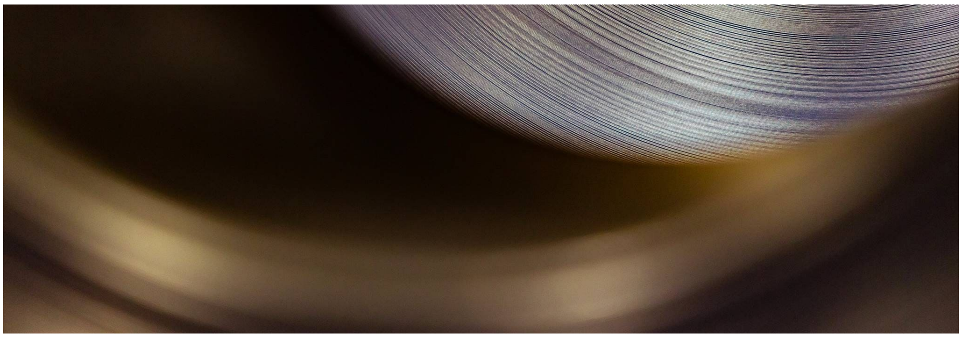
February 16, 2021

Metinvest announces financial results for 2020

Metinvest B.V., the parent company of a vertically integrated group of steel and mining companies (jointly referred to as “Metinvest” or “the Group”), has released its audited IFRS consolidated financial statements for the 12 months ended 31 December 2020.



Summary — financial results	FY2020	FY2019	Change, y-o-y	
			US$ mn	%
Income statement highlights				
Revenues	10,453	10,757	-304	-3%
Adjusted EBITDA	2,204	1,213	991	82%
Margin	21%	11%		10 pp
Net profit	526	341	185	54%
Margin	5%	3%		2 pp
Cash flow highlights				
Net cash from operations	1,740	814	926	>100%
Net cash used in investing activities	-824	-943	119	-13%
Net cash used in financing activities	-360	123	-483	<-100%
CAPEX	**663**	**1,055**	**-392**	**-37%**

Summary — financial position	31-12-20	31-12-19	Change, YTD	
			US$ mn	%
Total debt	2,937	3,032	-95	-3%
Cash and cash equivalents	826	274	552	>100%
Net debt	2,111	2,758	-647	-23%
Net debt / EBITDA	1.0x	2.3x		-1.3x

Summary — production results	FY2020	FY2019	Change, y-o-y	
			kt	%
Crude steel	**8,268**	**7,578**	**690**	**9%**
Azovstal	4,194	4,016	178	4%
Ilyich Steel	4,074	3,562	512	14%
Iron ore concentrate	**30,501**	**29,028**	**1,473**	**5%**
Northern GOK	12,739	12,245	494	4%
Ingulets GOK	12,858	12,344	514	4%
Central GOK	4,904	4,439	465	10%
Coking coal concentrate	**2,883**	**2,961**	**-78**	**-3%**
United Coal	2,883	2,961	-78	-3%

ESG HIGHLIGHTS

- Metinvest did everything possible to protect its employees and communities from the COVID-19 pandemic.

- The lost-time injury frequency rate decreased to 0.529 in 2020, an all-time low for the Group.

- Metinvest set a record in terms of environmental CAPEX investments, which exceeded US$200 mn in 2020. This included completing the core works of the large-scale environmental reconstruction of Ilyich Steel's sinter plant.

- Avetik Chalabyan joined the Supervisory Board in October 2020, strengthening its expertise in the area of strategy and investments in the metallurgical industry.

- In June, Sustainalytics, a leading global provider of environmental, social and governance (ESG) research, ratings and data, completed a comprehensive assessment of the Group's performance. Using its ESG Risk Ratings methodology, it ranked Metinvest within the top 10 of the industry group that it assessed. Sustainalytics awarded Metinvest an overall ESG Risk Rating score of 32.0 on a scale between 0 (lowest risk) and 100 (highest risk).

OPERATIONAL HIGHLIGHTS

- Due to the pandemic, Metinvest Trametal and Ferriera Valsider in Italy shut down production operations from March 25 to April 12 and April 30, respectively.

- Metinvest completed numerous CAPEX projects, including the upgrade of Central GOK's beneficiation plant. This project unlocked production of iron ore concentrate with 70.5% Fe content and pellets with 67.5% Fe content used in direct reduced iron (DRI) technology.

- The Group has extended its raw material production base by increasing stakes in assets that then became subsidiaries. Dnipro Coke is a Ukrainian producer of coke and chemicals, while Zaporizhia Refractories is a Ukrainian producer of refractory products and materials.

DEBT MANAGEMENT HIGHLIGHTS

- Metinvest successfully extended its bond maturity profile by issuing a US$333 mn, 7-year paper bearing a fixed rate coupon of 7.65% per annum. The proceeds were used to redeem the bonds due in 2021 and 38% of the bonds due in 2023.

- The Group entered its first partnership with an international financial institution, the Black Sea Trade and Development Bank. This secured a 7-year, EUR62 mn facility for CAPEX at Metinvest's iron ore assets.

- The Group attracted more than US$70 mn under other facilities to fund CAPEX at its assets. This included three long-term loans covered by European export credit agencies totalling around EUR50 mn.

- Metinvest launched an all-new accounts receivable securitisation programme for its Italian re-rollers in the amount of EUR75 mn.

- The Group's strong liquidity position allowed it to repay US$178 mn of its pre-export finance (PXF) facility, including a US$45 mn advance payment.

- Metinvest's credit ratings were revised: Moody's upgraded to 'B2' (outlook 'stable'), S&P affirmed 'B' (outlook 'stable') and Fitch affirmed 'BB-' (outlook 'negative').

Commenting on the results, Yuriy Ryzhenkov, Chief Executive Officer of Metinvest, said:

"Last year, the COVID-19 pandemic brought much of the global economy to a standstill. I am proud to report that Metinvest again proved able to navigate profound market challenges. We achieved higher margins and carried out key investment projects. We also protected our employees and communities while making progress on our environmental, social and governance (ESG) agenda.

Our number one priority as the pandemic emerged was to safeguard our employees and local communities. We took firm and immediate steps, implementing enhanced health protocols at all assets and switching administrative staff to work remotely. We also supplied test kits and oxygen equipment to local healthcare institutions.

After ensuring the safety of our people, the next task in our COVID-19 response was to maintain uninterrupted production across our assets. We ultimately delivered strong operational results, reflecting the positive effect of investments implemented in recent years.

Anticipating a difficult external environment, the Group took the decision to reduce CAPEX in 2020, while maintaining it at a decent level. Key projects completed include launching the new down coiler at Ilyich Steel's modernised hot strip mill and upgrading the beneficiation facilities at Central GOK. We are carrying out a planned review of the Technological Strategy 2030 to ensure that projects bring maximum benefits.

At the same time, Metinvest's focus on operational improvements to ensure global cost competitiveness yielded a total effect of US$376 million in 2020. We increased the efficiency of raw material and energy consumption, improved equipment productivity, streamlined logistics, enhanced the product mix and more.

Our investments in the global sales network continued to generate results, highlighting our ability to respond promptly to market changes. Throughout the reporting period, we were able to quickly adjust our product mix and redirect sales volumes: for instance, allocating more ore and steel to China as that country recovered quickly and invested in large-scale economic stimulus.

Coupled with a lower cost base, the Mining and Metallurgical segments both showed strong profitability. EBITDA rose by 82% year-on-year to US$2,204 million, while the EBITDA margin increased by 10 pp year-on-year to 21%. We generated free cash flow of US$916 million, enabling us to triple our year-end cash balance to US$826 million.

The Group further improved the quality of its debt portfolio through three major transactions that underlined the range of financing options available to it. We extended our bond maturity profile and achieved our first partnership with an international financial institution, the Black Sea Trade and Development Bank. We also launched an inaugural securitisation programme for our Italian re-rollers. Amid prudent debt management and strong profitability, our net debt to EBITDA ratio decreased to 1.0x as of 31 December 2020.

While we talk about sustainability from an operational and financial perspective, reducing our carbon footprint is a vital part of our ESG agenda. The targets of the Paris Agreement and European Green Deal impact our business globally. In 2020, we contributed to them by completing the core work to modernise Ilyich Steel's sinter plant, the largest environmental project in Ukraine's history. In the year, the Group's environmental CAPEX exceeded US$200 million, a record.

We are optimistic about 2021, as the rollout of vaccination campaigns worldwide fulfils a key precondition for a broader economic recovery. The pandemic has only highlighted that the health and safety of our employees and communities are paramount.

Alongside the implementation of the investment programme, building on the hard-won operational efficiencies will remain a central focus in 2021. We are also working to maintain strong liquidity and continue to review options to strengthen vertical integration.

We are grateful for the support of our stakeholders during these extraordinary times."