

Operational Efficiency

While navigating the numerous challenges that 2020 posed, Metinvest remained unwaveringly focused on operational efficiency. The Group delivered operational improvements during the reporting period totalling US\$376 million, up six-fold year-on-year. These gains were achieved primarily through improvements in variable costs, including reductions in the steelmakers' equivalent fuel consumption and enhancements in the efficiency of the iron ore producers' mining fleets.

In 2020, advances in sinter, iron and steelmaking operations generated roughly 50% of the operational efficiency gains at the Group's steel plants. The greatest individual contribution in dollar terms was from implementing investment projects and operational measures to decrease the equivalent fuel consumption in hot metal production.

At Metinvest's iron ore assets, most of the combined operational improvements were gained through productivity increases. For example, to enhance the equipment utilisation ratio, the Group renovated the heavy truck fleet, optimised repair and maintenance work, and extended the life of quick wear units. The open pit mines used fewer, stronger blasts to prolong the available operating time. The ore beneficiation plants improved productivity. These and other factors helped to increase total iron ore concentrate output by 5% year-on-year in 2020.

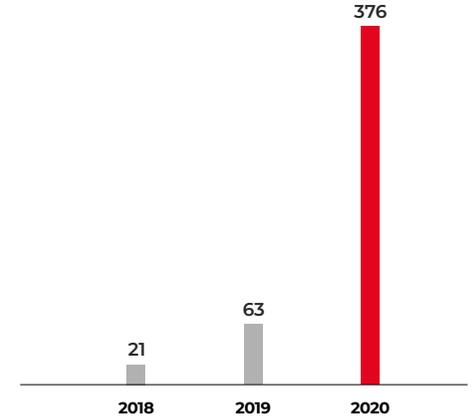
These achievements were made possible through the engagement of employees in continuous improvement processes. Metinvest's comprehensive motivation system made it possible to monetise the experience and knowledge of its employees and increase the level of operational efficiency.

The Group operates a proposal submission system as a tool for continuous improvement and employee engagement. The SAP Innovation Management automated cross-functional platform makes it possible for employees to submit proposals for reducing costs, increasing labour productivity and production efficiency, saving labour and financial resources, and so on. By the end of 2020, the SAP Innovation Management system was already in operation at 16 of Metinvest's assets³.

During the reporting period, we received almost 11,000 ideas from employees covering such areas as reducing costs, increasing production efficiency and product quality, and improving labour protection and working conditions. Of these, 5,900 proposals were approved for implementation, a 21% year-on-year increase.

For more information about the Group's operational efficiency, see pages 35-36 of Metinvest's 2020 annual report.

Effect of operational improvements, US\$ million



³ Avdiivka Coke, Azovstal, Central GOK, Dnipro Coke, Ferriera Valsider, Ilyich Steel, Ingulets GOK, Kryvyi Rih Machining and Repair Plant, Mariupol Machining and Repair Plant, Metinvest-Promservice, Metinvest Trametal, Northern GOK, Promet Steel, Spartan UK, Zaporizhia Coke and Zaporizhia Refractories.

OPERATIONAL IMPROVEMENTS DURING 2020 CREATED US\$376M OF SAVINGS CONSISTING OF:

RAW MATERIALS Equivalent fuel consumption at steelmakers US\$81M	Enhanced efficiency of logistics and procurement function US\$54M		Life extension of sinter and iron making, steelmaking and rolling equipment US\$26M	SALES VOLUMES AND PRICES Productivity of iron ore producers US\$95M		
	Other measures at steel plants US\$26M	Optimisation of Fe balance in sinter and iron production US\$20M	Metallic charge structure at Azovstal and Ilyich Steel US\$15M			
		Production costs at iron ore producers US\$13M	ENERGY MATERIALS Energy efficiency of iron ore producers US\$9M	Energy efficiency of steel-makers & other assets US\$9M	OTHER US\$18M	

■ Raw Materials ■ Sales volumes and prices ■ Energy materials ■ Other