

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.

STRENGTHENING 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 largest¹ 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 companies².

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.

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 tonnes⁴. 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.

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 9001⁶.

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 Tramet, Northern GOK, Promet Steel, Spartan UK, Unisteel, Zaporizhia Coke and Zaporizhia Refractories.

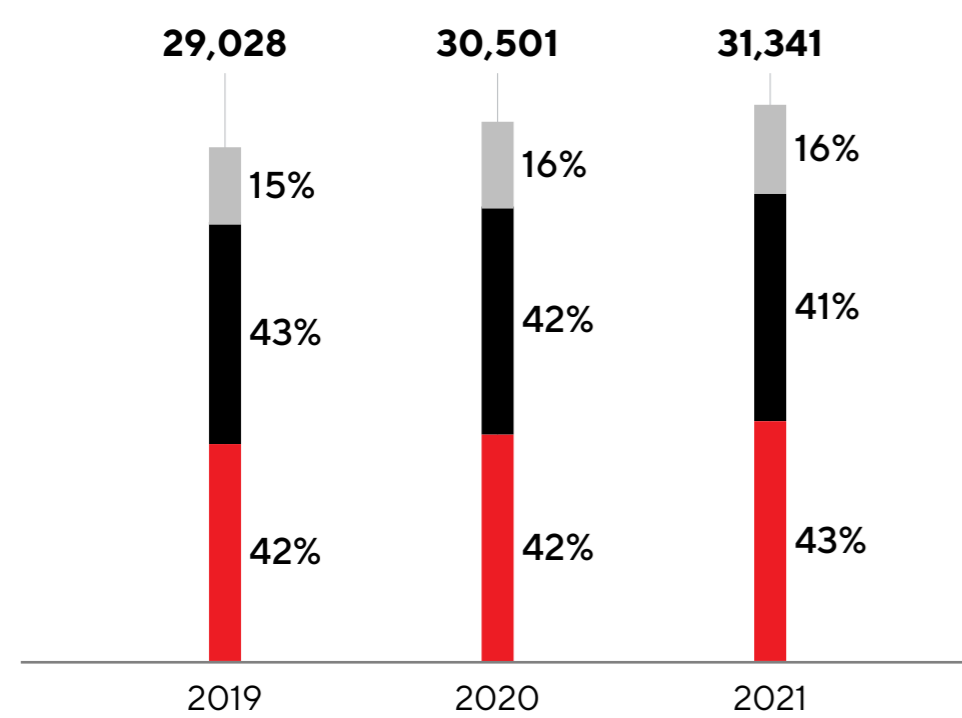
³ Calculated as actual iron ore concentrate production divided by actual consumption of iron ore products to produce hot metal.

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.

Iron ore concentrate production

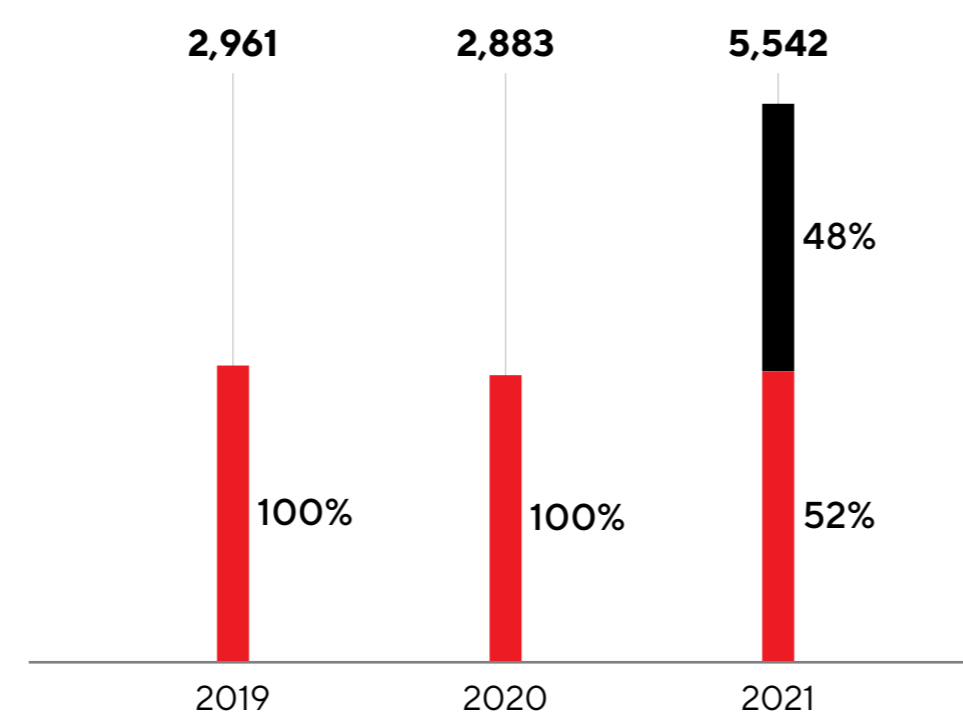
31,341 kt +3%



■ Northern GOK ■ Ingulets GOK ■ Central GOK

Coking coal concentrate production

5,542 kt +92%



■ United Coal ■ Pokrovske Coal

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.

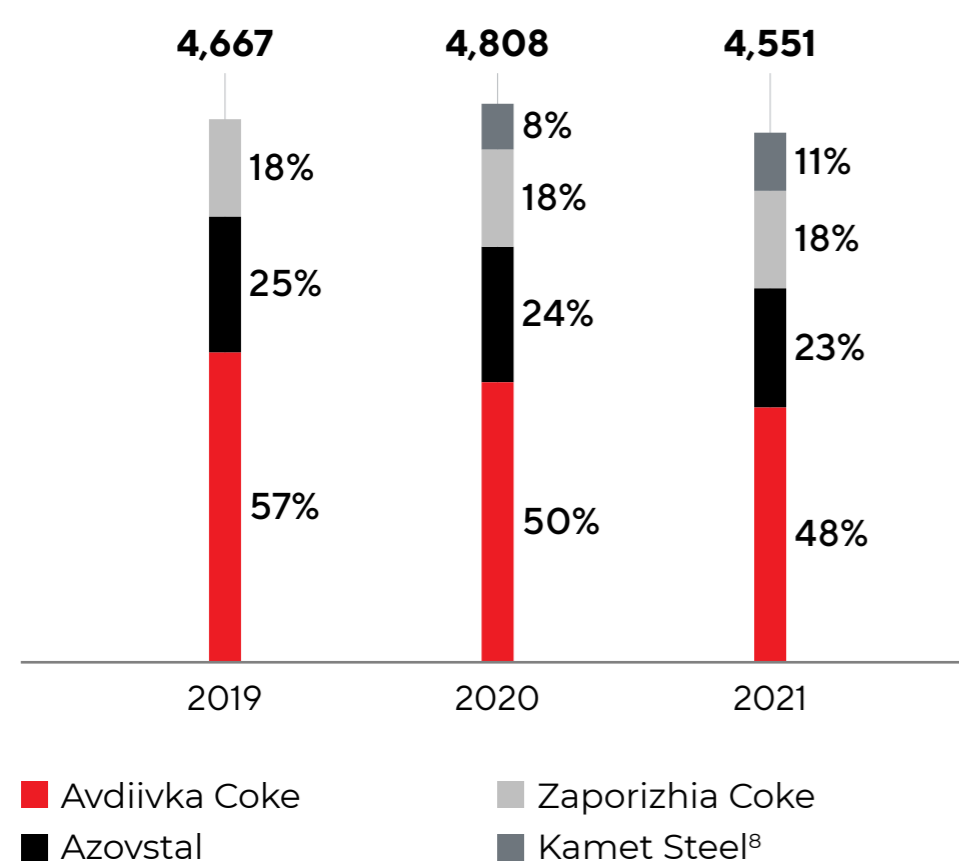
The Group's production of dry blast furnace coke fell by 5% year-on-year to 4,551 thousand tonnes. Output fell at Avdiivka Coke by 9% and at Azovstal by 11% amid a shortage of raw materials in the second half of the year. Meanwhile, the effect of the consolidation of Kamet Steel's production since April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

In 2021, Metinvest's self-sufficiency in coke⁷ 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 Europe⁹. 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 Trameal 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 products¹⁰
- 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).

NEW PRODUCTS IN 2021

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

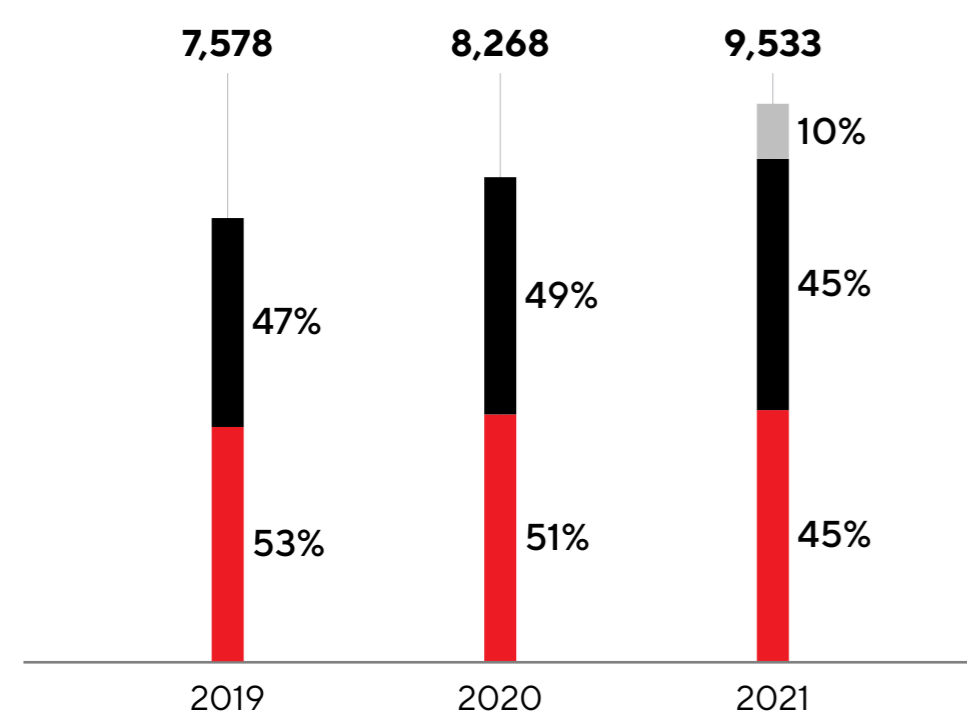
In 2021, the Group's research and development efforts allowed it to introduce 47 new steel products to the European and US markets.

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.

Crude steel production

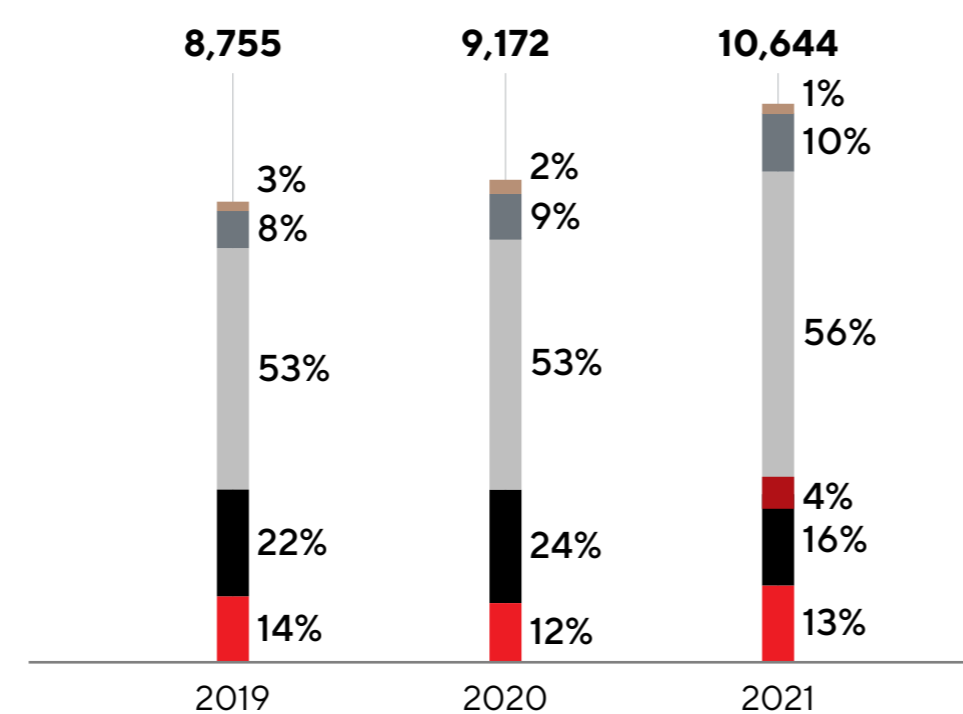
9,533 kt +15%



■ Azovstal ■ Kamet Steel
■ Ilyich Steel

Pig iron and steel product output

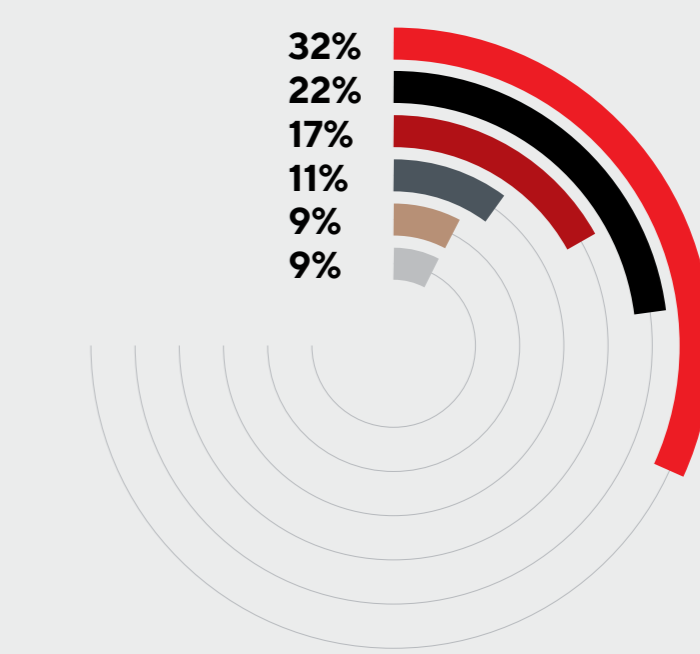
10,644 kt +16%



■ Pig iron ■ Slabs ■ Billets ■ Flat products ■ Long products ■ Rails and pipes

New steel products in 2021

47 items



■ Hot-rolled plates ■ Shapes and bars
■ Semi-finished products ■ Cold-rolled coils
■ Hot-rolled coils ■ Galvanised coils

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.