



# ФІНАНСОВА ЗВІТНІСТЬ

Фінансова звітність містить зведену консолідовану фінансову звітність за МСФЗ за 2021 рік, а також висновок незалежного аудитора. Метінвест публікує аудитовану та консолідовану фінансову звітність за МСФЗ за кожний фінансовий рік, починаючи з 2006 року.

## METINVEST B.V.

### ЗВЕДЕНА КОНСОЛІДОВАНА ФІНАНСОВА ЗВІТНІСТЬ ЗА МСФЗ 31 ГРУДНЯ 2021 РОКУ

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Зведена консолідована фінансова звітність за МСФЗ представлена на сторінках 73-125 мовою оригіналу.

# INDEPENDENT AUDITOR'S REPORT

## TO: THE MANAGEMENT BOARD AND THE AUDIT COMMITTEE OF METINVEST B.V.

## REPORT ON THE SUMMARY IFRS CONSOLIDATED FINANCIAL STATEMENTS 2021

SKX7DTST4RWE-851391706-29

PricewaterhouseCoopers Accountants N.V.,  
Fascinatior Boulevard 350, 3065 WB Rotterdam,  
P.O. Box 8800, 3009 AV Rotterdam, the Netherlands

T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, [www.pwc.nl](http://www.pwc.nl)

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### OUR OPINION

In our opinion, the accompanying summary IFRS consolidated financial statements for 2021 of Metinvest B.V., are consistent, in all material respects, with the audited statutory financial statements, in accordance with the basis described in note 1.

### The summary IFRS consolidated financial statements

The summary IFRS consolidated financial statements of Metinvest B.V., Amsterdam ('the company'), derived from the audited statutory financial statements for 2021, comprise:

- the summary consolidated balance sheet as at 31 December 2020;
- the summary consolidated income statement for the year then ended;
- the summary consolidated statement of comprehensive income for the year then ended;
- the summary consolidated statement of changes in equity for the year then ended;
- the summary consolidated statement of cash flows for the year then ended; and
- the related notes to the summary IFRS consolidated financial statements.

The summary IFRS consolidated financial statements do not contain all of the disclosures required by International Financial Reporting Standards as adopted by the European Union and Part 9 of Book 2 of the Dutch Civil Code. Reading the summary financial statements, therefore, is not a substitute for reading the audited statutory financial statements of Metinvest B.V. and the auditor's report thereon.

The audited statutory financial statements and the summary IFRS consolidated financial statements do not reflect the events that occurred subsequent to the date of our report on the audited statutory financial statements.

### The audited statutory financial statements and our auditor's report thereon

We expressed an unmodified audit opinion on the audited statutory financial statements in our report dated 11 February 2022. The report also includes:

- A section on our audit approach, including materiality and the scope of the group audit.
- The communication of key audit matters. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the audited financial statements of the current period.
- An 'Emphasis of matter – Uncertainties in the financial statements with respect to the conflict in Ukraine' paragraph that draws the attention to Note 2 of the consolidated financial statements which describes that the operations of the Group may be significantly impacted in case of a significant and adverse change regarding the conflict in Ukraine. The magnitude of such impact cannot be reasonably estimated.

Our opinion is not modified in respect of this matter.

### RESPONSIBILITIES OF THE MANAGEMENT BOARD FOR THE SUMMARY IFRS CONSOLIDATED FINANCIAL STATEMENTS

The management board is responsible for the preparation of the summary IFRS consolidated financial statements in accordance with the basis described in note 1.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary IFRS consolidated financial statements are consistent, in all material respects, with the audited statutory financial statements based on our procedures, which we conducted in accordance with Dutch Law, including the Dutch Standard 810 'Engagements to report on summary financial statements'.

Rotterdam, 11 February 2022  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by A.F. Westerman RA



**METINVEST B.V.**
**SUMMARY CONSOLIDATED  
BALANCE SHEET**

*All amounts in millions of US dollars*

	Note	31 December 2021	31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	7	745	630
Other intangible assets	8	1,324	121
Property, plant and equipment	9	6,578	5,289
Investments in associates and joint ventures	10	1,607	1,389
Deferred tax asset	24	90	110
Trade and other receivables	13	234	736
<b>Total non-current assets</b>		<b>10,578</b>	<b>8,275</b>
<b>Current assets</b>			
Inventories	12	1,543	937
Income tax prepaid		40	11
Trade and other receivables	13	2,653	3,405
Cash and cash equivalents	14	1,166	826
<b>Total current assets</b>		<b>5,402</b>	<b>5,179</b>
<b>TOTAL ASSETS</b>		<b>15,980</b>	<b>13,454</b>
<b>EQUITY</b>			
Share capital	15	0	0
Share premium	15	6,225	6,225
Other reserves	16	(9,045)	(8,957)
Retained earnings		10,761	9,186
<b>Equity attributable to the owners of the Company</b>		<b>7,941</b>	<b>6,454</b>
<b>Non-controlling interest</b>		<b>29</b>	<b>42</b>
<b>TOTAL EQUITY</b>		<b>7,970</b>	<b>6,496</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loans and borrowings	17	2,070	2,427
Retirement benefit obligations	18	671	591
Deferred tax liability	24	345	184
Other non-current liabilities	19	110	201
<b>Total non-current liabilities</b>		<b>3,196</b>	<b>3,403</b>
<b>Current liabilities</b>			
Loans and borrowings	17	172	510
Income tax payable		169	69
Trade and other payables	20	4,473	2,976
<b>Total current liabilities</b>		<b>4,814</b>	<b>3,555</b>
<b>TOTAL LIABILITIES</b>		<b>8,010</b>	<b>6,958</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>15,980</b>	<b>13,454</b>

Signed and authorised for release on behalf of Metinvest B.V. on 11 February 2022:

Originally signed by Managing Director A, Yuriy Ryzhenkov

Originally signed by Managing Director B, Eliza Désirée den Aantrekker

The accompanying notes form an integral part of these summary consolidated financial statements

**METINVEST B.V.**
**SUMMARY CONSOLIDATED  
INCOME STATEMENT**
*All amounts in millions of US dollars*

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Revenue	6	18,005	10,453
Net operating costs (excluding items shown separately)	21	(13,114)	(9,513)
Reversal of impairment / (impairment) of financial assets	13	42	(93)
<b>Operating profit</b>		<b>4,933</b>	<b>847</b>
Finance income	22	212	60
Finance costs	23	(280)	(566)
Share of result of associates and joint ventures	10	799	285
<b>Profit before income tax</b>		<b>5,664</b>	<b>626</b>
Income tax expense	24	(899)	(100)
<b>Profit for the year</b>		<b>4,765</b>	<b>526</b>
<b>Profit is attributable to:</b>			
Owners of the Company		4,718	519
Non-controlling interests		47	7
<b>Profit for the year</b>		<b>4,765</b>	<b>526</b>

**SUMMARY CONSOLIDATED  
STATEMENT OF  
COMPREHENSIVE INCOME**
*All amounts in millions of US dollars*

	Note	Year ended 31 December 2021	Year ended 31 December 2020
<b>Profit for the year</b>		<b>4,765</b>	<b>526</b>
<b>Other comprehensive income / (loss)</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation decreases that offset previous increases in the carrying amount of property, plant and equipment		(8)	(9)
Remeasurement of retirement benefit obligation	18	42	(34)
Share in other comprehensive income / (loss) of joint ventures and associates	10	42	49
Income tax related to items that will not be reclassified subsequently to profit or loss		(8)	7
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		190	(897)
<b>Total other comprehensive income / (loss)</b>		<b>258</b>	<b>(884)</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>5,023</b>	<b>(358)</b>
<b>Total comprehensive income / (loss) attributable to:</b>			
Owners of the Company		4,972	(348)
Non-controlling interests		51	(10)
<b>Total comprehensive income / (loss) for the period</b>		<b>5,023</b>	<b>(358)</b>

The accompanying notes form an integral part of these summary consolidated financial statements

## METINVEST B.V.

### SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

All amounts in millions of US dollars

	Note	Year ended 31 December 2021	Year ended 31 December 2020
<b>Cash flows from operating activities</b>			
Profit before income tax		5,664	626
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment and amortisation of intangible assets	21	973	820
Impairment of property, plant and equipment and intangible assets	8,9	26	6
Gain on disposal of property, plant and equipment and intangible assets	21	(11)	(1)
Finance income	22	(212)	(60)
Finance costs	23	280	566
Foreign exchange losses less gains / (gains less losses), net	21	85	217
Net change in retirement benefit obligations, except for interest costs, remeasurements and currency translation	18	(14)	(14)
(Reversal) of impairment / impairment of financial assets	13	(42)	93
Share of result of associates and joint ventures	10	(799)	(285)
Write-down of inventories, net	12	5	(34)
Write-off of trade and other payables	21	(11)	(10)
Other non-cash operating expenses/ (income), net		80	(92)
<b>Operating cash flows before working capital changes</b>		<b>6,024</b>	<b>1,832</b>
(Increase) / decrease in inventories		(410)	217
Decrease / (increase) in trade and other accounts receivable		736	(347)
Increase in trade and other accounts payable		251	372
<b>Cash generated from operations</b>		<b>6,601</b>	<b>2,074</b>
Income taxes paid		(885)	(119)
Interest paid		(190)	(215)
<b>Net cash from operating activities</b>		<b>5,526</b>	<b>1,740</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(1,017)	(678)
Proceeds from sale of property, plant and equipment		6	1
Loans issued		-	(13)
Interest received		31	3
Proceeds from repayments of loans issued		37	10
Dividends received	10	446	-
Acquisition of an integral property complex	11	(341)	-
Principal payments under the guarantee	10	(455)	(77)
Other payments		(4)	(70)
<b>Net cash used in investing activities</b>		<b>(1,297)</b>	<b>(824)</b>
<b>Cash flows from financing activities</b>			
Payments for loans commission		-	(17)
Proceeds from loans and borrowings	17	47	514
Repayment of loans and borrowings	17	(1,135)	(573)
Net trade financing repayments	17	(178)	(130)
Acquisition of non-controlling interest		(34)	(51)
Dividends paid		(2,510)	(100)
Other finance costs		(31)	(3)
<b>Net cash (used in) / from financing activities</b>		<b>(3,841)</b>	<b>(360)</b>
Effect of exchange rate changes on cash and cash equivalents		(48)	(4)
<b>Net increase in cash and cash equivalents</b>		<b>340</b>	<b>552</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>826</b>	<b>274</b>
<b>Cash and cash equivalents at the end of the year</b>	14	<b>1,166</b>	<b>826</b>

The accompanying notes form an integral part of these summary consolidated financial statements

## METINVEST B.V.

### SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts in millions of US dollars

	Attributable to owners of the Company				Total	Non-controlling interest (NCI)	Total equity
	Share capital	Share premium	Other reserves	Retained earnings			
<b>Balance at 1 January 2020</b>	<b>0</b>	<b>6,225</b>	<b>(7,804)</b>	<b>8,411</b>	<b>6,832</b>	<b>98</b>	<b>6,930</b>
Revaluation of property, plant and equipment (Note 9)	-	-	(9)	-	(9)	-	(9)
Share in other comprehensive income of joint venture and associates (Note 10)	-	-	51	(2)	49	-	49
Remeasurement of retirement benefit obligation (Note 18)	-	-	-	(33)	(33)	(1)	(34)
Income tax relating to components of other comprehensive income (Note 24)	-	-	1	6	7	-	7
Currency translation differences	-	-	(881)	-	(881)	(16)	(897)
<b>Other comprehensive income / (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>(838)</b>	<b>(29)</b>	<b>(867)</b>	<b>(17)</b>	<b>(884)</b>
Profit for the period	-	-	-	519	519	7	526
<b>Total comprehensive income / (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>(838)</b>	<b>490</b>	<b>(348)</b>	<b>(10)</b>	<b>(358)</b>
Acquisition of subsidiaries	-	-	-	-	-	17	17
Acquisition of non-controlling interest in subsidiaries	-	-	-	(30)	(30)	(52)	(82)
Disposal of investment in associate	-	-	(3)	3	-	-	-
Realised revaluation reserve, net of tax	-	-	(312)	312	-	-	-
Dividends declared by non-wholly-owned subsidiaries	-	-	-	-	-	(11)	(11)
<b>Balance at 31 December 2020</b>	<b>0</b>	<b>6,225</b>	<b>(8,957)</b>	<b>9,186</b>	<b>6,454</b>	<b>42</b>	<b>6,496</b>
Revaluation of property, plant and equipment (Note 9)	-	-	(8)	-	(8)	-	(8)
Share in other comprehensive income of joint venture and associates (Note 10)	-	-	28	14	42	-	42
Remeasurement of retirement benefit obligation (Note 18)	-	-	-	40	40	2	42
Income tax relating to components of other comprehensive income (Note 24)	-	-	1	(9)	(8)	-	(8)
Currency translation differences	-	-	188	-	188	2	190
<b>Other comprehensive income / (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>209</b>	<b>45</b>	<b>254</b>	<b>4</b>	<b>258</b>
<b>Profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,718</b>	<b>4,718</b>	<b>47</b>	<b>4,765</b>
<b>Total comprehensive income / (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>209</b>	<b>4,763</b>	<b>4,972</b>	<b>51</b>	<b>5,023</b>
Acquisition of subsidiaries	-	-	-	-	-	14	14
Acquisition of non-controlling interest in subsidiaries	-	-	-	5	5	(14)	(9)
Realised revaluation reserve, net of tax	-	-	(297)	297	-	-	-
Dividends declared	-	-	-	(3,490)	(3,490)	-	(3,490)
Dividends declared by non-wholly-owned subsidiaries	-	-	-	-	-	(64)	(64)
<b>Balance at 31 December 2021</b>	<b>0</b>	<b>6,225</b>	<b>(9,045)</b>	<b>10,761</b>	<b>7,941</b>	<b>29</b>	<b>7,970</b>

The accompanying notes form an integral part of these summary consolidated financial statements



## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021

All tabular amounts in millions of US Dollars

#### 1 METINVEST B.V. AND ITS OPERATIONS

Metinvest B.V. (the “Company” or “Metinvest”), is a private limited liability company registered in the Netherlands. The Company is beneficially owned by Mr. Rinat Akhmetov, through various entities commonly referred to as System Capital Management (“SCM”), and Mr. Vadym Novynskyi, through various entities commonly referred to as “SMART” or “Smart Group”.

The Company and its subsidiaries (together referred to as the “Group” or “Metinvest Group”) are an integrated steel producer, owning assets in each link of the production chain – from iron ore mining, coking coal mining and coke production, through to semi-finished and finished steel production. The steel products, iron ore and coke and coal are sold on both the Ukrainian and export markets.

As of 31 December 2021 and throughout the periods presented in these consolidated financial statements, Metinvest B.V. is owned 71.24% by SCM Limited (Cyprus) and 23.76% by companies of the Smart Group. The remaining 5% interest in the Company in the form of Class C shares has been acquired from the previous owners of Ilyich Group for the benefit of SCM and SMART. It is the intention of SCM and SMART to dispose of the said 5% interest in due course (after receipt of respective governmental approvals, if such will be necessary), and in such manner that the ultimate interest of SCM in the Company shall be 75% minus 1 share, and the ultimate interest of SMART in the Company shall be 25% plus 1 share, thus SCM remaining as the controlling shareholder.

The principal subsidiaries of Metinvest B.V. are presented below:

Name	Effective % interest as at 31 December		Segment	Country of incorporation
	2021	2020		
Metinvest Holding LLC	100.0%	100.0%	Corporate	Ukraine
Metinvest Management B.V.	100.0%	100.0%	Corporate	Netherlands
PrJSC Azovstal Iron and Steel Works	100.0%	100.0%	Metallurgical	Ukraine
Ferriera Valsider S.p.A.	100.0%	100.0%	Metallurgical	Italy
Metinvest Trametel S.p.A.	100.0%	100.0%	Metallurgical	Italy
Spartan UK Limited	100.0%	100.0%	Metallurgical	UK
Metinvest International SA	100.0%	100.0%	Metallurgical	Switzerland
Metinvest Eurasia LLC	100.0%	100.0%	Metallurgical	Russia
Metinvest Service Metal Centres LLC	100.0%	100.0%	Metallurgical	Ukraine
JSC Promet Steel	100.0%	100.0%	Metallurgical	Bulgaria
PrJSC Ilyich Iron and Steel Works	100.0%	100.0%	Metallurgical	Ukraine
PrJSC Avdiivka Coke Plant	100.0%	100.0%	Metallurgical	Ukraine
PrJSC Zaporizhcoke	57.2%	57.2%	Metallurgical	Ukraine
PrJSC Dniprovskiy Coke Plant	100.0%	100.0%	Metallurgical	Ukraine
PrJSC Northern Iron Ore Enrichment Works	100.0%	100.0%	Mining	Ukraine
PrJSC Central Iron Ore Enrichment Works	100.0%	100.0%	Mining	Ukraine
PrJSC Ingulets Iron Ore Enrichment Works	100.0%	100.0%	Mining	Ukraine
United Coal Company LLC (“UCC”)	100.0%	100.0%	Mining	USA
PrJSC Colliery Group “Pokrovs’ke” (Note 11)	100.0%	24.8%	Mining	Ukraine
Concentrating Factory “Sviato-Varvarynska” LLC (Note 11)	100.0%	24.8%	Mining	Ukraine

As at 31 December 2021, the Group employed approximately 87 thousand people (31 December 2020: 69 thousand). The increase in people employed is mainly attributable to the acquisition of PrJSC Colliery Group “Pokrovs’ke”, Concentrating Factory “Sviato-Varvarynska” LLC and assets relating to the integral property complex of PJSC Dneprovsky Iron and Steel Integrated Works.

The Company’s registered address is Gustav Mahlerplein 74B, 1082MA, Amsterdam. The company is registered with the commercial trade register under the number 24321697. The principal places of production facilities of the Group are in Ukraine, Italy, UK and the USA.

On May 17, 2021, ITPS (Netherlands) B.V. resigned as Managing Director B of the Company and on the next day Mrs. Eliza Désirée den Aantrekker was appointed in his place.

The consolidated financial statements of Metinvest B.V. for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Supervisory Board on February 9, 2022.

For better understanding of Metinvest’s financial position and the results of operations, these summary financial statements should be read in conjunction with the Metinvest’s audited financial statements as of and for the year ended 31 December 2020, which include all disclosures required by International Financial Reporting Standards as adopted by European Union and the statutory provisions of Part 9, Book 2, of the Dutch Civil Code.

The accompanying notes form an integral part of these summary consolidated financial statements



## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 2 OPERATING ENVIRONMENT OF THE GROUP

The Ukrainian economy demonstrated sustained growth for four straight years through the end of 2019, amid overall macroeconomics stabilisation supported by structural reforms, a rise in domestic investment, a revival in household consumption, an increase in industrial production and construction activity, as well as an improved environment on external markets. Starting from the first quarter of 2020, the Ukrainian economy has been contracting amid a decrease in industrial output and lockdown measures introduced in March 2020 to contain the spread of the COVID-19 pandemic. In the first half of 2021, the easing of restrictive anti-pandemic measures spurred the economy recovery and led to GDP growth.

The National Bank of Ukraine (NBU) follows an interest rate policy of inflation targeting and keeps the hryvnia floating. The December year-on-year inflation rate in Ukraine was 10.0% in 2021 (compared to 5.0% in 2020). An increase in inflation has led the NBU to begin monetary tightening and gradually increase its key policy rate from 6% effective from 12 June 2020 to 10% effective from 21 January 2022.

As of the date of this report, the official NBU exchange rate of Hryvnia against US dollar was UAH 27.88 per USD 1, compared to UAH 27.28 per USD 1 as at 31 December 2021 and 28.27 per USD 1 as at 31 December 2020.

The Group's financial performance is largely dependent on the global prices of and demand for steel, iron ore and coking coal products. The prices of steel products are influenced by many factors, including global economic conditions, demand for steel products, worldwide production capacity, capacity utilisation rates, raw material costs, currency exchange rates and improvements in steel making processes.

Compared with the average for 2020, the benchmark hot-rolled coil price (Metal Expert HRC CIS export FOB Black Sea) in 2021 increased by 84% to an average of USD 875 per tonne, the benchmark iron ore price (Platts 62% Fe CFR China) increased by 48% to an average of USD 160 per dry tonne, while the benchmark coking coal price (HCC LV, FOB Australia) increased by 79% to an average USD 224 per tonne. These price dynamics had a positive impact on the Group's gross margins and overall financial results during 2021 as compared to 2020.

The conflict in Eastern Ukraine had impacted the Group's steel, coke and coal operations since 2014. The conflict started in spring of 2014 and has not been resolved to date.

Two of the Group's largest steel plants, PrJSC Ilyich Iron and Steel Works and PrJSC Azovstal Iron and Steel Works as well as newly acquired subsidiaries of the Pokrovske coal business, are located near the conflict area in the Donetsk region. Iron ore production assets and property integral complex acquired in 2021 are located in the central part of Ukraine and have not been affected by the conflict.

Starting in December 2021, news surrounding the potential escalation of the conflict have emerged. As of the date of approval of these consolidated financial statements, no specific event has occurred, but political and diplomatic talks and negotiations to prevent further deterioration of the situation have intensified. Should the situation significantly and adversely change, it may have a significant negative impact on the Group and the environment the Group operates in; however, the magnitude of such impact cannot be reasonably estimated.

In March 2020, the outbreak of COVID-19 has led to quarantine and various types of movement restrictions imposed in many countries. This in turn has led to reduced activity in certain sectors of the economy, decrease in demand for certain goods and services and increased risks of slowing economic growth and recession in key economies around the world.

The effects of the COVID-19 outbreak have resulted in a volatility in the metallurgical segment's revenue in April 2020 mainly caused by the decrease in global steel prices and temporary closure of the European steel plants. In May 2020, the situation started to improve following the recovery of construction sector in China and expectations of increased demand in other sectors amid quarantine measures easing. This positive trend continued in second half of 2020 and 2021, supported by the price dynamics described above.

At the date of issuing these consolidated financial statements, the situation with the COVID-19 is still evolving and its consequences are currently uncertain; however, management believes that it is taking appropriate measures to support the stable operation of the Group, necessary in the current circumstances.

#### 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation and statement of compliance.** These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by European Union and the statutory provisions of Part 9, Book 2, of the Dutch Civil Code. The consolidated financial statements have been prepared under the historical cost convention unless stated otherwise. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These consolidated financial statements are presented in millions of US dollars and all values are rounded off to the nearest million except where otherwise indicated.

The accompanying notes form an integral part of these summary consolidated financial statements

## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Critical accounting estimates and judgements in applying accounting policies.** The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources.

Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the IFRS consolidated financial statements are disclosed in Note 4.

**Principles of consolidation.** Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of businesses. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. The date of exchange is the acquisition date where a business combination is achieved in a single transaction. Where a business combination is achieved in stages, the previously held interest in an acquired business is included into the cost of business combination at fair value as of the acquisition date with resulting gains recognised in consolidated income statement.

Costs directly related to acquisition of subsidiaries are recognised in the consolidated income statement in the period in which they incurred and the services are received.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the Group.

Non-controlling interest ("NCI") is that part of the net results and of the net assets of a subsidiary, including the fair value adjustments, which is attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of equity.

**Purchases of subsidiaries from parties under common control and merger reserve in equity.** Purchases of subsidiaries from parties under common control are accounted under the predecessor values method. Under this method the financial statements of the entity are presented as if the businesses had been consolidated from the beginning of the earliest period presented (or the date that the entities were first under common control, if later). The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's book values. The difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to equity. This is recorded as a merger reserve. No additional goodwill is created by such purchases.

**Transactions with non-controlling interests.** The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. Non-controlling interest is measured on proportionate basis of net assets.

**Investments in associates and joint ventures.** Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint ventures.

The accompanying notes form an integral part of these summary consolidated financial statements



## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. The carrying amount of associates and joint ventures includes goodwill identified on acquisition, and is reduced for accumulated impairment losses, if any. The Group's share of the post-acquisition profits or losses of associates and joint ventures is recorded in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate, including any other unsecured accounts receivable, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and their associates and joint ventures are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

**Segment reporting.** Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the General Director of the Group that makes strategic decisions.

Company reports separately information about an operating segment that meets any of the following quantitative thresholds unless aggregation criteria are met:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss.
- (c) Its assets are 10 per cent or more of the combined assets of all operating segments.

**Foreign currency translation.** The functional currency of each of consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency for the majority of the consolidated entities is either Ukrainian hryvnia ("UAH") or US dollar ("USD").

Transactions denominated in currencies other than the relevant functional currency are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates are recognised in the consolidated income statement.

The principal rate of exchange used for translating foreign currency balances is as follows:

	31 December 2021	31 December 2020
1 USD to UAH	27.28	28.27
1 EUR to UAH	30.92	34.74

Monetary assets and liabilities are translated into functional currency at the official exchange rate at the respective balance sheet dates. Translation at year end does not apply to non-monetary items.

**Translation from functional to presentation currency.** The Group has selected the US dollar ("USD") as the presentation currency. The USD has been selected as the presentation currency for the Group as: (a) management of the Group manages business risks and exposures, and measures the performance of its businesses in the USD; (b) the USD is widely used as a presentation currency of companies engaged primarily in metallurgy; and (c) the USD is the most convenient presentation currency for non-Ukrainian users of these IFRS consolidated financial statements.

The results and financial position of each consolidated entity are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised through comprehensive income and they accumulate as a separate component of equity. All the components of consolidated equity at each balance sheet date are translated at the historical rate. The balancing figure goes to cumulative currency translation reserve in other reserves in equity. All the elements within equity are presented at the rates prevailing at the dates of such movements (or an average rate for the period when this approximates the transaction date exchange rate).

The accompanying notes form an integral part of these summary consolidated financial statements



## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As follows from policy on translation from functional to presentation currency revaluation results, and reclassification from revaluation reserve to retained earnings are translated into USD using the exchange rates prevailing at the dates of transaction. Because of lower strength of UAH as compared to USD (and consequent depreciation against USD since the historical revaluations dates), the revaluation reserve in presentation currency is carried at rates lower than the closing UAH/USD rate, thus, differs from the revaluation balances recognised in the Group's property, plant and equipment. Upon disposal, sale or liquidation of assets or liabilities related to these equity components these differences are reclassified to retained earnings.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and at each balance sheet date are translated at the closing rate. When a subsidiary is disposed of through sale, liquidation, repayment of share capital or abandonment of all, or part of, that entity, the currency translation differences deferred in equity are reclassified to the consolidated income statement.

At present, the UAH is not a freely convertible currency outside of Ukraine.

**Property, plant and equipment.** Property, plant and equipment are stated using the revaluation model. Fair values are based on valuations by external independent valuers. The frequency of revaluation depends upon the movements in the fair values of the assets being revalued. Initial acquisitions and subsequent additions to property, plant and equipment are recognised at cost. Cost includes expenditure directly attributable to acquisition of the items. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Increases in the carrying amount arising on revaluation are credited to other comprehensive income and accumulated in the other reserves in equity. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Decreases that offset previous increases in the carrying amount of the same asset decrease the previously recognised revaluation reserve through other comprehensive income; all other decreases are charged to the income statement. The revaluation reserve in equity is transferred directly to retained earnings when the surplus is realised either on the retirement or disposal of the asset or as the asset is used by the Group; in the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Upon recognition, items of property, plant and equipment are divided into components, which represent items with a significant value that have different useful lives.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the replaced component being written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the consolidated income statement as an expense when incurred.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from the continued use of the asset. Gains and losses on disposals determined by comparing proceeds with carrying amount of property, plant and equipment are recognised in the consolidated income statement.

Depreciation is charged to the consolidated income statement on a straight-line basis to allocate costs or revalued amounts of individual assets to their residual value over the estimated remaining useful lives. Depreciation commences at the moment when assets is ready for use. The estimated useful lives are as follows:

	<b>Useful lives in years</b>
Buildings and structures	from 2 to 60
Plant and machinery	from 2 to 35
Furniture, fittings and equipment	from 2 to 10

Estimates of remaining useful lives are made on a regular basis for all buildings, plant and machinery, with annual reassessments. Changes in estimates are accounted for prospectively.

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents prepayments for property, plant and equipment, and the cost of property, plant and equipment, construction of which has not yet been completed. No depreciation is charged on such assets until they are ready for use.

The Company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

The accompanying notes form an integral part of these summary consolidated financial statements

## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Asset retirement obligations.** According to the Code on Mineral Resources, Land Code of Ukraine, Mining Law, Law on Protection of Land and other legislative documents of Ukraine and the US, the Group is responsible for site restoration and soil rehabilitation upon abandoning its mines. Estimated costs of dismantling and removing an item of property, plant and equipment are added to the cost of an item of property, plant and equipment when the item is acquired. Changes in the measurement of an existing asset retirement obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate are recognised as an adjustment to the cost of the respective asset through the income statement or other reserves in equity to the extent of any revaluation balance existence in respect of the related asset. Provisions in respect of abandonment and site restoration are evaluated and re-estimated annually, and are included in these consolidated financial statements at each balance sheet date at their expected net present value, using discount rates which reflect the economic environment in which the Group operates and are specific to a liability.

**Leased assets.** The Group recognises assets and liabilities for all leases within term of more than 12 months, unless the underlying asset is of low value. A lessee recognises a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset (underlying asset) for a period of time in exchange for consideration. The Group determines the lease term as the non-cancellable period of a lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The right-of-use asset is initially recognised at the commencement date and measured at cost. The cost of right-of-use asset includes the amount of initial measurement of the lease liability and any lease payments made at or before the commencement date, less any lease incentive received. The lease liability is initially recognised at the commencement date and measured at present value of the lease payments that are not paid at that date.

The rights-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses. The lease liability is subsequently measured using effective interest rate method. The carrying amount is remeasured to reflect any re-assessment or lease modifications, or to reflect revised in-substance fixed lease payments. A re-assessment of the lease liability takes place if the cash flows change based on the original terms and conditions of the lease. A lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease. Described above changes to the lease liability amount should be adjusted in the right-of use asset amount. Any changes that are required by original lease agreement terms, including changes impacted by reviewed market lease payment or extension of lease period, should be treated rather as reassessment than modification. Effective date of changes is the date on which both parties agree to lease agreement changes.

The Group depreciates the right-of-use asset on the straight line basis from the lease commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. Depreciation should be recognised separately from interest on lease liabilities in the income statement.

**Goodwill.** Goodwill on acquisitions of subsidiaries is presented separately in the consolidated balance sheet. It is carried at cost less accumulated impairment losses, if any. Gains and losses on the disposal of an entity or business unit include the carrying amount of goodwill relating to the entity or business unit disposed of.

Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the synergies of the business combination.

**Other intangible assets.** All of the Group's other intangible assets have definite useful lives and primarily include capitalised computer software and licences, mining licences, mining permits and coal reserves. Acquired computer software and other licences are capitalised on the basis of the costs incurred to acquire and bring them to use.

Other intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal. Licences and coal reserves are amortised using the units-of-production method over all estimated proven and probable reserve assigned to the mines. Proven and probable reserves exclude non-recoverable coal and ore reserves and estimated processing losses. Amortisation rates are updated when revisions to coal reserve estimates are made.

**Impairment of non-financial assets.** Goodwill is tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events and changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. For purposes of assessing impairment, assets are grouped to the lowest levels for which there are separately identifiable cash flows (cash generating unit). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The accompanying notes form an integral part of these summary consolidated financial statements



## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Initial recognition of financial instruments.** At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus transaction costs that are directly attributable to the acquisition of the financial instruments if financial asset or financial liability are not accounted at fair value through profit or loss ("FVPL"). Transaction costs of financial assets or financial liabilities carried at FVPL are expensed in profit and loss in the consolidated income statement.

Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between the transaction price and the fair value, which can be evidenced by a quoted price in an active market for an identical asset or liability or is based on a valuation technique that uses only data from observable markets.

**Classification and subsequent measurement of financial assets.** The Group classifies its financial assets in the following measurement categories:

- those to be subsequently measured at fair value (either through other comprehensive income ("FVOCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) or (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets' performance is assessed.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Three measurement categories into which the Group classifies its debt financial assets are as follows:

- 1) Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating income / (expenses). Impairment losses are presented in other operating income / (expenses) or as a separate line item in the consolidated income statement, if material.
- 2) Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. Interest income from these financial assets is included in profit or loss using the effective interest rate method. Impairment expenses are presented in other operating income / (expenses) or as a separate line item in the consolidated income statement, if material.
- 3) Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other operating income / (expenses) in the period in which it arises.

The Group subsequently measures all equity investments at fair value. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other operating income / (expenses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The accompanying notes form an integral part of these summary consolidated financial statements



## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

**Financial assets impairment – expected credit loss allowance.** After the initial recognition, an expected credit loss allowance (“ECL”) is recognised for financial assets measured at amortised cost and at FVOCI, resulting in an immediate accounting loss in the consolidated income statement.

The measurement of expected credit losses reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Financial instruments measured at amortised cost and contract assets are presented in the consolidated balance sheet net of the allowance for expected credit losses.

Generally the impairment methodology is a three stage model applied dependent on whether there has been a significant increase in credit risk of a financial instrument since the initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses (Stage 1 of ECL model) considering that the maximum period of credit risk exposure cannot exceed financial instrument term to maturity. At each reporting date, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition (Stage 2 of ECL model). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a lifetime ECL.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised at the time of the initial recognition of the receivables (Stage 2 of ECL model). For loans issued and bank accounts the Group applies general model for impairment based on changes in credit quality since initial recognition is applied. For loans that are repayable on demand, expected credit losses is equal to the effect of discounting the amount due on the loan.

As at reporting date the Group has three types of financial assets that are subject to expected credit loss model:

- cash and cash equivalents
- trade receivables for sales of goods and services
- loans issued

The Group uses different approaches for analysis of expected credit losses arisen on the financial assets from related parties, significant customers and other customers.

For all significant debtors and related parties, the calculation of expected credit losses is carried out on an individual basis taking into account agreement terms, expected repayment period, internally assessed credit risks for significant debtors based on the financial performance and taking into account external credit rating, if available. ECL rate is calculated based on credit spread implicit in the average yield on bonds of similar credit risk companies and adjusted for maturity, risk free rate and liquidity premium.

For individually insignificant debtors the Group calculates expected credit losses using a provision matrix by grouping customers by country of location. This matrix is based on the Group’s historical default rates over the expected life of the financial receivables and is adjusted for forward-looking estimates.

The Group does not recognise the expected credit loss allowance on cash and cash equivalents if it was determined that the effect of such loss allowance is not material as at the reporting date.

**Reclassification of financial assets.** Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

**Modification and derecognition of financial assets.** The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: change in contractual terms that substantially affects the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of modification is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether significant increase in credit risk has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss.

The accompanying notes form an integral part of these summary consolidated financial statements

## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assess whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets have otherwise expired or (ii) the Group has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Group has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

The Group enters into transactions in the normal course of business by which it transfers financial assets to third parties. Depending on the circumstances, these transfers may either result in these financial assets being derecognised or continuing to be recognised.

Full derecognition occurs when the Group transfers its contractual right to receive cash flows from the financial assets, or retains the right but assumes an obligation to pass on the cash flows from the asset, and transfers substantially all the risks and rewards of ownership. The risks include credit, interest rate, foreign currency, prepayment and other price risks.

Derecognition does not occur when the Group transfers its contractual right to receive cash flows from the financial assets, or retains the right but assumes an obligation to pass on the cash flows from the asset, but either:

- retains substantially all of the risks and rewards of ownership of the transferred asset; or
- neither retains nor transfers substantially all of the risks and rewards of ownership but has retained control of the financial asset. In this situation, the financial assets are recognised on the balance sheet to the extent of Group's continuing involvement.

The write-off of financial asset also represents a derecognition event. Financial assets are written-off, in whole or in part, when the Group has no reasonable expectations of recovering these assets.

#### **Classification and subsequent measurement of financial liabilities.**

All the financial liabilities are classified as subsequently measured at amortised cost, except for (i) derivatives, financial liabilities held for trading, contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition, which are measured at FVPL and (ii) financial guarantee contracts and loan commitments at a below-market interest rate.

**Modification and derecognition of financial liabilities.** Upon modification of financial liabilities the Group adjusts the amortised cost of a financial liability to reflect revised estimated contractual cash flows. For these purposes the Group recalculates the amortised cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate. Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

Upon determination of whether modification or an extinguishment have occurred the Group performs analysis in order to determine if there was a substantial modification of the terms quantitative in nature of an existing financial liability or a part of it. The quantitative analysis represents performance of a 10 per cent test. No qualitative factors are considered.

If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

**Financial guarantees.** Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an expected credit loss allowance is recognised for fees receivable that are recognised in the consolidated balance sheet as an asset.

The accompanying notes form an integral part of these summary consolidated financial statements



## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Income taxes.** The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of most likely amounts expected to be paid to the tax authorities. The income tax charge is recognised in the consolidated income statement except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred income tax is provided on post-acquisition retained earnings and other post-acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

**Inventories.** Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average principle. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads based on normal operating capacity but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

**Prepayments.** Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are charged to the income statement when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the income statement.

**Cash and cash equivalents.** Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in other non-current assets.

**Share capital.** Ordinary shares issued are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is presented as a share premium.

**Dividends.** Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue. If settlement of a dividend liability exceeds twelve months from the balance sheet date it is included within long-term liabilities and measured at the present value of the future cash flows required to settle the liability using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

**Loans and borrowings.** Loans and borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently carried at amortised cost using the effective interest method.

Cash flows related to receipt and repayment of trade finance borrowings are presented within the statement of cash flows on a net basis.

Transaction fees paid related to debt restructuring (such as legal and consulting expenses) are presented within the financing activities of the consolidated statement of cash flows.

The accompanying notes form an integral part of these summary consolidated financial statements



## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Trade and other financial payables.** Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

**Prepayments received.** Prepayments are carried at amounts originally received, net of VAT.

**Provisions for liabilities and charges.** Provisions for liabilities and charges are non-financial liabilities recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small if it is probable that some outflow of resources will be needed to settle the class of obligations as a whole.

Where the Group expects a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**Contingent assets and liabilities.** A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable. When the realisation of income is virtually certain, then the related asset is not a contingent asset and the Group recognises such assets.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

**Employee benefits. Defined benefit plan.** Certain Ukrainian entities within the Group participate in a mandatory State defined retirement benefit plan, which provides for early pension benefits for employees working in certain workplaces with hazardous and unhealthy working conditions. Certain Ukrainian entities also provide lump sum benefits upon retirement subject to certain conditions, as well as some other long-term employee benefits. The liability recognised in the balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by professional actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (if there is no deep market for high quality corporate bonds) that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. Past service costs are recognised immediately in profit or loss.

**Revenue recognition.** Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group.

The Group recognises revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service to a customer and the customer obtains ability to direct the use of and substantially all of the remaining benefits from the asset. For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or at a point in time.

For each performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation proportionally to the services provision period. If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time at which a customer obtains control of a promised asset.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (acting as a principal) or to arrange for those goods or services to be provided by the other party (acting as an agent). When the Group satisfies a performance obligation as a principal, revenue is recognised in the gross amount of consideration to which it expects to be entitled in exchange for the specified good or service transferred, when as an agent – the Group recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The accompanying notes form an integral part of these summary consolidated financial statements

## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (a) Sale of goods, by-products and merchandise

The Group manufactures and sells a range of steel products to large, medium and small size customers. By-products and merchandise are sold to the same range of customers. Revenues from sales of goods, by-products and merchandise are recognised at the point of transfer of control over the goods, normally when the goods are shipped. The Group normally uses standardised Incoterms such as cost-and-freight (CFR), free-carrier (FCA), cost-insurance-freight (CIF), free-on-board (FOB) and ex-works (EXW) which define the point of control transfer. Revenue is recorded on an accrual basis as earned.

Sales are recorded based on the price indicated in the specifications to the sales contracts. The sales price is established separately for each specification.

The Group also engages in sale and purchase transactions the objective of which is to manage cash flows and/or to sell the products of its joint ventures through the Group's sales channels and where the Group acts as an agent. Such sales are not treated as gross revenue generated by the Group and accordingly such sales and purchases are presented on a net basis with any gain or loss presented in revenue. Accounts receivable and payable from such transactions are presented gross.

##### (b) Sale of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

The Group provides freight services to the customers as part of standard products sales contract. Management considers that freight services should be treated as separate performance obligations and should be recognised over the transportation period.

##### (c) Commission income

The Group acts as an agent for sales transactions on behalf of the third parties. The commission income received by the Group as a fee for facilitating such transactions is recognised at the point of transfer of risks and rewards of ownership of the goods to the customers of the third parties. Such income is reported as part of revenue.

**Interest income.** Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

**Dividend income.** Dividend income is recognised when the right to receive payment is established.

**Value added tax.** VAT in Ukraine where the majority of the Group operations are concentrated is levied at two rates: 20% on domestic sales and imports of goods, works and services and 0% on export of goods. Export of services is exempt from VAT. A taxpayer's VAT liability equals the total amount of VAT collected within a reporting period, and for domestic operations arises on the earlier of the date of shipping goods to a customer or the date of receiving payment from the customer; for export operations arises on the date of customs clearance of exported goods. A VAT credit is the amount that a taxpayer is entitled to offset against his VAT liability in a reporting period. For domestic and export operations rights to VAT credit arise when a VAT invoice is received, which is issued on the earlier of the date of payment to the supplier or the date goods are received. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT. VAT assets recoverable in cash from the State are included into Group's assets. All other VAT assets and liabilities are netted only within the individual companies of the Group.

**Recognition of expenses.** Expenses are accounted for on an accrual basis.

**Finance income and costs.** Finance income and costs comprise interest expense on borrowings, pension obligations, losses on early repayment of loans, interest income on funds invested, income on origination of financial instruments and foreign exchange gains and losses.

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the IFRS consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Impairment of property, plant and equipment, goodwill and other intangible assets.** The Group and its subsidiaries are required to perform impairment tests for their assets or cash-generating units when there is indication that an asset or a cash-generating unit ("CGU") may be impaired.

The accompanying notes form an integral part of these summary consolidated financial statements



## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

One of the determining factors in identifying a cash-generating unit is the ability to measure independent cash flows for that unit. Within the Group's identified cash-generating units a significant proportion of their output is input to another cash-generating unit. Therefore, judgement is needed in determining a cash-generating unit.

Annually the Group assesses whether goodwill is impaired. This requires estimation of the value in use / fair value less costs of disposal of the cash-generating units or groups of cash-generating units to which goodwill is allocated.

Allocation of goodwill to groups of cash generating units requires significant judgement related to expected synergies. Estimating value in use / fair value less costs of disposal requires the Group to make an estimate of expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Precision of future cash flows is dependent, inter alia, on quality of management's forecasts of benchmark price levels for key commodities, production volumes and production costs, and necessary capital expenditure levels.

The most recent detailed calculations for Metallurgical and Mining segments were performed as of 31 December 2020 and 31 December 2019, respectively, as disclosed in Note 7. Apart from goodwill arisen on the acquisition of Pokrovske coal business, which was tested for impairment as of 31 December 2021, management has carried forward these calculations in 2021, having considered that since then:

- (a) the assets and liabilities making up these segments have not changed significantly;
- (b) the recoverable amount calculations performed last time resulted in the amounts that exceeded the carrying amounts of both segments by substantial margins; and
- (c) the likelihood that a current recoverable amount determination as of 31 December 2021 would be less than the current carrying amount of the unit is remote, based on the management's analysis of events that have occurred and circumstances that have changed, including:
  - increased production and sales volumes of steel products as compared to the estimates made in 2020 and iron ore products as compared to the estimates in 2019 impairment tests;
  - Metallurgical segment increased gross margins in 2021 as compared to the estimates made in 2020 impairment tests, mainly due to increase in steel prices, partially offset by effect from increase in iron ore prices and other factors, as disclosed in Note 2, based on which the expected gross margins for 2022 and further periods have improved from the estimates made in impairment test for 2020;
  - Mining segment increased gross margins in 2021 as compared to the estimates made in 2019 impairment test, mainly due to increase in iron ore prices, partially offset by effect from other factors, based on which the expected gross margins for 2022 and further periods have improved from the estimates made in impairment test for 2019.

**Revaluation of property, plant and equipment.** On an annual basis management of the Group carries out an analysis to assess whether carrying amounts of items of property, plant and equipment differ materially from that which would be determined using fair value at the end of the reporting period. The analysis is based on price indices, developments in technology, movements in exchange rates since the date of latest revaluation, profitability of underlying businesses and other relevant factors. Where the analysis indicates that the fair values of items of property plant and equipment differ materially from the carrying amounts, further revaluation is performed involving independent valuers.

As most of the Group's property, plant and equipment is of specialised nature, its fair value is determined using depreciated replacement cost (Level 3) or, where it is available, the market value (Level 2).

The majority of the structures, plant and machinery are specialised in nature and are rarely sold in the open market in Ukraine other than as part of a continuing business. The market for similar property, plant and equipment is not active in Ukraine and does not provide a sufficient number of sales of comparable assets to allow for using a market-based approach for determining fair value. Consequently, the fair value of structures, plant and machinery was primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economic depreciation, and obsolescence. The depreciated replacement cost was estimated based on internal sources and analysis of Ukrainian and international markets for similar property, plant and equipment. Various market data was collected from published information, catalogues, statistical data etc., and industry experts and suppliers.



## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

When performing valuation using these methods, the key estimates and judgments applied by the independent valuers, in discussion with the Group's internal valuation team and technicians, are as follows:

- choice of information sources for construction costs analysis (actual costs recently incurred by the Group, specialised reference materials and handbooks, estimates for cost of construction of various equipment etc.);
- determination of similar items for replacement cost of certain equipment, as well as corresponding adjustments required to take into account differences in technical characteristics and condition of new and existing equipment;
- selection of market data when determining market value where it is available as well as corresponding adjustments required to take into account differences in technical characteristics and the condition of new and existing equipment;
- determination of applicable cumulative price indices which would most reliably reflect the change in fair value of assets revalued using indexation of carrying amounts;
- use of directories of per-unit replacement cost for buildings and constructions, assuming that all buildings and constructions of similar type and nature within industry have similar replacement costs; and
- liquidation value for items, which are expected to be realised, less cost to sell.

The fair values obtained using depreciated replacement cost and indexation of carrying amounts are validated using discounted cash flow models (income approach, Level 3), and are adjusted if the values obtained using income approach are lower than those obtained using depreciated replacement cost or indexation of carrying amounts (i.e. there is economic obsolescence). Key inputs into discounted cash flow models are consistent with the assumptions used for goodwill impairment testing (Note 7), except for discount rates which are specific to each of the Group's subsidiaries.

Changes in the above estimates and judgments could have a material effect on the fair value of property, plant and equipment, which, however, is impracticable to quantify due to wide variety of assumptions and assets being valued.

**Remaining useful lives of property, plant and equipment.** The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the technical characteristics, physical conditions, management's expectations on use of the respective assets and other factors. This affects depreciation charge and revaluation results.

**Related party transactions.** In the normal course of business the Group enters into transactions with related parties. Judgement is applied in determining if transactions are priced at market or non-market terms, where there is no active market for such transactions, and also in estimating the timing of settlement of the balances due from related parties, where there is a history of prolongations. Financial instruments are recorded at origination at fair value using the effective interest method. The Group's accounting policy is to record gains and losses on related party transactions, other than business combination or equity investments, in the income statement. The basis for judgement is pricing for similar types of transactions with unrelated parties and an effective interest rate analysis.

Further, estimation of timing of settlement and recoverability of balances due from related parties requires judgement. Ability of shareholders and parties under their control to repay the amounts due to the Group is dependent to large extent on cash flows from the Group. Such cash flows in the current circumstances may be limited (Note 18). The expected credit loss allowance was recognised in respect of balances due from related parties as disclosed in Note 13 of these consolidated financial statements.

**Post-employment and other long-term employee benefits obligations.** Management assesses post-employment and other long-term employee benefit obligations using the Projected Unit Credit Method based on actuarial assumptions which represent management's best estimates of the variables that will determine the ultimate cost of providing post-employment and other employee benefits. Since the plan is administered by the State of Ukraine, the Group may not have full access to information and therefore assumptions regarding when, or if, an employee takes early retirement, whether the Group would need to fund pensions for ex-employees depending on whether that ex-employee continues working in hazardous conditions could all have a significant impact on the pension obligation.

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The major assumptions used in determining the net cost (income) for pensions include the discount rate and future salary and benefits increase rate. Any changes in these assumptions will impact the carrying amount of pension obligations as disclosed in sensitivity analysis in Note 18.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based in part on the current market conditions. Additional information is disclosed in Note 18.

**Tax legislation.** Ukrainian tax, currency and customs legislation continues to evolve. Conflicting regulations are subject to varying interpretations. Management believes its interpretations are appropriate and sustainable, but no guarantee can be provided against a challenge from the tax authorities (Note 26).

The accompanying notes form an integral part of these summary consolidated financial statements

## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

**Functional currency.** Judgement was applied in determining the functional currency of Metinvest B.V., which is a holding company for operations of the Group in Ukraine, Italy, the United States of America and other countries. The functional currency of Metinvest B.V. was determined on the basis that (i) in management's opinion Metinvest B.V. is not an extension of and is not integral to the Ukrainian operations; (ii) the primary economic exposures are to a number of countries; and (iii) Metinvest B.V. retains cash and obtains majority of financing in US Dollars. Management therefore determined the US Dollar as the functional currency of Metinvest B.V.

#### **Loss of control over the assets located on the temporarily non-controlled territory**

In March 2017, the Group lost control over the assets located on the temporarily non-controlled territory. The Group accounted for this event as impairment of related property, plant, and equipment and inventories. Also, the Group has determined that the operations located on the temporarily non-controlled territories over which control was lost do not represent a disposal of foreign operations.

**(i) Control over the legal entities whose operations on the temporarily non-controlled territory were lost.** The Group retains a legal ownership over the entities whose physical assets and production activities are located on the temporarily non-controlled territories. Management determined that it retains control over these entities as they are registered on the controlled territory of Ukraine and the Group continues to perform transactions in accordance with Ukrainian legislation. Thus, the Group continues to consolidate the remaining assets (largely trade and other receivables) and liabilities of those entities and accounted for the loss of control of tangible assets as their impairment.

Would the position be adopted that control over the legal entities is lost as at 15 March 2017, the net assets of the entities in the amount of USD 13 million (before the impairment) would be deconsolidated and the fair value of accounts payable due to the entities and accounts receivable due from the entities would be recognised. Additionally, a reclassification of USD 601 million of accumulated net negative Currency Translation Reserve ("CTR") from other comprehensive Income to profit and loss in the income statement would have been required.

**(ii) Currency translation reserve related to entities located on the temporarily non-controlled territory.** The lost operations have not been consolidated directly but only together with the remaining operations of each of the legal entity, which continue to exist and be controlled by the Group. Operations and management were structured in such a way that each legal entity in its entirety was considered to be one entity and, therefore, the lost part of an entity does not represent a branch or a business. Thus the management determined that these operations do not represent a disposal of foreign operations and therefore no accumulated CTR on those entities is reclassified to profit and loss (which would be the case if it is determined that operations lost represent a disposal of foreign operations).

If all the net assets of the entities located on the temporarily non-controlled territory were derecognised, the negative charge of CTR in income statement would have been USD 601 million, as stated above; the exact amount of the charge would depend on whether only part or all the assets and liabilities of these entities were derecognised.

**(iii) Impairment of property, plant and equipment located on the temporarily non-controlled territory.** The Group still holds the legal title over assets located on the temporarily non-controlled territory as their seizure is illegal and might be temporary. Moreover, the Group may still be able to claim some compensation for the assets through international courts. Therefore, management has determined that the loss of control over the physical assets does not require the derecognition of these assets.

As such, management of the Group has performed an impairment assessment of the respective property, plant and equipment and determined that the recoverable amount of these assets is zero, thus recognising USD 205 million as decrease of previously recognised revaluation in Other Comprehensive Income and USD 228 million as impairment charge in profit and loss for the year ended 31 December 2017. Would the judgement be made that the assets are derecognised, the whole amount of USD 433 million of decrease of carrying value of property, plant and equipment would need to be charged as loss on disposal in profit and loss. Additionally, the remaining revaluation reserve related to these assets in the amount of USD 330 million (remained upon translation to presentation currency) would need to be transferred to retained earnings.

The accompanying notes form an integral part of these summary consolidated financial statements

## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 5 NEW ACCOUNTING PRONOUNCEMENTS

The following new standards, amendments to standards and interpretations became effective for the Group on 1 January 2021 or after:

- **Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16** (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

The following new standards, amendments to standards and interpretations have been issued and endorsed by EU and will be effective since 1 January 2022 or after:

- **Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41** (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022);
- **Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16** (issued on 28 May 2020 and effective for annual reporting periods beginning on or after 1 April 2021);
- **Covid-19-Related Rent Concessions – Amendments to IFRS 16** (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

These standards, amendments to standards and interpretations did not have a material impact on these consolidated financial statements.

The following amendments to standards, which are relevant to the Group, have been issued, but have not yet been endorsed by the European Union:

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28** (issued on 11 September 2014 and effective for annual periods beginning on or after the date to be determined by the IASB);
- **Classification of liabilities as current or non-current – Amendments to IAS 1** (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies** (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 8: Definition of Accounting Estimates** (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- **Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12** (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

These amendments to standards will have no material impact on the Group.

The accompanying notes form an integral part of these summary consolidated financial statements



## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

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#### 6 SEGMENT INFORMATION

The Group's business is organised on the basis of the following main reportable segments:

- Metallurgical – comprising the production and sale of coke, semi-finished and finished steel products;
- Mining – comprising the production, enrichment and sale of iron ore and coal by the Group's Ukrainian operations and UCC, the Group's US coal operations. Output of the Group's mining business covers iron ore and coking coal needs of the Group's steelmaking business with surplus of iron ore sold to third parties. While management reviews financial information of UCC separately from other mining operations, UCC operating segment has been aggregated with the Group's Ukrainian mining operations into the Mining reportable segment. The two operating segments were aggregated into one reportable segment as they have similar nature of products (mineral commodities used in metallurgy) and production processes (underground and open-pit mining with further enrichment), and sell products to customers in metallurgical industry and commodity traders. Prices for their products depend on global benchmark prices for hard coking coal and iron ore; as such their margins and growth rates show comparable dynamics over longer term.

As the Group entities are present in various jurisdictions, there are some differences in regulatory environment; however, they have no significant impact on segments' operating and financing activities. Segmentation presented in these consolidated financial statements is consistent with the structure of financial information regularly reviewed by the Group's management, including Chief Operating Decision Maker (CODM).

Operating segments' performance is assessed based on a measure of adjusted EBITDA. This measurement basis excludes dividend income, impairment of goodwill, other intangible assets and property, plant and equipment, the effects of non-recurring expenditures from the operating segments and foreign exchange gains / losses. Revenues and expenses for internal reporting purposes have been accounted for using IFRS principles. Certain adjustments are applied by management to contractual prices for intersegment sales.

Segment information for the year ended 31 December 2021 was as follows:

2021	Metallurgical	Mining	Corporate	Eliminations	Total
Sales – external	14,518	3,487	-	-	18,005
Sales to other segments	114	2,788	-	(2,902)	-
<b>Total of the reportable segments' revenue</b>	<b>14,632</b>	<b>6,275</b>	<b>-</b>	<b>(2,902)</b>	<b>18,005</b>
<b>Timing of revenue recognition</b>					
At a point in time	13,767	3,173	-	-	16,940
Over time	751	314	-	-	1,065
<b>Total of the reportable segments' external revenue</b>	<b>14,518</b>	<b>3,487</b>	<b>-</b>	<b>-</b>	<b>18,005</b>
<b>Adjusted EBITDA</b>	<b>2,903</b>	<b>3,564</b>	<b>(226)</b>	<b>(201)</b>	<b>6,040</b>
Share in EBITDA of joint ventures	354	650	-	-	1,004
<b>Adjusted EBITDA including share in EBITDA of joint ventures</b>	<b>3,257</b>	<b>4,214</b>	<b>(226)</b>	<b>(201)</b>	<b>7,044</b>
<i>Reconciling items:</i>					
Depreciation and amortisation	(449)	(488)	(36)	-	(973)
Impairment of PPE and other intangible assets	(3)	(7)	(16)	-	(26)
Share of result of associates and depreciation, amortisation, tax and finance income and costs in joint ventures					(205)
Finance income					212
Finance costs					(280)
Operating foreign exchange losses less gains, net					(85)
Loss from change in fair value of financial instruments and option					(89)
Gain from revaluation of share in associate					61
Other					5
<b>Profit before income tax</b>					<b>5,664</b>
	Metallurgical	Mining	Corporate		Total
Capital expenditure	689	530	61		1,280
<b>Significant non-cash items included into adjusted EBITDA:</b>					
- reversal of impairment / (impairment) of financial assets	98	7	(63)		42
- write-off of trade and other payables	(11)	-	-		(11)

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## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

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#### 6 SEGMENT INFORMATION (CONTINUED)

Segment information for the year ended 31 December 2020 was as follows:

2020	Metallurgical	Mining	Corporate	Eliminations	Total
Sales – external	8,200	2,253	-	-	10,453
Sales to other segments	70	902	-	(972)	-
<b>Total of the reportable segments' revenue</b>	<b>8,270</b>	<b>3,155</b>	<b>-</b>	<b>(972)</b>	<b>10,453</b>
<b>Timing of revenue recognition</b>					
At a point in time	7,579	1,797	-	-	9,376
Over time	621	456	-	-	1,077
<b>Total of the reportable segments' external revenue</b>	<b>8,200</b>	<b>2,253</b>	<b>-</b>	<b>-</b>	<b>10,453</b>
<b>Adjusted EBITDA</b>					
Share in EBITDA of joint ventures	6	383	-	-	389
<b>Adjusted EBITDA including share in EBITDA of joint ventures</b>	<b>890</b>	<b>1,448</b>	<b>(92)</b>	<b>(42)</b>	<b>2,204</b>
<i>Reconciling items:</i>					
Depreciation and amortisation	(435)	(355)	(30)	-	(820)
Impairment of PPE and other intangible assets	(2)	(4)	-	-	(6)
Share of result of associates and depreciation, amortisation, tax and finance income and costs in joint ventures					(104)
Finance income					60
Finance costs					(566)
Operating foreign exchange losses less gains, net					(217)
Gain from change in fair value of financial instruments and option					74
Other					1
<b>Profit before income tax</b>					<b>626</b>
<b>Capital expenditure</b>					
	332	313	18		663
<b>Significant non-cash items included into adjusted EBITDA:</b>					
- impairment of trade and other receivables	74	9	10		93
- write-off of trade and other payables	(7)	(3)	-		(10)
<b>Analysis of revenue by category:</b>					
2021	Metallurgical	Mining			Total
<b>Sales of own products</b>	<b>9,856</b>	<b>3,317</b>			<b>13,173</b>
- Steel products	8,881	-			8,881
- Iron ore products	-	2,993			2,993
- Coal and coke	628	304			932
- Other	347	20			367
<b>Resale of purchased goods</b>	<b>4,662</b>	<b>170</b>			<b>4,832</b>
- Steel products	4,377	-			4,377
- Coal and coke	145	151			296
- Other	140	19			159
<b>Total</b>	<b>14,518</b>	<b>3,487</b>			<b>18,005</b>

The accompanying notes form an integral part of these summary consolidated financial statements

## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

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#### 6 SEGMENT INFORMATION (CONTINUED)

Analysis of revenue by category:

2020	Metallurgical	Mining	Total
<b>Sales of own products</b>	<b>5,178</b>	<b>2,157</b>	<b>7,335</b>
- Steel products	4,507	-	4,507
- Iron ore products	-	2,045	2,045
- Coal and coke	485	98	583
- Other	186	14	200
<b>Resale of purchased goods</b>	<b>3,022</b>	<b>96</b>	<b>3,118</b>
- Steel products	2,808	-	2,808
- Coal and coke	61	57	118
- Other	153	39	192
<b>Total</b>	<b>8,200</b>	<b>2,253</b>	<b>10,453</b>

The Group's two reportable segments operate in six main geographical areas. Revenue by location of customers is presented below:

2021	Metallurgical	Mining	Total
Ukraine	3,527	1,208	4,735
Rest of Europe	5,535	960	6,495
Middle East and Northern Africa	2,735	270	3,005
Rest of Asia	169	999	1,168
Commonwealth of Independent States ("CIS")	1,169	1	1,170
North America	890	29	919
Other countries	493	20	513
<b>Total</b>	<b>14,518</b>	<b>3,487</b>	<b>18,005</b>

2020	Metallurgical	Mining	Total
Ukraine	2,165	774	2,939
Rest of Europe	2,428	423	2,851
Middle East and Northern Africa	1,750	50	1,800
Rest of Asia	475	992	1,467
Commonwealth of Independent States ("CIS")	635	-	635
North America	555	14	569
Other countries	192	-	192
<b>Total</b>	<b>8,200</b>	<b>2,253</b>	<b>10,453</b>

As at 31 December 2021, 96% of the Group's non-current assets, other than financial instruments and deferred tax assets, were located in Ukraine (31 December 2020: 95%).

In 2021, average number of employees attributable to Metallurgical segment amounted to 49 thousand, Mining segment – 27 thousand (2020: Metallurgical segment – 46 thousand, Mining segment – 17 thousand). 5 employees are hired in the Netherlands (2020: 2 employees).

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### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

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#### 7 GOODWILL

The movements of goodwill were as follows:

	2021	2020
<b>As at 1 January</b>		
Original amount	1,358	1,278
Accumulated impairment	(728)	(677)
<b>Net carrying amount</b>	<b>630</b>	<b>601</b>
Acquisition of subsidiary	144	-
Currency translation differences	(29)	29
<b>As at 31 December</b>		
Original amount	1,430	1,358
Accumulated impairment	(685)	(728)
<b>Net carrying amount</b>	<b>745</b>	<b>630</b>

Management allocates and monitors goodwill at the following groups of cash generating units ("CGUs") which represent reportable segments:

	31 December 2021	31 December 2020
Metallurgical	553	583
Mining	192	47
<b>Total</b>	<b>745</b>	<b>630</b>

As described in Note 4, management has analysed the events that have occurred and circumstances that have changed since the last time goodwill impairment testing performed and concluded that the likelihood that a current recoverable amount determination of the Metallurgical segment and Mining segment as of 31 December 2021 would be less than the current carrying amount of the unit is remote. As such, the relevant goodwill impairment testing details have been carried forward from the preceding periods for each of the segments. Newly arisen goodwill on the acquisition of Pokrovske coal business was tested for impairment as of 31 December 2021.

To ensure that the impairment testing model fully reflects the anticipated long-term changes in cash flows, for the impairment test the Group used cash flow projections for 10 years which are consistent with the Group's strategy approved by senior management; the first year of forecast is based on the Group's approved business plan for the year.

The valuation method used for determination of each CGU fair value is mostly based on unobservable market data, which is within Level 3 of the fair value hierarchy.

**Metallurgical segment.** The following table and further paragraphs summarise key assumptions on which management has based its cash flow projections to undertake the impairment testing of goodwill in metallurgical segment:

	31 December 2020
<b>Metallurgical</b>	
Post-tax discount rate (USD)	12.21%
EBITDA margins (based on FCA prices)	2021-2022: 15%, further – from 16% to 18%
Growth rate in perpetual period	3%

The values assigned to the key assumptions represent management's assessment of future trends in the business and are based on both external and internal sources.

Discount rate reflects the market assessment of the time value of money and risks specific to the Group. The cost of equity has been determined using the Capital Asset Pricing Model based on observable inputs, inputs from third party financial analysts and Group-specific inputs.

Forecasted benchmark iron ore prices for Fe 62% fines (CFR North China) are USD 98 per tonne in 2021, USD 75 per tonne in 2022, USD 70 per tonne in 2023 and recover at 2% p.a. to USD 80 per tonne in 2030. Forecasted prices for other iron ore products and prices at other markets were determined based on respective discounts or premiums for Fe content, pelletizing premiums, applicable transportation costs and historic discounts or premiums usual for those markets.

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## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

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#### 7 GOODWILL (CONTINUED)

Forecasted coal prices used in the impairment test for low volatile hard coking coal (FOB Queensland) are USD 134 per tonne in 2021, USD 150 per tonne in 2022 and grow at 2% p.a. on average thereafter. Forecasted prices for other types of coal and prices at other markets were determined based on respective historic discounts for differences in quality of each particular coal type and estimated transportation costs.

Forecasted prices for hot-rolled coils at Ukrainian ports used in the impairment test were estimated based on the benchmark (Metal Expert HRC CIS export FOB Black Sea). Forecasted prices are expected to reach USD 471 per tonne in 2021 with average increase by 3% in the period from 2022 to 2025 and further by 2% to USD 574 per tonne in 2030. Forecasted prices for other steel products are based on historic discounts or premiums to prices for hot-rolled coils.

Management assumed that forecasted production volumes of metallurgical plants will remain at the current level of 9.1 million tonnes.

Forecasts from industry experts and other external reputable sources, as well as internal analysis were used by management to determine price levels used in the impairment test.

An exchange rate of 27.8 UAH for 1 USD in 2021 with gradual increase to 37.1 UAH for 1 USD in 2030 was used in the impairment test as of 31 December 2021.

As at 31 December 2020, the Metallurgical segment's recoverable amount, determined based on fair value less cost to sell estimations, is USD 6,150 million and exceeds its total carrying amount by USD 1,568 million. The table below summarises the impact of changes in main assumptions with all other variables held constant to the impairment of goodwill (and subsequently to property, plant and equipment and intangible assets) related to the Metallurgical segment:

	<b>31 December 2020</b>
<b>Volumes of production/sales</b>	
Decrease in all the periods by 10.0%	Recoverable amount equals carrying amount
Decrease in all the periods by 11.0%	Impairment of USD 157 million required
<b>Steel prices</b>	
Decrease in all the periods by 2.6%	Recoverable amount equals carrying amount
Decrease in all the periods by 4.0%	Impairment of USD 851 million required
<b>Iron ore prices</b>	
Increase in all the periods by 19.9%	Recoverable amount equals carrying amount
Increase in all the periods by 22.0%	Impairment of USD 169 million required
<b>Coal prices</b>	
Increase in all the periods by 18.8%	Recoverable amount equals carrying amount
Increase in all the periods by 21.0%	Impairment of USD 182 million required
<b>UAH/USD exchange rates</b>	
Increase in all the periods by UAH 1	Recoverable amount increases by USD 435 million
<b>Discount rates</b>	
Increase in all the periods by 6.4 pp	Recoverable amount equals carrying amount
Increase in all the periods by 7.0 pp	Impairment of USD 119 million required
<b>Growth rate in perpetual period</b>	No reasonable changes would lead to impairment

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### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

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#### 7 GOODWILL (CONTINUED)

**Mining segment.** The following table and further paragraphs summarise key assumptions on which management has based its cash flow projections to undertake the impairment testing of goodwill in mining segment in 2019:

	31 December 2019
<b>Mining</b>	
Post-tax discount rate (USD)	12.57%
EBITDA margins (based on FCA prices)	2020: 38%, 2021: 29%, further – from 32% to 34%
Growth rate in perpetual period	3%

As at 31 December 2019, the recoverable amount of the Mining segment, determined based on fair value less cost to sell estimations, was USD 3,832 million and exceeded its total carrying amount by USD 1,297 million. The table below summarises the impact of changes in main assumptions with all other variables held constant to the impairment of goodwill related to this group of CGUs:

	31 December 2019
<b>Iron ore prices</b>	
Decrease in all the periods by 7.2%	Recoverable amount equals carrying amount
Decrease in all the periods by 10.0%	Impairment of USD 494 million required
<b>UAH/USD exchange rates</b>	
Increase in all the periods by UAH 1	Recoverable amount increases by USD 165 million
<b>Discount rates</b>	
Increase in all the periods by 6.5 pp	Recoverable amount equals carrying amount
Increase in all the periods by 7.5 pp	Impairment of USD 121 million required
<b>Growth rate in perpetual period</b>	No reasonable changes would lead to impairment

**UCC.** No goodwill has been allocated to UCC. An impairment test was carried out in respect of property, plant and equipment. As at 31 December 2021, the recoverable amount of UCC is USD 154 million (31 December 2020: USD 162 million), approximating its carrying amount. The recoverable amount has been determined based on fair value less cost to sell estimations.

No additional net impairment or reversal of previous impairment was recognised in 2021.

The discount rate used for the impairment testing of UCC was 8.51% (31 December 2020: 8.64%).

The table below summarises the impact of changes in main assumptions with all other variables held constant to the impairment of property, plant and equipment of UCC:

	31 December 2021	31 December 2020
<b>Coal prices</b>		
Decrease in all the periods by 3.0%	Impairment of USD 132 million required	Impairment of USD 135 million required
<b>Cash costs</b>		
Increase in all the periods by 3.0%	Impairment of USD 143 million required	Impairment of USD 135 million required
<b>Discount rates</b>		
Increase in all the periods by 1 pp	Impairment of USD 13 million required	Impairment of USD 37 million required

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**7 GOODWILL (CONTINUED)**

**Pokrovske coal business.** On March 2, 2021, the Group obtained control over nine legal entities of Pokrovske coal business. Goodwill in the amount of USD 143 million was recognised upon acquisition (Note 11). As of 31 December 2021, goodwill was tested for impairment. The following table summarise key assumptions on which management has based its cash flow projections to undertake the impairment testing:

	31 December 2021
Post-tax discount rate (USD)	11.77%
Growth rate in perpetual period	3%
Coal prices forecast	USD 245 per tonne in 2022, USD 168 – 182 in 2023-2025, starting from 2026 prices are adjusted for the level of inflation in the USA

As at 31 December 2021, the recoverable amount exceeded its total carrying amount by USD 385 million. The table below summarises the impact of changes in main assumptions with all other variables held constant to the impairment of goodwill:

	31 December 2021
<b>Coal prices</b>	
Decrease in all the periods by 7.0%	Impairment of USD 47 million required
<b>Discount rates</b>	
Increase in all the periods by 2 pp	Impairment of USD 23 million required

**8 OTHER INTANGIBLE ASSETS**

The movements of other intangible assets were as follows:

	Coal reserves	Licenses and mining permits	Other intangible assets	Total
<b>As at 1 January 2020</b>				
Cost	418	260	258	<b>936</b>
Accumulated amortisation and impairment	(418)	(164)	(214)	<b>(796)</b>
<b>Net carrying amount</b>	<b>-</b>	<b>96</b>	<b>44</b>	<b>140</b>
Additions	-	-	21	21
Currency translation differences	-	(15)	(7)	<b>(22)</b>
Amortisation	-	(3)	(15)	<b>(18)</b>
<b>As at 31 December 2020</b>				
Cost	418	219	263	<b>900</b>
Accumulated amortisation and impairment	(418)	(141)	(220)	<b>(779)</b>
<b>Net carrying amount</b>	<b>-</b>	<b>78</b>	<b>43</b>	<b>121</b>
Acquisition of subsidiary	-	1,219	-	<b>1,219</b>
Additions	-	-	29	<b>29</b>
Currency translation differences	-	21	1	<b>22</b>
Impairment	-	-	(16)	<b>(16)</b>
Amortisation	-	(29)	(22)	<b>(51)</b>
<b>As at 31 December 2021</b>				
Cost	418	1,557	295	<b>2,270</b>
Accumulated amortisation and impairment	(418)	(268)	(260)	<b>(946)</b>
<b>Net carrying amount</b>	<b>-</b>	<b>1,289</b>	<b>35</b>	<b>1,324</b>

The mining license acquired as part of the acquisition of the Pokrovske coal business (Note 11) is being amortised using units-of-production method over its useful life of approximately 45 years.

The coal reserves were acquired as part of the acquisition of UCC in 2009. As at 31 December 2021 and 31 December 2020, these reserves were fully impaired.

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**9 PROPERTY, PLANT AND EQUIPMENT**

The movements of property, plant and equipment were as follows:

	Land	Buildings and structures	Plant and machinery	Furniture, fittings and equipment	Construction in progress	Total
<b>Cost or valuation</b>						
<b>As at 1 January 2020</b>	<b>62</b>	<b>2,225</b>	<b>4,556</b>	<b>99</b>	<b>1,118</b>	<b>8,060</b>
Additions	-	-	-	-	642	<b>642</b>
Transfers	(4)	246	528	26	(796)	-
Disposals	-	(9)	(58)	-	(1)	<b>(68)</b>
Acquisition of subsidiary	-	24	94	5	8	<b>131</b>
Reclassification to inventory	-	-	-	-	(18)	<b>(18)</b>
Currency translation differences	5	(326)	(653)	(14)	(163)	<b>(1,151)</b>
<b>As at 31 December 2020</b>	<b>63</b>	<b>2,160</b>	<b>4,467</b>	<b>116</b>	<b>790</b>	<b>7,596</b>
Additions	-	-	-	-	1,135	<b>1,135</b>
Transfers	-	226	507	63	(796)	-
Disposals	-	(17)	(141)	(31)	(10)	<b>(199)</b>
Acquisition of subsidiary	-	471	199	9	213	<b>892</b>
Acquisition of integral property complex	-	37	77	2	-	<b>116</b>
Reclassification to inventory	-	-	-	-	(23)	<b>(23)</b>
Currency translation differences	(4)	73	131	9	26	<b>235</b>
<b>As at 31 December 2021</b>	<b>59</b>	<b>2,950</b>	<b>5,240</b>	<b>168</b>	<b>1,335</b>	<b>9,752</b>
<b>Accumulated depreciation and impairment</b>						
<b>As at 1 January 2020</b>	-	<b>(566)</b>	<b>(956)</b>	<b>(47)</b>	<b>(137)</b>	<b>(1,706)</b>
Depreciation charge for the year	-	(195)	(611)	(14)	-	<b>(820)</b>
Disposals	-	7	56	-	-	<b>63</b>
Transfers	-	1	3	(4)	-	-
Acquisition of subsidiary	-	(6)	(32)	(3)	-	<b>(41)</b>
Impairment	-	(2)	(9)	(1)	(3)	<b>(15)</b>
Currency translation differences	-	82	103	6	21	<b>212</b>
<b>As at 31 December 2020</b>	-	<b>(679)</b>	<b>(1,446)</b>	<b>(63)</b>	<b>(119)</b>	<b>(2,307)</b>
Depreciation charge for the year	-	(244)	(673)	(27)	-	<b>(944)</b>
Disposals	-	15	135	3	9	<b>162</b>
Transfers	-	-	-	-	-	-
Impairment	-	(2)	(6)	(3)	(7)	<b>(18)</b>
Currency translation differences	-	(21)	(33)	(7)	(6)	<b>(67)</b>
<b>As at 31 December 2021</b>	-	<b>(931)</b>	<b>(2,023)</b>	<b>(97)</b>	<b>(123)</b>	<b>(3,174)</b>
<b>Net book value as at</b>						
<b>31 December 2020</b>	<b>63</b>	<b>1,481</b>	<b>3,021</b>	<b>53</b>	<b>671</b>	<b>5,289</b>
<b>31 December 2021</b>	<b>59</b>	<b>2,019</b>	<b>3,217</b>	<b>71</b>	<b>1,212</b>	<b>6,578</b>

As at 31 December 2021 and 2020, construction in progress balance includes prepayments for property, plant and equipment of USD 77 million and USD 41 million, respectively.

The accompanying notes form an integral part of these summary consolidated financial statements

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### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

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#### 9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2021, the Group has recognised right-of-use asset in the amount of USD 53 million within Property, plant and equipment, mainly attributable to plant and machinery (as at 31 December 2020: USD 43 million).

Management concluded that the carrying value of property, plant and equipment is not materially different from its fair value as at 31 December 2021 and 2020. During 2021, USD 21 million of borrowing costs were capitalised as part of property, plant and equipment, capitalisation rate was 8% (2020: USD 32 million, capitalisation rate was 8%).

As at 31 December 2021, USD 149 million of property, plant and equipment were pledged as collateral for loans and borrowings (31 December 2020: USD 207 million).

#### 10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investment in joint ventures and associates were as follows as at 31 December 2021 and 2020:

Name	Type of relationship	Segment	% of ownership	2021	2020	
				Carrying value	% of ownership	Carrying value
Zaporizhstal Group	Joint venture	Metallurgical	49.99%	1,001	49.99%	647
Southern Iron Ore Enrichment Works Group	Joint venture	Mining	45.87%	570	45.87%	531
Pokrovske coal business	Associate	Mining	-	-	24.77%	203
PrJSC Yuzkoks	Associate	Metallurgical	23.71%	36	23.71%	8
<b>Total</b>				<b>1,607</b>		<b>1,389</b>

All Group's associates and joint ventures are accounted for using the equity method.

None of the joint ventures and associates are traded on active markets and there are no reliable market prices available.

##### **Southern Iron Ore Enrichment Works Group**

Southern Iron Ore Enrichment Works Group is a large Ukrainian iron ore mining plant, which produces iron ore concentrate and sinter. Its products are used by the Group's integrated steel plants and are also sold to the third parties (mostly in China, Ukraine and Europe) primarily through the Group's trading companies.

During the year ended 31 December 2021, Southern Iron Ore Enrichment Works Group has declared dividends of USD 446 million attributable to the Group.

##### **Zaporizhstal Group**

The investment in the Zaporizhstal Group is represented by the number of interests in the steel and mining businesses, the most significant being:

- 49.99% effective interest in JSC Zaporizhstal Integrated Iron & Steel Works ("Zaporizhstal"), a large Ukrainian integrated steel plant which sources majority of its iron ore and coke consumption from the Group and sells majority of its finished products through the Group's trading companies;
- 24.27% effective interest in PrJSC Zaporizhya Iron Ore Plant, large iron ore mining enterprise in Ukraine which sells part of its iron ore output to Zaporizhstal; and
- 42.77% effective interest in PrJSC Zaporizhcoke and a 49.21% effective interest in PrJSC Zaporizhvohnetriv which are Group's subsidiaries.

As at 31 December 2021 and 2020, Metinvest's investments in Zaporizhstal Group and Southern Iron Ore Enrichment Works Group were classified as joint ventures due to the fact that decisions on the key relevant activities require participation of and unanimous consents both from Metinvest and from the other shareholders of the Zaporizhstal Group and Southern Iron Ore Enrichment Works Group.

##### **Pokrovske coal business**

In March 2021, the Group has obtained control over majority of the entities of Pokrovske coal business by exercising an option. As a result, entities previously reported as the Group's associates as at 31 December 2020 became the Group's subsidiaries (Note 11).



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**10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)**

A reconciliation of movements in the fair value of the option for the year ended 31 December 2020 and to the date it was exercised is as follows:

	2021	2020
<b>Fair value at 1 January</b>	<b>146</b>	<b>122</b>
Gains / (losses) recognised in profit or loss for the year	(35)	24
Derecognition of an option upon exercise	(111)	-
<b>Fair value at 31 December</b>	<b>-</b>	<b>146</b>

As part of the transaction, the Group settled the guarantee issued in exchange for the option obtained to purchase the remaining 75.22% in Pokrovske coal business. Income from the derecognition of the guarantee issued in the amount of USD 77 million was recognised in income statement as part of other finance income.

Movements in the carrying amount of the Group investments in associates and joint ventures are presented below:

	2021		2020	
	Joint ventures	Associates	Joint ventures	Associates
<b>Carrying amount at 1 January</b>	<b>1,178</b>	<b>211</b>	<b>1,083</b>	<b>218</b>
Share of after tax results of joint ventures and associates	778	21	233	52
Share of other comprehensive income of joint ventures and associates	42	-	49	-
Acquisition of controlling interest in PrJSC Dniprovskiy Coke Plant and PrJSC Zaporizhvohneprivat	-	-	-	(32)
Acquisition of controlling interest in Pokrovske coal business (Note 11)	-	(198)	-	-
Dividends declared	(446)	-	-	-
Disposal of associate	-	-	-	(5)
Currency translation difference	19	2	(187)	(22)
<b>Carrying amount at 31 December</b>	<b>1,571</b>	<b>36</b>	<b>1,178</b>	<b>211</b>

The accompanying notes form an integral part of these summary consolidated financial statements

## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

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#### 10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The summarised financial information of the Group's material joint ventures and associates is presented below.

	Zaporizhstal Group		Southern Iron Ore Enrichment Works Group		Pokrovske coal business	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	2 March 2021	31 December 2020
<b>Balance sheet:</b>						
<b>Non-current assets</b>	<b>1,186</b>	<b>1,120</b>	<b>716</b>	<b>619</b>	<b>1,747</b>	<b>1,601</b>
Cash and cash equivalents	11	15	26	12	14	7
Other current assets	1,878	1,266	750	803	113	72
<b>Total current assets</b>	<b>1,889</b>	<b>1,281</b>	<b>776</b>	<b>815</b>	<b>127</b>	<b>79</b>
Other non-current liabilities	95	111	138	142	263	262
Other non-current financial liabilities	56	14	-	-	502	500
<b>Total non-current liabilities</b>	<b>151</b>	<b>125</b>	<b>138</b>	<b>142</b>	<b>765</b>	<b>762</b>
Trade and other payables and provisions	997	1,027	114	134	626	418
Other current financial liabilities	98	123	-	-	63	61
<b>Total current liabilities</b>	<b>1,095</b>	<b>1,150</b>	<b>114</b>	<b>134</b>	<b>689</b>	<b>479</b>
<b>Net assets</b>	<b>1,829</b>	<b>1,126</b>	<b>1,240</b>	<b>1,158</b>	<b>420</b>	<b>439</b>

As at 31 December 2021, the temporary differences associated with interests in joint ventures for which deferred tax liabilities have not been recognised amounted to 34 million (2020: USD 19 million).

	Zaporizhstal Group		Southern Iron Ore Enrichment Works Group		Pokrovske coal business	
	For the year ended 31 December 2021	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2020	For the period from 1 January 2021 to 1 March 2021	For the year ended 31 December 2020
<b>Profit or loss for the year ended (selected items):</b>						
Revenue	3,261	1,729	1,891	1,248	57	385
Depreciation and amortisation	(102)	(99)	(85)	(68)	(17)	(115)
Finance income	6	1	3	1	-	975
Finance costs	(22)	(50)	(9)	(7)	(5)	(529)
Income tax expense	(128)	26	(287)	(179)	28	36
Profit or loss	624	(116)	1,022	647	(24)	138
<b>Statement of comprehensive income for the year ended:</b>						
Other comprehensive income	79	32	32	73	5	4
Total comprehensive income	703	(84)	1,054	720	(19)	142
<b>Dividends received by the Group during the year ended</b>	-	-	446	-	-	-

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### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

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#### 10 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The information above reflects the amounts presented in the financial statements of the joint ventures and associates and the impact of fair value adjustments made on acquisition of these joint ventures and associates, if any.

As at 31 December 2020, the holding company of Pokrovske Coal business pledged 44.16% of shares of PJSC “Colliery Pokrovske” as a collateral for amounts to be paid for acquisition of Pokrovske coal. PJSC “Colliery Pokrovske” further owns 55% of shares of “Enrichment Factory “Svyato-Varvarinskaya” LLC. As at 31 December 2021, the pledge has been lifted.

The reconciliation of the net assets of the Group’s principal joint ventures and associate presented above to the carrying amounts of the respective investments is presented below:

	Zaporizhstal Group		Southern Iron Ore Enrichment Works Group		Pokrovske coal business	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	2 March 2021	31 December 2020
<b>Net assets</b>	<b>1,829</b>	<b>1,126</b>	<b>1,240</b>	<b>1,158</b>	<b>420</b>	<b>439</b>
Group’s ownership	49.99%	49.99%	45.87%	45.87%	24.77%	24.77%
Group’s interest in net assets	927	563	570	531	103	109
Goodwill	87	84	-	-	95	94
<b>Carrying value</b>	<b>1,001</b>	<b>647</b>	<b>570</b>	<b>531</b>	<b>198</b>	<b>203</b>

#### 11 BUSINESS COMBINATION

##### *Pokrovske coal business*

On March 2, 2021, the Group obtained control over nine legal entities of the Pokrovske coal business by exercising an option (Note 10). As of 31 December 2021, the effective interest in PrJSC Colliery Group “Pokrovs’ke” and Concentrating Factory “Sviato-Varvarynska” LLC, being the two major legal entities acquired, amounted to 100.0%. As a result of consolidating the acquired businesses into the Group, Metinvest expects to become fully self-sufficient in coking coal for its hot metal production.

Despite the acquisition being legally carried out through a series of separate transactions, management treated the transaction as part of one deal with one total consideration and accounted for respectively, as these separate transactions took place within the short timeframe.

The total purchase consideration comprised of USD 670 million was partly offset with the receivables due from sellers of the Pokrovske coal business in the amount of USD 645 million, originated from payments under the guarantee issued by the Group.

The business combination effectively settled the accounts receivable of USD 400 million due from Pokrovske coal business to the Group. As the settlement of the trade receivables is accounted for separately from the business combination, the consideration transferred was adjusted for the fair value of the settlement amount to determine goodwill.

The investment in the acquiree held prior to the acquisition was remeasured to its fair value at the acquisition date of USD 259 million and a gain of USD 61 million was recognised as gains on disposal of associate within net operating costs.

The accompanying notes form an integral part of these summary consolidated financial statements



## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

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#### 11 BUSINESS COMBINATION (CONTINUED)

The following table summarises fair values of the net assets acquired at the date of acquisition. The fair values for property, plant and equipment and intangibles were determined by professional advisers. Fair values of all other assets and liabilities were determined by management.

	Fair value
Cash and cash equivalents	7
Property, plant and equipment	892
Intangible assets	1,219
Trade and other receivables	126
Gross trade and other receivables	685
Contractual cash flows in respect of trade and other receivables, which are not expected to be collected	(559)
Other assets	49
Borrowings	(543)
Retirement benefit obligations	(53)
Deferred tax liability	(215)
Trade and other payables	(163)
Other liabilities	(9)
<b>Fair value of identifiable net assets of subsidiary</b>	<b>1,310</b>
Less non-controlling interest	(14)
<b>Share of net assets acquired</b>	<b>1,296</b>
Fair value of the total purchase consideration	(670)
Derecognition of an option upon exercise	(111)
Fair value of previously held equity interest at acquisition date	(259)
Settlement of pre-existing relationships	(400)
<b>Goodwill arising as a result of acquisition of subsidiaries</b>	<b>144</b>
<b>Cash flows on acquisition of subsidiaries</b>	
Cash and cash equivalents of subsidiaries acquired	7
Consideration paid for the acquisition of subsidiaries	-
<b>Net cash inflow of cash and cash equivalents on acquisition</b>	<b>7</b>

Identified goodwill on the acquisition of Pokrovske coal business is primarily attributed to the expected synergies from integration of the acquired operations with other operations of the Group. Goodwill acquired in the business combination is non-deductible for tax purposes.

There were no contingent liabilities recognised as a result of the acquisition. The amount of the acquisition related costs was not significant.

The acquired subsidiaries contributed external revenue of USD 76 million and net income of USD 171 million to the Group for the period from the date of acquisition to 31 December 2021. If the acquisition had occurred on 1 January 2021, the amount of external revenue contributed to the Group in 2021 would have been USD 84 million, and net income in 2021 would have been USD 197 million.

#### **Integral property complex of PJSC Dneprovsky Iron and Steel Integrated Works**

In August 2021, the Group has acquired assets relating to the integral property complex of PJSC Dneprovsky Iron and Steel Integrated Works for USD 341 million cash consideration, consisting of the acquisition of USD 121 million of property, plant and equipment and intangible assets, USD 123 million of inventory and USD 97 million of trade and other receivables. The transaction was technically accounted for as business combination based on IFRS 3 "Business combinations" requirements.

The purchase of PJSC Dneprovsky Iron and Steel Integrated Works integral property complex will allow Metinvest to expand its product mix and provide JSC Promet Steel, the Group's rolling mill in Bulgaria, with square billets for processing. The purchase gives Metinvest additional synergies throughout the entire production chain.

The fair value of the acquired assets is provisional pending receipt of the valuations for those assets from the independent appraiser.

There were no contingent liabilities recognised as a result of the acquisition. Acquisition related transaction costs of USD 7 million were expensed as net operating costs.

No preliminary identified goodwill or gain from a bargain purchase was recognised as a result of the acquisition.

Acquisition did not significantly impact revenues and profits of the Group.

The accompanying notes form an integral part of these summary consolidated financial statements

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### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

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#### 12 INVENTORIES

	31 December 2021	31 December 2020
Finished goods and work in progress	773	429
Raw materials	542	334
Ancillary materials, spare parts and consumables	184	132
Goods for resale	44	42
<b>Total inventories</b>	<b>1,543</b>	<b>937</b>

In 2021, the Group recognised net reversal write-downs of inventories to net realisable value amounted to USD 5 million (2020: write-downs amounted to USD 34 million).

As at 31 December 2021, inventories totalling USD 84 million (31 December 2020: USD 135 million) have been pledged as collateral for borrowings (Note 17).

#### 13 TRADE AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
<b>Non-current trade and other receivables</b>		
Trade receivables	2	71
Loans issued to SCM (USD denominated, 9% effective interest rate)	185	183
Loans issued to SMART (USD denominated, 9% effective interest rate)	-	101
Loans issued to associates (USD denominated, 10% effective interest rate)	-	33
Option for acquisition of interest in Pokrovske coal business (Note 10)	-	146
Other non-current financial assets	30	186
Other non-current non-financial assets	17	16
<b>Total non-current trade and other receivables</b>	<b>234</b>	<b>736</b>
<b>Current financial assets</b>		
Trade receivables and receivables on commission sales	1,586	2,588
Loans issued to SCM and SMART (UAH denominated)	45	43
Loans issued to joint venture (USD denominated, 11% effective interest rate, mature in 2022, renegotiated in 2021)	96	108
Other receivables	83	63
<b>Total current financial assets</b>	<b>1,810</b>	<b>2,802</b>
<b>Current non-financial assets</b>		
Recoverable value added tax	436	172
Prepayments made	205	217
Covered letters of credit related to inventory purchases and restricted cash	23	72
Prepaid expenses and other non-financial receivables	179	142
<b>Total current non-financial assets</b>	<b>843</b>	<b>603</b>
<b>Total current assets</b>	<b>2,653</b>	<b>3,405</b>
<b>Total trade and other receivables (including non-current assets)</b>	<b>2,887</b>	<b>4,141</b>

Recoverable VAT mainly relates to Ukrainian subsidiaries of the Group. During 2021, VAT refunds of USD 479 million were received by the Group (2020: USD 531 million).

The Group has legal right to request settlement of the current loans issued to related parties within a twelve month period after the reporting date. The decision on whether to call for repayment or extend the term of the loan is subject to future developments and yet to be done.

In addition, the Group has extended the settlement dates for some of its customers for the period less than one year with no material losses recognised on the renegotiated terms.

The accompanying notes form an integral part of these summary consolidated financial statements

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### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

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#### 13 TRADE AND OTHER RECEIVABLES (CONTINUED)

Analysis by credit quality of financial trade and other receivables and expected credit loss allowance as at 31 December 2021 is as follows:

	Loss rate	Gross carrying amount	Lifetime ECL	Carrying amount	Basis
Loans issue to related parties	10.25%	407	(81)	326	Adjusted yield to maturity on corporate bonds
<b>Total loans issued</b>		<b>407</b>	<b>(81)</b>	<b>326</b>	
Trade and other receivables from key customers including credit impaired		631	(556)	75	
Trade and other receivables from related parties including credit impaired		1,014	(22)	992	
<b>Total trade and other receivables for which individual approach for ECL is used</b>		<b>1,645</b>	<b>(578)</b>	<b>1,067</b>	
Ukraine – less than 30 days overdue	0.50%	102	-	102	Historical payment discipline
Ukraine – overdue more than 30 days	13%	3	-	3	Historical payment discipline
Ukraine – credit impaired	100%	41	(41)	-	
Other countries – less than 30 days overdue	0.09%	526	-	526	Historical payment discipline
Other countries – overdue more than 30 days	8%	3	-	3	Historical payment discipline
Other countries – credit impaired	100%	4	(4)	-	
<b>Total trade and other receivables for which provision matrix is used</b>		<b>679</b>	<b>(45)</b>	<b>634</b>	
<b>Total</b>		<b>2,731</b>	<b>(704)</b>	<b>2,027</b>	

In 2021, reversal of impairment of financial receivables amounted to USD 42 million, and mainly relates to settlement of previously impaired debts from one of its key customers. In 2020, impairment in the amount of USD 93 million related to the deterioration of creditworthiness of the certain Group's customers.

Loss rate for trade and other receivables from key customers approximated 10.25% and determined based on adjusted yield to maturity on corporate bonds, for credit impaired balances from key customers loss rate is within the range 10%-100%.

Loss rate for trade and other receivables from related parties approximated 10.25% and determined based on adjusted yield to maturity on corporate bonds, for credit impaired balances from key customers loss rate is within the range 10%-100%.

The loss rates presented in the table above for unimpaired receivables are 12-month loss rates, which are adjusted to reflect the maturity of individual balances.

The accompanying notes form an integral part of these summary consolidated financial statements



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### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

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#### 13 TRADE AND OTHER RECEIVABLES (CONTINUED)

Analysis by credit quality of financial trade and other receivables as at 31 December 2020 is as follows:

	Loss rate	Gross carrying amount	Lifetime ECL	Carrying amount	Basis
Loans issue to related parties	3.8%	483	(15)	468	Adjusted yield to maturity on corporate bonds
<b>Total loans issued</b>		<b>483</b>	<b>(15)</b>	<b>468</b>	
Trade and other receivables from key customers including credit impaired		1,319	(533)	786	
Trade and other receivables from related parties including credit impaired		1,534	(214)	1,320	
<b>Total trade and other receivables for which individual approach for ECL is used</b>		<b>2,853</b>	<b>(747)</b>	<b>2,106</b>	
Ukraine – less than 30 days overdue	0.50%	48	-	48	Historical payment discipline
Ukraine – overdue more than 30 days	13%	2	-	2	Historical payment discipline
Ukraine – credit impaired	100%	44	(44)	-	
Other countries – less than 30 days overdue	0.09%	748	-	748	Historical payment discipline
Other countries – overdue more than 30 days	8%	4	-	4	Historical payment discipline
Other countries – credit impaired	100%	12	(12)	-	
<b>Total trade and other receivables for which provision matrix is used</b>		<b>858</b>	<b>(56)</b>	<b>802</b>	
<b>Total</b>		<b>4,194</b>	<b>(818)</b>	<b>3,376</b>	

The following table explains the changes in the credit loss allowance for trade and other receivables under simplified ECL model between the beginning and the end of the annual period:

	Trade and other receivables	Loans issued	Trade and other receivables – credit impaired	Total
<b>Balance at 31 December 2019</b>	<b>11</b>	<b>8</b>	<b>804</b>	<b>823</b>
Net new originated/(derecognised) during the period	5	3	20	28
Changes in estimates and assumptions	3	4	58	65
Write-offs	-	-	(30)	(30)
Forex movements	(3)	-	(65)	(68)
<b>Balance at 31 December 2020</b>	<b>16</b>	<b>15</b>	<b>787</b>	<b>818</b>
Net new originated/(derecognised) during the period	9	50	(190)	(131)
Changes in estimates and assumptions	(15)	16	88	89
Write-offs	-	-	(94)	(94)
Forex movements	1	-	21	22
<b>Balance at 31 December 2021</b>	<b>11</b>	<b>82</b>	<b>611</b>	<b>704</b>

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### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

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#### 13 TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2021, amount of sold trade receivables which were still unsettled to the third party was USD 490 million (31 December 2020: USD 260 million). The carrying amount of the assets and liabilities that represent the entity's continuing involvement in the derecognised assets is USD 10 million (31 December 2020: USD 9 million). The fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised assets approximates the carrying value. The maximum exposure to loss from such receivables relates to customer default only and is pre-agreed with the third party purchasing the receivables as the percentage of their nominal amount sold. Such percentage is determined with reference to the historical loss ratio and the statistical model of the respective markets of the Group.

The Group's subsidiaries entered into factoring transactions for trade receivables through securitization vehicles. The Group receives up to 85% of the face value of the receivable less a premium that covers the cost of financing. The Group maintains the customer relationship and collects the amounts due from customers on behalf of parties of the contract. The Group continues to recognise the receivables to the extent of its continuing involvement. USD 512 million (2020: USD 39 million) of trade receivables were sold through securitization vehicle, as at 31 December 2021 outstanding balance of related unsettled receivables was USD 102 million (31 December 2020: USD 23 million).

As at 31 December 2021, trade and other receivables totalling USD 83 million (31 December 2020: USD 233 million) have been pledged as collateral for borrowings (Note 17).

As at 31 December 2021, the Group's deposit amounting to USD 0 million was pledged for obligation of the Group's related party (31 December 2020: USD 1 million).

#### 14 CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Current accounts	1,122	769
Cash in transit	2	-
Bank deposits up to 3 months	42	57
<b>Total cash and cash equivalents</b>	<b>1,166</b>	<b>826</b>

The bank balances and term deposits are neither past due nor impaired. Analysis by credit quality of bank balances and term deposits is as follows:

	31 December 2021	31 December 2020
<i>As rated by Moody's:</i>		
- Aa3	33	189
- A1	218	47
- A2	477	-
- A3	-	181
- Baa1	71	37
- Baa2	4	9
- Ba2	96	66
- B2	8	-
- B3	85	96
- Caa1	2	8
Not rated – FUIB	114	69
Not rated – US and European banks	44	72
Not rated – Other Ukrainian banks	12	52
Cash in transit (in various banks)	2	-
<b>Total cash and cash equivalents</b>	<b>1,166</b>	<b>826</b>

As at 31 December 2021 and 2020, amounts in category "Not rated – FUIB" relate to First Ukrainian International Bank (a related party which is under common control of SCM).

As at 31 December 2021, included into line "Not rated – US and European banks" USD 43 million of cash and cash equivalents placed in European banks (31 December 2020: USD 72 million). As of reporting date, these banks display no signs of insolvency.

As at 31 December 2021 and 2020, amounts in category "Not rated – Other Ukrainian banks" relate to balances held in state Ukrainian bank.

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**14 CASH AND CASH EQUIVALENTS (CONTINUED)**

As at 31 December 2021, included in Ba2 rating are USD 66 million related to a balance in the Switzerland subsidiary of an international bank (2020: included in Ba2 rating are USD 13 million), which does not have its own credit rating and for which rating was based on its parents' rating.

As at 31 December 2021, cash and cash equivalents totalling USD 15 million (31 December 2020: USD 24 million) have been pledged as collateral for borrowings (Note 17).

**15 SHARE CAPITAL AND SHARE PREMIUM**

	Number of outstanding shares			Total par value of shares	Share premium	Total
	Class A	Class B	Class C			
<b>At 31 December 2021</b>	<b>6,750</b>	<b>2,251</b>	<b>474</b>	<b>0</b>	<b>6,225</b>	<b>6,225</b>
<b>At 31 December 2020</b>	<b>6,750</b>	<b>2,251</b>	<b>474</b>	<b>0</b>	<b>6,225</b>	<b>6,225</b>

As at 31 December 2021 and 2020, the issued share capital comprised 6,750 ordinary Class A shares, 2,251 ordinary Class B shares and 474 ordinary Class C shares with a par value of EUR 10. Each ordinary share carries one vote and is fully paid.

In 2014, the Company changed its Articles of Association and created three classes of shares (A, B and C). Ownership interests of SCM Limited were transferred to new Class A shares. Ownership interests of SMART were transferred to new Class B shares. Ownership interests of the previous Class B shares were transferred to new Class C shares. Additional rights of these new classes of shares were established, the most significant of which were:

- Class C shareholders have the right to a portion of net assets of the Company and are represented at shareholders' meetings;
- the establishment of a Supervisory Board of ten members, where seven are appointed by the majority of Class A and Class C shareholders and three are appointed by the Class B shareholder;
- a number of decisions with respect to acquisitions and financing decisions above a specified amount require effectively consent of Class A and B shareholder; and
- Class C shares are not entitled to receive dividends.

**16 OTHER RESERVES**

	Share in other comprehensive income of joint venture and associates	Revaluation of property, plant and equipment and share in revaluation reserve of PPE of JVs and associates	Merger reserve	Cumulative currency translation reserve	Total
<b>Balance as at 1 January 2020</b>	<b>77</b>	<b>4,854</b>	<b>(3,038)</b>	<b>(9,697)</b>	<b>(7,804)</b>
Total comprehensive income/ (loss) for the period	48	(8)	-	(881)	<b>(841)</b>
Depreciation transfer, net of tax	-	(312)	-	-	<b>(312)</b>
<b>Balance as at 31 December 2020</b>	<b>125</b>	<b>4,534</b>	<b>(3,038)</b>	<b>(10,578)</b>	<b>(8,957)</b>
Total comprehensive income/ (loss) for the period	28	(7)	-	188	<b>209</b>
Depreciation transfer, net of tax	-	(297)	-	-	<b>(297)</b>
<b>Balance as at 31 December 2021</b>	<b>153</b>	<b>4,230</b>	<b>(3,038)</b>	<b>(10,390)</b>	<b>(9,045)</b>

The accompanying notes form an integral part of these summary consolidated financial statements



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#### 16 OTHER RESERVES (CONTINUED)

Revaluation reserve for property, plant and equipment is transferred to retained earnings when realised through depreciation, sale or other disposal. This is a legal reserve according to art. 2:363.3 DCC, and it is non-distributable.

Currency translation reserve is transferred to profit or loss when realised through disposal of a subsidiary by sale, liquidation, repayment of share capital or abandonment of all, or part of, that subsidiary.

Retained earnings of the Group represent the earnings of the Group entities from the date they have been established or acquired by the entities under common control. The Group's subsidiaries distribute profits as dividends or transfer them to reserves on the basis of their statutory financial statements prepared in accordance with local GAAP or IFRS as appropriate. Ukrainian legislation identifies the basis of distribution as retained earnings only, however this legislation and other statutory laws and regulations are open to legal interpretation.

The ability of the Group to pay dividends has been limited by the terms and conditions of the Group's agreements with its lenders and bondholders (Note 17).

#### 17 LOANS AND BORROWINGS

	31 December 2021	31 December 2020
<b>Non-current</b>		
Bonds issued	1,836	2,135
Bank loans	175	271
Lease liability	59	21
<b>Total non-current loans and borrowings</b>	<b>2,070</b>	<b>2,427</b>
<b>Current</b>		
Bonds issued	22	25
Bank loans	25	196
Trade finance	95	276
Lease liability	12	13
Non – bank borrowings	18	-
<b>Total current loans and borrowings</b>	<b>172</b>	<b>510</b>
<b>Total loans and borrowings</b>	<b>2,242</b>	<b>2,937</b>

During 2021, the Group has fully repaid its pre-export finance (PXF) facility (outstanding as of 31 December 2020: USD 230 million). In addition, during the reporting period, USD 116 million of 2023 bonds and USD 142 million of 2026 bonds were repurchased as a result of tender offer exercises and another USD 19 million of 2023 bonds were repurchased via open market purchases. All of the purchased bonds were cancelled promptly afterwards. Transactions were accounted for as an extinguishment of the financial liabilities. The loss on extinguishment amounted to USD 3 million and was recognised in income statement as part of finance costs.

All outstanding bonds benefit from guarantees typical for such instruments and suretyships granted by six entities, including PrJSC Azovstal Iron and Steel Works, PrJSC Ilyich Iron and Steel Works, PrJSC Avdiivka Coke Plant, PrJSC Ingulets Iron Ore Enrichment Works, PrJSC Central Iron Ore Enrichment Works and PrJSC Northern Iron Ore Enrichment Works. The PXF facility benefits from suretyships granted by four entities, including PrJSC Ilyich Iron and Steel Works, PrJSC Ingulets Iron Ore Enrichment Works, PrJSC Central Iron Ore Enrichment Works and Metinvest Management B.V., security assignments of rights under certain export, commission and offtake contracts, as well as pledges of certain bank accounts and rights under certain commission contracts.

Certain restrictive covenants are imposed on the Group, including limitation to pay dividends, make certain restricted payments, engage in certain transactions with related parties, incur new debt, as well as certain financial covenants (interest cover ratio, debt cover ratio, tangible net worth and gearing).

As of 31 December 2021, the Group's bonds were traded on open markets. Fair value of bonds and discount / premium are as follows:

	31 December 2021		31 December 2020	
	Fair value	Premium / (Discount)	Fair value	Premium / (Discount)
Bonds due in 2023	185	1.8%	342	6.9%
Bonds due in 2025	339	(0.6%)	386	4.4%
Bonds due in 2026	537	4.6%	742	12.7%
Bonds due in 2027	342	0.1%	373	10.0%
Bonds due in 2029	503	(0.3%)	555	9.9%
<b>Total</b>	<b>1,906</b>		<b>2,398</b>	

As of 31 December 2021 and 31 December 2020, the carrying value of bank loans approximates the fair value.

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**17 LOANS AND BORROWINGS (CONTINUED)**

The majority of the Group's Bank loans and trade finance have floating interest rates, which are mainly linked to EURIBOR. The weighted average effective interest rates and currency denomination of loans and borrowings as at the balance sheet dates are as follows:

<i>In % per annum</i>	31 December 2021				31 December 2020		
	USD	EUR	GBP	UAH	USD	EUR	GBP
Bank loans	4%	5%	-	-	6%	5%	-
Bonds issued	9%	6%	-	-	9%	6%	-
Trade finance	3%	1%	-	-	3%	4%	-
Lease liability	5%	4%	5%	10%	7%	5%	5%
<b>Reported amount</b>	<b>1,690</b>	<b>523</b>	<b>1</b>	<b>10</b>	<b>2,290</b>	<b>646</b>	<b>1</b>

The Group defines net debt as the sum of bank loans, bonds, trade finance, lease liability and non-bank borrowings less cash and cash equivalents.

Movements in the Groups' net debt are presented below:

	Cash in banks	Deposits up to 3 months	Bank borrowings	Bonds issued	Trade finance	Lease liability	Total
<b>Net debt as at 1 January 2020</b>	<b>243</b>	<b>31</b>	<b>(491)</b>	<b>(2,099)</b>	<b>(399)</b>	<b>(43)</b>	<b>(2,758)</b>
Interest paid / (received)	(2)	-	24	164	16	2	204
Other cash flows	529	27	64	(19)	130	14	745
Interest accrued (Note 23, 9)	2	-	(23)	(173)	(14)	(3)	(211)
Legal and consulting fees capitalised	-	-	-	3	-	-	3
Commissions capitalised	-	-	6	-	-	-	6
Effect of refinancing	-	-	-	(6)	-	-	(6)
Currency translation differences	(4)	(1)	(19)	(30)	(9)	1	(62)
Equipment received as lease asset	-	-	-	-	-	(5)	(5)
Acquisition of subsidiary	1	-	(28)	-	-	-	(27)
<b>Net debt as of 31 December 2020</b>	<b>769</b>	<b>57</b>	<b>(467)</b>	<b>(2,160)</b>	<b>(276)</b>	<b>(34)</b>	<b>(2,111)</b>

	Cash in banks	Deposits up to 3 months	Bank borrowings	Bonds issued	Trade finance	Lease liability	Non-bank borrowings	Total
<b>Net debt as of 1 January 2021</b>	<b>769</b>	<b>57</b>	<b>(467)</b>	<b>(2,160)</b>	<b>(276)</b>	<b>(34)</b>	<b>-</b>	<b>(2,111)</b>
Interest paid / (received)	(4)	(1)	9	157	7	3	-	171
Other cash flows	288	(24)	306	277	178	23	482	1,530
Interest accrued (Note 23, 9)	4	1	(9)	(158)	(7)	(3)	(10)	(182)
Legal and consulting fees capitalised	-	-	-	-	-	-	-	-
Commissions capitalised	-	-	-	-	-	-	-	-
Effect of refinancing	-	-	-	(3)	-	-	-	(3)
Currency translation differences	67	2	15	29	3	1	(2)	115
Equipment received as lease asset	-	-	-	-	-	(61)	-	(61)
Acquisition of subsidiaries	-	7	(54)	-	-	-	(488)	(535)
<b>Net debt as of 31 December 2021</b>	<b>1,124</b>	<b>42</b>	<b>(200)</b>	<b>(1,858)</b>	<b>(95)</b>	<b>(71)</b>	<b>(18)</b>	<b>(1,076)</b>

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**18 RETIREMENT BENEFIT OBLIGATIONS**

The Group's defined benefit obligations relate to:

	31 December 2021	31 December 2020
State-defined early pensions for employees working in hazardous and unhealthy working conditions	630	561
Long-term employee benefits under collective bargaining agreements	41	30
<b>Total defined benefit obligations</b>	<b>671</b>	<b>591</b>

Nature and the risks and uncertainties associated with the Group's defined benefit obligations are further disclosed in the Note 4.

Changes in the present value of the defined benefit obligation were as follows:

	2021	2020
<b>Defined benefit obligation as at 1 January</b>	<b>591</b>	<b>597</b>
Acquisition of subsidiary	53	17
Current service cost	25	18
Remeasurements of the defined benefit liability resulting from:		
- changes in financial assumptions	(56)	33
- changes in demographic assumptions	(1)	4
- experience adjustments	15	(3)
Past service cost	2	-
Interest cost	62	54
Benefits paid	(41)	(32)
Currency translation difference	21	(97)
<b>Defined benefit obligation as at 31 December</b>	<b>671</b>	<b>591</b>

The amounts recognised in the consolidated income statement were as follows:

	2021	2020
Current service cost	25	18
Past service cost	2	-
Interest cost	62	54
<b>Total</b>	<b>89</b>	<b>72</b>

The principal actuarial assumptions used were as follows:

	31 December 2021	31 December 2020
Nominal discount rate	11.63%	9.84%
Nominal salary increase	5.00% – 5.23%	5.00% – 5.11%
Nominal pension entitlement increase (indexation)	6.85%	6.19%
Long-term inflation	5.23%	5.11%

Assumptions about mortality are based on the publicly available mortality tables for city population of the respective regions of Ukraine (depending on the location of the Group's subsidiaries) for 2021 and are consistent with the prior year.

The sensitivity of the defined benefit obligation to changes in the principal assumptions is presented below:

	2021	2020
Nominal discount rate increase / decrease by 1 pp	(54) / 62	(50) / 58
Nominal salary increase / decrease by 1 pp	30 / (28)	28 / (26)
Inflation increase / decrease by 1 pp	4 / (6)	4 / (5)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The methods and types of assumptions used in preparing the sensitivity analysis did not change significantly compared to the previous period.

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**18 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)**

As at 31 December 2021, the weighted average maturity of the Group's defined benefit obligations is 8.6 years and it varies across different Group's subsidiaries from 5.4 to 13.5 years (31 December 2020: 9.2 years, varying from 8.2 to 14.4 years). Payments in respect of defined benefit obligations expected to be made during the year ending 31 December 2022 are USD 43 million (2021: USD 34 million).

**19 OTHER NON-CURRENT LIABILITIES**

	31 December 2021	31 December 2020
Asset retirement obligations	69	72
Tax liabilities under moratorium (Note 26)	7	7
Other non-current liabilities	34	50
Guarantee issued (Note 10)	-	72
<b>Total other non-current liabilities</b>	<b>110</b>	<b>201</b>

**20 TRADE AND OTHER PAYABLES**

	31 December 2021	31 December 2020
Trade payables and payables on sales made on commission	2,208	2,113
Dividends payable to shareholders of Metinvest B.V.	1,186	204
Dividends payable to non-controlling shareholders of Company's subsidiaries	78	16
Payables for acquired property, plant and equipment and other intangible assets	189	118
Other financial liabilities	71	98
<b>Total financial liabilities</b>	<b>3,732</b>	<b>2,549</b>
Prepayments received	285	163
Accruals for employees' unused vacations and other payments to employees	171	104
Other taxes payable, including VAT	213	98
Wages and salaries payable	40	28
Guarantee issued (Note 10)	-	5
Other allowances and provisions	32	29
<b>Total trade and other payables</b>	<b>4,473</b>	<b>2,976</b>

**21 NET OPERATING COSTS (EXCLUDING ITEMS SHOWN SEPARATELY)**

	2021	2020
Raw materials including change in finished goods and work in progress	2,860	2,446
Goods and services for resale, excluding related transportation	4,433	2,780
Energy materials including gas, electricity and fuel	1,646	885
Wages and salaries	973	753
Transportation services	962	847
Repairs and maintenance expenses	237	202
Pension and social security costs	179	144
Pension costs – defined benefit obligations (Note 18)	27	18
Depreciation and amortisation	973	820
Taxes and duties	160	120
Services and other costs	489	359
Charity and expenses on social activities	31	15
Maintenance of social infrastructure	37	30
VAT on sales below cost and VAT write-off	9	6
Operating foreign exchange losses, net	85	217
Gain on disposal of property, plant and equipment, net	(11)	(1)
Write-off of trade and other payables	(11)	(10)
Impairment of property, plant and equipment and intangible assets	26	6
Change in fair value of financial instruments and option	89	(74)
Gain from revaluation of share in associate	(61)	-
Other operating income	(19)	(50)
<b>Total net operating expenses (excluding items shown separately)</b>	<b>13,114</b>	<b>9,513</b>

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#### 21 NET OPERATING COSTS (EXCLUDING ITEMS SHOWN SEPARATELY) (CONTINUED)

Raw materials include externally purchased coke and coal, iron ore, scrap metal, ferroalloys, ancillary and other materials and cost of their transportation.

**Auditor's fees.** The following fees were expensed in the consolidated income statement in the reporting period:

	2021	2020
Audit of the financial statements (including audit fee of PricewaterhouseCoopers Accountants N.V. of USD 0.2 million in 2021 and USD 0.2 million in 2020)	2	2
<b>Total</b>	<b>2</b>	<b>2</b>

During 2021, tax and other non-audit services expensed in the consolidated income statement amounted to USD 0.2 million and USD 1.6 million, respectively (2020: USD 0.2 million and USD 0.5 million), including USD 0.2 million of other non-audit services fees of signing firm during 2021 (USD 0.2 million during 2020).

#### 22 FINANCE INCOME

Finance income for the year ended 31 December was as follows:

	2021	2020
Net foreign exchange gain	97	-
Interest income:		
- loans issued	31	31
- bank deposits	5	4
Other finance income	79	25
<b>Total finance income</b>	<b>212</b>	<b>60</b>

Net foreign exchange gains arise on intragroup loans and dividends payable between the entities with different functional currencies. During 2021, the Group has settled the guarantee issued, income from derecognition of guarantee issued in the amount of USD 77 million was recognised in income statement as part of other finance income (Note 10,11).

#### 23 FINANCE COSTS

Finance costs for the year ended 31 December were as follows:

	2021	2020
Net foreign exchange loss	-	300
Interest expense on:		
- borrowings	25	22
- bonds	140	156
Interest cost on retirement benefit obligations	62	54
Refinance fees	31	11
Loss on modification and extinguishment	3	6
Other finance costs	19	17
<b>Total finance costs</b>	<b>280</b>	<b>566</b>

During 2021 and 2020, other finance costs mainly include factoring fees, letter of credit fees and discounting of the financial instruments.

#### 24 INCOME TAX

Income tax for the year ended 31 December was as follows:

	2021	2020
Current tax	949	171
Deferred tax	(50)	(71)
<b>Income tax expense</b>	<b>899</b>	<b>100</b>

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**24 INCOME TAX (CONTINUED)**

The Group is subject to taxation in several tax jurisdictions, depending on the residence of its subsidiaries. In 2021 and 2020, Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18%. The tax rate for Swiss operations was 14% and for European companies tax rate varied from 10% to 28%. The tax rate for the US operations was 21%.

Reconciliation between the expected and the actual taxation charge is provided below.

	2021	2020
<b>IFRS profit before tax</b>	<b>5,664</b>	<b>626</b>
Tax calculated at domestic tax rates applicable to profits in the respective countries	1,028	106
Tax effect of items not deductible or assessable for taxation purposes:		
- other non-deductible expenses	11	68
- non-taxable income	(167)	(80)
Tax benefits	1	(4)
Under/(over) provision of current tax in prior years	1	(1)
Write-down / (reversal of write-down) of deferred tax assets, net	25	11
<b>Income tax expense</b>	<b>899</b>	<b>100</b>

Other non-deductible expenses include mainly the expenses incurred by Metinvest B.V. and other subholdings where no sufficient taxable profits are expected to utilise them.

The weighted average applicable tax rate was 18% in 2021 (2020: 17%).

Differences between IFRS and Ukrainian and other countries' statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

	1 January 2021	Credited/ (charged) to income statement	Credited/ (charged) to other comprehensive income	Acquisition of subsidiaries	Currency translation difference	31 December 2021
<b>Tax effect of deductible temporary differences</b>						
Property, plant and equipment and intangible assets	2	4	-	3	-	9
Long-term receivables	3	(3)	-	-	-	-
Inventory valuation	9	35	-	-	-	44
Trade and other accounts receivable	61	(26)	-	73	3	111
Accrued expenses	7	(4)	-	-	-	3
Tax losses carried forward	22	(15)	-	-	2	9
Retirement benefit obligations	93	10	(8)	9	3	107
Other	50	(2)	-	-	-	48
<b>Gross deferred tax asset</b>	<b>247</b>	<b>(1)</b>	<b>(8)</b>	<b>85</b>	<b>8</b>	<b>331</b>
Less offsetting with deferred tax liabilities	(137)	(97)	8	(12)	(3)	(241)
<b>Recognised deferred tax asset</b>	<b>110</b>	<b>(98)</b>	<b>-</b>	<b>73</b>	<b>5</b>	<b>90</b>
<b>Tax effect of taxable temporary differences</b>						
Property, plant and equipment and intangible assets	(309)	61	-	(300)	(16)	(564)
Inventory tax differences	(6)	(8)	-	-	-	(14)
Other	(6)	(2)	-	-	-	(8)
<b>Gross deferred tax liability</b>	<b>(321)</b>	<b>51</b>	<b>-</b>	<b>(300)</b>	<b>(16)</b>	<b>(586)</b>
Less offsetting with deferred tax assets	137	97	(8)	12	3	241
<b>Recognised deferred tax liability</b>	<b>(184)</b>	<b>148</b>	<b>(8)</b>	<b>(288)</b>	<b>(13)</b>	<b>(345)</b>

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**24 INCOME TAX (CONTINUED)**

Deferred tax asset on unused tax losses not recognised by Ukrainian subsidiaries as at 31 December 2021 comprised USD 82 million (31 December 2020: USD 80 million) and mainly relates to the entities whose physical assets are located on the non-controlled territory of Ukraine. The Group does not recognise this deferred tax asset as it does not expect profits to be generated by these entities in the foreseeable future. There are no expiry dates on tax losses carried forward in Ukraine and Italy. Starting from 2021, there are no expiry dates on the tax losses carried forward in the Netherlands. Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable; future taxable profits are estimated using the cash flow forecasts consistent with those used for impairment testing of non-current assets.

	1 January 2021	Credited/ (charged) to income statement	Credited/ (charged) to other comprehensive income	Acquisition of subsidiaries	Currency translation difference	31 December 2021
<b>Tax effect of deductible temporary differences</b>						
Property, plant and equipment and intangible assets	2	-	-	-	-	2
Long-term receivables	3	-	-	-	-	3
Inventory valuation	1	8	-	-	-	9
Trade and other accounts receivable	54	12	-	2	(7)	61
Accrued expenses	2	6	-	-	(1)	7
Tax losses carried forward	74	(41)	-	1	(12)	22
Retirement benefit obligations	94	5	6	3	(15)	93
Other	47	3	-	2	(2)	50
<b>Gross deferred tax asset</b>	<b>277</b>	<b>(7)</b>	<b>6</b>	<b>8</b>	<b>(37)</b>	<b>247</b>
Less offsetting with deferred tax liabilities	(192)	29	-	(5)	31	(137)
<b>Recognised deferred tax asset</b>	<b>85</b>	<b>22</b>	<b>6</b>	<b>3</b>	<b>(6)</b>	<b>110</b>
<b>Tax effect of taxable temporary differences</b>						
Property, plant and equipment and intangible assets	(454)	79	1	(6)	71	(309)
Inventory tax differences	(8)	2	-	-	-	(6)
Other	(3)	(3)	-	(1)	1	(6)
<b>Gross deferred tax liability</b>	<b>(465)</b>	<b>78</b>	<b>1</b>	<b>(7)</b>	<b>72</b>	<b>(321)</b>
Less offsetting with deferred tax assets	192	(29)	-	5	(31)	137
<b>Recognised deferred tax liability</b>	<b>(273)</b>	<b>49</b>	<b>1</b>	<b>(2)</b>	<b>41</b>	<b>(184)</b>

The tax charge relating to components of other comprehensive income is as follows:

	2021			2020		
	Before tax	Deferred tax charge	After tax	Before tax	Deferred tax charge	After tax
Revaluation decreases that offset previous increases in the carrying amount of property, plant and equipment	(8)	-	(8)	(9)	1	(8)
Remeasurement of retirement benefit obligation	42	(8)	34	(34)	6	(28)
<b>Other comprehensive income</b>	<b>34</b>	<b>(8)</b>	<b>26</b>	<b>(43)</b>	<b>7</b>	<b>(36)</b>

In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

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**25 BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

As at 31 December 2021 and 2020, significant balances outstanding with related parties are detailed below:

	31 December 2021					31 December 2020				
	SCM Limited (Cyprus)	Associates	Joint ventures	Entities related to SCM	SMART Group	SCM Limited (Cyprus)	Associates	Joint ventures	Entities related to SCM	SMART Group
<b>ASSETS</b>										
<b>Non-current trade and other receivables, including:</b>	-	-	-	<b>187</b>	-	-	<b>104</b>	-	<b>183</b>	<b>101</b>
Long-term loans issued	-	-	-	185	-	-	33	-	183	101
Trade receivables and receivables on commission sales	-	-	-	2	-	-	71	-	-	-
<b>Current trade and other receivables, including:</b>	<b>4</b>	<b>142</b>	<b>840</b>	<b>289</b>	<b>19</b>	<b>4</b>	<b>394</b>	<b>982</b>	<b>204</b>	<b>20</b>
Trade receivables and receivables on commission sales	-	121	742	110	-	-	269	871	93	2
Prepayments made	-	21	-	137	-	-	106	-	70	-
Loans issued	-	-	96	26	19	-	18	108	25	18
Other financial receivables (short-term, non-interest bearing)	4	-	2	16	-	4	1	3	16	-
<b>Cash and cash equivalents</b>	-	-	-	<b>113</b>	-	-	-	-	<b>69</b>	-

	31 December 2021					31 December 2020				
	SCM Limited (Cyprus)	Associates	Joint ventures	Entities related to SCM	SMART Group	SCM Limited (Cyprus)	Associates	Joint ventures	Entities related to SCM	SMART Group
<b>LIABILITIES</b>										
<b>Trade and other payables, including:</b>	<b>927</b>	<b>146</b>	<b>1,385</b>	<b>131</b>	<b>261</b>	<b>195</b>	<b>51</b>	<b>1,019</b>	<b>133</b>	<b>11</b>
Dividends payable to shareholders of Metinvest B.V.	926	-	-	-	260	194	-	-	-	10
Dividends payable to non-controlling shareholders of Company's subsidiaries	-	-	63	12	-	-	-	1	12	-
Trade payables and payables on sales made on commission	-	115	1,310	114	-	-	33	1,016	93	-
Prepayments received	-	26	1	-	1	-	18	-	-	1
Other financial liabilities	1	5	11	5	-	1	-	2	28	-

The accompanying notes form an integral part of these summary consolidated financial statements

## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 25 BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

In 2021, dividends paid disclosed in the consolidated statement of cash flows include USD 622 million of dividends paid by the Company to its Class B shareholder (SMART), USD 1,886 million of dividends paid by the Company to its Class A shareholders (SCM Limited (Cyprus)).

Significant transactions (excluding purchases) with related parties during 2021 and 2020 are detailed below:

2021	Associates	Joint ventures	Entities related to SCM	SMART Group	Total
<b>Sales, including:</b>	<b>140</b>	<b>1,644</b>	<b>96</b>	<b>2</b>	<b>1,882</b>
Steel	6	67	65	2	140
Scrap metal	-	37	-	-	37
Coke and coking coal	131	757	-	-	888
Iron ore	-	637	1	-	638
Other	3	146	30	-	179
Other operating income / (expenses), net	-	-	(4)	-	(4)
Expected credit losses charge	88	10	(14)	(37)	47
<b>Finance income / (expenses), including:</b>	<b>-</b>	<b>11</b>	<b>17</b>	<b>5</b>	<b>33</b>
Interest income – bank deposits	-	-	2	-	2
Interest income – loans issued	-	11	15	5	31
<b>2020</b>	<b>Associates</b>	<b>Joint ventures</b>	<b>Entities related to SCM</b>	<b>SMART Group</b>	<b>Total</b>
<b>Sales, including:</b>	<b>112</b>	<b>981</b>	<b>72</b>	<b>2</b>	<b>1,167</b>
Steel	28	31	55	2	116
Scrap metal	-	30	-	-	30
Coke and coking coal	78	457	-	-	535
Iron ore	-	402	1	-	403
Other	6	61	16	-	83
Other operating income/ (expenses), net	1	(1)	(3)	-	(3)
Expected credit losses charge	(91)	(6)	(4)	(1)	(102)
<b>Finance income / (expenses), including:</b>	<b>-</b>	<b>11</b>	<b>16</b>	<b>6</b>	<b>33</b>
Interest income – bank deposits	-	-	1	-	1
Interest income – loans issued	-	11	15	6	32

The accompanying notes form an integral part of these summary consolidated financial statements



## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

All tabular amounts in millions of US Dollars

#### 25 BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The following is a summary of purchases from related parties in 2021 and 2020:

2021	Associates	Joint ventures	Entities related to SCM	SMART Group	Total
<b>Purchases, including:</b>	<b>127</b>	<b>3,159</b>	<b>1,760</b>	-	<b>5,046</b>
Metal products	-	3,042	9	-	<b>3,051</b>
Coke and coking coal	123	13	48	-	<b>184</b>
Raw materials and spare parts	1	62	184	-	<b>247</b>
Electricity	-	-	670	-	<b>670</b>
Gas	-	-	545	-	<b>545</b>
Fuel	-	-	3	-	<b>3</b>
Services	1	11	254	-	<b>266</b>
Other	2	31	47	-	<b>80</b>

  

2020	Associates	Joint ventures	Entities related to SCM	SMART Group	Total
<b>Purchases, including:</b>	<b>380</b>	<b>1,691</b>	<b>1,285</b>	-	<b>3,356</b>
Metal products	9	1,600	10	-	<b>1,619</b>
Coke and coking coal	345	-	29	-	<b>374</b>
Raw materials and spare parts	18	54	121	-	<b>193</b>
Electricity	-	-	463	-	<b>463</b>
Gas	-	-	156	-	<b>156</b>
Fuel	-	-	46	-	<b>46</b>
Services	1	9	429	-	<b>439</b>
Other	7	28	31	-	<b>66</b>

Not included in the tables above are the Group's transactions on purchase and further re-sale of iron ore, coal and steel products from or to joint ventures where the Group is acting as an agent and not as principal. Income and costs related to such transactions are presented net within revenue. The Group's net gain on such transactions was USD 10 million in 2021 (2020: USD 15 million).

In 2021, the remuneration of key management personnel of the Group comprised current salaries and related bonuses paid totalling USD 59.3 million (in 2020: USD 14.6 million).

As at 31 December 2021 and 2020, key management held the Group's bonds in the total amount of less than USD 1 million. Rights of these bondholders are not different from the rights of other bondholders.

#### 26 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

**Tax legislation.** Ukrainian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. As a result, there is significant uncertainty as to the implementation or interpretation of the new legislation and unclear or non-existent implementing regulations. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and State authorities. It is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The Group's operations are vertically integrated and a significant portion of the Group's iron ore, coke and coal production is used in the subsequent production operations. Because of non-explicit requirements of the applicable tax legislation, intercompany transactions may be assessed by the Ukrainian tax authorities as non-market. Such transactions could be challenged by the tax authorities.

## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 26 CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (CONTINUED)

The tax legislation had been expanded with the new transfer pricing rules in Ukraine effective from 1 September 2013 that are much more detailed than previous legislation and, to a certain extent, better aligned with the international transfer pricing principles. The new legislation allows the tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), if the transaction price is not arm's length and is not supported by relevant documentation. Since 1 January 2015, the transfer pricing rules were amended so that transactions between Ukrainian companies (irrespective whether they are related parties or not) ceased to be treated as controlled transactions.

Management believes it is taking appropriate measures to ensure compliance with the new transfer pricing legislation.

**Bankruptcy proceedings.** During 2006, bankruptcy proceedings were initiated against the Group's subsidiary PrJSC Krasnodonugol. The majority of the creditors' claims summarised by the external manager relate to the Group thus are eliminated on consolidation. As at 31 December 2021, the amount of financial and tax liabilities related to the bankruptcy proceedings recorded in these consolidated financial statements is USD 10 million (31 December 2020: USD 10 million), out of which USD 7 million (31 December 2020: USD 7 million) are presented as non-current tax liabilities under moratorium (Note 19).

In July 2019, the bankruptcy proceedings were initiated in respect of one of the Group's subsidiaries, PrJSC Yenakiieve Iron and Steel Works. Creditor's claims were assessed by the court-appointed manager and the Group's subsidiaries formed majority in the creditor's committee in January 2020. Management of the Group does not expect that the bankruptcy proceedings will result in liquidation of the entity.

**Legal proceedings.** From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial statements.

On 26 February 2019, a pre-judgment conservation order under Dutch law (the "Order") was issued by the court with respect to Metinvest B.V.'s shareholdings in its two subsidiaries registered and existing under the laws of the Netherlands (the "Dutch Subsidiaries"). The Order was issued on the basis of a claim for damages for the amount of USD 47 million allegedly caused by Metinvest B.V. Except that the Group may not dispose of its shareholdings in the Dutch Subsidiaries, the Order does not affect the legal capacity of any Group entities to incur debt, create security or give guarantees, enter into commercial and trade contracts or otherwise affect in any way the ordinary course of business and operational activities of the Group. If Metinvest B.V. were to give sufficient security for the asserted claim, this would be a ground for lifting the Order. The Group continues to challenge the main claim.

**Environmental matters.** The enforcement of environmental regulation in Ukraine and globally is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations (including asset retirement obligations) under environmental regulations of the countries it operates in. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated, but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

**Capital expenditure commitments.** As at 31 December 2021, the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling USD 608 million (31 December 2020: USD 316 million). The Group has already allocated the necessary resources in respect of these commitments. Management of the Group believes that future net income and funding will be sufficient to cover these and any similar commitments.

**Compliance with covenants.** The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including increase in the cost of borrowings and declaration of default. As at 31 December 2021 and 2020 and for the years then ended, the Group was in compliance with the covenants.

**Insurance.** Metinvest maintains mandatory insurance policies against certain types of risk in accordance with Ukrainian law, including life and health insurance; third party liability insurance on hazardous industrial assets and in respect of cargo and motor vehicles; voluntary insurance cover for most of its production facilities and in respect of cargo and motor vehicles; "All Risk" insurance to cover property damage and provide business interruption coverage including "inter-dependency" coverage for its key production facilities in Ukraine; property damage and business interruption policies in respect of its European and US assets.

#### 27 FINANCIAL RISK MANAGEMENT

The Group activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Reference is made to Note 2 describing the most recent developments in the operating environment of the Group, which might have an impact on the Group's financial risks.

The accompanying notes form an integral part of these summary consolidated financial statements

## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

*All tabular amounts in millions of US Dollars*

#### 27 FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management is carried out jointly by the internal control and risk management department and the central treasury department. These departments identify, evaluate and mitigate financial risks in close co-operation with the Group's operating units.

##### **(a) Market risk**

###### **(i) Foreign exchange risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed through (i) borrowings denominated in the relevant foreign currencies; (ii) different treasury operations like forward, swap and other.

At 31 December 2021, if the UAH had strengthened / weakened by 25% against the US dollar with all other variables held constant, post-tax profit for the year would have been USD 76 million lower / higher (2020: if the UAH had strengthened / weakened by 25% against the US dollar with all other variables held constant, post-tax profit for the year would have been USD 146 million lower / higher), mainly as a result of foreign exchange losses/gains on translation of US dollar denominated trade receivables and foreign exchange gains/losses on translation of US dollar denominated intragroup borrowings and dividends payable.

###### **(ii) Price risk**

The Group's revenue is exposed to the market risk from price fluctuations related to the sale of its steel and iron ore products. The prices of the steel and iron ore products sold both within Ukraine and abroad are generally determined by market forces. These prices may be influenced by factors such as supply and demand, production costs (including the costs of raw material inputs) and global economic growth. The prices of the products that the Group sells to third parties are also affected by supply/demand and global/Ukrainian economic growth. Adverse changes in respect of any of these factors may reduce the revenue that the Group receives from the sale of its steel or mined products.

The Group's exposure to commodity price risk associated with the purchases is limited as the Group is vertically integrated and is self-sufficient for iron ore and certain portion of coking coal requirements.

No financial instruments are exposed to price risk.

###### **(iii) Cash flow and fair value interest rate risk**

The Group's income and operating cash flows are dependent on changes in market interest rates.

The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings attracted at floating rates expose the Group to cash flow interest rate risk. Borrowings attracted at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a balanced borrowings portfolio of fixed and floating rate instruments. As at 31 December 2021, 89% of the total borrowings were provided to the Group at fixed rates (31 December 2020: 79%). During 2021 and 2020, the Group's borrowings at floating rate were denominated in USD, EUR and GBP.

Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or floating rates. However, at the time of attracting new debt management uses its judgment to decide whether it believes that a fixed or floating rate would be more favourable to the Group over the expected period until maturity.

Refer to Note 13, 17 and below for information about maturity dates and effective interest rates of financial instruments.

At 31 December 2021, if interest rates on USD, EUR and GBP denominated floating rate borrowings had been by 1 pp higher / lower (2020: 1 pp) with all other variables held constant, post-tax profit for the year would have been USD 2 million lower / higher (2020: USD 5 million).

##### **(b) Credit risk**

Credit risk is managed centrally by the Group management. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions and financial guarantees issued. When wholesale customers are independently rated, these ratings are used for credit quality assessment. Otherwise, if there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial assets, which potentially subject the Group to credit risk, consist principally of cash, loans, trade and other accounts receivable. Cash is placed with major Ukrainian and international reputable financial institutions, which are considered at time of deposit to have minimal risk of default.

The accompanying notes form an integral part of these summary consolidated financial statements



## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

All tabular amounts in millions of US Dollars

#### 27 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group has policies in place to ensure that provision of loans and sales of products/services are made to customers with an appropriate credit history. The Group's credit risk exposure is monitored and analysed on a case-by-case basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The carrying amount of loans, trade and other accounts receivable, net of provision for impairment, represents the maximum amount exposed to credit risk. Concentration of credit risk mainly relates to CIS and European countries where the major customers are located.

The maximum exposure to credit risk as at 31 December 2021 is USD 3,193 million (2020: USD 4,738 million) being the carrying value of long and short-term loans issued, receivables, cash and the amount of the commitment in respect of the financial guarantees issued. In order to reduce credit risk on receivables, the Group uses letters of credit, guarantees and trade insurance. The Group does not hold any collateral as security. Management believes that credit risk is appropriately reflected in impairment allowances recognised against assets, and management does not expect any significant losses from non-performance by these counterparties.

##### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group treasury analyses the ageing of Group's assets and the maturity of Group's liabilities and plans their liquidity depending on the expected repayment of various instruments. In case of insufficient or excessive liquidity in individual entities, the Group relocates resources and funds among the entities of the Group to achieve optimal financing of the business needs of each entity.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Cash flows from borrowings were calculated using spot foreign exchange rates.

At 31 December 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank loans	29	39	105	56
Trade finance	95	-	-	-
Bonds issued	167	311	1,174	974
Lease liability	15	14	31	23
Non – bank borrowings	18	-	-	-
Financial trade and other payables	3,738	20	4	11
<b>Total</b>	<b>4,062</b>	<b>384</b>	<b>1,314</b>	<b>1,064</b>

At 31 December 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank loans	211	123	120	59
Trade finance	276	-	-	-
Bonds issued	195	164	1,096	1,690
Guarantee	155	156	225	-
Lease liability	15	12	8	1
Financial trade and other payables	2,549	36	14	10
<b>Total</b>	<b>3,401</b>	<b>491</b>	<b>1,463</b>	<b>1,760</b>

#### 28 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The Group has yet to determine its optimum gearing ratio. Presently, the majority of debt is due over 5 years and the Group is actively pursuing mechanisms to extend the credit terms to match its long-term investment strategy.

The accompanying notes form an integral part of these summary consolidated financial statements

## METINVEST B.V.

### NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2021 (CONTINUED)

All tabular amounts in millions of US Dollars

#### 28 CAPITAL RISK MANAGEMENT (CONTINUED)

	31 December 2021	31 December 2020
Total loans and borrowings (Note 17)	2,242	2,937
Less: cash and cash equivalents (Note 14)	(1,166)	(826)
<b>Net debt</b>	<b>1,076</b>	<b>2,111</b>
Total equity	7,970	6,496
<b>Total capital</b>	<b>9,046</b>	<b>8,607</b>
<b>Gearing ratio</b>	<b>12%</b>	<b>25%</b>

#### 29 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date, which is Level 1 of fair valuation hierarchy. The quoted market price used for financial assets held by the Group is the current bid price. This valuation technique is used for fair value disclosures of bonds issued.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Estimated discounted cash flows, are used to determine fair value for seller's notes. Calculation is based on current interest rates for new instruments with similar credit risk, currency and remaining maturity; such estimation represents Level 3 of fair value hierarchy.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is required to interpret market data to determine the estimated fair value. Ukraine continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

**Financial assets carried at amortised cost.** The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty. Carrying amounts of financial assets carried at amortised cost approximate their fair values.

**Financial liabilities carried at amortised cost.** The fair value is based on quoted market prices, if available. Except as discussed in the Note 17, the estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid (Note 17).

#### 30 RECONCILIATION OF CLASSES OF FINANCIAL INSTRUMENTS WITH MEASUREMENT CATEGORIES

All of the Group's financial assets and financial liabilities are carried at amortised cost, except for investments in associates and joint ventures which are accounted for by the equity method of accounting, trade receivables subject to factoring and the option carried at fair value through profit or loss. As at 31 December 2021, the carrying amount of the balances subject to factoring amounted to USD 68 million (31 December 2020: USD 87 million).

#### 31 EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the balance sheet date other than those already disclosed in these consolidated financial statements.

The accompanying notes form an integral part of these summary consolidated financial statements