FINANCIAL REVIEW

A RESILIENT PERFORMANCE

Over previous years, Metinvest developed an endurance reserve that proved its worth in 2022. Despite the challenges faced since the start of the full-scale invasion, the Group was able to deliver a resilient financial performance.

ENDURANCE RESERVE

Since the start of Russia's hybrid aggression against Ukraine in 2014, Metinvest was able not only to recover from disruption and the loss of control over certain assets, but also to deliver a consistently positive performance in the following years.

During this time, the Group strengthened its business model, deepened vertical integration and diversified its asset base. It has undertaken strategic acquisitions, including Pokrovske Coal and Kamet Steel, enhancing the raw material base and product range. It has also invested consistently in value-accretive CAPEX.

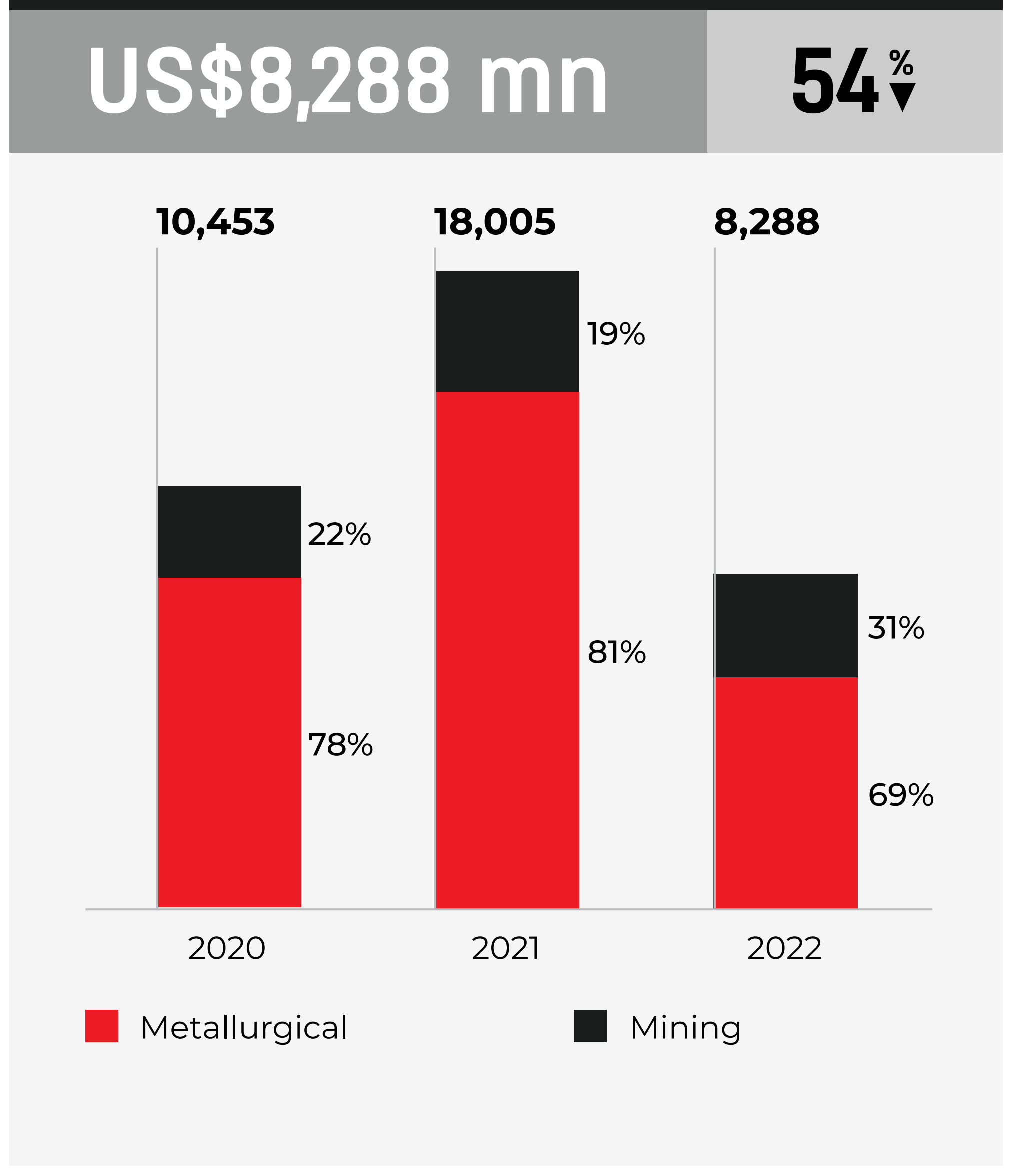
At the same time, Metinvest has pursued a prudent approach towards deleveraging, smoothing the maturity profile and supporting a healthy balance sheet. A focus on operational improvements saw significant efficiencies achieved in recent years, while also strengthening the business throughout the value chain.

Importantly, the Group retained an experienced team and built out the global sales network.

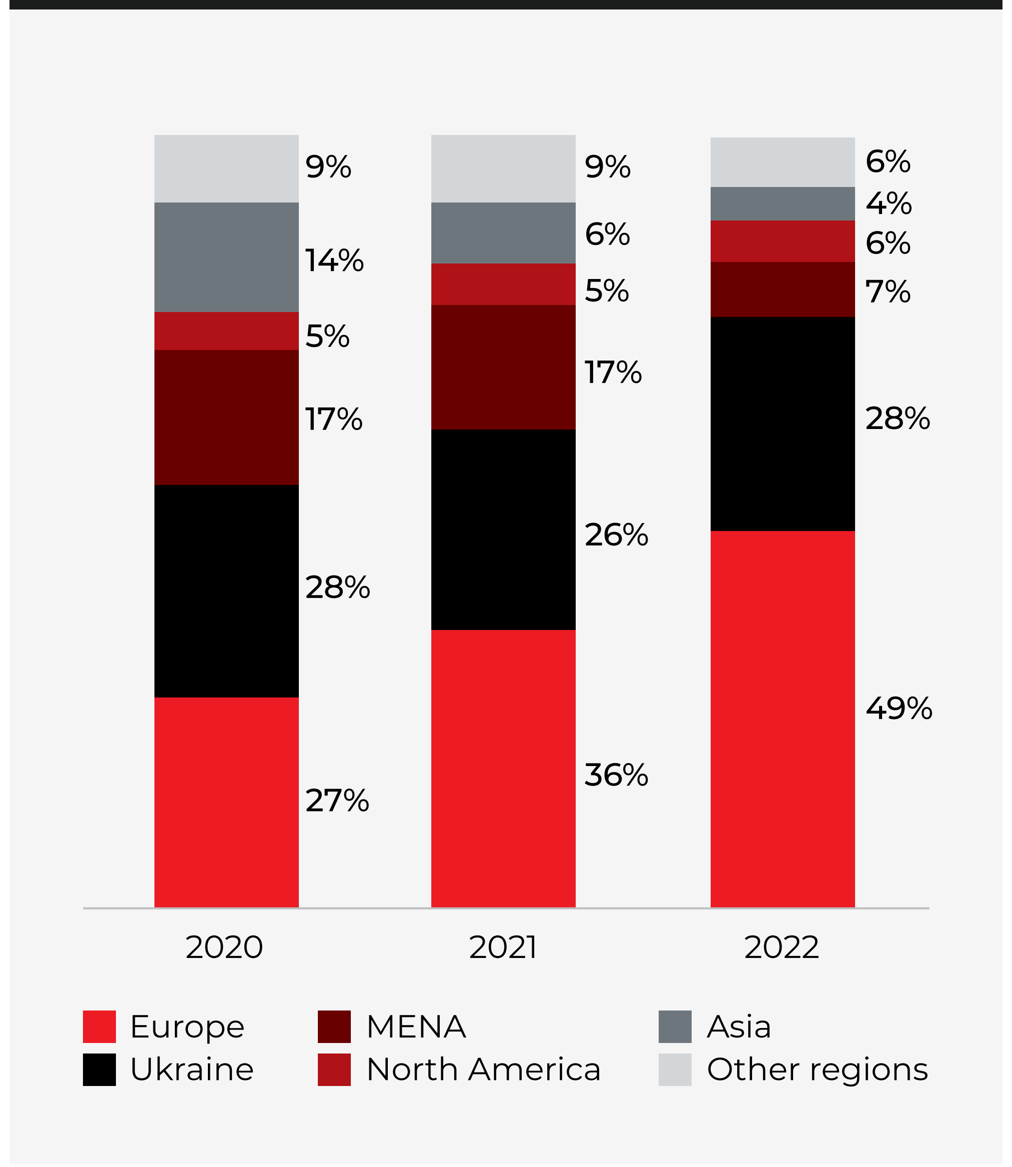
All these factors contributed to the endurance reserve that has not only allowed Metinvest wherever possible to withstand operational and logistical disruptions, but also to adapt its Ukrainian and international operations to overcome major challenges and pursue new opportunities.

	Unit	2018	2019	2020	2021	2022
FINANCIAL RESULTS						
Revenues	US$ mn	**11,880**	**10,757**	**10,453**	**18,005**	**8,288**
Metallurgical segment	US$ mn	10,064	8,688	8,200	14,518	5,716
Mining segment	US$ mn	1,816	2,069	2,253	3,487	2,572
Adjusted EBITDA	US$ mn	**2,513**	**1,213**	**2,204**	**7,044**	**1,873**
Metallurgical segment	US$ mn	1,291	-107	890	3,257	267
Mining segment	US$ mn	1,268	1,343	1,448	4,214	1,547
EBITDA margin	%	**21%**	**11%**	**21%**	**39%**	**23%**
Metallurgical segment	%	13%	-1%	11%	22%	5%
Mining segment	%	41%	40%	46%	67%	45%
CAPEX	US$ mn	**898**	**1,055**	**663**	**1,280**	**354**
Metallurgical segment	US$ mn	513	519	332	689	99
Mining segment	US$ mn	366	510	313	530	244
Total debt	US$ mn	**2,743**	**3,032**	**2,937**	**2,242**	**2,077**
Net debt	US$ mn	**2,463**	**2,758**	**2,111**	**1,076**	**1,728**
OPERATIONAL RESULTS						
Crude steel	kt	**7,323**	**7,578**	**8,268**	**9,533**	**2,918**
Iron ore concentrate	kt	**27,353**	**29,028**	**30,501**	**31,341**	**10,712**
Coking coal concentrate	kt	**2,683**	**2,961**	**2,883**	**5,542**	**4,959**

Revenues by segment



Revenues by market, %



REVENUES

GRI 2-6; 3-3

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 2022, Metinvest's consolidated revenues amounted to US$8,288 million, down 54% year-on-year. This was driven by a slump in sales volumes due to the Russian Aggression: deliveries of semi-finished, finished steel and iron ore products dropped by 70%, 61% and 53%, respectively.

Moreover, iron ore selling prices declined, in line with the global benchmark. That was slightly compensated by higher selling prices of steel products, coking coal and coke, which followed their benchmarks, as well as a 2.1 times increase in shipments of coking coal concentrate to external customers. The latter resulted from a redirection of volumes from United Coal and Pokrovske Coal to third-party sales amid lower intragroup consumption.

During the reporting period, Metinvest sold 5,684 thousand tonnes of pig iron and steel products, of which 3,800 thousand tonnes were manufactured in-house and 1,884 thousand tonnes were purchased from third parties. This compared with a total of 15,808 thousand tonnes of pig iron and steel product sales in 2021, of which 10,641 thousand tonnes were made in-house and 5,347 thousand tonnes came from third parties.

Overall, revenues from resales totalled US$1,787 million in 2022, down 63% year-on-year. They accounted for 22% of the top line, down five percentage points year-on-year.

REVENUES BY MARKET

Product availability, logistical disruptions in Ukraine and regional demand have impacted the Group's sales geography.

In 2022, sales in Ukraine decreased by 51% year-on-year to US$2,301 million, while the country's share in consolidated revenues increased by two percentage points to 28%.

Sales to other markets fell by 55% year-on-year to US$5,987 million in the reporting period, accounting for 72% of overall revenues. In particular, sales to Europe[1] fell by 37% year-on-year, primarily because of a decline in sales volumes of flat products by 55%, slabs by 88% and pig iron by 71%. At the same time, the region's share in overall revenues increased by 13 percentage points to 49%.

Revenues from the Middle East and North Africa (MENA) decreased by 79% year-on-year, mainly amid declines in shipments of flat products by 80%, slabs by 90%, pig iron by 79%, billets by 66% and iron ore products by 80%. This reduced the region's share in overall revenues by ten percentage points to 7%.

Sales to North America fell by 47% year-on-year, mainly because of a 64% decrease in sales volumes of pig iron. At the same time, the region's share in consolidated revenues increased by one percentage point to 6%.

Revenues from Asia[1] fell by 72% year-on-year, mainly amid a 45% drop in shipments of iron ore concentrate and zero pellet sales. This reduced the region's share in consolidated revenues by two percentage points to 4%.

Sales to the CIS decreased by 81% year-on-year, mainly because the Group stopped trading with Russia and Belarus.

Revenues from other regions fell by 53% year-on-year, while their share in total revenues was unchanged at 3%.

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

REVENUES BY PRODUCT

Metallurgical segment

US$5,716 mn **61%▼**

In the reporting period, the segment accounted for 69% of the overall top line, down 12 percentage points year-on-year.

Pig iron

In 2022, sales of pig iron declined by 67% year-on-year to US$464 million. This was primarily due to a decrease in shipments to 812 thousand tonnes, as deliveries of in-house goods fell by 1,164 thousand tonnes, mainly amid lower production and reduced resales. Shipments to all markets fell, the most significant decreases being of 906 thousand tonnes to North America, 472 thousand tonnes to Europe and 229 thousand tonnes to MENA. As a result, these regions respectively accounted for 63%, 23% and 7% of overall shipments in 2022, compared with 58%, 27% and 12% a year earlier. The share of resales in total sales volumes rose by 31 percentage points year-on-year to 75%.

Slabs

Sales of slabs fell by 90% year-on-year to US$126 million in the reporting period, driven by a comparable decrease in sales volumes to 170 thousand tonnes amid zero production and practically no sales starting from late February 2022.

Billets

In 2022, sales of billets fell by 43% year-on-year to US$423 million, driven by lower deliveries, which dropped by 49% to 581 thousand tonnes. Due to logistical constraints, available volumes were sold primarily to nearby markets. Shipments to Europe increased by 240 thousand tonnes year-on-year, accounting for 56% of overall shipments in 2022 and 7% in 2021, thanks to its geographical proximity and the availability of direct rail routes. Meanwhile, deliveries to MENA fell by 287 thousand tonnes year-on-year, making up 26% of shipments in 2022 compared with 39% in 2021, amid the ongoing inaccessibility of Ukrainian Black Sea ports. For the same reason, sales to other regions fell by 381 thousand tonnes. The average selling price increased year-on-year, following the dynamics of the benchmark.

Flat products

In 2022, sales of flat products decreased by 63% year-on-year to US$3,017 million, mainly driven by lower shipments. Overall sales volumes fell by 65% to 3,023 thousand tonnes year-on-year. The latter was primarily because of fewer shipments of in-house goods, which fell by 3,996 thousand tonnes, and a decrease in resales of 1,718 thousand tonnes. The share of resales in total volumes rose by six percentage points year-on-year to 39%. Sales to Europe fell by 2,093 thousand tonnes year-on-year. The region's share in overall sales volumes totalled 56%, compared with 43% in 2021. Shipments to MENA fell by 1,926 thousand tonnes, decreasing their share in total shipments to 16%, compared with 27% in 2021. Deliveries inside Ukraine declined by 766 thousand tonnes, as local demand plummeted. The region's share in overall sales volumes totalled 22%, compared with 18% in 2021.

Long products

Sales of long products fell by 30% year-on-year to US$915 million in 2022. This was a result of lower shipments, which declined by 36% to 1,073 thousand tonnes, mainly because of lower output at the Bulgarian re-roller amid logistical constraints in Ukraine, and the lack of production at Azovstal. Shipments to Ukraine and Europe respectively fell by 488 thousand tonnes and 10 thousand tonnes, accounting for 38% and 58% of total sales volumes, compared with 54% and 38% in 2021. This was partly compensated by higher selling prices, which followed the benchmark.

Tubular products

In 2022, sales of tubular products fell by 79% year-on-year to US$26 million, caused by lower sales volumes due to the lack of production from Ilyich Steel.

Coke

Sales of coke declined by 46% year-on-year to US$402 million in 2022. This was driven by a 53% decrease in sales volumes amid lower output, which was partly compensated by higher selling prices.

Mining segment

US$2,572 mn **26%▼**

The segment accounted for 31% of the overall top line, up 12 percentage points year-on-year.

Iron ore concentrate

Sales of merchant iron ore concentrate decreased by 61% year-on-year to US$684 million in 2022 as a result of a decline in sales volumes and lower selling prices, which followed the benchmark. Sales volumes fell by 57% to 4,894 thousand tonnes, driven by the Russian Aggression, which resulted in lower output, weak local demand and logistical constraints for exports. The available volumes were distributed predominantly to Ukraine, Central and Eastern Europe.

Pellets

In 2022, sales of pellets fell by 57% year-on-year to US$536 million, driven by a comparable decrease in sales volumes to 3,122 thousand tonnes amid lower output and the blockade of Black Sea ports. The majority of available volumes were distributed to Ukraine and other parts of Central and Eastern Europe. The average selling price decreased year-on-year, because of a lower benchmark, which was partly compensated by decent pellet premiums.

Coking coal concentrate

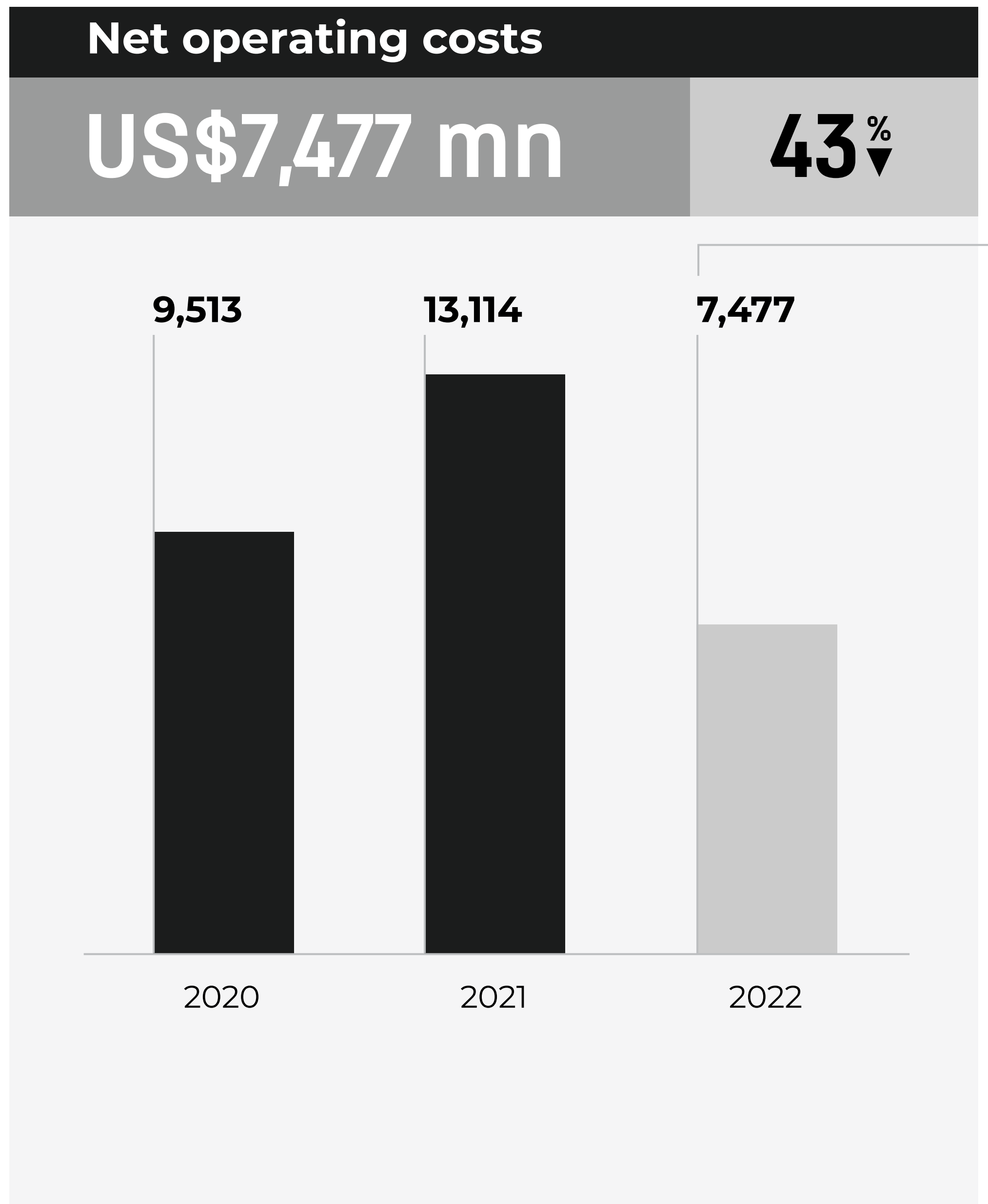
Sales of coking coal concentrate soared by 3.9 times year-on-year to US$1,187 million, driven by greater sales volumes and higher selling prices in 2022. Overall deliveries surged by 2.1 times to 3,374 thousand tonnes because of the redirection of volumes from United Coal and Pokrovske Coal to third-party sales amid lower intragroup consumption. In 2022, United Coal distributed its products mainly to Europe, Latin and North America, accounting for 51%, 23% and 21% of total sales volumes, respectively. At the same time, Pokrovske Coal's shipments were to Ukraine and Europe, which accounted for 68% and 32%, respectively. The average selling price rose by 87% year-on-year to US$352 per tonne, largely in line with the benchmark, which rose by 62% in the reporting period.

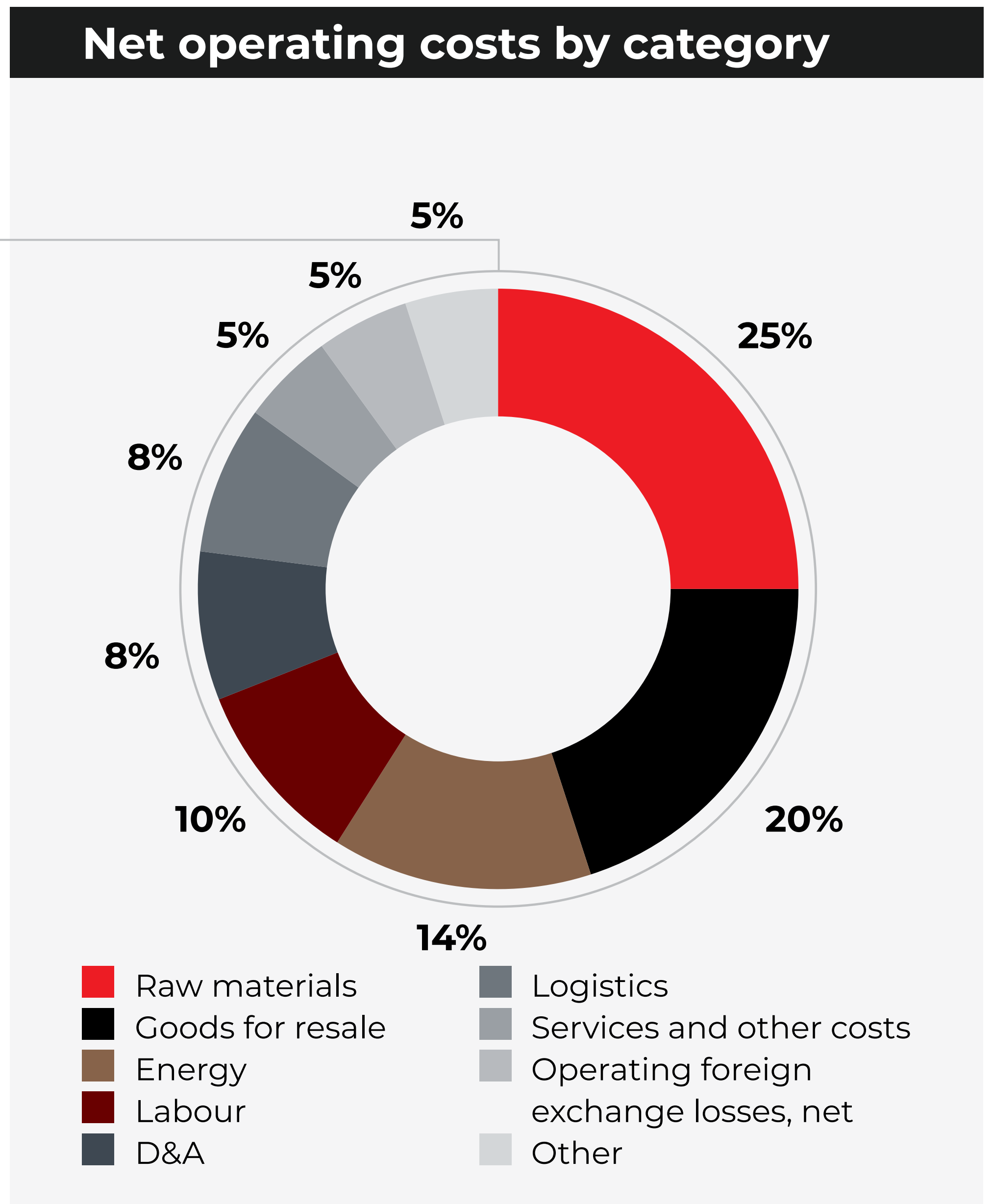
NET OPERATING COSTS

In 2022, net operating costs (excluding items shown separately)[2] decreased by 43% year-on-year to US$7,477 million, due to a number of factors.

In particular, the cost of goods and services for resale fell by US$2,907 million on lower purchase volumes amid the Russian Aggression. Raw materials spending decreased by US$968 million, primarily due to reduced consumption by the Mariupol steelmakers following the suspension of their production operations, which was partly offset by increased third-party coal purchase prices, as well as procurement of third-party slabs for re-rollers in Italy and the UK. The hryvnia's depreciation against the US dollar had a positive effect on the reduction of costs by US$532 million. Energy materials' costs decreased by US$542 million, mainly as a result of lower consumption, which was partly compensated by growth in prices for natural gas 2.4 times year-on-year, electricity by 31% year-on-year and PCI coal by 89% year-on-year. There was lower overall spending on transportation of goods by US$325 million, primarily on reduced sales volumes, which was partly offset by higher railway tariffs in the US and Ukraine, as well as longer delivery routes in European countries. There was also a reduction in depreciation and amortisation expenses of US$247 million. In addition, other expenditures (mainly fixed costs) decreased by US$379 million.

As a percentage of consolidated revenues, net operating costs increased by 17 percentage points year-on-year to 90% in 2022.





IMPAIRMENT OF FINANCIAL ASSETS

In 2022, the impairment of financial assets was US$13 million, compared with a reversal of impairment of financial assets of US$42 million in 2021.

ALLOWANCE FOR IMPAIRMENT OF ASSETS

As a result of the Russian Aggression, for the purposes of preparing the consolidated financial statements, Metinvest determined that it is not able to continue in the short-term perspective normal production operations by the entities whose assets are located on the temporarily occupied territory, including assets of Azovstal and Ilyich Steel. As a result, the Group fully impaired these assets. In addition, Metinvest charged an allowance for impairment on tangible assets of its subsidiaries located on territory under Ukrainian control and that were heavily affected by the hostilities, including those that suffered physical damage. Also, the Group deconsolidated Metinvest Eurasia and Metinvest Distribution, its trading companies in Russia and Belarus, and ceased operations in these countries. These events resulted in the recognition of allowance for impairment of assets amounting to US$2,224 million through profit and loss, accounting for 27% of consolidated revenues in 2022.

FINANCE INCOME

In 2022, Metinvest's finance income decreased by 80% year-on-year to US$43 million as a result of several factors. First, the net foreign-exchange gain from financing activities was nil in the reporting period, compared with US$97 million in 2021. Second, other finance income decreased to US$14 million, compared with US$79 million in 2021, primarily represented by income from the extinguishment of guarantees related to the acquisition of a controlling interest in Pokrovske Coal recognised in 2021.

As a percentage of consolidated revenues, finance income was flat year-on-year at 1%.

FINANCE COSTS

In the reporting period, finance costs increased 2.4 times to US$661 million, primarily due to foreign-exchange losses from financing activities of US$437 million coming mainly from intragroup borrowings. This was partly compensated by an 11% decrease in interest expenses amid deleveraging in 2021 and 2022.

As a percentage of consolidated revenues, finance costs grew by six percentage points to 8%.

SHARE OF RESULT OF ASSOCIATES AND JOINT VENTURE

In 2022, Metinvest's share in the net result of its associates and joint ventures was negative US$6 million, compared with a gain of US$799 million in 2021.

INCOME TAX EXPENSE

In 2022, the income tax expense fell by 84% year-on-year to US$143 million, due to the Group's lower profitability.

NET LOSS

In 2022, the net loss was US$2,193 million, compared with a net profit of US$4,765 million in 2021. This was primarily driven by lower revenues and an allowance for impairment of assets.

The net loss margin was 26% in the reporting period, compared with a net profit margin of 26% in 2021.

[2] 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.

EBITDA

In 2022, Metinvest's adjusted EBITDA[3] was US$1,873 million, down 73% year-on-year. The Mining segment's EBITDA amounted to US$1,547 million, down 63% year-on-year, and the Metallurgical segment's EBITDA was US$267 million, down 92% year-on-year. While corporate overheads decreased by 55% year-on-year, eliminations totalled a positive US$162 million, compared with a negative US$201 million in 2021.

As a result, in 2022, the Mining segment's contribution to the Group's EBITDA (before adjusting for corporate overheads and eliminations) increased to 85%, compared with 56% in 2021, while the Metallurgical segment's contribution was 15%, down from 44% in 2021.

The decrease in the Group's EBITDA was primarily driven by the Russian Aggression, which negatively affected own sales of in-house semi-finished, finished steel and iron ore products; earnings from resales; and the contribution from both JVs.

These factors were partly offset by:

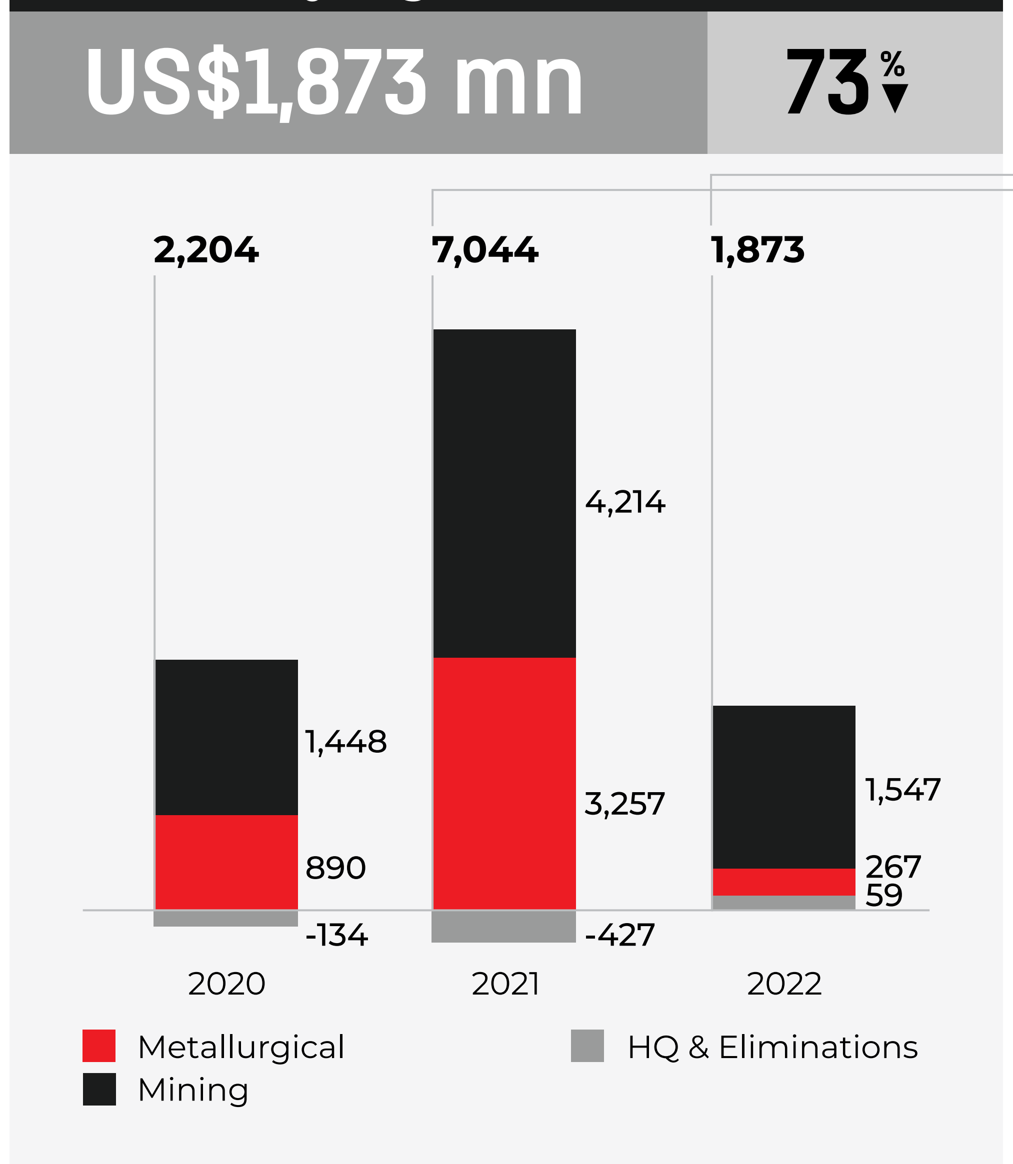
- lower spending on raw materials
- reduced expenses on energy materials
- increased steel product, coking coal and coke selling prices
- the positive effect of the hryvnia's depreciation against the US dollar on costs
- lower overall spending on transportation of goods
- reduced other expenditures (mainly fixed costs).

In 2022, the Group generated a positive EBITDA margin of 23%, down 16 percentage points year-on-year.

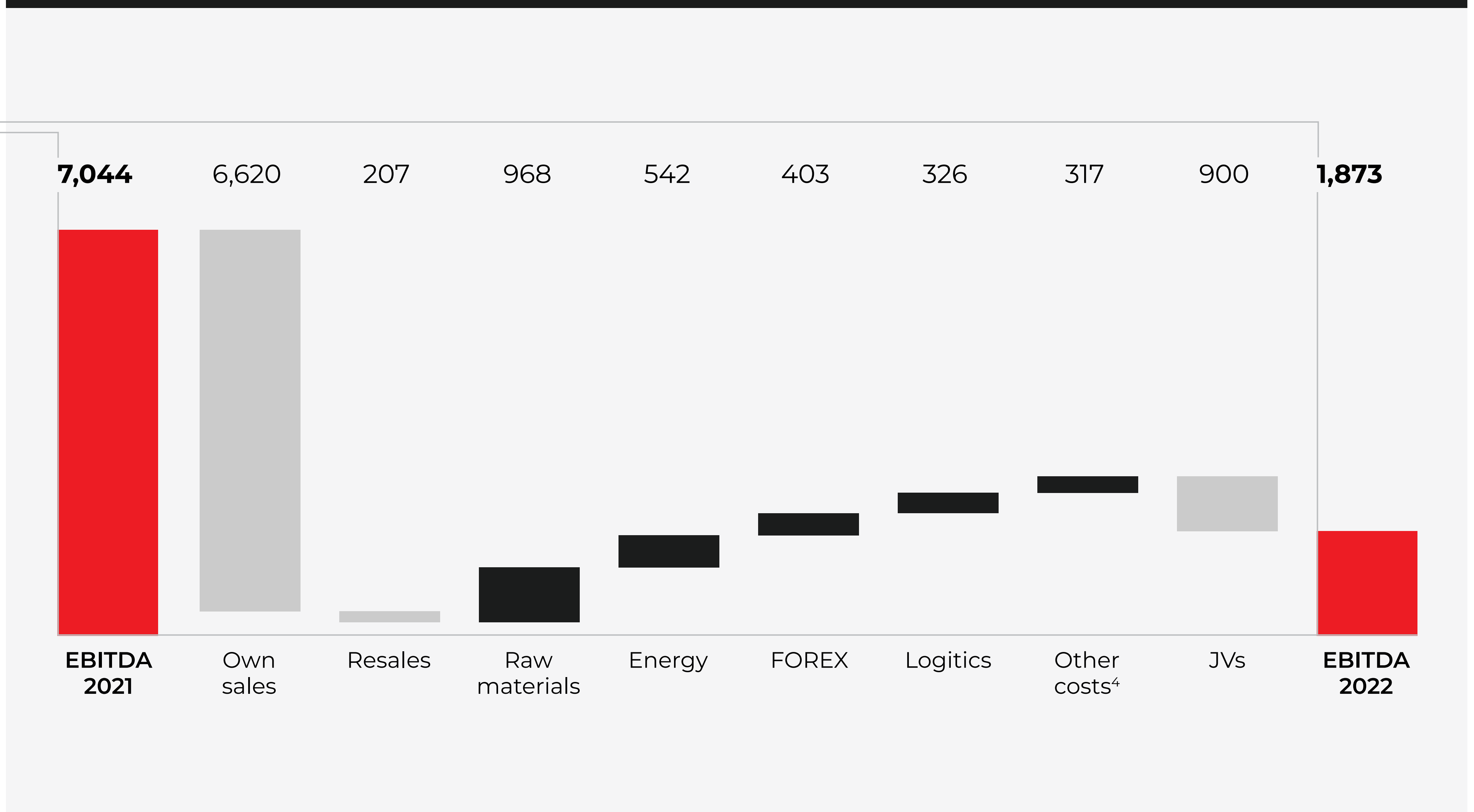
In particular, the Mining segment's EBITDA margin was at a healthy level of 45%, down 22 percentage points year-on-year, backed by strong coking coal selling prices and volumes. At the same time, the Metallurgical segment's EBITDA margin was 5%, a reduction of 17 percentage points year-on-year.

[3] Adjusted EBITDA is calculated as earnings before income tax, finance income and costs, depreciation and amortisation, impairment of property, plant and equipment, foreign-exchange gains and losses, the share of results of associates and other expenses that the management considers extraordinary, plus the share of EBITDA of joint ventures. Adjusted EBITDA will be referred to as EBITDA in this report.
[4] Other costs include labour, other fixed costs and other expenses, net of resales.

EBITDA by segment



EBITDA drivers, US$ mn



APPROACH TO TAX

GRI 3-3; 207-1; 207-2

Transparent tax compliance constitutes a critical aspect of responsible business. Consequently, the Group's tax approach is governed by the relevant policies of SCM and Metinvest.

The Group's Tax Policy is guided by the following principles:

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

Metinvest supervises compliance with key tax policy issues at several levels. Specifically, it establishes two or three tiers of decision-making controls based on the type of operations and their materiality; incorporates key issues of policy implementation into the personnel appraisal and motivation system; and undergoes external audits by auditing firms and fiscal authorities.

The Group identifies, handles and oversees tax risks as detailed in its Regulation on Tax Risk Management.

Metinvest continues to provide unwavering economic support to countries where it operates through tax contributions to state and local budgets. In 2022, the Group paid a combined total of more than US$750 million in taxes worldwide, of which US$491 million was paid in Ukraine.

LIQUIDITY AND CAPITAL RESOURCES

Net cash from operating activities

In the reporting period, Metinvest's net cash flow from operating activities decreased by 75% year-on-year to US$1,403 million, mainly due to a comparable year-on-year reduction in operating cash flow before working capital changes. Income tax paid declined by 68% to US$282 million amid lower profitability, while interest paid fell by 15% year-on-year to US$161 million following deleveraging in 2021 and 2022.

Working capital outflow totalled US$68 million, compared with an inflow of US$577 million in 2021, primarily due to inventory growth of US$337 million following logistical constraints, procurement of third-party feedstock for the European re-rollers and higher costs. This was partly compensated by a decrease in trade and other accounts receivable of US$165 million and a rise in trade and other accounts payable of US$104 million.

Net cash used in investing activities

In 2022, net cash used in investing activities totalled US$302 million, down 77% year-on-year. Total cash used to purchase property, plant and equipment and intangible assets fell by 63% to US$381 million.

Proceeds from repayments of loans issued amounted to US$67 million, up from US$37 million in 2021, while interest received was US$16 million, down from US$31 million in 2021. Payments for other purposes totalled US$5 million, compared with US$4 million in 2021.

The Group received no dividends from JVs in 2022, compared with US$446 million of dividends from the Southern GOK JV a year ago. In 2021, principal payments under the guarantee issued in exchange for the option to purchase the remaining 75.22% of Pokrovske Coal totalled US$455 million. In addition, in 2021 the Group paid US$341 million for assets relating to the integral property complex of DMK[5]. Of this, the property, plant and equipment (PPE) and intangible assets (IA) costs were US$121 million, inventories were US$123 million, and trade and other receivables were US$97 million.

Net cash used in financing activities

In 2022, net cash used in financing activities totalled US$1,877 million, compared with US$3,841 million in 2021. This includes distributions paid to the shareholders of Metinvest, as well as net repayments of loans, borrowings and trade finance facilities in the amount of US$108 million, down from US$1,266 million in 2021.

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

A RATIONAL DECISION

From the onset of the full-scale war, Metinvest's approach to CAPEX pivoted from a focus on development to more immediate operational priorities. These included ensuring production safety; undertaking essential maintenance to sustain current production levels; opting for equipment repairs over new acquisitions wherever possible to minimise costs; as well as preserving existing technology. Consequently, the Group decided to suspend practically all ongoing strategic projects and conduct crucial maintenance only.

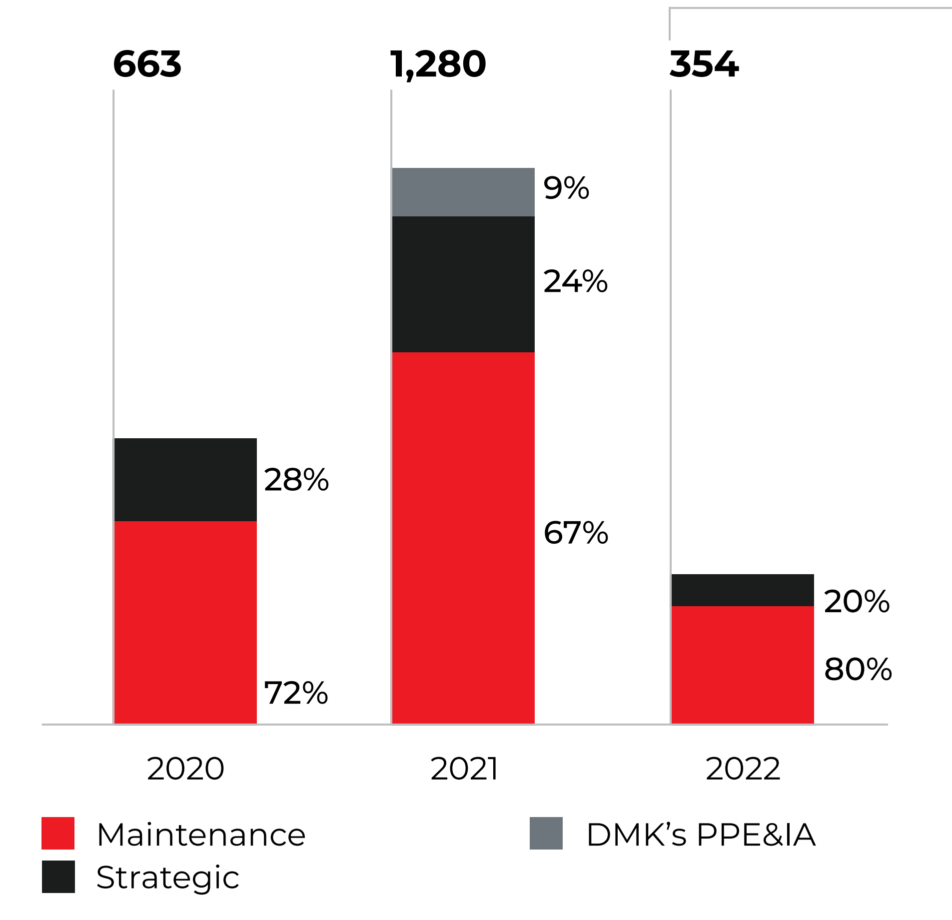
As a result, in 2022, Metinvest reduced capital expenditure by 72% year-on-year to US$354 million. Investments in maintenance declined by 67% year-on-year, while those in strategic projects fell by 77% year-on-year. This brought their shares in overall CAPEX expenditure to a respective 80% and 20% in the reporting period, compared with 67% and 24% in 2021. In addition, 9% of capital expenditures made in 2021 were related to the acquisition of DMK's[3] PPE and IA.

Investments in the Metallurgical segment amounted to US$99 million, a reduction of 86% year-on-year. They were focused primarily on overhauls that did not require substantial projects or acquisition of core equipment for the Ukrainian assets. Investments in the Mining segment stood at US$244 million, 54% less year-on-year. In particular, the Group invested US$109 million in Pokrovske Coal to maintain production volumes through the construction of new mine block No. 11. This asset accounted for 31% of the Group's CAPEX. At the same time, investments at United Coal increased by 54% year-on-year to US$40 million.

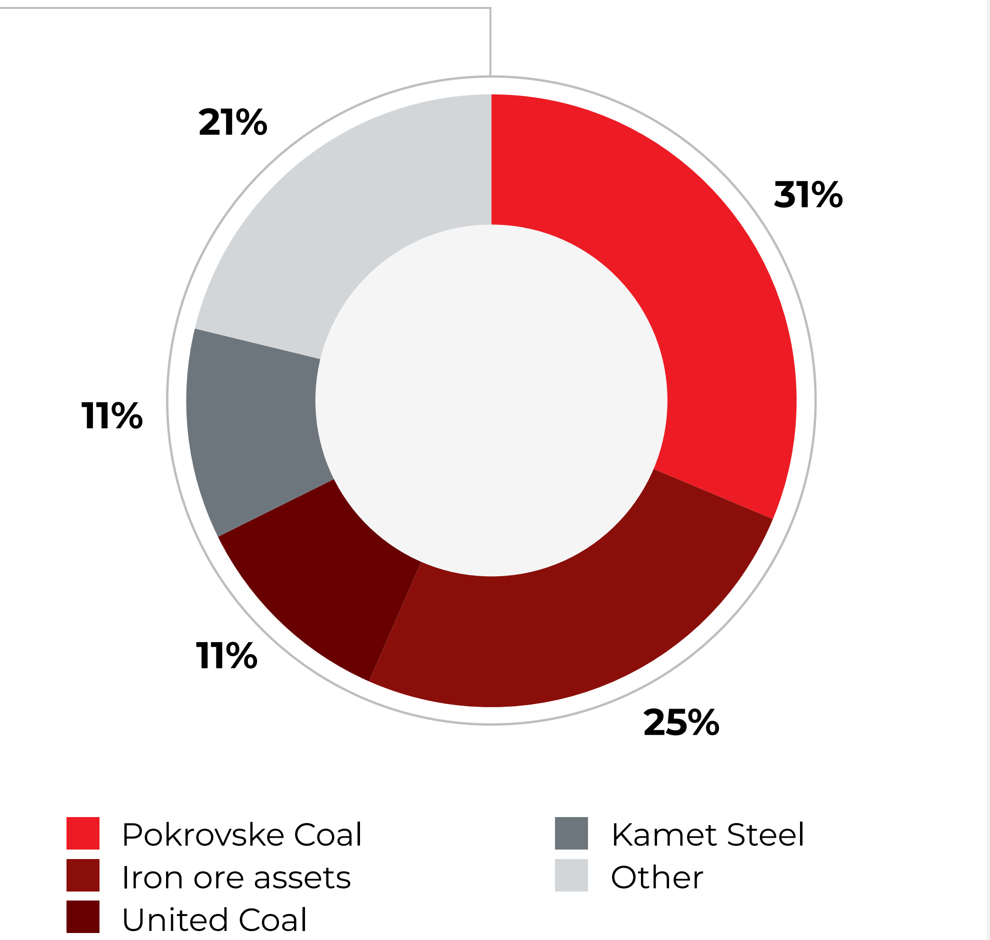
Despite the reduction in overall CAPEX, Metinvest continued to invest to bring projects at least to the feasibility stage. This proactive approach will enable the Group to move quickly to the implementation stage after the war is over.

CAPEX by purpose

US$354 mn | 72% ▼



CAPEX by key asset



PRUDENT APPROACH TO DEBT

A key component of Metinvest's endurance reserve has been a consistently responsible approach to debt, in full compliance with obligations under its bonds and certain financing facilities. In 2021 alone, the Group repaid over US$1,238 million of total debt, reducing it to US$2,242 million by the end of 2021.

In 2022, Metinvest maintained its prudent deleveraging approach and achieved further decreases in total debt through several steps:

- the repurchase of around US$48 million of various series of bonds, including US$24 million of 2023 bonds via a tender offer
- the reduction of trade finance
- the optimisation of leased assets

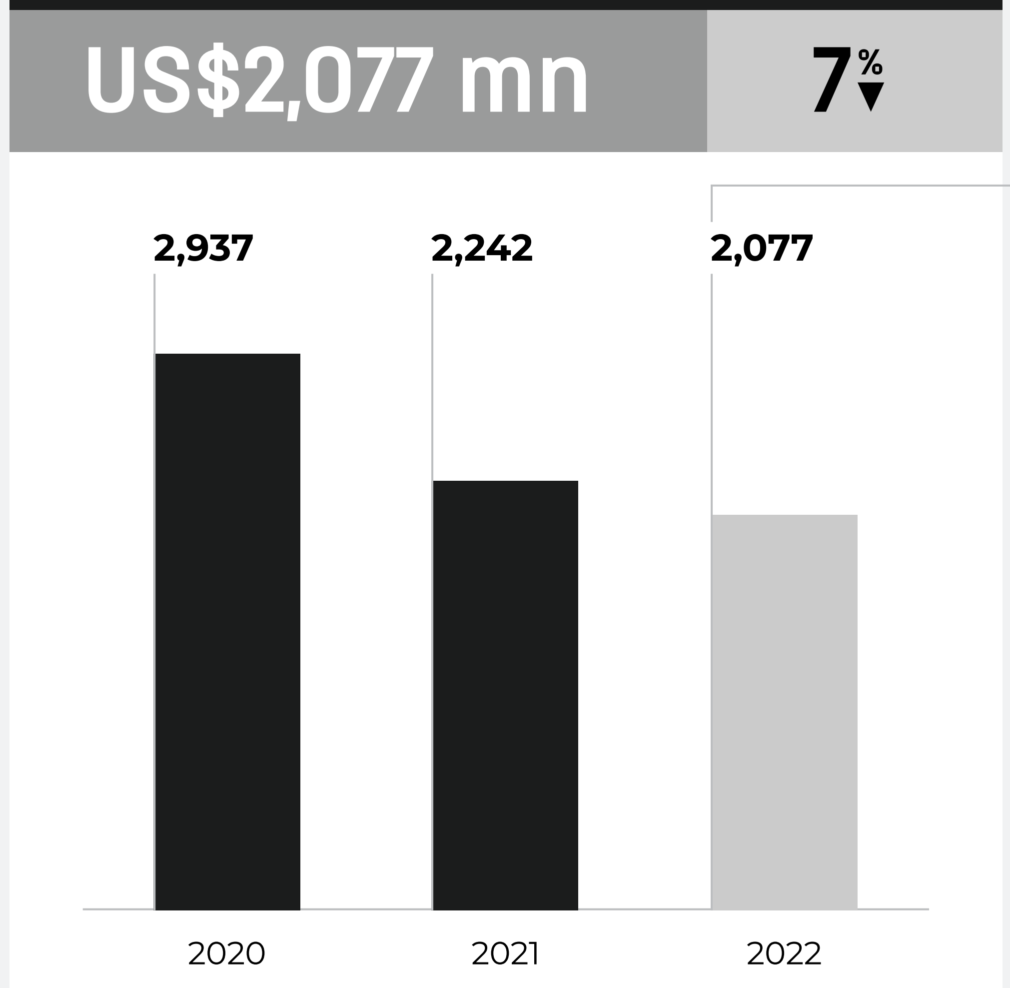
As a result, as of 31 December 2022 total debt[6] fell by 7% year-on-year to US$2,077 million. As of the year-end, bonds accounted for 86% of the total debt profile, 8% – CAPEX financing, 2% – trade financing and 4% – other debt. As of the end of the reporting period, net debt[7] was US$1,728 million, an increase of 61% year-on-year. The ratio of net debt to EBITDA stood at 0.9x, up from 0.2x at the end of the previous year.

Metinvest has maintained a consistent approach to deleveraging in 2023, after the reporting period. In April, the timely repayment of its 2023 bonds was another major achievement in the context of the ongoing war in Ukraine and a significant milestone for the Ukraine-related corporate space.

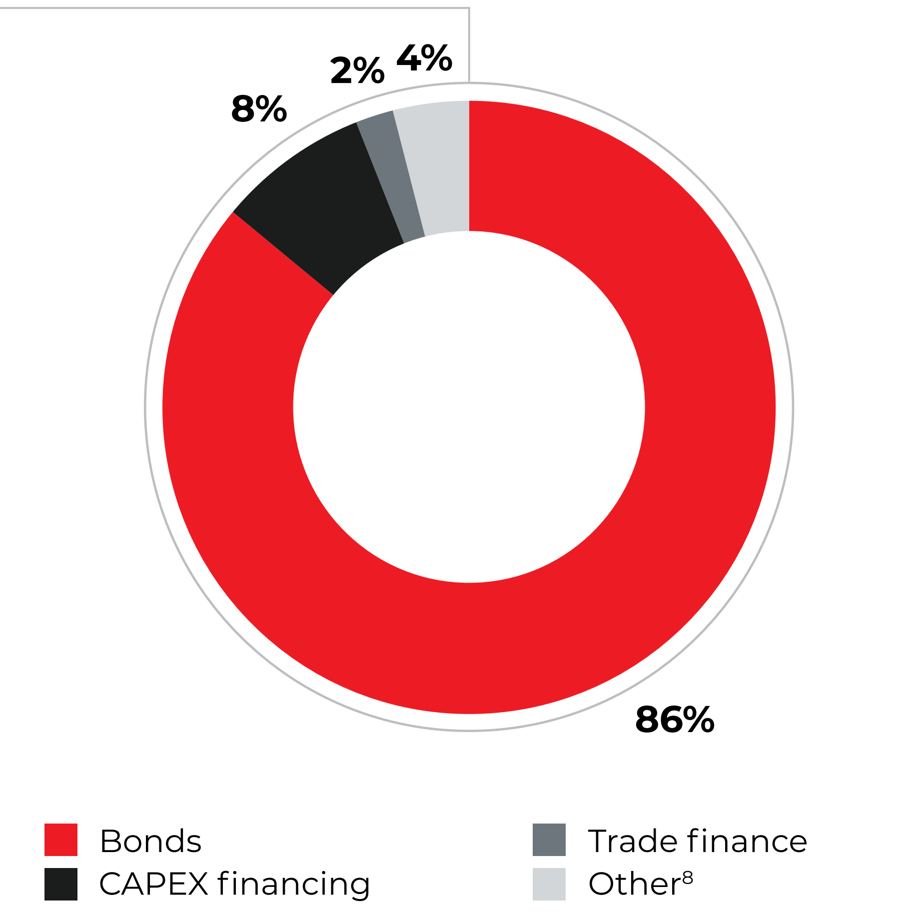
The Group has demonstrated its credibility and trustworthiness, underscoring its consistent and unwavering commitment to its debt providers. The successful deleveraging means that Metinvest has eliminated scheduled material principal repayments until June 2025, giving it greater flexibility in an unpredictable environment.

This work also helps ensure that, after victory is achieved, the Group will be well positioned to play a leading role in the rebuilding of Ukraine.

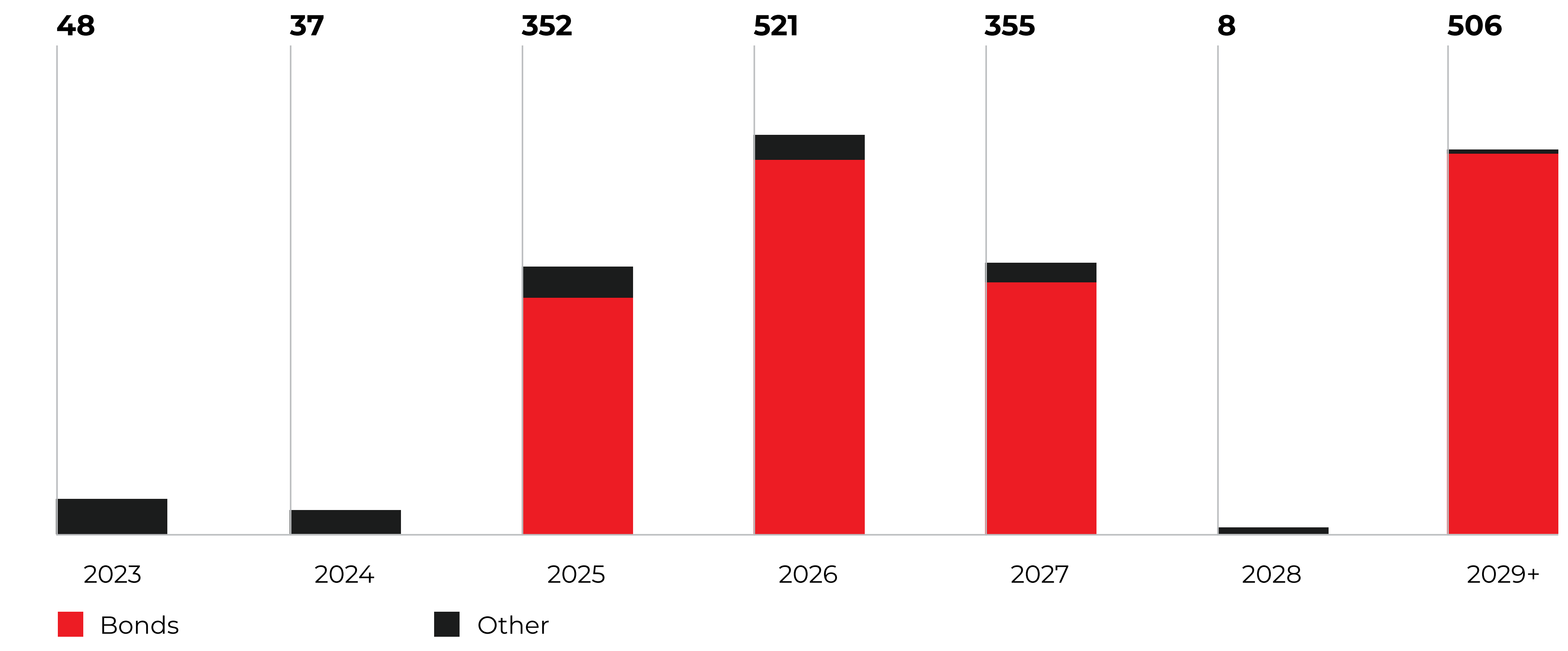
Year-end total debt



Total debt by instrument



Corporate debt maturity, US$ mn[9]



[6] Total debt is calculated as the sum of bank loans, non-bank borrowings, bonds, trade finance and lease liabilities; as at period end.
[7] Net debt is calculated as total debt less cash and cash equivalents; as at period end.
[8] Debt resulting from the consolidation of Pokrovske Coal in March 2021, other bank loans and other lease liabilities.
[9] Presented amounts of scheduled instalments include principal only (without accrued interest, fees, commissions and discounts) as of 31 December 2022 (except for Bonds 2023, which were repaid in full in April 2023).
Bonds: EUR296 million at 5.625% pa due in June 2025 (converted at a EUR/US$ exchange rate of 1.0651), US$494 million at 8.50% pa due in April 2026, US$332 million at 7.65% pa due in October 2027, and US$500 million at 7.75% pa due in October 2029. Trade finance lines are mainly rollovers, so they are excluded from the maturity profile chart. Lease liability under IFRS 16 is excluded.