METINVEST

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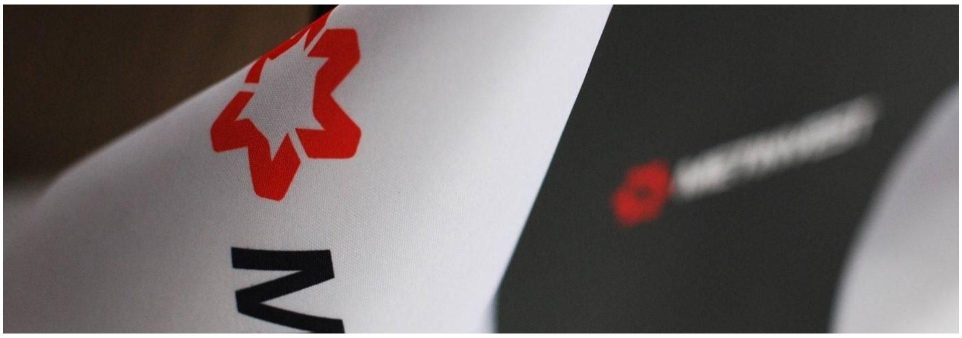
Metinvest announces financial results for the first six months of 2020

Metinvest B.V., the parent company of a vertically integrated group of steel and mining companies (jointly referred to as "Metinvest" or "the Group"), announced its unaudited IFRS interim condensed consolidated financial statements for 1H 2020.



Due to rounding, numbers presented throughout this release may not add up precisely to the totals provided and percentages may not precisely reflect absolute figures.

Summary - production results	1H 2020	1H 2019	Change, y-o-y	
			kt	%
Crude steel	**3,963**	**3,923**	**40**	**1%**
Azovstal	2,055	2,053	2	0%
Ilyich Steel	1,908	1,870	38	2%
Iron ore concentrate	**15,174**	**14,454**	**720**	**5%**
Northern GOK	6,368	6,078	290	5%
Ingulets GOK	6,424	6,254	170	3%
Central GOK	2,382	2,122	260	12%
Coking coal concentrate	**1,536**	**1,404**	**132**	**9%**
United Coal	1,536	1,404	132	9%

Summary - financial results	1H 2020	1H 2019	Change, y-o-y	
			US$ mn	%
Income statement highlights				
Revenues	4,968	5,818	-850	-15%
Adjusted EBITDA	715	890	-175	-20%
Margin	14%	15%		-1 pp
Net profit	-240	408	-648	<-100%
Margin	-5%	7%		-12 pp
Cash flow highlights				
Net cash from operations	685	570	115	20%
Net cash used in investing activities	-435	-529	94	-18%
Net cash used in financing activities	-52	-40	-12	30%
CAPEX	313	482	-169	-35%

Summary - financial results	30-06-20	31-12-19	Change, YTD	
			US$ mn	%
Total debt	3,010	3,032	-22	-1%
Cash and cash equivalents	465	274	191	70%
Net debt	2,545	2,758	-213	-8%
Net debt/EBITDA	2,5x	2,3x		0,2x

ESG highlights

- Metinvest took all possible measures to protect its employees and communities from the COVID-19 pandemic
- 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, ranking Metinvest in the top 10 within the industry group assessed by Sustainalytics and awarding 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 COVID-19 pandemic, Metinvest Trametal and Ferriera Valsider in Italy shut down production operations from March 25 to April 12 and April 30, respectively
- Central GOK launched production of iron ore concentrate with 70.5% Fe content and pellets with 67.5% Fe content used in direct reduced iron (DRI) technology after completing the upgrade of its beneficiation plant
- Metinvest increased its interest in Dnipro Coke, a Ukrainian producer of coke and chemicals, and in Zaporizhia Refractories, a Ukrainian producer of refractory products and materials, to 73.01% and 50.79% in March and September, respectively, upon which they became subsidiaries of the Group

Debt management

- Metinvest secured two long-term buyer credit facilities covered by European export credit agencies for around EUR34 mn to finance the investment programme at Ilyich Steel
- The Group entered its first partnership with an international financial institution after the board of directors of the Black Sea Trade and Development Bank approved a long-term EUR62 mn facility
- Metinvest Trametal attracted a six-year, EUR15 mn term loan facility from Italy's Cassa Depositi e Prestiti S.p.A (CDP) to implement the CAPEX programme at the re-roller; the facility was issued under an Italian government programme guaranteed by SACE S.p.A., the state-owned export credit agency
- Metinvest's credit ratings were recently 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:

"So far in 2020, Metinvest has successfully navigated global turbulence and continued to demonstrate solid progress on its ESG agenda, focusing foremost on maintaining stable operations and keeping its people safe.

During this time, we took decisive steps to fight the spread of the COVID-19 pandemic while protecting our employees and communities. Among other steps, we ensured our workers were protected in all our plants through rigorous health protocols and switched administrative employees to remote work, in addition to implementing other safety measures. The Group also purchased and transferred free-of-charge 18,000 COVID-19 express tests to 44 medical institutions. Our overriding priority remains the health and safety of our people and communities during this emergency.

In the first half of 2020, Metinvest's financial performance was affected by weak global pricing for steel products and the COVID-19 pandemic. However, the Group's vertical integration, global sales network and the deep experience of our team have once again proven themselves. We managed to quickly adjust the product mix and redirect sales volumes among markets. As a result, Metinvest was able to benefit from China's early and robust economic recovery in the second quarter of the year, expanding ore shipments to that market by more than 3 million tonnes. We also resumed steel sales to this country, selling almost half a million of tonnes of semi-finished and finished steel products during the reporting period. Coupled with a lower cost base, the Metallurgical segment significantly improved its performance, delivering an 80% year-on-year increase in EBITDA. Overall EBITDA totalled US$715 million.

As planned, we reduced our CAPEX by 35% year-on-year to US$313 million during the reporting period. Despite external challenges, we were able to achieve our objectives and complete several strategic projects during this period. As such, Metinvest completed an upgrade of the beneficiation facilities at Central GOK to produce a premium class concentrate with 70.5% Fe, which allowed us to create the fabrication line for the production of a high-grade pellet for DRI technology. We remained committed to reducing our environmental footprint and doubled our ecological CAPEX year-on-year to US$110 million.

Importantly, we also managed to strengthen the Group's liquidity. Amid a working capital release and lower capital expenditures, the Group generated free cash flow of US$240 million, while the cash balance improved by 70% since the beginning of the year to US$465 million.

Looking forward, despite continued uncertainty in the macroeconomic environment and recurring global challenges posed by the pandemic, we believe that Metinvest is able to overcome these difficulties and deliver a sustainable performance. I would also like to take the opportunity to thank our stakeholders for standing with us during this time of profound change."