METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022

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 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 market and globally.

As at 31 December 2022 and throughout the periods presented in these consolidated financial statements, Metinvest B.V. is owned 71.24% by its parent company SCM (System Capital Management) Limited ("SCM") and 23.76% by the Smart Steel Limited ("SMART") that have significant influence over Metinvest. The ultimate parent of Metinvest is SCM Holdings Limited, Cyprus, which is controlled by Mr. Rinat Akhmetov. The remaining 5% interest in the Company in the form of Class C shares has been acquired by a related party 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
	2022	2021		
Metinvest Holding LLC	100.0%	100.0%	Corporate	Ukraine
Metinvest Management B.V.	100.0%	100.0%	Corporate	Netherlands
Metinvest International SA	100.0%	100.0%	Metallurgical	Switzerland
Metinvest Service Metal Centres LLC	100.0%	100.0%	Metallurgical	Ukraine
Metinvest Eurasia LLC	n/a*	100.0%	Metallurgical	Russia
Ferriera Valsider S.p.A.	100.0%	100.0%	Metallurgical	Italy
Metinvest Trametal S.p.A.	100.0%	100.0%	Metallurgical	Italy
Spartan UK Limited	100.0%	100.0%	Metallurgical	UK
JSC Promet Steel	100.0%	100.0%	Metallurgical	Bulgaria
PrJSC Azovstal Iron and Steel Works**	100.0%	100.0%	Metallurgical	Ukraine
PrJSC Ilyich Iron and Steel Works**	100.0%	100.0%	Metallurgical	Ukraine
PrJSC Kamet-Steel	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 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"	100.0%	100.0%	Mining	Ukraine
Concentrating Factory "Sviato-Varvarynska" LLC	100.0%	100.0%	Mining	Ukraine

As at 31 December 2022, the Group employed approximately 74 thousand people (31 December 2021: 87 thousand).

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, the EU, the UK and the USA.

The consolidated financial statements of Metinvest B.V. for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Supervisory Board on 27 March 2023.

For better understanding of Metinvest's financial position and the results of operations, these summary consolidated financial statements should be read in conjunction with the Metinvest B.V. audited consolidated financial statements as at and for the year ended 31 December 2022, 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.

* For more details, please refer to Note 8.
** For more details, please refer to Note 8.
*** Excludes ownership through 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 2022 (CONTINUED)

All tabular amounts in millions of US Dollars

2 OPERATING ENVIRONMENT OF THE GROUP

The Ukrainian economy demonstrated sustained growth for a number of years until 2020, 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. In 1Q-3Q 2020 the Ukrainian economy contracted amid a decrease in industrial output and lockdown measures introduced in early 2020 to contain the spread of the COVID-19 pandemic. The easing of restrictive anti-pandemic measures spurred an economic recovery in the second half of the year and together with other factors led to a 3.4% real GDP growth in 2021.

Starting in the end of 2021 news around the potential escalation of the conflict between Russia and Ukraine emerged. This conflict started in 2014 with the annexation of Crimea and subsequent loss of control by Ukraine over certain parts of the Donetsk and Luhansk regions due to actions of illegal armed formations largely backed by the Russian Federation. It has impacted the steel, coke and coking coal operations of the Group located in this part of Ukraine.

On 24 February 2022, Russia launched a full-scale military invasion of Ukraine. As a response, Ukraine declared martial law which is still in place as of the date of signing of these consolidated financial statements as active conflict is still ongoing in certain towns and cities of Eastern and Southern parts of Ukraine along the frontline, some cities in these regions remain temporarily occupied while Russia conducts sporadic indiscriminate bombardments of Ukrainian territory.

On 30 September 2022 Russia declared its annexation of the Donetsk, Luhansk, Zaporizhzhia and Kherson regions of Ukraine into the Russian Federation. Ukraine does not recognize the legality of the annexation and will use all available legal and other means to reverse it. On 12 October 2022, as part of Eleventh Emergency Special Session of the United Nations General Assembly regarding the aggression of Russian Federation against Ukraine, the General Assembly, with 143 member States voted in favour, adopted the resolution “Territorial integrity of Ukraine: defending the principles of the Charter of the United Nations”. A resolution calls on all states, the UN and international organisations not to recognize any of Russia’s annexation claim and demands the immediate reversal of its annexation declaration.

During September-November 2022 Ukrainian forces performed counteroffensives on the southern and eastern directions of the frontline, as a result of which substantial part of Kharkiv region, part of Donetsk, Luhansk and Kherson regions (including Kherson city itself) were liberated.

The outcome and the timing of the resolution of this conflict cannot be predicted with the sufficient degree of certainty. Challenges Ukraine is facing due to the war hamper the sustainability and further development of its economy and financial sector. The operating environment thus remains challenging.

The impact on the people of Ukraine has been profound as the war provoked a massive migration to safer areas within the country and outside of it.

The damage to Ukraine’s assets and physical infrastructure has been extensive. As a result of military actions the Black Sea ports in Ukraine suspended their operations being blocked or occupied by Russia while limited railway capacity with Western countries has been unable to replace seaborne throughput. This has prevented most seaborne imports and exports. On 22 July 2022, the representatives of Ukraine, Türkiye and UN Secretary-General signed in Istanbul the Initiative on the Safe Transportation of Grain and Foodstuffs from Ukrainian Ports, which allowed only for exports of grain and related food products from the ports of Odesa, Chornomorsk and Pivdennyi.

Following the invasion, Ukraine’s budget is experiencing a deep deficit amid falling budget revenues and a major increase in military expenses. Ukraine needs significant external financial support to cover its balance of payments and budget needs. Numerous regulatory changes that were implemented in Ukraine due to the war have impacted the Group’s operations including simplifying tax legislation, suspending tax audits and restricting certain import and currency exchange activities.

An increase in inflation in Ukraine towards the end of 2021 led the National Bank of Ukraine (“NBU”) to continue monetary tightening and increase its key policy rate to 10%, effective from 20 January 2022. After the commencement of the Russian invasion, the NBU abandoned its inflation targeting policy. Effective from 3 June 2022, the NBU increased its key policy rate to 25%, though in time of war the monetary transmission mechanism remains weakened as structural imbalances in the economy caused by war-related disruptions in production, logistic and financial chains impact the inflation significantly more than the policy rate. The actual inflation rate in Ukraine for the year ended 31 December 2022 stood at 26.6% (year ended 31 December 2021: 10%) and Ukrainian real GDP decreased y-o-y by 30.4% in 2022 (2021: 3.4% y-o-y growth) according to the Ministry of economics of Ukraine. The IMF expects Ukrainian GDP to grow by 1% in 2023, while the NBU is even more conservative in its forecast at 0.3% growth.

On 24 February 2022, in order to stabilise the Ukrainian financial system during the war, the NBU fixed the official hryvnia exchange at UAH 29.25 per USD 1 (as compared to UAH 27.28 per USD 1 as at 31 December 2021) then from 21 July 2022 re-fixed the hryvnia exchange rate at UAH 36.57 per USD 1.

At the date of these consolidated financial statements, the official NBU exchange rate of Hryvnia against US dollar remained at the level of UAH 36.57 per USD 1.

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 2022 (CONTINUED)

All tabular amounts in millions of US Dollars

2 OPERATING ENVIRONMENT OF THE GROUP (CONTINUED)

Among other measures taken to stabilise the financial system, the NBU also introduced a number of administrative restrictions, in particular on foreign exchange transactions and capital movements including restrictions on interest and dividends payments in foreign currencies outside Ukraine. Should additional financial and/or capital restrictions be adopted, or existing regulations amended, it may have a significant negative impact on the Group and the environment the Group operates in. At the same time, relaxation or abolishment of restrictions may have a positive influence on the Group and its operating environment. As of the date of signing of these consolidated financial statements the magnitude and direction of such impact cannot be reasonably estimated.

The yield to maturity ("YtM") on the Ukrainian Government's Eurobonds (for 5-year maturity instruments) increased to to 51.8% as of the date of signing of these consolidated financial statements from 8.3% as at 31 December 2021. At the same time, the domestic Ukrainian sovereign bonds in UAH (for a 5-year maturity) were traded with the yields of 22% as at 31 December 2022. In August 2022 Ukraine's creditors agreed a two-year standstill on all Eurobonds issued or guaranteed by the Ministry of Finance of Ukraine, allowing the government to defer near USD 6 billion of scheduled repayments.

In August 2021 international currency reserves were at the highest level since 2012, however these started to be gradually utilised from January 2022 and troughed in July 2022 before starting to grow again thanks to the international financial aid. From the start of the war the Ukrainian budget experiences a deficit, which is financed by international financial assistance, national borrowings, and direct deficit monetisation by the NBU as a measure of last resort. Since the beginning of the full-scale invasion by Russia and till 31 December 2022, the total amount of funds received by Ukraine from international partners amounted to USD 32.1 billion (UAH 1,076 billion), out of which 45% were in the grant format. International support is crucially important for Ukraine's ability to continue fighting against the aggression and funding the budget deficit and on-going debt repayments.

As a result of the military invasion, Metinvest decided to halt the manufacturing activities of its assets in Mariupol, Avdiivka and Zaporizhzhia, including PrJSC Azovstal Iron and Steel Works, PrJSC Ilyich Iron and Steel Works, PrJSC Avdiivka Coke Plant and PrJSC Zaporizhcoke. The Group's plants in Zaporizhzhia resumed their production operations later. Because of the hostilities, the Group's facilities in Mariupol and Avdiivka have been affected and Mariupol has been temporarily occupied.

In late 2022 Russia begun extensive campaign of illegal aerial bombardment, using cruise missiles and unmanned aerial vehicles, to target Ukraine's power generation and transmission facilities across Ukraine. During the week of 21 November 2022 Russia's attack resulted in a country-wide blackout and many major cities and towns being left without water supply. Metinvest, along with all other industrial companies operating in Ukraine, was also affected, as for the first time since the commencement of the full-scale invasion, production across Metinvest's facilities in Ukraine suffered an emergency stoppage due to the lack of power supply. Later, Metinvest's affected Ukrainian facilities resumed operations relatively quickly, except for Kamet Steel. Only in the second half of December, Kamet Steel resumed production of hot metal and pig iron, while output of crude steel and steel products resumed by the end of the month.

As a result of the military invasion, for the purposes of preparing these consolidated financial statements the Group determined that entities whose assets are for the time being located on the territory temporarily occupied or are significantly impacted by the ongoing war (being close to the frontline) will not be in a position to continue normal production operations. In the absence of any information that could be reliably and safely obtained on those assets for evaluation of the physical conditions and ability to generate future economic benefits, the Group concluded that a prudent establishment of allowance for impairment is appropriate for the full amount of the carrying value of assets which to the best of the knowledge of management, are currently located on such territories. Please, refer to Note 8 for details.

In addition, the Group determined that after 24 February 2022 it is not controlling operating and financial policies of Metinvest Eurasia LLC and Metinvest Distribution LLC and subsequently ceased the operations and launched liquidation of these subsidiaries (Note 8).

The table below summarizes location of the key production assets of the Group in Ukraine:

Entity	Location (city, region)	Segment
PrJSC Colliery Group "Pokrovs'ke"	Pokrovsk, Donetsk region	Mining
Concentrating Factory "Sviato-Varvarynska" LLC	Serhiyivka, Donetsk region	Mining
PrJSC Northern Iron Ore Enrichment Works	Kryvyi Rih, Dnipropetrovsk region	Mining
PrJSC Central Iron Ore Enrichment Works	Kryvyi Rih, Dnipropetrovsk region	Mining
PrJSC Ingulets Iron Ore Enrichment Works	Kryvyi Rih, Dnipropetrovsk region	Mining
Southern Iron Ore Enrichment Works Group (joint venture)	Kryvyi Rih, Dnipropetrovsk region	Mining
PrJSC Kamet-Steel	Kamianske, Dnipropetrovsk region	Metallurgical
Zaporishstal Group (joint venture)	Zaporizhzhia, Zaporizhzhia region	Metallurgical
PrJSC Zaporizhcoke	Zaporizhzhia, Zaporizhzhia region	Metallurgical
PrJSC Avdiivka Coke Plant	Avdiivka, Donetsk region	Metallurgical

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METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022 (CONTINUED)

All tabular amounts in millions of US Dollars

2 OPERATING ENVIRONMENT OF THE GROUP (CONTINUED)

The above-mentioned Group coking coal, iron ore and metallurgical plants had to scale back their production since the beginning of the war. As a further consequence, the vertical integration of the Group was impacted requiring establishment of new supply chains and logistical routes as well as new sales destinations.

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. In 2022, following the invasion of Ukraine many existing supply chains were disrupted due to blocking of the seaports activity in the Black Sea and bottlenecks in railway and truck logistics in and outside of Ukraine following the redirection of the flow of goods from Ukrainian sea ports to ground logistics. Producers from or related with Russia were banned from exports to many countries by sanctions or self- sanctions. These events created significant turbulence in the prices globally for many raw materials and finished goods, including iron ore, coking coal and steel.

For more details of the impact of invasion on the Company's operations, refer to Note 5 of the consolidated financial statements.

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.

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.

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 2022 (CONTINUED)

All tabular amounts in millions of US Dollars

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Chief Executive Officer 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 accompanying notes form an integral part of these summary consolidated financial statements

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022 (CONTINUED)

All tabular amounts in millions of US Dollars

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	31 December 2022	31 December 2021
1 USD to UAH	36.57	27.28
1 EUR to UAH	38.95	30.92

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 other 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).

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 related to these equity components 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 and there are some limitations on UAH conversion within the Ukraine as a result of the NBU limitations imposed due to the events described in the Note 2 of these consolidated financial statements.

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.

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NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022 (CONTINUED)

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3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	Useful lives in years
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.

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 lease payments are discounted using the interest rate implicit in the lease, if such rate can be readily determined. If that rate cannot be readily determined, which is generally the case for leases of the Group, the Group's incremental borrowing rate is used.

The rights-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses 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.

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 2022 (CONTINUED)

All tabular amounts in millions of US Dollars

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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All tabular amounts in millions of US Dollars

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 or based on corporate bonds ratings of the international rating agencies.

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

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All tabular amounts in millions of US Dollars

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining 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.

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 2022 (CONTINUED)

All tabular amounts in millions of US Dollars

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022 (CONTINUED)

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3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

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, including those arising on the intragroup loans and dividends payable between the entities with different functional currencies.

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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.

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.

Considering the significant changes in operating environment of the Group as disclosed in the Note 2 of the consolidated financial statements, management performed impairment testing for material operating segments as at 31 December 2022. The results and the main assumptions applied are disclosed in the Note 11 of these consolidated financial statements.

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 plan 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.

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:

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 2022 (CONTINUED)

All tabular amounts in millions of US Dollars

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

- 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, 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 market rate prevailing at the date of the transaction. 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 15 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 20.

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 21.

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 28).

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 2022 (CONTINUED)

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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.

Inability to continue in the short-term perspective normal production operations of the entities which assets are, to the extent important for the production process part, located on the temporarily occupied territory

In March 2017, the Group lost the ability to perform production operations of the assets located on the territories, temporarily not controlled by Ukraine due to actions of illegal armed formations backed by the Russian Federation (Note 2). Also, as explained in Notes 2 and 5, the Group is not able in short-term perspective to conduct normal production operations of assets located on the territory of Ukraine being temporarily occupied by Russia after the full scale invasion of Ukraine started 24 February 2022.

The Group accounted for these events as impairment of related property, plant, and equipment and inventories, and, accordingly, recognised the impairment through Other Comprehensive Income to the extent of existing revaluation reserve and recognised further impairment loss through the profit and loss. Also, the Group has determined that the operations located on the temporarily occupied territory do not represent a disposal of foreign operations as defined in IAS 21.

Operations of entities most of whose tangible assets are located on the temporarily occupied territory is not a separate geographical segment therefore, the management believes that these activities do not represent discontinued operations.

(i) Currency translation reserve (CTR) related to operations of the entities whose tangible assets are located on the temporarily occupied territory.

The assets in respect of which there is no ability in short-term perspective to conduct normal production operations, have not been consolidated directly but only together with the remaining operations of each of the legal entity, which continue to be run 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 temporarily not operational part of an entity's tangible assets does not represent a branch or a business. Thus the management determined that these operations do not represent foreign operations as defined in IAS 21 The Effects of Changes in Foreign Exchange Rates and therefore no accumulated CTR on those entities is reclassified to profit and loss. Would it be determined that these operations represent disposed foreign operations, the accumulated CTR relating to those operations would need to be reclassified from Other Comprehensive Income to the profit and loss (considering the functional currency of the abovementioned entities is UAH) resulting in negative charge to Income Statement and no impact on total Comprehensive Income for the period.

If all the net assets of the entities located on the temporarily occupied territory were derecognised, the negative charge of CTR in income statement would have been USD 4,185 million (2021: 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. Thus this charge would be significantly different if only assets and (or) some liabilities of these entities were derecognised.

(ii) Impairment of property, plant and equipment located on the temporarily occupied territory.

Management has determined that inability to operate the tangible assets does not require the derecognition of these assets as the Group still holds the legal title over these assets and inability to operate the assets might be temporary. Moreover, the Group may still be able to receive compensation for the assets through international courts.

As such, management of the Group has performed an impairment assessment of respective property, plant and equipment, thus recognising USD 1,154 million as decrease of previously recognised revaluation in Other Comprehensive Income and USD 1,414 million as impairment charge in profit and loss during 2022. Would the judgement be made that the assets are derecognised before they are impaired, the whole amount of USD 2,568 million of decrease of carrying value of property, plant and equipment would need to be charged as impairment in profit and loss (Note 8).

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 2022 (CONTINUED)

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5 GOING CONCERN

As explained in Note 2, on 24 February 2022 Russia initiated a full-scale military invasion of Ukraine, which was followed up by the immediate enactment of martial law by the Ukrainian President's Decree approved by the Parliament of Ukraine and the corresponding introduction of the related temporary restrictions that impact the economic environment and business operations. There remains a significant uncertainty over the future development of the military invasion, its duration and short and long-term impact on the Group, its people, operations, liquidity, and assets. There could be multiple scenarios for further developments of the current situation with unknown likelihood and the magnitude of the impact on the Group might vary.

As a result of the invasion, part of the assets belonging to the Group, ended up on the occupied territories and so, the Group had to suspend production operations with these assets (see Notes 2,8 for details). In addition, some assets located on territories controlled by the Ukrainian government as of the date of signing of these consolidated financial statements stopped manufacturing operations due to their proximity to the warzone, and some decreased the production output due to consequential logistical constrains, primarily related to Black Sea ports unavailability for shipments of any goods other than agricultural ones since the onset of the invasion (for more details, please see Note 2).

Despite the significant challenges the Group adjusted its business processes to support the continuity of its operational activities, while businesses in Italy, the UK and the US switched to third party supplies and sales. Management of the Group continues to monitor the situation and take necessary measures to further adapt its operations to the circumstances and facilitate the Group's uninterrupted operations to the extent possible.

The Group prudently manages its financing operations and obtains waivers when necessary.

In order to proactively manage risks arising due to the war in Ukraine, the Group has ensured that certain waivers are proactively obtained from its lenders with respect to a number of banking financing instruments.

In particular, during 2022 the Group proactively obtained waivers from the lenders under Export Credit Agency ("ECA")-covered financing in favour of PrJSC Ilyich Iron and Steel Works with respect to implications of the moratorium imposed by the NBU on cross-border payments and some other non-financial covenants under the above-mentioned financing arrangements. The Group has also obtained waivers from the lender under a bilateral term loan in favour of certain Ukrainian subsidiaries covering, among other, compliance with certain financial covenants (including a requirement to maintain a minimum level of tangible net worth). The abovementioned waivers, related to the bilateral term loan cover the relevant periods till 31 December 2023. The Group intends to proactively obtain similar waivers for further periods, should the need arise, in order to avoid potential non-compliance with financial covenants under the loans and borrowings of the Group.

The Group generated positive cash flows from operating activities in the amount of USD 1,403 million for the year ended 31 December 2022. As at 31 December 2022 the Group's current liabilities exceeded its current assets by USD 391 million and it incurred a net loss of USD 2,193 million for the year ended 31 December 2022. As at 31 December 2022 and as of the date of signing of these consolidated financial statements, current liabilities of the Group include USD 417 million of dividends payable to Metinvest B.V. shareholders. The Directors have not made a decision to make any payments of dividends payable within any set time frame as at 31 December 2022. In view of the current situation for the Company, the Directors, in accordance with applicable provisions of the Dutch Civil Code, carefully consider and evaluate, based on cash flow forecast available at the time of making a decision as to make any dividend distribution to the shareholders of the Company, taking into consideration reasonably foreseeable downside scenarios, whether there are objective and substantiated grounds to believe that the Company is still likely to be able to continue operating and pay its debts when they fall due following any such distribution.

For the purposes of assessing the going concern assumption, management has prepared a cash flow projection scenario for the 12 months period ended March 2024 based on the following key assumptions:

- no further significant progression of Russian troops into the territory of Ukraine and no further escalation of military actions that could severely affect the Group's assets, or result in a severe and wide-spread damages to Ukrainian energy infrastructure;
- usage of current alternative export routes via land border crossings; availability of existing railway transportation connection; the seaports will be partially deblocked from the start of 2024, the shipment of metallurgical/mining products will be allowed;
- the Group retains the ability to operate production entities in Ukraine, other than PJSC Azovstal Iron and Steel works and PJSC Illich Iron and Steel Works, which are located on occupied territory as of the date of signing of these consolidated financial statements and PJSC Avdiivka Coke Plant, which is located close to the frontline and stopped production. However, these entities are operating at reduced capacity: average monthly external sales volumes of own pig iron and steel products are assumed at the level of around 75% of PrJSC Kamet-Steel's average monthly volumes in August-December 2021, while the PrJSC Central Iron Ore Enrichment Works is expected to work at around 40-45% of its average monthly output of 2021 and the PrJSC Northern
- Iron Ore Enrichment Works and PrJSC Ingulets Iron Ore Enrichment Works expected to operate at around 20-25 % of pre-war levels.

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NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022 (CONTINUED)

All tabular amounts in millions of US Dollars

5 GOING CONCERN (CONTINUED)

- ability to produce and sell hard coking coal by Pokrovske coal business; availability of production staff to meet planned production output;
- US coking coal business and re-rolling mills in the EU and UK working without material operational limitations;
- Forecasts from industry experts and other external reputable sources, as well as internal analysis are used to determine price levels used in the cash flow projection.

The operating cash flows in this scenario together with the existing cash balance available as of the date of signing of these consolidated financial statements are expected to be sufficient to cover the Group's cash needs in investing and financing activities (including the payment of debts as they fall due) in the projected 12-month period.

The management of the Group performed the following actions with the intention to minimise the controllable risks and preserve the cash flows:

- minimising stocks of finished products in the supply chain by reducing production volumes in real time, as well as monitoring and accelerating the movement of finished products in the supply chain;
- maximising utilisation of existing resources and production capacities while minimising purchases from third parties and optimising costs within the available raw material base;
- arranging imported electricity purchases from January 2023 in order to avoid operations disruption due to power shortages to ensure stable level of production for the entities in Ukraine;
- optimising capital expenditures to keep the assets operating at a reduced level, scrutinising of fixed costs;
- maximising the substitution of equipment and spare parts, which were produced in the temporarily occupied territories or in the Russia/Belarus by organising the production of equivalents at Group's machining and repair plants;
- supporting a "supplier ecosystem": proactive management of accounts payable, selective ordering to maintain expertise of critical suppliers;
- developing and implementing a mechanism to prioritise production and order delivery times to minimise the risk of overdue shipment;
- to minimise risk of Pokrovske coal business not having the production staff to meet planned coal output, the management is taking measures to maintain stable workforce;
- established the Anti-Crisis Headquarters which develops, monitors, and organises the interaction between all functions for the effective management in the time of war;
- carried out scenario planning and liquidity management;

While management expects that the situation will improve and Ukraine will continue recovering control over currently occupied territories, allowing for ramping-up of operations in 2024 and free access to Black Sea ports, its significant aggravation with potential implication on ability to generate sufficient cash flow to fund operations and comply with financial covenants, may cast significant doubt about the Group's ability to continue as a going concern.

Management acknowledges that future development of military actions and their duration represent a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Despite this material uncertainty, management is continuing taking actions to minimise the impact of these developments on the Group and thus believes that application of the going concern assumption for the preparation of these financial statements is appropriate.

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 2022 (CONTINUED)

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6 NEW ACCOUNTING PRONOUNCEMENTS

The following new standards, amendments to standards and interpretations became effective for the Group on 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 – Amendments to IFRS 16*** *(issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).*

The following new standards, amendments to standards and interpretations have been issued and endorsed by EU and will be effective since 1 January 2023 or after:

- ***IFRS 17 "Insurance Contracts"*** *(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).*
- ***Amendments to IFRS 17 and an amendment to IFRS 4*** *(issued on 25 June 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).*
- ***Transition option to insurers applying IFRS 17 – Amendments to IFRS 17*** *(issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).*

The Group is currently assessing the impact of these standards, amendments to the standards and interpretations on the 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 a date to be determined by the IASB).*
- ***Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback*** *(issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).*
- ***Classification of liabilities as current or non-current – Amendments to IAS 1*** *(originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).*

The Group is currently assessing the impact of the amendments on the consolidated financial statements

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NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022 (CONTINUED)

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7 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). Despite of the fact the full-scale invasion of Ukraine, as disclosed in Notes 2 and 5 of these consolidated financial statements, impacted substantially Group's operations in 2022 no change in operating segments composition were incorporated by management yet considering significant uncertainties relating to the further development of the situation. Although the operating segments composition may change in the later periods.

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 2022 was as follows:

2022	Metallurgical	Mining	Corporate	Eliminations	Total
Sales – external	5,716	2,572	-	-	**8,288**
Sales to other segments	87	901	-	(988)	**-**
Total of the reportable segments' revenue	**5,803**	**3,473**	**-**	**(988)**	**8,288**
Timing of revenue recognition					
At a point in time	5,332	2,269	-	-	**7,601**
Over time	384	303	-	-	**687**
Total of the reportable segments' external revenue	**5,716**	**2,572**	**-**	**-**	**8,288**
Adjusted EBITDA	**262**	**1,448**	**(103)**	**162**	**1,769**
Share in EBITDA of joint ventures	5	99			**104**
Adjusted EBITDA including share in EBITDA of joint ventures	**267**	**1,547**	**(103)**	**162**	**1,873**
Reconciling items:					
Depreciation and amortisation	(151)	(436)	(32)	-	**(619)**
Impairment of property, plant and equipment and other intangible assets	(1,447)	(6)	(100)	-	**(1,553)**
Impairment of inventories and replaceable equipment located on the occupied territory (Note 8)	(697)	(9)	41	-	**(665)**
Share of result of associates and depreciation, amortisation, tax and finance income and costs in joint ventures					**(110)**
Finance income					**43**
Finance costs					**(661)**
Operating foreign exchange losses less gains, net					**(333)**
Loss from change in fair value of financial instruments and option					**(13)**
Deconsolidation of subsidiaries					**(17)**
Gain from revaluation of share in associate					
Other					**5**
Profit before income tax					**(2,050)**

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7 SEGMENT INFORMATION (CONTINUED)

	Metallurgical	Mining	Corporate	Total
Capital expenditure	99	244	11	**354**
Significant non-cash items included into adjusted EBITDA:				
- reversal of impairment / (impairment) of financial assets	(13)	(9)	9	**(13)**
- write-off of trade and other payables	(1)	-	-	**(1)**

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)	**-**
Total of the reportable segments' revenue	**14,632**	**6,275**	**-**	**(2,902)**	**18,005**
Timing of revenue recognition					
At a point in time	13,767	3,173	-	-	**16,940**
Over time	751	314	-	-	**1,065**
Total of the reportable segments' external revenue	**14,518**	**3,487**	**-**	**-**	**18,005**
Adjusted EBITDA	**2,903**	**3,564**	**(226)**	**(201)**	**6,040**
Share in EBITDA of joint ventures	354	650	-	**-**	**1,004**
Adjusted EBITDA including share in EBITDA of joint ventures	**3,257**	**4,214**	**(226)**	**(201)**	**7,044**
Reconciling items:					
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**
Profit before income tax					**5,664**

	Metallurgical	Mining	Corporate	Total
Capital expenditure	689	530	61	**1,280**
Significant non-cash items included into adjusted EBITDA:				
- reversal of impairment / (impairment) of financial assets	98	7	(63)	**42**
- write-off of trade and other payables	(11)	-	-	**(11)**

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NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022 (CONTINUED)

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7 SEGMENT INFORMATION (CONTINUED)

Analysis of revenue by category:

2022	Metallurgical	Mining	Total
Sales of own products	**4,086**	**2,415**	**6,501**
- Steel products	3,458	-	**3,458**
- Iron ore products	-	1,220	**1,220**
- Coal and coke	380	1,187	**1,567**
- Other	248	8	**256**
Resale of purchased goods	**1,630**	**157**	**1,787**
- Steel products	1,577	-	**1,577**
- Coal and coke	43	94	**137**
- Other	10	63	**73**
Total	**5,716**	**2,572**	**8,288**

2021	Metallurgical	Mining	Total
Sales of own products	**9,856**	**3,317**	**13,173**
- Steel products	8,881	-	**8,881**
- Iron ore products	-	2,993	**2,993**
- Coal and coke	628	304	**932**
- Other	347	20	**367**
Resale of purchased goods	**4,662**	**170**	**4,832**
- Steel products	4,377	-	**4,377**
- Coal and coke	145	151	**296**
- Other	140	19	**159**
Total	**14,518**	**3,487**	**18,005**

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

2022	Metallurgical	Mining	Total
Ukraine	1,734	567	**2,301**
Rest of Europe	2,781	1,303	**4,084**
Middle East and Northern Africa	579	45	**624**
Rest of Asia	-	332	**332**
Commonwealth of Independent States ("CIS")	223	-	**223**
North America	335	148	**483**
Other countries	64	177	**241**
Total	**5,716**	**2,572**	**8,288**

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**
Total	**14,518**	**3,487**	**18,005**

As at 31 December 2022, 90% of the Group's non-current assets, other than financial instruments and deferred tax assets, were located in Ukraine (31 December 2021: 96%).

In 2022, average number of employees attributable to Metallurgical segment amounted to 29 thousand and Mining segment – 24 thousand (2021: Metallurgical segment – 49 thousand and Mining segment – 27 thousand). 6 employees are hired in the Netherlands (2021: 5 employees).

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8 ALLOWANCE FOR IMPAIRMENT OF ASSETS

On 24 February 2022, Russia launched a full-scale military invasion of Ukraine. As a result of the military invasion, the Group's facilities in Mariupol have been affected and Mariupol has been temporarily occupied as of the date of signing of these consolidated financial statements. As a result of the military invasion, for the purposes of preparing these consolidated financial statements the Group determined that it is not in a position to continue in the short-term perspective normal production operations of the entities which assets are located on the temporarily occupied territory, including assets of PrJSC Azovstal Iron and Steel Works, PrJSC Ilyich Iron and Steel Works and LLC Metinvest Mariupol Machining and Repair plant.

Combined Income Statement and Statement of Comprehensive Income of these 3 subsidiaries is presented below:

	2022	2021
Revenue	1,231	7,503
Net operating costs (excluding items shown separately)	(1,523)	(6,384)
(Impairment) / reversal of impairment of financial assets	(1)	88
Allowance for impairment of assets	(2,036)	-
Finance income	9	4
Finance costs	(60)	(23)
Profit / (Loss) before income tax	**(2,380)**	**1,188**
Income tax (expense) / benefit	(42)	(219)
Profit / (Loss) for the period	**(2,422)**	**969**
Profit / (Loss) attributable to:		
Owners of the Company	(2,422)	969
Profit / (Loss) for the period	**(2,422)**	**969**

	2022	2021
Profit / (Loss) for the period	**(2,422)**	**969**
Other comprehensive income / (loss):		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	(272)	112
Items that will not be reclassified to profit or loss:		
Revaluation decreases that offset previous increases in the carrying amount of property, plant and equipment	(1,154)	(2)
Remeasurement of retirement benefit obligations	153	26
Income tax related to components of other comprehensive income	185	(5)
Total other comprehensive (loss) / income	**(1,088)**	**131**
Total comprehensive (loss) / income for the period	**(3,510)**	**1,100**
Total comprehensive (loss) / income attributable to:		
Owners of the Company	(3,510)	1,100
Total comprehensive (loss) / income for the period	**(3,510)**	**1,100**

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8 ALLOWANCE FOR IMPAIRMENT OF ASSETS (CONTINUED)

During the year ended 31 December 2022 the Group generated USD 1,095 million external revenue on sales of goods produced by the subsidiaries which production assets are located on the territory temporarily occupied since 24 February 2022 (2021: USD 6,559 million), slabs sales to the other Group's subsidiaries amounted to USD 210 million (2021: USD 1,065 million).

As at 24 February 2022, these subsidiaries' aggregate consolidated tangible assets located on the temporarily occupied territory amounted to USD 3,181 million (22% of the Group's total consolidated assets). Due to inability to continue normal production operations of the assets located on the temporarily occupied territory in the short-term perspective, management of the Group determined that these assets are fully impaired. This resulted in the recognition impairment of property, plant and equipment amounting to USD 2,568 million, out of which USD 1,154 million through other comprehensive income and of inventory and replaceable equipment amounting to USD 622 million.

Due to uncertainty related to PrJSC Azovstal Iron and Steel Works, PrJSC Ilyich Iron and Steel Works, LLC Metinvest Mariupol Machining and Repair plant future taxable income, the Group reassessed the realisability of deferred tax assets and derecognized deferred tax asset in amount of USD 34 million mainly related to retirement benefit obligations. Also, the Group did not recognise deferred tax asset of USD 336 million relating to the 2022 losses.

The above events have also affected other subsidiaries of the Company. As a result, the Group charged an allowance for impairment on their tangible assets located on the territory controlled by Ukraine, which were heavily affected by hostilities, including those from physical damage. This resulted in recognition of additional property, plant and equipment impairment of USD 257 million and impairment of inventory and replaceable equipment of USD 43 million.

The Group deconsolidated subsidiaries located in Russia and Belarus (Metinvest Eurasia LLC and Metinvest Distribution LLC) as the Group determined that it is not controlling operative and financial activities of these companies and ceased the operations in Russia and Belarus followed by the launch of liquidation of its subsidiaries located there. The loss on deconsolidation of USD 52 million is resulting mainly from derecognition of inventories of USD 75 million, trade and other accounts receivable of USD 51 million and trade and other payables of 70 million.

The items described above impacted the Consolidated Statement of Comprehensive Income of the Group as follows:

	Recognised in profit and loss	Recognised in Other comprehensive income	Total
Allowances and remeasurements on assets and liabilities located in Mariupol:			
Impairment of property plant and equipment and intangible assets	1,414	1,154	**2,568**
Impairment of inventories and replaceable equipment	622	-	**622**
Total allowances and remeasurements on assets and liabilities located in Mariupol	**2,036**	**1,154**	**3,190**
Other allowances and remeasurements:			
Impairment of property plant and equipment	128	129	**257**
Impairment of inventories and replaceable equipment	43	-	**43**
Total allowances and remeasurements on assets and liabilities located in other cities in Ukraine	**171**	**129**	**300**
Result of deconsolidation of subsidiaries located in Russia and Belarus	**17**	**35**	**52**
Total allowances and remeasurements	**2,224**	**1,318**	**3,542**

During 2022 Metinvest subsidiaries filed the applications to the European Court of Human Rights (ECHR) against Russian Federation, seeking full compensation for damages caused by Russia's aggression to the Group's assets and business.

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9 GOODWILL

The movements of goodwill were as follows:

	2022	2021
As at 1 January		
Original amount	1,430	1,358
Accumulated impairment	(685)	(728)
Net carrying amount	**745**	**630**
Acquisition of subsidiary	-	144
Currency translation differences	(95)	(29)
As at 31 December		
Original amount	1,305	1,430
Accumulated impairment	(655)	(685)
Net carrying amount	**650**	**745**

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

	31 December 2022	31 December 2021
Metallurgical segment	508	553
Iron Ore Enrichment Works	36	49
Pokrovske coal business	106	143
Total	**650**	**745**

Goodwill related to UCC have been fully impaired in the previous years and it's carrying amount is zero as at both 31 December 2022 and 31 December 2021.

Taking into account the events and circumstances, as described in Note 2, management performed impairment testing of the Goodwill related to Metallurgical and Mining segments as at 31 December 2022 and concluded that the recoverable amount exceeds the current carrying amount, thus no impairment should be recognised during the year ended 31 December 2022.

The recoverable amount of each CGU was determined based on fair value less cost to sell calculations. The details of key assumptions used for impairment testing and the results obtained are reflected in the Note 11 of these consolidated financial statements.

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

10 OTHER INTANGIBLE ASSETS

The movements of other intangible assets were as follows:

	Coal reserves	Licenses and mining permits	Other intangible assets	Total
As at 1 January 2021				
Cost	418	219	263	**900**
Accumulated amortisation and impairment	(418)	(141)	(220)	**(779)**
Net carrying amount	-	78	43	**121**
Acquistion of subsidiary	-	1,219	-	**1,219**
Additions	-	-	29	**29**
Currency translation differences	-	21	1	**22**
Impairment	-	-	(16)	**(16)**
Amortisation	-	(29)	(22)	**(51)**
As at 31 December 2021				
Cost	418	1,557	295	**2,270**
Accumulated amortisation	(418)	(268)	(260)	**(946)**
Net carrying amount	**-**	**1,289**	**35**	**1,324**
Additions	-	-	10	**10**
Currency translation differences	-	(323)	(9)	**(332)**
Impairment	-	-	(7)	**(7)**
Amortisation	-	(29)	(11)	**(40)**
As at 31 December 2022				
Cost	418	1 162	274	**1 854**
Accumulated amortisation and impairment	(418)	(225)	(256)	**(899)**
Net carrying amount	**-**	**937**	**18**	**955**

The mining license acquired as part of the acquisition of the Pokrovske coal business (Note 13) is being amortised using units-of-production method over its useful life of approximately 38 years.

The coal reserves were acquired as part of the acquisition of UCC in 2009. As at 31 December 2022 and 31 December 2021, these reserves were fully impaired.

Management considered that events described in Note 2 constitute signs of impairment of other intangible assets as at 31 December 2022 and conducted an impairment test at the respective date. Other intangible assets were included into carrying value of the respective CGUs. For results of these impairment tests refer to Note 11.

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NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022 (CONTINUED)

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11 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
Cost or valuation						
As at 1 January 2021	**63**	**2,160**	**4,467**	**116**	**790**	**7,596**
Additions	-	-	-	-	1,135	**1,135**
Transfers	-	226	507	63	(796)	**-**
Disposals	-	(17)	(141)	(31)	(10)	**(199)**
Acquisition of subsidiary	-	471	199	9	213	**892**
Acquisition of integral property complex	-	37	77	2	-	**116**
Reclassification to inventory	-	-	-	-	(23)	**(23)**
Currency translation differences	(4)	73	131	9	26	**235**
As at 31 December 2021	**59**	**2,950**	**5,240**	**168**	**1,335**	**9,752**
Additions	-	-	-	-	344	**344**
Transfers	-	176	237	14	(427)	**-**
Disposals of subsidiaries	-	(1)	(1)	-	-	**(2)**
Disposals	-	(26)	(197)	(1)	(1)	**(225)**
Acquisition of subsidiary	-	-	-	-	-	**-**
Reclassification to inventory	-	-	-	-	(29)	**(29)**
Revaluation decreases that offset previous increases	-	(365)	(910)	(3)	(5)	**(1,283)**
Currency translation differences	(3)	(708)	(1,226)	(40)	(295)	**(2,272)**
As at 31 December 2022	**56**	**2,026**	**3,143**	**138**	**922**	**6,285**
Accumulated depreciation and impairment						
As at 1 January 2021	**-**	**(679)**	**(1,446)**	**(63)**	**(119)**	**(2,307)**
Depreciation charge for the year	-	(244)	(673)	(27)	-	**(944)**
Disposals	-	15	135	3	9	**162**
Transfers	-	-	-	-	-	**-**
Impairment	-	(2)	(6)	(3)	(7)	**(18)**
Currency translation differences	-	(21)	(33)	(7)	(6)	**(67)**
As at 31 December 2021	**-**	**(931)**	**(2,023)**	**(97)**	**(123)**	**(3,174)**
Depreciation charge for the year	-	(185)	(388)	(15)	-	**(588)**
Disposals	-	24	190	1	1	**216**
Disposals of subsidiaries	-	1	1	-	-	**2**
Transfers	-	-	2	(2)	-	**-**
Impairment	-	(305)	(894)	(25)	(322)	**(1,546)**
Currency translation differences	-	360	813	30	82	**1,285**
As at 31 December 2022	**-**	**(1,036)**	**(2,299)**	**(108)**	**(362)**	**(3,805)**
Net book value as at						
31 December 2021	**59**	**2,019**	**3,217**	**71**	**1,212**	**6,578**
31 December 2022	**56**	**990**	**844**	**30**	**560**	**2,480**

The table above includes USD 2,188 million (2021: USD 715 million) of cost and accumulated depreciation of the assets, located on temporarily occupied territory, being fully impaired as at 31 December 2022 (Note 8).

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11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2022 and 2021, construction in progress balance includes prepayments for property, plant and equipment of USD 52 million and USD 77 million, respectively.

As at 31 December 2022, the Group has recognised right-of-use asset in the amount of USD 41 million within Property, plant and equipment, mainly attributable to plant and machinery (as at 31 December 2021: USD 53 million).

As described in the Note 2 significant developments that happened in Ukraine after the full-scale invasion by Russia are impacting the environment in which the Group operates and operations of its assets in Ukraine. As a result, Metinvest decided to halt the manufacturing activities of the assets, located on the temporarily occupied territory. The Group considered that it is not in a position to continue operations on those assets in the short-term perspective and reliably measure their recoverable amounts. Based on this the Group created allowance for impairment of the assets either located on the temporarily occupied territories or located on the territory, controlled by Ukraine but damaged in the result of military actions in the amount of USD 2,829 million.

The war significantly changed the Group's logistic chains and operating models for some of the Group's assets and created additional volatility on some of the key markets where the Group operates. The Group considered that these events constitute signs of impairment of property, plant and equipment, goodwill and other intangible assets as at 31 December 2022 and conducted an impairment test at the respective date.

To ensure that the impairment testing model fully reflects the anticipated long-term changes in cash flows, for the impairment test the Group developed cash flow projections for 10 years for Ukrainian entities and 5 years for assets outside of Ukraine, which are consistent with the Group's strategy approved by senior management. The 10-year period for cash flow projection was used for Ukrainian assets as estimates incorporated in the longer period are more accurately assume, amongst other, the production plan and market prices trends.

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.

As part of the impairment test of Goodwill, Property, plant and equipment and other Intangible assets, the Group considered the potential carbon neutrality in 2060 and concluded, that, based on available information as of the date of signing of these consolidated financial statements this assumption does not give material impact on the results of impairment testing.

1) Metallurgical segment.

Last time goodwill impairment testing was performed as at 31 December 2020. During the year ended 31 December 2021 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 as at 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 the 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 and subsequently to property, plant and equipment and other intangible assets in metallurgical segment for Ukrainian assets:

	31 December 2022	31 December 2020
Metallurgical		
Post-tax discount rate	23.5%	12.21%
Growth rate in perpetual period	3%	3%

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11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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.

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. Forecasted benchmark iron prices for Fe 62% fines (CFR North China) are USD 101 per tonne for 2023 decreasing to USD 90 per tonne in 2024, USD 83-81 per tonne in 2025-2026 based on the consensus forecast median and grow at 2% p.a. on average thereafter. 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.

The starting point for forecasted benchmark coking coal prices are for low volatile hard coking coal FOB Queensland of USD 301 per tonne in 2023, USD 250 per tonne in 2024, USD 237 per tonne in 2025, USD 210-209 per tonne in 2026-2027, USD 190 per tonne in 2028 with further growth at 2% p.a. on average thereafter. Forecasted prices for other types of coking 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 billets used in the impairment test were estimated based on the benchmark FOB Black Sea. Forecasted prices are expected to reach USD 471 per tonne in 2023 with a further decrease to USD 460 per tonne in 2024, USD 452 in 2025 and USD 448 per tonne in 2026 with further increase by 2% per year. Forecasted prices for other steel products are based on historic discounts or premiums to prices for billet.

Management assumed that forecasted production volumes of PrJSC Kamet-Steel will gradually return to its full operating capacity within 1,5-2 years from the assessment date assuming the termination of "active" stage of war in Ukraine and deblocking of seaports, allowing, among others, increase of export sales due to gradual ramp up of seaborne throughput.

An exchange rate of 36.6 UAH for 1 USD in as at 31 December 2022 will gradually increase to 62.3 UAH for 1 USD in 2032.

As at 31 December 2022, the Metallurgical segment's recoverable amount, determined based on fair value less cost to sell estimations, is USD 1,182 million (31 December 2020: USD 6,150 million) and exceeds its total carrying amount by USD 134 million (31 December 2020: 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 other intangible assets) related to the Metallurgical segment:

Ukrainian entities:

	31 December 2022	31 December 2020
Volumes of production/sales		
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
Decrease in all the periods by 11.5%	Recoverable amount equals carrying amount	-
Decrease in all the periods by 15.0%	Impairment of USD 41 million required	-
Steel prices		
Decrease in all the periods by 2.6%	-	Recoverable amount equals carrying amount
Decrease in all the periods by 2.8%	Recoverable amount equals carrying amount	-
Decrease in all the periods by 4.0%	Impairment of USD 58 million required	Impairment of USD 851 million required
Iron ore prices		
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
Increase in all the periods by 23.5%	Recoverable amount equals carrying amount	-
Increase in all the periods by 45.0%	Impairment of USD 124 million required	-

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11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	31 December 2022	31 December 2020
Coking coal prices		
Increase in all the periods by 9.4%	Recoverable amount equals carrying amount	-
Increase in all the periods by 18.8%	Impairment of USD 138 million required	Recoverable amount equals carrying amount
Increase in all the periods by 21.0%	Impairment of USD 171 million required	Impairment of USD 182 million required
Discount rates		
Increase in all the periods by 5.9 pp	Recoverable amount equals carrying amount	-
Increase in all the periods by 6.4 pp	Impairment of USD 8 million required	Recoverable amount equals carrying amount
Increase in all the periods by 7.0 pp	Impairment of USD 18 million required	Impairment of USD 119 million required
Increase in all the periods by 10.0 pp	Impairment of USD 60 million required	-
Growth rate in perpetual period	No reasonable changes would lead to impairment	No reasonable changes would lead to impairment

Key assumptions over assets outside of Ukraine:

	31 December 2022
Metallurgical	
Post-tax discount rate	9-10.4%
Growth rate in perpetual period	1.5%

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 other intangible assets related to the Metallurgical segment (assets outside of Ukraine):

	31 December 2022
Volumes of production/sales	
Decrease in all the periods by 2.8%	Recoverable amount equals carrying amount
Decrease in all the periods by 5.0%	Impairment of USD 104 million required
Steel prices	
Decrease in all the periods by 1.3%	Recoverable amount equals carrying amount
Decrease in all the periods by 5.0%	Impairment of USD 378 million required
Variable costs	
Increase in all the periods by 1.5%	Recoverable amount equals carrying amount
Increase in all the periods by 5.0%	Impairment of USD 318 million required
Discount rates	
Increase in all the periods by 2.75%	Recoverable amount equals carrying amount
Increase in all the periods by 5.0%	Impairment of USD 69 million required
Growth rate in perpetual period	No reasonable changes would lead to impairment

Comparative information on key assumptions and impact of changes in those assumptions were not disclosed for entities outside of Ukraine included in the Metallurgical segment as the carrying amounts of those assets were not considered significant.

As part of the impairment test of goodwill, property, plant and equipment and other intangible assets, the Group expects carbon neutrality in 2060, and this assumption does not give material impact on recoverable amount due to discounting impact.

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11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2) Mining segment.

Iron Ore Enrichment Works. Last time goodwill impairment testing was performed as at 31 December 2019. During the year ended 31 December 2021 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 Mining segment (Iron Ore Enrichment Works) as at 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 the mining segments.

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 (and subsequently to property, plant and equipment and other intangible assets) in mining segment:

	31 December 2022	31 December 2019
Mining (Iron Ore Enrichment Works)		
Post-tax discount rate	23.5%	12.57%
Growth rate in perpetual period	3%	3%

Management assumed that forecasted production volumes of Iron Ore Enrichment Works will gradually return to its full operating capacity within 1.5-3 years from the assessment date assuming the termination of “active” stage of war in Ukraine and deblocking of seaports, among others, increase of export sales due to gradual ramp up of seaborne throughput.

The terminal value periods, incorporated into the forecasts for mining plants are limited by the expected term of mineral resources extraction.

As at 31 December 2022, the recoverable amount of the Mining segment (Iron Ore Enrichment Works), determined based on the fair value less cost to sell estimations, was USD 1,326 million (31 December 2019: USD 3,832 million) and exceeded its total carrying amount by USD 113 million (31 December 2019: USD 1,297 million). The table below summarises the impact of changes in the main assumptions with all other variables held constant to the impairment of goodwill and subsequently to property, plant and equipment and other intangible assets related to this group of CGUs:

	31 December 2022	31 December 2019
Volumes of production/sales		
Decrease in all the periods by 3.6%	Recoverable amount equals carrying amount	-
Decrease in all the periods by 10.0%	Impairment of USD 197 million required	-
Iron ore prices		
Decrease in all the periods by 2.05%	Recoverable amount equals carrying amount	-
Decrease in all the periods by 7.2%	Impairment of USD 282 million required	Recoverable amount equals carrying amount
Decrease in all the periods by 10.0%	Impairment of USD 436 million required	Impairment of USD 494 million required
Discount rates		
Increase in all the periods by 1.5 pp	Recoverable amount equals carrying amount	-
Increase in all the periods by 6.5 pp	Impairment of USD 287 million required	Recoverable amount equals carrying amount
Increase in all the periods by 7.5 pp	Impairment of USD 331 million required	Impairment of USD 121 million required
Growth rate in perpetual period	No reasonable changes would lead to impairment	No reasonable changes would lead to impairment

Pokrovs’ke coal business. On 2 March 2021, the Group obtained control over nine legal entities of Pokrovske coal business, the most significant of which are PrJSC Colliery Group “Pokrovs’ke” and Concentrating Factory “Sviato- Varvarynska” LLC. Goodwill in the amount of USD 143 million was recognised upon acquisition. As at 31 December 2022, goodwill was tested for impairment and subsequently to property, plant and equipment and other intangible assets.

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11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The following table summarise key assumptions on which management has based its cash flow projections to undertake the impairment testing:

	31 December 2022	31 December 2021
Discount rate	34.31%	11.77%
Growth rate in perpetual period	3%	3%
Coal prices forecast	USD 298 per tonne in 2023, USD 248-235 in 2024-2025, USD 208-188 in 2026-2028, starting from 2029 prices are adjusted for the level of inflation in the USA	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 2022, the recoverable amount of the Pokrovske coal business, determined based on pre-tax value in use estimations, was USD 1,729 million (31 December 2021: USD 2,848 million based on fair value less cost to sell estimations) and exceeded its total carrying amount by USD 45 million (31 December 2021: USD 385 million). Considering higher coal price forecasts (as compared to the forecasts available as of the period of previous impairment test), no impairment was identified.

The table below summarises the impact of changes in main assumptions with all other variables held constant to the impairment of goodwill:

	31 December 2022	31 December 2021
Coking coal prices		
Decrease in all the periods by 1.6%	Recoverable amount equals carrying amount	-
Decrease in all the periods by 7.0%	Impairment of USD 153 million required	Impairment of USD 47 million required
Volumes of production/sales		
Decrease in all the periods by 1.8%	Recoverable amount equals carrying amount	No impairment
Decrease in all the periods by 7.6%	Impairment of USD 147 million required	Recoverable amount equals carrying amount
Discount rates		
Increase in all periods by 1.02 pp	Recoverable amount equals carrying amount	-
Increase in all the periods by 2 pp	Impairment of USD 40 million required	Impairment of USD 23 million required

3) UCC

In respect of UCC there is no goodwill allocated and an impairment test was carried out in respect of property, plant and equipment only. As at 31 December 2022, the recoverable amount of UCC is USD 168 million (31 December 2021: USD 154 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 2022. The discount rate used for the impairment testing of UCC was 9.6% (31 December 2021: 8.51%).

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11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 2022	31 December 2021
Coking coal prices		
Decrease in all the periods by 3.0%	Impairment of USD 133 million required	Impairment of USD 132 million required
Cash costs		
Increase in all the periods by 3.0%	Impairment of USD 159 million required	Impairment of USD 143 million required
Discount rates		
Increase in all the periods by 1 pp	Impairment of USD 6 million required	Impairment of USD 13 million required

As at 31 December 2022, the Group determined that the fair value of property, plant and equipment is not substantially different from its carrying value and no revaluation is required for these consolidated financial statements. In this consideration, management took into account the results of impairment test performed which indicated that recoverable values of the major Ukraine-based assets are reasonably close to the carrying values of the assets and in the situation of significant uncertainty of the military and economic environment in Ukraine revaluation unlikely to result in substantial uplift in fair value in excess of carrying value. For the assets abroad the development of economic environment since the dates of the last revaluation performed, evidenced by the various relevant price indices, doesn't provide a major increase as compared to the consolidated carrying value of property, plant and equipment.

During 2022, USD 7 million of borrowing costs were capitalised as part of property, plant and equipment, capitalisation rate was 8% (2021: USD 21 million, capitalisation rate was 8%).

As at 31 December 2022, USD 64 million of property, plant and equipment were pledged as collateral for loans and borrowings (31 December 2021: USD 149 million).

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12 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group's investment in joint ventures and associates were as follows as at 31 December 2022 and 2021:

			2022		2021	
Name	**Type of relationship**	**Segment**	**% of ownership**	**Carrying value**	**% of ownership**	**Carrying value**
Zaporizhstal Group	Joint venture	Metallurgical	49.99%	633	49.99%	1,001
Southern Iron Oke Enrichment Works Group	Joint venture	Mining	45.87%	532	45.87%	570
PrJSC Yuzhkoks	Associate	Metallurgical	23.71%	21	23.71%	36
Total				**1,186**		**1,607**

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 company.

During the year ended 31 December 2021, Southern Iron Ore Enrichment Works Group has declared dividends of USD 446 million attributable to the Group. No dividends were declared during 2022.

Zaporizhstal Group

The investment in the Zaporizhstal Group is represented by a 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 Zaporizhvohnetryv which are Group's subsidiaries.

During 2022 PrJSC Zaporizhya Iron Ore Plant recognized the impairment of its properly, plant and equipment and other tangible assets, located on the temporarily occupied territories and, accordingly, recognised the impairment through Other Comprehensive Income to the extent of existing revaluation reserve and recognised further impairment loss through the profit and loss. The respective impairment was recognized in the financial statements of Zaporizhstal Group in the amount of USD 92 million, USD 35 million of which was charged through Other comprehensive income and the remaining part through the profit and loss in the income statement.

As at 31 December 2022 and 2021, 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 the call option over its shares. As a result, entities previously reported as the Group's associates as at 31 December 2020 became the Group's subsidiaries.

A reconciliation of movements in the fair value of the option for the year ended 31 December 2021 and to the date it was exercised is as follows:

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

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12 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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:

	2022		2021	
	Joint ventures	**Associates**	**Joint ventures**	**Associates**
Carrying amount at 1 January	**1,571**	**36**	**1,178**	**211**
Share of after tax results of joint ventures and associates	-	(6)	778	21
Share of other comprehensive income of joint ventures and associates	(6)	-	42	-
Acquisition of controlling interest in Pokrovske coal business (Note 13)	-	-	-	(198)
Other movements	3	-	-	-
Dividends declared	-	-	(446)	-
Currency translation difference	(403)	(9)	19	2
Carrying amount at 31 December	**1,165**	**21**	**1,571**	**36**

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

	Zaporizhstal Group		Southern Iron Ore Enrichment Works Group	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Balance sheet:				
Non-current assets	**687**	**1,186**	**481**	**716**
Cash and cash equivalents	21	11	28	26
Other current assets	1,255	1,878	840	750
Total current assets	**1,276**	**1,889**	**868**	**776**
Other non-current liabilities	42	95	112	138
Other non-current financial liabilities	15	56	-	-
Total non-current liabilities	**57**	**151**	**112**	**138**
Trade and other payables and provisions	716	997	78	114
Other current financial liabilities	54	98	-	-
Total current liabilities	**770**	**1,095**	**78**	**114**
Net assets	**1,136**	**1,829**	**1,159**	**1,240**

As at 31 December 2022, the temporary differences associated with interests in joint ventures for which deferred tax liabilities have not been recognised amounted to 29 million (2021: USD 34 million).

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12 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

	Zaporizhstal Group		**Southern Iron Ore Enrichment Works Group**	
	For the year ended 31 December 2022	**For the year ended 31 December 2021**	**For the year ended 31 December 2022**	**For the year ended 31 December 2021**
Profit or loss for the year ended (selected items):				
Revenue	1,445	3,261	422	1,891
Depreciation and amortisation	(82)	(102)	(77)	(85)
Finance income	1	6	1	3
Finance costs	(48)	(22)	(6)	(9)
Income tax expense	32	(128)	(44)	(287)
Profit or loss	(219)	624	263	1,022
Statement of comprehensive income for the year ended:				
Other comprehensive income	(474)	79	(344)	32
Total comprehensive income	(693)	703	(81)	1,054
Dividends received by the Group during the year ended	-	-	-	446

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.

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**	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Net assets	**1,136**	**1,829**	**1,159**	**1,240**
Group's ownership	49.99%	49.99%	45.87%	45.87%
Group's interest in net assets	568	914	532	570
Goodwill	65	87	-	-
Carrying value	**633**	**1,001**	**532**	**570**

Impairment assessment of investments in joint ventures

Southern Iron Ore Enrichment Works Group. As at 31 December 2022, the Group performed an impairment assessment of its investment in the Southern Iron Ore Enrichment Works Group. Based on the results of the assessment, no impairment was recognized. As at 31 December 2021 management has not identified any events and changes in circumstances indicating that the carrying amount may not be recoverable, no impairment test was performed respectively.

As at 31 December 2022, the Southern Iron Ore Enrichment Works Group's recoverable amount, determined based on fair value less cost to sell estimations, is USD 1,315 million and exceeds its total carrying amount by USD 71 million.

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12 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The following table summarises key assumptions on which management has based its cash flow projections to undertake the impairment testing of the investment:

	31 December 2022
Post-tax discount rate	27.03%
Selling prices	Forecasted benchmark iron prices for Fe 62% fines (CFR North China) are USD 101 per tonne for 2023 decreasing to USD 90 per tonne in 2024, USD 83-81 per tonne in 2025-2026 based on the consensus forecast mediana and grow at 2% p.a. on average thereafter. 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.
Growth rate in perpetual period	3%

Management assumed that forecasted production volumes of Southern Iron Ore Enrichment Works Group will gradually return to its full operating capacity within 1.5-3 years from the assessment date assuming the termination of "active" stage of war in Ukraine and deblocking of seaports, among others, increase of export sales due to gradual ramp up of seaborne throughput.

The table below summarises the impact of changes in the main assumptions with all other variables held constant to the impairment of investment in the Southern Iron Ore Enrichment Works Group:

	31 December 2022
Volumes of production/sales	
Decrease in all the periods by 14.5%	Recoverable amount equals carrying amount of investment
Decrease in all the periods by 20.0%	Impairment of USD 26 million required
Iron ore prices	
Decrease in all the periods by 9.1%	Recoverable amount equals carrying amount of investment
Decrease in all the periods by 15.0%	Impairment of USD 46 million required
Discount rates	
Increase in all the periods by 5.8 pp.	Recoverable amount equals carrying amount of investment
Increase in all the periods by 15.0 pp.	Impairment of USD 68 million required
Growth rate in perpetual period	No reasonable changes would lead to impairment

Zaporizhstal Group. As at 31 December 2022, the Group has performed impairment assessment of investment in the Zaporizhstal Group. Based on the results of the assessment, no impairment was recognized. As at 31 December 2021 management has not identified any events and changes in circumstances indicating that the carrying amount may not be recoverable, no impairment test was performed respectively.

As at 31 December 2022, the Southern Iron Zaporizhstal Group's recoverable amount, determined based on fair value less cost to sell estimations, is USD 1,402 million and exceeds its total carrying amount by USD 68 million.

The following table summarises key assumptions on which management has based its cash flow projections to undertake the impairment testing of the investment:

	31 December 2022
Post-tax discount rate	23.5%
Selling prices	Forecasted prices for billets used in the impairment test were estimated based on the benchmark FOB Black Sea. Forecasted prices are expected to reach USD 471 per tonne in 2023 with a further decrease to USD 460 per tonne in 2024, USD 452 in 2025 and USD 448 per tonne in 2026 with further increase by 2% per year. Forecasted prices for other steel products are based on historic discounts or premiums to prices for billet.
Growth rate in perpetual period	3%

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12 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Management assumed that forecasted production volumes of Zaporizhstal Group will gradually return to its full operating capacity within 1,5-2 years from the assessment date assuming the termination of “active” stage of war in Ukraine and deblocking of seaports, among others, increase of export sales due to gradual ramp up of seaborne throughput.

The table below summarises the impact of changes in the main assumptions with all other variables held constant to the impairment of investment in the Zaporizhstal Group:

	31 December 2022
Volumes of production/sales	
Decrease in all the periods by 8.1%	Recoverable amount equals carrying amount of investment
Decrease in all the periods by 20.0%	Impairment of USD 101 million required
Steel prices	
Decrease in all the periods by 1.9%	Recoverable amount equals carrying amount of investment
Decrease in all the periods by 5.0%	Impairment of USD 109 million required
Coke prices	
Increase in all the periods by 6.0%	Recoverable amount equals carrying amount of investment
Increase in all the periods by 20.0%	Impairment of USD 159 million required
Discount rates	
Increase in all the periods by 2.4 pp.	Recoverable amount equals carrying amount of investment
Increase in all the periods by 10.0 pp.	Impairment of USD 141 million required
Growth rate in perpetual period	No reasonable changes would lead to impairment

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13 BUSINESS COMBINATION

Pokrovske coal business

On 2 March 2021, the Group obtained control over nine legal entities of the Pokrovske coal business by exercising an option (Note 11). As at 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 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 amount of fair value of the net assets acquired at the date of acquisition is USD 1,310 million and the Goodwill arising as a result of acquisition amounted to USD 144 million. 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 contribution 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.

On 11 February 2022 the subsidiary PrJSC Dniprovskiy Coke Plant to was renamed to PrJSC Kamet-Steel.

Within one year from the date of acquisition, during the year ended 31 December 2022 management completed its assessment of the fair value of acquired assets of the PJSC Dneprovsky Iron and Steel Integrated Works integral property complex. The fair values for property, plant and equipment as at acquisition date were determined by professional advisers. As most of the property, plant and equipment acquired 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). For some assets the fair values as of the reporting date were obtained using indexation of their carrying amounts for relevant cumulative price indices impacting the replacement cost used in the measurement of depreciated replacement cost (Level 3). Considering the fair values determined by professional advisers are consistent with those recognised by management as part of the provisional purchase price allocation, no measurement period adjustments were recognised by the Group.

No business combinations were conducted by the Group during 2022.

14 INVENTORIES

	31 December 2022	31 December 2021
Finished goods and work in progress	389	773
Raw materials	319	542
Ancillary materials, spare parts and consumables	108	184
Goods for resale	96	44
Total inventories	912	1,543

In 2022, the Group recognised write-downs of inventories to net realisable value amounted to USD 47 million (2021: write-downs amounted to USD 5 million).

As at 31 December 2022, inventories totalling USD 93 million (31 December 2021: USD 84 million) have been pledged as collateral for borrowings (Note 19).

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15 TRADE AND OTHER RECEIVABLES

	31 December 2022	31 December 2021
Non-current trade and other receivables		
Trade receivables	-	2
Loans issued to SCM (USD denominated, 9% effective interest rate)	51	185
Other non-current financial assets	5	30
Other non-current non-financial assets	20	17
Recoverable value added tax	71	-
Total non-current trade and other receivables	**147**	**234**
Current financial assets		
Trade receivables and receivables on commission sales	1,048	1,586
Loans issued to related party SCM (USD denominated, 9% effective interest rate)	133	-
Loans issued to related party SCM and SMART (UAH denominated)	32	45
Loans issued to joint venture (USD denominated, 9% effective interest rate, mature in 2023, renegotiated in 2022)	53	96
Other receivables	105	83
Total current financial assets	**1,371**	**1,810**
Current non-financial assets		
Recoverable value added tax	273	436
Prepayments made	111	205
Covered letters of credit related to inventory purchases and restricted cash	57	23
Prepaid expenses and other non-financial receivables	68	179
Total current non-financial assets	**509**	**843**
Total current assets	**1,880**	**2,653**
Total trade and other receivables (including non-current assets)	**2,027**	**2,887**

Recoverable VAT mainly relates to Ukrainian subsidiaries of the Group. During 2022, VAT refunds of USD 342 million were received by the Group (2021: USD 479 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.

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15 TRADE AND OTHER RECEIVABLES (CONTINUED)

Analysis by credit quality of financial trade and other receivables and expected credit loss allowance as at 31 December 2022 is as follows:

	Loss rate	Gross carrying amount	Lifetime ECL	Carrying amount	Basis
Loans issue to related parties	16.0%	341	(72)	269	Corporate bonds ratings of the international rating agencies
Total loans issued		**341**	**(72)**	**269**	
Trade and other receivables from key customers including credit impaired		467	(449)	18	
Trade and other receivables from related parties including credit impaired		951	(20)	931	
Total trade and other receivables for which individual approach for ECL is used		**1,418**	**(469)**	**949**	
Ukraine - less than 30 days overdue	0.50%	14	-	14	Historical payment discipline
Ukraine - overdue more than 30 days	16%	8	(1)	7	Historical payment discipline
Ukraine - credit impaired		36	(36)	-	
Other countries - less than 30 days overdue	0.09%	182	-	182	Historical payment discipline
Other countries - overdue more than 30 days	8%	6	-	6	Historical payment discipline
Other countries - credit impaired		3	(3)	-	
Total trade and other receivables for which provisional matrix is used		**249**	**(40)**	**209**	
Total		**2,008**	**(581)**	**1,427**	

Loss rate for trade and other receivables from key customers approximated 16% and determined based on corporate bonds ratings of the international rating agencies, 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 16% and determined based on corporate bonds ratings of the international rating agencies, for credit impaired balances from related parties 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.

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15 TRADE AND OTHER RECEIVABLES (CONTINUED)

Analysis by credit quality of financial trade and other receivables 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
Total loans issued		**407**	**(81)**	**326**	
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	
Total trade and other receivables for which individual approach for ECL is used		**1,645**	**(578)**	**1,067**	
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)	-	
Total trade and other receivables for which provision matrix is used		**679**	**(45)**	**634**	
Total		**2,731**	**(704)**	**2,027**	

The following table explains the changes in the credit loss allowance for trade and other receivables under simplified ECL model and loans issued accounted for at stage 2 of ECL model the beginning and the end of the annual period:

	Trade and other receivables	Loans issued	Trade and other receivables – credit impaired	Total
Balance at 31 December 2020	**16**	**15**	**787**	**818**
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
Balance at 31 December 2021	**11**	**82**	**611**	**704**
Net new originated/(derecognised) during the period	11	(9)	4	6
Changes in estimates and assumptions	-	-	7	7
Write-offs	-	-	(5)	(5)
Forex movements	(9)	-	(122)	(131)
Balance at 31 December 2022	**13**	**73**	**495**	**581**

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15 TRADE AND OTHER RECEIVABLES (CONTINUED)

In 2021, reversal of impairment of financial receivables in the amount of USD 42 million related to settlement of previously impaired debts from one of its key customers.

As at 31 December 2022, amount of sold trade receivables which were still unsettled to the third party was USD 194 million (31 December 2021: USD 490 million). The carrying amount of the assets and liabilities that represent the entity's continuing involvement in the derecognised assets is USD 3 million (31 December 2021: USD 10 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 453 million (2021: USD 512 million) of trade receivables were sold through securitization vehicle, as at 31 December 2022 outstanding balance of related unsettled receivables was USD 65 million (31 December 2021: USD 102 million).

As at 31 December 2022, trade and other receivables totalling USD 105 million (31 December 2021: USD 83 million) have been pledged as collateral for borrowings (Note 19).

16 CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Current accounts in banks	344	1,122
Cash in transit	5	2
Bank deposits up to 3 months	-	42
Total cash and cash equivalents	**349**	**1,166**

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 2022	31 December 2021
As rated by Moody's:		
- Aa3	-	33
- A1	3	218
- A2	163	477
- A3	3	0
- Baa1	34	71
- Baa2	-	4
- Baa3	2	0
- Ba2	17	96
- B1	9	0
- B2	-	8
- B3	-	85
- Caa1	-	2
Not rated – FUIB	68	114
Not rated – US and European banks	45	44
Not rated – Other Ukrainian banks	-	12
Cash in transit (various banks)	5	2
Total cash and cash equivalents	**349**	**1,166**

As at 31 December 2022 and 2021, 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 2022, included into line "Not rated - US and European banks" USD 45 million of cash and cash equivalents placed in European banks (31 December 2021: USD 43 million). As of the reporting date, these banks display no signs of insolvency. As at 31 December 2021, amount in category "Not rated - Other Ukrainian banks" relate to balances held in state Ukrainian bank.

As at 31 December 2022, included in Ba2 rating are USD 17 million related to a balance in the Switzerland subsidiary of an international bank (2021: included in Ba2 rating are USD 66 million), which does not have its own credit rating and for which rating was based on its parents' rating.

As at 31 December 2022, cash and cash equivalents totalling USD 2 million (31 December 2021: USD 15 million) have been pledged as collateral for borrowings (Note 19).

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17 SHARE CAPITAL AND SHARE PREMIUM

	Number of outstanding shares			Total par value of shares	Share premium	Total
	Class A	Class B	Class C			
At 31 December 2022	**6,750**	**2,251**	**474**	**0**	**6,225**	**6,225**
At 31 December 2021	**6,750**	**2,251**	**474**	**0**	**6,225**	**6,225**

As at 31 December 2022 and 2021, 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 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.

18 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 JV's and associates	Merger reserve	Cumulative currency translation reserve	Total
Balance as at 1 January 2021	**125**	**4,534**	**(3,038)**	**(10,578)**	**(8,957)**
Total comprehensive income/ (loss) for the period	28	(7)	-	188	**209**
Depreciation transfer, net of tax	-	(297)	-	-	**(297)**
Balance as at 31 December 2021	**153**	**4,230**	**(3,038)**	**(10,390)**	**(9,045)**
Total comprehensive income / (loss) for the period	(32)	(1,052)	-	(1,145)	**(2,229)**
Depreciation transfer, net of tax	-	(1,890)	-	-	**(1,890)**
Balance as at 31 December 2022	**121**	**1,288**	**(3,038)**	**(11,535)**	**(13,164)**

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. For Ukrainian subsidiaries 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 certain requirements included in the terms and conditions of the Group's agreements with its lenders and bondholders (Notes 19, 5).

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 2022 (CONTINUED)

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19 LOANS AND BORROWINGS

	31 December 2022	31 December 2021
Non-current		
Bonds issued	1,627	1,836
Bank loans	140	175
Lease liability	26	59
Non-bank borrowings	18	-
Total non-current loans and borrowings	**1,811**	**2,070**
Current		
Bonds issued	166	22
Bank loans	42	25
Trade finance	45	95
Lease liability	13	12
Non-bank borrowings	-	18
Total current loans and borrowings	**266**	**172**
Total loans and borrowings	**2,077**	**2,242**

During the reporting period, USD 8 million of 2023 bonds, EUR 4 million of 2025 bonds, USD 11 million of 2026 bonds and USD 1 million of 2027 bonds were repurchased via open market purchases. In addition, USD 24 million of 2023 bonds were repurchased as a result of a tender offer exercise. All of the purchased bonds were cancelled promptly afterwards. The above transactions were accounted for as an extinguishment of the financial liabilities. Total gain on extinguishment amounted to USD 9 million and was recognised in the income statement as part of finance income.

During 2021 the Group has fully repaid its pre-export finance (PXF) facility (outstanding as opening of the year - USD 230 million) and repurchased USD 116 million of 2023 bonds and USD 142 million of 2026 bonds as a result of tender offer exercises and another USD 19 million of 2023 bonds via open market purchases. The loss on extinguishment, recognised in the income statement as part of finance costs amounted to USD 3 million.

All outstanding bonds benefited from suretyships typical for such instruments; they were granted by four entities (PrJSC Avdiivka Coke Plant, PrJSC Ingulets Iron Ore Enrichment Works, PrJSC Central Iron Ore Enrichment Works and PrJSC Northern Iron Ore Enrichment Works) for the whole reporting period, and by PrJSC Azovstal Iron and Steel Works, PrJSC Ilyich Iron and Steel Works up until 29 July 2022. On 29 July 2022, a number of subsidiaries of Metinvest B.V. were designated as Unrestricted Subsidiaries as determined by Terms and Conditions for the purposes of each bond series. It included PrJSC Azovstal Iron and Steel Works and PrJSC Ilyich Iron and Steel Works. As a result their suretyships were automatically released.

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 event of default. During 2021 and 2022, the Group was in compliance with the covenants considering the waivers obtained (Note 5).

As at 31 December 2022, the Group's bonds were traded on open markets. Fair value of bonds and discount / premium are based on Level 1 of fair value hierarchy and are as follows:

	31 December 2022		31 December 2021	
	Fair value	Premium / (Discount)	Fair value	Premium / (Discount)
Bonds due in 2023	121	-18.9%	185	1.8%
Bonds due in 2025	161	-45.6%	339	-0.6%
Bonds due in 2026	268	-46.5%	537	4.6%
Bonds due in 2027	179	-47.4%	342	0.1%
Bonds due in 2029	257	-49.1%	503	-0.3%
Total	**986**		**1,906**	

Fair value of bank loans as at 31 December 2022 amounted to USD 141 million. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 22% and are within level 2 of the fair value hierarchy. As at 31 December 2021, the carrying value of bank loans approximated their fair value.

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

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19 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:

	31 December 2022				31 December 2021			
In % per annum	**USD**	**EUR**	**GBP**	**UAH**	**USD**	**EUR**	**GBP**	**UAH**
Bank loans	4%	6%	-	-	4%	5%	-	-
Bonds issued	9%	6%	-	-	9%	6%	-	-
Trade finance	8%	4%	-	-	3%	1%	-	-
Lease liability	7%	9%	5%	10%	5%	4%	5%	10%
Reported amount	**1,574**	**494**	**-**	**9**	**1,690**	**523**	**1**	**10**

The table below sets out an analysis of liabilities from financing activities and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the consolidated statement of cash flows:

	Bank borrowings	Bonds issued	Trade finance	Lease liability	Non-bank borrowings	Dividends payable	Total
Liabilities from financing activities as at 1 January 2021	**(467)**	**(2,160)**	**(276)**	**(34)**	**-**	**(220)**	**(3,157)**
Interest paid	9	157	7	3	-	-	**176**
Other cash flows	306	277	178	23	482	2,510	**3,776**
Interest accrued	(9)	(158)	(7)	(3)	(10)	-	**(187)**
Effect of refinancing	-	(3)	-	-	-	-	**(3)**
Currency translation differences	15	29	3	1	(2)	-	**46**
Equipment received as lease asset	-	-	-	(61)	-	-	**(61)**
Acquisition of subsidiaries	(54)	-	-	-	(488)	-	**(542)**
Dividends declared	-	-	-	-	-	(3,554)	**(3,554)**
Liabilities from financing activities as at 31 December 2021	**(200)**	**(1,858)**	**(95)**	**(71)**	**(18)**	**(1,264)**	**(3,506)**

	Bank borrowings	Bonds issued	Trade finance	Lease liability	Non-bank borrowings	Dividends payable	Total
Liabilities from financing activities as at 1 January 2022	**(200)**	**(1,858)**	**(95)**	**(71)**	**(18)**	**(1,264)**	**(3,506)**
Interest paid	4	139	7	2	-	-	**152**
Other cash flows	12	39	48	9	-	1,769	**1,877**
Interest accrued	(4)	(142)	(7)	(4)	-	-	**(157)**
Gain from financial instrument repurchase	-	9	-	-	-	-	**9**
Currency translation differences	10	20	2	9	-	19	**60**
Equipment received as lease asset	-	-	-	(11)	-	-	**(11)**
Dividends declared	-	-	-	-	-	(1,000)	**(1,000)**
Other movements	(4)	-	-	27	-	-	**23**
Liabilities from financing activities as at 31 December 2022	**(182)**	**(1,793)**	**(45)**	**(39)**	**(18)**	**(476)**	**(2,553)**

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20 RETIREMENT BENEFIT OBLIGATIONS

The Group's defined benefit obligations relate to:

	31 December 2022	31 December 2021
State-defined early pensions for employees working in hazardous and unhealthy working conditions	223	630
Long-term employee benefits under collective bargaining agreements	16	41
Total defined benefit obligations	**239**	**671**

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:

	2022	2021
Defined benefit obligation as at 1 January	**671**	**591**
Acquisition of subsidiary	-	53
Current service cost	20	25
Remeasurements of the defined benefit liability resulting from:		
- changes in financial assumptions	(298)	(56)
- changes in demographic assumptions	(38)	(1)
- experience adjustments	(28)	15
Past service cost	(2)	2
Interest cost	62	62
Benefits paid/invoices received	(37)	(41)
Currency translation difference	(111)	21
Defined benefit obligation as at 31 December	**239**	**671**

As at 31 December 2022 the outstanding balance payable to the pension fund amounted to USD 18 million (2021: USD 0 million).

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

	2022	2021
Current service cost	20	25
Past service cost	(4)	2
Interest cost	62	62
Total	**78**	**89**

The principal actuarial assumptions used were as follows:

	31 December 2022	31 December 2021
Nominal discount rate	23.00%	11.63%
Nominal salary increase	0% in 2023, 10% in 2024–2026, 5% in 2027 and further	5.00% -5.23%
Nominal pension entitlement increase (indexation)	17,47% in 2023-2024, 9,03% in 2025–2026, 6,97% in 2027–2029, 5,00% in 2030 and further.	6.85%
Long-term inflation	18,9% in 2023, 15,8% in 2024, 9,6% in 2025, 6,8% in 2026, 5,0% in 2027 and further.	5.23%

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 2022 and are consistent with the prior year.

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NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022 (CONTINUED)

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20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2022	2021
Nominal discount rate increase / decrease by 1 pp	(11.7) / 12.6	(54) / 62
Nominal salary increase / decrease by 1 pp	5.1 / (4.2)	30 / (28)
Inflation increase / decrease by 1 pp	0.5 / (0.7)	4 / (6)

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.

As at 31 December 2022, the weighted average maturity of the Group's defined benefit obligations is 5.7 years and it varies across different Group's subsidiaries from 4.3 to 7.7 years (31 December 2021: 8.6 years, varying from 5.4 to 13.5 years). Payments in respect of defined benefit obligations expected to be made during the year ending 31 December 2023 are USD 29 million (2021: USD 43 million).

21 OTHER NON-CURRENT LIABILITIES

	31 December 2022	31 December 2021
Asset retirement obligations	57	69
Tax liabilities under moratorium (Note 28)	5	7
Other non-current liabilities	12	34
Total other non-current liabilities	**74**	**110**

22 TRADE AND OTHER PAYABLES

	31 December 2022	31 December 2021
Trade payables and payables on sales made on commission	2,026	2,208
Dividends payable to shareholders of Metinvest B.V.	417	1,186
Dividends payable to non-controlling shareholders of Company subsidiaries	59	78
Payable for acquired property, plant and equipment and other intangible assets	111	189
Other financial liabilities	115	71
Total financial liabilities	**2,728**	**3,732**
Prepayments received	82	285
Accruals for employees' unused vacations and other payments to employees	94	171
Other taxes payable, including VAT	202	213
Wages and salaries payable	14	40
Other allowances and provisions	155	32
Total trade and other payables	**3,275**	**4,473**

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23 NET OPERATING COSTS (EXCLUDING ITEMS SHOWN SEPARATELY)

	2022	2021
Raw materials including change in finished goods and work in progress	1,859	2,860
Goods and services for resale, excluding related transportation	1,526	4,433
Energy materials including gas, electricity and fuel	1,019	1,646
Wages and salaries	632	973
Transportation services	574	962
Repairs and maintenance expenses	164	237
Pension and social security costs	112	179
Pension costs – defined benefit obligations (Note 20)	18	27
Depreciation and amortisation	619	973
Taxes and duties	119	160
Services and other costs	391	489
Charity and expenses on social activities	71	31
Maintenance of social infrastructure	27	37
VAT on sales below cost and VAT write-off	4	9
Operating foreign exchange losses, net	333	85
Loss/Gain on disposal of property, plant and equipment, net	2	(11)
Write-off of trade and other payables	(1)	(11)
Impairment of property, plant and equipment and intangible assets	11	26
Change in the fair value of financial instruments and option	13	89
Gain from revaluation of share in associate	-	(61)
Other operating income	(16)	(19)
Total net operating expenses (excluding items shown separately)	**7,477**	**13,114**

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:

	2022	2021
Audit of the financial statements (including audit fee of PricewaterhouseCoopers Accountants N.V. of USD 0.2 million in 2022 and USD 0.2 million in 2021)	2	2
Total	**2**	**2**

During 2022, tax and other non-audit services expensed in the consolidated income statement amounted to USD 0.18 million and USD 0.03 million, respectively (2021: USD 0.2 million and USD 1.6 million), including USD 0 million of other non-audit services fees of signing firm during 2022 (USD 0.2 million during 2021).

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24 FINANCE INCOME

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

	2022	2021
Net foreign exchange gain	-	97
Interest income:		
- loans issued	22	31
- bank deposits	7	5
Other finance income	14	79
Total finance income	**43**	**212**

In 2021, 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

25 FINANCE COSTS

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

	2022	2021
Net foreign exchange loss	437	-
Interest expense on:		
- borrowings	12	25
- bonds	135	140
Interest cost on retirement benefit obligations	62	62
Refinance fees	-	31
Loss on modification and extinguishment	-	3
Other finance costs	15	19
Total finance costs	**661**	**280**

During 2022 and 2021, other finance costs mainly include trade finance and financial lease, factoring fees and discounting of the financial instruments, interest on letters of credit.

Net foreign exchange loss arise on intragroup and bank loans, bonds issued and financial leasing among the entities with different functional currencies.

26 INCOME TAX

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

	2022	2021
Current tax	158	949
Deferred tax	(15)	(50)
Income tax expense	**143**	**899**

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26 INCOME TAX (CONTINUED)

The Group is subject to taxation in several tax jurisdictions, depending on the residence of its subsidiaries. In 2022 and 2021, Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18%. The tax rate for Swiss operations was 13% 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.

	2022	2021
IFRS (loss)/profit before tax	**(2,050)**	**5,664**
Tax calculated at domestic tax rates applicable to profits in the respective countries	(388)	1,028
Tax effect of items not deductible or assessable for taxation purposes:		
- other non-deductible expenses	-	11
- non-taxable income	(24)	(167)
Tax benefits	-	1
Under/(over) provision of current tax in prior years	3	1
Tax effect related to the change in legislation	56	-
Write-down / (reversal of write-down) of deferred tax assets, net	496	25
Income tax expense	**143**	**899**

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. Non-taxable income is mainly represented by the share of income of associates and joint ventures, which is not taxable according to the Dutch legislation.

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 2022	Credited/ (charged) to income statement	Credited/ (charged) to other comprehensive income	Acquisition/ disposal of subsidiaries	Currency translation difference	31 December 2022
Tax effect of deductible temporary differences						
Property, plant and equipment and intangible assets	9	9	7	-	(3)	**22**
Long-term receivables	-	-	-	-	-	**-**
Inventory valuation	44	(26)	-	-	-	**18**
Trade and other accounts receivable	111	4	-	(1)	(30)	**84**
Accrued expenses	3	(1)	-	-	(1)	**1**
Tax losses carried forward	9	86	-	(3)	(2)	**90**
Retirement benefit obligations	107	(8)	(58)	-	(17)	**24**
Other	48	19	-	(1)	(17)	**49**
Gross deferred tax asset	**331**	**83**	**(51)**	**(5)**	**(70)**	**288**
Less offsetting with deferred tax liabilities	(241)	55	41	-	24	**(121)**
Recognised deferred tax asset	**90**	**138**	**(10)**	**(5)**	**(46)**	**167**
Tax effect of taxable temporary differences						
Property, plant and equipment and intangible assets	(564)	(14)	223	-	106	**(249)**
Inventory tax differences	(14)	3	-	-	1	**(10)**
Other	(8)	(57)	-	-	3	**(62)**
Gross deferred tax liability	**(586)**	**(68)**	**223**	**-**	**110**	**(321)**
Less offsetting with deferred tax assets	241	(55)	(41)	-	(24)	**121**
Recognised deferred tax liability	**(345)**	**(123)**	**182**	**-**	**86**	**(200)**

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26 INCOME TAX (CONTINUED)

Deferred tax asset on unused tax losses and temporary differences not recognised as at 31 December 2022 comprised USD 479 million (31 December 2021: USD 217 million) and mainly relates to the Ukrainian subsidiaries, whose physical assets are located on the temporarily occupied territory of Ukraine and UCC. The Group does not recognise this deferred tax asset as it does not expect profits/sufficient 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/ disposal of subsidiaries	Currency translation difference	31 December 2021
Tax effect of deductible temporary differences						
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**
Gross deferred tax asset	**247**	**(1)**	**(8)**	**85**	**8**	**331**
Less offsetting with deferred tax liabilities	(137)	(97)	8	(12)	(3)	**(241)**
Recognised deferred tax asset	**110**	**(98)**	**-**	**73**	**5**	**90**
Tax effect of taxable temporary differences						
Property, plant and equipment and intangible assets	(309)	61	-	(300)	(16)	**(564)**
Inventory tax differences	(6)	(8)	-	-	-	**(14)**
Other	(6)	(2)	-	-	-	**(8)**
Gross deferred tax liability	**(321)**	**51**	**-**	**(300)**	**(16)**	**(586)**
Less offsetting with deferred tax assets	137	97	(8)	12	3	**241**
Recognised deferred tax liability	**(184)**	**148**	**(8)**	**(288)**	**(13)**	**(345)**

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

	2022			2021		
	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	(1,283)	230	(1,053)	(8)	-	(8)
Remeasurement of retirement benefit obligation	364	(58)	306	42	(8)	34
Other comprehensive income	**(919)**	**172**	**(747)**	**34**	**(8)**	**26**

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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27 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 2022 and 2021, significant balances outstanding with related parties are detailed below:

	31 December 2022					31 December 2021				
	SCM	Associates	Joint ventures	Entities related to SCM	SMART Group	SCM Limited (Cyprus)	Associates	Joint ventures	Entities related to SCM	SMART
ASSETS										
Non-current trade and other receivables, including:	**-**	**-**	**-**	**51**	**-**	**-**	**-**	**-**	**187**	**-**
Long-term loans issued	-	-	-	51	-	-	-	-	185	-
Trade receivables and receivables on commission sales	-	-	-	-	-	-	-	-	2	-
Current trade and other receivables, including:	**136**	**294**	**621**	**102**	**14**	**4**	**142**	**840**	**289**	**19**
Trade receivables and receivables on commission sales	-	251	567	41	1	-	121	742	110	-
Prepayments made	-	16	-	2	-	-	21	-	137	-
Loans issued	133	-	53	19	13	-	-	96	26	19
Other financial receivables (short- term, non-interest bearing)	3	27	1	40	-	4	-	2	16	-
Cash and cash equivalents	**-**	**-**	**-**	**68**	**-**	**-**	**-**	**-**	**113**	**-**

	31 December 2022					31 December 2021				
	SCM	Associates	Joint ventures	Entities related to SCM	SMART Group	SCM	Associates	Joint ventures	Entities related to SCM	SMART
LIABILITIES										
Trade and other payables, including:	**345**	**270**	**1,342**	**159**	**73**	**927**	**146**	**1,385**	**131**	**261**
Dividends payable to shareholders of Metinvest B.V.	344	-	-	-	73	926	-	-	-	260
Dividends payable to non-controlling shareholders of Company's subsidiaries	-	-	47	10	-	-	-	63	12	-
Trade payables and payables on sales made on commission	-	246	1,155	139	-	-	115	1,310	114	-
Prepayments received	-	19	-	4	-	-	26	1	-	1
Other financial liabilities	1	5	140	6	-	1	5	11	5	-

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 2022 (CONTINUED)

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27 BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

In 2022, dividends paid disclosed in the consolidated statement of cash flows include USD 437 million of dividends paid by the Company to its Class B shareholder (SMART), USD 1,332 million of dividends paid by the Company to its Class A shareholders - SCM.

Significant transactions (excluding purchases) with related parties during 2022 and 2021 are detailed below:

2022	SCM	Associates	Joint ventures	Entities related to SCM	SMART	Total
Sales, including:	**-**	**198**	**709**	**117**	**2**	**1 026**
Steel	-	0	22	97	2	**121**
Scrap metal	-	-	7	-	-	**7**
Coke and coking coal	-	196	463	-	-	**659**
Iron ore	-	-	145	1	-	**146**
Other	-	2	72	19	-	**93**
Other operating income/ (expenses), net	-	1	(3)	5	-	**3**
Expected credit losses	12	(3)	(1)	(5)	(2)	**1**
Finance income / (expense), including:	**8**	**-**	**8**	**11**	**1**	**28**
Interest income - bank deposits	-	-	-	6	-	**6**
Interest income - loans issued	8	-	8	5	1	**22**

2021	Associates	Joint ventures	Entities related to SCM	SMART	Total
Sales, including:	**140**	**1,644**	**96**	**2**	**1,882**
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**
Finance income / (expenses), including:	**-**	**11**	**17**	**5**	**33**
Interest income – bank deposits	-	-	2	-	**2**
Interest income – loans issued	-	11	15	5	**31**

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NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022 (CONTINUED)

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27 BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The following is a summary of purchases from related parties in 2022 and 2021:

2022	Associates	Joint ventures	Entities related to SCM	SMART	Total
Purchases, including:	**204**	**1,576**	**1,022**	**-**	**2,802**
Metal products	-	1,415	5	-	**1,420**
Coke and coking coal	202	17	174	-	**393**
Raw materials and spare parts	-	106	38	-	**144**
Electricity	-	-	352	-	**352**
Gas	-	-	331	-	**331**
Fuel	-	-	6	-	**6**
Services	-	7	43	-	**50**
Other	2	31	73	-	**106**

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

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 54 million in 2022 (2021: USD 10 million).

In 2022, the remuneration of key management personnel of the Group comprised current salaries and related bonuses accrued totalling USD 13 million (in 2021: USD 59.3 million).

As at 31 December 2022 and 2021, 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.

28 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.

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28 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.

Contingencies regarding tax legislation

The management estimates that the Group has possible obligations from exposure to transfer pricing risk amounting to USD 20 million (31 December 2021: USD 28 million) based on the results of tax audit of certain subsidiaries. In addition, there are other potential obligations from exposure to other possible tax risks of USD 13 million (31 December 2021: USD 17 million) which relate to tax treatment of foreign currency exchange differences on dividends. Management is certain in its correct treatment of the respective legislation and will vigorously defend the Group's positions and interpretations that were applied in determining taxes recognised in these consolidated financial statements.

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 2022, the amount of financial and tax liabilities related to the bankruptcy proceedings recorded in these consolidated financial statements is USD 7 million (31 December 2021: USD 10 million), out of which USD 5 million (31 December 2021: USD 7 million) are presented as non-current tax liabilities under moratorium (Note 21).

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.

During 2022 the bankruptcy proceedings were initiated in respect of the Group's subsidiaries, whose production operations are located on the temporarily occupied territories - PrJSC Azovstal Iron and Steel Works, PrJSC Ilyich Iron and Steel Works. Subsequently to the year end, in February 2023, the bankruptcy proceedings were initiated also in respect of LLC Metinvest Mariupol Machining and Repair plant. As at the date of issue of these consolidated financial statements the creditor's claims as part of all three cases are in the process of summarisation.

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 2022, the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling USD 288 million (31 December 2021: USD 608 million). 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 2022 and 2021 and for the years then ended, the Group was in compliance with the covenants considering waivers obtained. For more details refer to Note 5.

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; property damage and business interruption policies in respect of its European and US assets.

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NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS – 31 DECEMBER 2022 (CONTINUED)

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29 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.

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.

The table below summarises the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

	31 December 2022			31 December 2021		
	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
EUR	614	(958)	(344)	1,095	(823)	272
USD	546	(2,378)	(1,832)	2,220	(4,189)	(1,969)
CHF	2	(238)	(236)	25	(25)	-
UAH	548	(20)	528	77	(27)	50
PLN	64	(138)	(74)	28	(20)	8
Other	24	(5)	19	183	(6)	177
Total	**1,798**	**(3,737)**	**(1,939)**	**3,628**	**(5,090)**	**(1,462)**

At 31 December 2022, 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 267 million higher / lower (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 393 million higher / lower), 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.

At 31 December 2022, if the UAH had strengthened / weakened by 25% against the EUR with all other variables held constant, post-tax profit for the year would have been EUR 71 million higher / lower (2021: if the UAH had strengthened / weakened by 25% against the EUR with all other variables held constant, post-tax profit for the year would have been EUR 56 million lower / higher). Impact of other currency changes on the post-tax profit is not material.

(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.

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29 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2022, 90% of the total borrowings were provided to the Group at fixed rates (31 December 2021: 89%). During 2022 and 2021, 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 15, 19 and below for information about maturity dates and effective interest rates of financial instruments.

At 31 December 2022, if interest rates on USD, EUR and GBP denominated floating rate borrowings had been by 1 pp higher / lower (2021: 1 pp) with all other variables held constant, post-tax profit for the year would have been USD 2 million lower / higher (2021: USD 2 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 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 2022 is USD 1,777 million (2021: USD 3,193 million) being the carrying value of long and short-term loans issued, receivables and cash. 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.

Timing of dividends payable, which is part of the Financial trade and other payables in the table below will depend on the Group's liquidity position as mentioned in the Note 5 of these consolidated financial statements.

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

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29 FINANCIAL RISK MANAGEMENT (CONTINUED)

At 31 December 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank loans	52	42	94	32
Trade finance	45	-	-	-
Bonds issued	277	124	1,417	574
Lease liability	16	8	13	-
Non-bank borrowings	-	18	-	-
Financial trade and other payables	2,728	3	1	8
Total	**3,118**	**195**	**1,525**	**614**

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
Total	**4,062**	**384**	**1,314**	**1,064**

30 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 within the range 2-5 years and the Group is actively pursuing mechanisms to extend the credit terms to match its long-term investment strategy.

	31 December 2022	31 December 2021
Total loans and borrowings (Note 19)	2,077	2,242
Less: cash and cash equivalents (Note 16)	(349)	(1,166)
Net debt	**1,728**	**1,076**
Total equity	2,870	7,970
Total capital	**4,598**	**9,046**
Gearing ratio	**38%**	**12%**

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31 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.

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 19, 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 18).

32 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, which are accounted at fair value through profit and loss. As at 31 December 2022, the carrying amount of the balances subject to factoring amounted to USD 21 million (31 December 2021: USD 87 million).

33 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 and the event, mentioned below:

subsequently to the year end, the Group has received a writ of summons issued by four parties (the claimants) claiming to be holders of Notes to the preliminary relief judge of the District Court of Amsterdam, the Netherlands, seeking injunctive relief against the Group and its Directors to restrain the Group from making any future distributions to its shareholders for a period of one year after the date of the judgment in these proceedings. The claimants do not claim any damages in these proceedings.

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