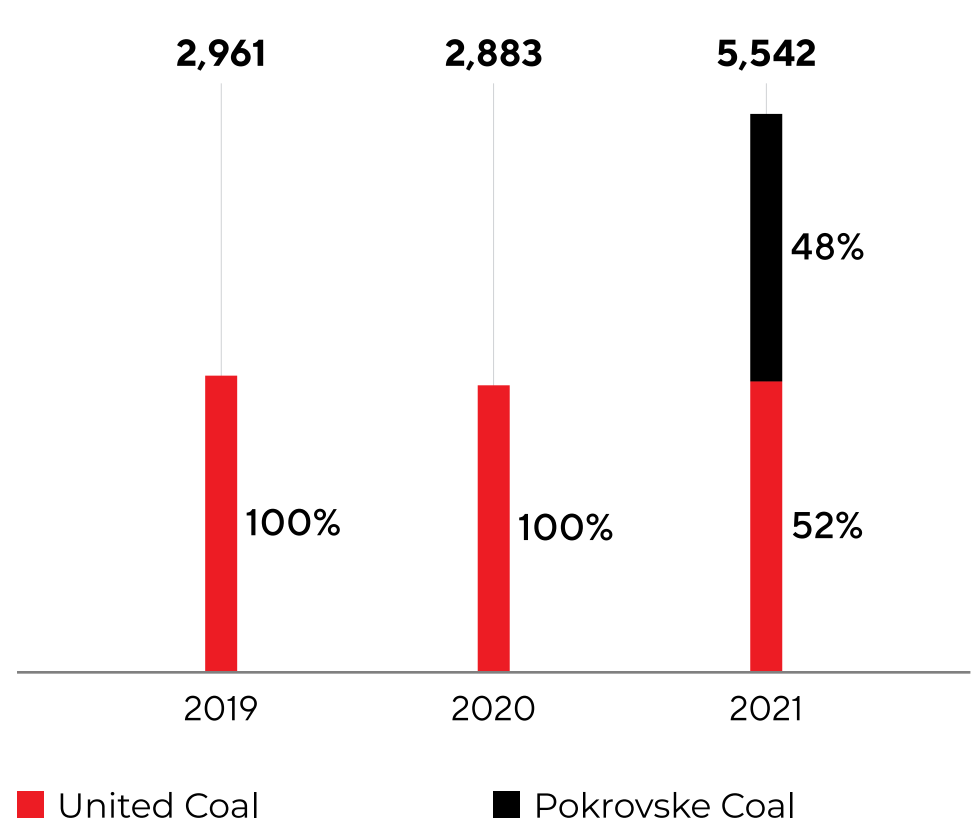
Iron ore concentrate production

31,341 kt +3%



Coking coal concentrate production

5,542 kt +92%



Coking coal

Metinvest produces high-quality coking coal at United Coal, in the central Appalachian region of the US, and at Pokrovske Coal, the assets of which are located on the border of Ukraine's Dnipro and Donetsk regions.

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, it had total Coal Reserves of 307 million tonnes and total Coal Resources of 411 million tonnes (both as reported on an aggregated and not attributable basis). For more details please refer to the respective announcement at Euronext Dublin.

In 2021, Metinvest's extraction of raw coal using both underground and surface mining techniques increased by 67% year-on-year to 12,142 thousand tonnes, while its overall coking coal concentrate output rose by 92% to 5,542 thousand tonnes[4]. This was driven by the consolidation of Pokrovske Coal in March 2021.

In the reporting period, the Group's self-sufficiency in this raw material was 69%[5]. Metinvest also sources coking coal externally and sells a certain amount of coking coal to third parties. In 2021, the Group worked with numerous suppliers from neighbouring countries and further afield, including the US.

[3] Calculated as actual iron ore concentrate production divided by actual consumption of iron ore products to produce hot metal.
[4] This figure excludes the processing of purchased coal. Pokrovske Coal's total output of coking coal concentrate was 3,207 thousand tonnes in 2021.
[5] Calculated as actual coal concentrate production divided by actual consumption of coal concentrate to produce coke required for production of hot metal; includes coal consumption for PCI.

PRODUCT QUALITY MANAGEMENT

GRI 103-2; 103-3; 416-1; 417-1

Metinvest strives to conform with the international quality standards and requirements applied to both final products and production processes. The Regulation on Product Quality Management is a key corporate standard on quality control that governs internal processes and procedures. In addition, the implementation of the ISO 9001 standard helps to improve the quality management system at the Group's entities. At the end of 2021, 16 production sites were certified under ISO 9001[6].

Metinvest has a specially dedicated function at the level of the Group and each production asset responsible for product quality management.

Before preparing products for sale, a quality certificate is issued for each product unit or production lot that describes its properties and confirms compliance with quality requirements. In 2021, Metinvest engaged independent inspectors to perform additional visual checks of products before they were shipped. In addition, certified laboratories performed chemical analysis for each production lot.

In 2021, the Group's steel assets also used equipment to automatically monitor radiation levels of vehicles as they entered and exited its facilities as outlined in its internal procedures. Railcars and other vehicles containing materials with elevated radiation levels are not allowed to enter or depart any facility. If increased radiation levels are detected, the approach is to isolate the affected vehicles and inform regulators and the relevant local public authorities. No cases of contaminated scrap were detected in 2019-2021.

[6] Avdiivka Coke, Azovstal, Central GOK, Ferriera Valsider, Ilyich Steel, Ingulets GOK, Kamet Steel, Kryvyi Rih Machining and Repair Plant, Mariupol Machining and Repair Plant, Metinvest Trametal, Northern GOK, Promet Steel, Spartan UK, Unisteel, Zaporizhia Coke and Zaporizhia Refractories.

METALLURGICAL SEGMENT

GRI 102-2; 102-7

Coke

In 2021, Metinvest produced metallurgical coke at Avdiivka Coke, Zaporizhia Coke, and the facilities at Azovstal and Kamet Steel, all of which are in Ukraine.

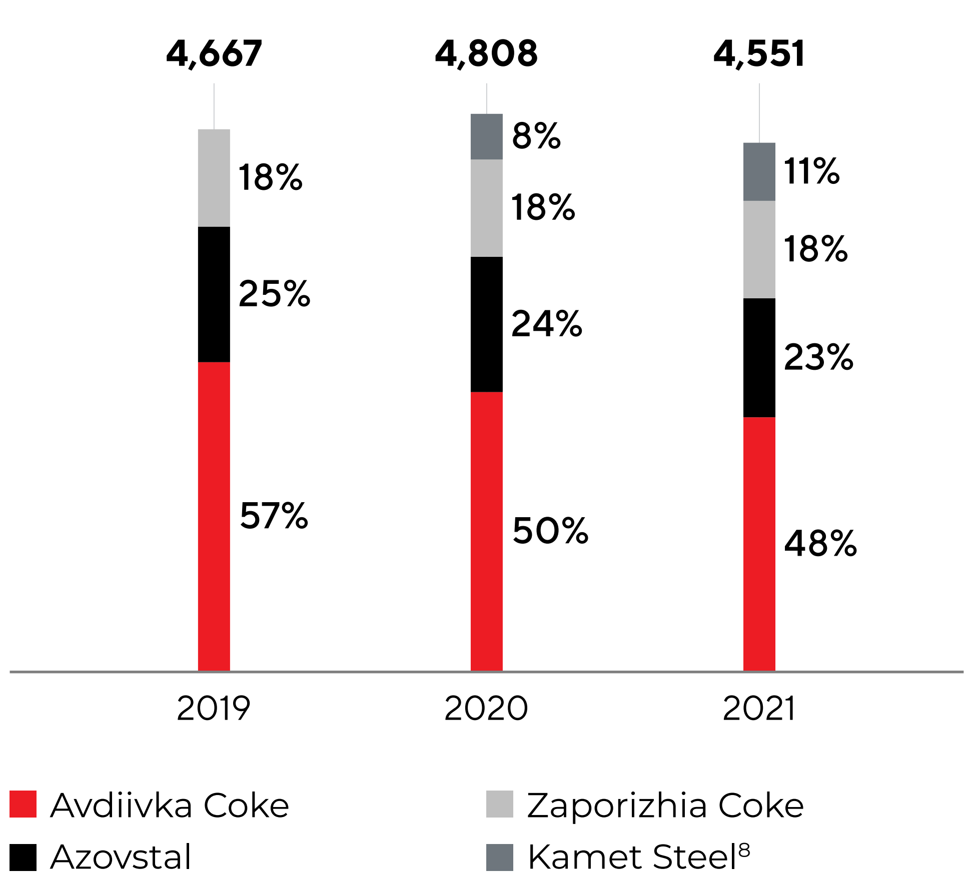
The Group's production of dry blast furnace coke fell by 5% year-on-year to 4,551 thousand tonnes. Output fell at Avdiivka Coke by 9% and at Azovstal by 11% amid a shortage of raw materials in the second half of the year. Meanwhile, the effect of the consolidation of Kamet Steel's production since April 2020 amounted to 95 thousand tonnes.

In 2021, Metinvest's self-sufficiency in coke[7] was 107%.

The Group also has a 23.71% stake in Southern Coke (classified as an associated company), another Ukrainian metallurgical coke producer. In 2021, its annual dry blast furnace coke production was 663 thousand tonnes, up 7% year-on-year.

Coke production

4,551 kt -5%



Steel

In 2021, Metinvest was ranked 42nd among steelmakers worldwide and fourth in Eastern Europe[9]. As of the year-end, the Group's steelmaking capacities included the following integrated steelmakers, all of which were located in Ukraine: Azovstal and Ilyich Steel in Mariupol and Kamet Steel in Kamianske.

In addition, Metinvest holds a 49.997% interest in Zaporizhstal, an integrated steelmaker located in Zaporizhzhia, Ukraine, which is classified as a joint venture. It is one of the Group's largest purchasers of iron ore and has a complementary product mix.

Metinvest has four rolling mills in other European countries, the business model of which is to produce finished goods close to local end users: Ferriera Valsider and Metinvest Trametal in Italy, Promet Steel in Bulgaria and Spartan in the UK. In 2021, the flat producers in Italy and the UK re-rolled slabs from the Mariupol steel mills into plates and coils. Meanwhile, the Bulgarian long producer re-rolled Kamet Steel's billets into rebar and other long products. The Group's total re-rolling capacity in these countries is around 2.1 million tonnes a year.

Metinvest's subsidiary Unisteel operates a galvanising line. The plant is located in Kryvyi Rih, Ukraine, and can produce up to 100 thousand tonnes of steel coils a year.

[7] Calculated as actual coke production divided by actual consumption of coke to produce hot metal.
[8] Kamet Steel's coke production data for 2020 covers the period starting from Dnipro Coke's consolidation in April 2020.
[9] World Steel Association ranking for 2021, based on tonnage produced and geographical location of assets.

ACQUISITION IN 2021

KAMET STEEL

A strategic diversification

Kamet Steel unites Metinvest's coke production and steelmaking assets in Kamianske, Ukraine.

The coke operations were previously part of Dnipro Coke, a metallurgical coke manufacturer that the Group consolidated as a subsidiary in April 2020.

At an auction held in 2021 as part of the bankruptcy proceedings of PJSC Dneprovsky Iron & Steel Works (DMK), which was once among the largest steelmakers in Ukraine and operated a full-cycle metallurgical production facility, Dnipro Coke paid around US$341 million to acquire assets relating to the former company's integral property complex.

To reflect its new role as a steelmaker, Dnipro Coke was renamed Kamet Steel in February 2022, after the reporting period.

A source of additional synergies

Kamet Steel has preserved an important industrial asset and source of decent jobs for the community of Kamianske. Through the transaction, over 8,000 plant workers became employees of the Group. Work is under way to embed Metinvest's culture at these assets, including its approaches to health, safety and environmental management.

Kamet Steel's newly acquired capacities include production of 3.2 million tonnes of crude steel a year. This has made it possible for the Group to expand its product mix by effectively securing production of billets, wire rod and rebar, as well as shapes and bars. It also provides Promet Steel with square billets for processing.

As DMK was previously one of the largest buyers of the Group's iron ore and coke in Ukraine, consolidating its production complex into Kamet Steel generated additional synergies throughout the entire production chain.

In 2021, the production volumes that became part of Kamet Steel contributed materially to Metinvest's operational performance. They included 933 thousand tonnes of crude steel cast from August to December 2021.

Cash consideration

US$341 mn

Crude steel production capacity

3.2 mt

PRODUCTION OPERATIONS IN THE EU, UK AND US

GRI 102-4

Map Legend

- Metallurgical assets
- Mining assets
- Coking coal
- Re-roller

For a map of the Group's operations in Ukraine, see page 20.

PRODUCTS

GRI 102-2; 102-6

Metinvest is a trusted partner and supplier of high-quality products. In 2021, the Group sold products to almost 7,200 customers in around 100 countries through its network of sales offices and distribution centres in Europe, Africa, Asia and North America.

Metinvest has sold its steel products to the construction, shipbuilding, railcar, machinery, energy and mining industries. Around the world, customers have used them to build bridges, roads, skyscrapers, office buildings, residential complexes, art spaces, malls and many other prominent structures.

Key products in 2021

Finished products | Flat
- Hot-rolled plates
- Hot-rolled coils and sheets
- Cold-rolled coils and sheets
- Galvanised coils and sheets

Finished products | Long
- Shapes and bars
- Rebar
- Wire rod

Finished products | Other
- Railway products[10]
- Tubular products

Semi-finished products
- Pig iron
- Slabs
- Billets

Raw materials
- Iron ore concentrate and pellets
- Coking coal concentrate
- Coke

[10] Railway products are classified as part of long products for the Group's sales analysis purposes.

In 2021, Metinvest's hot metal output climbed by 15% year-on-year to 9,709 thousand tonnes. Kamet Steel contributed 849 thousand tonnes of this increase. Ilyich Steel's hot metal output increased by 8% because of blast furnace productivity improvements and major overhauls conducted in 2020, while that of Azovstal remained almost unchanged year-on-year.

The Group's crude steel output rose by 15% year-on-year to 9,533 thousand tonnes. The consolidation of Kamet Steel's facilities added 933 thousand tonnes. Ilyich Steel's production increased by 5% year-on-year as a result of greater hot metal output, while that of Azovstal grew by 3%, mainly because of lower merchant pig iron production.

In 2021, out of the total volume of crude steel output, Azovstal and Ilyich Steel cast 8,224 thousand tonnes of slabs, of which 6,573 thousand tonnes went to their own rolling mills and Metinvest's re-rollers in Italy and the UK to make flat products. Azovstal also produced 376 thousand tonnes of steel ingots, which were used to make long products and rails. In addition, since the purchase of new facilities in August 2021, Kamet Steel cast 933 thousand tonnes of billets, of which 520 thousand tonnes went to its own rolling mills and Promet Steel to make long products.

In 2021, the Group's output of merchant semi-finished products rose by 3% year-on-year to 3,411 thousand tonnes. Of this, Kamet Steel produced 413 thousand tonnes of merchant billets. Merchant pig iron output rose by 24% year-on-year to 1,347 thousand tonnes, mainly because of greater hot metal production at Ilyich Steel. Meanwhile, merchant slab output dropped by 26% year-on-year to 1,651 thousand tonnes, as more slabs were allocated for flat product rolling.

During the reporting period, Metinvest's output of finished products climbed by 23% year-on-year to 7,233 thousand tonnes. In particular, flat product output increased to 5,978 thousand tonnes, up 24%. This was mainly driven by greater production of hot-rolled coils amid improved productivity of hot strip mill 1700 at Ilyich Steel, as well as growth in orders for plates at Azovstal and cold-rolled and galvanised products at Ilyich Steel. Long product output surged by 37% year-on-year to 1,089 thousand tonnes amid an increase in orders at Promet Steel and the consolidation of Kamet Steel's re-rolling facilities. Railway product output dropped by 39% year-on-year to 48 thousand tonnes in response to lower demand from Ukrainian Railways. Tubular product output fell by 22% year-on-year to 118 thousand tonnes amid fewer orders.

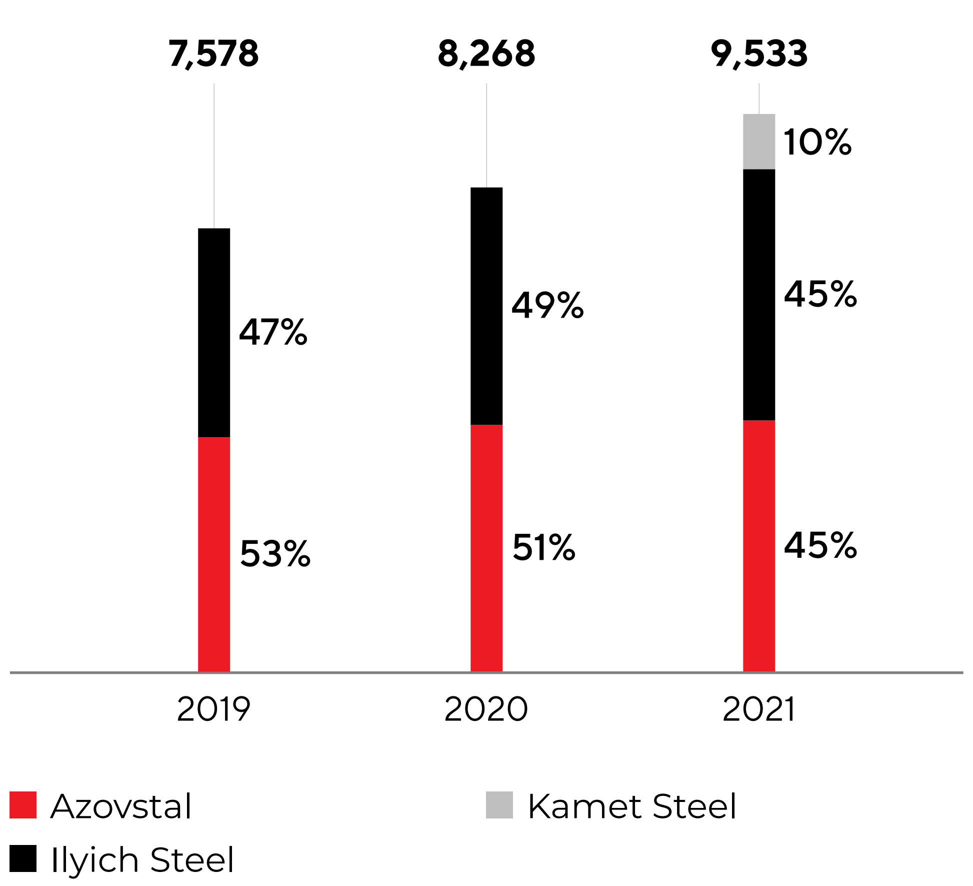
In 2021, the Group's overall output of merchant pig iron and steel products grew by 16% year-on-year to 10,644 thousand tonnes, while the share of finished steel products increased by four percentage points year-on-year to 68%.

In the reporting period, the Zaporizhstal JV's crude steel output totalled 3,889 thousand tonnes, up 3% year-on-year. In 2021, its total merchant pig iron and steel product output was 4,264 thousand tonnes (a product mix of 77% steel goods and 23% merchant pig iron). This compares with total merchant pig iron and steel product output of 4,280 thousand tonnes in 2020 (a product mix of 74% steel goods and 26% merchant pig iron).

Zaporizhia Refractories manufactures refractory products and materials for the Group in Zaporizhzhia, Ukraine. In 2021, it produced 119 thousand tonnes of refractory products (up 8% year-on-year, excluding unmoulded refractories). This included 53 thousand tonnes of chamotte (up 8% year-on-year), 23 thousand tonnes of high-alumina products (up 15% year-on-year) and 43 thousand tonnes of magnesia products (up 5% year-on-year).

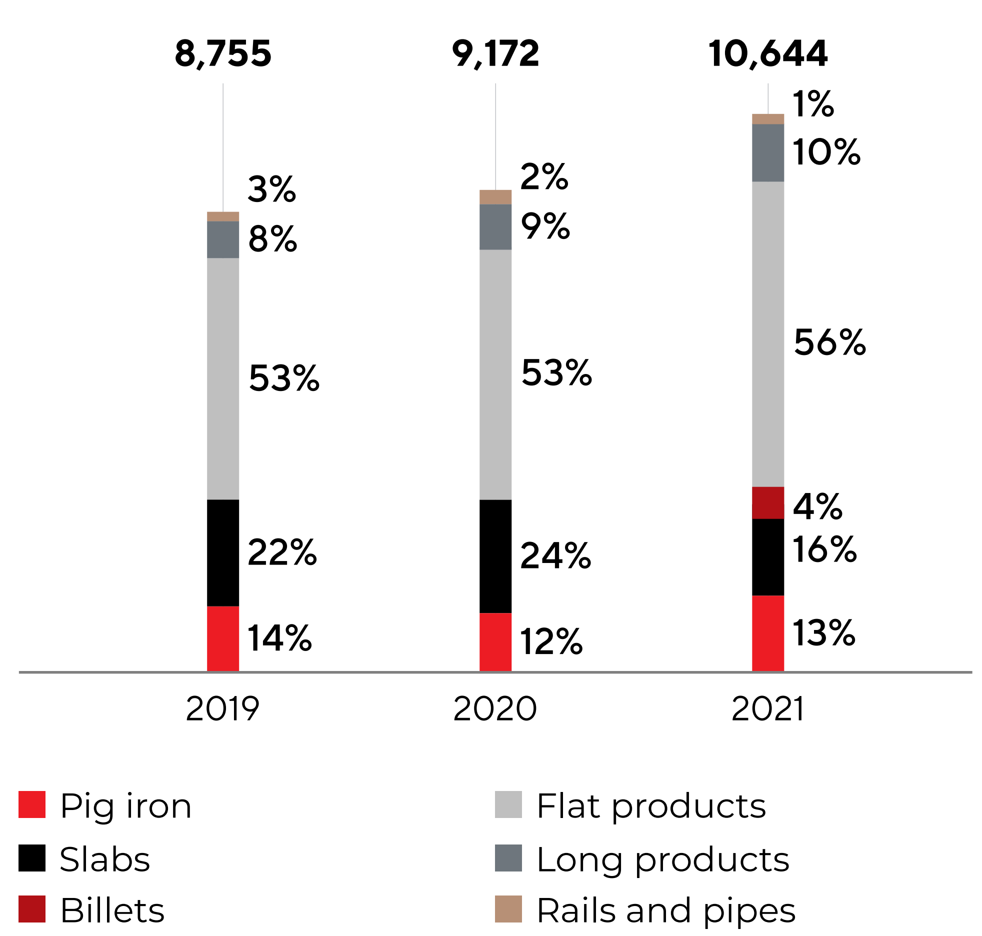
Crude steel production

9,533 kt +15%



Pig iron and steel product output

10,644 kt +16%



NEW PRODUCTS IN 2021

Metinvest continuously adapts its product portfolio to meet changing customer needs and market trends.

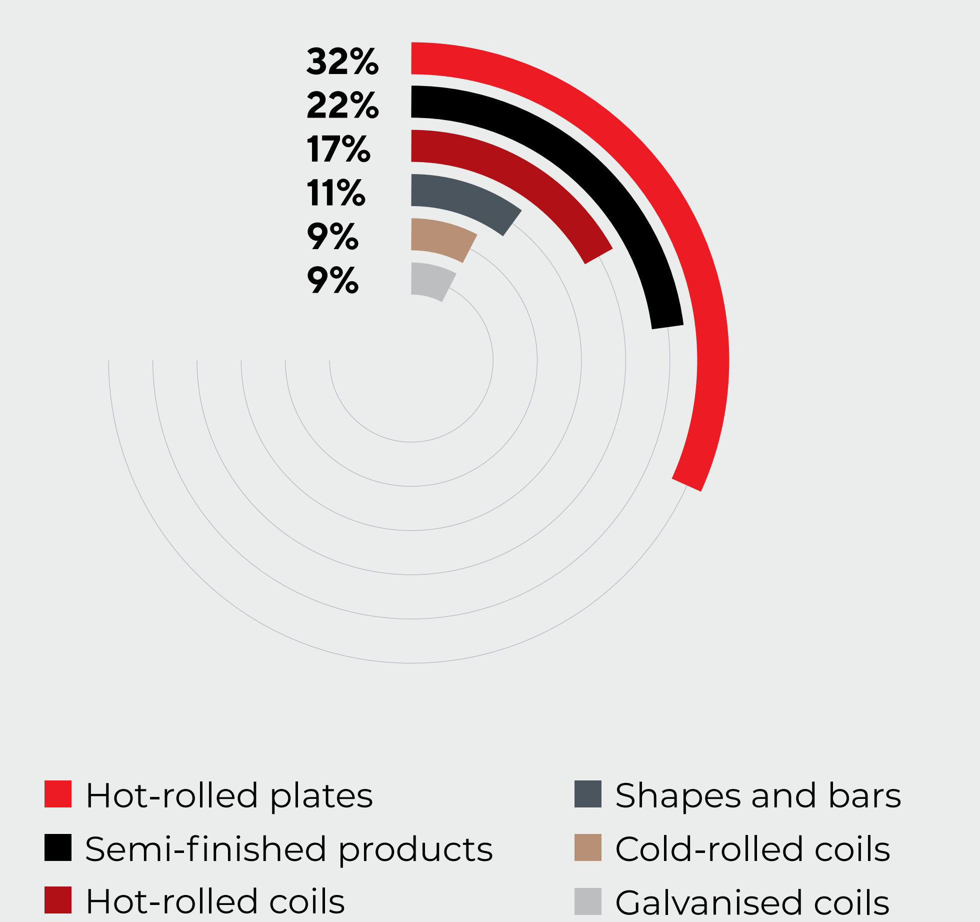
In 2021, the Group's research and development efforts allowed it to introduce 47 new steel products to the European and US markets.

For example, Kamet Steel brought a new grade of wire rod made from high-carbon steel to market. It also introduced two new diameters of round bars for machine parts and building components and a new type of channels for the construction industry.

Unisteel introduced galvanised coils with additional oiling to increase weather resistance. It also made new coil sizes and grades for deep drawing and manufacturing shaped products.

New steel products in 2021

47 items



PRODUCTION OPERATIONS IN UKRAINE

GRI 102-4

[11] For more details please see Notes 3 and 10 to the Summary IFRS Consolidated Financial Statements 2021.

WAR IMPACT

The war has significantly affected Metinvest's performance, including through the imposition of material logistical challenges. Russia has blocked or occupied Ukraine's key seaports, while limited railway capacity with Western countries cannot totally replace seaborne throughput. To the extent possible, the Group has redirected Ukrainian logistical routes and supply chains to railway deliveries.

Metinvest has made numerous operational changes. It has had to idle several assets, including the Group's facilities in Mariupol and Avdiivka, which have been affected by hostilities. At the time of writing, Mariupol has been temporarily occupied. Metinvest joins the people of Ukraine and the free world in honouring the brave defenders who made Azovstal the last stronghold of the Ukrainian army in the city, and a symbol of the country's tenacity under fire, while enduring a brutal, months-long siege.

Output at other Ukrainian assets has been scaled back, including steelmaking facilities and producers of iron ore, coke and coking coal.

Metinvest's assets outside Ukraine are gradually adjusting their operations as standalone businesses, while the Group continues to support them with operational, financial and transactional expertise. United Coal has shifted all volumes to the US and export customers instead of intragroup sales. Metinvest's re-rollers in Italy and the UK, originally sourced by the steelmaking base in Mariupol, have switched to using slabs from third parties. Promet Steel continues to purchase square billets from Kamet Steel, although deliveries have become irregular.

The Group has stopped trading with Russia and Belarus.

FINANCIAL REVIEW

AN EXCEPTIONAL YEAR

In 2021, Metinvest delivered robust financial results that allowed it to continue to make progress on its strategic priorities, while also advancing to optimise the Group's debt profile.

REVENUES

GRI 102-7

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 2021, the Group's consolidated revenues rose by 72% year-on-year to US$18,005 million. In particular, the Metallurgical segment's revenues increased by 77% year-on-year to US$14,518 million, while its share in the top line rose by three percentage points to 81%. At the same time, the Mining segment's revenues increased by 55% year-on-year to US$3,487 million. Its share in the overall top line fell by three percentage points to 19%.

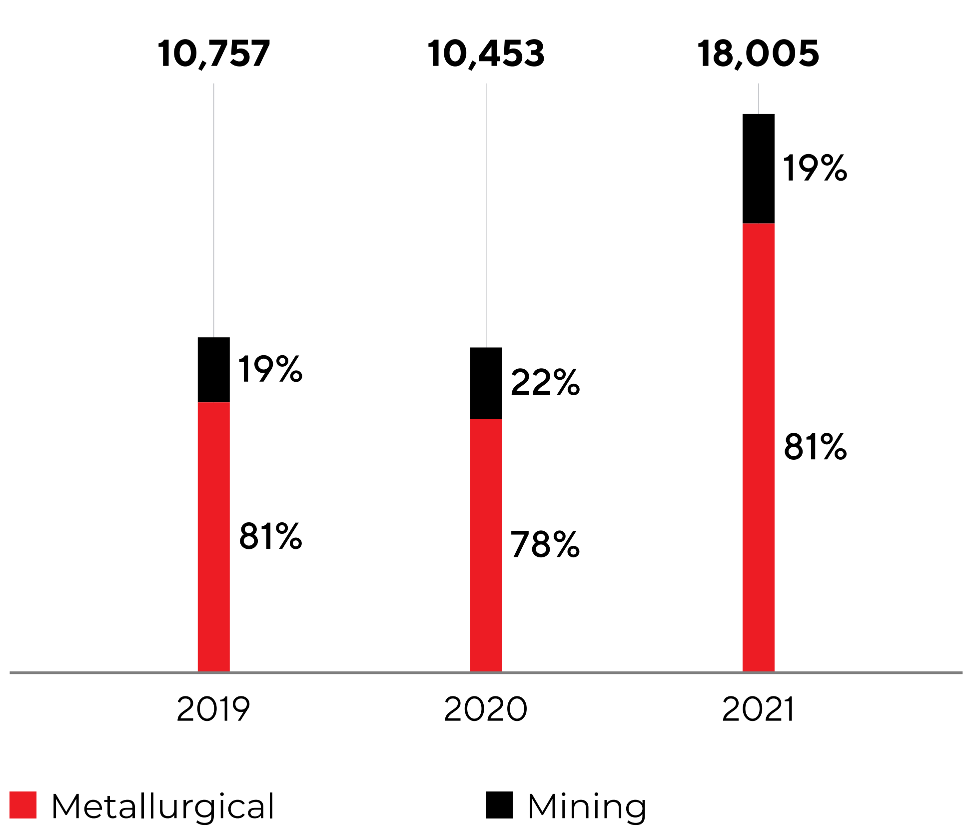
The growth in revenues was driven mainly by higher selling prices of steel and iron ore products in line with global benchmarks. In addition, Metinvest increased sales volumes of finished steel products by 11%, as demand recovered in several strategic markets and the Group's recent investments to upgrade its assets bore fruit. Metinvest also increased pellet shipments by 13% amid higher pellet premiums globally, and coking coal concentrate deliveries by 2.1 times.

During the reporting period, Metinvest sold 15,808 thousand tonnes of pig iron and steel products, of which 10,461 thousand tonnes were manufactured in-house and 5,347 thousand tonnes were purchased from third parties. This compared with a total of 15,448 thousand tonnes of pig iron and steel product sales in 2020, of which 9,288 thousand tonnes were made in-house and 6,160 thousand tonnes came from third parties.

Overall, revenues from resales totalled US$4,832 million in 2021, up 55% year-on-year. They accounted for 27% of the top line, down three percentage points year-on-year.

Revenues by segment

US$18,005 mn +72%



FOCUS ON CUSTOMERS

A STRATEGIC PRIORITY

GRI 103-2; 103-3

Metinvest relies on a blend of engagement, quality and technology to provide the responsive sales and support experience that is at the centre of its value proposition. In 2021, the Group had almost 7,200 customers worldwide.

The Group's Sales Directorate uses a customer relationship management (CRM) system to monitor and control key aspects of this experience. Metinvest ensures the effective functioning of the CRM system through internal regulations governing such factors as pricing, key accounts, segmentation, lead generation and the sales process. Every year, the Group's assets assess the effectiveness of their engagement and resulting satisfaction levels. This helps to better understand customer needs, identify areas for improvement and draw up an action plan to address any deficiencies.

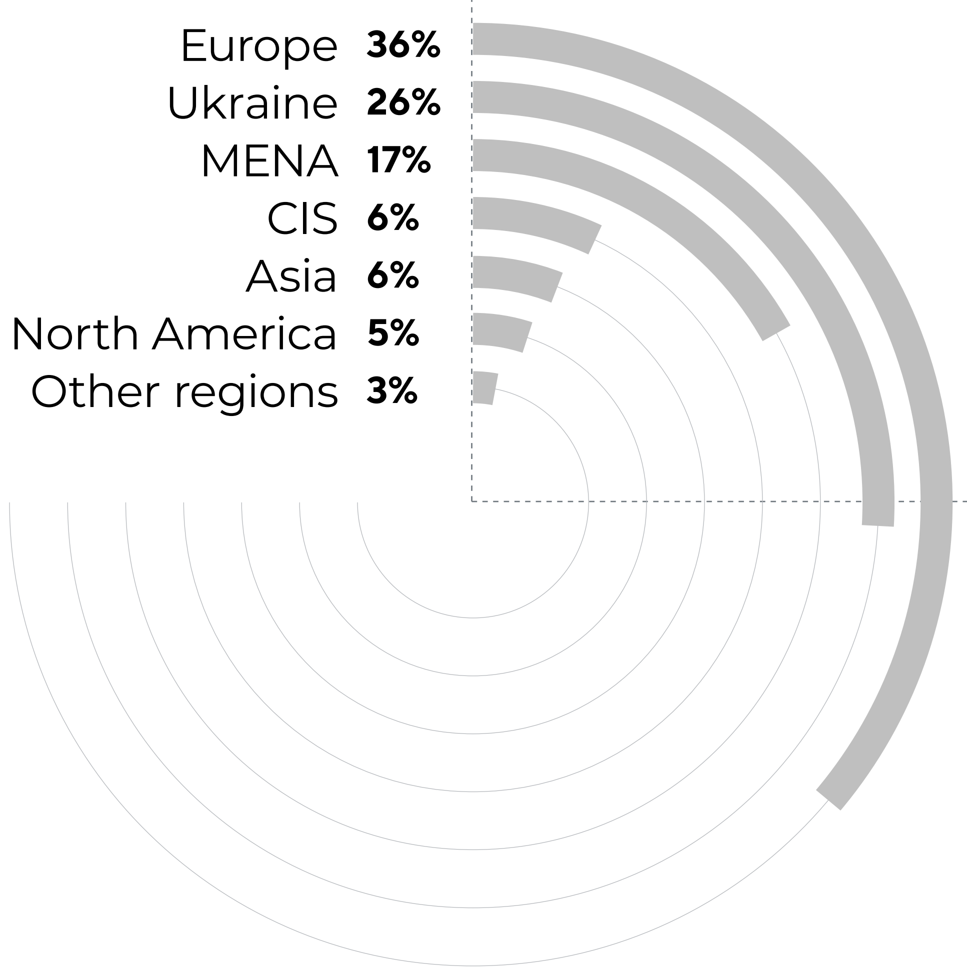
In 2021, Metinvest continued to deploy technology to improve the quality and efficiency of its engagement, including two SAP CRM modules: Cloud for Customer (C4C) and Configure Price Quote (CPQ). The platform made it easier to attract new customers and enter additional product segments in the markets where the Group operates. The deployment of the SAP CRM modules helped to control pricing policy and minimise the risk of incorrect information being provided.

During the year, SAP CRM modules were extended at Metinvest International, the Group's Swiss trading subsidiary, to enhance their functionality. In addition, Metinvest International started sales of iron ore products in the CRM system using the C4C and CPQ modules. The C4C module was also launched in Ukraine (Metinvest-SMC) and Western Europe. In 2021, Metinvest developed its Key Account Management Programme further, which helped to ensure a sustainable focus on product quality and the satisfaction of key customers.

Revenues by market

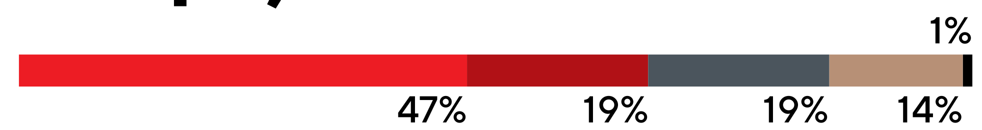
US$18,005 mn +72%

GRI 102-6



Europe[1]
US$6,495 mn +2.3x

Ukraine
US$4,735 mn +61%



MENA
US$3,005 mn +67%

CIS
US$1,170 mn +84%

Asia[1]
US$1,168 mn -20%

North America
US$919 mn +62%

Other regions
US$513 mn +2.7x

- Finished products
- Semi-finished products
- Iron ore products
- Coke and coal products
- Other products and services

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

In 2021, revenues in Ukraine climbed by 61% year-on-year to US$4,735 million, mainly because of higher average selling prices of steel and iron ore products. In addition, sales volumes of long and flat products increased by 11% and 3%, respectively, amid growth in domestic apparent rolled steel consumption. The share of Ukraine in consolidated revenues edged down by two percentage points to 26%.

Sales to other markets increased by 77% year-on-year to US$13,270 million in 2021, accounting for 74% of total revenues.

Sales to Europe grew by 2.3 times year-on-year, primarily amid higher steel and iron ore selling prices. In addition, shipments of iron ore, semi-finished and finished steel products surged by 42%, 41% and 30%, respectively. As a result, the region's share in overall revenues increased by nine percentage points to 36%.

Revenues from the Middle East and North Africa (MENA) rose by 67% year-on-year, mainly amid higher steel selling prices, as well as greater shipments of flat products (up 12%) and iron ore products (up 3.5 times). At the same time, the region's share in consolidated revenues remained unchanged at 17%.

Sales to the CIS increased by 84% year-on-year, mainly due to higher steel selling prices, as well as greater shipments of billets and flat products. The region's share in consolidated revenues remained unchanged at 6%.

Sales to Asia fell by 20% year-on-year because of lower deliveries of iron ore products (down 43%) and semi-finished and finished steel products (down 82%), primarily to China. This caused the region's share in consolidated revenues to decrease by eight percentage points to 6%.

Sales to North America increased by 62% year-on-year, attributable mainly to higher steel selling prices. At the same time, the region's share in consolidated revenues remained unchanged at 5%.

Sales in other regions rose by 2.7 times year-on-year, boosting their share in total revenues by one percentage point to 3%.

Revenues by product

Metallurgical segment

US$14,518 mn +77%

Pig iron
Sales of pig iron increased by 72% year-on-year to US$1,419 million, driven by a comparable rise in the average selling price. Shipments remained almost unchanged at 2,446 thousand tonnes, as lower resales were compensated by greater sales of in-house goods. As a result, the share of resales in total sales volumes fell by seven percentage points to 44%. Amid favourable market conditions in Europe, shipments to the region rose by 399 thousand tonnes. Meanwhile, there were lower deliveries to North America and no sales to Asia.

Slabs
Revenues from slabs rose by 40% year-on-year to US$1,258 million. This was driven by higher selling prices, which followed an increase of 81% in the slab FOB Black Sea benchmark. Sales volumes decreased by 22% to 1,698 thousand tonnes amid lower output. Shipments to Europe and other regions increased by 57 thousand tonnes and 141 thousand tonnes, while those to MENA and Asia dropped by 390 thousand tonnes and 252 thousand tonnes, respectively.

Billets
Sales of billets[2] climbed by 33% year-on-year to US$736 million because of higher selling prices, which followed a 53% increase in the square billet FOB Black Sea benchmark. Total sales volumes fell by 16% to 1,138 thousand tonnes, of which shipments of in-house goods totalled 352 thousand tonnes following the acquisition of production facilities in August 2021. Deliveries to MENA and Asia dropped by 328 thousand tonnes and 135 thousand tonnes, while those to the CIS, Europe and other regions increased by 72 thousand tonnes, 51 thousand tonnes and 108 thousand tonnes, respectively.

Flat products
Sales of flat products more than doubled year-on-year to US$8,261 million. This was primarily due to higher selling prices, which followed an 84% increase in the HRC FOB Black Sea benchmark. In addition, overall sales volumes rose by 13% to 8,737 thousand tonnes, mainly because of an increase of 930 thousand tonnes in shipments of in-house goods amid higher production. As a result, the share of resales in total volumes fell by four percentage points to 33%. Available volumes were redistributed among markets according to demand. Sales to Europe, MENA, the CIS and Ukraine rose by 974 thousand tonnes, 264 thousand tonnes, 77 thousand tonnes and 45 thousand tonnes, respectively, while those to Asia decreased by 392 thousand tonnes.

Long products
Sales of long products increased by 52% year-on-year to US$1,312 million because of higher selling prices, which followed the square billet FOB Black Sea benchmark. In addition, shipments edged up by 4% to 1,667 thousand tonnes due to a rise of 25% in sales volumes of in-house goods amid greater output. As a result, the share of resales in total sales volumes fell by 11 percentage points to 34% in 2021. Sales to Ukraine and Europe, key markets for these products, rose by 86 thousand tonnes and 47 thousand tonnes, respectively. At the same time, shipments to the CIS fell by 65 thousand tonnes.

Tubular products
Sales of tubular products soared by 48% year-on-year to US$123 million because of a higher average selling price. This was partly offset by a drop of 17% in shipments to 122 thousand tonnes.

Coke
Revenues from coke rose by 58% year-on-year to US$749 million, driven by a comparable increase in sales prices. Shipments fell by 11% to 1,910 thousand tonnes amid lower production.

Other
Sales of other products[2] and services increased by 37% year-on-year to US$660 million.

Mining segment

US$3,487 mn +55%

Iron ore concentrate
Revenues from iron ore concentrate rose by 25% year-on-year to US$1,748 million. This was driven by higher selling prices, in line with the 62% Fe iron ore fines CFR China benchmark trend. Shipments fell by 20% to 11,438 thousand tonnes, driven by lower merchant product output. Sales to Europe and MENA rose by 533 thousand tonnes and 638 thousand tonnes, respectively. Deliveries to Ukraine and Asia fell by 1,050 thousand tonnes and 2,903 thousand tonnes, respectively.

Pellets
Revenues from pellets soared by 94% year-on-year to US$1,245 million amid higher selling prices, which followed a worldwide increase in pellet premiums. In addition, shipments climbed by 13% to 5,729 thousand tonnes as a result of greater output. Deliveries to Europe and MENA rose by 869 thousand tonnes and 472 thousand tonnes, respectively. Supplies to Ukraine and Asia fell by 113 thousand tonnes and 551 thousand tonnes, respectively.

Coking coal concentrate
Revenues from coking coal concentrate tripled year-on-year to US$304 million. This was due to price growth in line with benchmark and an increase in shipments by 2.1 times to 1,617 thousand tonnes following the consolidation of Pokrovske Coal. Volumes were distributed mainly to Ukraine, Asia, Europe and North America.

Other
Sales of other products and services rose by 73% year-on-year to US$190 million.

[2] Starting 2020, revenues from sales of square billets and other products and services have been revised to include round billets in billets.

NET OPERATING COSTS

In 2021, net operating costs[3] increased by 38% year-on-year to US$13,114 million, driven by several factors.

The cost of goods and services for resale climbed by US$1,653 million, primarily as a result of stronger purchase prices of steel products following increases in benchmarks. Spending on energy materials rose by US$770 million, mainly due to higher prices of natural gas (up 2.9 times year-on-year) and electricity (up 31% year-on-year).

Spending on raw materials increased by US$415 million amid elevated market prices, increased consumption due to greater production, and the consolidation of steel production facilities in Kamianske. This was partly compensated by other factors, including improved self-sufficiency in coking coal following the consolidation of Pokrovske Coal.

Labour costs[4] grew by US$274 million due to recent merger and acquisition activity, as well as a pay rise for production and administrative personnel in Ukraine. Depreciation and amortisation (D&A) expenses climbed by US$163 million, primarily because of the consolidation of new assets. Expenses on goods transportation services rose by US$122 million amid higher railway costs and increased freight rates globally.

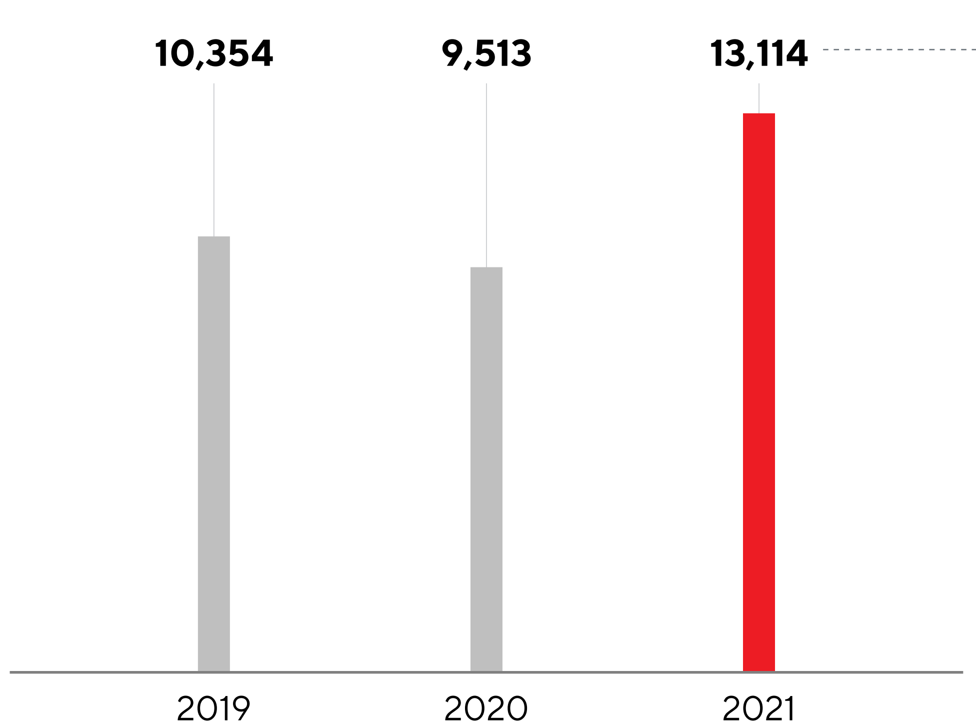
There was a loss from revaluation of financial instruments and an option of US$89 million, compared with a gain of US$74 million a year ago. Other costs also rose by US$234 million.

These drivers were partly compensated by a decrease in net operating foreign exchange losses of US$132 million, mainly due to the revaluation of outstanding accounts payable balances and intragroup dividends receivable. Also, there was a gain from a revaluation of shares in associates of US$61 million following the consolidation of Pokrovske Coal in March 2021.

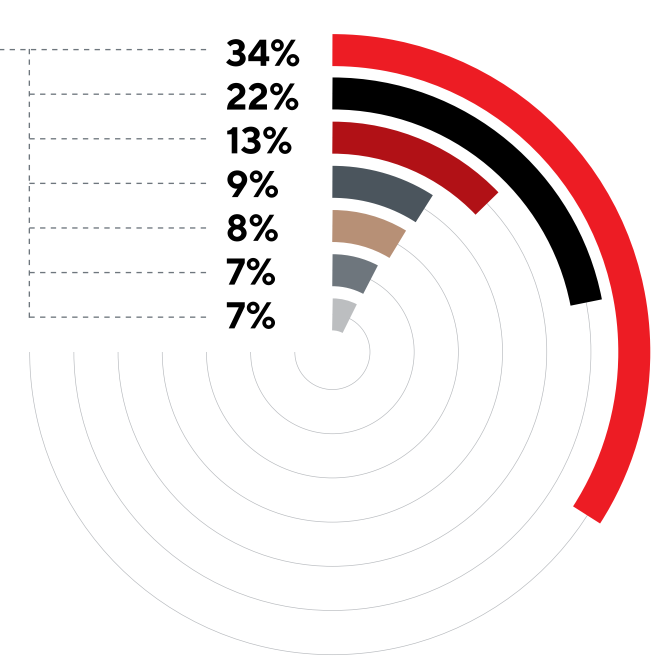
As a percentage of consolidated revenues, net operating costs fell by 18 percentage points year-on-year to 73%.

Net operating costs

US$13,114 mn +38%



Net operating costs by category in 2021



REVERSAL OF IMPAIRMENT OF FINANCIAL ASSETS

In 2021, the reversal of impairment of financial assets was US$42 million, mainly due to the settlement of previously impaired debts from a key customer. This compares with the impairment of financial assets of US$93 million in 2020, which accounted for 1% of consolidated revenues that year and was one percentage point higher than in 2021.

OPERATING PROFIT

In 2021, operating profit reached US$4,933 million, compared with US$847 million in 2020. The increase was primarily driven by higher revenues, as well as the reversal of impairment of financial assets. This was partly offset by greater net operating costs.

The operating margin climbed by 19 percentage points to 27%.

FINANCE INCOME

In 2021, finance income increased by 3.5 times year-on-year to US$212 million because of two factors. First, foreign exchange gains from financing activities totalled US$97 million (nil in 2020). Second, income from derecognition of the guarantee issued in exchange for the option to purchase the remaining 75.22% in Pokrovske Coal amounted to US$77 million, as the Group settled it during the reporting period.

As a percentage of consolidated revenues, finance income was unchanged at 1%.

FINANCE COSTS

In 2021, finance costs halved year-on-year to US$280 million, as there were no foreign exchange losses from financing activities during the reporting period. In addition, interest expenses fell by 7% to US$165 million.

As a percentage of consolidated revenues, finance costs decreased by three percentage points to 2%.

SHARE OF RESULT OF ASSOCIATES AND JOINT VENTURES

In 2021, Metinvest's share in net income of its associates and joint ventures nearly tripled year-on-year to US$799 million, primarily as a result of greater contributions from both joint ventures.

INCOME TAX EXPENSE

In 2021, the income tax expense amounted to US$899 million, up nearly seven times year-on-year, due to the Group's improved profitability. The effective tax rate, calculated as total income tax divided by profit before tax, remained unchanged year-on-year at 16%.

NET PROFIT

In 2021, net profit reached US$4,765 million, compared with US$526 million in 2020. This was due to higher revenues, greater contribution from associates and joint ventures, decreased finance costs, increased finance income and a reversal in impairment of financial assets (compared with their impairment a year earlier). These factors were partly offset by higher net operating costs and greater income tax expense.

The net profit margin amounted to 26%, up 21 percentage points year-on-year.

[3] Net operating costs (excluding items shown separately) are presented without the effects of operational improvements. 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. The data for 2019 has been adjusted to add back the impairment of property, plant and equipment to ensure comparability with the data for 2020 and 2021.
[4] Labour costs include wages and salaries, as well as pension and social security costs.

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.

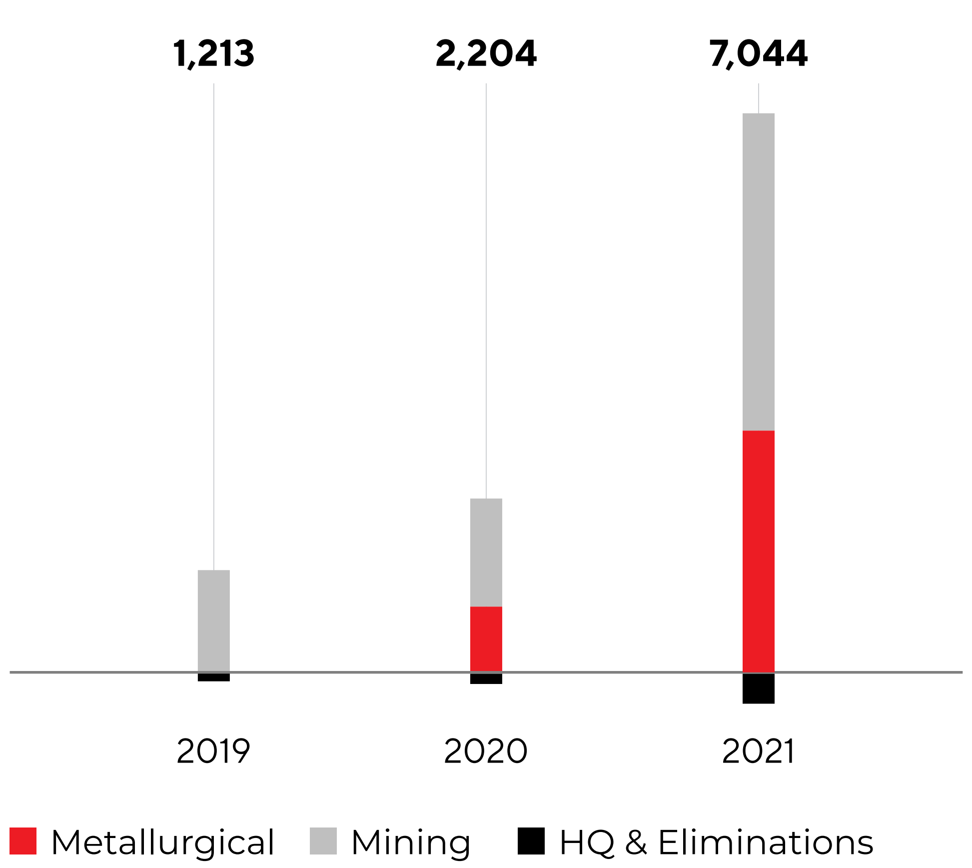
These factors were partly offset by:

- 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.

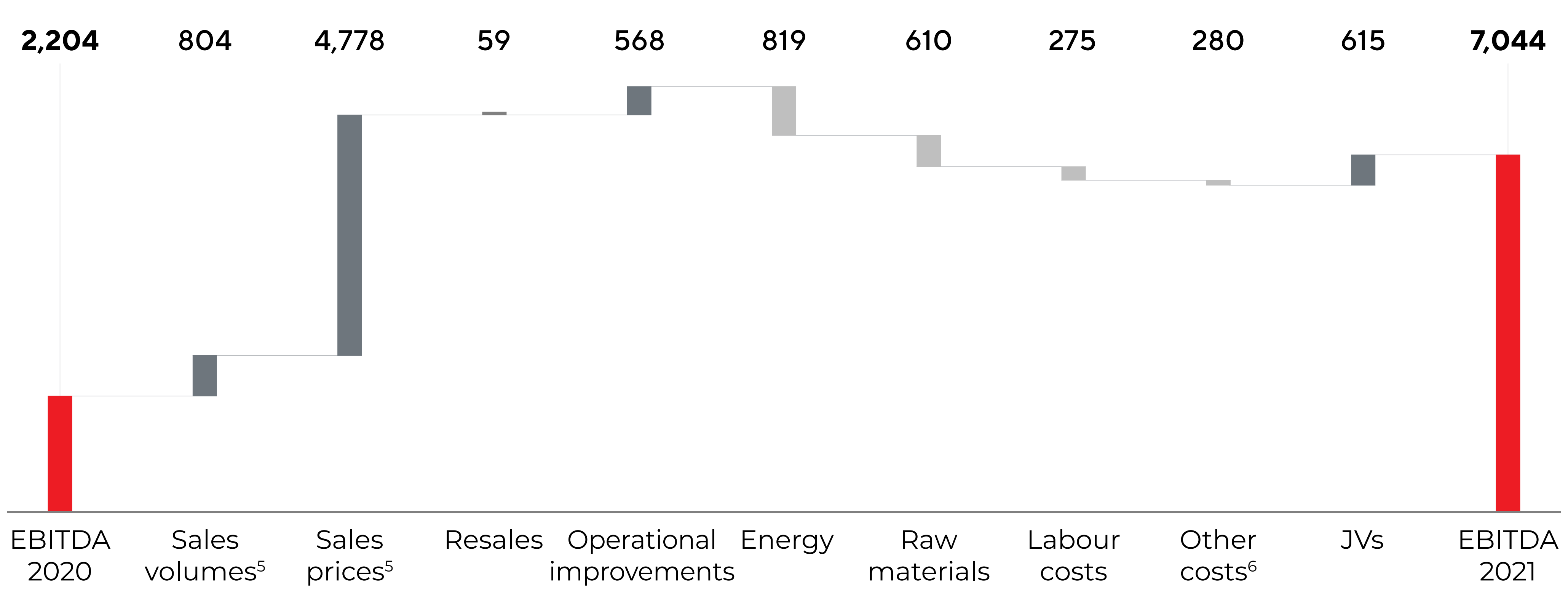
[5] Net of resales.
[6] Other costs include logistics, forex, fixed costs (excluding labour costs) and other expenses. They are presented net of resales.

EBITDA by segment

US$7,044 mn +3.2x



EBITDA drivers (US$ mn)



OPERATIONAL IMPROVEMENTS

A COMPLEX UNDERTAKING

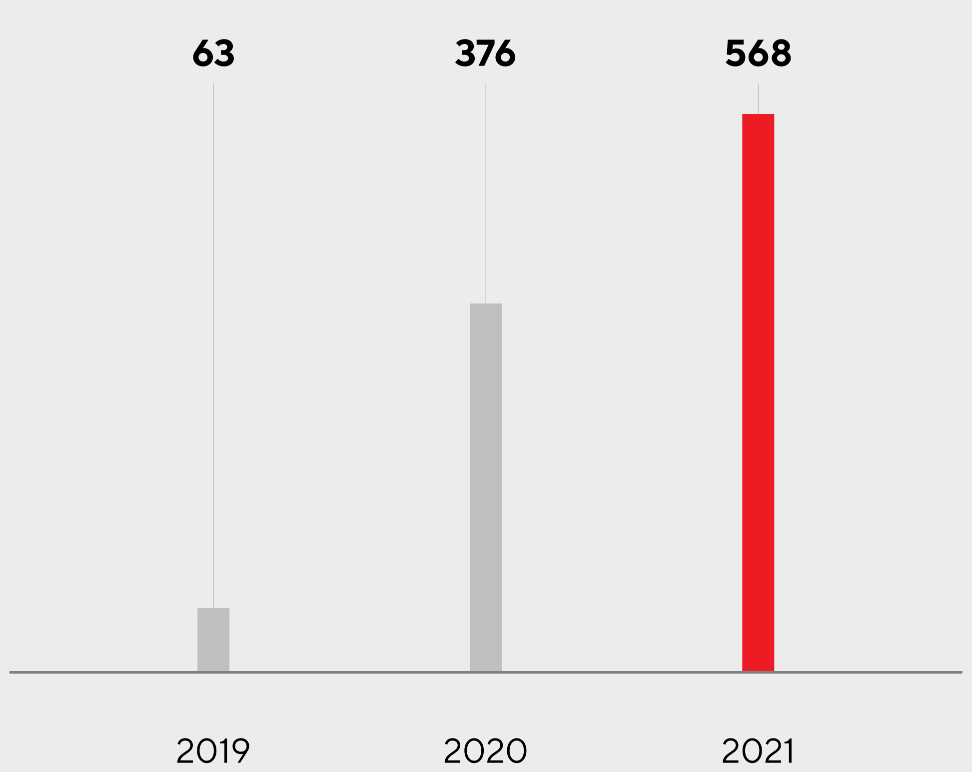
In 2021, the Group delivered strong operational improvements. It achieved these results through numerous initiatives, both small and large.

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.

Effect of operational improvements

US$568 mn +51%



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

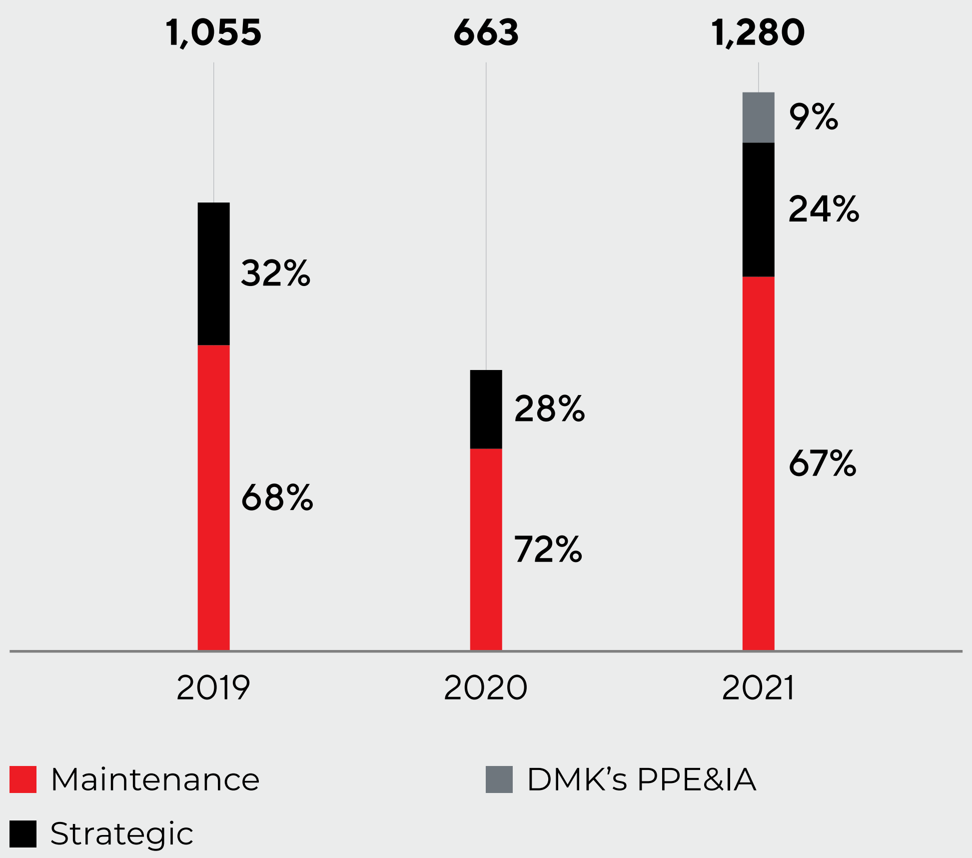
A BALANCED MIX

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).

DELEVERAGING

AN EXERCISE IN PRUDENCE

Metinvest's financial performance in 2021 made it possible to undertake a series of significant deleveraging exercises. As a result, the Group decreased its total debt to US$2,242 million as of 31 December 2021.

During the reporting period, Metinvest's most significant deleveraging move was to restructure both debt facilities of Pokrovske Coal. The interest rates were significantly decreased in line with newly agreed repayment schedules. Given an early repayment option, most of the debt was repaid ahead of schedule.

Metinvest also repurchased US$277 million of its bonds, including US$135 million of bonds due in 2023 and US$142 million of bonds due in 2026, and promptly cancelled them afterwards.

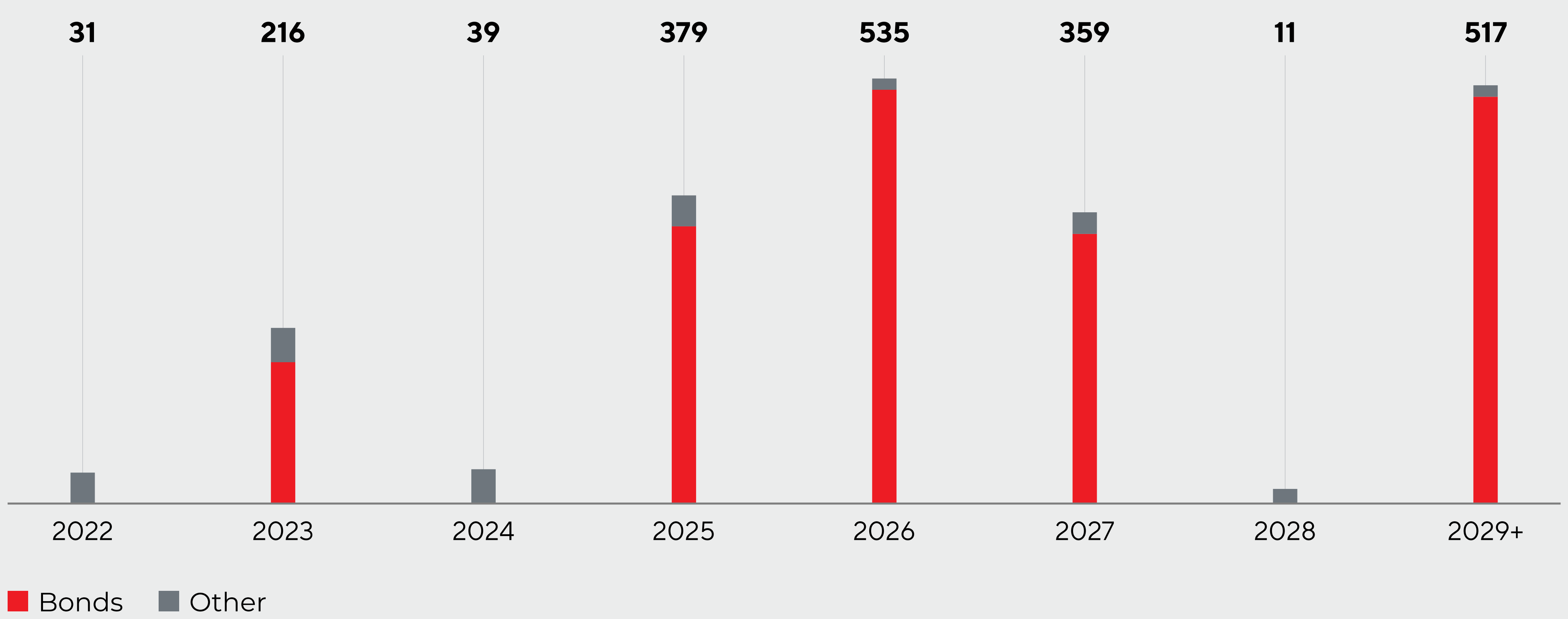
During the year, the Group repaid the PXF facility in full, made repayments on several other bank loans and lease liabilities, and reduced the use of trade finance.

International credit rating agencies improved their assessments of the Group's creditworthiness in 2021. Fitch affirmed its credit rating for Metinvest at 'BB-' while revising the outlook to 'stable' from 'negative'. S&P upgraded its credit rating for the Group to 'B+' from 'B', the outlook 'stable'. Following the Russian invasion of Ukraine, Moody's and Fitch revised their credit ratings for Metinvest downwards, while S&P suspended its ratings for Metinvest and its bonds amid the agency's reduced visibility on the Group's operations.

[9] Debt resulting from the consolidation of Pokrovske Coal in March 2021, other bank loans and other lease liabilities.

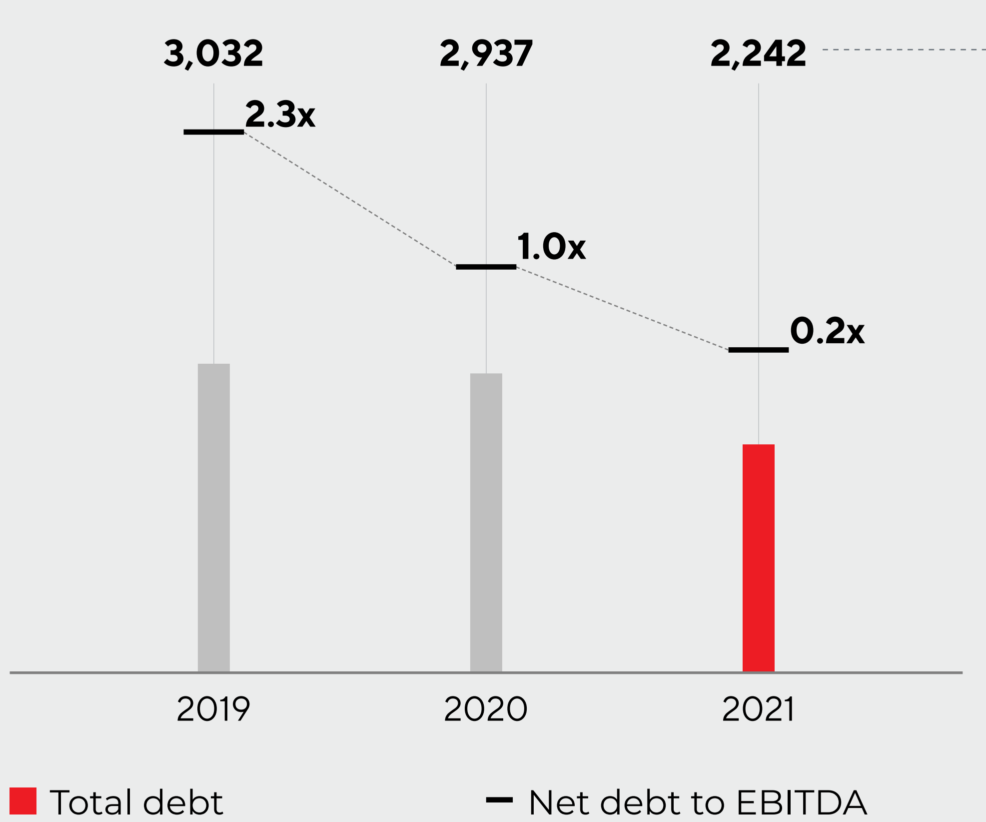
[10] Excluding trade finance and lease liability under IFRS 16. Presented amounts of scheduled instalments include principal only (without accrued interest, fees, commissions and discounts).

Corporate debt maturity as of 31 December 2021 (US$ mn)[10]



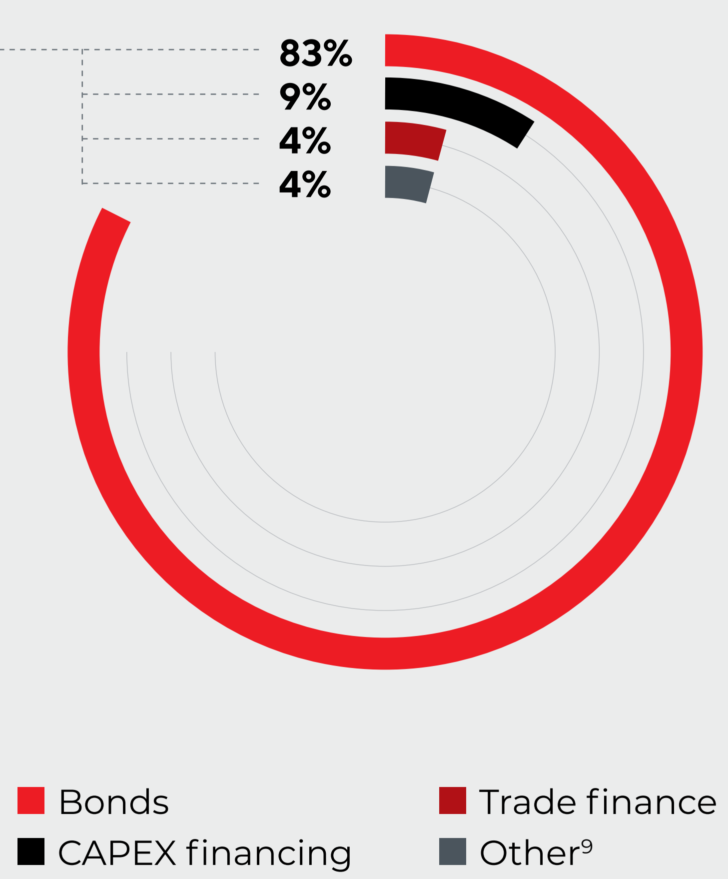
Debt portfolio metrics

US$2,242 mn -24%



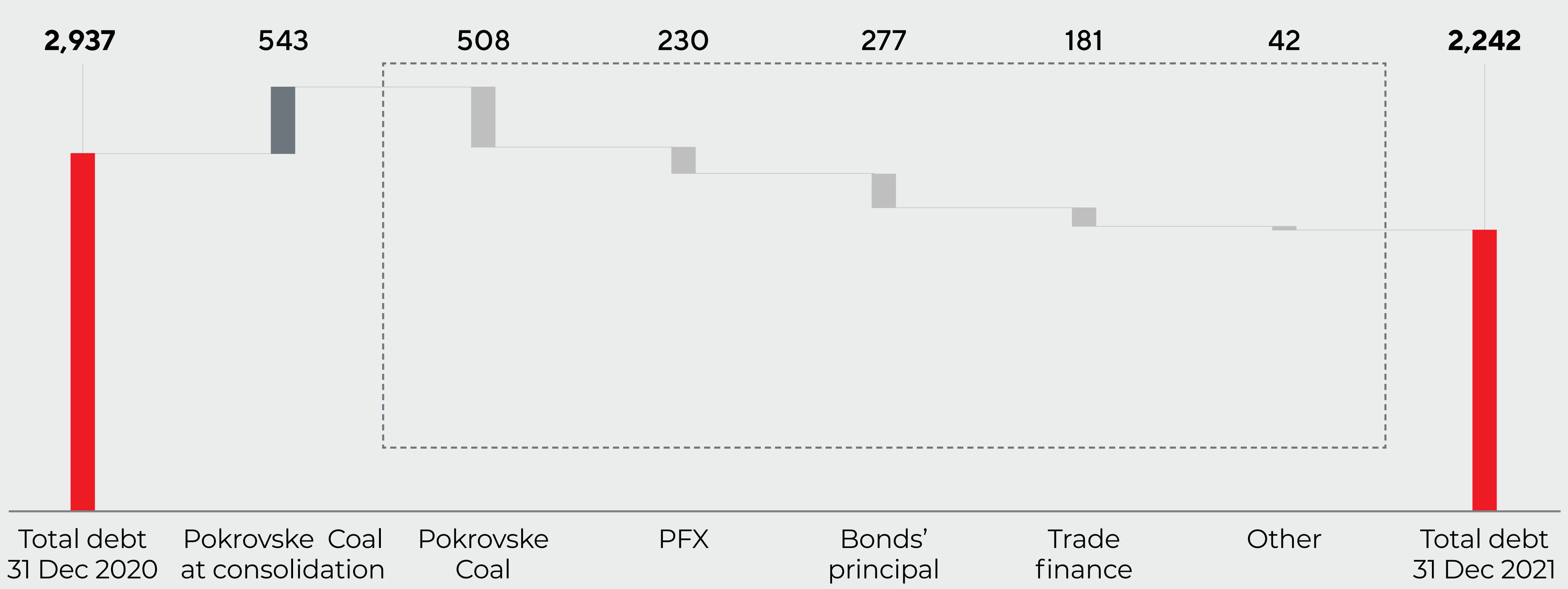
Total debt by instrument

83% **public debt**



Total debt decrease in 2021

US$1,238 mn **of deleveraging**



DIGITAL REVIEW

A CONSISTENT TRANSFORMATION

Metinvest has maintained a focus on the digital transformation of its business in recent years. In 2021, the Group continued to implement its digital roadmap and launched a number of advanced technological solutions.

DIGITAL ROADMAP

Metinvest's digital roadmap was developed in 2020 as a long-term programme designed to achieve a full-scale strategic transformation. It aims to create additional value and improve the efficiency of processes through the comprehensive integration of digital, cutting-edge technology in all business functions.

The digital transformation of Metinvest, supported by Metinvest Digital, covers all key functions, such as production, sales, supply chain, human resources, finance and legal, among many others. The process starts with defining the requirements of the business, after which initiatives and projects are developed, followed by implementation and support.

Key initiatives of the digital roadmap in the reporting period included the following:

Production. Automation of planning processes of production facilities incorporating a full range of actual data to improve the efficiency of operations and decision making; development of the Digital GOK programme (for more details, see the next page)

Sales. Further progress in the implementation of the SAP-based CRM system, which was extended to Metinvest's trading companies in Ukraine and Western Europe

Logistics. Enhancement of logistical efficiency

Procurement. Automation of the inventory management process throughout the product life cycle

Repairs. Automation of repair and maintenance processes and development of a target data transfer architecture for energy consumption accounting

Quality. Centralisation of digital product quality control and monitoring of production and technological parameters to accelerate decision making and improve product quality

Services. Automation of operational planning for service facilities incorporating a full range of actual data to improve the efficiency of resource allocation for people and equipment

HR. Roll out of SAP HR solutions; development and implementation of a single digital workplace (for more details, see Metapolis on the next page)

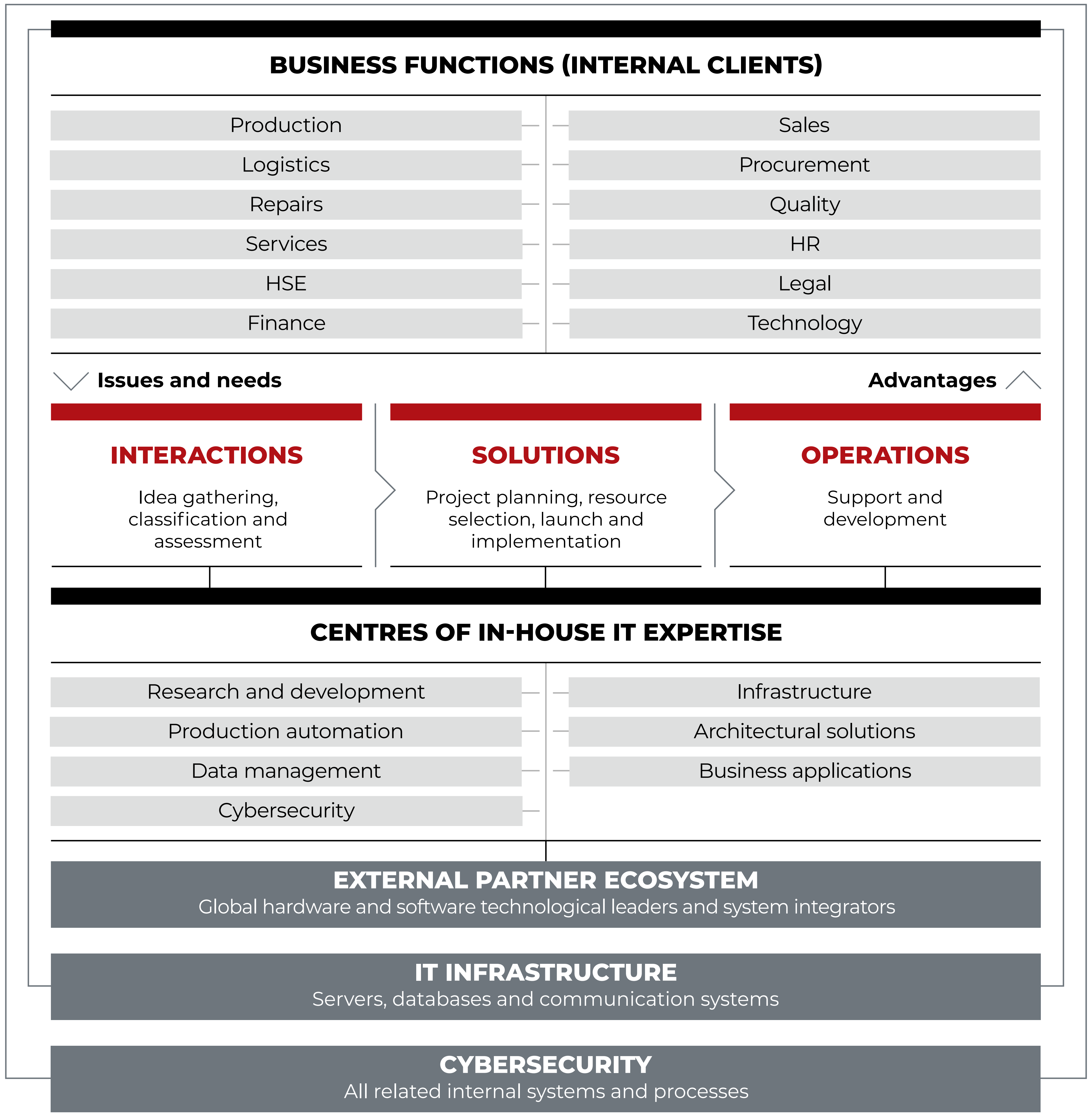
HSE. Automation of safety incident recording and safe employee positioning on site

Legal. Optimisation of the contract management process and automation of land asset management

Finance. Creation of a single information space for the Group's source data and overall enhancement of internal controls

Technology. Automation of various project management and related processes

Digital transformation model



Digital GOK
In 2021, Metinvest continued to implement its Digital GOK programme, aiming to achieve the comprehensive digital transformation of its iron ore assets. During the reporting period, the Group launched the programme's initial pilot projects.

To increase the efficiency of mining and haulage equipment, Metinvest began the implementation of an automated mining and transportation control pilot project, called the Digital Open Pit Mine at Ingulets GOK.

The pilot enabled the remote control, or fully unmanned operation, of 36 excavators, 57 dump trucks, 14 drilling rigs, 21 locomotives and 35 units of auxiliary equipment in the open pit mining fleet.

In 2021, to increase productivity and reduce electricity consumption, the Group worked to develop ten parameters for automated management and over 400 points of control for the Group's iron ore beneficiation plants at Northern GOK and Ingulets GOK.

The introduction of online quality monitoring systems will make it possible to optimise the iron ore enrichment process.

Metapolis
In 2021, Metinvest launched the Metapolis digital workplace, an interactive environment offering 45 corporate client service systems through a 'one-window' approach that can be used on both authorised corporate service devices and personal ones.

It is designed to enable any employee of the Group to fully access business systems, corporate knowledge, communications and internal services, regardless of the position they hold or where they are located.

Metapolis is the solution available through a web and mobile interface.

In December 2021, nearly 2,800 employees were integrated in the Metapolis system at the first two assets: Metinvest Business Services and Central GOK. The rollout continues across the Group's SAP system.

INFORMATION SECURITY
Metinvest takes a comprehensive approach to enhancing its information security measures. The Group is guided by recognised industry standards on information security, such as ISO 27001, NIST 800-53, ISO 27002, ISO 27701 and ISO 27017.

Metinvest also adheres to applicable laws on the collection, use and protection of personal data, including the General Data Protection Regulation (GDPR). The main provisions for protecting confidential information and personal data are set out in the Group's Privacy Policy Statement.

In 2021, the Group continued to ensure multi-layered protection of IT infrastructure through the application of modern solutions to protect the perimeter and track internal activity.

The cybersecurity centre is the core component of Metinvest's information security management system. The centre monitors the Group's IT infrastructure and production processes, preventing cyberattacks and coordinating the work of IT departments during incidents.

In 2021, Metinvest continued to enhance controls on cybersecurity and data protection. This helped to process cybersecurity incidents, detect access control violations and prevent information leaks.

In the reporting period, Metinvest Digital was one of the winners at National Cybersecurity Preparedness: Grid Netwars, a cybersecurity exercise conducted by the National Cybersecurity Coordinating Centre, which is part of Ukraine's National Security and Defence Council. The event was held in Ukraine for the first time and involved 49 teams of cybersecurity professionals working to repel simulated cyberattacks.

WAR IMPACT
Since the start of the war, Metinvest has focused its digital efforts on the provision of operational support to the business by ensuring high-level fault tolerance of the IT infrastructure and uninterrupted operation of IT services, supporting end users, and enhancing information security and cybersecurity practices across the Group.

The project portfolio has been revised to accommodate this shift in focus, while the priority of cybersecurity tasks has increased because of the war. In addition, Metinvest has prioritised flexibility, mobility and responsiveness for end users.