METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023

All 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 2023 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 Smart Steel Limited ("SMART") that has 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 SCM Holdings Limited 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 most significant subsidiaries of Metinvest B.V. are presented below:

Name	Effective % interest as at 31 December 2023	Effective % interest as at 31 December 2022	Segment	Country of incorporation
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 Polska sp. z o.o.	100.0%	100.0%	Metallurgical	Poland
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 Kamet-Steel	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 2023, the Group employed approximately 70 thousand people (31 December 2022: 74 thousand).

During the periods presented in these consolidated financial statements the Company's registered address was Gustav Mahlerplein 74B, 1082MA, Amsterdam. From 1 March 2024 the Company's registered address is: Zuidplein 216, 1077XV, Amsterdam. The Company is registered with the commercial trade register under the number 24321697. The principal places of production facilities of the Group are in Ukraine, Italy, the UK and the USA.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

2. OPERATING ENVIRONMENT OF THE GROUP

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. The military actions are still ongoing in the Eastern and Southern parts of Ukraine along the frontline, some towns and cities in these regions remain temporarily occupied while Russia conducts sporadic bombardments throughout the whole 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.

Since the outbreak of the war, the Black Sea and Azov Sea ports in Ukraine suspended their operations being blocked or occupied by Russia as a result of military actions, while limited railway capacity with Western countries has restricted the ability to replace seaborne throughput. On 22 July 2022, the representatives of Ukraine, Türkiye and the 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 ("Grain deal"). On 17 July 2023, the Grain deal was not renewed, following the refusal of Russia to extend the agreement. Since then, Russia has launched a series of air attacks on Ukraine, focusing, among others, on damaging Danube and Black Sea ports infrastructure.

On 10 August 2023 the Naval Forces of the Armed Forces of Ukraine announced the creation of a maritime corridor for merchant vessels heading to and from Ukrainian ports. On 16 August 2023, the first ship left the Ukrainian port and arrived in Istanbul, Türkiye, on 18 August 2023. As according to the Ministry of Infrastructure since August until the end of December 2023 about 14 million tonnes of cargo (including agricultural goods, steel, iron ore and coal products) were exported through the Black Sea. As of the date of these financial statements, this corridor continues to operate.

In February 2024 Ukrainian Armed Forces' withdrew from Avdiyivka and retreated to more secure defensive lines outside the city. Immediately after this Avdiivka was captured by the Russian troops. This event had no immediate impact on Metinvest's operations, as the Group's coking plant in this town was mothballed back in April 2022, shortly after Russia invaded Ukraine.

The outcome and the timing of the war resolution 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.

After the commencement of the Russian invasion, the National bank of Ukraine (NBU) abandoned its inflation targeting policy and effective from 3 June 2022 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. As such, the actual consumer inflation rate (CPI) in Ukraine for the year ended 31 December 2022 stood at 20.2% y-o-y (for the month of December 2022: 26.6% y-o-y). During 2023, the CPI decreased substantially and stood at 12.8% y-o-y for the year ended 31 December 2023 (for the month of December 2023: 5.1% y-o-y) according to the State Statistics Service of Ukraine. The decrease in inflation, along with other contributing factors, enabled the NBU to start the easing of its monetary policy. This involved a reduction of the policy rate by 3 percentage points to 22% starting from 28 July 2023, followed by subsequent decreases to 20% from 15 September 2023, 16% from 27 October 2023, and ultimately to 15% effective from 15 December 2023, onwards.

Ukrainian real GDP increased y-o-y by 5.7% in 2023 marking a significant recovery from the 28.8% y-o-y decrease in 2022. As per the NBU forecast, GDP is anticipated to continue its upward trend with a growth rate of 3.6% in 2024.

In order to stabilise the Ukrainian financial system during the war, the NBU fixed the official hryvnia exchange at UAH 36.57 per USD from 21 July 2022. In July 2023, the NBU announced the plans regarding easing of foreign currency restrictions and the return to floating exchange rate and inflation targeting, which will be done gradually and subject to some preconditions being in place. From 3 October 2023 the National Bank of Ukraine adopted a managed floating exchange rate regime. Under this regime, the official exchange rate is determined based on the market rates in interbank operations, rather than being set directly by the National Bank.

At the date of these consolidated financial statements, the official NBU exchange rate of Hryvnia against US dollar is at the level of UAH 38.69 per USD 1.

After the full-scale military invasion Ukraine introduced a number of measures to stabilise the financial system, amongst others, restrictions on the foreign exchange transactions and capital movements including restrictions on interest and dividends payments in foreign currencies outside Ukraine, were imposed. A trend towards the relaxation of some restrictions by NBU is observed during 2023. In particular, from 21 June 2023 Ukrainian entities are able to make transfers abroad for the purpose of servicing and repaying new external loans, received after 20 June 2023. Also, some of the tax legislation simplifications, implemented by Ukraine following the start of the full-scale invasion, were revoked from 1 August 2023, in particular, the moratorium on the tax audits was partially cancelled and the simplified tax (single tax) regime was suspended. Further the NBU introduced new relaxations effective since 1 December 2023 that relate inter alia to cancellation of foreign currency sale limits for banks and non-banking financial institutions and permission to Export credit agency to transfer funds abroad for compensations and premium payments based on insurance/reinsurance contracts.

The yield to maturity ("YtM") on the Ukrainian Government's USD-denominated Eurobonds (for 5-year maturity instruments) varied during 2023 but remained almost unchanged at 51.1% as of 31 December 2023 when compared with 51.8% as at 31 December 2022. At the same time, the yield of the UAH-denominated domestic Ukrainian sovereign bonds (for a 5-year maturity) amounted to 18% as at 31 December 2023 (22% as at 31 December 2022).

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

2. OPERATING ENVIRONMENT OF THE GROUP (CONTINUED)

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 2023, the total amount of funds received by Ukraine from international partners amounted to USD 73.6 billion, approximately 35% out of which 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 of 31 December 2023, Ukraine's international reserves reached USD 40.5 billion, rising 42% during the year 2023.

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

Compared with the average for 2022, the benchmark hot-rolled coil price (Platts HRC EXW Italy) in 2023 decreased by 17% to an average of USD 751 per tonne, the benchmark iron ore price (Platts 62% Fe CFR China) approximately remained at the level of previous year — average of USD 120 per dry tonne, while the benchmark coking coal price (HCC Premium LV, FOB Australia) decreased by 19% to an average USD 296 per tonne.

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

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 Accounting Standards") 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 material accounting policies applied in the preparation of these consolidated financial statements are set out below or in the separate Notes of these financial statements. 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.

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.

Foreign currency translation. The functional currency for the majority of the consolidated entities is Ukrainian hryvnia ("UAH"), euro ("EUR") or US dollar ("USD").

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

	31 December 2023	31 December 2022
1 USD to UAH	37.98	36.57
1 EUR to UAH	42.21	38.95

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 it 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).

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023
(CONTINUED)

All amounts in millions of US Dollars

3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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.

Revenue recognition

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. Majority of 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.

Value added tax. VAT rates applicable for the Group's transactions in Ukraine where the substantial part of the Group operations are concentrated, are as follows: 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.

VAT rates in countries where the Group operates, excluding Ukraine, vary from 7% to 23%. The Group properly considers the specific legislative requirements when accounting for VAT on transactions in each individual company's respective jurisdictions.

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.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

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 continuing war in Ukraine which impacted the logistical chains and operating model of the Group as well as volatility on some key markets the Group operates in during 2023, the Group considered that these events constitute signs of impairment of property, plant and equipment, goodwill and other intangible assets as at 31 December 2023 and conducted an impairment test at that date. The results and the main assumptions applied are disclosed in the Note 11 of these consolidated financial statements.

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 20.

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 27).

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 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 Note 8, the Group is not able 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.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

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

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 entities, 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 2022.

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, 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, during 2022 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 during 2022 (Note 8).

5. GOING CONCERN

As explained in Notes 2 and 8 of these consolidated financial statements, 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 significant uncertainty over the future development of the military invasion, its duration and 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.

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.

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 of these assets. In addition, some assets located on territories controlled by the Ukrainian government as of the date of signing of these consolidated financial statements decreased the production output due to consequential logistical constraints, primarily related to Black Sea ports unavailability for shipments.

As mentioned in the Note 2, since August 2023 a maritime corridor for merchant vessels heading to and from Ukrainian ports has been in operation, which enabled the export of commercial cargos through the Black Sea and was not limited to agricultural products only. This enabled the Group to increase the capacity utilization of its iron ore production plants in Ukraine in the last quarter of 2023 and sales volumes respectively due to partial release of the logistical bottleneck.

Management of the Group continues to monitor the situation and to take the necessary measures to further adapt its operations to the circumstances and facilitate the Group's uninterrupted operations to the extent possible.

Metinvest prudently manages its financing risks, including compliance with covenants.

The Group has ensured that certain waivers are proactively obtained from its lenders with respect to a number of financing instruments.

In particular, in 2022 and 2023 the Group obtained waivers from a lender under a bilateral term loan in favour of certain Ukrainian subsidiaries covering, amongst others, compliance with certain financial maintenance covenants (including a requirement to maintain a minimum level of tangible net worth), which cover the relevant periods till 31 December 2023. Later in 2023, amendments to this loan's documentation were agreed with the bank to replace covenants involving tangible net worth with the current ratio (as determined by the facility agreement). During the reporting period a non-compliance of certain non-financial covenants occurred under the loan agreements with one of the Ukrainian lenders, under which the outstanding balance as of the end of reporting period was less than 1% of the Group's total debt. The Group continues negotiations with the respective Ukrainian lender in order to get a waiver for the entire period of non-compliance. 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.

During the reporting period, Metinvest fully repaid 2023 bonds (USD 145 million of principal outstanding as of 31 December 2022) via both open market purchases and redemption at maturity. The Group has no scheduled material principal repayments until June 2025, which gives the Group more flexibility in managing its liquidity position in the uncertain environment.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

5. GOING CONCERN (CONTINUED)

The Group generated positive cash flows from operating activities in the amount of USD 707 million for the year ended 31 December 2023 (31 December 2022: USD 1,403 million). As at 31 December 2023, the Group's current liabilities exceeded its current assets by USD 278 million (31 December 2022: 391 million) and it generated a net loss of USD 194 million for the year ended 31 December 2023 (31 December 2022: net loss of USD 2,193 million). As at 31 December 2023 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 (31 December 2022: USD 417 million). The Directors have not made a decision to make any payments of dividends within any set time frame as at 31 December 2023. In view of the Company's current situation, 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 15 months period ended March 2025 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 severe and wide-spread damages to Ukrainian energy infrastructure;
- the maritime corridor remains operating during the forecasting period, allowing the shipment of mining/metallurgical products through the Black Sea; usage of current alternative export routes in Ukraine via land border crossings; availability of existing railway transportation connection;
- 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 and PJSC Avdiivka Coke Plant. However, the production entities in Ukraine, mentioned above, are operating at reduced capacity;
- the ability to produce and sell hard coking coal by the Pokrovske coal business; the availability of production staff to meet planned production output;
- US coking coal business and re-rolling mills in the EU and UK continue to operate in the ordinary course of business;
- prices for key products and raw materials used in the cash flow projections are in a range of the currently available forecasts from industry experts and other external reputable sources;
- capital expenditures, related to the operating assets as at the date of these consolidated financial statements, were incorporated into the projection.

The projected 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 15-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 adjusting 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 during the heating period 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;
- redeeming the remaining principal amount of bonds due 2023 on time and in full in April 2023, proactively managing the debts maturities;
- maximising the substitution of equipment and spare parts, which were produced in the temporarily occupied territories or in 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 the risk of the 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 recover control over currently occupied territories, allowing for ramping-up of operations, 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 the 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 consolidated financial statements is appropriate.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

6. NEW ACCOUNTING PRONOUNCEMENTS

New and amended standards adopted by the Group. The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2023:

- ***Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2:*** Disclosure of Accounting policies (issued on 12 February 2021). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

As a result of this amendment the Group updated its disclosure in Note 3 to disclose only material accounting policies.

- ***Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors:*** Definition of Accounting Estimates (issued on 12 February 2021). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

The application of these amendments had no material impact on the Group's consolidated financial statements.

- ***Amendments to IAS 12 Income Taxes:*** Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations — transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The application of these amendments had no material impact on the Group's consolidated financial statements.

- ***IFRS 17 Insurance Contracts (issued on 18 May 2017) including Amendments to IFRS 17 (issued on 25 June 2020), Amendments to IFRS 17 Insurance contracts:*** Initial Application of IFRS 17 and IFRS 9 — Comparative Information (issued on 9 December 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. Under IFRS 17 measurement model all cash flows are based on current assumptions and revenue recognition rules are more consistent with IFRS 15, excluding deposit components, and revenue is not recognized on a cash basis. Some insurance contracts are scoped out of IFRS 17 either mandatorily or optionally and are accounted under other applicable standards such as IFRS 15.

The application of these amendments had no material impact on the Group's consolidated financial statements as the Group does not issue any insurance contracts in the scope of IFRS 17.

- ***Amendments to IAS 12 Income taxes:*** International Tax Reform — Pillar Two Model Rules (issued on 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

The Group is within the scope of the Pillar Two model rules, its impact is disclosed in Note 25.

New accounting pronouncements. Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Group has not early adopted.

The following new standards, which are relevant to the Group, have been endorsed by European Union:

- ***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)
- ***Amendments to IAS 1 Presentation of Financial Statements:***

- Classification of Liabilities as Current or Non-current (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2024);

- Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2024);

- Non-current Liabilities with Covenants (issued on 31 October 2022 and effective for annual periods beginning on or after 1 January 2024).

The Group will provide extended disclosures of borrowing terms when these amendments become effective.

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

- ***Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates:*** Lack of Exchangeability (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025)
- ***Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures:*** Supplier Finance Arrangements (issued on 25 May 2023 and 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.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

7. SEGMENT INFORMATION

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 the quantitative thresholds according to IFRS Accounting Standards unless aggregation criteria are met.

The Group's business is organised on the basis of the following main operating (reporting) 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.

  From 2023 UCC is treated to be the part of mining operating segment considering some changes in the corporate governance structure of the asset and management approaches, which had been driven by the challenges the Group faces in the result of full-scale invasion of Ukraine. This change, however, has no impact on the reportable segments presentation as while historically management reviewed financial information of UCC separately from other mining operations, UCC operating segment had been aggregated with the Group's Ukrainian mining operations into the Mining reportable segment considering the aggregation criteria anticipated by IFRS.

Segmentation presented in these consolidated financial statements is consistent with the structure of financial information regularly reviewed by the Group's management, including Chief Operating Decision Maker (CODM).

Operating segments' performance is assessed based on a measure of adjusted EBITDA. This measurement basis excludes dividend income, impairment of goodwill, other intangible assets and property, plant and equipment, the effects of non-recurring expenditures from the operating segments and foreign exchange gains / losses, expected credit losses of joint ventures on receivables from the Group. 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 2023 was as follows:

2023	Metallurgical	Mining	Corporate overheads	Eliminations	Total
Sales – external	4,846	2,551	-	-	**7,397**
Sales to other segments	107	457	-	(564)	**-**
Total of the reportable segments' revenue	**4,953**	**3,008**	**-**	**(564)**	**7,397**
Timing of revenue recognition					**-**
At a point in time	4,492	2,103	-	-	**6,595**
Over time	354	448	-	-	**802**
Total of the reportable segments' external revenue	**4,846**	**2,551**	**-**	**-**	**7,397**
Adjusted EBITDA	**177**	**802**	**(72)**	**4**	**911**
Share in EBITDA of joint ventures	(18)	(32)	-	-	(50)
Adjusted EBITDA including share in EBITDA of joint ventures	**159**	**770**	**(72)**	**4**	**861**
Reconciling items:					
Depreciation and amortisation	(64)	(324)	(15)	-	**(403)**
Impairment of property, plant and equipment and other intangible assets	(17)	(2)	1	-	**(18)**
(Impairment)/reversal of impairment of inventories and replaceable equipment located on the occupied territory					**-**
Share of result of associates and depreciation, amortisation, tax, finance and other income and costs in joint ventures					**(182)**
Finance income					**31**
Finance costs					**(279)**
Operating foreign exchange losses less gains, net					**(56)**
Loss from change in fair value of financial instruments					**10**
Other					**1**
Profit / (loss) before income tax					**(35)**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

7. SEGMENT INFORMATION (CONTINUED)

	Metallurgical	Mining	Corporate overheads	Total
Capital expenditure	65	213	6	**284**
Significant non-cash items included into adjusted EBITDA:				
- reversal of impairment / (impairment) of financial assets	(3)	(118)	(2)	**(123)**
- write-off of trade and other payables	4	-	-	**4**

Segment information for the year ended 31 December 2022 was as follows:

2022	Metallurgical	Mining	Corporate overheads	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, finance and other 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					**(13)**
Deconsolidation of subsidiaries					**(17)**
Gain from revaluation of share in associate					
Other					**5**
Profit / (loss) before income tax					**(2,050)**

	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)**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

7. SEGMENT INFORMATION (CONTINUED)

Analysis of revenue by category:

2023	Metallurgical	Mining	Total
Sales of own products	**3,018**	**2,175**	**5,193**
- Steel products	2,437	-	2,437
- Iron ore products	-	1,088	1,088
- Coal and coke	363	1,081	1,444
- Other	218	6	224
Resale of purchased goods	**1,828**	**376**	**2,204**
- Steel products	1,678	-	1,678
- Iron ore products	-	348	348
- Coal and coke	128	15	143
- Other	22	13	35
Total	**4,846**	**2,551**	**7,397**

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**

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

2023	Metallurgical	Mining	Total
Ukraine	1,871	757	**2,628**
Rest of Europe	2,429	1,129	**3,558**
Middle East and Northern Africa	122	5	**127**
Rest of Asia	-	508	**508**
Commonwealth of Independent States ("CIS")	57	-	**57**
North America	330	117	**447**
Other countries	37	35	**72**
Total	**4,846**	**2,551**	**7,397**

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**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

7. SEGMENT INFORMATION (CONTINUED)

Sales to the Group's joint venture represent about 13% of the total Group's revenue for the reporting period (out of which 64% relates to Metallurgical segment).

As at 31 December 2023, 89% of the Group's non-current assets, other than financial instruments and deferred tax assets, were located in Ukraine (31 December 2022: 90%).

In 2023, average number of employees (full-time equivalent) attributable to Metallurgical segment amounted to 19 thousand and Mining segment — 20 thousand (2022: Metallurgical segment — 29 thousand and Mining segment — 24 thousand). 12 employees are hired in the Netherlands as of 31 December 2023 (31 December 2022 6 employees).

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 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.

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, slabs sales to the other Group's subsidiaries amounted to USD 210 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, 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 PJSC 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, during 2022 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 items described above impacted the Consolidated Statement of Comprehensive Income of the Group for the year ended 31 December 2022 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**

In 2022 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.

In February 2024 the liquidation process over Metinvest Distribution LLC was completed.

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.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

9. GOODWILL

The movements of goodwill during the periods presented in these consolidated financial statements were as follows:

	2023	2022
As at 1 January		
Original amount	1,305	1,430
Accumulated impairment	(655)	(685)
Net carrying amount	**650**	**745**
Currency translation differences	19	(95)
As at 31 December		
Original amount	1,344	1,305
Accumulated impairment	(675)	(655)
Net carrying amount	**669**	**650**

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

	31 December 2023	31 December 2022
Metallurgical segment	532	508
Iron Ore Enrichment Works	35	36
Pokrovske coal business	102	106
Total	**669**	**650**

Goodwill related to UCC have been fully impaired in the previous years and it's carrying amount is zero as at both 31 December 2023 and 31 December 2022.

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 2023 and concluded that the recoverable amount exceeds the current carrying amount, thus no impairment should be recognised during the year ended 31 December 2023.

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

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

10. OTHER INTANGIBLE ASSETS

Accounting policy

All of the Group's other intangible assets have definite useful lives and primarily include capitalized 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.

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.

The movements of other intangible assets were as follows:

	Coal reserves	Licenses and mining permits	Other intangible assets	Total
As at 1 January 2022				
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**
Additions	-	-	5	**5**
Currency translation differences	-	(34)	(2)	**(36)**
Impairment	-	-	-	**-**
Amortisation	-	(22)	(5)	**(27)**
As at 31 December 2023				
Cost	418	1,119	275	**1,812**
Accumulated amortisation	(418)	(238)	(259)	**(915)**
Net carrying amount	**-**	**881**	**16**	**897**

The table above includes USD 828 million (2022: USD 881 million) of net carrying amount of the mining license of the Pokrovs'ke coal business, which is being amortised using units-of-production method over its remaining useful life of approximately 37 years. The iron ore license of PrJSC Ingulets Iron Ore Enrichment Works with net carrying amount of USD 49 million (2022: USD 51 million) is being amortised using units-of-production method over its remaining useful life of approximately 24 years.

The coal reserves were acquired as part of the acquisition of UCC in 2009. As at 31 December 2023 and 31 December 2022 these reserves were fully impaired.

Management concluded that there were signs of potential impairment of other intangible assets as at 31 December 2023 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.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

11. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

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. 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.

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

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.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 2022	**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**
Additions	-	-	-	-	**279**	**279**
Transfers	-	274	141	14	(429)	**-**
Disposals of subsidiaries	**-**	-	-	-	-	**-**
Disposals	-	(18)	(81)	(2)	(5)	**(106)**
Acquisition of subsidiary	**-**	3	2	-	1	**6**
Reclassification to inventory	-	-	-	-	(20)	**(20)**
Currency translation differences	2	(85)	(123)	(4)	(30)	**(240)**
As at 31 December 2023	**58**	**2,200**	**3,082**	**146**	**718**	**6,204**
Accumulated depreciation and impairment As at 1 January 2022	**-**	**(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)**
Depreciation charge for the year	-	(150)	(217)	(12)	-	**(379)**
Disposals	-	18	80	2	1	**101**
Disposals of subsidiaries	-	-	-	-	-	**-**
Transfers	-	-	(2)	2	-	**-**
Impairment	-	(3)	-	2	(17)	**(18)**
Currency translation differences	-	51	102	4	11	**168**
As at 31 December 2023	**-**	**(1,120)**	**(2,336)**	**(110)**	**(367)**	**(3,933)**
Net book value as at						
31 December 2022	**56**	**990**	**844**	**30**	**560**	**2,480**
31 December 2023	**58**	**1,080**	**746**	**36**	**351**	**2,271**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The table above includes USD 2,107 million (2022: USD 2,188 million) of cost and accumulated depreciation of the assets, located on temporarily occupied territory, being fully impaired since 31 December 2022 (Note 8).

As at 31 December 2023 and 2022, construction in progress balance includes prepayments for property, plant and equipment of USD 19 million and USD 52 million, respectively.

As at 31 December 2023, the Group has recognised right-of-use asset in the amount of USD 38 million within Property, plant and equipment, mainly attributable to plant and machinery (as at 31 December 2022: USD 41 million).

Considering the continuing war in Ukraine which impacted the logistical chains and operating model of the Group as well as volatility on some key markets the Group operates in during 2023, the Group considered that these events constitute signs of impairment of property, plant and equipment, goodwill and other intangible assets as at 31 December 2023 and conducted an impairment test at that 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 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.

1) 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 property, plant and equipment and intangible assets) in the metallurgical segment for Ukrainian assets:

	31 December 2023	31 December 2022
Metallurgical		
Post-tax discount rate (USD)	20.9%	23.5%
Growth rate in perpetual period	3%	3%

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

The 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 106 per tonne in 2024 decreasing to USD 90 per tonne in 2025, USD 88-89 per tonne in 2026-2027 based on the consensus forecast median and are expected to 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 premium low volatile hard coking coal FOB Queensland of USD 250 per tonne in 2024, USD 221 per tonne in 2025, USD 205 per tonne in 2026, USD 200-205 per tonne in 2027-2028 with a 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 steel products used in the impairment test were estimated based on the benchmark HRC EXW Italy. Forecasted benchmark is expected to reach USD 732 per tonne in 2024 with a further decrease to USD 722 per tonne in 2025, USD 706 in 2026 and USD 710 per tonne in 2027 with further increase by 2% per year. Forecasted prices for other steel products are based on historic spreads between the prices for different products to HRC, logistics adjustments, specific discounts or premiums, related to the products quality and other specific characteristics.

Management assumed that the forecasted production volumes of PJSC Kamet-Steel will gradually return to its full operating capacity within 3 years from the assessment date assuming the termination of the "active" stage of the war in Ukraine and permanent deblocking of seaports, allowing, among others, increase of export sales due to gradual ramp up of seaborne throughput.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 took into account the impact of changes in global legislation. In particular, the CBAM Regulation was signed on 10 May 2023 by the European Parliament and the Council of the European Union following the global initiative towards the reduction in greenhouse gas emissions and achieving the carbon neutrality in 2050. The CBAM regime entered in force in its transitional phase as of 1 October 2023 and anticipates that, starting from 2026, EU importers will pay a specific financial adjustment applicable to the carbon content embedded in the goods imported in the EU.

During the transition phase importers will have to report at the end of each quarter emissions embedded in their goods subject to CBAM without paying any financial adjustment. Considering the early stage of implementation, the potential CBAM impact calculation was based on the best management estimate and the information, available at the period of impairment testing.

An exchange rate of 37.98 UAH for 1 USD as at 31 December 2023 is expected to gradually increase to 52.2 UAH for 1 USD in 2033.

As at 31 December 2023, the Metallurgical segment's recoverable amount, determined based on fair value less cost to sell estimations, is USD 1,194 million (31 December 2022: USD 1,182 million) and exceeds its total carrying amount by USD 41 million (31 December 2022: USD 134 million).

The table below summarises the impact of changes in main assumptions with all other variables held constant to the impairment of goodwill (and subsequently to property, plant and equipment and intangible assets) related to the Metallurgical segment:

Ukrainian entities:	31 December 2023	31 December 2022
Volumes of production/sales		
Decrease in all the periods by 3.3%	Recoverable amount equals carrying amount	-
Decrease in all the periods by 11.5%	Impairment of USD 104 million required	Recoverable amount equals carrying amount
Decrease in all the periods by 15.0%	Impairment of USD 148 million required	Impairment of USD 41 million required
Steel prices		
Decrease in all the periods by 0.7%	Recoverable amount equals carrying amount	-
Decrease in all the periods by 2.8%	Impairment of USD 119 million required	Recoverable amount equals carrying amount
Decrease in all the periods by 4.0%	Impairment of USD 191 million required	Impairment of USD 58 million required
Iron ore prices		
Increase in all the periods by 6.8%	Recoverable amount equals carrying amount	-
Increase in all the periods by 23.5%	Impairment of USD 103 million required	Recoverable amount equals carrying amount
Increase in all the periods by 45.0%	Impairment of USD 239 million required	Impairment of USD 124 million required
Coke and coal prices		
Increase in all the periods by 2.6%	Recoverable amount equals carrying amount	-
Increase in all the periods by 9.4%	Impairment of USD 109 million required	Recoverable amount equals carrying amount
Increase in all the periods by 21.0%	Impairment of USD 309 million required	Impairment of USD 171 million required
Discount rates		
Increase in all the periods by 3.2 pp	Recoverable amount equals carrying amount	-
Increase in all the periods by 5.9 pp	Impairment of USD 28 million required	Recoverable amount equals carrying amount
Increase in all the periods by 10.0 pp	Impairment of USD 62 million required	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 2023	31 December 2022
Metallurgical		
Post-tax discount rate (local currencies)	8.9-10.1%	9-10.4%
Growth rate in perpetual period	1.5%-2%	1.5%

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

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 goodwill and subsequently to property, plant and equipment and other intangible assets related to the Metallurgical segment (assets outside of Ukraine):

	31 December 2023	31 December 2022
Volumes of production/sales		
Decrease in all the periods by 3.3%	Recoverable amount equals carrying amount	-
Decrease in all the periods by 11.5%	Impairment of USD 103 million required	Recoverable amount equals carrying amount
Decrease in all the periods by 25%	Impairment of USD 271 million required	Impairment of USD 158 million required
Steel prices		
Decrease in all the periods by 0.5%	Recoverable amount equals carrying amount	-
Decrease in all the periods by 1.3%	Impairment of USD 68 million required	Recoverable amount equals carrying amount
Decrease in all the periods by 5.0%	Impairment of USD 379 million required	Impairment of USD 378 million required
Variable costs		
Increase in all the periods by 0.55%	Recoverable amount equals carrying amount	-
Increase in all the periods by 1.5%	Impairment of USD 66 million required	Recoverable amount equals carrying amount
Increase in all the periods by 5.0%	Impairment of USD 316 million required	Impairment of USD 318 million required
Discount rates		
Increase in all the periods by 0.5 pp	Recoverable amount equals carrying amount	-
Increase in all the periods by 2.75 pp	Impairment of USD 137 million required	Recoverable amount equals carrying amount
Increase in all the periods by 5.0 pp	Impairment of USD 223 million required	Impairment of USD 69 million required
Growth rate in perpetual period	No reasonable changes would lead to impairment	No reasonable changes would lead to impairment

2) Mining segment.

Iron Ore Enrichment Works. 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 intangible assets) in the mining segment:

	31 December 2023	31 December 2022
Mining (Iron Ore Enrichment Works)		
Post-tax discount rate (USD)	20.9%	23.5%
Growth rate in perpetual period	3%	3%

The assumptions incorporated into the prices forecast are in line with those disclosed as part of metallurgical segment.

Management assumed that forecasted production volumes of the Iron Ore Enrichment Works will gradually return to its full operating capacity within 3 years from the assessment date assuming the termination of the "active" stage of war in Ukraine and permanent 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 and is within the range of 2047-2055.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2023, the recoverable amount of the Mining segment (Iron Ore Enrichment Works), determined based on the fair value less cost to sell estimations, was USD 1,228 million (31 December 2022: USD 1,326 million) and exceeded its total carrying amount by USD 217 million (31 December 2022: USD 113 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 intangible assets) related to this group of CGUs:

	31 December 2023	31 December 2022
Volumes of production/sales		
Decrease in all the periods by 3.6%	-	Recoverable amount equals carrying amount
Decrease in all the periods by 5.85%	Recoverable amount equals carrying amount	-
Decrease in all the periods by 10.0%	Impairment of USD 155 million required	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 3.1%	Recoverable amount equals carrying amount	-
Decrease in all the periods by 10.0%	Impairment of USD 485 million required	Impairment of USD 436 million required
Discount rates		
Increase in all the periods by 1.5 pp	-	Recoverable amount equals carrying amount
Increase in all the periods by 3.2 pp	Recoverable amount equals carrying amount	-
Increase in all the periods by 7.5 pp	Impairment of USD 203 million required	Impairment of USD 331 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. The following table summarise key assumptions on which management has based its cash flow projections to undertake the impairment testing:

	31 December 2023	31 December 2022
Pre-tax discount rate (USD)	29.9%	34.31%
Growth rate in perpetual period	3%	3%
Coal prices forecast	USD 245 per tonne in 2024,	USD 298 per tonne in 2023,
	USD 218-202 in 2025-2026,	USD 248-235 in 2024-2025,
	USD 198 in 2027,	USD 208-188 in 2026-2028,
	starting from 2028 prices are adjusted for the level of inflation in the USA	starting from 2029 prices are adjusted for the level of inflation in the USA

Benchmark applied for the coal prices forecast is the same as disclosed in "Metallurgical segment" section above.

Pokrovs'ke coal business is expected to operate in 2024-2025 approximately at the level of its normal "after-war" capacity with the increase of volumes till its maximum capacity in 2026 and thereafter.

As at 31 December 2023, the recoverable amount of the Pokrovs'ke coal business, determined based on pre-tax value in use estimations, was USD 1,656 million (31 December 2022: USD 1,729 million), which exceeded the carrying amount by USD 26 million (31 December 2022: USD 45 million).

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

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	31 December 2023	31 December 2022
Coking coal prices		
Decrease in all the periods by 0.9%	Recoverable amount equals carrying amount	-
Decrease in all the periods by 1.6%	Impairment of USD 23 million required	Recoverable amount equals carrying amount
Decrease in all the periods by 7.0%	Impairment of USD 188 million required	Impairment of USD 153 million required
Volumes of production/sales		
Decrease in all the periods by 1.0%	Recoverable amount equals carrying amount	-
Decrease in all the periods by 1.8%	Impairment of USD 20 million required	Recoverable amount equals carrying amount
Decrease in all the periods by 7.6%	Impairment of USD 168 million required	Impairment of USD 147 million required
Discount rates		
Increase in all the periods by 0.5 pp	Recoverable amount equals carrying amount	-
Increase in all the periods by 1.02 pp	Impairment of USD 28 million required	Recoverable amount equals carrying amount
Increase in all the periods by 2 pp	Impairment of USD 77 million required	Impairment of USD 40 million required

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 2023, the recoverable amount of UCC is USD 144 million (31 December 2022: USD 168 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 during 2023 year. The discount rate used for the impairment testing of UCC was 8.4% (31 December 2022: 9.6%).

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 2023	31 December 2022
Coking coal prices		
Decrease in all the periods by 3.0%	Impairment of USD 143 million required	Impairment of USD 133 million required
Cash costs		
Increase in all the periods by 3.0%	Impairment of USD 156 million required	Impairment of USD 159 million required
Discount rates		
Increase in all the periods by 1 pp	Impairment of USD 22 million required	Impairment of USD 6 million required

As at 31 December 2023, 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 2023, USD 3 million of borrowing costs were capitalised as part of property, plant and equipment, capitalisation rate was 8% (2022: USD 7 million, capitalisation rate was 8%).

As at 31 December 2023, USD 58 million of property, plant and equipment were pledged as collateral for loans and borrowings (31 December 2022: USD 64 million).

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023
(CONTINUED)

All amounts in millions of US Dollars

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group has assessed the nature of its joint arrangements and determined them to be joint ventures during the reporting periods presented in these consolidated financial statements.

The Group's investment in joint ventures and associates were as follows as at 31 December 2023 and 2022:

			31 December 2023		31 December 2022	
Name	**Type of relationship**	**Segment**	**% of ownership**	**Carrying value**	**% of ownership**	**Carrying value**
Zaporizhstal Group	Joint venture	Metallurgical	49.99%	556	49.99%	633
PrJSC Yuzhkoks	Associate	Metallurgical	23.71%	2	23.71%	21
PJSC Southern Iron Ore Enrichment Works	Joint venture	Mining	45.87%	358	45.87%	532
Total				**916**		**1,186**

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.

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 PJSC Zaporizhya Iron Ore Plant, large iron ore mining enterprise in Ukraine; and
- 42.77% effective interest in PrJSC Zaporizhcoke and a 49.21% effective interest in PrJSC Zaporizhvohnetryv which are Group's subsidiaries.

As at 31 December 2023 and 2022, 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 Southern Iron Ore Enrichment Works Group and the Zaporizhstal Group. In making this assessment management duly considered the effect of the sanctions imposed by Ukraine against certain other shareholders of Zaporizhstal holding 48% shares in Zaporizhstal in May 2023. Management has concluded that the Group's practical ability to exercise control over Zaporizhstal depends on further actions of the Ukrainian authorities regarding the sanctioned shares and until any substantial relevant developments shall take place the Group continues to exercise joint control over Zaporizhstal.

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

	31 December 2023		31 December 2022	
	Joint ventures	**Associates**	**Joint ventures**	**Associates**
Carrying amount at 1 January	**1,165**	**21**	**1,571**	**36**
Share of after tax results of associates and joint venture	(213)	(19)	-	(6)
Share of other comprehensive income of joint ventures and associates	-	-	(6)	-
Share of other equity movements of associates and joint ventures	-	-	-	-
Dividends declared			-	-
Currency translation differences	(38)	-	(403)	(9)
Other movements	-	-	3	-
Carrying amount at 31 December	**914**	**2**	**1,165**	**21**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

	Zaporizhstal Group		Southern Iron Ore Enrichment Works Group	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Balance sheet:				
Non-current assets	**617**	**687**	**757**	**481**
Cash and cash equivalents	31	21	4	28
Other current assets	1,423	1,255	161	840
Total current assets	**1,454**	**1,276**	**165**	**868**
Other non-current liabilities	45	42	26	112
Other non-current financial liabilities	10	15	-	-
Total non-current liabilities	**55**	**57**	**26**	**112**
Trade and other payables and provisions	976	716	115	78
Other current financial liabilities	58	54	-	-
Total current liabilities	**1,034**	**770**	**115**	**78**
Net assets	**982**	**1,136**	**781**	**1,159**

As at 31 December 2023, the temporary differences associated with interests in joint ventures for which deferred tax liabilities have not been recognised amounted to 40 million (2022: USD 29 million).

	Zaporizhstal Group		PJSC Southern Iron Ore Enrichment Works	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Profit or loss for the year ended (selected items):				
Revenue	1,543	1,445	164	422
Depreciation and amortisation	(65)	(82)	(60)	(77)
Finance income		1	1	1
Finance costs	(16)	(48)	(6)	(6)
Income tax expense	6	32	87	(44)
Profit or loss	**(107)**	**(219)**	**(347)**	**263**
Statement of comprehensive income for the year ended:				
Other comprehensive income	(47)	(474)	(31)	(344)
Total comprehensive income	(154)	(693)	(378)	(81)
Dividends received by the Group during the year ended	-	-	-	-

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		PJSC Southern Iron Ore Enrichment Works	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Net assets	**982**	**1,136**	**781**	**1,159**
Group's ownership, %	49.99%	49.99%	45.87%	45.87%
Group's interest in net assets	491	568	358	532
Goodwill	65	65	-	-
Carrying value	**556**	**633**	**358**	**532**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Impairment assessment of investments in joint ventures

Southern Iron Ore Enrichment Works Group

As at 31 December 2023, the Group performed an impairment assessment of its investment in the Southern Iron Ore Enrichment Works Group. The Southern Iron Ore Enrichment Works Group's recoverable amount was determined based on fair value less cost to sell estimations. Based on the results of the assessment, no impairment was recognized.

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 2023	31 December 2022
Post-tax discount rate (USD)	23.42%	27.03%
Selling prices	Forecasted iron ore prices shall be gradually recovering in 2024-2025 from the actual observed in 2023 to the forecasted benchmark iron prices for Fe 62% fines (CFR North China) of USD 88-89 per tonne in 2026-2027 based on the consensus forecast median and are expected to 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.	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%	3%

Management assumed that forecasted production volumes of the Southern Iron Ore Enrichment Works Group will gradually return to their full operating capacity within 3 years from the assessment date assuming the termination of the "active" stage of war in Ukraine and permanent deblocking of seaports, and the 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 2023	31 December 2022
Volumes of production/sales		
Decrease in all the periods by 8.8%	Recoverable amount equals carrying amount of investment	-
Decrease in all the periods by 14.5%	Impairment of USD 35 million required	Recoverable amount equals carrying amount of investment
Decrease in all the periods by 20.0%	Impairment of USD 68 million required	Impairment of USD 26 million required
Iron ore prices		
Decrease in all the periods by 4.6%	Recoverable amount equals carrying amount of investment	-
Decrease in all the periods by 9.1%	Impairment of USD 52 million required	Recoverable amount equals carrying amount of investment
Decrease in all the periods by 15.0%	Impairment of USD 119 million required	Impairment of USD 46 million required
Discount rates		
Increase in all the periods by 2.7 pp.	Recoverable amount equals carrying amount of investment	-
Increase in all the periods by 5.8 pp.	Impairment of USD 48 million required	Recoverable amount equals carrying amount of investment
Increase in all the periods by 15.0 pp.	Impairment of USD 142 million required	Impairment of USD 68 million required
Growth rate in perpetual period	No reasonable changes would lead to impairment	No reasonable changes would lead to impairment

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

Zaporizhstal Group

As at 31 December 2023, the Group has performed an impairment assessment of the investment in the Zaporizhstal Group. The Zaporizhstal Group's recoverable amount is determined based on fair value less cost to sell estimations. Based on the results of the assessment, no impairment was recognized.

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 2023	31 December 2022
Post-tax discount rate (USD)	20.0%	23.5%
Selling prices	Forecasted prices for steel products used in the impairment test were estimated based on the benchmark HRC EXW Italy. Forecasted benchmark is expected to reach USD 732 per tonne in 2024 with a further decrease to USD 722 per tonne in 2025, USD 706 in 2026 and USD 710 per tonne in 2027 with further increase by 2% per year. Forecasted prices for other steel products are based on historic spreads between the prices for different products to HRC, logistics adjustments, specific discounts or premiums, related to the products quality and other specific characteristics.	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%	3%

Coke and coal prices were determined based on the same benchmarks as disclosed in "Property, plant and equipment" Note.

Management assumed that forecasted production volumes of Zaporizhstal Group will gradually return to their full operating capacity within 2 years from the assessment date assuming the termination of "active" stage of war in Ukraine and permanent deblocking of seaports and 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 2023	31 December 2022
Volumes of production/sales		
Decrease in all the periods by 3.0%	Recoverable amount equals carrying amount of investment	-
Decrease in all the periods by 8.1%	Impairment of USD 45 million required	Recoverable amount equals carrying amount of investment
Decrease in all the periods by 20.0%	Impairment of USD 148 million required	Impairment of USD 101 million required
Steel prices		
Decrease in all the periods by 0.5%	Recoverable amount equals carrying amount of investment	-
Decrease in all the periods by 1.9%	Impairment of USD 74 million required	Recoverable amount equals carrying amount of investment
Decrease in all the periods by 5.0%	Impairment of USD 236 million required	Impairment of USD 109 million required
Coke and coal prices		
Increase in all the periods by 1.5%	Recoverable amount equals carrying amount of investment	-
Increase in all the periods by 6.0%	Impairment of USD 78 million required	Recoverable amount equals carrying amount of investment
Increase in all the periods by 20.0%	Impairment of USD 325 million required	Impairment of USD 159 million required
Discount rates		
Increase in all the periods by 1.3 pp	Recoverable amount equals carrying amount of investment	-
Increase in all the periods by 2.4 pp.	Impairment of USD 19 million required	Recoverable amount equals carrying amount of investment
Increase in all the periods by 10.0 pp.	Impairment of USD 116 million required	Impairment of USD 141 million required
Growth rate in perpetual period	No reasonable changes would lead to impairment	No reasonable changes would lead to impairment

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

13. BUSINESS COMBINATION

In March 2023 the Group aquired 99.72% of LLC Zaporizhzhya Casting and Mechanical Works "ZLMZ" party for a consideration of USD 5 million, obtaining 100% of direct ownership of this entity. Before the transaction has occurred the Group indirectly owned about 50% in ZLMZ having no control over the entity.

The entity's net assets as at the acquisition date amounted to USD 1 million. Main assets and liabilities acquired consisted of inventory in the amount of USD 12 million, trade and other accounts receivable in the amount of USD 11 million, property, plant and equipment in the amount of USD 7 million, trade and other accounts payable in the amount of USD 29 million. No goodwill or gain from a bargain purchase was recognised as a result of the acquisition.

LLC Zaporizhzhya Casting and Mechanical Works generated revenue of USD 30 million and net financial result of about zero USD million in the period from March to December 2023, as at 31 December 2023 total assets of the entity amounted to USD 48 million.

14. INVENTORIES

Accounting policy

Cost of inventory is determined on the weighted average principle.

	31 December 2023	31 December 2022
Finished goods and work in progress	355	389
Raw materials	269	319
Ancillary materials, spare parts and consumables	88	108
Goods for resale	79	96
Total inventories	**791**	**912**

In 2023, the Group recognised reversal of write-downs of inventories to net realizable value in the amount of USD 31 million (2022: write-downs in the amount of USD 47 million).

As at 31 December 2023, inventories totalling USD 105 million (31 December 2022: USD 93 million) have been pledged as collateral for borrowings (Note 19).

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023
(CONTINUED)

All amounts in millions of US Dollars

15. TRADE AND OTHER RECEIVABLES

Accounting policy

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 the Group applies general model for impairment based on changes in credit quality since initial recognition.

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.

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.

	31 December 2023	31 December 2022
Non-current trade and other receivables		
Loans issued to SCM (USD denominated, 9% effective interest rate)	-	51
Loans issued to SMART (UAH denominated)	10	-
Other non-current financial assets	261	5
Other non-current non-financial assets	18	20
Recoverable value added tax	69	71
Total non-current trade and other receivables	**358**	**147**
Current financial assets		
Trade receivables and receivables on commission sales	1,579	1,048
Loans issued to related party SCM (USD denominated, 8% effective interest rate (2022: 9%))	197	133
Loans issued to related party SCM and SMART (UAH denominated)	17	32
Loans issued to joint venture (USD denominated, 11% effective interest rate (2022: 9%), mature in 2024, renegotiated in 2023)	58	53
Other receivables	63	105
Total current financial assets	**1,914**	**1,371**
Current non-financial assets		
Recoverable value added tax	250	273
Prepayments made	110	111
Covered letters of credit related to inventory purchases and restricted cash	57	57
Prepaid expenses and other non-financial receivables	84	68
Total current non-financial assets	**501**	**509**
Total current assets	**2,415**	**1,880**
Total trade and other receivables (including non-current assets)	**2,773**	**2,027**

Other non-current financial assets include the balance due from a related party. This balance was initially represented by the trade receivables from the joint venture, which was reassigned during 2023 to another related party, related to SCM, being in substantial part overdue as at time of reassignment. This was recognised at fair value of USD 337 million, being a discounted value of future contractual cash flows till 31 December 2023 at assumed market rate for similar instruments. Considering some changes in expectations regarding the terms of settlement, the balance was classified as the non-current financial assets as of 31 December 2023. Credit risks on this instrument approximate the average risks of Ukrainian companies of SCM Group and therefore estimated expected credit loss of the outstanding balance was determined with the reference to Fitch credit rating set for companies of SCM Group exposed to Ukrainian risks and respective recovery ratings/weighted average loss default rates and amounted to USD 99 million as of 31 December 2023.

Recoverable VAT mainly relates to Ukrainian subsidiaries of the Group. During 2023, VAT refunds of USD 250 million were received by the Group (2022: USD 342 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.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

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 2023 is as follows:

	Loss rate	Gross carrying amount	Lifetime ECL	Carrying amount	Basis
Loans issue to related parties	13.67%	360	(78)	282	Corporate bonds ratings of the international rating agencies
Total loans issued		**360**	**(78)**	**282**	
Trade and other receivables from key customers including credit impaired		475	(436)	39	
Trade and other receivables from related parties including credit impaired		1,710	(133)	1,577	
Total trade and other receivables for which individual approach for ECL is used		**2,185**	**(569)**	**1,616**	
Ukraine - less than 30 days overdue	0.5%	21	-	21	Historical payment discipline
Ukraine - overdue more than 30 days	20%	-	-	-	Historical payment discipline
Ukraine - credit impaired		33	(33)	-	
Other countries - less than 30 days overdue	0.09%	261	-	261	Historical payment discipline
Other countries - overdue more than 30 days	8%	5	-	5	Historical payment discipline
Other countries - credit impaired		7	(7)	-	
Total trade and other receivables for which provisional matrix is used		**327**	**(40)**	**287**	
Total		**2,872**	**(687)**	**2,185**	

Loss rate for trade and other receivables from key customers approximated 14.87% (2022: 17.2%) 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 13.67% (2022: 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.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Analysis by credit quality of financial trade and other receivables 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**	

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 1 January 2022	**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**
Net new originated/(derecognised) during the period	102	2	(4)	**100**
Changes in estimates and assumptions	20	3	-	**23**
Write-offs	-	-	(2)	**(2)**
Forex movements	(1)	-	(14)	**(15)**
Balance at 31 December 2023	**134**	**78**	**475**	**687**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2023, amount of sold trade receivables which were still unsettled to the third party was USD 322 million (31 December 2022: USD 194 million). The carrying amount of the assets and liabilities that represent the entity's continuing involvement in the derecognised assets is USD 13 million (31 December 2022: USD 3 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 83 million (2022: USD 453 million) of trade receivables were sold through securitization vehicle, as at 31 December 2023 outstanding balance of related unsettled receivables was USD 0 million (31 December 2022: USD 65 million).

As at 31 December 2023, trade and other receivables totalling USD 172 million (31 December 2022: USD 105 million) have been pledged as collateral for borrowings (Note 19).

16. CASH AND CASH EQUIVALENTS

Accounting policy

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.

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.

	31 December 2023	31 December 2022
Current accounts in banks	646	344
Cash in transit	-	5
Total cash and cash equivalents	**646**	**349**

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 2023	31 December 2022
As rated by Moody's:		
- A1	178	3
- A2	-	163
- A3	-	3
- Baa1	59	34
- Baa3	82	2
- Ba1	32	-
- Ba2	70	17
- B1	-	9
Not rated — FUIB	164	68
Not rated — US and European banks	46	45
Not rated — Other Ukrainian banks	15	-
Cash in transit (various banks)	-	5
Total cash and cash equivalents	**646**	**349**

As at 31 December 2023 and 2023, 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 2023, included into line "Not rated - US and European banks" USD 136 million of cash and cash equivalents placed in European banks (31 December 2022: USD 45 million). As of the reporting date, these banks display no signs of insolvency.

As at 31 December 2023, included in Ba2 rating are USD 70 million and in A1 rating USD 15 million related to balances in Switzerland subsidiaries of two international banks (2022: included in Ba2 rating are USD 17 million), which do not have own credit rating and for which rating was based on their parents' rating.

As at 31 December 2023, cash and cash equivalents totalling USD 8 million (31 December 2022: USD 2 million) have been pledged as collateral for borrowings (Note 19).

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

17. SHARE CAPITAL AND SHARE PREMIUM

Name	Number of outstanding shares Class A	Class B	Class C	Total par value of shares	Share premium	Total
At 31 December 2023	**6,750**	**2,251**	**474**	**0**	**6,225**	**6,225**
At 31 December 2022	**6,750**	**2,251**	**474**	**0**	**6,225**	**6,225**

As at 31 December 2023 and 2022, 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 2022	**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)**
Total comprehensive income/ (loss) for the period	**-**	**-**	**-**	**(55)**	**(55)**
Depreciation transfer, net of tax	**-**	(123)	-	**-**	**(123)**
Balance as at 31 December 2023	**121**	**1,165**	**(3,038)**	**(11,590)**	**(13,342)**

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).

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

19. LOANS AND BORROWINGS

Accounting policy

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.

	31 December 2023	31 December 2022
Non-current		
Bonds issued	1,645	1,627
Bank loans	105	140
Lease liability	18	26
Non-bank borrowings	-	18
	1,768	**1,811**
Current		
Bonds issued	17	166
Bank loans	51	42
Trade finance	116	45
Lease liability	11	13
Non-bank borrowings	18	-
	213	**266**
Total loans and borrowings	**1,981**	**2,077**

During the reporting period, Metinvest fully repaid 2023 bonds (USD 145 million of principal outstanding as of 31 December 2022) via both open market purchases and redemption at maturity. Total gain on extinguishment amounted to USD 2 million and was recognised in the income statement as part of finance income.

All outstanding bonds benefited from suretyships typical for such instruments; they were granted by three entities (PJSC Ingulets Iron Ore Enrichment Works, PJSC Central Iron Ore Enrichment Works and PrJSC Northern Iron Ore Enrichment Works) for the whole reporting period, and by PJSC Avdiivka Coke Plant until 5 May 2023. On 5 May 2023, the latter was designated as Unrestricted Subsidiary as defined by the Terms and Conditions of each bond series. As a result of such designation, its suretyships in respect of each bond series were automatically released. Subsequently, on 17 May 2023, Private Joint-Stock Company "Colliery Group "Pokrovs'ke" was appointed as Additional Guarantor (as defined by the Terms and Conditions of each bond series) and entered into surety agreements with respect to each bond series. The above designation and appointment have been made in accordance and in compliance with the requirements set out in respective Terms and Conditions of the bonds.

The Group is subject to financial and non-financial 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 the reporting periods represented in these consolidated financial statements, the Group was in compliance with the covenants considering the waivers obtained and except for disclosure in Note 5.

As at 31 December 2023, 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 2023		31 December 2022	
	Fair value	Premium / (Discount)	Fair value	Premium / (Discount)
Bonds due in 2023	-	-	121	-18.90%
Bonds due in 2025	261	-20.8%	161	-45.60%
Bonds due in 2026	355	-29.3%	268	-46.50%
Bonds due in 2027	221	-35.3%	179	-47.40%
Bonds due in 2029	307	-39.1%	257	-49.10%
Total	**1,144**		**986**	

Fair value of bank loans as at 31 December 2023 amounted to USD 132 million (2022: 141 million). The fair values are based on cash flows discounted using a rate based on the borrowing rate of 19% (2022: 22%) and are within level 3 of the fair value hierarchy.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

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 2023				31 December 2022			
In % per annum	USD	EUR	UAH	GBP	USD	EUR	UAH	GBP
Bank loans	5%	6%	-	-	4%	6%	-	-
Bonds issued	9%	6%	-	-	9%	6%	-	-
Trade finance	8%	6%	-	-	8%	4%	-	-
Lease liability	6%	9%	14%	5%	7%	9%	10%	5%
Reported amount	**1,500**	**471**	**9**	**1**	**1,574**	**494**	**9**	**-**

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 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)**

	Bank borrowings	Bonds issued	Trade finance	Lease liability	Non-bank borrowings	Dividends payable	Total
Liabilities from financing activities as at 1 January 2023	**(182)**	**(1,793)**	**(45)**	**(39)**	**(18)**	**(476)**	**(2,553)**
Interest paid	8	131	5	2	-	-	**146**
Other cash flows	34	143	(70)	8	-	-	**115**
Interest accrued	(11)	(131)	(5)	(2)	-	-	**(149)**
Gain from financial instrument repurchase	-	2	-	-	-	-	**2**
Currency translation differences	(5)	(14)	(1)	4	-	2	**(14)**
Equipment received as lease asset	-	-	-	(2)	-	-	**(2)**
Dividends declared	-	-	-	-	-	-	**-**
Other movements	-	-	-	-	-	-	**-**
Liabilities from financing activities as at 31 December 2023	**(156)**	**(1,662)**	**(116)**	**(29)**	**(18)**	**(474)**	**(2,455)**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

20. RETIREMENT BENEFIT OBLIGATIONS

Accounting policy

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.

The Group's defined benefit obligations relate to:

	31 December 2023	31 December 2022
State-defined early pensions for employees working in hazardous and unhealthy working in hazardous and unhealthy working conditions	231	223
Long-term employee benefits under collective bargaining agreements	19	16
Total defined benefit obligations	**250**	**239**

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:

	2023	2022
Defined benefit obligation as at 1 January	**239**	**671**
Acquisition of subsidiary	1	-
Current service cost	8	20
Remeasurements of the defined benefit liability resulting from:		
- changes in financial assumptions	(7)	(298)
- changes in demographic assumptions	2	(38)
- experience adjustments	3	(28)
Past service cost	-	(2)
Interest cost	49	62
Benefits paid/invoices received	(36)	(37)
Currency translation difference	(9)	(111)
Defined benefit obligation as at 31 December	**250**	**239**

As at 31 December 2023 the outstanding balance payable to the pension fund amounted to USD 24 million (2022: USD 18 million).

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

	2023	2022
Current service cost	8	20
Past service cost	-	(4)
Interest cost	49	62
Total	**57**	**78**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

20. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The principal actuarial assumptions used were as follows:

	31 December 2023	31 December 2022
Nominal discount rate	21.00%	23.00%
Nominal salary increase	0% in 2024, 10% in 2025-2026, 6% in 2027 and further	0% in 2023, 10% in 2024-2026, 5% in 2027 and further
Nominal pension entitlement increase (indexation)	8,5% in 2024, 5,5% in 2025-2028, 6,6% in 2029 and further,	17,47% in 2023-2024, 9,03% in 2025-2026, 6,97% in 2027-2029, 5,00% in 2030 and further.
Long-term inflation	5,9% in 2024, 4,4% in 2025, 5% in 2026, 4,9% in 2027-2028, 7,4% in 2029-2031 6,0% in 2032 and further.	18,9% in 2023, 15,8% in 2024, 9,6% in 2025, 6,8% in 2026, 5,0% in 2027 and further.

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) and are consistent with the prior year.

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

	31 December 2023	31 December 2022
Nominal discount rate increase / decrease by 1 pp	(11.5) / 13.4	(11.7) / 12.6
Nominal salary increase / decrease by 1 pp	5.4 / (4.6)	5.1 / (4.2)
Inflation increase / decrease by 1 pp	0.8 / (1.1)	0.5 / (0.7)

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 2023, the weighted average maturity of the Group's defined benefit obligations is 5.9 years and it varies across different Group's subsidiaries from 4.5 to 8.2 years (31 December 2022: 5.7 years, varying from 4.3 to 7.7 years). Payments in respect of defined benefit obligations expected to be made during the year ending 31 December 2024 are USD 31 million (2022: USD 29 million).

21. OTHER NON-CURRENT LIABILITIES

	31 December 2023	31 December 2022
Asset retirement obligations	49	57
Tax liabilities under moratorium (Note 27)	5	5
Other non-current liabilities	58	12
Total other non-current liabilities	**112**	**74**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

22. TRADE AND OTHER PAYABLES

	31 December 2023	31 December 2022
Trade payables and payables on sales made on commission	2,681	2,026
Dividends payable to shareholders of Metinvest B.V.	417	417
Dividends payable to non-controlling shareholders of Company subsidiaries	57	59
Payable for acquired property, plant and equipment and other intangible assets	87	111
Other financial liabilities	121	115
Total financial liabilities	**3,363**	**2,728**
Prepayments received	110	82
Accruals for employees’ unused vacations and other payments to employees	81	94
Other taxes payable, including VAT	247	202
Wages and salaries payable	17	14
Other allowances and provisions	132	155
Total trade and other payables	**3,950**	**3,275**

23. NET OPERATING COSTS (EXCLUDING ITEMS SHOWN SEPARATELY)

	2023	2022
Raw materials including change in finished goods and work in progress	1,803	1,859
Goods and services for resale, excluding related transportation	1,772	1,526
Energy materials including gas, electricity and fuel	683	1,019
Transportation services	757	574
Wages and salaries	506	632
Depreciation and amortisation	403	619
Services and other costs	364	391
Repairs and maintenance expenses	157	164
Taxes and duties	109	119
Pension and social security costs	85	112
Charity and expenses on social activities	71	71
Maintenance of social infrastructure	18	27
Pension costs — defined benefit obligations (Note 20)	8	18
VAT on sales below cost and VAT write-off	5	4
Impairment of property, plant and equipment and intangible assets	6	11
Other operating expenses/ (income)	33	(16)
Change in the fair value of financial instruments	(10)	13
Write-off of trade and other payables	(4)	(1)
Loss/Gain on disposal of property, plant and equipment, net	(5)	2
Operating foreign exchange losses, net	56	333
Total net operating costs (excluding items shown separately)	**6,817**	**7,477**

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

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

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

	2023	2022
Audit of the financial statements (including audit fee of PricewaterhouseCoopers Accountants N.V. of USD 0.2 million in 2023 and USD 0.2 million in 2022)	1.8	1.8
Other non-current liabilities	0.22	-
Total	**2.02**	**1.8**

During 2023, tax and other non-audit services expensed in the consolidated income statement amounted to USD 0.17 million and USD 0.04 million, respectively (2022: USD 0.18 million and USD 0.03 million), including USD 0 million of other non-audit services fees of signing firm during 2023 (USD 0 million during 2022).

24. FINANCE INCOME AND FINANCE COSTS

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

	2023	2022
Interest income:		
- loans issued	19	22
- bank deposits	6	7
- imputed interest on other financial instruments	2	-
Other finance income	4	14
Total finance income	**31**	**43**

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

	2023	2022
Net foreign exchange loss	57	437
Interest expense		
- borrowings	18	12
- bonds	128	135
Interest cost on retirement benefit obligations	49	62
Other finance costs	27	15
Total finance costs	**279**	**661**

During 2023 and 2022, 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.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

25. INCOME TAX

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

	2023	2022
Current tax	101	158
Deferred tax	58	(15)
Income tax expense	**159**	**143**

The Group is subject to taxation in several tax jurisdictions, depending on the residence of its subsidiaries. In 2023 and 2022, Ukrainian corporate income tax was levied on taxable income less allowable expenses at the rate of 18%. The tax rate for Swiss operations was 8.5% federal tax and 3.3% cantonal tax and for European companies tax rate varied from 10% to 28%. The tax rate for US operations was 21% federal tax and 5% state tax.

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

	2023	2022
IFRS (loss)/profit before tax	**(35)**	**(2,050)**
Tax calculated at domestic tax rates applicable to profits in the respective countries	(42)	(388)
Tax effect of items not deductible or assessable for taxation purposes:		
- other non-deductible expenses	54	-
- non-taxable income	-	(24)
Under/(over) provision of current tax in prior years	(6)	3
Tax effect related to the change in legislations	2	56
Write-down / (reversal of write-down) of deferred tax assets, net	151	496
Income tax expense	**159**	**143**

Other non-deductible expenses and non-taxable income are mainly represented by the share of loss/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 2023	Credited/(charged) to income statement	Credited/ (charged) to other comprehensive income	Currency translation difference	31 December 2023
Tax effect of deductible temporary differences					
Property, plant and equipment and intangible assets	22	(1)	(6)	-	15
Long-term receivables	-	18	-	-	18
Inventory valuation	18	(5)	-	-	13
Trade and other accounts receivable	84	2	-	(3)	83
Accrued expenses	1	-	-	-	1
Tax losses carried forward	90	(65)	-	(2)	23
Retirement benefit obligations	24	(3)	-	(1)	20
Other	49	5	-	1	55
Gross deferred tax asset	**288**	**(49)**	**(6)**	**(5)**	**228**
Less offsetting with deferred tax liabilities	(121)	8	(7)	1	(119)
Recognised deferred tax asset	**167**	**(41)**	**(13)**	**(4)**	**109**
Tax effect of taxable temporary differences					
Property, plant and equipment and intangible assets	(249)	11	6	7	(225)
Inventory tax differences	(10)	-	-	-	(10)
Other	(62)	(20)	-	(1)	(83)
Gross deferred tax liability	**(321)**	**(9)**	**6**	**6**	**(318)**
Less offsetting with deferred tax assets	121	(8)	7	(1)	119
Recognised deferred tax liability	**(200)**	**(17)**	**13**	**5**	**(199)**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

25. INCOME TAX (CONTINUED)

Deferred tax asset on unused tax losses and temporary differences not recognised as at 31 December 2023 comprised USD 588 million (31 December 2022: USD 479 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 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)**

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

	2023			2022		
	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)
Remeasurement of retirement benefit obligation	2	-	2	364	(58)	306
Other comprehensive income	**2**	**-**	**2**	**(919)**	**172**	**(747)**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

25. INCOME TAX (CONTINUED)

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.

Pillar Two preliminary impact assessment

The Group is within the scope of the OECD Pillar Two model rules. The key Group's operations are located in the EU, the UK, the US and Ukraine. Pillar Two legislation was adopted in the EU via European Union Minimum Taxation Directive (2022/2523) with respective provisions to be further incorporated by EU member states into local legislation. The UK has also introduced Pillar Two legislation, the US has not joined Pillar Two initiative, while Ukraine has committed to join the Pillar Two framework, however, as of now no legislation has been introduced yet.

Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

Under the Pillar 2 rules, the group is liable to pay a top-up tax for the difference between GloBE effective tax rate per jurisdiction and the 15% minimum rate. Most of the jurisdictions where the Group operates have an effective tax rate greater than 15%. Though, among all jurisdiction, where the Group has its assets, statutory tax rates are lower than 15% in Switzerland with appx. 14% tax rate, Bulgaria with 10% tax rate and Cyprus with 12.5% tax rate. As a result, expected top-up taxation may appear in these jurisdictions in relation to the following companies: Metinvest International S.A. (Switzerland), Promet Steel JSC (Bulgaria) and Barlenco Limited (Cyprus).

Based on 2023 results, only Metinvest International S.A. and Barlenco Limited are profitable in 2023. Hence, the top-up taxation may be applied only to these companies.

For 2023 the effective tax rates are expected to be as follows:

	Metinvest International S.A. operating in Switzerland USD million
Tax expense for year ending 31 December 2023	19
Profit before tax for year ending 31 December 2023	143
Effective tax rate for year ending 31 December 2023	13.5%

	Barlenco Limited operating in Cyprus USD million
Tax expense for year ending 31 December 2023	1
Profit before tax for year ending 31 December 2023	10
Effective tax rate for year ending 31 December 2023	12.5%

We do not expect any material impacts from Pillar 2 legislation which is supposed to be enacted on the basis of the above. However, due to the impact of the specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with paragraph 86 of IAS 12 and that the ultimate assessment of taxes shall be made at the parent entity level, the impacts may vary from the above.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

26. 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 2023 and 2022, significant balances outstanding with related parties are detailed below:

	31 December 2023					31 December 2022				
	SCM	Associates	Joint ventures	Entities related to SCM	SMART	SCM	Associates	Joint ventures	Entities related to SCM	SMART
ASSETS										
Advances issued for property, plant and equipment	-	-	-	**4**	-	-	-	-	**2**	-
Non-current trade and other receivables, including:	**-**	**-**	**-**	**261**	**10**	**-**	**-**	**-**	**59**	**-**
Long-term loans issued	-	-	-	-	10	-	-	-	51	-
Other non-current financial assets	-	-	-	256	-	-	-	-	-	-
Other non-current non-financial assets	-	-	-	5	-	-	-	-	8	-
Current trade and other receivables, including:	**145**	**418**	**934**	**158**	**1**	**136**	**294**	**621**	**102**	**14**
Trade receivables and receivables on commission sales	-	399	825	39	1	-	251	567	41	1
Prepayments made	-	7	50	5	-	-	16	-	2	-
Loans issued	142	1	58	72	-	133	-	53	19	13
Other financial receivables (short-term, non-interest bearing)	3	11	1	42	-	3	27	1	40	-
Cash and cash equivalents	**-**	**-**	**-**	**164**	-	**-**	**-**	**-**	**68**	**-**

	31 December 2023					31 December 2022				
	SCM	Associates	Joint ventures	Entities related to SCM	SMART	SCM	Associates	Joint ventures	Entities related to SCM	SMART
LIABILITIES										
Trade and other payables, including:	**345**	**364**	**1,912**	**235**	**73**	**345**	**270**	**1,342**	**159**	**73**
Dividends payable to shareholders of Metinvest B.V.	344	**-**	**-**	**-**	73	344	**-**	**-**	**-**	**73**
Dividends payable to non-controlling shareholders of Company's subsidiaries	-	-	46	11	-	-	-	47	10	-
Trade payables and payables on sales made on commission	-	341	1,736	214	-	-	246	1,155	139	-
Prepayments received	-	18	1	7	-	-	19	-	4	-
Other allowances	-	-	106	1	-	**-**	**-**	123	**-**	**-**
Other financial liabilities	**1**	**5**	**23**	**2**	**-**	**1**	**5**	**17**	**6**	**-**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

26. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Significant transactions (excluding purchases) with related parties during 2023 and 2022 are detailed below:

2023	SCM	Associates	Joint ventures	Entities related to SCM	SMART	Total
Sales, including:	-	173	1,019	90	-	**1,282**
Steel	-	1	26	78	-	**105**
Scrap metal	-	-	11	-	-	**11**
Coke and coking coal	-	167	490	-	-	**657**
Iron ore	-	-	346	1	-	**347**
Other	-	5	146	11	-	**162**
Other operating income/(expenses), net	-	-	-	(33)	-	**(33)**
Expected credit losses	-	(21)	2	(98)	(4)	**(121)**
Finance income	9	2	5	9	1	**26**
Finance costs	-	-	-	(1)	-	**(1)**

2022	SCM	Associates	Joint ventures	Entities related to SCM	SMART	Total
Sales, including:	-	**198**	**820**	**121**	**2**	**1,141**
Steel	-	0	22	97	2	**121**
Scrap metal	-	-	7	-	-	**7**
Coke and coking coal	-	196	463	-	-	**659**
Iron ore	-	-	145	1	-	**146**
Other	-	2	183	23	-	**208**
Other operating income/(expenses), net	-	**1**	**(3)**	**5**	-	**3**
Expected credit losses	12	(3)	(1)	(5)	(2)	**1**
Finance income	**8**	-	**8**	**11**	**1**	**28**

The following is a summary of purchases from related parties in 2023 and 2022:

2023	Associates	Joint ventures	Entities related to SCM	Total
Purchases, including:	**204**	**1,722**	**717**	**2,643**
Metal products	-	1,470	3	**1,473**
Coke and coking coal	198	13	162	**373**
Iron ore	-	181	-	**181**
Raw materials and spare parts	-	6	22	**28**
Electricity	-	1	348	**349**
Gas	-	1	109	**110**
Fuel	-	-	1	**1**
Services	1	21	59	**81**
Other	5	29	13	**47**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

26. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

2022	Associates	Joint ventures	Entities related to SCM	Total
Purchases, including:	**204**	**1,598**	**1,022**	**2,824**
Metal products	-	1,437	5	**1,442**
Coke and coking coal	202	17	174	**393**
Iron ore	-	73	-	**73**
Raw materials and spare parts	-	33	38	**71**
Electricity	-	-	352	**352**
Gas	-	-	331	**331**
Fuel	-	-	6	**6**
Services	-	7	43	**50**
Other	2	31	73	**106**

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 0 million in 2023 (2022: USD 54 million).

In 2023, the remuneration of key management personnel of the Group comprised current salaries and related bonuses accrued totalling USD 10 million (in 2022: USD 13 million).

As at 31 December 2023 and 2022, 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.

27. 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.

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 0 million (31 December 2022: USD 20 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 2022: USD 13 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 2023, the amount of financial and tax liabilities related to the bankruptcy proceedings recorded in these consolidated financial statements is USD 7 million (31 December 2022: USD 7 million), out of which USD 5 million (31 December 2022: USD 5 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 no expect that the bankruptcy proceedings will result in liquidation of the entity.

27. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (CONTINUED)

During 2022-early 2023 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, 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.

In early 2023, Metinvest has received a writ of summons issued by four parties claiming to be holders of its bonds to the District Court of Amsterdam seeking injunctive relief against the Group and its directors to restrain the Group from making any distributions to its shareholders for a period of one year after the date of the judgment in these proceedings. Hearing on the merits of the claim took place on 18 April 2023. On 3 May 2023, the District Court of Amsterdam rendered its judgement and rejected the claimants' claims in full. On 30 May 2023, the claimants filed an appeal writ of summons. The hearing in the appeal proceedings has been scheduled for September 2024. There are no new restrictions on operations of the Group.

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 2023, the Group has contractual capital expenditure commitments in respect of property, plant and equipment totalling USD 200 million (31 December 2022: USD 288 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 financial and non-financial 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. During the reporting periods represented in these consolidated financial statements, the Group was in compliance with the covenants considering the waivers obtained and except for disclosure in Note 5.

Insurance. Metinvest maintains mandatory insurance policies against certain types of risk in accordance with Ukrainian law, including accident insurance; third party liability insurance on hazardous industrial assets, liability insurance in respect of hazardous cargo shipments and motor vehicles liability insurance; voluntary insurance cover for most of its production facilities and in respect of cargo and motor vehicles; property damage (including cover for 4 Ukrainian entities, which are guarantors under bonds) and business interruption policies in respect of its European and US assets.

28. 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 as well as on intercompany balances between subsidiaries with different functional currencies.

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.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	31 December 2023			31 December 2022		
	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
EUR	1,044	(1,301)	(257)	614	(958)	**(344)**
USD	991	(2,628)	(1,637)	546	(2,378)	**(1,832)**
CHF	1	(1)	-	2	(238)	**(236)**
UAH	530	(16)	514	548	(20)	**528**
PLN	11	(0)	11	64	(138)	**(74)**
Other	14	(4)	10	24	(5)	**19**
Total	**2,591**	**(3,950)**	**(1,359)**	**1,798**	**(3,737)**	**(1,939)**

At 31 December 2023, if the UAH had strengthened / weakened by 25% against the US dollar with all other variables held constant, post-tax loss for the year would have been USD 231 million higher / lower (2022: if the UAH had strengthened / weakened by 25% against the US dollar with all other variables held constant, post-tax loss for the year would have been USD 267 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 2023, if the UAH had strengthened / weakened by 25% against the EUR with all other variables held constant, post-tax loss for the year would have been EUR 53 million higher / lower (2022: if the UAH had strengthened / weakened by 25% against the EUR with all other variables held constant, post-tax loss for the year would have been EUR 71 million lower / higher). Impact of other currency changes on the post-tax loss 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, iron ore and coal products. The prices of the steel and iron ore products sold both within Ukraine and abroad are generally determined by market forces. These prices may be influenced by factors such as supply and demand, production costs (including the costs of raw material inputs) and global economic growth. The prices of the products that the Group sells to third parties are also affected by supply/demand and global/Ukrainian economic growth. Adverse changes in respect of any of these factors may reduce the revenue that the Group receives from the sale of its steel or mined products.

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

No financial instruments are exposed to price risk.

(III) Cash flow and fair value interest rate risk.

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

The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings attracted at floating rates expose the Group to cash flow interest rate risk. Borrowings attracted at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain a balanced borrowings portfolio of fixed and floating rate instruments. As at 31 December 2023, 88% of the total borrowings were provided to the Group at fixed rates (31 December 2022: 90%). During 2023 and 2022, 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 2023, if interest rates on USD, EUR and GBP denominated floating rate borrowings had been by 1 pp higher / lower (2022: 1 pp) with all other variables held constant, post-tax loss for the year would have been USD 2 million higher / lower (2022: 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.

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2023 (CONTINUED)

All amounts in millions of US Dollars

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 European countries and Ukraine where the major customers, associates and joint ventures are located.

The maximum exposure to credit risk as at 31 December 2023 is USD 2,831 million (2022: USD 1,776 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, which cover up to 15% of the total receivables of the Group. 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 additional 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.

At 31 December 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank loans	60	37	62	**23**
Trade finance	116	-	-	**-**
Bonds issued	125	448	1,016	**536**
Lease liability	14	9	7	**-**
Non-bank borrowings	18	-	-	**-**
Financial trade and other payables	3,363	5	1	**3**
Total	**3,696**	**499**	**1,086**	**562**

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**

METINVEST B.V.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2023
(CONTINUED)

All amounts in millions of US Dollars

29. 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 2023	31 December 2022
Total loans and borrowings (Note 19)	1,981	2,077
Less: cash and cash equivalents (Note 16)	(646)	(349)
Net debt	**1,335**	**1,728**
Total equity	2,623	2,870
Total capital	**3,958**	**4,598**
Gearing ratio	**34%**	**38%**

30. 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.

31. 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 2023, the carrying amount of the balances subject to factoring amounted to USD 65 million (31 December 2022: USD 21 million).

32. EVENTS AFTER THE BALANCE SHEET DATE

Subsequently to reporting period end EUR 61.4 million of 2025 bonds were repurchased via open market purchases. All of the purchased bonds were cancelled promptly afterwards.

There were no other events after the balance sheet date which has to be disclosed in these consolidated financial statements.