2021

ANNUAL REPORT

SUSTAINABLE SOLUTIONS FOR PEOPLE AND THE PLANET

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2021 WAS A YEAR OF RECORDS

2021 was a year of records. Records in the areas of safety, environment, reliability, as well as quality and productivity, thanks to which we also achieved a record level of profitability that allowed us to pay our employees record high shares of the company's profits and the incentive component of salaries.

Our results in 2021 set us on the path to success. I do believe that working according to the **principles of S.T.E.E.L.** will help us continue in 2022 on the trajectory of securing a sustainable future for our Corporation.

David Burritt
CEO U. S. Steel

WE EXPECT THAT THIS YEAR WILL BE ANOTHER GREAT YEAR

For U. S. Steel Corporation, 2021 was a record year in which the company reported Adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) of around USD 5.6 billion, which represents a 40% increase compared to what we had achieved in the previous 5 years combined. More than 3 billion in profits were generated by plants in North America, 1.5 billion came from Big River Steel, and in Košice we contributed more than one billion dollars to this result. As such, it is not a record year only for the Corporation, but also for us in Košice. This deserves an expression of gratitude to all the colleagues, to whom we were able to make record variable payments last year, so it was a positive result for everyone. And most importantly for me our USSK team did this while maintaining the highest levels of safety performance, and further driving safety enhancements through continuous improvements.

In 2021 we continued to pay substantial attention to the sustainable future of our company, the integral part of which is our attitude towards environmental protection. We analyze technological possibilities and closely monitor the latest developments in steel production technology with the intention of creating a portfolio of effective decarbonization projects. We are working to promote new solutions with the aim to provide products with a low carbon footprint, all while minimizing the impact of operations on both human health as well as the environment. Thanks to differentiated products and constant advancement, the company has been making significant progress to create a lower-carbon, more circular economy.

I expect 2022 to be another great year. For us in Košice, this may be the second-best year in the last 10 years. However, this expected result may well be influenced by the development of the current situation in the neighboring Ukraine, which in fact may have an impact on the functioning of our operations in the coming period. With this in mind, we have taken preventative measures. Namely, we have launched a plan aimed at securing sufficient stocks of strategic raw materials. Moreover, following the imposition of sanctions against the Russian Federation, the Company has further acted to identify risks and take relevant measures to reduce the impact on its business. Based on the available information and current developments, we continuously analyze the situation and evaluate its potential impacts.

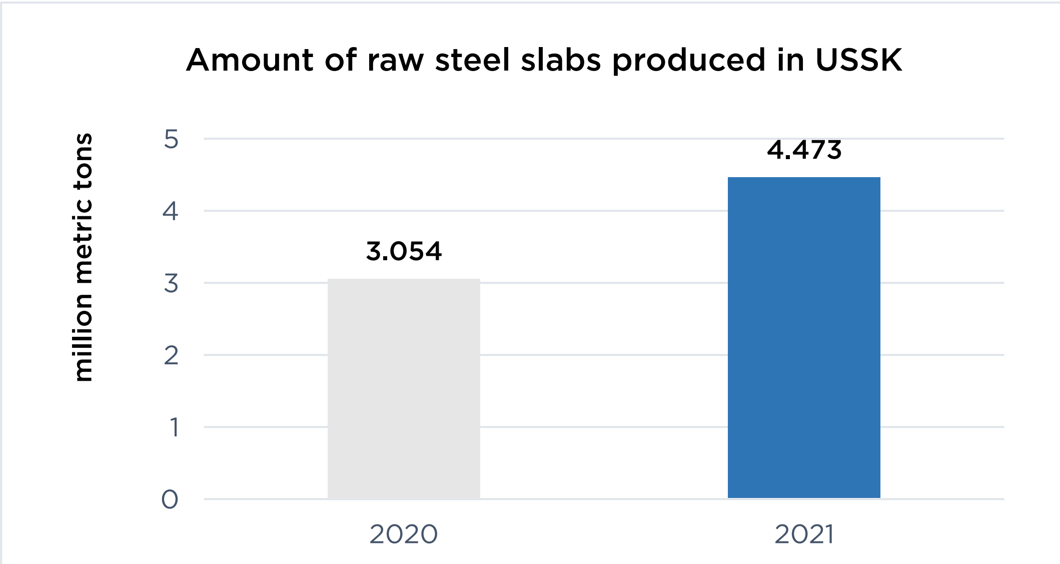
Developments related to the COVID-19 pandemic also remain a major challenge. Thanks to adhering to strict hygienic measures, we managed to get through the year 2021 without having to limit our production. This situation emphasized to an even greater degree the importance of our primary value "safety first." Yet, we had to adapt to the situation at various levels. Last but not least, we exchanged most of our personal meetings for teleconferences and online meetings.

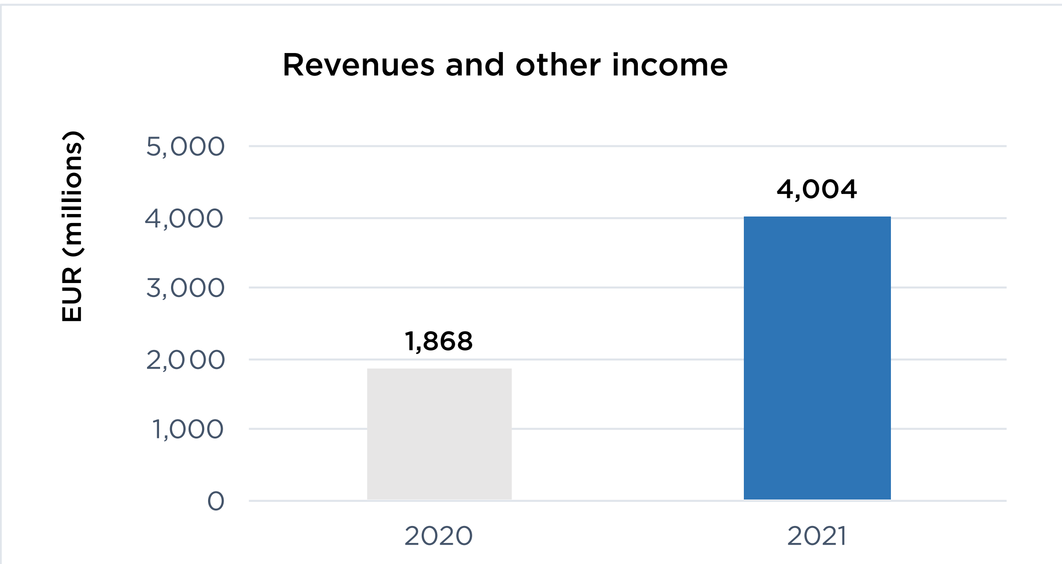
I firmly believe that together we will manage to overcome these potential risks, and other challenges of 2022 that may occur, and we will continue to strengthen the success of the Group, which has been built by many generations of employees with high expertise and professional experience. Our goal is to ensure that our company continues to create long-term value for all stakeholders - our investors, customers, employees, the community in which we live and work, and ultimately, the planet. I want to wish all of our stakeholders, and especially our hard working colleagues for making 2021 a year of records and for continuing to drive forward with our safety first mindset, and for working to make our future bright.

Jim Bruno

James E. Bruno
President of U. S. Steel Košice, s.r.o.

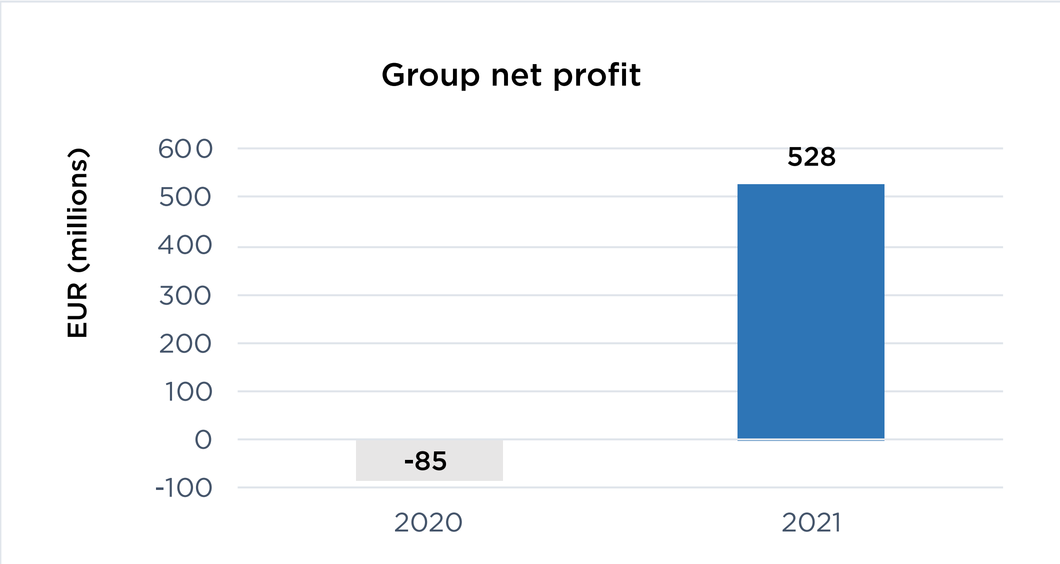
KEY PERFORMANCE INDICATORS: 2020/2021

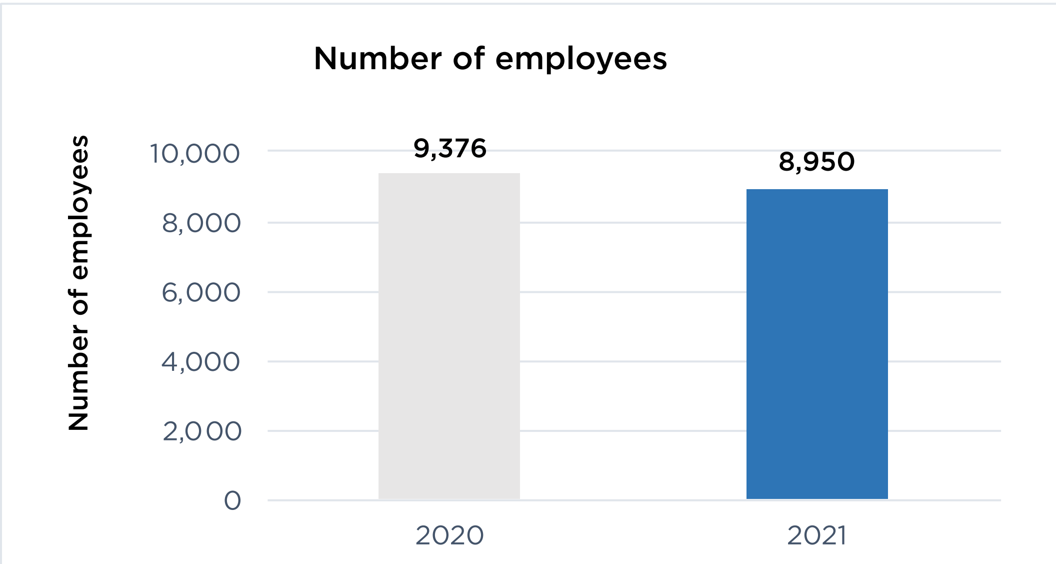




KEY CHALLENGES IN 2021

- Rising energy prices and CO_2 emission allowance prices.
- Combating the COVID-19 pandemic, which poses a threat to the health of our employees.
- Reducing environmental impact: development of modern low-carbon technologies and related production processes.
- Sharp increase in steel imports into the EU from non-EU producers that are not subject to CO_2 charges.
- Ensuring continuity of production, reliable supply, as well as the highest quality of the products portfolio.





COMPANY PROFILE

ABOUT US

The U. S. Steel Košice Group consists of U. S. Steel Košice, s.r.o. and its domestic and foreign subsidiaries.

U. S. Steel Košice, s.r.o. is one of the largest integrated producers of flat-rolled steel products in Central Europe, providing a wide assortment of hot-rolled, cold-rolled and coated products including hot-dip galvanized, color-coated, tinplate and non-grain oriented sheets. On top of flat-rolled steel products, company also produces spiral welded pipes.

MEMBERSHIP IN ORGANIZATIONS

- **Eurofer** - European Steel Association
- **APEAL** - Association of European Producers of Steel for Packaging
- **RUZ** - National Union of Employers
- **AmCham** - American Chamber of Commerce in Slovakia
- **SOPK** - Slovak Chamber of Commerce and Industry
- **ZAP** - Automotive Industry Association of the Slovak Republic
- **BLF** - Business Leaders Forum
- **IT Valley**

COMPLEX PRODUCTION AND TECHNOLOGICAL PLANT

U. S. Steel Košice, s.r.o. has annual raw steel production capability **of 4.5 million metric tons**. Operation facilities include two coke batteries (**1**), four sintering strands (**2**), three blast furnaces (**3**), four steelmaking vessels (**4**), a vacuum degassing unit (**5**), two dual strand continuous casters (**6**), a hot strip mill (**7**), two pickling lines (**8**), two cold reduction mills (**9**), a batch annealing facility (**10**), a skinpass (**11**), two-stand tandem mill (**12**), two continuous annealing lines (**13**), two hot-dip galvanizing lines (**14**), two tin-coating lines (**15**), one dynamo line (**16**), a color-coating line (**16**) and two spiral-welded pipelines (**17**). U. S. Steel Košice, s.r.o. also has multiple slitting, cutting and other finishing lines for flat products. The research and development unit (**18**) runs corporate excellence centers for coal and coke, electrical steels, statistics and mathematical analyses.

In 2021, U. S. Steel Košice produced 4.473 million metric tons of raw steel slabs.

COMPANY PROFILE

ABOUT GROUP

U. S. Steel Košice, s.r.o. was established as a limited liability company on June 7, 2000 and inscribed in the Commercial Register of District Court Košice I, Section Sro, Insert 11711/V on June 20, 2000. The Company's registered office is at Vstupný areál U. S. Steel, 044 54 Košice. As of December 31, 2020, the sole shareholder in the Company was U. S. Steel Global Holdings VI B.V., Basisweg 10, 1043 AP, Amsterdam, Netherlands. The ultimate parent company of USSK is United States Steel Corporation, 600 Grant Street, Pittsburgh, Pennsylvania, USA.

As of December 31, 2021, U. S. Steel Košice, s.r.o. had 8 subsidiaries, 5 of them located in Slovakia and 3 abroad. The Company does not have other remote production sites.

DOMESTIC SUBSIDIARIES

Located within the premises of U. S. Steel Košice, s.r.o.:

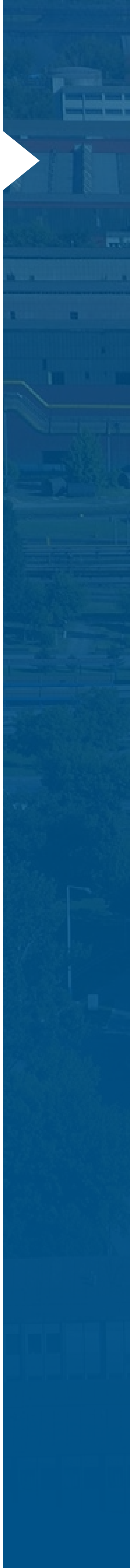
- Ferroenergy s.r.o.
- U. S. Steel Obalservis s.r.o. in liquidation
- U. S. Steel Košice – Labortest, s.r.o.
- U.S. Steel Košice – SBS, s.r.o.
- Tubular s.r.o.

FOREIGN SUBSIDIARY COMPANIES (AFFILIATIONS)

Sales and customer service support on foreign markets

- U. S. Steel Europe – Bohemia s.r.o. in liquidation
- U. S. Steel Europe – France S.A.
- U. S. Steel Europe – Germany GmbH

Their activities are closely linked with the business and production of U. S. Steel Košice, s.r.o.



COMPANY MANAGEMENT

AS OF DECEMBER 31, 2021:

JAMES E. BRUNO
President, statutory representative

Ing. SILVIA GAÁLOVÁ, FCCA
Vice President and Chief Financial Officer / statutory representative

DAVID E. HATHAWAY
Vice President Engineering and Innovation / statutory representative

JUDr. ELENA PETRÁŠKOVÁ, LL.M
Vice President Subsidiaries and General Counsel / statutory representative

RNDr. MIROSLAV KIRAĽVARGA, MBA
Vice President External Affairs, Administration and Business Development / statutory representative

Ing. JÚLIUS LANG
Vice President Commercial and Customer Technical Service / statutory representative

KARL G. KOCSIS
Vice President Human Resources and Transformation / statutory representative

Ing. MARCEL NOVOSAD
Vice President Operations / statutory representative

RICHARD C. SHANK
Vice President Information Technology

CHANGES IN 2021

- The subsidiary U. S. Steel Obalservis s.r.o. entered into liquidation on January 1, 2021.
- As of July 1, 2021, there was a transfer of activities and roles of RMS Košice s.r.o. to U. S. Steel Košice, s.r.o. and a related transfer of rights and obligations under the employment relationships to the employees concerned.
- As of July 6, 2021, transfers of shares of the shareholder U. S. Steel Obalservis s.r.o. in liquidation were made in U. S. Steel Košice - Labortest, s.r.o., U.S. Steel Košice - SBS, s.r.o., and Ferroenergy s.r.o. to new shareholders.
- On November 6, 2021, the sale of the subsidiary RMS Košice s.r.o. was carried out in the form of the sale of the shares of the shareholders of U. S. Steel Košice, s.r.o. and U. S. Steel Obalservis s.r.o. in liquidation to the company TERMOSTAV - MRÁZ, spoločnosť s ručením obmedzeným, Košice.
- On December 28, 2021, the subsidiary U. S. Steel Services s.r.o. in liquidation was deleted from the Commercial Register.
- On January 4, 2022, the subsidiary U. S. Steel Europe – Bohemia s.r.o. in liquidation was deleted from the Commercial Register.
- On February 2, 2022, the subsidiary U. S. Steel Europe Obalservis s.r.o. in liquidation was deleted from the Commercial Register.
- The active subsidiaries are involved in all programs and activities of U. S. Steel Košice, s.r.o. Additional information about the subsidiary companies is provided in Note 8 to the Separate Financial Statements and Note 8 to the Consolidated Financial Statements.

This annual report covers the activities and results of U. S. Steel Košice, s.r.o. and its subsidiaries and refers to them all as “the Group” or “U. S. Steel Košice Group”. U. S. Steel Košice, s.r.o. is also referred to as “U. S. Steel Košice”, “USSK” or “the Company”.


Agilent Technologies
Part Number 9301-0722

CORPORATE STRATEGY

U. S. Steel Košice is transforming itself into a customer-centric, competitive steelmaker. We want to supply our customers in strategic markets with high-quality value-added products and innovative solutions with a lower carbon footprint.

We are executing on our customer-centric **Best for All** ℠ strategy to advance a more secure, sustainable future for U. S. Steel and its stakeholders.

Our strategy focuses on innovating products and processes through investments where we have significant competitive advantages in terms of costs or capabilities. We expand our competitive advantages based on research, innovation and customer relationships. In executing our strategy, we aim to enhance our earnings profile, deliver long-term cash flow through industry cycles and reduce our capital and carbon intensity.

By offering a product portfolio, including more sustainable steels (produced with lower greenhouse gas emissions), we can satisfy our increasingly demanding customers and achieve a more competitive position in strategic end markets with high added value and provide high-quality, sustainable solutions.

To translate the opportunities of 2022 into measurable steps, we have developed an **action plan for 2022:**

1 CURRENT SITUATION

The current situation with record profits and excellent results in the field of occupational safety, environment, as well as excellent product quality and delivery gives us a positive outlook for 2022.

2 OPERATING IMPROVEMENTS

We have identified opportunities that will help us repeat and overcome the success of last year.

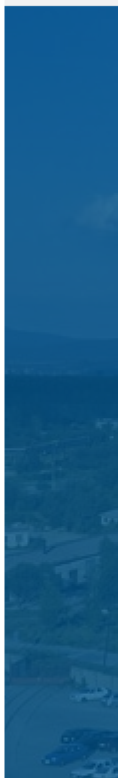
- **Safety at work**
  Protection of health and life is our utmost priority. Thanks to adhering to S.T.E.E.L. principles, we manage to sustain a record low number of incidents.

- **Succeeding in strategic markets**
  Developing and providing products with higher added value on the market.

- **Increasing efficiency and reducing costs**
  The Moving Down The Cost Curve (MDCC) program has helped save more than 1 billion operating costs over 3 years. We are preparing a continuation of BestX, which will include, in addition to reducing costs, commercial opportunities.

- **Data and analytics**
  With the help of data and artificial intelligence, we can produce better products and save costs. We want to expand data and analytics platforms for new projects.

- **Talent and skills development**
  Attracting and retaining talent, especially in the field of data analytics and increasing customer satisfaction.



3 STRATEGIC PROJECTS

- **Improving customer relationships**
  Involving strategic customers in the planning and development of green steels according to requirements.

- **Research and innovations**
  Using the know-how to develop new steel qualities with better mechanical properties and lower CO_2 emissions.

- **Sustainability / ESG**
  Transformation of our business and start of green steel production. In this context, we are preparing for Responsible Steel™ certification.

4 PORTFOLIO SHAPING

Strategic priorities focused primarily on our core competencies. The new green steel product portfolio will replace existing products to optimize the overall business footprint.

5 FINANCIAL STRATEGY

Allocation of capital for making strategic investments in a reasonable investment to income ratio. Creating business resilience and financial sustainability and maintaining positive cashflow.

6 GOALS

Targeting production with lower capital and carbon intensity. We want to provide advanced sustainable steel solutions for our customers. Best for all: customers, employees, partners, investors and the community.

STRATEGY

SUSTAINABILITY

Towards the end of 2021, we began to systematically work on the development of our company's sustainability strategy. We have created the **ESG / Sustainability team**, which covers the agenda across the entire scope of the company. We believe that a responsible and sustainable way to succeed is key to our business. It not only brings economic development, but also strengthens the motivation and loyalty of employees, evokes customer satisfaction and loyalty, promotes understanding with the community in which we operate and live, and last but not least, is beneficial to our shareholders.

We also gained the support of banking institutions and, as a symbol of this partnership, we planted a maple at the U. S. Steel Košice premises, which symbolizes our green commitments.

SUSTAINABLE DEVELOPMENT GOALS

Our business is in line with the **global Sustainable Development Goals (SDGs)** adopted by UN member states in 2015 under Agenda 2030 to which the Slovak Republic is also committed. As the world seeks to unite around these goals, the goals of sustainable development have gained considerable interest from business organizations all around the world. We are aware of their importance, and as such we support the goals of sustainable development through our corporate mission, and via our wide-ranging activities, we contribute to their achievement.

ESG

Neither **Corporate Social Responsibility** (from English **CSR**) nor **ESG** (from English **Environmental, Social, Governance**, representing the criteria used to assess a company's impact on climate and the environment, its societal impact and the quality of decision-making and management) are anything new for our company. We have been producing in Slovakia high-quality steel that serves world needs for more than 20 years. Long before the word "sustainability" began to be used in connection with the business-to-company relationship, the Group applied a responsible approach in its business. Since the beginning of our operations in Košice, we have followed the principles of ethical and transparent business of the first Chairman of the Supervisory Board of U. S. Steel, Elbert Gary, which he introduced at the beginning of the 20th century.

USSK is the **largest employer and company in eastern Slovakia** and has been **regularly informing** about the impact of its business in social, economic and environmental areas through corporate responsibility reports, and ever since 2011 via integrated annual reports. USSK is one of the founding members of the informal association of companies, Business Leaders Forum, which since 2004, has been systematically working on promotion of CSR in Slovakia.

U. S. Steel Košice, s.r.o. is a leading corporate partner and **responsible community member supporting the development of the region** where its partners and employees live. It has been doing so since its establishment in 2000 via the promotion of children's and youth activities, health care, sport and sporting events, environmental and educational programs, projects helping to preserve the cultural identity of the region. It supports its active employees, appreciates their generosity in corporate fundraisers for charitable purposes, and develops their volunteer work for the benefit of communities.

USSK pays a significant attention to issues of **management, education and development of human resources** - from the preparation of the next generation of employees through the support of students at partner schools, to a close cooperation with trade unions - in creating a motivated workforce. We put special emphasis on the **safety and health of employees**, which the Group promotes as a key value in cooperation with its partners and the community. Last but not least, USSK is a **leader in the application of business ethics and anti-corruption practices in Slovakia**.

CIRCULAR ECONOMY SUSTAINABILITY THROUGHOUT THE PRODUCTION PROCESS

Sustainability within U. S. Steel means ensuring that our company creates long-term value for all who participate in it - for investors, customers, employees, the community where we live and work, and ultimately for the planet.

BUSINESS ENVIRONMENT

TRUSTED BY OUR EMPLOYEES, CUSTOMERS, INVESTORS, COMMUNITY

Company Management (ESG)

- Transparent and ethical management of the company
- Diversity

Procurement of raw materials, products and services (ESG)

- Transparent and responsible principles for supplier selection and cooperation with suppliers
- Implementation of the Code of Responsible Sourcing
- Use of alternative materials
- A greener approach to transport
- Circular economy

Production (ESG)

- Sustainable production
- Continuous improvement and optimization of production processes aimed at reducing CO_2 emissions, energy intensity and production costs, while increasing productivity, efficiency and quality of production
- Ensuring continuity of production and optimal use of production capacity - reuse of natural raw materials, use and purification of water, reduction of air pollution or waste treatment are the main areas of environmental protection in our company
- Steel production is an ideal example of a **circular economy**:

  - Steel can be recycled indefinitely without any loss of quality (we can use up to 3,000-4,000 tons of scrap per day).
  - 60% of technological residues of the production is blast furnace and steel slag, which has additional uses in various industries. Waste that cannot be further used is stored on our safe landfills.
  - USSK produces approximately 60% of the total electricity consumed at the plant.

- Monitoring and systematically reducing environmental impact, in particular as regards emissions of dust and gases emitted into the air

Engaged member of the community (ESG)

- Active cooperation with the local community, interest in the needs of the region and engagement in their solution - either directly or through its foundation, Nadácia U. S. Steel Košice
- The priorities in the area of donations and sponsorship are public benefit projects for children, support for health care, science and education, culture and sports
- Volunteering programs
- Partner to many non-profit organizations that are active in solving problems and providing innovative solutions for community development and social care for disabled people and senior citizens

Quality and safe working environment (ESG)

- Fair, ethical and respectful treatment of our employees
- Opportunities for further development
- A wide range of benefits (beyond the legislative requirements)
- Safe, healthy and quality working life for our people
- Safety of our employees is our priority
- We implement complex safety projects
- We provide our employees with the necessary personal protective equipment (PPE)
- In the context of COVID-19 pandemic, we provide the necessary hygiene equipment. We provide testing and vaccination opportunities. We are also running a comprehensive information campaign on the risks involved.

Products

- We respond, among others, to the needs of the construction, automotive, white goods and energy industries
- We are constantly expanding our product portfolio - the development of the new electric steel grade, designed for the production of wind turbines, culminated in the start of regular deliveries to customers
- Products create sustainable infrastructure and promote a more sustainable lifestyle

- Efficient and responsible use of raw materials, energy and water
- Responsible user of air, soil and water
- We strategically invest in R&D, including low-emission steel production

STRATERGY

CAPITAL INVESTMENTS

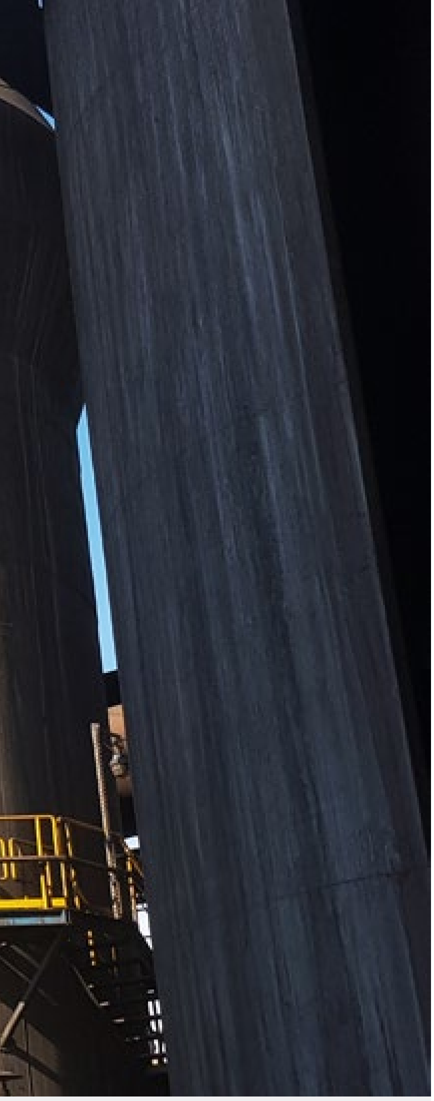
INFRASTRUCTURE PROJECTS

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

In 2021, the program of renewal of our Blast Furnace Stove continued with the **modernization of Stove 14 on Blast Furnace number 1**. This is the second of three stoves to be upgraded on this furnace and it not only extends the life of the stove but also increases the efficiency and provides a financial return in energy savings. Better efficiency and reduced energy consumption will result in reduced CO_2 generation.

Other successful infrastructure projects included the **installation of a Backup Generator**, which increased the reliability of operations of the subsidiary Ferroenergy s.r.o.

On the safety side, the first stage of upgrading the USSK Man Down Alarm system components to increase the system's reliability was completed. This project sustained our ability to rapidly respond to incidents in gas hazard areas, as well as substantially reduce the likelihood of a serious injury or fatality. Other important projects such as the installation of an Ellipsometer and a CHN Analyzer and Equipment for Tin Plate – Earing Test improved the overall technical condition of the USSK subsidiary Labortest, s.r.o laboratory facilities. The equipment will ensure we maintain the highest quality standards of the material we deliver.



IT PROJECTS - NEW CRM SYSTEM

The Customer Relationship Management (CRM) system is an example of a significant IT project. It improved customer transactional and analytical visibility, forecasting, and pipeline management. The augmented data and analytics provided by the project will streamline our sales efforts and drive strategic decision-making.

OTHER SUCCESSFUL IT PROJECTS

Replacement of the **USSK perimeter firewall** and the **USSK Splunk Redundance project** ensured the improvement of reliability and security of USSK IT infrastructure.

Another successful project was **The X App Košice** which as part of our social media communication strategy provides an online newsfeed platform for employees to stay informed even outside the workplace.

ENHANCING ENERGY EFFICIENCY AND EFFICIENT USE OF RAW MATERIALS AND OTHER RESOURCES

Such projects in 2021 included the 9th stage of an ongoing USSK program, **LED Lights**, aimed at reducing electricity consumption and our CO_2 footprint by utilizing advanced LED lighting technology throughout the facility. Additional successful cost reduction projects were the Tank Truck for Diesel Distribution and Automatic Milling Machine for Heat Sample Preparation. Finally, the purchase of new Hot Slab Rail Cars supported our product sales, advancing our competitiveness and maintaining our strong market position.

STRATEGY

FINANCING SUSTAINABLE GROWTH

The Taxonomy Regulation (2020/852) was adopted in June 2020 by the European Union and is a key element of the European plan to finance sustainable growth. The Taxonomy objectives are twofold: to encourage economic players to identify their positioning in relation to the EU's sustainable transition trajectory, and to enable financial players to prioritize the allocation of funding to projects and assets recognized as the most supportive of this trajectory.

To this end, the Regulation creates a classification (Taxonomy) of economic activities according to their potential contributions to the EU's six environmental objectives.

- I. **Climate change mitigation**
- II. **Climate change adaptation**
- III. Sustainable use and protection of water and marine resources
- IV. Transition to a circular economy
- V. Pollution prevention and control
- VI. Protection and restoration of biodiversity and ecosystems

Climate Delegated Act complements the Taxonomy Regulation and sets out technical screening criteria for the first two objectives outlined above. Further delegated acts will be published gradually and will cover all the objectives of the Taxonomy.

Boosting our sustainable offering is at the core of our business. By providing low-carbon solutions (products) we can not only enhance our sustainable future, but also create a positive impact on the operations of our customers and suppliers.

We have started putting considerable attention to improving our climate data and systems as well as revising the criteria of our product portfolio so that it is aligned with the upcoming duties stemming from the EU Taxonomy Regulation.

The EU Taxonomy Regulation establishes a classification system to define which economic activities are environmentally sustainable.

Our initial, high-level **eligibility assessment** has been accomplished based on the NACE codes. The NACE code respective to the economic activity performed by the Group is: **C24.1.0.** This activity is associated with the following activity in the EU Taxonomy: **3.9. Manufacture of iron and steel**, hence it is **Taxonomy-eligible**.

TAXONOMY-ELIGIBLE ACTIVITIES

In Accordance with Annex I and II to the Climate Delegated Act, the table bellow indicates for which environmental objective our activity qualifies as eligible:

Eligible economic activity	Description	NACE-Code	Climate change mitigation	Climate change adaptation
3.9. Manufacture of iron and steel	Manufacturing of iron and steel (Hot-rolled sheets and plates, cold-rolled sheets, coated sheets, Tin mill products, Standard and line pipe, semi-finished products)	C24.1.0	✓	✓

The Company has made every effort to ensure correct reporting for the purposes of the eligibility analysis in the first year to which the Taxonomy obligations apply. We are constantly monitoring developments in this area.

The proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities in the total turnover, capital and operational expenditure are presented in tables below:

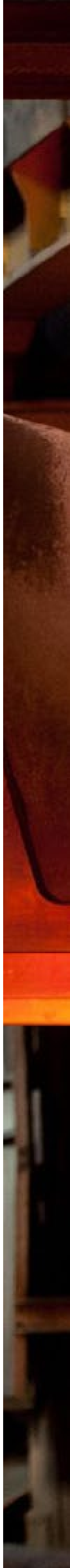
Economic Activity	NACE-Code	Proportion of Turnover
A. Taxonomy-eligible activities	C24.1.0	100 %
B. Taxonomy-non-eligible activates	-	0 %

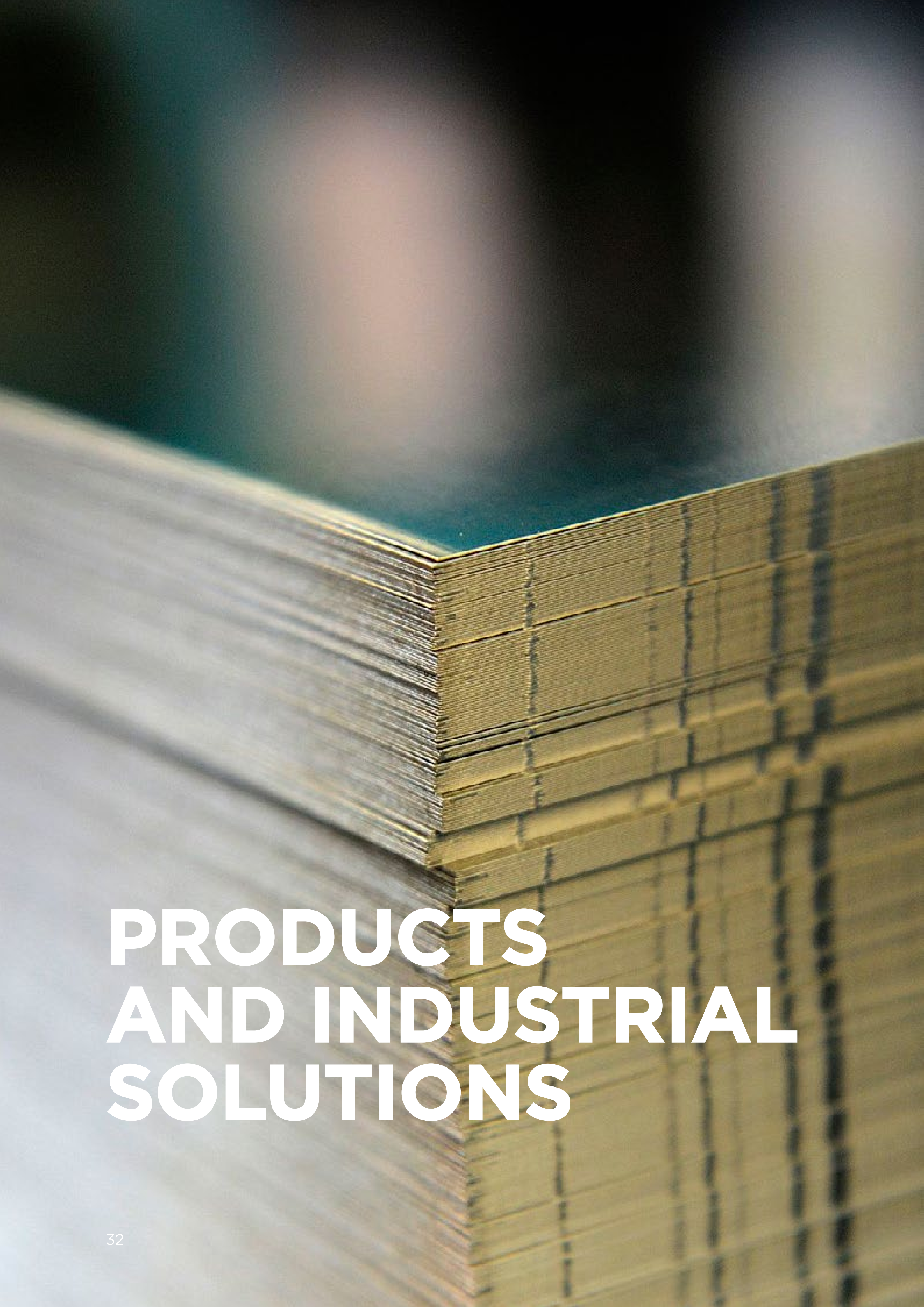
Economic Activity	NACE-Code	Proportion of Capital Expenditure (Capex)
A. Taxonomy-eligible activities	C24.1.0	100 %
B. Taxonomy-non-eligible activates	-	0 %

Economic Activity	NACE-Code	Proportion of Operating Expenditure (Opex)
A. Taxonomy-eligible activities	C24.1.0	100 %
B. Taxonomy-non-eligible activates	-	0 %

- **Turnover** consists of revenues recognized from sales of own products and related services net of tax and discounts. Other income representing mainly free of charge allocated CO_2 emission allowances are excluded.
- **Capital expenditures (CAPEX)** consist of additions to property, plant and equipment, including investment property and intangible assets. Technical improvement of non-current asset is also included.
- **Operating expenditures (OPEX)** consist of non-capitalized costs related to production of the Company, excluding depreciation and amortization and charge for provision for CO_2 emissions.

More detailed eligibility assessment will be conducted by the Group in 2022 in order to prepare for the next phase, i.e. the **alignment analysis**.

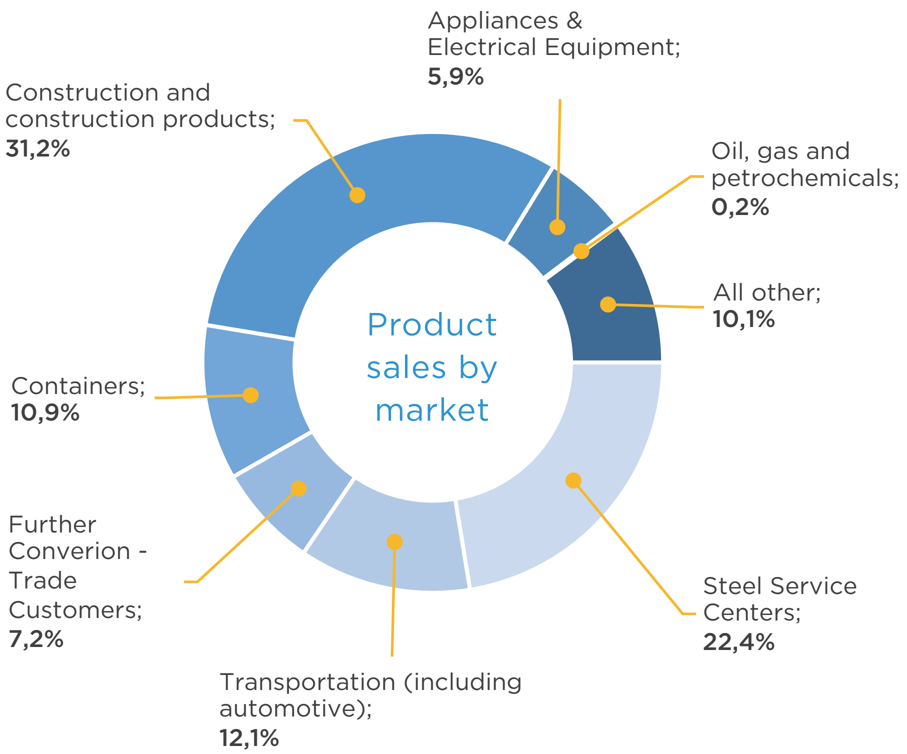


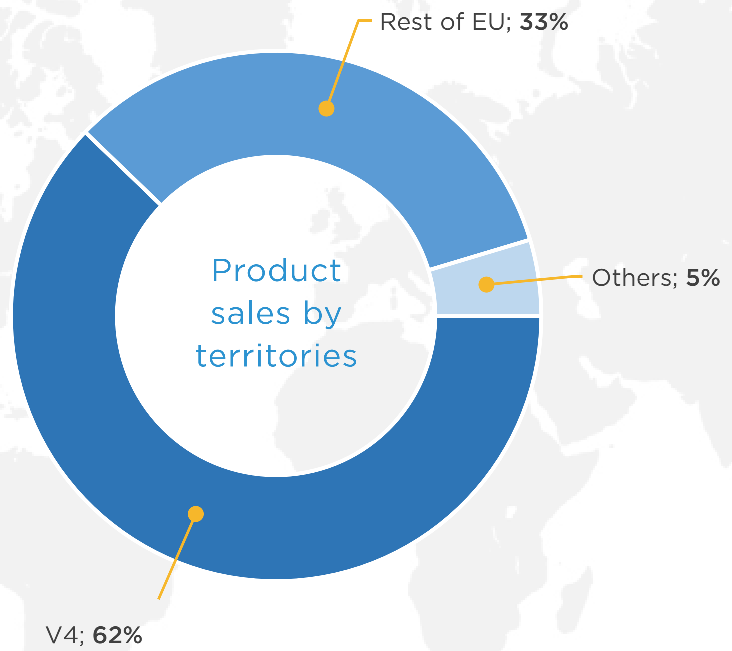


PRODUCTS AND INDUSTRIAL SOLUTIONS

Our customers demand high performance and more sustainable solutions. Within the company, we do everything to meet their needs.

The Group serves several steel-consuming sectors including service centers and the construction, automotive, transportation, container, processing and home appliance industries. To maintain its competitive position in challenging market conditions, U. S. Steel Košice Group focuses on continuous improvement projects and activities as the main tools to make decisions and implement programs which lead to higher quality goods and sustainable profitability improvements that improve the Group´s financial position.





Main territories

The main territories in which the U. S. Steel Košice Group operates are **Central and Western Europe**.


AUTOMOTIVE


APPLIANCE


CONSTRUCTION


ENERGY


PACKAGING


FURTHER
PROCESSING

RESEARCH AND DEVELOPMENT

We develop new quality steel grades "tailored" to the needs of our customers

EFFICIENT AND SUSTAINABLE PRODUCTION PROCESS

- In 2021, the agile framework of the project management process SCRUM was implemented to accelerate and streamline development. **Priority was given to products with the highest added value and strategic industrial segments** - automotive, packaging and electrical engineering, energy, and construction.
- The activities of research and development also included the **improvement and optimization of production processes** aimed at reduction of CO_2 emissions, energy intensity, and production costs while, at the same time increasing productivity, efficiency and quality of production.
- **The upgrade of the Degasser at the Steelshop number 1** made it possible to change the alloying technology, which shortened the processing time of degassed steels and increased production efficiency. The change in the chemical concept of selected grades brought savings on alloys and enabled a reduction in annealing temperatures, and thus a **reduction in the energy intensity of production**. The implementation of models for the prediction of mechanical properties of selected products replaced mechanical testing. In addition to saving material and time for sampling and sample processing, this eliminates the risk of injuries associated with these activities.
- The use of advanced **analytical methods and artificial intelligence** in modeling metallurgical processes continued. Linking the data on the production of pig iron in Blast Furnaces with the data on the production of steel brought about more efficient steel production and also an increase in yield.

AUTOMOTIVE INDUSTRY

- In the area of **galvanized sheets**, a new high-strength dual-phase grade with improved elongation DP780HF was launched on the market and the development of galvanized grades DP590HF and DP980 was completed. **High-strength grades with improved elongation allow** our automotive customers **to use thinner sheets** to make cars while **maintaining passenger safety, reducing car weight and emissions**.
- With the help of sophisticated **3D automated optical systems**, USSK continued with the expansion of the material card database by adding new grades and dimensions. These cards are used by customers in the automotive industry for **numerical simulations of the stamping process in Autoform software**.

- Research and development of **dynamo grades** suitable for the production of **electric and hybrid motors**, which represent the absolute state of the art in the electric steel segment, continued with good progress.
- Significant progress was made in the area of surface **microgeometry control of galvanized sheets** in line with customer requirements.

PACKAGING INDUSTRY

- Another successful project was the development of the new tinplate grade TH550E with significantly improved elongation, as requested by customers for the production of packaging **Easy Open Ends (EOE)**.
- The project of development, application, and testing of **chromium-free passivation of tinplate** continued successfully. USSK continued working closely, as a member of the **APEAL** association, with other European tinplate producers, lacquer suppliers and, most importantly, our customers.

ENERGY INDUSTRY

- One of the most successful projects was the **new electric steel grade** M1400-100AP intended for the **production of turbines for wind power plants** which started regular deliveries. In addition, in the field of electric steel, several new grades with low core losses and high polarization have been developed.

CONSTRUCTION

- Innovations were also made in the area of surface treatments and paints used for the production of **pre-painted sheets**.

For several grades, our product portfolio was expanded with new material thicknesses and widths, and the mechanical properties were modified according to specific customer requirements

In 2021, the costs to operate Research and Development department amounted to EUR 2.95 million (2020: EUR 2.6 million). Certain portion of these costs, if eligible, were included in the total costs of projects subject to R&D tax credit. Total amount of the costs eligible for 2021 R&D tax credit was estimated at EUR 13.9 million (2020: EUR 8.4 million).

CTS

QUALITY AND CUSTOMER TECHNICAL SUPPORT

USSK has implemented and certificated its **Quality Management System** (QMS) in accordance with the standards of EN ISO 9001 and IATF 16949 for the automotive industry, the performance of which is reviewed once a year by an accredited certification body. The Company also holds several dozen individual product certificates for final and by-products, and several of its laboratories are accredited in compliance with the EN ISO/IEC 17025 standard. In 2021, the Company successfully passed the surveillance audit in accordance with EN ISO 9001:2015 and IATF 16949:2016, thus confirming the suitability and effectiveness of the established processes.

As for internal quality, with ambitious internal goals being set up, the quality of USSK deliveries was assessed positively by our customers.

- **The objective of 1.38 %** for Divert category was exceeded with a result of **1.26 %**
- **The objective of 0.96 %** in the Retreat category was, at the end of 2021, at **0.77 %**

As for external quality, in 2021 a positive trend in customer claims was recorded. Significant achievements were made in claim rate, whereby we have reached the lowest rate ever since 2000, namely 0.09%.

As to cooperation with customers, the **Customer Satisfaction Survey** is a significant **external quality parameter of supplied products and services**. The response rate in 2021 reached the new record level **99 %**, whereby the customer satisfaction rating reached a **value of 1.68** on a scale of 1 – excellent down to 5 – poor. **This result is again one of the best customer satisfaction survey ratings since U. S. Steel took over the Košice plant, 1 % better than the result achieved in 2020**. Customer Satisfaction Survey having clearly showed stable and consistent quality level of supplied products proved the leading position of USSK in the area of delivery performance, sales service and mainly in customer technical service.

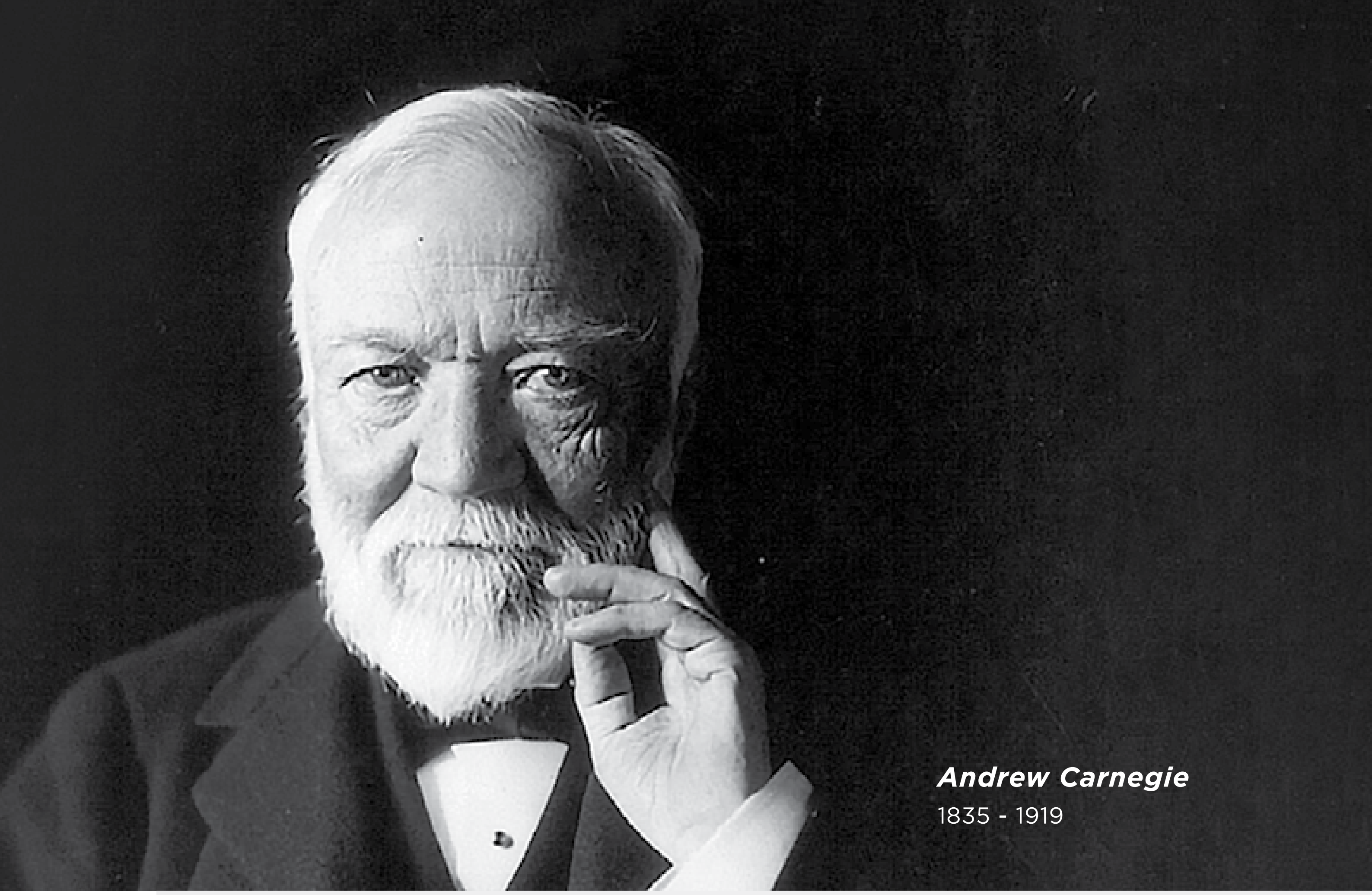
MOVING DOWN THE COST CURVE

CARNEGIE WAY AND MDCC

After the successful **Carnegie Way** transformation in **2013**, in **2019** we successfully implemented **Moving Down the Cost Curve** (MDCC). The objective was to reinforce our competitiveness via cost reduction throughout the three-year period (**2019 -2021**). In this initiative, project benefit evaluation is stricter, including the condition of at least **three-year project sustainability**. The knowledge gained at Lean Six Sigma trainings, management of change and leadership, were all combined in this unique improvement method.

Since having launched the MDCC, we managed to identify projects with three-year benefit worth **USD 688 million**. Teams came up with **699 ideas**; of those, **498 were implemented throughout this three-year period**. Personal involvement of our employees brought positive results in several areas, mainly increasing the yield and productivity of our lines, lower energy intensity, elimination of the losses due to poor quality and reduction of the cost of components and spare parts with longer lifetime.

In **2021**, the benefits were delivered by **355 projects with the overall value of USD 410.6 million** (compared to a 2018 baseline)– that is 80.6 million over the target of USD 330 million (only EBIT improvement projects). Several records achieved at production lines significantly helped to deliver these results. As of December 31, 2021, all MDCC projects were finalized **and new projects with two-year sustainability**, with base being 2021, were implemented under the new name **BESTx**.



Andrew Carnegie
1835 - 1919

THE MOST SUCCESSFUL MDCC PROJECTS (2019-2021):

- Minntac pellets utilization
- Long-term contract for iron ore supply
- Increase A-grade scrap specific consumption
- Coking coal imports from the USA
- Steel Shop basic oxygen process yield increases
- Labor force optimization projects

SUSTAINABLE APPROACH

PROCUREMENT

We are looking for the most efficient ways of purchasing, in order to help achieving economic benefits and increasing the competitiveness of our company. All these activities are carried out via the transparent procurement process, and with a centralized responsibility for selection of supplier, negotiations and contract management.

Cooperation with all organizational units, such as Production, Environment, Research, but also with suppliers, allows us to bring new trends and innovations, which often require systemic and long-term solutions.

We are constantly improving the cooperation with suppliers, while we consider **transparency and ethical principles** a pre-condition for **building long-term relationships**. We regularly evaluate their performance, provide feedback, and monitor and control corrective measures for the further development and improvement of the service provided by our suppliers. It is important to mention that as a result of **COVID-19** pandemic, our requirements for suppliers were constantly updated, Covid certificates were checked, body temperature was measured, and testing facilities were provided. At the same time, we also prefer sustainable means of communication with our suppliers, namely electronic communication through a web portal as well as many other electronic tools.

We consider a long-term partnership with suppliers to be crucial for an effective development and progress of both parties.

We promote a socially responsible approach when purchasing particularly in the following areas: Use of alternative materials; More ecological transport; Circular economy within a supply chain.

USE OF ALTERNATIVE MATERIALS

- Use of **recyclable materials** in the production **of refractory materials**.
- Use of **BIO alternatives** for sealing and insulating materials as a substitute for materials with carcinogenic elements.
- Purchase of so-called **green zinc** - use of recycled extracted zinc ore from the dump for the re-production of zinc blocks using new technologies.

MORE ECOLOGICAL TRANSPORT

- Transport of raw materials - **85 %** of our deliveries are imported using **rail transport**, **15 %** are imported using **ship transport** and **less than 1 %** uses a **road transport**.
- Transport of products - changing to eco-friendly, **multimodal method of material delivery to customers**, through distribution warehouses in Germany (CO_2 savings in 2021 - 3,692 tons).

CIRCULAR ECONOMY

- **By-products and materials** that are formed during the production process of steel and coke are reused in **various segments of industry and construction**. They are not landfilled, thus impact on the environment is being minimized.
- **Granulated blast furnace slag** is used as an additive in the **production of cement**, by-products from the production of coke and coke oven gas are used in the **chemical industry**.
- In the area of **recovery and treatment of selected waste** by stabilization and / or decontamination, recycled material is used for landfill reclamation (or disposed at the landfill of non-hazardous waste).

TECHNOLOGIES

Digitization brings significant changes in production management. Artificial intelligence tools and correctly interpreted data allow us to increase the quality and efficiency of production, reduce emissions and improve sustainability.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

The digitization process at USSK began already in the **early 1990s**. Today, U. S. Steel Košice has its own IT department with more than 200 employees. Digitization has brought significant changes to production management. Thanks to data and analytics, we can increase the quality and efficiency of our production, and at the same time reduce emissions and increase sustainability. Digitization affects most production and support processes. Today, the main challenge is **advanced analytics**, i.e. **data evaluation to optimize production**. The first projects implemented on the basis of data evaluation by advanced analytics were launched in 2017 and are now deployed in production, while saving millions of EUR per year.

Thanks to the company's systems, we have historical data on each ton of steel produced, its exact composition, list of additives, detailed production process or parameters of various aspects of manufacturing. This so-called BigData, is key for further extensive analysis. We are currently working on the transformation of our ERP and MES environment to move them to the next level of development and enable the use of the modern technologies such as advanced analytics, machine learning and augmented reality.

DATA AND ANALYTICS

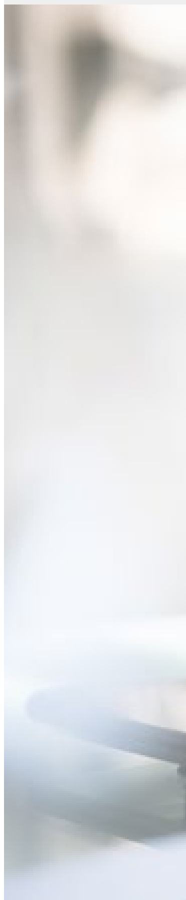
If we can comprehensively manage processes within the entire metallurgical cycle using the outputs of advanced analytics, we can increase the quality of steel production and reduce costs at the same time. The benefit of innovation, expressed as the value of financial savings, shows that correctly interpreted data are worth millions of EUR.

Based on machine learning, otherwise known as artificial intelligence, we can better evaluate large volumes of data and discover new contexts and improvements. U. S. Steel wants to be the best steel plant in Europe and a leader in the use of smart technology for industry within the **Industry 4.0** concept.

Advanced Analytics department, in cooperation with departments such as Operations and Power Engineering, has successfully implemented several projects that bring results.

- Advanced analytics helped save USD 800, 000 in 2 months by **optimizing the blast furnace** charge composition. It proposes the most efficient composition of raw materials in line with the required quality parameters.
- More than USD 1 million per year is saved thanks to **analysis of converter gas data** generated during the heating process.
- Thanks to better data display and prediction, the heat/steam plant will use more energy in the form of gas.
- **Advanced analysts** helped to save USD 3 million per year in **predicting the end of oxygen blowing** into the converter during steel production.
- **The prediction system** with more than 60 parameters and 40 models helps to better determine the **end of the heating process** and thus significantly saves energy.

Thanks to digital technologies and advanced analytics we are already bringing the innovations of the future today.



NEW CRM SYSTEM

To improve the work with information in the field of customer relationship management, we have been implementing a Customer Relationship Management (CRM) system called **Sales Force.** We want all members of our sales teams to have online information about the needs and requirements of our partners immediately and also to the greatest quality and extent possible. The aim is to ensure that the entire process from negotiation, orders, through a production to delivery runs smoothly, so that we can identify any deficiencies in time, solve them immediately and learn from them. We believe that this sophisticated system will help further improve the quality and speed up our key business processes to the maximum satisfaction of all involved.

YEAR 2021

- The established path of **building an internal analytical team for advanced analytics - Digital studio Europe** and external partnerships - continued.
- Together with Human Resources Department and Pavel Jozef Šafarik University (UPJŠ), we trained people **as agents for digital** - finding opportunities and launching projects.
- We have launched **other partnerships** - Joint laboratory with Technical University of Košice (TUKE) - Ai4Steel, Digital study program for employees at UPJŠ, IT Valley, Digital League, Live projects.
- The use of advanced **analytical methods and artificial intelligence in modeling metallurgical processes** continued. Linking the data on the production of pig iron in blast furnaces with the data on the production of steel has brought about a more efficient production of steel and also an increase in its yield.

CYBERSECURITY

The goal of U. S. Steel's cybersecurity program is to fortify the cyber posture against emerging threats and the changing risk landscape.

The program is grounded in 4 major strategic priorities:

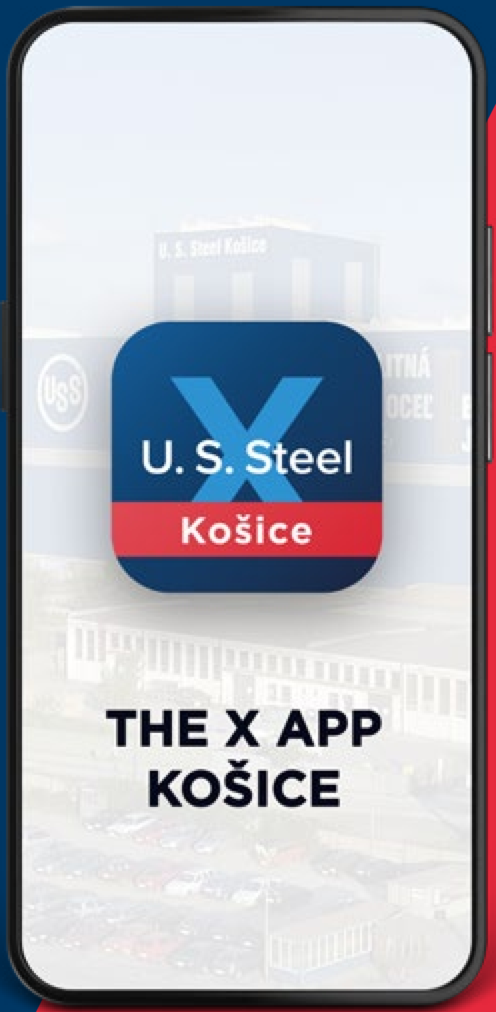
1. **Managing our risk** by gaining a better understanding of our risk posture, following an industry standard framework, and effectively prioritizing efforts to address vulnerabilities, threats, and consequences.
2. **Securing our assets** by taking action to reduce the threat landscape and protect our networks, systems, and data by implementing best practices.
3. **Developing our people and driving the cyber culture** by enhancing cybersecurity response, awareness, and education of both the cyber team and USS personnel through specialized training and development.
4. **Controlling our budget** by ensuring the best results for investments made.

LINKEDIN

Digital communication channels such as the web, mail or social networks are a matter of course for everyone today. Regular informing of customers about news and interesting matters from the environment of our company in a multimedia form is helping us increase the value of the U. S. Steel brand.

We use LinkedIn to publish information related to our industry. We also reach out to potential candidates to work with us through this channel.

THE X APP KOŠICE



NEW COMMUNICATION APPLICATION

In 2021, following the example of the Corporation, thanks to local experts in information technology and with the help of our colleagues from the IT department, we developed the Slovak version of The X App Košice communication application. It enables the employees to quickly find out what is happening within the company:

- Fresh company news, sports and culture news in the city on daily basis
- Benefits and discounts for employees
- Changes stemming from the development of the pandemic

The application can be downloaded from Google Play or the App Store. However, the full content can be accessed only by employees of USSK and its subsidiaries.

New technologies bring new possibilities. Reliable and accurate information is key to our effective communication with stakeholders.

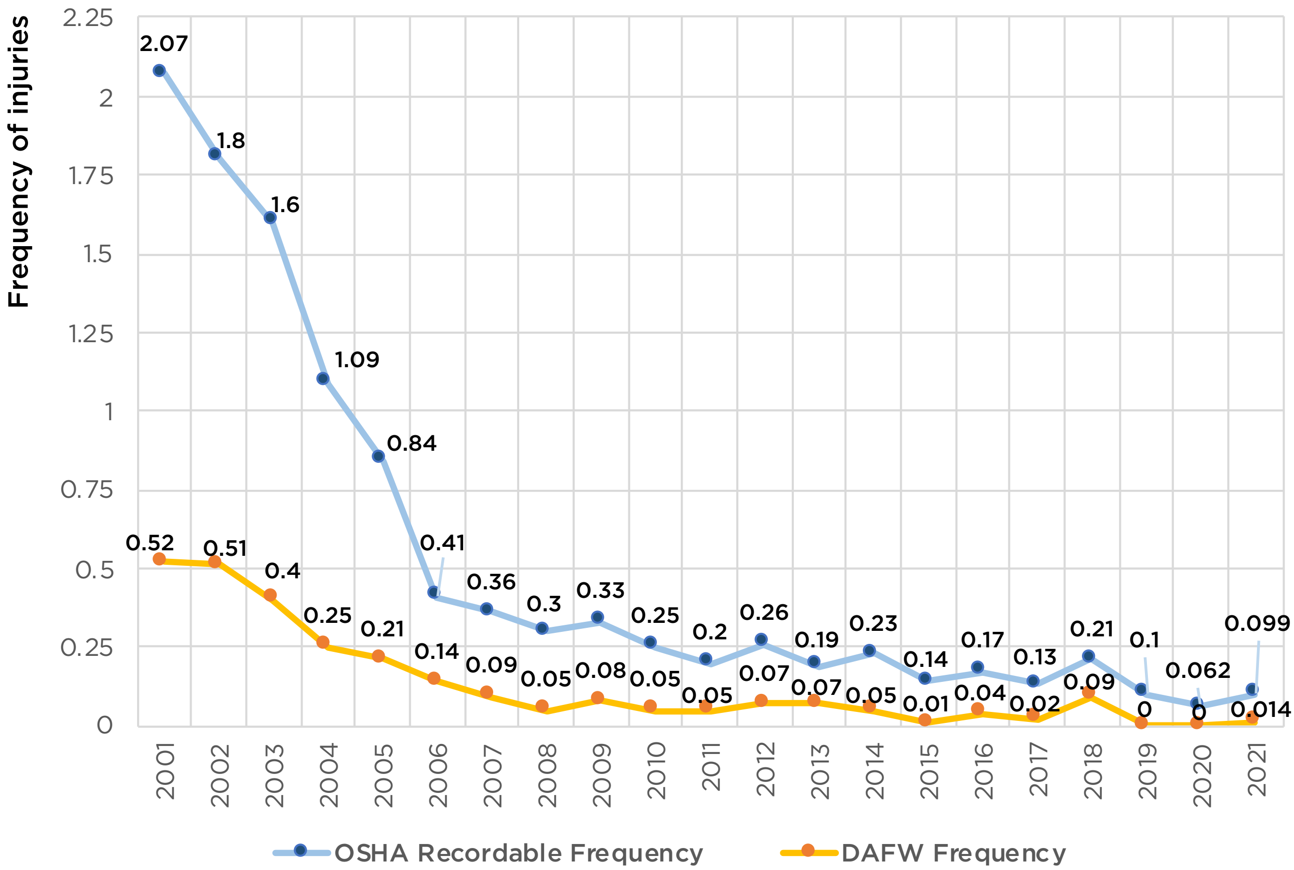
SAFETY AND HEALTH PROTECTION AT WORK

3 GOOD HEALTH AND WELL-BEIN

At U. S. Steel Košice, **safety first remains our primary and the most important value** in protecting life and health at work.

FREQUENCY OF INJURIES

In 2021, the Company achieved (according to the methodology of the Occupational Safety and Health Administration (OSHA)) the frequency of all OSHA injuries **0.099 –** it is the level also achieved in 2019 - and the frequency of DAFW on the level of **0.014**. The company recorded one DAFW occupational injury, 4 OSHA recordable injuries and 2 restricted work injuries.



Although when compared to 2020, the tracked parameters deteriorated, planned goals were not exceeded and are within the range that is significantly lower than the values achieved on average by steel-making industry.

We also continued with the **activities aimed at making the Safety and Occupational Health at Work more efficient**. In cooperation with experts from various fields and Manager for quality management system we continued with implementation of **Safety Management System**. The targeted campaign focused on individual articles of Standard STN ISO 45001:2019 – as a preparation for internal SMS audit of parental company U. S. Steel, which we successfully completed in October 2021.

The Employees' Representatives for Safety, who contribute with their work to hazard identification and risk assessments and propose their elimination, also played a key role in the results we achieved. From overall number of **1,252 initiatives for improvement** identified managed to solve **almost 97.00 %** by the end of the year.

In 2021, the Company further continued to pay a significant attention to the issues related to **contractors' Safety**. Safety Professionals executed **407 in-depth audits** with focus on compliance with preventive Life-Threatening Programs Requirements. In the interest of positive motivation of contractors to prevent injuries, USSK continued with assessment of the contractor employees in the area of compliance with Safety principals and in awarding of contractors for safety.

With the aim to further develop the **Safety Culture**, we have implemented **Safety campaigns** in all operations. Targeted activities focused on recalling the basic rules, principals, or procedures in the field of Serious Injury Prevention, Fire Protection, by rising the awareness of employees as well the Culture of Care and approach to others. We emphasized the right to stop the job by using **„Stop & Act" Principal** to prevent incidents and injuries in case of experiencing a hazardous situation.

WORKED HOURS WITHOUT INJURY

Even in 2021 our plants managed to reach significant milestones in worked hours without injury. The milestone was achieved by Coated Product and Tin Mill Division Plant, that operated 3 million hours without injury. The entire year without OSHA recordable occupational injury was achieved by employees of several division plants such as Coke Plant, Shipment, Mechanics, Maintenance and Company Management Department.

„Let me congratulate to all the employees of the plant on this great result and I firmly believe that 3,000,000 will increase up to 6,000,000 after some time and that they will continue this trend. A team that works at our Plant is outstanding and every single employee contributed to this result." Marcel Novosad

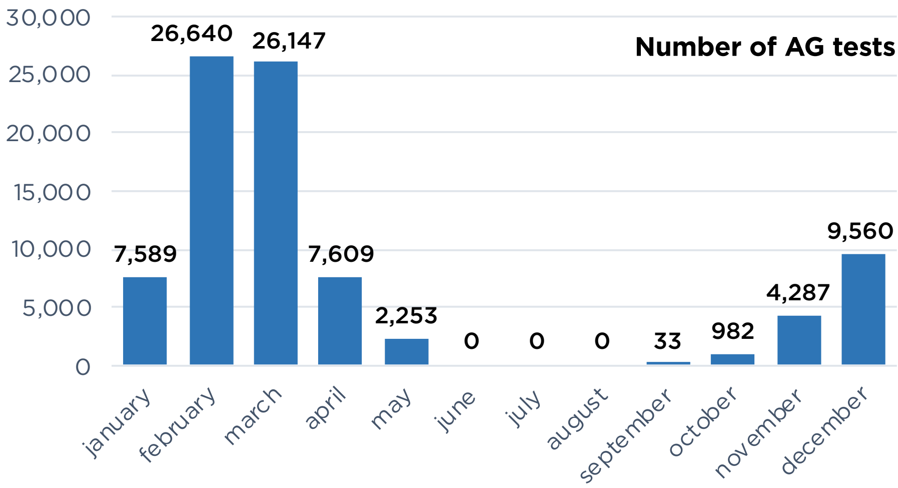
COVID-19 PANDEMIC

The coronavirus pandemic has affected our business life. In reaction to the situation, the company has implemented many measures to protect our employees' health. The employees were provided with the information mostly via **intranet, Safety Contacts and Safety Huddles**. In addition to routine activities, the Safety and Security Department employees in cooperation with Security and Plant Fire Department focused on compliance with measures taken to prevent COVID-19 spreading.

Up-to-date information information on company website, **Safety flashes** and **Guidelines** in the form of phone messages and e-mail notifications helped employees to work during the pandemic responsibly, and in accordance with safety and health protection measures.

On top of the special campaign focused on current anti-pandemic measures, our Company closely cooperates with surrounding communities and medical facilities, especially Šaca Hospital.

U. S. Steel Košice runs **COVID-19 mobile testing point** directly on USSK premises. In 2021, we performed **85,100 antigen tests in total - not only for our employees but also for contractors and general public.**



In 2021, we also set up **Covid-19 vaccination center** on USSK premises (Policlinics at Main Gate Vstupný areál) available not only to our **employees**, but also **general public**.

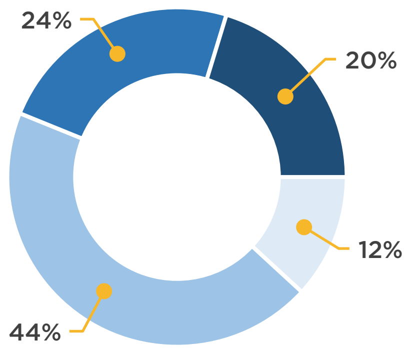

Prophylactic
COVID-19 Ag Test
COVID-19 Ag Test
HARMONY
7-8 M

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

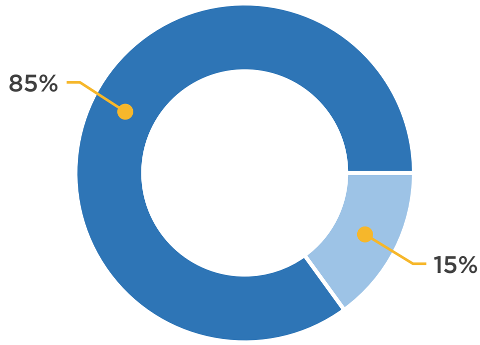
PEOPLE AND HUMAN RESOURCES DEVELOPMENT

WORKFORCE CHARACTERISTICS



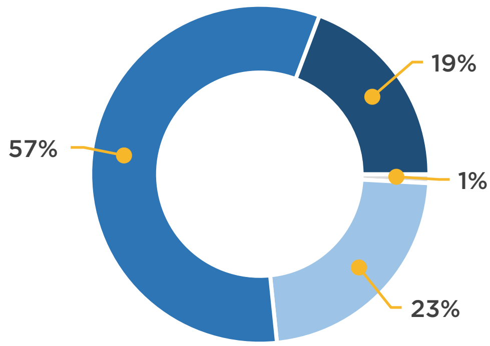
Headcount Distribution by Category

- Administration
- Operations
- Maintenance
- Operations Support



Headcount Distribution by Gender

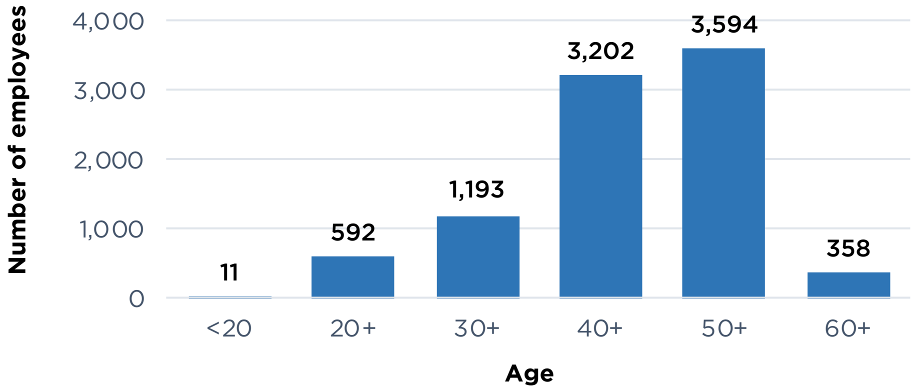
- Women
- Men



Headcount Distribution by Education

- Elementary
- Vocational
- Secondary
- University

Headcount Distribution by Age



DEVELOPMENT OF TALENT AND SKILLS

The company supports the **education and development of all its employees** through various programs focused on managerial, professional and vocational skills and knowledge. In 2021, due to the COVID-19 pandemic, trainings in particular areas continued in a limited manner.

COVID-19 Pandemic

USSK introduced several new e-learning **courses in the field of occupational safety and health** to ensure the availability of crucial training for employees while significant restrictions were in force due to the pandemic. Employees who enter operations or maintenance premises attended the annual corporate safety awareness training focused on cardinal rules and life-threatening situations. In 2021, this training was carried out online also for employees of suppliers who participate in work activities in the production and maintenance of the U. S. Steel Košice Group.

As part of the **managerial development**, the **Front-Line Leadership Development program**, was conducted also in 2021. These front-line managers were progressively trained in several modules that gave them the opportunity to develop their skills in effective communication, understanding of best practice, giving constructive feedback, building favorable labor relations, and developing the skills of their subordinates. Unlike in previous years, the development of foremen was performed through e-learning modules instead of in classrooms.

In 2021, a **comprehensive development program for Process Engineers** was implemented. Also, the Mentoring program, which aims to help newly appointed managers or recently recruited

employees develop professional skills and better utilise their potential by learning from their mentors' unique experience, continued.

We also carried on with **Internal Coaching**, focused on developing the personal or work potential of our employees. To promote professional metallurgy skills, we organized **Production Flow Academy** for our employees as well as students participating in Summer Internship or Year-long Practice, led by our internal Research and Development experts.

PEOPLE AND HR DEVELOPMENT

COOPERATION WITH EDUCATIONAL INSTITUTIONS

Our recruitment system is based on a long-standing good cooperation with selected partner secondary schools and universities.

COOPERATION WITH SECONDARY SCHOOLS

Cooperation especially with the Secondary Vocational School of Industrial Technologies in Košice-Šaca, the Secondary Vocational School for Railway Transport in Košice and the Secondary School for Automotive Engineering in Košice includes providing training to students in selected production plants of the Group, as well as support with the development of school curricula, and help with the recruitment of students joining our partner secondary schools. In academic year 2020/2021, 378 students studied under USSK supervision in **the dual education system at the main partner schools**. As such, we have seen an increase amounting to 77 students compared to previous year. The program **provides training for professions** such as steelmaking equipment operator, machines and equipment mechanics, electrical mechanics, mechatronic mechanics, machine tool programmers and car mechanics.

Systematic cooperation with secondary schools and universities secures an inflow of young talent into our teams.

COOPERATION WITH UNIVERSITIES

Cooperation is focused mainly on the Technical University of Košice and Pavol Jozef Šafárik University in Košice (UPJŠ). To extend the practical and professional skills of university students, we enable them to participate in plant tours and gain work experience in our operations, and to work on their dissertations and theses on steelworks topics. In the previous year, the Human Resources Department also cooperated intensively with USSK Research and Development on projects aimed at popularizing technical disciplines among young people with an ultimate aim to motivate them to choose technical and engineering university studies.

In addition to these activities, selected university students expand not only their theoretical knowledge, but also practical experience thanks to **Summer Internship Program**. Within this program, we have focused on the development of their key competencies such as active listening, presentation, effective argumentation and advocacy skills, communication in foreign languages, mathematical competence and basic competencies in science and technology, digital skills, problem solving, decision-making and last but not least, teamwork. In 2021, **47 fourth-year students from 8 Slovak and foreign universities entered the program**.

In 2021, we also continued with a successful project titled **Year-long Practice for university students**, intended for students in the 3rd to 5th year of university. We selected a total of **95 students** to participate in the projects and activities of individual production facilities and departments in the administration. The active approach to working with students has its advantages. On the one hand, high school and university students have the opportunity to participate in the practical activities of USSK and thus gain experience and skills that give them a competitive advantage in the labor market. On the other hand, this approach allows us to seek out talent among high school and university students to meet our future needs.

We also strive for their professional formation in the field of elaboration of final theses at individual levels of university studies. In 2021, students prepared **2 bachelor's**, and **16 diploma theses** under the supervision and guidance of our experienced mentors.

In the previous year we managed to open a **new joint workplace** of the Faculty of Electrical Engineering and Informatics of the Technical University in Košice and U. S. Steel Košice called **AI4Steel Lab** at the premises of the University Science Park TECHNICOM. The joint teams will focus on solving our company's projects in the field of Advanced Analytics. Cooperation with the Institute of Informatics at UPJŠ in Košice has also resulted in the implementation of the **Advanced Analytics Academy**, which is dedicated to developing experience in the development and application of various methods for data collection, analysis and interpretation, e.g., in the optimization of dynamic or recurring one-time processes using graph structures, and modeling real processes. Students, doctoral students and staff acquire and develop experience in this area in a three-month cycle.

EMPLOYEE BENEFITS

- 13th and 14th salary
- Monthly remuneration based on personal performance
- Variable payment on a monthly basis on top of the tariff wage
- Possibility of continuous education and development of professional skills
- Opportunity for career growth throughout the company
- Home Office and hybrid work mode
- Flexible working hours
- Financial contribution for meals during Home Office
- Adjustment of working conditions for mothers/fathers after returning from maternity / parental leave
- Working leave beyond the law at the birth of a child, wedding, etc.
- Additional leave for single parents
- Contribution to the supplementary pension insurance (3rd pension pillar)
- Appreciation of work and life anniversaries
- Social assistance in difficult life situations
- Help in case of long-term sick-leave, severe diseases
- Various team and sports activities
- Coupons for cultural, social events, sports activities and medical needs
- Curative and therapeutic stays
- Workforce regeneration
- Promoting voluntary blood donation
- Employee competitions
- Employee discounts offered by various partners

REWARDING EMPLOYEES IN BANSKÁ ŠTIAVNICA

On September 10, 2021, the traditional celebrations of the Day of miners, metallurgists, geologists and oilmen took place in the historic town Banská Štiavnica. In his speech, Deputy Prime Minister and Minister of Economy Richard Sulík stated: "The Ministry of Economy is aware of the importance of the efficient use of domestic mineral resources and to this end we are approaching the amendment of relevant legislation concerning business in the mining sector. Metallurgists are irreplaceable in the actvity of processing minerals. The Ministry of Economy emphasizes the need to protect the European metallurgical industry.“

THE GREAT COMPETITION FOR EMPLOYEES

At the beginning of 2021, the year-long Great Competition for employees of U. S. Steel Košice and its subsidiaries kicked-off. The winners could receive various valuable prizes each month, all of which contain steel made in our plant. For the production of the main prices, namely four cars: Dacia Duster, Škoda Scala, Škoda Octavia and VW Touareg, steel „made in" U. S. Steel Košice was used. The total number of completed forms in 12 rounds of the Great Competition amounted to 80,611. The employees who wanted to win a VW Touareg had to answer correctly at least 6 times. They also had to meet another condition, namely, to be employees of the company at the time of the draw. In total, **4,383 employees** participated in the draw for the main prize.

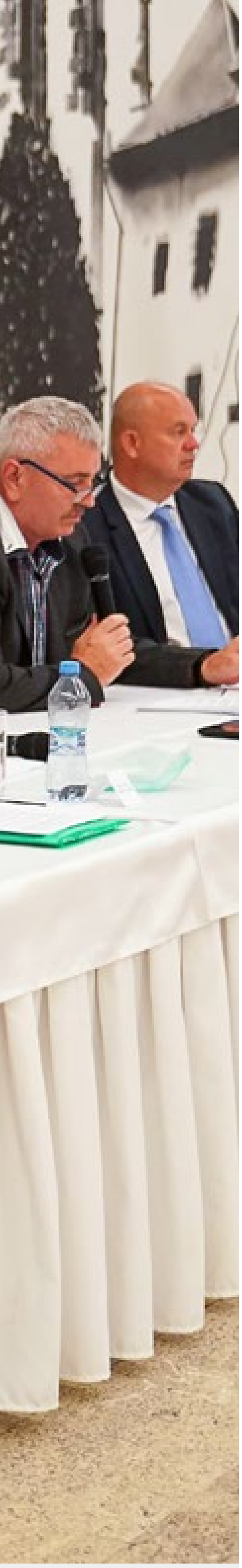
The highest participation was recorded in the 7th round when **4,816 employees** joined the competition. During 12 rounds of the Great Competition, **436 employees** were rewarded. As such, USSK gave out 4 cars, electronics for 8 households, and 4 winners got their radiators replaced. Smaller prices - FRESH coupons worth EUR 50 were exchanged for food by 60 winners, and packages with promotional items were given to 360 steelmakers.

Of the total number of all winners, **362 (83 %) were men and 74 (17 %) women**, which statistically almost **copies the number of men and women working at U. S. Steel Košice**. Currently, women make up **15 %** of the total number of employees.

PEOPLE AND HR DEVELOPMENT

EMPLOYEE SOCIAL PROGRAM AND COOPERATION WITH LABOR UNIONS

Cooperation with trade unions is an integral part of the Group's social program for employees. In accordance with the **Collective Agreement for the years 2020-2024** relating to U. S. Steel Košice, s.r.o., U.S. Steel Košice - SBS, s.r.o., U. S. Steel Košice - Labortest, s.r.o. and Ferroenergy s.r.o., which was concluded in 2020, the annual collective bargaining on working hours and wages continued throughout the year. In September 2021, **Addendum no. 2** to the Collective Agreement was concluded, on the basis of which one-off remuneration and wage increases were realized. At the same time, **Addendum no. 1** and **Addendum no. 3**, which take into account organizational changes were signed.



Group fully accepts its role as a partner in every area of its activities and considers cooperation a necessary condition for effective business. At all managerial levels, cooperation is practiced to fulfill the Collective Labor Agreement commitments and resolve labor issues in compliance with relevant legal requirements. In joint committees with the labor unions, the Group settles employee issues in the fields of safety, salaries and wages, social policy, catering and transportation. Representatives of the labor unions meet the Group management on a regular basis to stay informed about production performance and the financial situation.

U. S. Steel Košice shows its appreciation to those employees who have worked at the steelworks for a long time – 30, 35, 40 and 45 years – by inviting them, on such **work anniversaries**, to **meetings with top management**. In 2021, these meetings could not take place due to the COVID-19 pandemic. USSK also **rewards employees** who participate in the achievement of excellent results in various areas via high-quality work performance.

In 2021, the Group continued to **reward employees for outstanding benefits and the most successful projects supporting initiatives** in the areas of Security, Increasing Company Revenues and Cash Generation, Cost Reduction, Product Quality Improvement and Customer Service, Innovation, Energy and the Environment. The Group also regularly rewards all employee health and safety representatives for their active involvement in the activities falling under their scope and awards the most active ones in the form of Gift Vouchers.

As part of its social policy, USSK supports free blood donation by actively participating in the ceremonies of awarding Janský and Kňazovický plaques, and at the same time provides Relax vouchers for regeneration purposes to its employees.

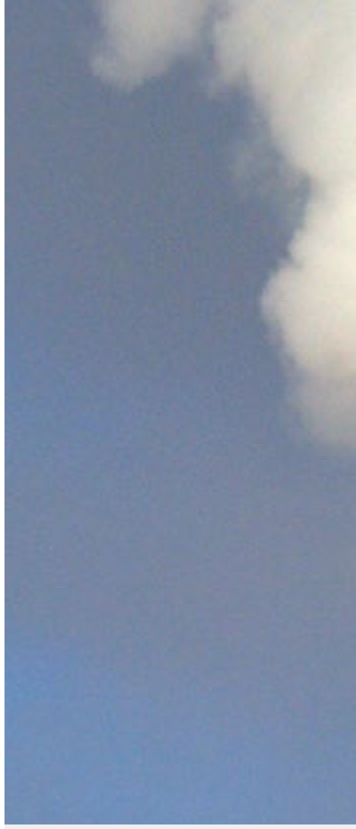
Various events also help to build team spirit, among them **the Company Summer and Winter Games** (which include soccer and ice-hockey tournaments as part of the President's Cup) with the participation of several hundred employees with a passion for sports.

We perform all of these activities on top of legal requirements, whereby many of them are also enshrined in the Collective Labor Agreement, as well as in special policies and goals of the Group.

The Group regularly informs the employees and general public about its business through the intranet, the company website and the **company newspaper Oceľ Východu**, which **has won the national Best Corporate Medium Award several times** in the Association of Corporate Media Competition.

ENVIRONMENT

Environmental protection is one of principal strategic goals of the U. S. Steel Košice Group, whereby the main commitments in this area are stated in our **Quality, Environmental and Energy Policy**.



On September 29 – October 1, 2021, TÜV SÜD Slovakia s.r.o. carried out a **recertification audit** of the USSK **Environmental Management System**, in compliance with the standard STN EN ISO 14001:2015, which confirmed the high performance of this system and continuous improvement of processes. Based on the results of the audit, the validity of the international environmental management certificate for USSK was extended.

On December 8 - 10, 2021, the first certification audit of **the quality management system, the environmental management system, and the energy management system at Ferroenergy s.r.o**., carried out by TÜV SÜD Slovakia s.r.o., was accomplished. All three systems were successfully certified and Ferroenergy s.r.o. received certificates. Ferroenergy s.r.o. has implemented and uses systems in the field of: Production and supply of electricity and heat, compressed air, steam, demineralized and softened water.

Since 2000 the Group has invested more than USD 700 million in dozens of environmental projects.

The greatest achievement in targeted care for various elements of the environment is the fact that since 2008 there has been no ecological accident. The aim of the Group‘s activities is to carry out activities in full compliance with applicable environmental legislation.

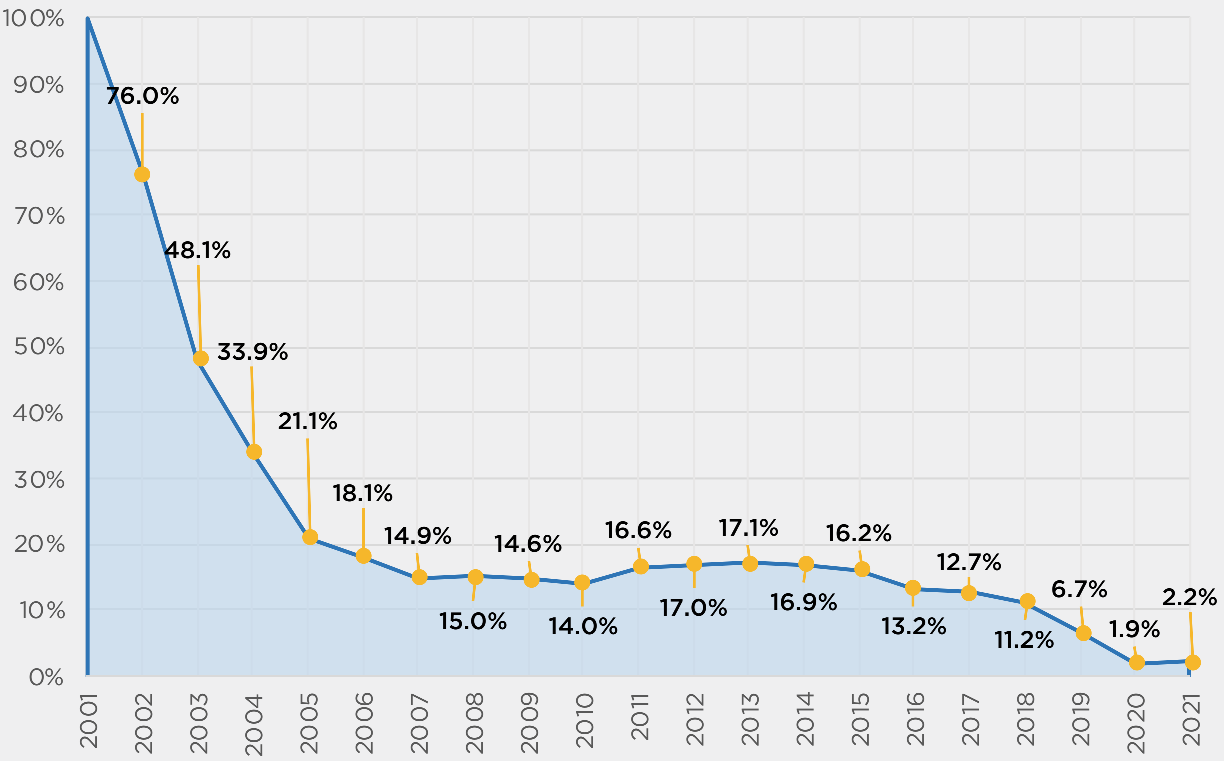
In 2021, we continued with the implementation of **investment projects** aimed at protecting the environment in compliance with the environmental requirements of the European Union. The successful completion of these projects was achieved in **2021** with the **issuance of approval decisions for projects**: Ore bridges emission control - Blast Furnace #2, Coke handling dedusting - Coke Battery #1 and Coke handling dedusting - Coke Battery #3. These projects were also co-funded from EU funds and contributed to significant reduction in pollutant emissions.

EUROPEAN UNION

OPERAČNÝ PROGRAM
KVALITA ŽIVOTNÉHO PROSTREDIA

The specific amount of particulate matter emissions decreased in 2021 by 97.8 % of the level recorded in 2001, in numerical terms **to 0.096 ton per 1,000 tons of produced steel**. Since 2001 we have reduced yearly pollution of air by particulate matters in the vicinity of USSK by a total of 16,238 tons of dust.

Comparison of Particulate Matters Specific Emissions in kg/t$_{\text{steel production}}$ (year 2001 is 100%)



In addition to solid pollutants, in the USSK we also reduced the specific amount of emissions of **sulfur oxides** by 75.63 % (from 2.97 t to 0.72 t per 1,000 t of produced steel) and **nitrogen oxides** by 55.65 % (from 2.74 t to 1.21 t per 1,000 t of produced steel) in compare of year 2021 to year 2001. In numerical terms, this is a decrease in sulfur oxides by 7,843 tons compared to 2001 and nitrogen oxides by 4,733 tons.

With increased production of liquid steel by about 46 % compared to 2020, we also increased the production of **coke** by 39 %, where compared to 2020, the specific amount of total **emissions released** from the Coke Plant's operations into the atmosphere decreased by 20% in 2021, in numerical terms, a decrease of 3.15 tons per 1,000 tons of produced coke.

With increased production of pig iron by 46 % compared to 2020, the **specific amount of total emissions** released from the operations of the **Blast Furnaces** (excluding the Sintering) decreased by 25.56 %, in numerical terms by 1.22 t per 1,000 t of pig iron.

2001

2021

-76% emissions of nitrogen exides

-56% emissions of sulfur oxides

+39% production of coke

-20% total emissions released from the Coke Plant

Comparison with 2020

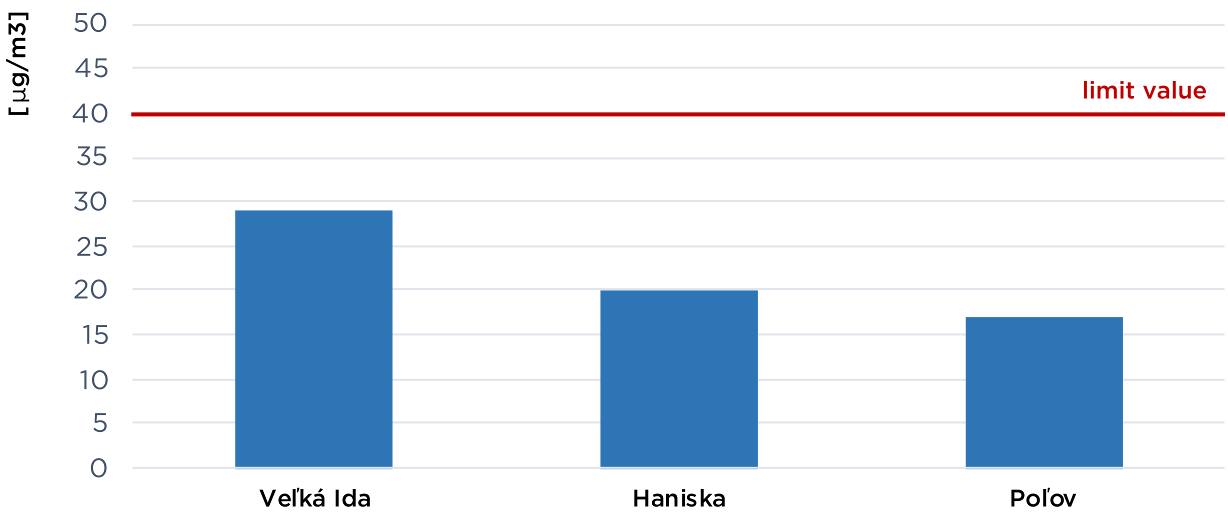
+46% production of pig iron

-26% total emissions released from Blast Furnaces

Comparison with 2020

Except emissions monitoring (pollutants released into the air), the Group also monitors **imissions** (pollutants contained and transferred in air) in its surroundings. Data from three automatic monitoring systems are sent to the Slovak Hydrometeorological Institute. The limits and results for 2021 are presented in the following graph:

Imissions monitoring PM10 [μg/m³] in nearby villages



WASTE MANAGEMENT AND BY-PRODUCTS MANAGEMENT

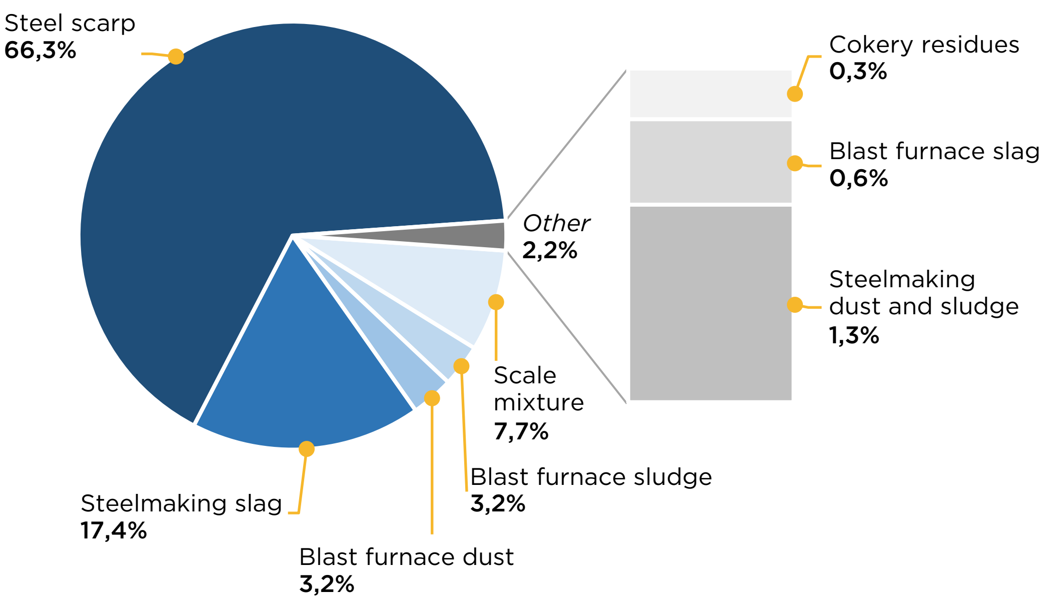
In 2021 we obtained **approvals for the handling of 2 by-products**. Namely, a **blast furnace slag**, which is sold in the liquid state to an external customer, and **catalysts from the annealing plant** that are re-used by USSK in the production process.

By the end of 2021, the U. S. Steel Košice Group had **33 approved by-products.** The project for briquetting of sludge and dust, which was put into operation in December 2019, has also contributed to the increase in recycling of by-products from the operations of the Cold Rolling Mill, Hot Rolling Mill and Blast Furnaces.

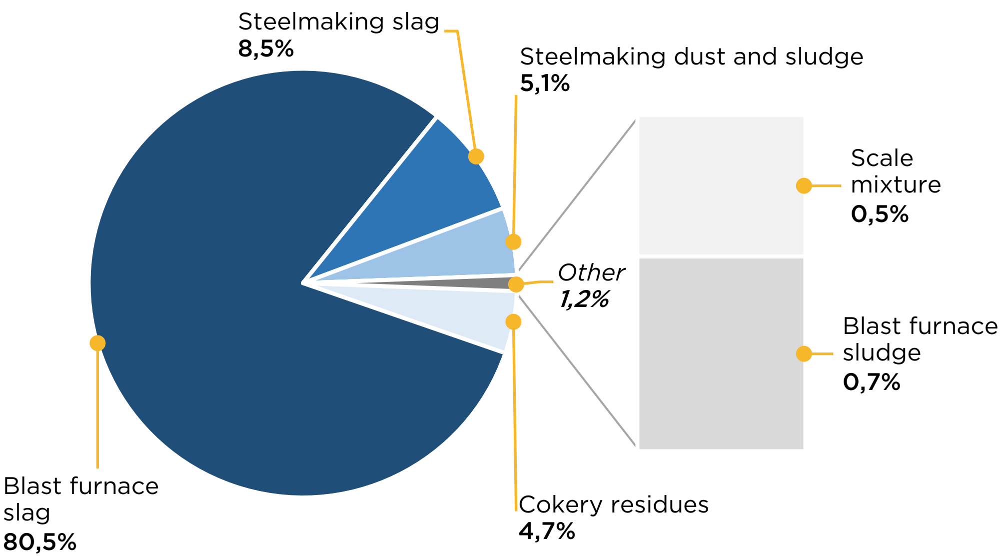
The amount of **blast furnace sludge and steel dust** recycled by an external processor outside USSK increased from the original 40,359 tons in 2020 to 42,164 tons in 2021. There was also a year-on-year increase in steel fine sludge recycled outside USSK from 32,145 tons to 34,075 tons in 2021. During 2021 there was a significant increase in the **recycling of steel slag** outside USSK, from 106,522 tons in 2020 to 158,068 tons in 2021.

A total of 2,402,331 tons of residues were recycled within USSK and by an external processor outside USSK, specifically 865,310 tons of residues inside and 1,537,021 tons outside USSK.

Recycled materials inside USSK



Recycled materials outside USSK



LANDFILL MANAGEMENT

Since the start of the waste-water treatment plant sludge recovery process in 2018, we have obtained more than 240,854 tons of material suitable for reclamation purposes. The use of this material in the Dry heap area resulted in reduced dust, as well as the greening of the heap slopes over an area of approximately 55,250 m^2.

WATER MANAGEMENT

Significant improvements in this field pertain the reuse of returned water from the Wastewater Treatment Plant (WWTP) Sokoľany. Last year, the amount of treated wastewater returned to U. S. Steel Košice accounted for **12.07 %** of the total amount of wastewater produced.

NATURE AND LANDSCAPE PROTECTION

In 2021 we oversaw the care of 205,191 m² of **forestry land**, 545,593 m² of **other woodland** and 28,432 m² of **other land in the vicinity of USSK**. As part of the care for these lands, we planted **75 tree seedlings**, we maintained roads and firebreaks in forest stands, and we provided full-area mowing of grasslands.

We reuse wastewater, we recycle metallurgical residues, wastes as well as other materials. Additionally, in 2021 we planted out 75 new trees and saved 4,352 more thanks to a separate collection of paper.

In line with legislative requirements, the Group continuously monitors and regularly informs its employees as well as the expert and the general public about environmental performance through the company newspaper Oceľ Východu and on its website www.usske.sk.

CLIMATE PROTECTION

CO_2 EMISSIONS

U. S. Steel is an integrated manufacturer of high quality, value-added steel that serves as a building block for a sustainable future. Thanks to differentiated products and constant progress towards reducing the environmental impact of production, the company is making significant efforts to create a low-carbon, more circular economy. U. S. Steel Košice Group is subject to regulation in the areas of environmental and human health protection applicable in Slovakia and the EU. Greenhouse gas emissions are regulated by **EU Directive 2003/87/ES establishing the Emissions Trading System (ETS)**, which was transposed into the Slovak legal system via Law 414/2012 Coll. (Emissions Trading Law).

Since 2019, new implementation rules for the trading period **2021-2030** have been specified. To receive free allocations, in June, USSK and Ferroenergy s.r.o. prepared and submitted NIM data verified by an independent auditor to the Ministry for Environment. Eventually, the Ministry submitted all NIMs from Slovak companies to the European Commission. **A final decision on free allocation was published in June 2021** in the form of the National Allocation Table. For the period **2021-2025**, the baseline is **average production for 2014-2018**, and for the years 2026-2030 the baseline will be average production for 2019-2023. Another new element is dynamic allocation, which takes into account the rolling average of the two preceding years and compares this with the baseline production of 2014-2018. In cases where the actual production is 15 % higher, the allocation will increase. Equally, actual production that is 15 % lower will result in a lower allocation. This process was applied for the first time in 2021. The principle of legal certainty and predictability is largely affected by the fact that this rule was adopted at the end of 2019, meaning that the allocation for 2021 is already set with regard to the production volumes of 2019 and 2020. The reduction in production at USSK in 2020 due to COVID-19 pandemic thus had a negative impact on our free allocation distributions. **The reduced free allocation was allocated to both USSK and Ferroenergy s.r.o.** in December 2021. Due to the high volume of pig iron production in 2021, we expect the free allocation for 2022 at the level of the historical average between 2014-2018 in this particular product.

The European Green Deal sets new ambitious goals. **Among other features, it calls for greater**

We are constantly working to promote new solutions with an aim to provide products with a lower carbon footprint, all while minimizing the impact of operations on human health and the environment.

emissions reduction efforts, namely 55-60 % by 2030 and a goal of carbon neutrality by 2050. For the steelmaking sector, it will be important to suitably set the **Cross-Border Adjustment** measures for imported goods from countries with lower environmental or climate standards. This proposal has already been passed by the European Parliament's Committee on Environment. Recent information suggests that the free allocation for industrial sectors under the CBA is not compatible with WTO rules and should therefore be terminated. The final form will be adopted in the „Fit for 55" legislative package.

At USSK, we are currently thoroughly analyzing technological possibilities and closely monitoring the latest developments in steel production technology, with the aim of developing a portfolio of decarbonization projects. The USSK team carried out detailed analyzes of the CO_2 intensity of individual processes based on divisions, plants and production lines, and analyzed production CO_2 intensity by individual products and intermediates, including all types of energy used in the plant. Models for predicting CO_2 emissions production and CO_2 intensity in the short and long terms have been developed and immediate and systematic technical and organizational solutions to reduce CO_2 emissions in all areas of production have been proposed. The team prepared a series of key projects with significant impact on CO_2 emissions reduction in the upcoming period, in cooperation with the specialist departments.

The portfolio is based on a combination of three main pillars: 1) reducing carbon intensity of the blast furnace production route, 2) electrification of production, and 3) use of hydrogen.

Achieving decarbonization targets depends on cooperation between the public and private sectors, and between industries and global stakeholders, to develop supportive, innovative and groundbreaking solutions including access to commercially available carbon-neutral electricity sources.

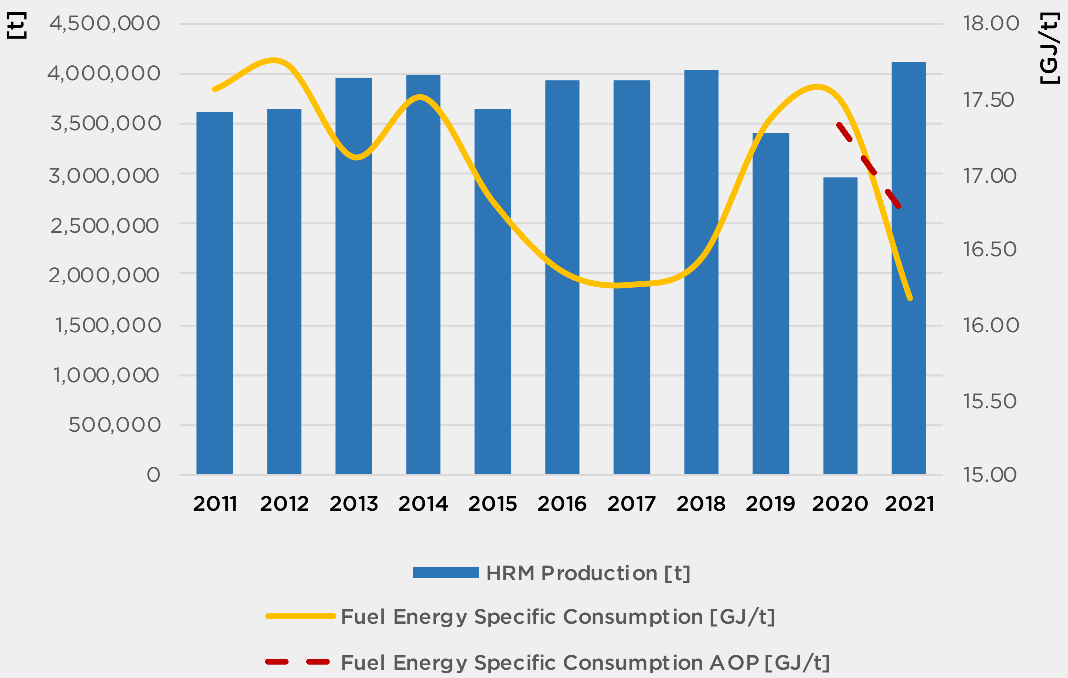
PROJECTS

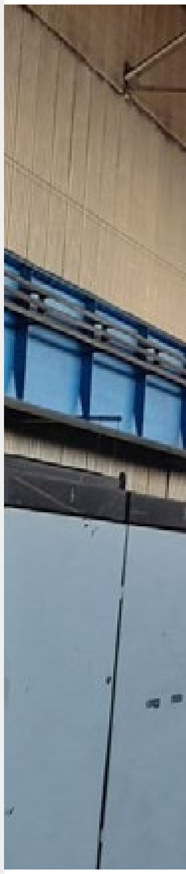
ENERGY EFFICIENCY

The energy efficiency of our processes is one of the most important aspects ultimately affecting the final cost of our production.

The energy team, also in 2021, prepared and evaluated projects at the Energy War Room, which related to **energy, its use** and addressed the question as **to what extent the energy is properly managed** in the plants of U. S. Steel Košice. Throughout the year, we observed an **increase in the prices of electricity, natural gas and CO_2 allowances**. Therefore, the team was motivated to search for and find new ideas and **projects that have brought the plant and are continuously bring savings not only in nominal terms but also contribute towards saving the environment.** This is also proved by the savings achieved thanks to the MDCC projects in the Energy War Room, which amounted to **USD 14,299 million**.

Fuel Energy Consumption





The savings are also reflected in the **reduction of fuel energy intensity**, reduced in 2021, thanks to the increase in production, and last but not least, the efforts of our employees, to 16.183 GJ/ton of hot rolled coil produced, which is in fact the lowest level achieved in the last 10 years.

LED project is an excellent example of such successful projects. In fact, it has been bringing electricity and CO_2 savings for the sixth consecutive year and saves **25,300 MWh per year**. In 2021, 404 lamps on the CGL3 line and the HRM engine room were replaced.

Before LED Project ***After LED Project***

The group of energy professionals and balancers was not only putting a significant amount of effort into searching for energy saving projects. The team also focused on **refining and streamlining the compilation of monthly financial statements and monthly reports on energy consumption and energy media.** Our company is one of the most diverse in terms of media distribution network and energy sources themselves. It is essential to take care of maintaining and updating the systems so that they reflect the modern era. Together with colleagues from IT, a web application was prepared, which is used for measurement readings for our internal and external customers and will enable them to record their readings via smartphone. Unified balance sheet models were prepared, online measurements were updated, and record sheets were modernized. All this has been helping us to better and more accurately define our own consumption, as well as that of externally purchased energy and energy media in favor of sound management. Additionally, it has resulted in paper savings and as such, saving of trees.

U. S. Steel Košice has implemented an **energy management system** (EnMS) according to the international standard EN ISO 50001 since 2013, on the basis of which conditions are created for complex and system solutions for efficient energy management. In June 2021, the sixth supervisory audit of the energy management system was performed by external specialists of TÜV SÜD Slovakia, s.r.o., to verify the compliance with the requirements of the amended standard. Based on this, we **obtained the EN ISO 50 001: 2018 certificate**. Our strengths as outlined by the auditor:

- a well-managed process of transition to meet the requirements of the amended standard,
- collection of energy data in the form of an energy data concentrator,
- employees‘ awareness in terms of energy savings.

The largest energy savings in 2021 were achieved via the following projects:

- Reduction of fees for the deviation in purchase of electricity by regulating production
- Increasing the efficiency of the equipment and reducing the specific consumption of coal in the steam boilers of the heating plant
- Regulation of the BOF gas calorific value control by prediction of BOF melting cycles
- Increased cooling efficiency in oxygen production
- Reduction of metallurgical coke humidity
- BF1 hot blast stove fuel rate optimization

CHEMICAL SAFETY

CHEMICALS

A team of experts at USSK is engaged in the application of the European Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH); on the classification, labelling and packaging of substances and mixtures (CLP); on the making available and use of biocidal products on the market (BPR).

As a manufacturer and importer of chemicals, we had previously registered **16 substances** in the European Chemicals Agency under the REACH regulation, and we are **Lead Registrant for two substances**. In **2021**, the number registrants for dust from steelmaking expanded, and our individual registration changed into a joint submission. Within the consortia and associations of manufacturers and importers of chemicals we keep our registrations up to date and prepare their updates. We regularly communicate with the European Chemicals Agency, public authorities as well as non-governmental organizations and private companies focused on fulfilling the requirements of REACH and related chemical legislation.

As a manufacturer of products, we **provide the information enabling their safe use** and we check their content for substances of very high concern based on the so-called Candidate List. We also prepare **declarations for our customers about the content of substances of very high concern**.

We regularly **review our portfolio of chemicals and look for safer alternatives.** For substances which are subject to authorization and their presence is necessary in our production cycle, we participated in the preparation of the application for authorization. Suppliers of hexavalent chromium-containing substances in the EU have submitted an application for their continued use until another suitable alternative is found. **The European Commission has approved our supplier's authorization for Sodium dichromate and Chromium trioxide use in steel packaging**

until 2024. In 2020, we prepared and applied for an authorization of Chromium trioxide and Sodium dichromate use in our tinplate production process, which is currently in the approval process. However, we further **continue in our efforts to identify, test and verify the suitability of substitutes for substances that are subject to authorization**.

As a downstream user of chemical substances and mixtures, we identify and apply the appropriate risk management measures set out in the **Safety Data Sheets** and actively communicate with our suppliers. We ensure that Safety Data Sheets from our suppliers are easily accessible to all employees in our company who follow their instructions during the performance of their work activities. We update Safety Data Sheets for our products. We communicate information about chemicals with our customers and answer their questions and fill out their questionnaires focused on classified chemicals.

We apply the REACH provisions on restrictions to the **manufacture, placing on the market and use of chemicals** that pose a risk to human health and the environment.

Our goal is to ensure the highest level of protection of human health and the environment when using chemical substances and mixtures.

GOVERNING PRINCIPLES

5 GENDER EQUALITY

Integrity and ethical conduct are fundamental to our core values and vital to our continued success as we maintain an intense focus on the key business drivers that make us a better, more competitive company.

THE CODE OF ETHICAL BUSINESS CONDUCT

The Code of Ethical Business Conduct, as a fundamental internal regulation of USSK, constitutes a cornerstone of confidence necessary for the long-term success of our Company. It is also specially aimed at respecting the human rights of employees by prohibiting slavery, child labor and emphasis on the battle against corruption and bribery. The commitment to act in an ethical manner has helped to ensure that USSK confirms its reputation as a company respecting its employees, shareholders, business partners and the communities which it operates in.

USSK's collective commitment to perform business activity in an ethical manner must be and is fulfilled without reservation. In 2021 our Code of Ethical Conduct of U. S. Steel Košice together with our Policies was revised and introduced updated **S.T.E.E.L. principles –** Safety First, Trust and Respect, Environmental Stewardship, Excellence and Accountability and Lawful and Ethical Conduct which form the foundation of this Code of Ethical Business Conduct.

ETHICS LINE

Any form of prohibited or unethical behavior can be reported to a supervisor directly or using the **U. S. Steel Ethics Line**, either by telephone, mail or internet. In addition to USSK employees, external persons may also use the **U. S. Steel Ethics Line** to report unethical or unauthorized practices performed within USSK.

DEVELOPMENT OF EMPLOYEES IN THE AREA OF ETHICS

U. S. Steel Košice, s.r.o. is **one of the leading companies enforcing business ethics and anti-corruption practices** in Slovakia. Employees are regularly informed about news in the ethics & compliance area and other ethics related issues through USSK's intranet site (Ethics & Compli-ance section), the quarterly on-line newsletter named "Ethically Speaking" and regular communication in the form of Compliance Tips or in company newspaper Oceľ východu. In 2021 employees could also expand their knowledge through **online trainings** on the topic of Code of Ethical Business Conduct, Sexual Harassment, Tone in the Middle and Economic sanctions.

In 2021, over 500 employees joined the transcontinental virtual event organized by USSK under umbrella of WIN Women's Network and dedicated to the ethics with the name "What is the role o the ethics today?"

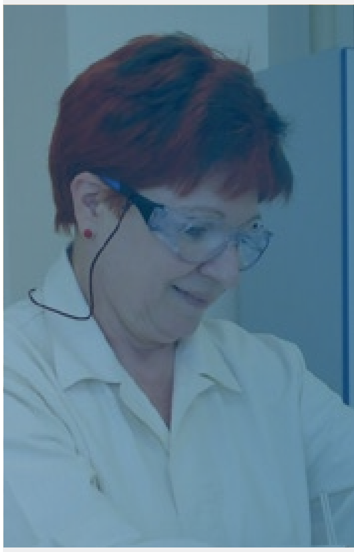
As every year, also in 2021 our company together with other plants within the United States Steel Corporation joined the 11th year of the **Ethics and Compliance week**. From November 8 to November 12, employees through receiving emails from the highest representatives of the corporation, learning about our hotline investigations process with help of our animated Code of Ethical Business Conduct mascot, Codie and by attending the Code of Ethical Conduct and Sexual Harassment online training recalled our shared commitment: "**Do What's Right.**" Also, during the Ethics and Compliance Week, the process of the **Annual Certification** started, during which all employees and employees of the subsidiaries became acquainted with the selected USSK Policies and The Code of Ethical Business Conduct and confirmed their commitment to comply with them at the same time.

CONFLICT MINERALS

USSK, as subsidiary of United States Steel Corporation, is **committed to legal and ethical compliance in all its business practices** and complies with applicable U. S. (The Dodd-Frank Wall Street Reform and Consumer Protection Act, HR 4173 § 1502) and EU legislation (EU Conflict Minerals Regulation no. 2017/821) regarding conflicts minerals. The only products manufactured by USSK that contain Conflicts Minerals and are subject to the Dodd-Frank Act and EU Conflicts Minerals Regulation are its tin mill products having a tin coating.

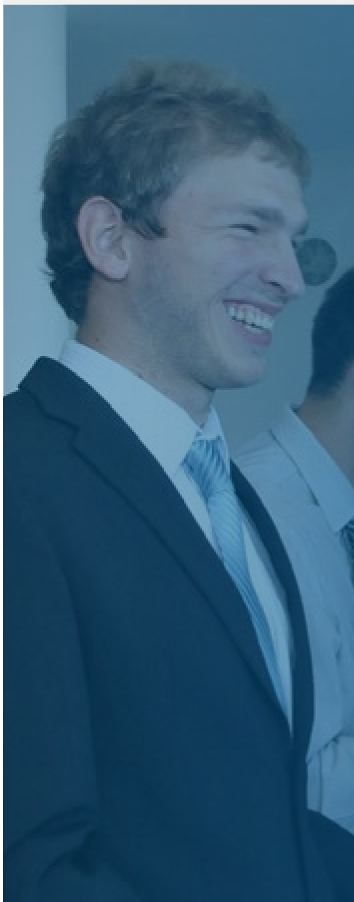
Based on USSK's reasonable due diligence, to the best of its knowledge, throughout 2021, **USSK did not manufacture any products that used Conflict Minerals sourced from the Democratic Republic of the Congo** (DRC) or its adjoining countries that financed or benefitted armed groups in that region or other conflict-affected and high-risk areas.

In accordance with the legislation and implementing regulations, USSK will continue to monitor its supply chain to ascertain the origin of Conflict Minerals used by USSK in manufacturing its products and provide any required disclosures and updates. USSK will continue to **proactively work with its suppliers and customers to verify the source of Conflict Minerals in its supply chain**.



INCLUSION OF COLLEAGUES WITH DISABILITIES

In the USSK Protected Workshop, we create working conditions for employees who once worked in various USSK divisions, but after changes in their state of health could not continue in their previous roles. In the Protected Workshop, they are given tasks which they can perform with disabilities, such as waste separation and recycling, collection of PET bottles, paper and toner cartridges at USSK premises, checking of safety gear, ropes, flashback arrestors and ladders, sewing of filtration sacks for the blast furnaces, or running the protective equipment center for visitors. Their continued employment with U. S. Steel Košice forestalls any challenges they may have finding appropriate jobs in the labor market. This requires flexibility and an individual approach to each employee, taking into account his/her abilities and potential. **In 2021, we continued to provide work for 35 employees whose health conditions had rendered them unable to carry out their previous responsibilities.**



DIVERSITY AND EQUAL OPPORTUNITIES

U. S. Steel Košice **Group guarantees every employee's rights under their employment contract without restriction, prohibits direct or indirect discrimination in compliance with the applicable laws,** including those covering personal data protection. All employees are treated **equally and without discrimination on the basis of age or gender**. **In 2021, the proportion of women among USSK statutory representatives was 25 % with responsibilities for finance, law and subsidiaries management.**

Although the proportion of women in the total USSK workforce is only 15 %, these employees form an important part of the Group management and hold several top positions. Since 2010, they have been able to derive support from the USSK Women's Network, part of the U. S. Steel Corporation's Women's Inclusion Network, the mission of which is to cultivate an inclusive environment enabling women to maximize their professional success through networking, education, leadership opportunities and community involvement.

WOMEN'S INCLUSION NETWORK (WIN)

The year 2021 was the first year since the restart of Women's Network (WIN) at U. S. Steel Košice. The intention of WIN has been to not only address women, but rather all the employees within USSK. They aimed to share with them important and interesting information pertaining to USSK, but also to respond to the various challenges employees had been facing daily during the ongoing pandemic. In 2021, WIN organized 11 events, 3 of which were held at the corporate level with the number of participants ranging from 160 to 570. WIN is also actively involved in organizing charitable events. Take for instance a successful „Donate Christmas Lunch," thanks to which USSK workers donated 3,500 lunches that were distributed to the crisis center for mothers with children and the Oasis homeless shelter.

NEXTGEN

The NextGen initiative, an active community of young employees, that are so to speak the future of our company, was founded at USSK by 4 founding members in June 2021 as part of the Corporation's NextGen. The organizational team later grew, and even this small sample reflects diversity in the workplace at USSK, as two women and three men now represent the team. In 2021, the team organized two very successful events. With the first one, they kicked-off a series of interviews with young inspiring people, by having welcomed the founder of Creative Industry Kosice (CIKE). At the second big online event in November, our young steelworkers decided to pay considerable attention to, at this time, such an important topic of sustainability. The event was not limited to young employees, but was also aimed at all those who are interested in the topic of sustainability & environmental and social aspects of a well-managed company. A sustainable approach to nature, the environment, and the community begins on an individual basis. With this in mind, NextGen launched the project: Hackathon - "Hack the sustainable USSK" which aims to find innovative solutions in various areas of ESG to ensure a more sustainable future for our company. Creative and passionate employees joined the initiative and came up with a number of interesting ideas that they will work on in 2022.

COMMUNITY

In relation to the community, we act in accordance with our principles of equal opportunities and supporting diversity.

U. S. Steel Košice Group has been interested in regional needs for a long time and is committed to addressing them in accordance with its core values and business principles, either directly or through its foundation, the **Nadácia U. S. Steel Košice.**

The priorities in the area of donations and sponsorship are public benefit projects for children, support for health care, science and education, culture and sports.

The Group has become a partner to many non-profit organizations that are active in solving problems and providing innovative solutions for community development and social care for disabled people and senior citizens.

THE COVID-19 PANDEMIC

In 2021, COVID-19 pandemic also continued to significantly affect philanthropic activities. The mobile **antigen test site**, which was set up by USSK following the outbreak of the pandemic, provided its services to employees and their family members, the company's suppliers, and for three months also to the general public. In 2021, **85,100 tests** in total were performed. The company organized campaigns to strengthen the vaccination of employees with a lot of quality information in the corporate newspaper **Oceľ východu**, on the intranet and on the internet. Employees, as well as the general public could use the **vaccination center** of the AGEL Hospital Košice-Šaca directly on USSK premises. **The X App Košice** communication application also started providing useful information immediately after its launch in December 2021.

HEALTH CARE SUPPORT

The Group supports specialized medical institutions in the region. In 2021, it contributed **EUR 18,000** to the L. Pasteur University Hospital in Košice and the Children's University Hospital in Košice for the purchase of thermal imaging cameras and oxygen respiration therapy devices for pediatric patients with COVID-19.

SUPPORT OF EDUCATION

The Group actively cooperates with selected technical secondary schools and colleges, especially in line with targeted employee recruitment. The Group contributed **EUR 50,000** to the Faculty of Materials, Metallurgy and Recycling of the Technical University in Košice for the continuation of the innovative educational project **Technical Talents 2020+**, aimed at popularizing science, actively engaging students of high schools and universities in the discovery of technical subjects, and helping them understand their roles in building a permanently sustainable future. It also supported the purchase of information and communication technologies for the new **AI4Steel Laboratory**, in which doctoral students use artificial intelligence tools to solve real tasks in steel production.

Since 2004, through its foundation, the Company has been developing its own **Scholarship Program** to provide access to higher education to talented students from socially-disadvantaged families in eastern Slovakia. Since 2007, this has been extended to include children of USSK employees, with technical studies being strongly preferred. In the academic year 2020/2021, **25 new scholarships** were granted, and **22** more in **2021/2022**. Scholarship awardees were involved in the Company's volunteer events, and several of them gained practical experience at USSK during summer or year-long internships.

SOCIAL CARE

USSK's assistance is focused mainly on centers for children and families in eastern Slovakia. We pay special attention to the centers on Uralská Street in Košice and the town of Podolínec. We also provide a long-term support to the Autumn of Life civic association, whose members are retired USSK employees. For many years, USSK has cooperated with the Archdiocesan Charity in Košice, making life easier for people in difficult situations. In 2021, we continued with the project **We Are with You at the Right Time** for 9 families of steelmakers who found themselves in a difficult life situation. We managed to organize a trip to the ZOO for them, as well as a weekend stay, during which parents with children could relax in the company's training camp in Medzev. Before Christmas, an innovative format of the **Wishing Tree** project provided gifts for children from the centers and families of steelmakers.

Living with anti-pandemic measures and the transition of many employees to the home office has also brought **new initiatives**. The **Donate Lunch** appealed to hundreds of steelmakers before the biggest holidays, Easter and Christmas, and helped thousands of those in need. A total of **634 employees** shared their lunches and donated more than 5,210 meals to the shelter for the homeless Oasis - hope for a new life in Bernátovce and several facilities of the Archdiocesan Charity Košice. They were prepared and distributed by the supplier company Eurest, which provides catering in the canteens and buffets of U. S. Steel Košice.

Employees also provided their solidarity and help to the families of colleagues after their death or after their house or apartment burned down. To alleviate the unexpected situation of the families, the **employees participated in 19 collections throughout the year and put together a total of EUR 120,170**.

„Homeless people need a roof over their heads and hot food so they can work on improving their lives. It was with such an act of love of neighbor that the employees to the Košice steel-mill helped facilitate this change."

Silvia Hrabčáková, Archdiocesan Charity Košice

SUPPORT FOR SPORTS

U. S. Steel Košice has been focused on traditional sports and events in the Košice region. For many years it has been the main partner of the **Košice Peace Marathon**, which is the oldest marathon in Europe and is very popular among our employees and business partners. One of the accompanying disciplines is the **U. S. Steel Family Run** mini-marathon on the tenth of the marathon track. The Company is also a long-term partner of the **HC Košice ice-hockey club,** which has won the Slovak national league several times. However, sporting life was still affected by the pandemic in 2021, with many events being cancelled or organized in a restricted manner. Our own program called **Your Chance to Play** continued providing equal opportunities for both children from socially-disadvantaged families and sports-gifted children of steelmakers to play ice-hockey, basketball and soccer. Since 2006, USSK has contributed **EUR 208,397** towards club membership fees and equipment for 575 young athletes, which includes **EUR 6,732** provided to 11 children in 2021.

SUPPORT OF CULTURE

The Group has been a long-term supporter of important cultural institutions and events. It is a traditional partner of the **Košice State Philharmonic** and the **Košice State Theater.** It also supports the international film festival **ArtFilm** Fest and the theater festival **Visegrad Days.**

„U. S. Steel Košice has always cared about the region in which it operates and where its employees live. They are the ones who can create additional added value for the region through their involvement, work in various non-profit organizations and their volunteering. Even with a small financial contribution, combined human energy can bring visible changes to our region.“ Jim Bruno, President of USSK



VOLUNTEERING AND REGIONAL COMMUNITY PROGRAMS

Our largest corporate volunteer event is the **Volunteer Days – Steelmakers for Košice**, held for the fifteenth time, on June 18-19, 2021. Respecting the changing hygiene and pandemic measures including restrictions on public events, the Group's employees helped five organizations with public benefit activities, participated in the Steelmakers' Drop of Blood, the collection of clothing for community centers and the charity house, worked on beautifying the center for children and families, and helped in the botanical and zoological gardens. In September, volunteers also returned to another popular place, the Children's Historic Railway. Despite many limitations, **1,050 volunteer hours** were worked during corporate events and **23 liters of blood were donated**. This selfless help was rewarded by a weekend relaxation stay for the families of four randomly selected steelmakers.

Every year, in cooperation with the Carpathian Foundation, U. S. Steel Košice runs the **Together for the Region** grant program, which focuses on supporting leisure activities for children and teenagers, promoting environmental protection and encouraging safe behavior. A specific feature of the program is the active involvement of USSK employees in community activities. In 2021, **6 community projects** were supported. With the support of the grant, OZ Save Nature by Civas could better fight against illegal dumps, safety at Turňa Castle increased, a recreation area for residents, cyclists and tourists was created in the village of Hýľov, a new simulator was added to the Children's Historical Railway, and two other projects were implemented for children with disabilities, resp. from a disadvantaged Roma environment. **Since 2008, the Group has helped implement 119 development initiatives, which have been supported by more than EUR 294,400.** Information on individual projects is available on the USSK website.

Although more than a hundred community support projects in 2021 were managed primarily by the Public Relations Department, they could not have had such a massive scope and impact without the involvement of the Women's Inclusion Network, human resources, trade unions, IT and other departments in administration, production and production support.

The U. S. Steel Košice Foundation was established in 2002. From its inception to the present day, the amount of aid disbursed via many initiatives has exceeded almost EUR 5.2 million.

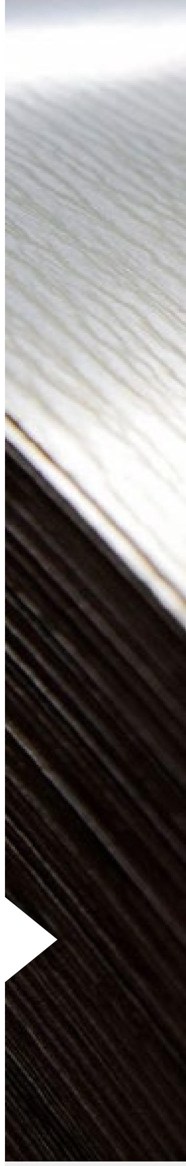
2022 OUTLOOK

The positive trend in steel consumption seen over the first six months of 2021, which has continued also in the second half of the year, albeit at a slower pace, was according to forecasts projected to continue in 2022 as well. Ongoing global issues have cast uncertainty on the economic and industrial outlook, and most probably will continue to do so in whole year 2022. In general, recovery in the EU appears to be exposed to downside risks, mainly the impact of conflict in Ukraine , severe disruptions in the global supply chain (i.e., shortage of components and raw materials, skyrocketing energy prices, rising shipping costs, etc.), as well as potential new COVID-19 variants. Recovery in steel-using industries and in steel demand is expected to continue in 2022, but at a moderate rate.

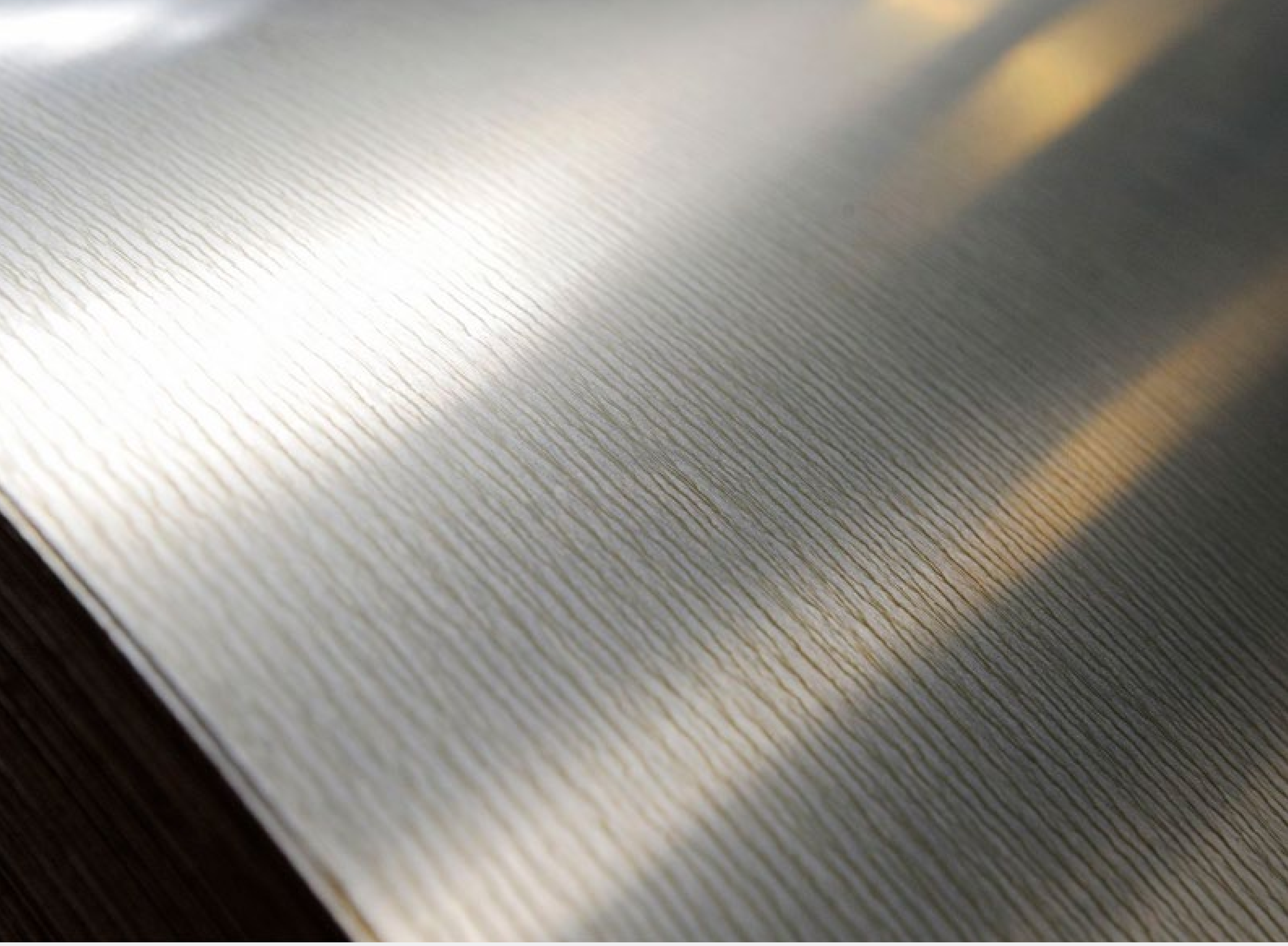
U. S. Steel Košice, as well as the entire European society, will face an **unprecedented technological and economic challenge in the form of decarbonization**. EU industry in particular will be the main pillar of this process and its outcome. Therefore, it is essential that its international competitiveness is maintained during and after this transformation. If Europe fails to do this, no one else will follow - the climate is a global problem and therefore requires global efforts and action.

If the decarbonization process is to be successful, a number of framework conditions needs to be addressed within the „Fit for 55“ legislative package:

- **Effective public financial support for research**, innovation, development and implementation of all necessary low-carbon technologies on an industrial scale
- **Access to cost-competitive and volume-efficient sources of low-carbon energy**, in particular electricity and hydrogen
- **Fair conditions for European producers** compared to their competitors, through effective trade protection instruments and the strengthening (not weakening) of existing risk protection mechanisms - carbon leakage (outflow of production to third countries with less rigorous environmental standards) by introducing the carbon border adjustment mechanism (CBAM) with continued free allocation of emission allowances to vulnerable sectors (based on benchmarks) at least until 2030
- **Demand-side measures to create sustainable markets for green products and to stimulate the consumption of low-carbon products**, as they are usually less cost-competitive than traditional products



We will do everything to ensure that our company continues to create long-term value for all stakeholders - our investors, customers, employees, the community in which we live and work, and ultimately, the planet.



Developments in the context of **the COVID-19 pandemic**, as well as the development of the **situation in the neighboring Ukraine** may also have an impact on the functioning of our operations in the coming period. With this in mind, **we have preventively launched a plan aimed at securing sufficient stocks of strategic raw materials**. In view of the current situation and related sanctions against the Russian Federation, the Company has acted to identify risks and take relevant measures to reduce the impact on its business. Based on the available information and current developments, USSK continuously analyzes the situation and evaluates its impact on the Company directly, as well as on its subsidiaries. The management of the company considered the potential impact of this situation on its activities and business and concluded that they do not pose a significant impact on the financial statements for 2021 or on the assumption of the continuation of the business in 2022. However, it cannot be excluded that the current situation will not turn into further negative developments, which in turn may have a significant negative impact on the Company, its sub-conditions, financial conditions, results, cash flows and prospects in general.

Several packages of sanctions imposed on the Russian Federation contained restrictions on ship and truck transportation, trade in iron, steel, coal, computer technology and luxury goods, which may affect the Company. The Company is currently evaluating the impact of these sanctions on its operations and taking the necessary measures to prevent their unfavorable impact.

ACTION PLAN

1_ Current situation

- Record profits, safety, environmental, quality, and delivery
- “Stronger for longer” market and bullish for 2022
- Strategic investments supported by record cash & liquidity

2_ Operating Improvements

- Safety & Environmental
- Move Down the Cost Curve
- Win in Strategic Markets
- Move Up the Talent Curve
- Capital Spending
- Data & Analytics

3_ Strategic Projects

- Low-cost Iron Ore
- Research & Innovation
- Deep Customer Relationships
- Sustainability / ESG

4_ Portfolio shaping

- Footprint Optimization
- Non-core Asset Divestitures

5_ Financial Strategy

- Business Resiliency
- Positive Cash Flow
- Balanced Capital Allocation

6_ Goals

- Lower capital and carbon intensity
- **Best for All** to create more advanced, environmentally sustainable steel solutions for our customers
- Improved competitiveness and through cycle cash flow
- Redesigned customer experience leveraging world-class capabilities

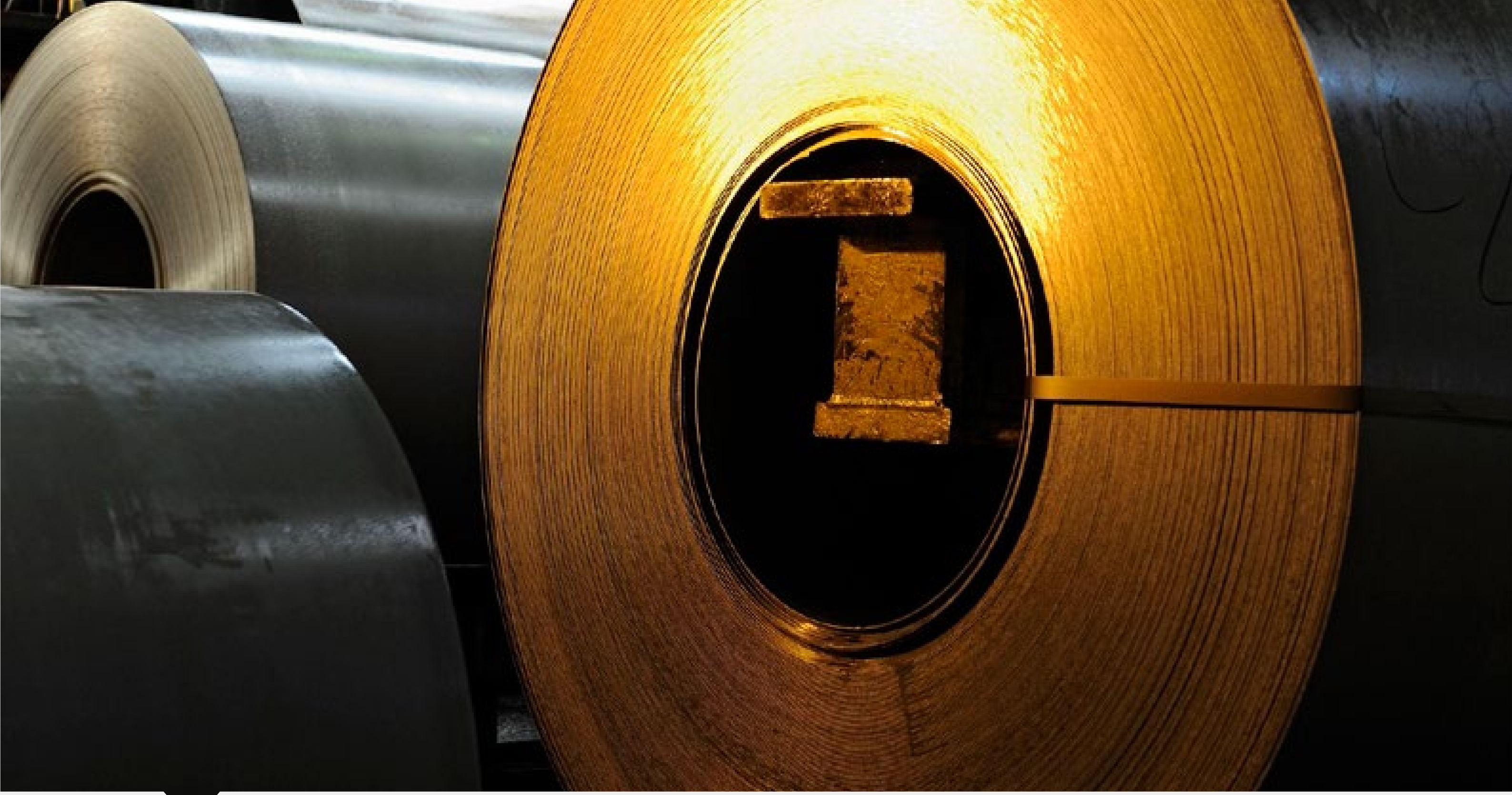
WE BELIEVE THAT TOGETHER WE CAN TAKE ADVANTAGE OF THE OPPORTUNITIES AND REPEAT THE SUCCESSES OF THE PAST YEAR

SELECTED FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION

Selected items from the Separate and Consolidated Statements of Financial Position for the last two years are:

U. S. Steel Košice	Separate Financial Statements in EUR (millions)		Consolidated Financial Statements in EUR (millions)	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Property, plant and equipment, incl. investment property	806	835	911	955
Intangible assets	466	164	812	271
Long-term receivables	8	7	8	7
Other non-current assets	139	142	0	0
Inventories	674	377	673	380
Short-term receivables	521	288	507	275
Short-term loans and borrowings	62	7	0	0
Cash and cash equivalents	285	217	290	220
Other current assets	15	2	15	2
Total Assets	**2,976**	**2,039**	**3,216**	**2,110**
Equity	1,588	904	1,593	915
Long-term trade and other payables	10	13	10	13
Long-term loans and borrowings	0	422	0	422
Other long-term liabilities	139	122	144	129
Short-term trade and other payables	615	406	597	396
Other short-term liabilities	624	172	872	235
Total Equity and Liabilities	**2,976**	**2,039**	**3,216**	**2,110**



Compared to the previous accounting period, the carried amount of Group property, plant and equipment decreased by EUR 44 million primarily due to annual depreciation charge which exceeded capital expenditures. In 2021, the Group's capital expenditure amounted to EUR 41 million versus EUR 45 million in 2020.

As of December 31, 2021, the Group had purchased EUA emissions allowances totaling EUR 207 million, versus EUR 47 million' worth purchased as of December 31, 2020. Emission allowances allocated by the Government in 2021 were measured at EUR 417 million, against EUR 132 million in 2020. A 156 percent increase in the value per ton of the emission allowances in 2021 compared to 2020 value also contributed to much higher intangible assets balance.

The increase in trade and other payables and inventory in 2021 was primarily due to higher raw material purchases. Increase in provision for CO_2 emissions reflected in the significant increase of other liabilities. Higher shipments and selling prices caused material increase of short-term receivables.

In 2021, the Group repaid borrowings worth EUR 300 million drawn from a EUR 460 million revolving Credit Agreement with banks and borrowings worth EUR 122 million drawn from Loan Agreement with United States Steel Corporation.

On September 29, 2021, U. S. Steel Košice, s.r.o., a subsidiary of United States Steel Corporation and Ferroenergy s.r.o., subsidiary of U. S. Steel Košice, s.r.o. as guarantor, entered into a new EUR 300 million revolving credit facility (the Credit Facility Agreement) with multiple banks replacing EUR 460 million revolving credit facility. The Credit Facility Agreement has a maturity date of September 29, 2026 and also contains sustainability targets related to carbon reduction, safety performance and facility certification by ResponsibleSteel™.

Detailed information on long-term loans and borrowings of the Group are disclosed in Note 15 to the Separate or Consolidated Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Selected items from the Separate and Consolidated Statements of Profit and Loss and Other Comprehensive Income for the last two years are:

U. S. Steel Košice	Separate Statement of Profit and Loss in EUR (millions)		Consolidated Statement of Profit and Loss in EUR (millions)	
	2021	2020	2021	2020
Revenues and other income	4,039	1,889	4,004	1,868
Operating Profit / (Loss)	820	(67)	695	(93)
Net Profit / (Loss) for the Year	**648**	**(55)**	**517**	**(85)**
Total Comprehensive Income / (Loss)	**684**	**(34)**	**679**	**(30)**

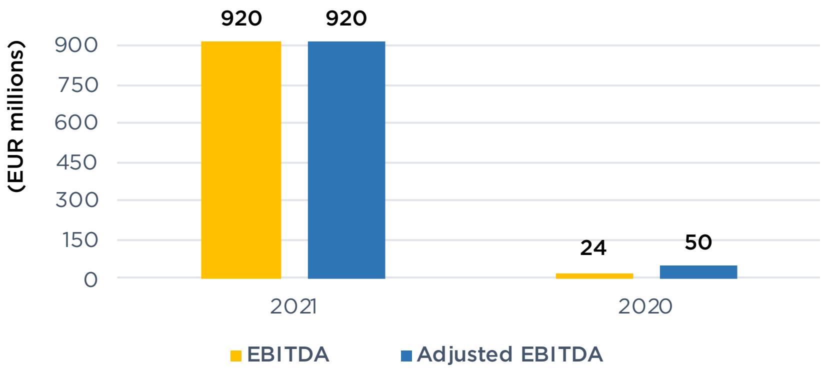
The Group incurred a **net profit of EUR 517 million** in 2021 compared to a net loss of EUR 85 million in 2020. The 2021 profit resulted mainly from favorable business conditions during which the Group experienced high demand and high selling prices, resulting in a high production utilization level. CO_2 emission allowances accounting had negative impact on annual net profit, however, it was partially offset with positive impacts recorded in other comprehensive income.

STATEMENT OF FINANCIAL PERFORMANCE

Key financial performance indicators for the last two years are:

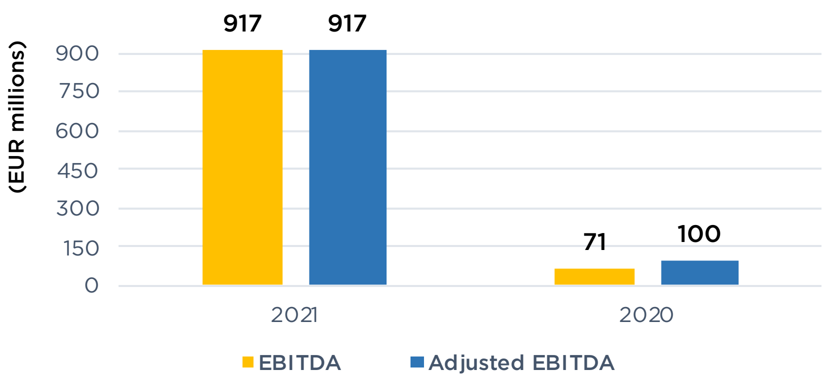
U. S. Steel Košice	Separate key financial performance indicators in EUR (millions)		Consolidated key financial performance indicators in EUR (millions)	
	2021	2020	2021	2020
EBITDA	**920**	**24**	**917**	**71**
Adjusted EBITDA	**920**	**50**	**917**	**100**

EBITDA and Adjusted EBITDA from Separate Financial Statements (Period Ending December 31)



The Group's EBITDA increased in 2021 compared to 2020 mainly due to favorable impact of increased average realized prices and shipments which were partially offset by unfavorable impact of higher raw material and energy costs and increased operating costs.

EBITDA and Adjusted EBITDA from Consolidated Financial Statements (Period Ending December 31)



Detailed information on key indicators of financial performance of the Group are disclosed in Note 29 to the Separate or Consolidated Financial Statements.

PROPOSAL FOR 2021 PROFIT DISTRIBUTION

U. S. Steel Košice	in EUR (millions)
Profit for the Year 2021	648
(Contribution to) / Usage of Legal Reserve Fund	-32
Contribution to Retained Earnings	616
Other Changes in 2021 Directly Accounted for in Retained Earnings	35
2021 Undistributed Profit (Retained Earnings) Total	**651**

Significant events after the reporting period are disclosed in Note 30 to the Separate or Consolidated Financial Statements.

ANNUAL REPORT 2021

SUSTAINABLE SOLUTIONS FOR PEOPLE AND THE PLANET

U. S. STEEL KOŠICE, S.R.O., VSTUPNÝ AREÁL U. S. STEEL, 044 54 KOŠICE, SLOVAKIA
WWW.USSKE.SK/EN

U. S. Steel Košice, s.r.o.

Separate financial statements for the year ended December 31, 2021

prepared in accordance with International Financial Reporting Standards as adopted by the European Union

This version of the accompanying financial statements is a translation of the original prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, the original language of the financial statements shall take precedence over this translation in all matters of interpretation of information, views or opinions.

Independent Auditor's Report

To the Shareholder and Executives of U. S. Steel Košice, s.r.o.:

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of U. S. Steel Košice, s.r.o. (the "Company") as at 31 December 2021, and the Company's separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Company's separate financial statements comprise:

- the separate statement of financial position as at 31 December 2021;
- the separate statement of profit or loss and other comprehensive income for the year then ended;
- the separate statement of changes in equity for the year then ended;
- the separate statement of cash flows for the year then ended; and
- the notes to the separate financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Act on Statutory Audit No. 423/2015 and on amendments and supplements to Act on Accounting No. 431/2002, as amended (hereafter the "Act on Statutory Audit") that are relevant to our audit of the separate financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of Act on Statutory Audit.

Reporting on other information including the Annual Report

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and separate financial statements and our auditor's reports thereon).

Our opinion on the separate financial statements does not cover the other information.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report, we considered whether it includes the disclosures required by the Act on Accounting No. 431/2002, as amended (hereafter the “Accounting Act”).

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Annual Report for the financial year for which the separate financial statements are prepared, is consistent with the separate financial statements; and
- the Annual Report has been prepared in accordance with the Accounting Act.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Annual Report. We have nothing to report in this regard.

Management's responsibilities for the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161

Ing. Monika Smižanská, FCCA
UDVA licence No. 1015

21 April 2022
Bratislava, Slovak Republic

Slovenská komora audítorov
SKAU
Č. licencie 161
PricewaterhouseCoopers Slovensko, s.r.o.

Translation Note:

This version of our report is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

U. S. Steel Košice, s.r.o.

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Separate financial statements for the year ended December 31, 2021, were prepared in accordance with International Financial Reporting Standards as adopted by the European Union on April 21, 2022, and have been approved and authorized for issue by the statutory representatives of U. S. Steel Košice, s.r.o. ("the Company" or "USSK") on April 21, 2022. Neither the Company's shareholder nor the executives have the power to amend the separate financial statements after issue.

Košice, April 21, 2022

Ing. Marcel Novosad
Vice President Operations
(statutory representative)

Ing. Silvia Gaálová, FCCA
Vice President and Chief Financial Officer
(statutory representative)

Ing. Adam Dudič, FCCA
General Manager General Accounting and Taxes
(responsible for accounting)

Ing. Beáta Marčáková
Director General Accounting and Financial Reporting
(responsible for financial statements preparation)

U. S. Steel Košice, s.r.o.

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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U. S. Steel Košice, s.r.o.

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(all amounts are in thousands of EUR if not stated otherwise)

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2021	December 31, 2020
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**803,227**	832,571
Investment property	6	**2,618**	2,847
Intangible assets	7	**465,595**	163,946
Investments	8	**138,300**	141,263
Unquoted financial instruments	26	**259**	259
Long-term receivables	11	**7,630**	7,105
Total non-current assets		**1,417,629**	**1,147,991**
Current Assets			
Inventories	10	**673,789**	377,481
Trade and other receivables	11	**520,888**	288,248
Derivative financial instruments	12	**13,459**	3
Short-term loans to related parties	28	**62,442**	6,872
Restricted cash		**379**	533
Prepaid expense		**1,877**	1,644
Cash and cash equivalents	13	**285,272**	216,702
Total current assets		**1,558,106**	**891,483**
TOTAL ASSETS		**2,975,735**	**2,039,474**

EQUITY AND LIABILITIES			
Equity			
Share capital	14	**839,357**	839,357
Reserve funds	14	**66,075**	91,533
Retained earnings / (Accumulated losses)		**682,815**	(27,085)
Total Equity		**1,588,247**	**903,805**
Liabilities			
Non-Current Liabilities			
Long-term loans and borrowings	15	**-**	422,239
Long-term provisions for liabilities and charges	16	**11,767**	10,770
Long-term deferred income - environmental projects	5	**70,447**	75,153
Long-term employee benefits payable	17	**31,594**	34,011
Deferred income tax liability	9	**24,960**	2,064
Long-term trade and other payables	18	**9,688**	13,397
Total non-current liabilities		**148,456**	**557,634**
Current Liabilities			
Trade and other payables	18	**614,673**	405,596
Current income tax liability		**152,699**	-
Derivative financial instruments	12	**85**	14,312
Deferred income		**4**	3
Short-term borrowings	15	**-**	2,647
Short-term borrowings from related parties	28	**1,825**	10,405
Short-term provisions for liabilities	16	**468,794**	143,071
Short-term employee benefits payable	17	**952**	2,001
Total current liabilities		**1,239,032**	**578,035**
TOTAL EQUITY AND LIABILITIES		**2,975,735**	**2,039,474**

The accompanying notes on pages SF-11 to SF-69 are an integral part of these separate financial statements.

(all amounts are in thousands of EUR if not stated otherwise)

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021	2020
Revenue from contracts with customers	19	**3,589,701**	1,711,145
Other income	19	**449,052**	177,926
Materials and energy consumed	20	**(2,036,920)**	(1,230,290)
Salaries and other employees benefits	21	**(338,108)**	(301,405)
Depreciation and amortization	5, 6, 7	**(78,296)**	(79,617)
Repairs and maintenance		**(75,564)**	(51,178)
Transportation services		**(90,601)**	(59,531)
Advisory services		**(10,390)**	(6,810)
Foreign exchange (losses) / gains		**(13,717)**	12,442
Charge for provision for CO_2 emissions	16	**(468,293)**	(142,988)
Other operating expenses	22	**(106,374)**	(96,692)
Profit / (loss) from operations		**820,490**	**(66,998)**
Dividend income		**5,467**	955
Interest income		**329**	463
Other financial income		**952**	-
Interest expense		**(6,162)**	(14,564)
Profit / (loss) profit before tax		**821,076**	**(80,144)**
Income tax (expense) / benefits	23	**(172,778)**	24,939
Profit / (loss) after tax		**648,298**	**(55,205)**
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	23	**3,313**	1,827
Revaluation of intangible assets	7, 23	**10,963**	33,319
Items that may be subsequently reclassified to profit or loss			
Changes in fair value of derivative hedging derivatives	23	**21,868**	(13,625)
Other Comprehensive Income, net of tax		**36,144**	**21,521**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**684,442**	**(33,684)**

The accompanying notes on pages SF-11 to SF-69 are an integral part of these separate financial statements.

(all amounts are in thousands of EUR if not stated otherwise)

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves	Retained earnings / (accumulated losses)	Total
Balance as of January 1, 2020	**839,357**	**82,461**	**15,671**	**937,489**
Loss for 2020	-	-	(55,205)	**(55,205)**
Other comprehensive income	-	19,694	1,827	**21,521**
Total comprehensive (loss) / income for the year	**-**	**19,694**	**(53,378)**	**(33,684)**
Adjustments:				
Release of revaluation reserve - CO_2 emission allowances	-	(10,622)	10,622	**-**
Total adjustments	**-**	**(10,622)**	**10,622**	**-**
Balance as of December 31, 2020	**839,357**	**91,533**	**(27,085)**	**903,805**

	Share capital	Other reserves	Retained earnings / (accumulated losses)	Total
Balance as of January 1, 2021	**839,357**	**91,533**	**(27,085)**	**903,805**
Profit for 2021	-	-	648,298	**648,298**
Other comprehensive income	-	32,831	3,313	**36,144**
Total comprehensive (loss) / income for the year	**-**	**32,831**	**651,611**	**684,442**
Adjustments:				
Release of revaluation reserve - CO_2 emission allowances	-	(31,204)	31,204	**-**
Total adjustments	**-**	**(31,204)**	**31,204**	**-**
Transactions with owners:				
Dividends	-	-	-	**-**
Settlement of loss from legal reserve fund	-	(27,085)	27,085	**-**
Total transactions with owners	**-**	**(27,085)**	**27,085**	**-**
Balance as of December 31, 2021	**839,357**	**66,075**	**682,815**	**1,588,247**

The accompanying notes on pages SF-11 to SF-69 are an integral part of these separate financial statements.

(all amounts are in thousands of EUR if not stated otherwise)

SEPARATE STATEMENT OF CASH FLOWS

	Note	Total	
		2021	2020
Profit / (loss) before tax		**821,076**	**(80,144)**
Non-cash adjustments for			
Depreciation of property, plant and equipment and investment property	5, 6	**69,842**	70,916
Depreciation of right of use assets	5	**6,245**	6,246
Amortization of intangible assets	7	**2,209**	2,455
Amortization of deferred income - CO_2 emission allowances	7, 19, 29	**(415,863)**	(131,437)
Amortization of deferred income - environmental projects	5, 19	**(4,695)**	(4,368)
Charge of provision for CO_2 emissions emitted	16, 29	**468,293**	142,988
Impairment (reversal of impairment) of investments		**(30)**	110
Liquidation of Financial investments (Subs)		**1,808**	-
(Gain) / loss on disposal of property, plant and equipment, intangible assets and investment property	19, 22	**(370)**	492
Loss on sale of financial investment	8, 22	**233**	-
Gain from changes in fair value of derivative financial instruments	19	**(1,467)**	(2,123)
Dividend income and distribution of profit		**(5,467)**	(955)
Interest income		**(329)**	(463)
Interest expense		**6,162**	14,564
Foreign exchange gain	15	**7,220**	(11,284)
Changes in working capital			
(Increase) / decrease in inventories	10	**(296,308)**	7,841
(Increase) / decrease in trade and other receivables and other current assets	11	**(235,459)**	(11,429)
Increase/ (decrease) in trade and other payables and other current liabilities	18	**190,909**	115,660
Cash generated from operating activities		**614,009**	**119,069**
Interest paid		**(8,040)**	(13,453)
Income taxes (paid) / received		**(8)**	5,333
Lease payments not included in the measurement of the lease liabilities	5, 22	**(949)**	(501)
Net receipts from derivative financial instruments		**1,467**	2,123
Net cash generated from operating activities		**606,479**	**112,571**
Cash flows from / (used in) investing activities			
Short-term loans provided to related parties	28	**(124,955)**	(59,202)
Short-term loans repaid by related parties	28	**69,486**	52,742
Purchases of property, plant and equipment	5	**(23,067)**	(64,943)
Proceeds from sale of property, plant and equipment		**294**	61
Proceeds from sale of CO_2 emissions	7	**-**	20,693
Proceeds from derecognition of financial investments		**3,571**	-
Purchases of intangible assets	7	**(23,886)**	(12,480)
Change in restricted cash, net		**154**	(533)
Change in landfill receivable	11	**(526)**	(964)
Receipts - environmental projects	11	**-**	16,088
Interest received		**228**	450
Dividends received and distribution of profit		**5,435**	955
Net cash used in investing activities		**(93,266)**	**(47,133)**
Cash flows from / (used in) financing activities			
Proceeds from borrowings	15, 25, 28	**93,362**	159,008
Repayment of borrowings	15, 25, 28	**(531,383)**	(215,657)
Payments for the principal portion of the lease liabilities	5, 15	**(6,622)**	(6,595)
Net cash generated from / (used in) financing activities		**(444,643)**	**(63,244)**
Net increase in cash and cash equivalents		**68,570**	**2,194**
Cash and cash equivalents at beginning of year	13, 26	**216,702**	214,508
Cash and cash equivalents at end of year	13, 26	**285,272**	**216,702**

The accompanying notes on pages SF-11 to SF-69 are an integral part of these separate financial statements.

(All amounts are in thousands of EUR if not stated otherwise)

Note 1 General Information

U. S. Steel Košice, s.r.o. (hereinafter also "the Company") was established as a limited liability company on June 7, 2000 and entered in the Commercial Register of the District Court Košice I, Section Sro, Insert 11711/V on June 20, 2000.

The Company's registered office is:

Vstupný areál U. S. Steel
Košice
044 54
Slovak Republic
Identification No.: 36 199 222

Business activities of the Company

The principal activity of the Company is production and sale of steel products (Note 19).

Liability in other business entities

The Company does not have unlimited liability in other business entities.

Average number of staff

The average number of the Company's employees is presented in Note 21.

The Company's management

Statutory representatives as of December 31, 2021 were as follows:

James Edward Bruno	President
Ing. Silvia Gaálová, FCCA	Vice President and Chief Financial Officer
Ing. Marcel Novosad	Vice President Operations
Ing. Július Lang	Vice President Commercial and Customer Technical Service
JUDr. Elena Petrášková, LL.M	Vice President Subsidiaries and General Counsel
RNDr. Miroslav Kiraľvarga, MBA	Vice President External Affairs, Administration and Business Development
David Earle Hathaway	Vice President Engineering and Innovation
Karl George Kocsis	Vice President Human Resources and Transformation

Emoluments of statutory representatives are disclosed in Note 28.

Shareholder of the Company

As of December 31, 2021 and 2020, the only shareholder of the Company was U. S. Steel Global Holdings VI B.V., Basisweg 10, 1043 AP, Amsterdam, Netherlands. The shareholder owns a 100 percent share of the share capital, representing 100 percent of the voting rights.

On May 26, 2021, the General Meeting approved the Company's financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") for the previous accounting period.

Consolidated Group

Since 2017, the Company prepares consolidated financial statements for U. S. Steel Košice, s.r.o. and its controlled companies ("the Group") in accordance with IFRS as adopted by the EU. In the consolidated financial statements, subsidiaries have been fully consolidated. Users of these separate financial statements should read them together with the Group's consolidated financial statements for the year ended December 31, 2021 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

The Company publishes and deposits financial statements, annual reports and reports of the auditor in accordance with Law No. 431/2002 Coll. on Accounting, as amended. The Company also publishes financial statements on its web page www.usske.sk.

The Company is included in the consolidated financial statements of its ultimate controlling party – United States Steel Corporation, 600 Grant Street, Pittsburgh, Pennsylvania, USA. The consolidated financial statements of the consolidated group are prepared by United States Steel Corporation ("U. S. Steel") in accordance with Generally Accepted Accounting Principles in the United States of America ("US GAAP") and are available at the registered address and internet web page www.ussteel.com.

Note 2 Significant Accounting Policies

The principal accounting policies applied in the preparation of these separate financial statements (hereinafter "the financial statements") are set out below.

2.1 Statement of Compliance

These financial statements have been prepared in compliance with IFRS as adopted by the EU, issued as of December 31, 2021 and effective for annual periods then ended.

2.2 Basis of Preparation

The Slovak Accounting Law requires the Company to prepare financial statements for the year ended December 31, 2021 in compliance with IFRS as adopted by the EU.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of intangible assets representing the carbon dioxide emission allowances and by the revaluation of financial assets and financial liabilities at fair value through profit or loss or designated as hedging instruments.

These financial statements have been prepared on the going concern basis.

The preparation of financial statements in compliance with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions in the process of applying the Company's accounting policies that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the end of reporting period and the reported amounts of revenues and expenses during the year. The actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.3 Changes in Accounting Policies

The accounting policies have been consistently applied to all periods presented.

2.4 Foreign Currency Translations

Functional and presentation currency

Items included in these financial statements are measured in euro ("EUR") which was determined to be the currency of the primary economic environment in which the Company operates ("the functional currency"). These financial statements are presented in EUR, rounded to thousands, if not stated otherwise.

Transactions and balances

The accounting books and records are kept in the functional currency EUR. Transactions in currencies other than the EUR are translated into the EUR using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in currencies other than the EUR, and from the translation of monetary assets and liabilities denominated in currencies other than the EUR at year-end exchange rates are recognized in profit or loss for the current period.

2.5 Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items such as purchase price, including import duties and non-refundable purchase taxes and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including borrowing costs for long-term construction projects if the recognition criteria are met (Note 2.9).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the

Company and the cost can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

The conditions for a tangible asset item (other than major parts and land) to be recognized in property, plant and equipment category are minimum value of EUR 1,700 per individual item and utilization more than one year.

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Company expects to use them during more than one year or if the spare parts and servicing equipment can be used only in connection with a specific item of property, plant and equipment. The value limit for capitalization of major spare parts is EUR 40,000.

Land, art collections and construction in progress are not depreciated. Other property, plant and equipment items are depreciated on a straight-line basis over their estimated useful lives, as follows:

Buildings	35 years
Machinery, equipment and motor vehicles	6 – 15 years

Useful lives of landfills are determined based on their capacity.

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Company allocates the amount initially recognized in respect of an item of property, plant and equipment proportionally to its significant parts and depreciates separately each such component.

Commencement of depreciation is the date when the asset is first available for its intended use.

When an asset is disposed of or it is determined that no future economic benefits are expected to arise from the continued use of the asset, the cost and accumulated depreciation of the asset are derecognized and any gain or loss resulting from its disposal is recognized in profit or loss for the current period.

The residual values and useful lives for assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Property, plant and equipment, intangible assets and investment properties are tested for impairment by the Company whenever changes in circumstances indicate that the carrying amount may not be recoverable or there are indicators which will enable to reverse recognized impairment loss. If it is determined that the assets carrying amounts exceed their recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.6 Investment Properties

Investment properties are measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Investment properties (excluding land) are depreciated on a straight-line basis over their estimated useful lives (35 years). The depreciation period and method are reviewed at the end of each reporting period.

Where the Company uses only an insignificant part of a property it owns, the whole property is classified as investment property.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

Transfers to or from investment property are made only when there is a change in use.

Fair values are obtained from discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of existing lease contracts and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The valuation falls within Level 3 of the fair value hierarchy (Notes 2.25 and 6).

2.7 Intangible Assets

Intangible assets are recognized if it is probable that the future economic benefits attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Intangible assets other than emission allowances are measured initially at cost. After initial recognition, intangible assets other than emission allowances are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives (2 - 15 years). The amortization period and method are reviewed at the end of each reporting period.

The conditions for an intangible asset item (other than emission allowances and intangible assets not yet available for use) to be recognized in intangible asset category are minimum value of EUR 2,400 per individual item and utilization more than one year.

<u>Research and development costs</u>

Research costs are expensed in the period in which they are incurred. The development costs that relate to a clearly defined product or process where the technical feasibility and the possibility of sale or internal use can be demonstrated, and the Company has sufficient resources to complete the project, to sell it or to utilize its results internally, are capitalized up to the amount that is expected to be recovered from future economic benefits. If the conditions for capitalization are not fulfilled, development costs are expensed in the period in which they are incurred.

<u>Software</u>

Acquired computer software is measured at cost less accumulated amortization and any accumulated impairment losses and is classified as an intangible asset if it is not an integral part of the related hardware. Software is amortized on a straight-line basis over its estimated useful life (2 – 5 years). Expenditures to enhance or extend the software performance beyond its original specification are capitalized and added to the original cost of the software.

Costs associated with maintaining computer software are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company which will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets.

Computer software development costs recognized as assets are amortized using the straight-line method over their estimated useful lives (2 – 5 years).

The average useful life of the Company’s software is 5 years.

<u>Emission allowances</u>

Purchases, sales or swaps of emission allowances are recognized on the trade-date. Purchased emission allowances are recognized as intangible assets at cost at initial recognition. When emission allowances are swapped, the purchase and sale transactions are recognized separately. When emission allowances are sold, the intangible asset is derecognized, and the gain or loss is recognized in profit or loss for the current period.

Carbon dioxide emission allowances which are allocated to emitting facilities annually by the Slovak Government, are recognized as an intangible asset as of the date the emission allowances are credited to the National Registry of Emission Rights (hereinafter "NRER"). The emission allowances are initially measured at fair value. The fair value of emission allowances issued represents their market price on European Climate Exchange as of the date they are credited to the NRER. Emission allowances that are not yet received from the government, but for which there is reasonable assurance that the emission allowance will be received, and that the Company will comply with the conditions attaching to the allowance, are recognized as emission allowances receivable at fair value when the above-mentioned conditions are met. The entire fair value is recognized in compliance with *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance* as deferred income on the acquisition date and subsequently recognized as income in the period for which the emission allowances have been allocated. If the total amount of allocated and purchased allowances exceeds the amount of allowances to be delivered to the Slovak Government, the allocated allowances are considered to be delivered first, and accordingly the related deferred income is recognized in the profit or loss for the current accounting period in full.

As emissions are produced, a provision is recognized in the profit or loss for the current accounting period for the obligation to deliver the emission allowances equal to emissions that have been produced. The provision is disclosed under short-term provisions for liabilities. The provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, which represents the market price of the number of emission allowances required to cover emissions produced by the end of the reporting period. When the emission allowances are delivered to the Slovak Government in settlement of the liability for emissions, both the provision and the intangible asset are reduced in equal amounts.

At the end of reporting period the intangible asset representing the emission allowances either granted or purchased is carried at fair value with any revaluation surplus recorded in other comprehensive income. Revaluation decreases are recorded as an impairment loss in the profit or loss to the extent they exceed the revaluation surplus previously recorded in other comprehensive income and accumulated in equity. Revaluations are based on market prices published by European Climate Exchange. The above-mentioned fair value valuation falls within Level 1 of the fair value hierarchy (Notes 2.25 and 7). This revaluation reserve is transferred to retained earnings as the surplus is realized. Realization of the entire surplus may occur when the emission allowances are returned or sold.

Following the local tax regulation, the tax treatment of granted and purchased emission allowances differ. Revaluation surplus of purchased allowances represents the taxable income of respective period, whereas no revaluation is recognised for local tax purposes in relation to granted allowances, therefore the recognized revaluation surplus related to granted allowances is a part of deferred tax calculation through equity. When emission allowances are delivered, the reversing of the temporary differences leads to a reduction in tax expense.

2.8 Impairment of Non-Financial Assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets not yet available for use are not subject to amortization but are tested annually for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until the time the assets are substantially ready for their intended use or sale.

Borrowing costs eligible for capitalization are reduced by income on the temporary investment of those borrowings pending their incurring the expenses relating to qualifying assets.

All other borrowing costs are recognized in profit or loss in the period in which they incurred.

2.10 Accounting for Leases

Initial recognition and measurement

In applying *IFRS 16 Leases,* the Company has used the following practical expedients permitted by the standard:

- the Company has elected not to separate non-lease components and account for lease and non-lease components as a single lease component,
- the Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. EUR 10,000 was set as low-value threshold by the Company. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term in profit or loss,
- the Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and interpretation *IFRIC 4 Determining whether an Arrangements contains a Lease.*

According to the IFRS 16 the Company recognizes a right-of-use asset and a lease liability at the lease commencement date for all new lease contracts arose after January 1, 2019, with exception of short-term and low-value leases.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site on which it is located, less any lease incentives received.

Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, incremental borrowing rate is used. The incremental borrowing rate of the Company is calculated for groups of lease agreements depending on their maturity. Incremental borrowing rate calculation is based on the evaluation of the risk of bank loans provided to the Company by bank partners and outlook of EURIBOR trend for respective maturity.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option;

Some vehicles leases contain variable payment terms that are linked to mileage. Variable lease payments are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

Lease terms, extension and termination options

IFRS 16 defines a lease term as the noncancelable period for which the lessee has the right to use an underlying asset including optional periods when an entity is reasonably certain to exercise an option to extend a lease or not to exercise an option to terminate a lease. Lease terms in the contracts are negotiated on an individual basis and may contain different terms and conditions. When determining the lease term, the Company (lessee) considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The option is reassessed if a significant event or a significant change in circumstances occurs that are within the control of the lessee.

As the exercise of an extension option in the existing contracts depend on the mutual lessee and lessor approval, the Company did not include extension option in the lease term calculation.

Lease contracts in the Company are typically made for periods of 1 to 5 years. The Company has set the internal rule for contracts with undefined lease term. Based on the Strategic plan periodicity the Company decided to use 5 years as the lease term for these contracts.

Subsequent measurement

The lease liability is measured in subsequent periods using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Company has chosen to present the right-of-use assets as part of property, plant and equipment and the lease liabilities as other liabilities in the statement of financial position. The related detailed information is provided in the Note 5.

2.11 Investments

Subsidiaries

Subsidiaries are those investees (including structured entities) that the Company controls because the Company (i) has the power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use power over the investees to affect the amount of the investor's returns. In these financial statements, investments in subsidiaries are measured at cost less any accumulated impairment losses in accordance with *IAS 27 Separate Financial Statements*. The transaction costs are capitalized as part of the cost of the investment. The transaction costs are the costs directly attributable to the acquisition of the investment such professional fees for legal services, transfer taxes and other acquisition related costs. The investments are tested for impairment whenever there are indicators that the recoverable amount of an investment (the higher of its fair value less cost of disposal and its value in use) is less than its carrying amount, the carrying amount is reduced to its recoverable amount. Investments in subsidiaries acquired in non-monetary exchange of assets are measured at fair value unless the exchange transaction will not result in material change in risk, timing and amounts of cash flows, or the fair value is not reliably measurable. In such case, investments in subsidiaries are measured at cost which represent carrying value of the net assets exchanged.

The carrying amount of an investment is derecognized on disposal. The difference between the fair value of the sale proceeds and the disposed share of the carrying amount of the investment is recognized in profit or loss as gain or loss on disposal.

2.12 Financial Assets

Recognition and initial measurement

Financial assets are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Classification and subsequent measurement

Financial assets are classified as measured at amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company measures financial assets that are debt instruments at amortized cost if the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Company's financial assets measured at amortized cost include trade and other receivables, loans provided to related parties, cash, cash equivalents and restricted cash.

Trade receivables that are subject of factoring arrangements without recourse are measured at fair value through other comprehensive income as they are held within a business model with the objective to both sell financial assets or collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In a non-recourse factoring arrangement, the transferor does not provide any guarantee about the receivables' performance. In other words, the transferor assumes no obligations whatsoever to repay any sums received from the factor regardless of the timing or the level of collections from the underlying debts. In that situation, the Company has transferred substantially all the risks and rewards of ownership of the receivables and de-recognizes the receivables in their entirety.

Investments in equity instruments are classified as measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Any change in fair value and dividends are recognized in other income/expenses in the statement of profit or loss as applicable.

For accounting policy related to derivative financial instruments refer to Note 2.24.

<u>Impairment</u>

The Company estimates expected credit losses for financial assets measured at amortized cost. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. The exposure at default is represented by the assets' gross carrying amount at the reporting date.

For trade receivables, an individual loss allowance is established when debtor entered bankruptcy or financial reorganization or in case of significant financial difficulties of the debtor. Financial situation of debtor with payments outstanding for more than 180 days after agreed due date is examined and when internal and external information indicates that the Company is unlikely to collect all amounts due according to the originally agreed terms, an individual loss allowance is also recognized.

For the rest of trade receivables, the Company applies a simplified approach based on lifetime expected credit loss at each reporting date. The expected credit loss is estimated using a receivables risk ratio matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial assets, the Company recognizes lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial asset at an amount equal to 12-month expected credit loss. To assess whether there was a significant increase in credit risk the Company compares the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition considering available reasonable and supportive forward-looking information, that is available without undue cost or effort. The Company assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. The carrying amount of the asset is reduced using a loss allowance account, and the amount of the individual impairment loss and expected credit loss is recognized in profit or loss. When the loans or receivables are uncollectible, they are written off against the related loss allowance account.

<u>Derecognition</u>

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

2.13 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

The cost of raw material inventories is assigned by using the first-in, first-out (FIFO) cost formula. The cost of work in progress, semi-finished production and finished products comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Work in progress, semi-finished production and finished products are valued at standard cost throughout the year and revalued to actual costs only at the end of the year.

2.14 Cash and Cash Equivalents

Cash and cash equivalents are financial assets that include cash on hand, money deposited with financial institutions that can be repayable on demand and other short-term highly liquid investments that are not subject to significant risk of changes in value and have maturity less than three months from the date of acquisition. Cash and cash equivalents are measured at amortized cost.

2.15 Equity and Reserves

<u>Equity and liabilities</u>

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement at initial recognition.

Interests, dividends, gains and losses related to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. When the rights and obligations regarding the manner of settlement of financial instruments depend on the occurrence or non-occurrence of uncertain future events, or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder, financial instruments are classified as a liability unless the possibility of the issuer being required to settle in cash or another financial asset is not genuine at the time of issuance or settlement is required only in case of the issuer's liquidation, in which case the instrument is classified as equity.

<u>Reserve funds</u>

a) Legal Reserve Fund

The legal reserve fund is formed in accordance with the Act No. 513/1991 Coll., the Commercial Code, as amended. Contributions to the legal reserve fund of the Company are made in a minimum amount of 5 percent from profit after tax, for a total reserve fund balance of up to 10 percent of the share capital. A legal reserve fund may be used only to cover losses of the Company, should the special law not stipulate otherwise.

b) Other Reserve Funds

Other reserve funds include the cumulative net change in fair value of derivative instruments, which meet criteria for application of hedge accounting and the cumulative net change in fair value of intangible assets carried at revalued amounts. Upon disposal of the financial derivative instruments (Note 2.24), the cumulative revaluation reserves are released through profit or loss of the current period. Upon disposal of the intangible assets, the cumulative revaluation reserves are transferred to retained earnings. The transfer is not made through profit or loss of the current period.

2.16 Financial Liabilities

<u>Recognition and initial measurement</u>

Financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Classification and subsequent measurement

Loans and borrowings, trade and other payables and accruals are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gain and losses are recognized in profit or loss.

Payables included in a structured supplier payable financing program arranged by the Company are classified as financial liabilities to a bank. When the obligation to settle payables is transferred to a financial institution, the Company presents operating cash outflow and financing cash inflow to reflect the receipt of the borrowing and the settlement of payables arising from operating activities. When the payable is paid to the financial institution, related cash outflows are presented as cash flows used in financing activities.

For accounting policy related to derivative financial instruments refer to Note 2.24.

Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

2.17 Dividends and Profit Distribution

Dividends and profit distribution are recognized in the Company's accounts in the period in which they are approved by general meeting. Dividend and profit distribution liability is initially measured at fair value and subsequently at amortized cost.

2.18 Government Grants

In general, to the extent that the Company received government grants or assistance, such grants or assistance are recognized only if there is a reasonable assurance that they will be received, and the Company will comply with the attached conditions. Non-monetary assistance is recognized at the fair value of the asset received. Government grants or assistance are treated as deferred income and released on a systematic basis into income over the period necessary to match them with the related costs that they are intended to compensate. If government grant or assistance is received to compensate costs of acquisition of fixed assets which were impaired, relating deferred income is released into income to match corresponding amount of impairment. If impairment is reversed subsequently, the grant or assistance is again recognized in deferred income to match the reversed amount. Income related to government grants or assistance is recognized in Other income of Statement of profit or loss.

2.19 Provisions for liabilities

Provisions are recognized when, and only when, the Company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not recognized for future operating losses.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in the provision related to the passage of time is recognized in interest expense.

When some or all the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The expense related to any provision is presented in profit or loss net of any reimbursement.

2.20 Current and Deferred Income Tax

Income tax expense comprises current and deferred tax expense. Current and deferred tax expenses are recognized in profit or loss, except when related to items recognized in other comprehensive income, or directly in equity, in which case the tax is also recognized in other comprehensive income, or directly in equity.

The current income tax charge is calculated based on taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in different years, and items that are never taxable or deductible. The current income tax liability is calculated using tax rates (and tax laws) that have been enacted, or substantively enacted, at the end of the reporting period, and any adjustment to taxes payable with respect to previous years. The management of the Company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Where appropriate, management establishes provisions based on the amounts expected to be paid to the tax authorities.

In the statement of financial position, deferred income tax is calculated by using the liability method based on temporary differences between the tax basis of assets and liabilities and their carrying amounts in these financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantively enacted, by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and other temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for the cases where timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

2.21 Employee Benefits

<u>Defined contribution pension plan</u>

The Company makes contributions to the mandatory government and private defined contribution plans at the statutory rates in force during the year based on gross salary payments. The cost of these payments is charged to profit or loss in the same period as the related salary cost.

For employees of the Company who have signed participation supplementary pension savings agreement, the Company makes monthly contributions to the supplementary pension savings scheme in amounts determined in the Collective Labor Agreement.

<u>Employee retirement obligation</u>

The Company is committed to make payments to the employees upon retirement in accordance with the Slovak legislation and the Collective Labor Agreement.

Upon the first termination of labor contract and reaching the entitlement to old-age retirement the employee is entitled to a retirement benefit corresponding to a summary of his/her average monthly wage. Equally, upon the first termination of labor contract and reaching the entitlement to disability retirement, if the employee's long-term health condition results in a reduced ability to perform earning activity by more than 40 percent compared to healthy individuals, the employee is entitled to a retirement benefit corresponding to his/her average monthly wage.

In addition, employee could be entitled to both retirement and termination benefit upon fulfillment of agreed conditions.

Payment at first voluntary termination of labor contract before and in the month of entitlement to an old age pension

Upon the first voluntary termination of labor contract by mutual agreement at latest in the month of entitlement to an old age pension, the Company will pay the retirement benefit, in the maximum amount of five times of average monthly wage, which depends on the number of months till reaching the month of entitlement to an old age pension, whereby the maximum number of month till reaching the month of entitlement to an old age pension is 36.

Payment at first voluntary termination of labor contract after reaching the entitlement to disability retirement

Upon the first termination of labor contract by mutual agreement after reaching the entitlement to disability retirement, if the employee's long-term health condition results in a reduced ability to perform earning activity by more than 40 percent compared to healthy individuals, the Company will pay the retirement benefit, in the maximum amount of five times of average monthly wage, which depends on the number of months till reaching the month of entitlement to an old age pension, whereby the maximum number of month till reaching the month of entitlement to an old age pension is not stated.

The liability in respect to this employee benefit represents the present value of the defined benefit obligation at the end of a reporting period, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually 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 high quality corporate bonds in the European market which have terms to maturity approximating the terms of the related liability and subsequently attributing such present value to employees' years of service.

Remeasurements of the net defined benefit liability arising from changes in actuarial assumptions are charged to other comprehensive income and will not be reclassified to profit or loss in a subsequent period. Amendments to the benefit plan are charged to profit or loss. Past service cost is recognized as expense at the earlier of the following dates: a) when the plan amendment or curtailment occurs; or b) when the Company recognizes related restructuring cost or termination benefits.

<u>Work and life jubilee benefits</u>

The Company also pays certain work and life jubilee benefits. Employees of the Company are entitled to work and life jubilee benefits upon reaching a specific age and/or reaching a specific period of employment in accordance with the Collective Labor Agreement.

The liability in respect of the work and life jubilee benefits plan represents the present value of the defined benefit obligation at the end of a reporting period and is calculated annually 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 high quality corporate bonds in the European market which have terms to maturity approximating the terms of the related liability and subsequently attributing such present value to employees' years of service.

Actuarial gains and losses arising from actual development from the original assumptions and changes in actuarial assumptions are charged to profit or loss when incurred. Amendments to the work and life jubilees benefit plan are charged to profit or loss immediately.

<u>Termination benefits</u>

Termination benefits are payable either when employment is terminated by the Company as a result of specific organizational reasons or employee health reasons, or whenever an employee accepts voluntary redundancy in exchange for termination or similar benefits. The Company recognizes these benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination or similar benefits in exchange for an offer made to encourage voluntary redundancy. In case of an offer made to encourage voluntary redundancy, the measurement of these benefits is determined based on the number of employees who are expected to accept the offer. Termination benefits due more than 12 months after the end of the reporting period are discounted to present value.

<u>Profit sharing and bonus plans</u>

A liability for employee benefits in the form of profit sharing and bonus plans is recognized in line item Liability to employees and social security. Liabilities for profit sharing and bonus plans are measured at the amounts expected to be paid when they are settled.

2.22 Revenue Recognition

Revenue is income arising in the course of the Company's ordinary activities and is recognized at transaction price. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognized net of discounts, rebates, returns and value added taxes.

In accordance with *IFRS 15 Revenue from Contracts with Customers*, the Company recognizes revenue applying the five step process: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the performance obligations are satisfied.

The Company evaluates its revenue arrangements whether it acts as a principal or an agent. If the Company is a principal, it recognizes revenue at transaction price for the goods or services net of taxes, discounts, rebates and returns and records corresponding direct costs of satisfying the contract. If the Company is an agent, relating revenue is recognized in the amount of the net consideration that the Company retains after paying a principal of the given service. Revenue from services performed as an agent is recognized in the period in which such services are rendered.

Revenue from the sales of own production and goods is recognized at the point in time when the Company transfers control of the own production and goods to a buyer and retains no managerial involvement nor effective control over the own production and goods sold. The Company recognizes revenue from rendering of service over time, in the period in which the services are rendered. Revenue is measured based on the following or combination of the following: units delivered, labour hours spent, actual costs incurred, machine hours used, time elapsed, or quantities of materials used.

Performance obligations identified in a contract with a customer may not be limited to the goods or services that are explicitly stated in the contract. The Company considers whether there are other promises in the contracts with customers that meets criteria for separate performance obligation and shall be accounted for separately (Notes 3 and 19). Total transaction price is allocated to performance obligation on a relative standalone selling price basis.

The key element of variable consideration is represented by retrospective volume rebates provided to certain customers according to rebate agreements (Note 18). The rebates are provided once all conditions stated in rebate agreements are met (the quantity of products purchased during a certain period exceeds specified thresholds, all invoices are paid, etc.). The Company adjusts its revenue for volume rebates based on the most likely amount of the volume rebates to be given to its customers. The estimate is based on the amount of tonnage shipped and is calculated on a customer by customer basis, or an order by order basis. As the rebate agreements are the short-term agreements (annual or shorter), there are no uncertainties at the year-end around the amount of annual revenue to be recognized. There are also some instances where the Company provides for certain seasonal discounts within its customer contracts (Note 18). The Company does not grant any discounts for prompt payments. Contract liability arising from the discounts and rebates is classified within trade and other payables (Note 18).

Contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (advance payments received) from the customer (Note 18). If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company fulfills its contract obligations.

<u>Interest income</u>

Interest income is recognized using the effective interest method. Interest income is included in interest income in Statement of profit or loss for the current period.

<u>Dividend income and distribution of profit</u>

Dividend income and distribution of profit are recognized in profit or loss when the shareholder's right to receive payment is established.

2.23 Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in these financial statements. They are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements unless they are virtually certain. They are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

2.24 Accounting for Derivative Financial Instruments

Derivative financial instruments are initially recognized in the statement of financial position at fair value (excluding transaction costs) and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives held for trading are included in profit or loss for the current period.

An embedded derivative is separated from the host contract and accounted for as a derivative if all the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss for the current period.

Forward foreign exchange contracts embedded in the host raw material purchase contracts denominated in U.S. dollars are considered to be closely related to the host contracts because raw material prices are routinely denominated in U.S. dollars in commercial transactions in the economic environment in which the Company operates, and therefore are not separately accounted for.

<u>Hedge accounting</u>

The Company utilizes derivative forward transactions to hedge future cash flows. The criteria to meet the application of hedge accounting are: (a) the hedging relationship between the hedged item and the hedging instrument is clearly documented and (b) the hedge is highly effective. The hedging instruments are measured at fair value. Gains or losses relating to the effective portion of the derivatives are initially recognized in other comprehensive income. If a hedge of forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, then the Company reclassifies the associated gains and losses that were recognized directly in other comprehensive income into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss for the current period. The Company continues to apply IAS 39 continuously in 2021 and 2020, as there was no change to hedge policy and portfolio of hedged assets.

The Company has documented a strategy of financial risk management. Hedging targets are determined in compliance with this strategy. The Company documents the relationship between the hedged item and the hedging instrument at the inception of the transaction, as well as at the end of reporting period and at settlement date of the trade to assess whether the derivatives which are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity is subsequently recognized in the profit or loss.

Forward physical purchase contracts for commodities

The Company utilizes forward physical purchase contracts for certain commodities. These contracts are entered into and continue to be held for the purpose of the receipt or delivery of commodities in accordance with Company's expected usage requirements. These contracts do not meet the definition of financial instruments and are accounted for as normal purchase contracts.

2.25 Fair Value Estimation

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Financial and non-financial instruments, which are measured at fair value, are classified into three categories depending on how the data for measurement was obtained (Note 26):

- Level 1 represents quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 represents inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 are those derived from valuation techniques that include inputs that are not based on observable market data.

The classification of financial and non-financial instruments into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period in which they occur.

The carrying amounts of financial assets and liabilities with a maturity of less than one year 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 being used by the Company for similar financial instruments.

The Company measures or discloses a number of items at fair value:
- emission allowances (Notes 2.7 and 7),
- derivative financial instruments (Notes 2.24, 12 and 26),
- receivables subject to factoring arrangements (Notes 2.12, 11 and 26),
- fair value disclosures for investment properties measured using the cost model (Notes 2.6 and 6),
- fair value disclosures for financial instruments measured at amortized cost (Note 26),
- impairment of property, plant and equipment, intangible assets and investment properties (Notes 2.5, 2.6, 2.7, 2.8, 5, 6 and 7).

More detailed information in relation to the fair value measurement is disclosed in the applicable notes.

2.26 Events After the Reporting Period

Events after the reporting period that provide evidence of the condition that existed at the end of the reporting period (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

Note 3 Significant Accounting Estimates and Judgments

The preparation of the financial statements includes an assessment of certain accounting matters which require the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the year. Assumptions made by the Company are continually evaluated using all available information including consideration of forecasted financial information in context with other information reasonably available under the circumstances. They are based on historical experience and other factors, including consideration of the unknown future impacts of the COVID-19 pandemic. The resulting accounting estimates will, by definition, rarely equal the related actual results. All such adjustments are of a normal recurring nature unless disclosed otherwise.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as well as certain significant judgments made by the Company in applying its accounting policies are outlined below.

Estimated useful life of property, plant and equipment and investment property

The average useful life of depreciable property, plant and equipment and investment property as of December 31, 2021 is approximately 16 years (as of December 31, 2020: 19 years). If estimated average useful life of these assets would increase by 1 year, the annual depreciation charge would have been lower by EUR 6.6 million (2020: EUR 4.6 million). If estimated average useful life of these assets would decrease by 1 year, the annual depreciation charge would have been higher by EUR 7.5 million (2020: EUR 5.1 million).

Impairment of property, plant and equipment, intangible assets and investment properties

The Company evaluates impairment of its property, plant and equipment, intangible assets and investment properties whenever circumstances indicate that the carrying amount exceeds its recoverable amount or there are indicators of reversal of impairment loss.

In 2020, the steel industry experienced impacts of pandemic. The Company was running two out of its three blast furnaces whole year and faced record low annual capacity utilization at level of 67 percent. In second half of 2020 market started to recover with both demand and prices gradually improving which supported restart of third blast furnace in January 2021. Operations returned to standard production volumes that allow the Company to benefit from volume efficiencies. Profitability is also supported by sustainable cost improvements achieved through cost reduction programs in prior periods. There were no impairment indicators identified in 2021 and 2020.

Income taxes

Certain areas of the Slovak tax law have not been sufficiently tested in practice. As a result, there is some uncertainty as to how the tax authorities would apply them. The extent of this uncertainty cannot be quantified. The uncertainty will be reduced only if legal precedents or official interpretations become available. The Company's management is not aware of any circumstances that may give rise to a future material expense in this respect.

At the end of each reporting period, unrecognized deferred tax assets and the carrying amount of deferred tax assets are re-assessed by the Company (Note 9). The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Employee benefits

The present value of employee benefit obligations depends on several factors that are determined on an actuarial basis using a number of assumptions. The assumptions used for employee benefits include the discount rate, annual wage and salary increases and staff turnover. The appropriate assumptions are determined by U. S. Steel at the end of each year. Any changes in these assumptions will impact the carrying amount of employee benefits obligations (Notes 2.21 and 17).

As of December 31, 2021, if the discount rate developed on high quality European corporate bonds had been 1 percent higher / lower with all other variables held constant, it would have resulted to EUR 2,539 thousand lower / EUR 2,653 thousand higher net present value of estimated future employee benefits obligations. As of December 31, 2020, if the stated discount rate had been 1 percent higher / lower with all other variables held constant, it would have resulted to EUR 3,232 thousand lower / EUR 3,899 thousand higher net present value of estimated future employee benefits obligations.

Landfill provision

A provision for landfill restoration is measured at the net present value of the estimated future expenditure required to settle the Company's restoration and aftercare obligations. Restoration and aftercare expenditures are determined by an external professional company (Note 16).

As of December 31, 2021, if the average interest rate on borrowings drawn against revolving credit facilities had been 1 percent higher / lower, with all other variables held constant, it would have resulted to EUR 496 thousand lower / EUR 536 thousand higher net present value of the estimated future landfill restoration expenditures. As of December 31, 2020, if the average interest rate on borrowings drawn against revolving credit facilities had been 1 percent higher / lower, with all other variables held constant, it would have resulted to EUR 459 thousand lower / EUR 529 thousand higher net present value of the estimated future landfill restoration expenditures.

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use an identified asset for a period of time in exchange for consideration. At inception of a contract, the Company applied judgement when assessing whether a contract is or conveys a lease (Note 5).

IFRS 16 defines a lease term as the noncancelable period for which the lessee has the right to use an underlying asset including optional periods when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. Lease terms in the contracts are negotiated on an individual basis and may contain different terms and conditions. Management uses its own judgment when determining the lease term. The lease term is reassessed if a significant event or a significant change in circumstances occurs that are within the control of the Company (lessee).

The Company tested various contractual agreements for compliance with requirements of *IFRS 16 Leases*. Following strict rules of the standard it has determined that the Contract on delivery of energy media concluded with subsidiary Ferroenergy, s.r.o. is a contract which contains a lease and related costs of the energy purchased are classified as variable lease payments expense (Note 20) in these financial statements.

Revenue from contracts with customers

The Company evaluates when the customer obtains control of the goods. It determined that the point in time to transfer the control to the customer depends primarily on delivery terms stated in the customer contracts, including consignment agreements, or in the individual purchase orders, as follows:

- “C” delivery terms – upon shipment of goods,
- “D” delivery terms – upon delivery to a destination stated in a purchase order,
- EXW delivery term – upon loading to carrier,
- Consignment warehouses – upon withdrawal from a consignment warehouse or by expiration of the agreed free storage time, whichever occurs earlier.

The Company applied judgement when assessing the indicators to determine it is a principal or an agent. It determined that it is a principal in majority of its revenue arrangements covering sales of own production and rendering of service, because it controls goods or services before transferring them to a customer. Regarding the revenue from the sales of merchandise, the Company determined that it is an agent for most of the sold merchandise. The judgment was also applied for arranging of transportation service as a separate performance obligation related to sales of own production or goods. The Company concluded that it acts as a principal, except for the sales with the “C” delivery terms, where it acts as an agent because the Company negotiates the transportation arrangements on behalf of a customer, has no discretion of establishing transportation prices for the transportation service and all risks related to the transportation service (quality, delivery, damages, lost) are borne by the transportation provider. Therefore, the Company merely arranges the transportation service on behalf of its customers and does not control the transportation service.

Allowance for expected credit losses of trade receivables

In 2020, the Company adjusted procedure for the calculation of expected credit loss for trade receivables (Note 11). The basis of the new calculation remains receivables risk classification according to internal risk rate (Note 25). The resultant matrix reflects assessment of the security status of receivables and trend in receivables aging taking into consideration its historical values. It represents the correlation between risk level, predicted financial ratios and expected credit losses. The amount of expected credit losses is sensitive to changes in circumstances and forecasted economic conditions. The Company’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future.

Note 4 New Accounting Pronouncements

4.1 Standards, amendments and interpretations to published standards effective for the first time for periods on or after January 1, 2021

The following new standards and interpretations became effective from January 1, 2021:

COVID-19-Related Rent Concessions – Amendments to IFRS 16 (issued on March 31, 2021 and effective for annual reporting periods beginning on or after April 1, 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before June 30, 2021, was a lease modification. An amendment issued on March 31, 2021 extended the date of the practical expedient from June 30, 2021 to June 30, 2022. The Company did not receive any COVID-19 related rent concessions during the reporting period.

Interest Rate Benchmark (IBOR) Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on August 27, 2020 and effective for annual reporting periods beginning on or after January 1, 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. There is no material impact of the implementation of the amendments to the financial statements.

4.2 Standards, amendments and interpretations of standards issued but not effective until the financial year beginning January 1, 2022 or later and not early adopted by the Company

IFRS 17 Insurance Contracts (issued on May 18, 2017 and effective for annual reporting periods beginning on or after January 1, 2023). IFRS 17 was issued as replacement for *IFRS 4 Insurance Contracts* and provides the first comprehensive guidance to accounting for insurance contracts under IFRS Standards. It aims to increase transparency and to reduce diversity in the accounting for insurance contracts. It requires a current measurement model where estimates are re-measured in each reporting period. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. The Company does not expect any impact of this standard on its financial statements as the Company does not issue insurance and reinsurance contracts.

Amendments to IFRS 17 (issued on May 18, 2017 and effective for annual reporting periods beginning on or after January 1, 2023). Amendments address concerns and implementation challenges that were identified after *IFRS 17 Insurance Contracts* was published. The Company does not expect any impact of this standard on its financial statements as the Company does not issue insurance and reinsurance contracts.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (issued on January 23, 2020 and effective for annual reporting periods beginning on or after January 1, 2022 but on July 15, 2020 delayed to January 1, 2023 due to COVID-19 pandemic). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. European Commission has not yet approved this amendment. The Company is currently assessing the impact of the amendments on its financial statements.

Proceeds before Intended Use - Amendments to IAS 16 (issued on May 14, 2020 and effective for annual reporting periods beginning on or after January 1, 2022). The amendment prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. Instead such proceeds should be recognized in profit or loss, together with the costs of producing those items (to which IAS 2 applies). Accordingly, a company will need to distinguish between costs of producing and selling items before the PPE is available for its intended use and costs of making the PPE available for its intended use.

It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The Company is currently assessing the impact of the amendments on its financial statements.

Onerous Contracts — Cost of Fulfilling a Contract - Amendments to IAS 37 (issued on May 14, 2020 and effective for annual reporting periods beginning on or after January 1, 2022). Amendments clarify that when assessing if a contract is onerous, the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract. The Company is currently assessing the impact of the amendments on its financial statements.

Reference to the Conceptual Framework - Amendments to IFRS 3 (issued on May 14, 2020 and effective for annual reporting periods beginning on or after January 1, 2022). Amendments update an outdated reference in IFRS 3 to the revised *Conceptual Framework for Financial Reporting* and add an exception for the recognition of liabilities and contingent liabilities within the scope of *IAS 37 Provisions,* Contingent Liabilities and Contingent Assets and *IFRIC 21 Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The Company is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRS Standards 2018–2020 Cycle – Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on May 14, 2020 and effective for annual reporting periods beginning on or after January 1, 2022).

IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

IFRS 9 Financial Instruments – clarifies which fees should be included in the 10 percent test for derecognition of financial liabilities.

IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The Company is currently assessing the impact of the improvements on its financial statements.

Amendment to IFRS 4 – deferral of IFRS 9 (issued on June 25, 2020 and effective for annual periods beginning on or after January 1, 2023). The amendments to IFRS 4 addressed the temporary accounting consequences of the different effective dates of IFRS 9 and the forthcoming IFRS 17. The amendments to IFRS 4 extended the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17. The fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has been deferred to annual reporting periods beginning on or after January 1, 2023. There is no material impact of the implementation of the amendments to the financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (issued on February 12, 2021 and effective for annual reporting periods beginning on or after January 1, 2023). 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. The Company is currently assessing the impact of the amendments on its financial statements.

Definition of Accounting Estimates – Amendments to IAS 8 (issued on February 12, 2021 and effective for annual reporting periods beginning on or after January 1, 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Company is currently assessing the impact of the amendments on its financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on May 7, 2021 and effective for annual reporting periods beginning on or after January 1, 2023). 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. European Commission has not yet approved this amendment. The Company is currently assessing the impact of the amendments on its financial statements.

IFRS 14, Regulatory Deferral Accounts (issued on January 30, 2014 and effective for annual periods beginning on or after January 1, 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. European Commission has not yet approved this amendment. Based on the nature of the standard, this standard will have no impact on the company's financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on September 11, 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. European Commission has not yet approved this amendment. The Company is currently assessing the impact of the amendments on its financial statements.

Initial Application of IFRS 17 and IFRS 9 – Amendments to IFRS 17 "Insurance contracts" - Comparative Information issued by IASB on December 9, 2021. It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time. European Commission has not yet approved this amendment. The Company is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards, amendments and interpretations are not expected to have a material impact on the Company's financial statements.

(All amounts are in thousands of EUR if not stated otherwise)

Note 5 Property, Plant and Equipment

Movements in property, plant and equipment during 2021 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Right of use assets	Total
Cost						
January 1, 2021	**502,010**	**1,321,764**	**17,831**	**39,607**	**29,457**	**1,910,669**
Additions	-	-	2,934	39,630	3,966	**46,530**
Disposals	113	(4,025)	(1)	(16)	(1,431)	**(5,360)**
Transfer (to) / from investment property	125	-	-	-	-	**125**
Transfers to base	3,641	32,929	-	(36,570)	-	**-**
December 31, 2021	**505,889**	**1,350,668**	**20,764**	**42,651**	**31,992**	**1,951,964**
Accumulated Depreciation						
January 1, 2021	**(191,294)**	**(860,871)**	**(14,687)**	**-**	**(11,246)**	**(1,078,098)**
Depreciation for the year	(13,753)	(55,246)	(738)	-	(6,245)	**(75,982)**
Disposals	9	3,976	-	-	1,359	**5,344**
Transfer to / (from) investment property	(1)	-	-	-	-	**(1)**
December 31, 2021	**(205,039)**	**(912,141)**	**(15,425)**	**-**	**(16,132)**	**(1,148,737)**
Carrying amount	**300,850**	**438,527**	**5,339**	**42,651**	**15,860**	**803,227**

Movements in property, plant and equipment during 2020 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Right of use assets	Total
Cost						
January 1, 2020	**487,793**	**1,264,718**	**17,522**	**75,212**	**28,958**	**1,874,203**
Additions	-	-	311	44,215	1,254	**45,780**
Disposals	(191)	(7,383)	(9)	(1,743)	(755)	**(10,081)**
Transfer (to) / from investment property	767	-	-	-	-	**767**
Transfers to base	13,641	64,429	7	(78,077)	-	**-**
December 31, 2020	**502,010**	**1,321,764**	**17,831**	**39,607**	**29,457**	**1,910,669**
Accumulated Depreciation						
January 1, 2020	**(177,103)**	**(812,169)**	**(13,512)**	**-**	**(5,783)**	**(1,008,567)**
Depreciation for the year	(13,837)	(55,797)	(1,175)	-	(6,246)	**(77,055)**
Disposals	88	7,095	-	-	783	**7,966**
Transfer to / (from) investment property	(442)	-	-	-	-	**(442)**
December 31, 2020	**(191,294)**	**(860,871)**	**(14,687)**	**-**	**(11,246)**	**(1,078,098)**
Carrying amount	**310,716**	**460,893**	**3,144**	**39,607**	**18,211**	**832,571**

(All amounts are in thousands of EUR if not stated otherwise)

Movements in right of use assets during 2021 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other right-of-use assets	Total
Cost				
January 1, 2021	**328**	**28,482**	**647**	**29,457**
Additions	1	1,488	2,477	**3,966**
Disposals	(205)	(777)	(449)	**(1,431)**
December 31, 2021	**124**	**29,193**	**2,675**	**31,992**
Accumulated Depreciation				
January 1, 2021	**(184)**	**(10,554)**	**(508)**	**(11,246)**
Depreciation for the year	(98)	(5,774)	(373)	**(6,245)**
Disposals	205	1,154	-	**1,359**
December 31, 2021	**(77)**	**(15,174)**	**(881)**	**(16,132)**
Carrying amount	**47**	**14,019**	**1,794**	**15,860**

Movements in right of use assets during 2020 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other right-of-use assets	Total
Cost				
January 1, 2020	**328**	**27,983**	**647**	**28,958**
Additions	-	1,254	-	**1,254**
Disposals	-	(755)	-	**(755)**
December 31, 2020	**328**	**28,482**	**647**	**29,457**
Accumulated Depreciation				
January 1, 2020	(83)	(5,440)	(260)	**(5,783)**
Depreciation for the year	(101)	(5,897)	(248)	**(6,246)**
Disposals	-	783	-	**783**
December 31, 2020	**(184)**	**(10,554)**	**(508)**	**(11,246)**
Carrying amount	**144**	**17,928**	**139**	**18,211**

Borrowing costs totaling EUR 712 thousand were capitalized in 2021 (2020: EUR 753 thousand). The average rate of capitalized interest for 2021 was 2.43 percent.

No property, plant and equipment of the Company were pledged in favor of a creditor or restricted in its use as of December 31, 2021 or December 31, 2020.

Purchases of property, plant and equipment in the Statement of Cash Flows excludes an acquisition of assets directly related to leasing totaling EUR 4 million (for the year ended December 31, 2020: EUR 1.3 million) and unpaid capital expenditures in the amount of EUR 20 million for the year ended December 31, 2021 (for the year ended December 31, 2020: EUR 20 million).

<u>Impairment of property, plant and equipment</u>

The Company evaluates non-financial assets for impairment whenever changes in circumstances indicate that the carrying amounts of the assets exceed their recoverable amount. In 2021 and 2020, no indicators were identified to recognize impairment of property, plant and equipment.

(All amounts are in thousands of EUR if not stated otherwise)

Insurance

Property, plant and equipment are insured by KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group. The insurance covers damage caused by theft, disaster and other causes of machinery and equipment failure while maximum insurance compensation for one insurance claim is USD 150 million, i.e. EUR 132 million (2020: USD 150 million, i.e. EUR 122 million) using the exchange rate at the end of reporting period. Compensation sublimits for individual risks are specified in the insurance contract. Self-insurance is USD 75 million, i.e. EUR 66 million (2020: USD 75 million, i.e. EUR 61 million) using the exchange rate at the end of the reporting period, per claim. All Risk Property Damage Insurance and Business Interruption Insurance including Machinery Breakdown excess of USD 150 million, i.e. EUR 132 million (2020: USD 150 million, i.e. EUR 122 million) is covered by the insurance policy of Grant Assurance Corporation held by United States Steel Corporation, where the maximum limit of coverage is USD 450 million, i.e. EUR 397 million (2020: USD 450 million, i.e. EUR 367 million).

Environmental Projects

In 2016, the Ministry of Environment of the Slovak Republic approved the Company's applications to participate in Operational Program Environment Quality for ten projects, which included Dedusting of Ladle Metallurgy of Steel Shop No.1 and Steel Shop No. 2, Emission Control for Ore Bridges of Blast Furnaces No.1 and No.3, Sinter Strand No. 1 – 2 and 3 - 4 Exit Emission Control, Dedusting of Sinter Strand No. 1 – 4. In 2017, additional five applications were approved for the following Company's projects: Steel Shop No. 2 Dedusting – Hot Metal Desulphurization, Coal Preparation Emission Control, Coke Handling Dedusting at Coke Batteries No. 1 and 3 and Emission Control for Ore Bridges of Blast Furnace No. 2. Capital expenditures will be mitigated if USSK complies with certain financial covenants, which are assessed annually (Note 11). USSK complied with these covenants as of December 31, 2021 and December 31, 2020.

In 2021, the Company did not invest in Property, plant and equipment related to projects aiming to improve environmental conditions beyond Best Available Techniques (BAT) requirements (2020: EUR 4,564 thousand) and nothing was capitalized from the funds generally available in the market (2020: EUR 2,467 thousand). All environmental projects are finished. The average period over which the assets from these projects are depreciated is 22 years.

The deferred income amortized to Other income in 2021 totaled EUR 4,695 thousand (2020: EUR 4,368 thousand). The Company believes that it complied with all relevant conditions. The Company did not recognize any additional deferred income in 2021 and 2020 (Notes 11 and 27).

Movements in deferred income relating to Environmental projects during 2021 and 2020 are as follows:

	2021	2020
Opening balance as of January 1	**75,153**	**79,682**
Net change in contracts relating to environmental projects	**(11)**	(161)
Amortization to Other income	**(4,695)**	(4,368)
Closing balance as of December 31	**70,447**	**75,153**

Lease

The statement of financial position shows the following amounts relating to leases:

	December 31, 2021	December 31, 2020
Right-of-use assets *		
Land and buildings	**47**	144
Machinery, equipment and motor vehicles	**14,019**	17,928
Other right-of-use assets	**1,794**	139
Total Right-of-use assets	**15,860**	**18,211**
Lease liabilities **		
Current	**8,143**	7,235
Non-current	**9,686**	12,806
Total lease liabilities	**17,829**	**20,041**

* included in the line item 'Property, plant and equipment' in the statement of financial position.

** included in the line item 'Trade and other payables' in the statement of financial position.

(All amounts are in thousands of EUR if not stated otherwise)

The Company leases various warehouses, vehicles, railroad cars and equipment. Information about lease measurement is disclosed in Note 2.10.

None of the existing Company's lease contract comprises variable lease payments that are based on an index or a rate.

The Statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2021	2020
Depreciation charge of right-of-use assets ***		
Land and buildings	**98**	101
Machinery, equipment and motor vehicles	**5,774**	5,897
Other right-of-use assets	**373**	248
Total Depreciation charge of right-of-use assets	**6,245**	**6,246**
Interest expense ****	**(436)**	(503)
Expense relating to short-term leases (included in other operating expenses in Note 22)	**(323)**	(9)
Expense relating to leases of low-value assets that are not short-term leases (included in other operating expenses in Note 22)	**(22)**	(10)
Expense relating to variable lease payments not included in lease liabilities (included in other operating expenses in Note 22)	**(604)**	(482)
Expense relating to variable lease payments for energy consumed not included in lease liabilities (Note 20: EUR 249.7 million and EUR 150.9 million included in energy consumed in 2021 and 2020, respectively; Note 19: EUR 1.8 million and EUR 2.0 million included in net sales of merchandise in 2021 and 2020, respectively)	**(251,483)**	(154,850)

*** included in the line item 'Depreciation and amortization' in the statement of other comprehensive income.

**** included in the line item 'Interest expense' in the statement of other comprehensive income.

The total cash outflow for leases in 2021 was EUR 7,570 thousand (2020: EUR 7,096 thousand). The total cash outflow for variable lease payments in 2021 was EUR 249,340 thousand (2020: EUR 152,041 thousand).

Lease liability maturities are as follows:

	December 31, 2021	December 31, 2020
Not later than 1 year	**8,143**	7,235
Later than 1 year and not later than 5 years	**9,686**	12,776
Later than 5 years	**-**	30
Present value of lease liability **	**17,829**	**20,041**

** included in the line item 'Trade and other payables' in the statement of financial position.

(All amounts are in thousands of EUR if not stated otherwise)

Note 6 Investment Properties

Movements in investment properties during 2021 and 2020 are as follows:

	2021	2020
Cost		
Opening balance as of January 1	**4,681**	**5,448**
Transfers to property, plant and equipment	**(132)**	(786)
Transfers from property, plant and equipment	**7**	19
Closing balance as of December 31	**4,556**	**4,681**
Accumulated Depreciation and Impairment Losses		
Opening balance as of January 1	**(1,834)**	**(2,169)**
Depreciation for the year	**(105)**	(107)
Transfers to property, plant and equipment	**8**	444
Transfers from property, plant and equipment	**(7)**	(2)
Closing balance as of December 31	**(1,938)**	**(1,834)**
Carrying amount	**2,618**	**2,847**

Direct operating expenses (including repair and maintenance) arising from investment properties that generated rental income and direct operating expenses (including repair and maintenance) arising from investment properties that did not generate rental income were immaterial.

Investment properties of the Company are carried at historical cost less accumulated depreciation and accumulated impairment losses.

The fair value of the investment properties totaled EUR 8,154 thousand as of December 31, 2021 (December 31, 2020: EUR 8,601 thousand).

The fair value of the properties has not been determined on transactions observable in the market because of the nature of the property and lack of comparable data nor has been evaluated by an accredited external independent valuer. Instead, the fair values are determined by the Company's management using discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of existing lease contracts and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The valuation falls within Level 3 of the fair value hierarchy.

The Company has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

(All amounts are in thousands of EUR if not stated otherwise)

Note 7 Intangible Assets

Movements in intangible assets during 2021 are as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
January 1, 2021	**41,129**	**156,199**	**383**	**1,056**	**198,767**
Additions	-	437,249	-	2,500	**439,749**
Disposals	(204)	(142,989)	(12)	-	**(143,205)**
Revaluation surplus (Note 23)	-	7,097	-	-	**7,097**
Transfers to base	1,793	-	-	(1,793)	**-**
December 31, 2021	**42,718**	**457,556**	**371**	**1,763**	**502,408**
Accumulated Amortization					
January 1, 2021	**(34,553)**	**-**	**(268)**	**-**	**(34,821)**
Amortization for the year	(2,189)	-	(20)	-	**(2,209)**
Disposals	205	-	12	-	**217**
December 31, 2021	**(36,537)**	**-**	**(276)**	**-**	**(36,813)**
Carrying amount	**6,181**	**457,556**	**95**	**1,763**	**465,595**

Movements in intangible assets during 2020 are as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
January 1, 2020	**39,389**	**113,892**	**646**	**1,362**	**155,289**
Additions	-	142,400	-	1,517	**143,917**
Disposals	(72)	(141,720)	(263)	(11)	**(142,066)**
Revaluation surplus (Note 23)	-	41,627	-	-	**41,627**
Transfers to base	1,812	-	-	(1,812)	**-**
December 31, 2020	**41,129**	**156,199**	**383**	**1,056**	**198,767**
Accumulated Amortization					
January 1, 2020	**(32,196)**	**-**	**(505)**	**-**	**(32,701)**
Amortization for the year	(2,428)	-	(27)	-	**(2,455)**
Disposals	71	-	264	-	**335**
December 31, 2020	**(34,553)**	**-**	**(268)**	**-**	**(34,821)**
Carrying amount	**6,576**	**156,199**	**115**	**1,056**	**163,946**

No borrowing costs were capitalized in 2021 and 2020.

No intangible assets of the Company were pledged in favor of a creditor or restricted in their use as of December 31, 2021 or December 31, 2020.

Insurance

Intangible assets are not insured.

(All amounts are in thousands of EUR if not stated otherwise)

Emission allowances

In 2021, the Company received allocations of CO_2 emission allowances from the Slovak Government. The emission allowances were initially measured at fair value as of the allocation date at EUR 83.73 per ton (2020: EUR 23.57 per ton). Emission allowances allocated by the Slovak Government in 2021 totaled EUR 415.8 million (2020: EUR 132.1 million). Emission allowances were recognized in deferred income and subsequently released to profit during the period in which the related costs were recognized in the allotment price. The emission allowances are revalued to fair value at the end of each reporting period. The European Climate Exchange is used to obtain the fair value of the emission allowances. The liability for the obligation to deliver the emission allowances is settled within a few months after the end of the reporting period in accordance with applicable legislation.

Based on the projected future production levels and sufficient emission allowances inventory necessary to meet annual compliance submission in the future the Company purchased 350 thousand tons EUAs totaling EUR 21.4 million in 2021. In 2020 the Company purchased 400 thousand tons EUAs totaling EUR 11 million. The Company did not execute any allowance swaps.

The balances included in the statement of financial position relating to emission allowances are as follows:

	December 31, 2021	December 31, 2020
Emission allowances (intangible asset valued at fair value)	**457,556**	156,199
Liability from the obligation to deliver allowances (provision) (Note 16)	**468,293**	142,988

Fair value of intangible assets

The following table provides an analysis of intangible assets that are measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
Emission allowances	457,556	-	-	**457,556**
Total	**457,556**	**-**	-	**457,556**

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Emission allowances	156,199	-	-	**156,199**
Total	**156,199**	**-**	-	**156,199**

During 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 of fair value measurements.

If a cost model had been used, the carrying amount of emissions allowances net of impairment would have totaled EUR 448,344 thousand as of December 31, 2021 (December 31, 2020: EUR 114,571 thousand).

(All amounts are in thousands of EUR if not stated otherwise)

Note 8 Investments

The structure of the Company's interest in subsidiaries is as follows:

Entity, Country of incorporation, Principal activities		December 31, 2021	December 31, 2020
U. S. Steel Košice – Labortest, s.r.o., Slovakia, Testing laboratory			
	Ownership interest (%)	**99.97**	99.97
	Carrying amount	**2,250**	2,250
	Profit/(loss)	**128**	117
	Equity	**3,378**	3,360
U.S. Steel Košice – SBS, s.r.o., Slovakia, Security services			
	Ownership interest (%)	**98.00**	98.00
	Carrying amount	**34**	34
	Profit/(loss)	**51**	46
	Equity	**110**	106
RMS Košice s.r.o., Slovakia, Maintenance and vulcanization services, refractory production			
	Ownership interest (%)	**-**	76.01
	Carrying amount	**-**	1,185
	Profit/(loss)	**(765)**	(161)
	Equity	**-**	14,573
U. S. Steel Services s.r.o. in liquidation, Slovakia, Various services			
	Ownership interest (%)	**-**	99.96
	Carrying amount	**-**	1,804
	Profit/(loss)	**25**	(34)
	Equity	**-**	2,573
U. S. Steel Obalservis s.r.o. in liquidation, Slovakia, Packaging			
	Ownership interest (%)	**99.97**	99.97
	Carrying amount	**5,037**	5,037
	Profit/(loss)	**(732)**	1,186
	Equity	**2,692**	4,603
Ferroenergy s.r.o., Slovakia, Production of electricity, steam, hot water and technical gases			
	Ownership interest (%)	**99.99**	99.99
	Carrying amount	**130,198**	130,198
	Profit/(loss)	**(122,869)**	(23,736)
	Equity	**140,366**	137,712
Tubular s.r.o., Slovakia, Metal processing			
	Ownership interest (%)	**85.00**	85.00
	Carrying amount	**4**	4
	Profit/(loss)	**(1)**	(1)
	Equity	**3**	4
U. S. Steel Europe – Bohemia s.r.o. in liquidation, Czech Republic, Sales Agent			
	Ownership interest (%)	**-**	100.00
	Carrying amount	**-**	4
	Profit/(loss)	**125**	(152)
	Equity	**-**	25
U. S. Steel Europe – France S.A., France, Sales Agent			
	Ownership interest (%)	**99.94**	99.94
	Carrying amount	**212**	212
	Profit/(loss)	**18**	16
	Equity	**186**	184
U. S. Steel Europe – Germany GmbH, Germany, Sales Agent			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**565**	535
	Profit/(loss)	**45**	32
	Equity	**1,303**	1,257
Total carrying amount of investments		**138,300**	**141,263**

Profit / (loss) and equity of subsidiaries are presented under local accounting standards with the exception of Ferroenergy s.r.o. which is presented based on IFRS.

Where required by the law financial information of the USSK's subsidiaries is audited for the year 2021 and 2020.

None of the Company’s ownership interests in subsidiaries were pledged as of December 31, 2021 or December 31, 2020.

Effective from January 1, 2021, U. S. Steel Obalservis s.r.o. entered into liquidation and changed its name to “U. S. Steel Obalservis s.r.o. in liquidation”.

Effective from January 1, 2020, U. S. Steel Europe – Bohemia s.r.o. entered into liquidation and changed its name to “U. S. Steel Europe – Bohemia s.r.o. in liquidation”. The liquidation of the U. S. Steel Europe – Bohemia s.r.o. in liquidation was finished on the shareholder meeting as of June 16, 2021. Liquidation balance of U. S. Steel Europe – Bohemia s.r.o. in liquidation was EUR 19 thousand. On January 4, 2022 the subsidiary U. S. Steel Europe – Bohemia s.r.o. in liquidation was deleted from the commercial register.

Effective from August 1, 2020, U. S. Steel Services s.r.o. entered into liquidation and changed its name to “U. S. Steel Services s.r.o. in liquidation”. The liquidation of the U. S. Steel Services s.r.o. in liquidation was finished on the shareholder meeting as of November 30, 2021 after completion of liquidation process. Share of the Company in the liquidation balance of U. S. Steel Services s.r.o. in liquidation was 2,597 thousand EUR. On December 28, 2021 the subsidiary U. S. Steel Services s.r.o. in liquidation was deleted from the commercial register.

As of July 1, 2021, the activities and tasks of particular centers of RMS Košice s.r.o. were transfered to U. S. Steel Košice, s.r.o., whereby also related rights and obligations from employment relationships with employees concerned were transfered.

As of July 6, 2021, transfers of shares of the shareholder U. S. Steel Obalservis s.r.o. in liquidation in following entities were made U. S. Steel Košice - Labortest, s.r.o. (to company U.S. Steel Košice - SBS, s.r.o.), U.S. Steel Košice - SBS, s.r.o. (to company U. S. Steel Košice – Labortest, s.r.o.), and Ferroenergy s.r.o. (to company U.S. Steel Košice - SBS, s.r.o.).

On November 6, 2021 U. S. Steel Košice, s.r.o. sold its subsidiary RMS Košice s.r.o. to the new owner TERMOSTAV – MRÁZ, spoločnosť s ručením obmedzeným, Košice.

The activities of the subsidiaries are closely connected with the principal activity of the Company. None of the subsidiaries are listed on any stock exchange.

There are no significant restrictions on the subsidiaries’ ability to transfer funds to the parent company in the form of cash, dividends or otherwise.

(All amounts are in thousands of EUR if not stated otherwise)

Note 9 Deferred Income Tax

Differences between IFRS as adopted by the EU and Slovak tax laws give rise to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is recorded at the rate of 21 percent as of December 31, 2021 (December 31, 2020: 21 percent).

The tax effect of the movements in the temporary differences during 2021 is as follows:

	January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2021
Property, plant and equipment	**(32,682)**	(10,195)	-	**(42,877)**
Leases	**639**	30	-	**669**
Inventories	**2,241**	4,672	-	**6,913**
Employee benefits	**7,911**	(247)	(881)	**6,783**
Deferred charges	**(10)**	476	-	**466**
Provision for impairment to receivables	**21**	(16)	-	**5**
Tax loss 2019	**3,215**	(1,072)	-	**2,143**
Research and development 2021 - 2023	**6,051**	(6,051)	-	**-**
Emission allowances transactions	**(39)**	(3,827)	3,866	**-**
Derivative financial instruments	**3,005**	-	(5,810)	**(2,805)**
Provisions	**7,676**	(2,491)	-	**5,185**
Other temporary differences	**(92)**	(1,350)	-	**(1,442)**
Total	**(2,064)**	**(20,071)**	**(2,825)**	**(24,960)**
Deferred tax (liability) / asset	**(2,064)**			**(24,960)**

The tax effect of the movements in the temporary differences during 2020 is as follows:

	January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020
Property, plant and equipment	**(44,572)**	11,890	-	**(32,682)**
Leases	**155**	484	-	**639**
Inventories	**3,883**	(1,642)	-	**2,241**
Employee benefits	**7,342**	1,057	(488)	**7,911**
Deferred charges	**115**	(125)	-	**(10)**
Provision for impairment to receivables	**45**	(24)	-	**21**
Tax loss 2019	**3,156**	59	-	**3,215**
Research and development 2021 - 2023	**2,309**	3,742	-	**6,051**
Emission allowances transactions	**35**	8,234	(8,308)	**(39)**
Derivative financial instruments	**(617)**	-	3,622	**3,005**
Provisions	**7,029**	647	-	**7,676**
Other temporary differences	**(776)**	684	-	**(92)**
Total	**(21,896)**	**25,006**	**(5,174)**	**(2,064)**
Deferred tax (liability) / asset	**(21,896)**			**(2,064)**

The Company has unrecognized potential deferred tax liability of EUR 1,258 thousand related to subsidiaries as of December 31, 2021 (December 31, 2020: deferred tax liability of EUR 1,072 thousand).

(All amounts are in thousands of EUR if not stated otherwise)

Tax loss carry forward

By the end of the 2021, the Company recognized a deferred tax asset for the 2019 tax loss in accordance with *IAS 12 Income taxes*. As the Company reported taxable base of EUR 727,330 thousand in 2021 and the 2019 tax loss amounted to EUR 20,412 thousand, the Company utilized ¼ of the tax loss available in amount of EUR 5.1 million, in line with valid tax regulation. The company plans to utilize the remaining tax loss in 2022 and 2023 in line with tax regulations.

Note 10 Inventories

	December 31, 2021	December 31, 2020
Raw materials	**242,450**	173,027
Work-in-progress	**88,507**	41,525
Semi-finished production	**131,676**	59,582
Finished goods	**209,799**	104,604
Merchandise	**3,010**	2,952
Inventory allowance	**(1,653)**	(4,209)
Total	**673,789**	**377,481**

On January 22, 2020 the Company as pledgor and Commerzbank Finance & Covered Bond S.A as pledgee signed the Agreement on creation of pledge over movable assets. Collateral comprised all consolidated assets treated as inventory including stock of raw materials, work in progress, semi-finished production and finished products, that are governed by Slovak law and that the pledgor currently owns or will own in the future, including their appurtenances and all documents necessary for their use and disposal. The book value of inventory involved in collateral was determined and reported with monthly frequency and its value was EUR 264 million as of December 31, 2020.

On August 11, 2021 the pledge over movable assets specified in the Agreement on creation of pledge over movable assets signed on January 22, 2020 was deregistered. The book value of inventory involved in collateral was last time determined and reported as of June 30, 2021 in the value EUR 382 million. No inventories were pledged in favor of a creditor or restricted in their use as of December 31, 2021. The EUR 460 million Revolving Credit Facility was terminated as of September 29, 2021.

Inventory as of December 31, 2021 is shown net of write-down allowances resulting from lower net realizable values totaling EUR 1,653 thousand (December 31, 2020: EUR 4,209 thousand). Gross value of inventories written down were EUR 8 million as of December 31, 2021 (December 31, 2020: EUR 11 million).

Movements of write-down allowances for inventories were as follows:

	Raw materials	Work in progress	Semi-finished production	Finished products	Total
January 1, 2021	**1,458**	**790**	**836**	**1,125**	**4,209**
Allowance made	29	860	1,438	391	**2,718**
Allowance used	(1,459)	(396)	(698)	(9)	**(2,562)**
Allowance reversed	5	(571)	(828)	(1,318)	**(2,712)**
December 31, 2021	**33**	**683**	**748**	**189**	**1,653**

	Raw materials	Work in progress	Semi-finished production	Finished products	Total
January 1, 2020	**203**	**2,136**	**2,482**	**4,267**	**9,088**
Allowance made	1,271	2,390	137	1,645	**5,443**
Allowance used	(16)	(923)	(1,661)	(362)	**(2,962)**
Allowance reversed	-	(2,813)	(122)	(4,425)	**(7,360)**
December 31, 2020	**1,458**	**790**	**836**	**1,125**	**4,209**

Usage of write-down allowances is recognized when inventory is removed from the accounting books (e.g. sale, disposal, donation, damage, consumption) or reversal is recognized when the indication that the inventories impairment loss recognized in prior periods no longer exists or may have decreased.

(All amounts are in thousands of EUR if not stated otherwise)

Note 11 Trade and Other Receivables

	December 31, 2021	December 31, 2020
Trade receivables	**414,067**	225,888
Trade receivables that are subject of factoring arrangements	**18,468**	7,776
Related party trade receivable (Note 28)	**28,729**	23,273
Total trade receivables	**461,264**	**256,937**
Other receivables - environmental projects	**-**	236
Other receivables - funds for landfill restoration	**7,630**	7,105
Other receivables from related parties (Note 28)	**32**	-
Other receivables	**755**	372
Trade and other receivables - financial (gross)	**469,681**	**264,650**
Loss allowance for trade receivables	**(13,842)**	(13,719)
Loss allowance for other receivables	**(165)**	(3)
Trade and other receivables - financial (net)	**455,674**	**250,928**
VAT receivable	**56,330**	36,404
Advance payments made	**16,514**	8,021
Other receivables - non-financial	**72,844**	**44,425**
Trade and other receivables (net)	**528,518**	**295,353**
Long-term receivables (financial)	**7,630**	7,105
Short-term receivables (financial and non-financial)	**520,888**	288,248

On January 22, 2020 the Company as pledgor and Commerzbank Finance & Covered Bond S.A as pledgee signed the Agreement on creation of pledge over certain trade receivables that were subject to Transaction Security. Collateral comprised the existing trade receivables and the future trade receivables in each case including appurtenances and any contractual or statutory security created or existing for the benefit of the pledgor. The book value of trade receivables subject to Transaction Security was determined and reported with monthly frequency and its value was EUR 200 million as of December 31, 2020.

On August 11, 2021 the pledge over certain trade receivables that were subject to Transaction Security specified in the Agreement signed on January 22, 2020 was deregistered. The book value of trade receivables subject to Transaction Security involved in collateral was last time determined and reported as of June 30, 2021 in the value EUR 375 million. No receivables of the Company were pledged in favor of a bank or other entities as of December 31, 2021. The EUR 460 million Revolving Credit Facility was terminated as of September 29, 2021.

Information about collateral or other credit enhancements and the overall credit risk of the Company is disclosed in Note 25. The valuation falls within Level 3 of the fair value hierarchy. There was no significant movement between fair value measurement categories during 2021. Additional information about measurement of the trade receivables is disclosed in Note 26.

(All amounts are in thousands of EUR if not stated otherwise)

Trade receivables and other receivables

The structure of trade receivables, including related party accounts receivable, is as follows:

	December 31, 2021	December 31, 2020
No or low-risk counterparties	**243,110**	137,813
Increased risk counterparties	**199,687**	111,348
Trade receivables at amortized costs	**442,797**	**249,161**
No or low-risk counterparties	**4,904**	2,493
Increased risk counterparties	**13,564**	5,283
Trade receivables at FV through other comprehensive income	**18,468**	**7,776**
Total	**461,265**	**256,937**

No or low-risk counterparties are customers with prompt payment discipline supported by requested credit enhancement endorsement. Increased risk counterparties are customers in higher risk locations, with inconsistent payment discipline and limited credit enhancement endorsement.

The Company recognized an allowance for expected credit losses to trade receivables and other receivables in amount of EUR 14,007 thousand as of December 31, 2021 (December 31, 2020: EUR 13,722 thousand).

The movements of loss allowances were as follows:

	Trade receivables	Other receivables	Total
January 1, 2021	**13,719**	**3**	**13,722**
Increase in loss allowance	330	161	**491**
Receivables written-off	(187)	-	**(187)**
Unused amount reversed	(20)	1	**(19)**
December 31, 2021	**13,842**	**165**	**14,007**

	Trade receivables	Other receivables	Total
January 1, 2020	**14,671**	**1**	**14,672**
Increase in loss allowance	448	3	**451**
Receivables written-off	(1,399)	(1)	**(1,400)**
Unused amount reversed	(1)	-	**(1)**
December 31, 2020	**13,719**	**3**	**13,722**

A part of recognized loss allowance in amount of EUR 13,536 thousand (December 31, 2020: EUR 13,299 thousand) relates to individually impaired receivables.

For the rest of the trade receivables and the other receivables, which almost all are falling within due (or few days overdue) category, the Company estimated expected credit losses using a credit enhancement matrix. The matrix specifies loss rates depending on shared credit risk characteristics represented by internal rating of customers and the days past due.

Oscillation of portion receivables after due date was significantly improved compared to the last ten years. Ten years median of past due trade receivables to total trade receivables ratio is 3.6 percent (2020: 3.95 percent), median for the year 2021 is 1.4 percent (2020: 2.4 percent). The expected credit loss rate was determined based on risk analysis of receivables currently after due date.

(All amounts are in thousands of EUR if not stated otherwise)

The Company performed regular review of customers' internal rating and considered historical, current and forward-looking information on its and the industry development. Based on the consideration the Company adjusted the historical loss rates and estimated expected credit loss by applying adjusted rates (0.346 percent applied) to the receivables balances as of December 31, 2021 (0.57 percent applied as of December 31, 2020). The general expected credit loss allowance calculated by the Company is EUR 471 thousand as of December 31, 2021 (December 31, 2020: EUR 423 thousand).

Other Receivables – Funds for landfill restoration

As required by legislation the Company deposited funds to cover closing and clean-up costs at the end of a landfill site's useful life into the State Treasury account. The Company will receive funds based on request once approved landfill expenditures occur. Funds for landfill restoration are receivables due from Slovak Republic with the credit rating A2 according to Moody's, that represents low credit risk. The Company therefore considers expected credit loss to be immaterial as of December 31, 2021 (December 31, 2020: immaterial).

Note 12 Derivative Financial Instruments

The Company has entered into forward foreign exchange contracts which are not traded and are agreed with the banks on specific contractual terms and conditions. These derivative instruments have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market foreign exchange rates.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses on forward foreign exchange contracts recognized in other comprehensive income and accumulated in revaluation reserves in equity (Note 14) as of December 31, 2021 will be recognized in the profit or loss in the period(s) during which the hedged forecast transaction affects the profit or loss. This is generally within 12 months after the end of reporting period. Gains and losses from revaluation of forward exchange contracts as of December 31, 2021 and December 31, 2020 recognized in other comprehensive income and accumulated in revaluation reserves in equity were reclassified into profit or loss in 2021 and 2020, respectively. The actual amount recognized in Other operating income in 2021 was loss of EUR 2,657 thousand (2020: income of EUR 2,123 thousand). The amount consists of reclassification of income of EUR 11,304 thousand (2020: income of EUR 2,321 thousand) from reserve funds into profit or loss related to forward transactions entered into during previous year where the asset acquired affected current year profit or loss, and expense of EUR 13,961 thousand (2020: expense of EUR 198 thousand) related to forward transactions entered into during 2021 (2020) where the asset acquired affected profit or loss in 2021 (2020).

The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time. Fair value of hedging derivatives is determined using valuation techniques that utilize observable market data. The fair value of these forward foreign exchange contracts is determined using market forward exchange rates at the end of reporting period calculated from data obtained from Bloomberg and European Central Bank.

The table below sets out fair values, at the end of the reporting period, of the Company's forward foreign exchange contracts:

	December 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forwards - cash flow hedges	**13,324**	**85**	3	14,312
Commodity swap contracts - cash flow hedges	**135**	**-**	-	-
Total	**13,459**	**85**	**3**	**14,312**

Balances as of December 31, 2021 and December 31, 2020 were not past due. The risk of concentration of counterparty credit risk is mitigated by purchasing forward foreign exchange contracts from several counterparties. The Company has entered into forward foreign exchange contracts with ING Bank N.V., Citibank Europe plc, Goldman Sachs Bank USA, J.P. Morgan, Komerční banka, a.s. and Commerzbank as of December 31, 2021. and December 31, 2020. As of December 31, 2021, the financial derivatives for ING Bank N.V. and Komerční banka, a.s. represent more than 63 percent of value of total financial derivatives. The ratings of the banks are BBB+ and better (according to Standard & Poor's) as of December 31, 2021 (December 31, 2020: BBB- and better). Information about the fair value hierarchy as of December 31, 2021 is disclosed in Note 26.

(All amounts are in thousands of EUR if not stated otherwise)

The table below reflects gross positions before the netting of any counterparty positions towards counterparties and covers the contracts with settlement dates after the respective end of the reporting period. The contracts are short term in nature:

	December 31, 2021	December 31, 2020
Payable on settlement in EUR thousand	**(307,597)**	(242,271)
Receivable on settlement in EUR thousand*	**322,002**	228,832

* Receivables nominated in USD, converted to EUR at the rate of USD/EUR 1.1326

The Company is exposed to a fluctuation of tin purchase prices. In order to eliminate the Company's exposure to tin prices fluctuation, the Company entered into commodity swaps to protect its profit margin. All commodity tin swaps commenced in 2021 matured in 2021, resulting in an income in total amount of EUR 4,123 thousand (2020: expense of EUR 3 thousand).

The total value of derivative operations in 2021 is a profit of EUR 1,467 thousand.

Note 13 Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Cash on hand	**-**	68
Cash at bank	**285,272**	216,634
Total (Note 26)	**285,272**	**216,702**

Interest rates on bank accounts were approximately 0.00 percent per annum for EUR deposits, 0.10 percent per annum for USD deposits and 0.00 percent per annum for CZK deposits as of December 31, 2021 (December 31, 2020: 0.00 percent per annum for EUR deposits, 0.10 percent per annum for USD deposits and 0.00 percent per annum for CZK deposits). Interest rates at bank accounts denominated in other currencies are not disclosed as the balances in these accounts are not material.

The cash has been deposited to banks with the rating Prime-2 and better according to Moody's, that represents high ability to repay short-term debt. The Company therefore considers expected credit loss to be immaterial. Further information on the credit risk of cash and cash equivalents is disclosed in Note 25.

Note 14 Equity

Share capital

The Company's registered and fully paid in capital is EUR 839,357 thousand. The Company does not have unregistered increased share capital as of December 31, 2021.

Other reserves

The movements in reserve funds are as follows:

	Other capital funds	Legal reserve fund	Derivative hedging instruments	CO_2 emission allowances	Total
January 1, 2021	**44**	**69,474**	**(11,304)**	**33,319**	**91,533**
Changes in fair value of derivative hedging instruments	-	-	10,564	-	**10,564**
Changes in fair value of CO_2 allowances	-	-	-	10,963	**10,963**
Realization of CO_2 allowances revaluation	-	-	-	(31,204)	**(31,204)**
Release of fair value of derivative hedging instruments	-	-	11,304	-	**11,304**
Settlement of loss	-	(27,085)	-	-	**(27,085)**
December 31, 2021	**44**	**42,389**	**10,564**	**13,078**	**66,075**

(All amounts are in thousands of EUR if not stated otherwise)

	Other capital funds	Legal reserve fund	Derivative hedging instruments	CO2 emission allowances	Total
January 1, 2020	**44**	**69,474**	**2,321**	**10,622**	**82,461**
Changes in fair value of derivative hedging instruments	-	-	(11,304)	-	**(11,304)**
Changes in fair value of CO_2 allowances	-	-	-	33,319	**33,319**
Realization of CO_2 allowances revaluation	-	-	-	(10,622)	**(10,622)**
Release of fair value of derivative hedging instruments	-	-	(2,321)	-	**(2,321)**
Contribution to legal reserve fund	-	-	-	-	**-**
December 31, 2020	**44**	**69,474**	**(11,304)**	**33,319**	**91,533**

The change in the fair value of emission allowances is recognized after taking into account the deferred tax asset in the amount of EUR 3,873 thousand (2020: liability of EUR 8,363 thousand) and the change in the fair value of derivative financial instruments after taking into account the deferred tax liability in the amount of EUR 5,813 thousand (2020: receivable EUR 3,622 thousand) (Note 9).

Dividends

No dividends were paid to U. S. Steel Global Holdings VI B.V. in 2021 and 2020. There were no declared but unpaid dividends as of December 31, 2021 and December 31, 2020.

Note 15 Loans and Borrowings

The movement in liabilities from financing activities is as follows:

	Long-term loans and borrowings	Intercompany loan from U.S.Steel (Note 28)	Supplier payable financing program	Related parties (Note 28)	Lease liabilities (Note 5, 18)	Total
January 1, 2021	**302,604**	**122,282**	**-**	**10,405**	**20,041**	**455,332**
Proceeds	-	-	-	93,362	**-**	**93,362**
Repayments	(300,000)	(129,459)	-	(101,924)	-	**(531,383)**
Lease additions	-	-	-	-	4,410	**4,410**
Lease payments	-	-	-	-	(6,622)	**(6,622)**
Exchange rate impact	-	7,220	-	-	-	**7,220**
Interest increase / (decrease)	(2,604)	(43)	-	(18)	-	**(2,665)**
December 31, 2021	**-**	**-**	**-**	**1,825**	**17,829**	**19,654**
Long-term	-	-	-	-	9,686	**9,686**
Short-term	-	-	-	1,825	8,143	**9,968**
December 31, 2021	**-**	**-**	**-**	**1,825**	**17,829**	**19,654**

	Long-term loans and borrowings	Intercompany loan from U.S.Steel (Note 28)	Supplier payable financing program	Related parties (Note 28)	Lease liabilities (Note 5, 18)	Total
January 1, 2020	**351,565**	**133,631**	**3,166**	**13,884**	**24,863**	**527,109**
Proceeds	75,000	-	7,903	76,105	**-**	**159,008**
Repayments	(125,000)	-	(11,069)	(79,588)	-	**(215,657)**
Lease additions	-	-	-	-	1,773	**1,773**
Lease payments	-	-	-	-	(6,595)	**(6,595)**
Exchange rate impact	-	(11,284)	-	-	-	**(11,284)**
Interest (decrease) / increase	1,039	(65)	-	4	-	**978**
December 31, 2020	**302,604**	**122,282**	**-**	**10,405**	**20,041**	**455,332**
Long-term	300,000	122,239	-	-	12,806	**435,045**
Short-term	2,604	43	-	10,405	7,235	**20,287**
December 31, 2020	**302,604**	**122,282**	**-**	**10,405**	**20,041**	**455,332**

On September 26, 2018, U. S. Steel Košice, s.r.o., a subsidiary of United States Steel Corporation and Ferroenergy s.r.o., a subsidiary of U. S. Steel Košice, s.r.o. as guarantor, entered into a EUR 460 million revolving credit facility (the Credit Agreement) with Commerzbank, ING Bank N.V., Slovenská sporiteľňa a.s., Komerční banka, a.s., UniCredit Bank, Československá obchodná banka, a.s. and Citibank Europe plc. Borrowings drawn within the Credit Agreement bore interest rate spread over the applicable IBOR + margin 2.5 percent per annum (2020: applicable IBOR + margin 2.5 percent per annum).

In the first and second quarter of year 2021 the Company repaid borrowings totaling EUR 300 million drawn against the EUR 460 million Credit Agreement and as of September 29, 2021 the credit facility was terminated (as of December 31, 2020: totaling EUR 300 million were drawn against the EUR 460 million Credit Agreement and the Company had availability of EUR 160 million under the Credit Agreement).

On September 29, 2021, U. S. Steel Košice, s.r.o., a subsidiary of United States Steel Corporation and Ferroenergy s.r.o., subsidiary of U. S. Steel Košice, s.r.o. as guarantor, entered into a new unsecured EUR 300 million revolving credit facility (the Credit Facility Agreement) with ING Bank N.V., Slovenská sporiteľňa a.s., Komerční banka, a.s., UniCredit Bank Czech Republic and Slovakia a.s., Československá obchodná banka, a.s. and Citibank Europe plc replacing EUR 460 million revolving credit facility. The Credit Facility Agreement has a maturity date of September 29, 2026 and contains sustainability targets related to carbon reduction, safety performance and facility certification by ResponsibleSteel™. Borrowings drawn within the Credit Agreement bear interest rate spread over the applicable EURIBOR + margin 2.35 percent per annum.

The Credit Agreement contains certain financial covenants calculated from consolidated financial statements prepared in accordance with US GAAP. The Company must ensure that (1) the net debt to EBITDA (Earnings before Interests, Taxes, Depreciation and Amortization hereinafter as “EBITDA”) ratio does not, in respect of any measurement period exceed 3.50:1 and (2) the aggregate amount of (a) Subordinated Intercompany Indebtedness and (b) its total stockholders’ equity is not lower than 40 percent of its total assets on any measurement date. EBITDA means, in relation to a measurement period, operating profit of the Group before taxation after (a) adding back any losses or expenses from any unusual, extraordinary or otherwise nonrecurring items, (b) adding back any amount attributable to the depreciation or amortization of the assets of the Group for that measurement period and (c) excluding income or gains from any unusual, extraordinary or otherwise non-recurring items.

As of December 31, 2021 no borrowings were drawn against the EUR 300 million Credit Facility Agreement and the Company had availability of EUR 300 million under the Credit Facility Agreement.

On December 23, 2019, the Company entered into a USD 150 million Loan Agreement with United States Steel Corporation. This agreement will mature on September 27, 2023. Interest on borrowings under the facility is 3 month USD LIBOR plus margin 2.9 percent per annum. As of December 31, 2021 borrowings totaling USD 150 million (i.e. EUR 132 million using the exchange rate valid at the end of the reporting period) were repaid and the Company had availability of USD 150 million under the Loan Agreement as of December 31, 2021.

On December 3, 2021 the Company entered into an supplemental agreement No.9 to its EUR 20 million Bilateral Loan Agreement between the Company and ING Bank N.V. This credit facility may be used for working capital financing, drawing bank overdraft, and issuing of bank guarantees and letters of credit until December 3, 2024. Interest on borrowings under the facility is respective IBOR (EURIBOR, USD LIBOR, PRIBOR) plus margin 1.7 percent per annum. As of December 31, 2021, the credit facility has been used in the amount of EUR 8,126 thousand for bank guarantees (December 31, 2020: the credit facility has been used in the amount of EUR 7,063 thousand for bank guarantees).

On December 11, 2018, the Company entered into an amendment No.4 to its Bilateral Loan Agreement in the amount of EUR 10 million between the Company and Commerzbank to extend the agreement’s final maturity date from December 31, 2018 to December 31, 2021. Based on the amendment No. 6 the Bilateral Loan Agreement was terminated on August 31, 2021.

Within available credit facilities, the Company can draw loans with terms of not more than six months with interest fixed for each particular loan. Each of these facilities bear interest at the applicable inter-bank offer rate plus a margin. The Company is the sole obligor on each of these credit facilities and is obliged to pay a commitment fee on the undrawn portion of the facilities.

During 2021 and 2020 the Company had no borrowings under its EUR 20 million and EUR 10 million credit facilities. Only credit facility in the amount of EUR 20 million has been used for bank guarantees.

(All amounts are in thousands of EUR if not stated otherwise)

The Company complied with all covenants specified in the loan agreements as of December 31, 2021.

A structured supplier payable financing program between Citibank Europe plc. (Note 2.16) and the Company was put on hold on August 12, 2020 and was not utilized in 2021. As of December 31, 2020 all trade payables of the Company included in this program were repaid and Company did not recognize any short-term borrowings from these payables.

Management of capital is disclosed in Note 24 and information about credit facilities available to the Company and interest rate risk exposure is disclosed in Note 25.

Note 16 Provisions for Liabilities

Movements in provisions for liabilities were as follows:

	Landfill	Litigation	CO_2 emissions	Other	Total
January 1, 2021	**7,743**	**3,058**	**142,988**	**52**	**153,841**
Provision made	3,166	3,479	468,293	546	**475,484**
Provision used / reversed	(4)	(5,453)	(142,988)	(319)	**(148,764)**
December 31, 2021	**10,905**	**1,084**	**468,293**	**279**	**480,561**
Long-term provisions	10,683	1,084	-	-	**11,767**
Short-term provisions	222	-	468,293	279	**468,794**

	Landfill	Litigation	CO_2 emissions	Other	Total
January 1, 2020	**7,267**	**1,052**	**122,966**	**77**	**131,362**
Provision made	477	2,008	142,988	469	**145,942**
Provision used / reversed	(1)	(2)	(122,966)	(494)	**(123,463)**
December 31, 2020	**7,743**	**3,058**	**142,988**	**52**	**153,841**
Long-term provisions	7,712	3,058	-	-	**10,770**
Short-term provisions	31	-	142,988	52	**143,071**

The movement of provisions caused by the passage of time (i.e. accretion expense) in 2021 and 2020 was immaterial.

Provision reversals for the year 2021 and 2020 were immaterial.

Landfill

The provision for closing, reclamation and after-close monitoring of landfills is recognized based on the Law No. 79/2015 Coll. on Waste, as amended. In 2021, the Company had four landfills; two for non-hazardous waste and two for hazardous waste. Reclamation of one hazardous and one non-hazardous landfill was completed, and those landfills were closed in 2011 and 2013. In February 2020, the 4th stage of non-hazardous landfill was opened and a new provision in the amount of EUR 2.1 million was recognized. The new provision represents a present value of estimated total closure and monitoring costs of the 4th stage of non-hazardous landfill. The short-term portion of the provision represents expenditures that are expected to be settled within 12 months.

Litigation

The Company uses external legal counsel to act in some legal proceedings and internal legal counsel in other proceedings. These proceedings are at different stages and some may proceed for undeterminable periods of time. The Company's management has made its best estimate of the probabilities and the contingent loss amounts associated with all legal proceedings in both Slovak and foreign jurisdictions and has recorded provisions accordingly. The provisions are considered immaterial to the Company's financial statements. Based on the facts currently available, management believes that the disposition of these other matters that are pending or asserted will not have a material adverse effect, individually or in the aggregate, on the financial position of the Company.

(All amounts are in thousands of EUR if not stated otherwise)

Emission allowances

A provision was recognized for CO_2 emissions emitted in 2021 in order to settle obligation by granted CO_2 emission allowances in amount of EUR 408,323 thousand (2020: EUR 142,988 thousand) and by purchased CO_2 emission allowances in amount of EUR 59,970 thousand (2020: EUR 0). The provision was calculated as a multiple of the final volume of CO_2 emitted for the calendar year and the fair value of CO_2 emission allowances on the European Climate Exchange as of the date of the financial statements. The provision was charged to Operating expenses. Amortization of related deferred income from allocated CO_2 emission allowances is recognized in Other income (Note 19).

Other

Other provisions include provisions for warranty.

Note 17 Employee Benefits Liabilities

Employee retirement liability

The Company is committed to make payments to employees upon retirement in accordance with the Labor Code and Collective Labor Agreement. The defined benefit liability is calculated annually using the projected unit credit method.

Work and life jubilee benefits

The Company also pays certain work and life jubilee benefits. The liability is calculated consistently with the employee retirement liability except that actuarial gains and losses and past services costs are recognized immediately in profit or loss for the current period.

The movement in the accrued liability over the years is as follows:

	2021	2020
Opening balance as of January 1	**36,012**	**34,135**
Total expense charged in profit or loss – pension	**1,891**	2,528
Total expense charged in profit or loss – jubilee	**735**	1,105
Total expense charged in profit or loss – termination	**178**	22,504
Remeasurements of post employment benefit liabilities	**(4,037)**	(1,531)
Benefits paid	**(2,233)**	(22,729)
Closing balance as of December 31	**32,546**	**36,012**
Long-term employee benefits payable	**31,594**	34,011
Short-term employee benefits payable	**952**	2,001

The amounts recognized in the statement of financial position are determined as follows:

	December 31, 2021	December 31, 2020
Present value of the liability – pension	**23,667**	21,987
Present value of the liability – jubilee	**9,457**	9,436
Present value of the liability – termination	**99**	1,073
Remeasurements of post employment benefit liabilities	**(677)**	3,516
Total liability in the statement of financial position	**32,546**	**36,012**

The amounts recognized in the comprehensive income are determined as follows:

	2021	2020
Current service costs – pension	**1,803**	2,356
Current service costs – jubilee	**737**	1,068
Current service costs – termination	**178**	22,504
Interest costs	**86**	209
Net actuarial losses / (gains)	**157**	784
Remeasurements of post employment benefit liabilities	**(4,194)**	(2,315)
Total	**(1,233)**	**24,606**

Current service cost and net actuarial losses are presented in salaries and other employee benefits (Note 21) and interest costs are reflected in interest expense line of the statement of profit or loss and other comprehensive income.

(All amounts are in thousands of EUR if not stated otherwise)

Principal actuarial assumptions used to determine employee benefits liabilities as of December 31, were as follows:

	2021	2020
Discount rate - pension	**0.76%**	0.34%
Discount rate - jubilee	**0.40%**	(0.02%)
Annual wage and salary increases	**5.00%**	5.00%
Staff turnover (1)	**5.00%**	5.00%

(1) Staff turnover is replaced by termination table that varies by employee’s age and years of service but does not exceed 5 percent annually.

For calculating the discount rate for euro-denominated pension and postretirement liabilities in accordance with *IAS 19 Employee benefits*, the Company used suitable Euro yield curve which benchmark highly rate corporate bonds. The yield curve selected was derived based on data published by European Central Bank and underlying data provided by EuroMTS Ltd. Discount rates were applied based on the duration of the pension and jubilee liability.

Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognized in liability to employees and social security institutions (Note 18). Liabilities for profit sharing and bonus plans are measured at the amounts expected to be paid when they are settled.

The amount of profit sharing and bonus plans is presented in Note 21.

Defined contribution pension plan

Throughout the year, the Company made contributions to the mandatory government and private defined contribution plans representing 24.8 percent (2020: 23.6 percent) of total salaries and other employee benefits up to a monthly salary limit of EUR 7,644 (2020: EUR 7,091).

The amount of contributions for social security is presented in Note 21.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Company made contributions to the supplementary scheme amounting to 1.6 percent of the monthly accounted wage in 2021 (2020: 1.4 percent).

Information for pension plans with an accumulated employee benefits liabilities:

	December 31, 2021	December 31, 2020
Accumulated employee benefits liabilities	**22,757**	23,614
Effects of future compensation	**9,690**	11,325
Projected employee benefits liabilities	**32,447**	**34,939**
Termination	**99**	1,073
Total liability in the statement of financial position	**32,546**	**36,012**

(All amounts are in thousands of EUR if not stated otherwise)

Note 18 Trade and Other Payables

	December 31, 2021	December 31, 2020
Trade payables	**321,129**	170,449
Related party accounts payable (Note 28)	**33,143**	27,337
Assigned trade payables (1)	**86,373**	36,126
Accrued discounts and rebates	**16,666**	10,382
Uninvoiced deliveries and other accrued expenses	**84,295**	89,568
Trade payables and accruals (Note 25)	**541,606**	**333,862**
Lease liabilities	**17,829**	20,041
Other payables	**3,407**	4,920
Financial liabilities	**21,236**	**24,961**
Liability to employees and social security institutions	**44,544**	45,713
Advance payments received (Contract liability)	**7,472**	3,211
VAT and other taxes and fees	**9,503**	11,246
Non-financial liabilities	**61,519**	**60,170**
Total	**624,361**	**418,993**

(1) Assigned trade payables are trade payables which are not going to be paid to original supplier because receivables against the Company were requested by the supplier to be transferred to other creditor and the transfer was approved by the Company.

The Company provided or will provide discounts and rebates to the customers which fulfilled all requirements stated in sale contracts as of December 31, 2021. Issued credit invoices are offset with receivables as of the due date of the respective credit note or paid in cash when there are no outstanding receivables.

	December 31, 2021	December 31, 2020
Short-term trade and other payables	**614,673**	405,596
Long-term trade and other payables	**9,688**	13,397
Total	**624,361**	**418,993**

Long-term trade and other payables represent lease liabilities (as of December 31, 2021: EUR 9,686 thousand and as of December 31, 2020: EUR 12,806 thousand) and the retention portion of capital expenditures for which different due dates were agreed upon in trade contracts, longer than 12 months.

The aging structure of trade and other payables is presented in the table below:

	December 31, 2021	December 31, 2020
Trade and other payables not yet due	**623,823**	414,354
Trade and other payables past due	**538**	4,639
Total	**624,361**	**418,993**

The carrying amount of trade payables and accruals is denominated in the following currencies:

	December 31, 2021	December 31, 2020
EUR	**378,651**	260,140
USD	**154,625**	67,956
Other	**8,330**	5,766
Total	**541,606**	**333,862**

(All amounts are in thousands of EUR if not stated otherwise)

Contributions to and withdrawals from the social fund during the accounting period are shown in the following table:

	2021	2020
Opening balance as of January 1	**61**	**82**
Company contribution (company costs)	**1,957**	1,278
Employees contribution (repayments)	**1**	10
Withdrawals	**(1,374)**	(1,309)
Closing balance as of December 31	**645**	**61**

The social fund is used for social, medical, relaxing and similar needs of the Company's employees in accordance with Social Fund Law. The balances are included in the liability to employees and social security institutions caption of the table above.

Note 19 Revenue from Contracts with Customers and Other Income

The main activities of the Company are the production and sale of steel products, which include slabs, sheet, strip mill plate, tin mill products and spiral welded pipes. In addition, the Company distributes electricity, heat and gas. Effective December 1, 2017, electricity and heat is produced by its subsidiary Ferroenergy s.r.o. The Company also produces coke which is primarily used in the steel making process. The Company also provides certain functional support services to its subsidiaries and ultimate parent company.

For most of its revenue arrangements, the Company acts as a principal, however, the Company also acts as an agent arranging for the transportation service related to the sales of own production with the "C" delivery terms (Note 3) and in the sale of merchandise and records as revenue the net consideration it retains after paying the suppliers.

Revenue from contracts with customers consists of the following:

	2021	2020
Sales of own production	**3,576,331**	1,699,557
Sales of merchandise	**382**	316
Rendering of services	**12,988**	11,272
Total	**3,589,701**	**1,711,145**

In 2021 and 2020, sales of merchandise represented net sales of power coal and natural gas sold to the Ferroenergy s.r.o. subsidiary, net sales of electricity, heat and steam produced by Ferroenergy s.r.o. to the external parties.

In 2021 and 2020, rendering of services comprised of technology consulting services, distribution of media (natural gas, electricity, water), repairs, and administration services provided to the Company's subsidiaries or external customers and arranging transportation services to customers.

Timing of revenue recognition

	2021	2020
Performance obligation satisfied at a point in time	**3,576,713**	1,699,873
Performance obligation satisfied over time	**12,988**	11,272
Total	**3,589,701**	**1,711,145**

Disaggregation of the revenue from contracts with customers – sales of own production

Segments and Products	2021	2020
Hot-rolled sheets and plates	**1,798,926**	682,079
Cold-rolled sheets	**375,704**	140,804
Coated sheets	**761,975**	448,551
Tin mill products	**390,760**	331,571
Standard and line pipe	**48,461**	35,004
Slabs	**105,476**	1,854
By-products and other	**95,029**	59,694
Total	**3,576,331**	**1,699,557**

(All amounts are in thousands of EUR if not stated otherwise)

Market	2021	2020
Steel Service Centers	**797,607**	307,910
Transportation (including automotive)	**429,860**	292,484
Further conversion - trade customers	**257,256**	90,974
Containers	**387,582**	329,175
Construction and construction products	**1,109,301**	392,943
Appliances and electrical equipment	**210,066**	116,609
Oil, gas and petrochemicals	**6,965**	2,920
Mechanical Machinery	**37,480**	11,440
Metal Goods	**97,540**	42,677
By-products and other	**242,674**	112,425
Total	**3,576,331**	**1,699,557**

Other income

Other income consists of the following:

	2021	2020
Amortization of deferred income - CO_2 emission allowances (Note 7)	**415,863**	131,437
Amortization of deferred income - environmental projects (Note 5)	**4,695**	4,368
Gain on disposal of property, plant and equipment, investment property and intangible assets	**370**	-
Gain on derivative financial instruments (Note 12)	**1,467**	2,123
Rental income	**1,544**	1,703
Income from contractual penalties	**751**	133
Energy compensation from Ministry of Economy	**10,142**	11,487
COVID-19 compensation*	**-**	17,759
Trade mark and Intellectual Property license	**12,481**	7,563
Miscellaneous income	**1,739**	1,353
Total	**449,052**	**177,926**

*national government's „kurzarbeit"mechanism providing compensation to the Company for wages to employers forced to temporarily reduce working hours

Note 20 Materials and Energy Consumed

Materials and energy consumed is comprised of the following:

	2021	2020
Materials consumed	**(1,873,109)**	(968,870)
Energy consumed *	**(387,387)**	(246,057)
Costs of merchandise sold	**(106)**	(115)
Changes in internally produced inventory	**223,688**	(17,165)
Inventory write-down allowance (Note 10)	**(6)**	1,917
Total	**(2,036,920)**	**(1,230,290)**

*The line Energy consumed includes a variable lease payment expense and services related to operating of leased asset totaling EUR (249.7) million (2020: EUR (150.9) million).

(All amounts are in thousands of EUR if not stated otherwise)

Note 21 Salaries and Other Employee Benefits

Salaries and employee benefits are comprised of the following:

	2021	2020
Wages and salaries	**(238,685)**	(192,243)
Termination benefits (Note 17)	**(178)**	(22,504)
Mandatory social and health insurance to insurance funds (Note 17)	**(44,065)**	(39,049)
Mandatory retirement insurance to insurance funds (Note 17)	**(39,833)**	(32,063)
Other social expenses	**(12,650)**	(11,338)
Pension expenses – retirement and work and life jubilees (Note 17)	**(2,697)**	(4,208)
Total	**(338,108)**	**(301,405)**

The number of active employees of the Company as of December 31, 2021 was 8,490 (December 31, 2020: 8,534). The average number of the Company's employees for 2021 was 8,500 (2020: 8,638).

Note 22 Other Operating Expenses

Other operating expenses during 2021 and 2020 are as follows:

	2021	2020
Packaging	**(4,009)**	(9,792)
Cleaning and waste disposal	**(8,416)**	(7,106)
Advertising and promotion	**(1,306)**	(1,056)
Intermediary fees	**(1,421)**	(1,436)
Training	**(247)**	(162)
Impairment of receivables release (Note 11)	**(472)**	(450)
Loss on disposal of business units	**(233)**	-
Loss on disposal of property, plant and equipment, investment property and intangible assets	**-**	(492)
Real estate tax and other taxes	**(6,073)**	(7,280)
Intangible assets, licences, trade marks, licence support	**(3,236)**	(3,388)
Laboratory and heat tests	**(6,768)**	(5,203)
External processing	**(16,684)**	(10,836)
Costs of processing of steel slag, sludge and dust	**(5,308)**	(3,917)
Audit fees	**(588)**	(546)
Other services provided by the auditor	**(5)**	(1)
Short-term leases (Note 5)	**(323)**	(9)
Low value leases (Note 5)	**(22)**	(10)
Variable lease payments (Note 5)	**(604)**	(482)
Creation & reversal of provision for litigation (non-tax)	**1,965**	(2,056)
Warehousing and handling of finished products	**(3,003)**	(2,881)
Insurance costs	**(6,750)**	(4,111)
Service activities	**(9,329)**	(8,919)
Security services - premises	**(3,428)**	(2,490)
Commitment fee - the Credit Agreement	**(4,961)**	(2,429)
Scarffing of conti-slabs	**(2,470)**	(2,156)
Telephone, fax, telex, postage, data processing	**(3,207)**	(3,095)
Costs of employee intracompany transportation	**(1,245)**	(1,161)
Crane operation	**(4,504)**	(2,567)
Chromium plating of rolls	**(1,419)**	(1,274)
Service of heavy machines	**(1,114)**	(759)
Works of manufacturing nature	**(1,291)**	(825)
Gifts, Donations	**(996)**	(74)
Chemical treatment of water circuits	**(725)**	(546)
Other operating expenses (1)	**(8,182)**	(9,183)
Total	**(106,374)**	**(96,692)**

(1) Other operating expenses include various types of services not exceeding EUR 1 million individually.

(All amounts are in thousands of EUR if not stated otherwise)

Note 23 Income Tax

The income tax (expense) / credit consists of following:

	2021	2020
Current tax	**(152,707)**	(67)
Deferred tax (Note 9)	**(20,071)**	23,384
Total current year tax	**(172,778)**	**23,317**
Prior year deferred tax correction	**-**	1,622
Total	**(172,778)**	**24,939**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to the Company as follows:

	2021	2020
Profit / (Loss) before tax	**821,076**	(80,144)
Tax calculated at 21 percent tax rate	**(172,426)**	16,830
Permanent differences	**17,236**	4,869
Effect of CO_2 emission allowances revaluation	**(14,108)**	-
Other	**(3,480)**	1,618
Tax (charge) / credit	**(172,778)**	**23,317**

The effective tax rate was 21 percent in 2021 (2020: 29 percent).

The increase in permanent differences in 2021 compared to 2020 was due to a significant increase in expenditure on research and development.

The tax (charge) / credit relating to components of other comprehensive income is as follows:

	2021			2020		
	Before tax	Tax (charge) / credit	After tax	Before tax	Tax (charge) / credit	After tax
Changes in fair value of derivative hedging instruments	**27,682**	**(5,810)**	**21,868**	(17,247)	3,622	(13,625)
Changes in actuarial gains and losses	**4,194**	**(881)**	**3,313**	2,315	(488)	1,827
Revaluation of intangible assets (Note 7)	**7,097**	**3,866**	**10,963**	41,627	(8,308)	33,319
Other comprehensive income	**38,973**	**(2,825)**	**36,144**	**26,695**	**(5,174)**	**21,521**

Note 24 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and to pay obligations as they come due. The Company's overall strategy did not change compared to 2020.

The capital structure of the Company consists of borrowings from related parties and leases (Notes 15 and 28) totaling EUR 19,654 thousand as of December 31, 2021 (December 31, 2020: EUR 455,332 thousand) and equity (Note 14) totaling EUR 1,588,247 thousand as of December 31, 2021 (December 31, 2020: EUR 903,805 thousand) that includes share capital, reserve funds and retained earnings.

The externally imposed capital requirements for a limited liability company established in the Slovak Republic include a minimum level of share capital totaling EUR 5 thousand. The Company complied with the regulatory capital requirements as of December 31, 2021 and December 31, 2020.

(All amounts are in thousands of EUR if not stated otherwise)

Note 25 Financial Risk Management

Financial risk is managed in compliance with policies and procedures established by U. S. Steel. The use of risk management instruments is controlled by U. S. Steel management which has authorized the use of futures, forwards, swaps and options to manage exposure to price fluctuations of certain commodities and foreign currency transactions. The derivative instruments, if used, could materially affect the Company's results of operations in particular accounting periods; however, management believes that the use of these instruments will not have a material adverse effect on the financial position or liquidity of the Company.

The Company is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign exchange rate risk and other price risk). The overall financial risk management process focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the Company's financial performance.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is essentially exposed to credit risk from its operating activities (primarily trade receivables). Remaining credit risk relates mainly to receivables resulting from Environmental projects (Note 11), deposits with banks (Note 13) and derivative financial instruments (Note 12).

Credit risk related to receivables is managed by the Credit & Collection Department. All customers of the Company are assigned an internal risk rating in accordance with approved internal policies and procedures. A customer's credit rating is determined by considering its financial situation, payment behavior, past experience and other factors. Individual credit limits are established based on internal ratings and the amounts and utilization of the limits are periodically re-evaluated and monitored. Company management carefully monitors the impact of the current economic situation on the customers and adjusts the ratings and related credit limits accordingly. Trade receivables are monitored daily for individual customers and groups of customers under common control. Overdue receivables are handled in accordance with established collection management practices such as reminders, phone contact, suspension of orders and shipments and etc.

The Company mitigates credit risk for approximately 76 percent (2020: 76 percent) of its revenues by requiring credit insurance, letters of credit, bank guarantees, prepayments or other collateral. The acceptable ratings of the banks are BBB- and better (according to Standard & Poor's or equivalent of it per other rating agencies). The ratings of banks are monitored monthly or if circumstances change. Information about collateral or other credit enhancements is as follows:

	2021	**2020**
Credit insurance	**65%**	68%
Letters of credit and documentary collection	**2%**	1%
Bank guarantees	**3%**	2%
Other credit enhancements	**6%**	5%
Credit enhanced sales	**76%**	**76%**
Unsecured sales	**24%**	24%
Total	**100%**	**100%**

The majority of the Company's customers are located in Central and Western Europe. No single customer accounts for more than 10 percent of gross annual revenues.

Expected credit losses related to trade and other receivables are estimated at the end of each reporting period using a credit enhancements matrix. Significant accounting estimates and judgements are applied in the estimation (Note 3).

(All amounts are in thousands of EUR if not stated otherwise)

The Company is exposed to overall credit risk arising from financial assets as summarized below:

December 31, 2021	Derivative financial instruments measured at FV through profit or loss	Financial assets measured at amortized cost	Financial assets measured at FV through other comprehensive income
Trade and other receivables (Note 11)			
Trade receivables (net)	-	400,225	18,468
Related party accounts receivables (net)	-	28,729	-
Other receivables (net)	-	8,252	-
Derivative financial instruments (Note 12)			
Forward foreign exchange	13,324	-	-
Commodity swaps - iron ore	135	-	-
Short-term loans (Note 28)			
Short-term loans provided to related parties	-	62,442	-
Cash and cash equivalents and restricted cash (Note 13)			
Cash and cash equivalents and restricted cash	-	285,651	-
Total	**13,459**	**785,299**	**18,468**

December 31, 2021	Cash and cash equivalents and restricted cash at amortized cost
ING Bank N.V.	65,982
COMMERZBANK	42,576
Citibank (Slovakia) a.s.	65,737
Slovenská sporiteľňa, a.s.	9,451
Komerční Banka, a.s.	41,080
Československá obchodná banka, a.s.	50,268
Všeobecná úverová banka, a.s.	8,410
Other banks	1,768
Cash and cash equivalents (Note 13)	**285,272**
Slovenská sporiteľňa, a.s.	229
Citibank (Poland S.A.)	150
Cash restricted in its use	**379**
Total	**285,651**

(All amounts are in thousands of EUR if not stated otherwise)

December 31, 2020

	Derivative financial instruments measured at FV through profit or loss	Financial assets measured at amortized cost	Financial assets measured at FV through other comprehensive income
Trade and other receivables (Note 11)			
Trade receivables (net)	-	212,169	7,776
Related party accounts receivables (net)	-	23,273	-
Other receivables – environmental projects	-	236	-
Other receivables (net)	-	7,474	-
Derivative financial instruments (Note 12)			
Forward foreign exchange	3	-	-
Short-term loans (Note 28)			
Short-term loans provided to related parties	-	6,872	-
Cash and cash equivalents and restricted cash (Note 13)			
Cash and cash equivalents and restricted cash	-	217,235	-
Total	**3**	**467,259**	**7,776**

December 31, 2020

	Cash and cash equivalents and restricted cash at amortized cost
ING Bank N.V.	22,382
COMMERZBANK	15,176
Citibank (Slovakia) a.s.	30,532
Slovenská sporiteľňa, a.s.	4,766
Komerční Banka, a.s.	41,665
Československá obchodná banka, a.s.	39,779
Všeobecná úverová banka, a.s.	61,397
Other banks	937
Cash on hand	68
Cash and cash equivalents (Note 13)	**216,702**
Citibank (Poland S.A.)	533
Cash restricted in its use	**533**
Total	**217,235**

The maximum exposure to credit risk at the reporting date is the carrying value of the above mentioned financial assets before consideration of collateral and other credit enhancements.

<u>Liquidity risk</u>

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of credit facilities to cover the liquidity risk in accordance with its financing strategy. Company management monitors expected and actual cash flows and the cash position of the Company on a daily basis in accordance with approved internal policies and procedures. Excess funds are invested to liquid financial assets and time deposits not to exceed USD 100 million or equivalent in other currency for sole obligor. The investment exposure by country is also closely monitored.

(All amounts are in thousands of EUR if not stated otherwise)

During 2021, the Company drew short-term borrowings as a part of the Group's cash pooling strategy of EUR 93,362 thousand and repaid EUR 101,924 thousand and provided to its subsidiaries the amount of EUR 124,955 thousand and received EUR 69,486 thousand. During 2020, the Company drew short-term borrowings as a part of the Group's cash pooling strategy of EUR 76,105 thousand and repaid EUR 79,588 thousand and provided to its subsidiaries the amount of EUR 59,202 thousand and received EUR 52,742 thousand. Borrowings drawn within the Group's cash pooling strategy bear interest rate spread over EURIBOR plus margin 1.7 and 2.0 percent per annum. Borrowing contracts are valid until February 28, 2023 with the option to be prolonged.

Other borrowings are disclosed in Note 15.

The table below summarizes the expected undiscounted cash flows in relation to agreed maturities of financial assets and financial liabilities:

December 31, 2021

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	285,272	-	-	**285,272**
Restricted cash	379	-	-	**379**
Trade receivables (net)	447,422	-	-	**447,422**
Other receivables (net)	8,252	-	-	**8,252**
Derivative financial instruments	322,002	-	-	**322,002**
Intercompany short - term loans provided	62,442	-	.	**62,442**
Total	**1,125,769**	**-**	**-**	**1,125,769**
Liabilities				
Trade payables and accruals	531,920	9,686	-	**541,606**
Other financial liabilities	3,407	-	-	**3,407**
Derivative financial instruments	307,597	-	-	**307,597**
Lease liability (Note 5)	220	17,609	-	**17,829**
Loans and borrowings (Note15)	1,825	-	-	**1,825**
Total	**844,969**	**27,295**	**-**	**872,264**

December 31, 2020

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	216,702	-	-	**216,702**
Restricted cash	533	-	-	**533**
Trade receivables (net)	243,218	-	-	**243,218**
Other receivables – environmental projects	236	-	-	**236**
Other receivables (net)	7,474	-	-	**7,474**
Derivative financial instruments	228,832	-	-	**228,832**
Intercompany short - term loans provided	6,872	-	-	**6,872**
Total	**703,867**	**-**	**-**	**703,867**
Liabilities				
Trade payables and accruals	320,465	13,397	-	**333,862**
Other financial liabilities	4,920	-	-	**4,920**
Derivative financial instruments	242,271	-	-	**242,271**
Lease liability (Note 5)	7,235	12,776	30	**20,041**
Loans and borrowings (Note 15)	23,124	459,965	-	**483,089**
Total	**598,015**	**486,138**	**30**	**1,084,183**

(All amounts are in thousands of EUR if not stated otherwise)

Market risk

a) Interest rate risk

The Company is subject to the effects of interest rate fluctuations on borrowings drawn against revolving credit facilities (Note 15). The company was not subjected to the effects of interest rate fluctuations on borrowings drawn against revolving credit facilities as of December 31, 2021, since no borrowings have been drawn as of December 31, 2021. If the interest rate had been 1 percent higher / lower as of December 31, 2020, it would have resulted to EUR 5.1 million higher/lower interest expense.

The Company's income is substantially independent of changes in market interest rates. The Company had accrued interest income from intercompany loan (Note 28) and had other minor interest income from short term bank deposits and cash at bank accounts as of December 31, 2021 and December 31, 2020.

b) Currency risk

The Company is exposed to the risk of price fluctuations due to the effects of foreign exchange rates on revenues and operating costs, capital expenditures and existing assets or liabilities denominated in currencies other than the EUR, particularly the U.S. dollar. The fluctuation of exchange rates represents significant risk as the majority of sales are denominated in EUR, while purchases of strategic raw materials are mainly in USD.

The structure of cash and cash equivalents and cash restricted in its use by currency is as follows:

December 31, 2021

	Cash and cash equivalents	Cash restricted in its use
EUR	165,374	229
USD	115,856	-
CZK	4,018	-
other	24	150
Total	**285,272**	**379**

December 31, 2020

	Cash and cash equivalents	Cash restricted in its use
EUR	209,360	-
USD	4,107	-
CZK	3,151	-
other	84	533
Total	**216,702**	**533**

The Company manages its exposure to certain currency price fluctuations in cooperation with U. S. Steel's Corporate Finance, using a limited number of forward foreign exchange contracts. Derivative hedging instruments are carried out in compliance with an approved hedging strategy and internal policy. Financial instruments are used exclusively for hedging of financial risk. Trading for speculative purposes is prohibited. The risk exposure, as determined by the analysis of income and expense structured by foreign currency, is hedged based on highly probable cash flow forecast transactions. These cash flows are planned in the form of the annual operating plan for the next 12 months and updated in line with quarterly short-range forecasts or whenever new business circumstances occur. Management monitors the open positions monthly.

As of December 31, 2021, the Company had open USD forward purchase contracts for Euros in total notional value of approximately EUR 307 million (December 31, 2020: EUR 242 million).

On December 23, 2019, the Company entered into a USD 150 million Loan Agreement with United States Steel Corporation. As of December 31, 2021, borrowings totaling USD 150 million (i.e. EUR 132 million using the exchange rate valid at the end of the reporting period) were repaid from this credit facility.

(All amounts are in thousands of EUR if not stated otherwise)

As of December 31, 2021, if the EUR had weakened / strengthened by 7 percent against the U.S. dollar with all other variables held constant, this movement would have resulted in a EUR 125 thousand charge / EUR 255 thousand credit to total comprehensive income, mainly as a result of gains/losses from the fair value change of forward foreign exchange contracts.

As of December 31, 2020, if the EUR had weakened / strengthened by 7 percent against the U.S. dollar with all other variables held constant, this movement would have resulted in a EUR 4 million credit / EUR 3 million charge to total comprehensive income, mainly as a result of gains/losses from the fair value change of forward foreign exchange contracts.

c) Other price risk

In the normal course of its business, the Company is exposed to price fluctuations related to the production and sale of steel products. The Company is also exposed to price risk related to the purchase, production or sale of coal, coke, natural gas, steel scrap, iron ore and pellets, zinc, tin and other nonferrous metals used as raw materials.

The Company is exposed to commodity price risk on both the purchasing and sales sides and manages the risk through natural hedges. The Company's market risk strategy is in compliance with U. S. Steel's strategy that has generally been to obtain competitive prices for our products and services and allow operating results to reflect the market price movements dictated by supply and demand in the profit or loss.

The Company is exposed to a fluctuation of Iron Ore, Zinc and Tin purchase prices. An increase in these commodity prices would have an adverse impact on the Company's profitability. In order to mitigate the Company's exposure to Iron Ore, Zinc and Tin price fluctuation, the Company entered into commodity forwards to protect its profit margin. By participating in this hedging program the Company fixed the price for the portion of the Company's Iron Ore, Zinc and Tin requirements, which helped the Company's profitability objectives. All commodity forwards commenced in 2021 matured in 2021. All commodity forwards commenced in 2020 matured in 2020.

In 2021 and 2020, the Company did not carry out any other material derivative transaction mitigating commodity price risk and had no material open commodity derivatives as of December 31, 2021 and December 31, 2020, respectively.

Note 26 Financial Instruments by Category

The following table provides a reconciliation of classes of financial assets and liabilities with the measurement categories as determined by *IFRS 9 Financial Instruments:*

December 31, 2021	**Amortized cost**	**FV through profit or loss**	**FV through other comprehensive income**	**Total**
Assets				
Unquoted financial instruments	-	259	-	**259**
Trade receivables (net)	400,225	-	18,468	**418,693**
Related party accounts receivables (net)	28,761	-	-	**28,761**
Other receivables (net)	8,220	-	-	**8,220**
Cash and cash equivalents	285,272	-	-	**285,272**
Restricted cash	379	-	-	**379**
Short-term loans provided to related parties	62,442	-	-	**62,442**
Derivative financial instruments	-	13,459	-	**13,459**
Total	**785,299**	**13,718**	**18,468**	**817,485**

(All amounts are in thousands of EUR if not stated otherwise)

	Amortized cost	FV through profit or loss	Total
Liabilities			
Trade payables and accruals	541,606	-	**541,606**
Other financial liabilities (Note 18)	3,407	-	**3,407**
Derivative financial instruments	-	85	**85**
Short-term borrowings			
Related parties (Note 28)	1,822	-	**1,822**
Leases (Note 5, 18)	8,143	-	**8,143**
Long-term borrowings			
Leases (Note 5, 18)	9,686	-	**9,686**
Total	**564,664**	**85**	**564,749**

December 31, 2020

	Amortized cost	FV through profit or loss	FV through other comprehensive income	Total
Assets				
Unquoted financial instruments	-	259	-	**259**
Trade receivables (net)	212,169	-	7,776	**219,945**
Related party accounts receivables (net)	23,273	-	-	**23,273**
Other receivables – environmental projects	236	-	-	**236**
Other receivables (net)	7,474	-	-	**7,474**
Cash and cash equivalents	216,702	-	-	**216,702**
Restricted cash	533	-	-	**533**
Short-term loans provided to related parties	6,872	-	-	**6,872**
Derivative financial instruments	-	3	-	**3**
Total	**467,259**	**262**	**7,776**	**475,297**

	Amortized cost	FV through profit or loss	Total
Liabilities			
Trade payables and accruals	333,862	-	**333,862**
Other financial liabilities	4,920	-	**4,920**
Derivative financial instruments	-	14,312	**14,312**
Short-term borrowings			
Related parties (Note 28)	10,383	-	**10,383**
Leases (Note 5, 18)	7,235	-	**7,235**
Long-term borrowings			
Long-term borrowings	300,000	-	**300,000**
Intercompany loan from U.S.Steel (Note 28)	122,239	-	**122,239**
Leases (Note 5, 18)	12,806	-	**12,806**
Total	**791,445**	**14,312**	**805,757**

(All amounts are in thousands of EUR if not stated otherwise)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

December 31, 2021

	Level 1	Level 2	Level 3	Total
Assets				
Trade receivables that are subject of factoring arrangements (Note 11)	-	-	18,468	**18,468**
Hedging derivatives	-	13,459	-	**13,459**
Total	**-**	**13,459**	**18,468**	**31,927**
Liabilities				
Hedging derivatives	-	85	-	**85**
Total	**-**	**85**	**-**	**85**

December 31, 2020

	Level 1	Level 2	Level 3	Total
Assets				
Trade receivables that are subject of factoring arrangements (Note 11)	-	-	7,776	**7,776**
Hedging derivatives	-	3	-	**3**
Total	**-**	**3**	**7,776**	**7,779**
Liabilities				
Hedging derivatives	-	14,312	-	**14,312**
Total	**-**	**14,312**	**-**	**14,312**

During 2021 and 2020, there were no transfers between Level 1 and Level 2 of fair value measurements and no transfers into and out of Level 3 of fair value measurements.

All other financial instruments, with the exception of hedging derivatives and trade receivables that are subject of factoring arrangements, are measured at amortized cost as of December 31, 2021 and December 31, 2020. Fair values of these instruments as of December 31, 2021 and December 31, 2020 approximate their carrying amounts.

Note 27 Contingent Liabilities and Contingent Assets

Capital Commitments

Capital expenditures of EUR 24 million had been committed under contractual arrangements as of December 31, 2021 (December 31, 2020: EUR 52 million).

Environmental Commitments

The Company is in compliance with environmental legislation. In 2021, the environmental expenses represented mainly by air, water pollution and solid waste handling fees totaled approximately EUR 9.5 million (2020: EUR 6 million). There are no material legal proceedings pending against the Company involving environmental matters.

USSK is subject to the laws of Slovakia and the European Union (EU). An EU Regulation commonly known as Registration, Evaluation, Authorization and Restriction of Chemicals, Regulation 1907/2006 (REACH) requires the registration of certain substances produced in or imported into the EU, and application for authorization to continue use where replacement of certain substances is not possible or feasible. In some cases, replacements for substances currently used in our operations were implemented. Suppliers in EU have filled the Application for Authorization to be permitted to continue using hexavalent chromium substances also in our production until suitable alternatives can be identified. European Commission approved Authorization for the Company suppliers to use sodium dichromate for packaging steel until April 14, 2024 and chromium trioxide for packaging steel until September 21, 2024. The Company can still use hexavalent chromium substances in the selected processes until the suitable alternative is qualified for use.

On May 25, 2020 the Company filled an independent Application for Authorization to be permitted to continue using sodium dichromate and chromium trioxide for packaging steel until 2027. Efforts are ongoing to identify, test and prove the feasibility of replacement substances. Membership contributions to consortiums for update of registration and authorization documentation were EUR 46 thousand in 2021 and EUR 18 thousand in 2020. The Company cannot reliably estimate the potential additional registration costs of produced and purchased substances.

Effective from January 1, 2020, the Company transferred, within the framework of fulfilling the obligations of a packaging manufacturer, from the collective system to the individual system of fulfillment of obligations, resulting in reduction of the total costs relating to the subsequent collection, sorting and recovery of the packaging waste. Due to the impact of the change as well as the optimization of record keeping procedure for the packaging placed on the Slovak market, the 2021 costs were EUR 131 thousand (2020: EUR 128 thousand). In addition, the Slovak Republic has adopted amendment to the waste legislation that became effective on December 12, 2020. The Company estimates the financial impact of this amendment to the Waste Act on its operations in the amount of approximately EUR 85 thousand.

<u>Carbon Dioxide (CO_2) Emissions</u>

The European Union has established aggressive CO_2 reduction targets of 40 percent by 2030, against a 1990 baseline, and full carbon neutrality by 2050. As part of the European Green Deal the Commission proposed in September 2020 to raise the 2030 reduction target to at least 55 percent compared to 1990. The new target has yet to be endorsed by the European Parliament.

An emission trading system (ETS) was established to ensure compliance with set emissions reduction and starting in 2013, the ETS discontinued allocation based on national allocation plans (NAP) and began to employ centralized allocation which is more stringent than the previous requirements.

The European Union has imposed limitations under the ETS for the period 2013-2020 (Phase III) that were more stringent than those in NAP II, reducing the number of free emission allowances allocated to companies to cover their CO_2 emissions.

As of December 31, 2020, the Company had 6 million of purchased European Union Allowances (EUA) totaling EUR 45 million available to cover the estimated Phase III period shortfall of emission allowances.

Phase IV of the EU Emissions Trading System (EU ETS) commenced on January 1, 2021 and will finish on December 31, 2030. The Phase IV is divided into two sub periods (2021-2025 and 2026-2030). The European Commission issued final approval of the Slovak National Allocation table in July 2021. The Slovak Ministry of Environment, after consent from the European Commission, allocated free allowances to Company in December 2021 . The final volume was reduced to reflect Company production cuts in 2019 and 2020. The same assessment and potential reduction will take place in every year. In the fourth quarter of 2020 the Company started with purchases of allowances for the Phase IV period. As of December 31, 2021, the Company purchased approximately 750 thousand EUA totaling EUR 32.4 million to fully cover the 2021 shortfall.

In 2019, the U. S. Steel Corporation announced its commitment to reduce greenhouse gas emissions intensity across its global footprint by 20 percent, as measured by the rate of CO_2 equivalents emitted per ton of finished steel shipped, by 2030 based on 2018 baseline levels. Then, in 2021, the U. S. Steel Corporation announced its goal to achieve net-zero emissions by 2050. These targets will apply to U. S. Steel’s global operations.

The carbon intensity reduction targets reflect Company’s continued commitment to improvement in production efficiency and the manufacture of products that are environmentally friendly. These aggressive targets require drastic measures within the steel industry to comply. Incremental gains in energy reduction, use of renewable energy and continued asset and process improvements are expected to reduce our greenhouse gas footprint. However, the development of breakthrough technologies is likely required to continue the path of low to no carbon footprint in the steel industry. Implementation of new technologies will most likely require significant amounts of capital and an abundant source of low-cost hydrogen and/or green power, most likely leading to an increase in the cost of future steelmaking. In addition, the cost of emission allowances is forecast to increase, along with the number of allowances decreasing in the next several years.

Best Available Techniques (BAT's)

The EU's Industry Emission Directive requires implementation of EU determined BAT's for Iron and Steel production to reduce environmental impacts as well as compliance with BAT associated emission levels. Total capital expenditures for projects to comply with or go beyond the BAT requirements were EUR 138 million over the actual program period. These costs were partially offset by the EU funding received and may be mitigated over the next measurement period if the Company complies with certain financial covenants, which are assessed annually. The Company complied with these covenants as of December 31, 2021 and December 31, 2020. If the Company is unable to meet these covenants in the future, Company might be required to provide additional collateral (e.g. bank guarantee) to secure 50 percent of the EU funding received.

Impact of Coronavirus (COVID-19)

The global pandemic resulting from the coronavirus designated as COVID-19 has had a significant impact on economies, businesses and individuals around the world. Efforts by governments around the world to contain the virus have involved, among other things, border closings and other significant travel restrictions; mandatory stay-at-home and work-from-home orders; mandatory business closures; public gathering limitations; and prolonged quarantines. These efforts and other governmental, business and individual responses to the COVID-19 pandemic have led to significant disruptions to commerce, lower consumer demand for goods and services and general uncertainty regarding the short-term and long-term impact of the COVID-19 virus on the domestic and international economy and on public health. The Company implemented a comprehensive response to the pandemic focused on protecting health and safety of the employees, preserving cash and liquidity, ensuring the Company's operations and supporting its customers and community. U. S. Steel Košice, s.r.o. was identified by the Slovak government as a strategic and critical company, essential to economic prosperity, and continued to operate.

The duration, severity, speed and scope of the COVID-19 pandemic remains highly uncertain and the extent to which COVID-19 will affect the Company depends on future developments, such as potential surges of the outbreak and the speed of the development, distribution and effectiveness of vaccine and treatment options, which cannot be predicted at this time. Although the Company has continued to operate, it experienced a significant reduction in demand and low selling prices at the on set of the pandemic.

In year 2020 demand went down due to economic and industrial lockdowns. One of three blast furnaces of the Company remained idled for the entire year. As a result, steel production capability utilization dropped to 67 percent in 2020, which represented an 11 percentage points decline from the previous year. Company emerged from this unfavorable period with the support of the state "kurzarbeit" mechanism which provided wage compensation to employers forced to temporarily reduce working hours by external factors, which the pandemic did (Note 19). Throughout this challenging period, Company focused on optimizing costs through maintenance and production labor transformations. New processes, procedures, and controls were implemented to respond to changes in business environment.

Since the second quarter of year 2020, demand has continued to accelerate especially in key markets like automotive, construction and appliance. The demand rebound in the second half, together with continuously improved selling prices, helped to reduce significant unfavorable impacts on the full year results.

This positive trend remained also in financial year 2021 and there has been no significant impact of COVID 19 on the Company in year 2021. The Company has been able to implement sufficient measures related to restrictions and requirements imposed by the government and has been able to operate without any further outages and production reductions. In 2021 Company benefited from significantly improved business conditions compared to the previous year's COVID-19 pandemic induced market challenges.

The nature, extent and duration of the effects of the COVID-19 pandemic on the Company was highly uncertain, however due to an active management of credit risks, its effective monitoring and controlling through credit evaluation and rating of customers Company did not experienced any credit loss in 2020 or 2021 (Note 25).

The Company does not expect an impact on its ability to continue to operate as a going concern.

(All amounts are in thousands of EUR if not stated otherwise)

Note 28 Related Party Transactions

Transactions with related parties

The following table provides amounts of transactions with related parties recognized in the profit or loss of the relevant financial year and outstanding balances resulting from transactions with related parties included in the statement of financial position as of December 31 of the relevant financial year:

		2021	2020
United States Steel Corporation, Ultimate parent company			
	Revenues	**15,319**	8,842
	Expenses	**90,281**	138,482
	Receivables	**14,010**	7,610
	Payables	**9,505**	7,114
	Borrowings received including interest (Note 15)	**-**	122,282
USS International Services, LLC, Company under common control of U. S. Steel			
	Expenses	**2,366**	2,931
	Receivables	**56**	85
	Payables	**647**	447
Subsidiaries under control of the Company (Note 8)			
	Revenues	**58,157**	50,217
	Expenses	**287,939**	194,724
	Receivables	**14,695**	15,578
	Payables	**22,991**	19,776
	Borrowings received including interest (Note 15)	**1,825**	10,405
	Loans provided	**62,442**	6,872
Total			
	Revenues	**73,476**	**59,059**
	Expenses	**380,586**	**336,137**
	Receivables	**28,761**	**23,273**
	Payables	**33,143**	**27,337**
	Borrowings received including interest	**1,825**	**132,687**
	Loans provided	**62,442**	**6,872**

No dividends were paid to U. S. Steel Global Holdings VI B.V. in 2021 (No dividends were paid to U. S. Steel Global Holdings VI B.V. in 2020) (Note 14).

Transactions with United States Steel Corporation relate mainly to rendering of services (2021: EUR 14,505 thousand; 2020: EUR 8,842 thousand), purchases of raw material (2021: EUR 83,681 thousand; 2020: EUR 131,025 thousand), managerial services (2021: EUR 2,500 thousand; 2020: EUR 2,329 thousand), interest expense (2021: EUR 3,159 thousand; 2020: EUR 5,128 thousand), sales of own products (2021: EUR 814 thousand) and cost of sales of own products (2021: EUR 941 thousand).

USS International Services, LLC provides managerial services to U. S. Steel Košice, s.r.o. (2021: EUR 2,366 thousand; 2020: EUR 2,931 thousand).

All related party transactions were realized on arm's length basis.

On December 23, 2019, the Company entered into a USD 150 million Loan Agreement with United States Steel Corporation. This agreement will mature on September 27, 2023. Interest on borrowings under the facility is 3 month USD LIBOR plus margin 2.9 percent per annum. As of December 31, 2021, borrowings totaling USD 150 million (i.e. EUR 132 million using the monthly average exchange rate) were fully repaid against this credit facility and the interest expense was USD 3,728 thousand (i.e. EUR 3,159 thousand using the monthly average exchange rate). As of December 31, 2021, USD 150 million was available to borrow under this Agreement.

Transactions with subsidiaries of U. S. Steel Košice, s.r.o. include purchases of electricity, steam, hot water and technical gasses and various services provided to U. S. Steel Košice, s.r.o.

(All amounts are in thousands of EUR if not stated otherwise)

Borrowings drawn and provided within the Group's cash pooling strategy bear interest rate spread over EURIBOR plus margin 1.7 and 2.0 percent per annum. Borrowing are valid until February 28, 2023 with the option to be prolonged. During 2021, the Company as a part of the Group's cash pooling strategy drew from its subsidiaries the amount of EUR 93,362 thousand and repaid amount of EUR 101,924 thousand and provided to its subsidiaries the amount of EUR 124,955 thousand and received EUR 69,486 thousand. During 2020, the Company as a part of the Group's cash pooling strategy drew from its subsidiaries the amount of EUR 76,105 thousand and repaid amount of EUR 79,588 thousand and provided to its subsidiaries the amount of EUR 59,202 thousand and received EUR 52,742 thousand (Note 15).

Employments of the statutory representatives and key management employees

a) Slovak and foreign statutory representatives of the Company did not receive any cash or non-cash benefits from the Company in 2021 and 2020 that arise from their positions as statutory representatives. Foreign statutory representatives of the Company are employed and paid based on their employment contracts with USS International Services, LLC and their compensation is included in charges for managerial services provided to the Company. Salaries and other employee benefits of the Company's key management employees shown in the following table comprise also a compensation of Slovak statutory representatives:

	2021	2020
Wages and salaries	**16,129**	15,207
Mandatory social and health insurance to all insurance funds	**4,460**	4,133
Total	**20,589**	**19,340**

b) Shares of U. S. Steel granted to the Company's executives do not represent a material amount in these financial statements.

c) No loans or advance payments were provided to statutory representatives by the Company.

Note 29 Financial Performance Indicators

USSK management believes that EBITDA considered along with the net earnings (loss), Earnings Before Interest and Taxes (EBIT) and Earnings Before Taxes (EBT) are relevant indicators of trends relating to Company's financial performance and cash generating activity. These performance indicators provide management and investors with additional information for comparison of our operating results to the operating results of other companies. These measures are not intended to evaluate the Company's liquidity position.

EBITDA is determined from net earnings (loss) as adjusted for income taxes, net interest income (loss), dividend income and significant non-cash items which do not affect cash generating activity. Adjustments include depreciation, amortization, asset impairment charge or reversal and non-cash charges recorded in line with emission allowances accounting policy. Earnings Before Interest and Taxes (EBIT) is a measure of a Company's profitability determined from EBITDA adding back depreciation, amortization and asset impairment charge or reversal. Earnings Before Tax (EBT) is further adjusted adding back net financial income (expense) and dividend income.

(All amounts are in thousands of EUR if not stated otherwise)

The reconciliation of EBITDA, EBIT and EBT is as follows:

	2021	2020
Net profit / (loss)	**648,298**	**(55,205)**
Income tax	**172,778**	(24,939)
Interest expense and other financial costs	**6,162**	14,564
Interest income	**(329)**	(463)
Dividend income	**(5,467)**	(955)
Depreciation and amortization	**78,296**	79,617
Non cash portion of CO_2 provision charge (Note 16)	**435,944**	142,988
Amortization of deferred income - CO_2 emission allowances (Note 19)	**(415,863)**	(131,437)
EBITDA	**919,819**	**24,170**
Depreciation & Amortization	**(78,296)**	(79,617)
EBIT	**841,523**	**(55,447)**
Interest expense and other financial costs	**(6,162)**	(14,564)
Interest income	**329**	463
Dividend income	**5,467**	955
EBT	**841,157**	**(68,593)**

Adjusted EBITDA provides additional information by excluding the effects of non-recurring adjusting items or one-off events that can obscure underlying trends, e.g. restructuring and other charges, or income/gains or expenses/losses from any items unusual because of their nature, size or incidence or other nonrecurring items.

The reconciliation of adjusted EBITDA is as follows:

	2021	2020
EBITDA	**919,819**	**24,170**
Restructuring and other charges (Note 17)	**-**	25,685
Adjusted EBITDA	**919,819**	**49,855**

EBITDA and Adjusted EBITDA amounts are derived from net profit shown on page SF-8. EBITDA significantly improved in 2021 compared to 2020 mainly due to favorable impact of increased average realized prices and shipments which were partially offset by unfavorable impact of higher raw material, energy costs and increased operating costs.

Note 30 Events after the Reporting Period

The liquidation of U. S. Steel Obalservis s.r.o. in liquidation was finished on the shareholder meeting as of January 18, 2022 after completion of liquidation process. Share of the Company in the liquidation balance of U. S. Steel Obalservis s.r.o. in liquidation was EUR 2,691 thousand. On February 2, 2022 the subsidiary U. S. Steel Obalservis s.r.o. in liquidation was deleted from commercial register.

On February 28, 2022 the CO_2 emission allowances were allocated to the Company account in the volume of 4,966,716 tons totaling EUR 406.3 million, as allocation for year 2022. On April 7, 2021, the Company surrendered 5,856,858 tons of CO_2 emission allowances for year 2021 via the Slovak National Administrator of Union Registry fulfilling its obligation for the first year of the Phase IV period.

Following current situation in Ukraine and the related sanctions against the Russian Federation, the Company has identified the risks and has taken relevant measures to reduce the impact on its business. The Company constantly analyzes the entire situation based on the available information and actual development and evaluates its impacts both on the Company and its subsidiaries. The Company's management considered the potential impact of this situation on its activities and business and concluded that they did not have a significant impact on its 2021 separate financial statements or going concern assumption in 2022. However, if current situation turns into negative development, it might have a material adverse effect on the Company, its business, financial condition, results, cash flows and prospects in general. Several packages of sanctions imposed on the Russian Federation contained restrictions on ship and truck transportation, trade in iron, steel, coal, computer technology and luxury goods, which may affect the Company. The Company is currently evaluating the impact of these sanctions on its operations and taking the necessary measures to prevent their unfavorable impact.

After December 31, 2021, no other significant events have occurred that would require recognition or disclosure in the 2021 separate financial statements.

U. S. Steel Košice, s.r.o.

Consolidated financial statements for the year ended December 31, 2021

prepared in accordance with International Financial Reporting Standards as adopted by the European Union

This version of the accompanying financial statements is a translation of the original prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, the original language of the financial statements shall take precedence over this translation in all matters of interpretation of information, views or opinions.

Independent Auditor's Report

To the Shareholder and Executives of U. S. Steel Košice, s.r.o.:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of U. S. Steel Košice, s.r.o. (the "Company") and its subsidiaries (together - the "Group") as at 31 December 2021, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Act on Statutory Audit No. 423/2015 and on amendments and supplements to Act on Accounting No. 431/2002, as amended (hereafter the "Act on Statutory Audit") that are relevant to our audit of the consolidated financial statements in the Slovak Republic. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of Act on Statutory Audit.

Reporting on other information including the Annual Report

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and separate financial statements and our auditor's reports thereon).

Our opinion on the consolidated financial statements does not cover the other information.

PricewaterhouseCoopers Slovensko, s.r.o., Karadžičova 2, Bratislava, 815 32, Slovak Republic
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In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report, we considered whether it includes the disclosures required by the Act on Accounting No. 431/2002, as amended (hereafter the "Accounting Act").

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Annual Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the Annual Report has been prepared in accordance with the Accounting Act.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Annual Report. We have nothing to report in this regard.

Management's responsibilities for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Slovensko, s.r.o.
SKAU licence No. 161

Ing. Monika Smižanská, FCCA
UDVA licence No. 1015

Slovenská komora audítorov
SKAU
Č. licencie 161
PricewaterhouseCoopers Slovensko, s.r.o.

21 April 2022
Bratislava, Slovak Republic

Translation Note:

This version of our report is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

U. S. Steel Košice, s.r.o.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Consolidated financial statements for the year ended December 31, 2021, were prepared in accordance with International Financial Reporting Standards as adopted by the European Union on April 21, 2022, and have been approved and authorized for issue by the statutory representatives of U. S. Steel Košice, s.r.o. ("the Company" or "USSK") on April 21, 2022. Neither the Company's shareholder nor the executives have the power to amend the consolidated financial statements after issue.

Košice, April 21, 2022

Ing. Marcel Novosad
Vice President Operations
(statutory representative)

Ing. Silvia Gaálová, FCCA
Vice President and Chief Financial Officer
(statutory representative)

Ing. Adam Dudič, FCCA
General Manager General Accounting and Taxes
(responsible for accounting)

Ing. Beáta Marčáková
Director General Accounting and Financial Reporting
(responsible for financial statements preparation)

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(all amounts are in thousands of EUR if not stated otherwise)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2021	December 31, 2020
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**908,331**	951,949
Investment property	6	**2,515**	2,560
Intangible assets	7	**812,343**	270,727
Unquoted financial instruments	26	**259**	259
Long-term receivables	11	**7,630**	7,105
Total non-current assets		**1,731,078**	**1,232,600**
Current Assets			
Inventories	10	**672,433**	380,213
Trade and other receivables	11	**507,107**	274,975
Derivative financial instruments	12	**13,459**	3
Restricted cash		**379**	533
Prepaid expense		**1,898**	1,666
Cash and cash equivalents	13	**289,556**	219,717
Total current assets		**1,484,832**	**877,107**
TOTAL ASSETS		**3,215,910**	**2,109,707**

	Note	December 31, 2021	December 31, 2020
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**839,357**	839,357
Reserve funds	14	**202,143**	127,996
Retained earnings / (Accumulated losses)		**551,805**	(52,246)
Total Equity		**1,593,305**	**915,107**
Liabilities			
Non-Current Liabilities			
Long-term loans and borrowings	15	**-**	422,239
Long-term provisions for liabilities and charges	16	**11,773**	10,771
Long-term deferred income - environmental projects	5	**70,447**	75,153
Long-term employee benefits payable	17	**32,984**	36,671
Deferred income tax liability	9	**28,839**	6,560
Long-term trade and other payables	18	**9,743**	13,497
Total non-current liabilities		**153,786**	**564,891**
Current Liabilities			
Trade and other payables	18	**597,123**	395,065
Current income tax liability		**152,713**	254
Derivative financial instruments	12	**85**	14,312
Deferred income		**4**	3
Short-term borrowings	15	**-**	2,647
Short-term provisions for liabilities	16	**717,838**	215,313
Short-term employee benefits payable	17	**1,056**	2,115
Total current liabilities		**1,468,819**	**629,709**
TOTAL EQUITY AND LIABILITIES		**3,215,910**	**2,109,707**

The accompanying notes on pages CF-11 to CF-65 are an integral part of these consolidated financial statements.

(all amounts are in thousands of EUR if not stated otherwise)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2021	2020
Revenue from contracts with customers	19	**3,554,348**	1,687,821
Other income	19	**449,685**	180,635
Materials and energy consumed	20	**(1,833,071)**	(1,129,587)
Salaries and other employees benefits	21	**(363,294)**	(334,792)
Depreciation and amortization	5, 6, 7	**(89,168)**	(91,181)
Repairs and maintenance		**(75,717)**	(50,511)
Transportation services		**(91,160)**	(60,177)
Advisory services		**(11,762)**	(8,242)
Foreign exchange (losses) / gains		**(13,804)**	12,402
Charge for provision for CO_2 emissions	16	**(717,337)**	(215,230)
Other operating expenses	22	**(113,412)**	(84,334)
Profit / (loss) from operations		**695,308**	**(93,196)**
Interest income		**31**	391
Interest expense		**(5,807)**	(14,292)
Profit / (loss) before tax		**689,532**	**(107,097)**
Income tax (expense) / benefits	23	**(172,197)**	21,870
Profit / (loss) after tax		**517,335**	**(85,227)**
Profit / (loss) after tax is attributable to:			
- Equity holders of the Company		**517,335**	(85,227)
Total profit / (loss) after tax		**517,335**	**(85,227)**
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	23	**3,630**	2,124
Revaluation of intangible assets	7, 23	**136,426**	66,763
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	23	**(24)**	(11)
Change in fair value of derivative hedging instruments	23	**21,869**	(13,625)
Other Comprehensive income, net of tax		**161,901**	**55,251**
Total comprehensive income / (loss) for the year		**679,236**	**(29,976)**
Total comprehensive (loss) / income is attributable to:			
- Equity holders of the Company		**679,236**	(29,976)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**679,236**	**(29,976)**

The accompanying notes on pages CF-11 to CF-65 are an integral part of these consolidated financial statements.

(all amounts are in thousands of EUR if not stated otherwise)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holder of the Company			
	Share capital	**Other reserves**	**Retained earnings / (accumulated losses)**	**Total**
Balance as of January 1, 2020	**839,357**	**95,706**	**10,020**	**945,083**
Loss for 2020	-	-	(85,227)	**(85,227)**
Other comprehensive income	-	53,127	2,124	**55,251**
Total comprehensive (loss) / income for the year	**-**	**53,127**	**(83,103)**	**(29,976)**
Adjustments:				
Release of revaluation reserve - CO2 emission allowances	-	(20,848)	20,848	**-**
Total adjustments	**-**	**(20,848)**	**20,848**	**-**
Transactions with owners:				
Contribution to legal reserve fund	-	11	(11)	**-**
Total transactions with owners	**-**	**11**	**(11)**	**-**
Balance as of December 31, 2020	**839,357**	**127,996**	**(52,246)**	**915,107**

	Attributable to equity holder of the Company			
	Share capital	**Other reserves**	**Retained earnings / (accumulated losses)**	**Total**
Balance as of January 1, 2021	**839,357**	**127,996**	**(52,246)**	**915,107**
Profit for 2021	-	-	517,335	**517,335**
Other comprehensive income	-	158,271	3,630	**161,901**
Total comprehensive income / (loss) for the year	**-**	**158,271**	**520,965**	**679,236**
Adjustments:				
Release of revaluation reserve - CO_2 emission allowances	-	(56,010)	56,010	**-**
Total adjustments	**-**	**(56,010)**	**56,010**	**-**
Transactions with owners:				
Contribution to social fund	-	-	4	**4**
Settlement of loss	-	(27,085)	27,085	**-**
Contribution to legal reserve fund	-	13	(13)	**-**
Derecognition of legal reserve fund	-	(1,042)	-	**(1,042)**
Total transactions with owners	**-**	**(28,114)**	**27,076**	**(1,038)**
Balance as of December 31, 2021	**839,357**	**202,143**	**551,805**	**1,593,305**

(all amounts are in thousands of EUR if not stated otherwise)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Total	
		2021	2020
Profit / (Loss) before tax		**689,532**	**(107,097)**
Non-cash adjustments for			
Depreciation of property, plant and equipment and investment property	5, 6	**80,516**	82,169
Depreciation of right of use assets	5	**6,368**	6,499
Amortization of intangible assets	7	**2,284**	2,513
Amortization of deferred income - CO_2 emission allowances	7, 19, 29	**(416,591)**	(132,120)
Amortization of deferred income - environmental projects	5, 19	**(4,695)**	(4,368)
Charge of provision for CO_2 emissions emitted	16	**717,337**	215,230
Loss on sale of bussiness unit	8, 22	**7,496**	-
(Gain) / loss on disposal of property, plant and equipment, intangible assets and investment property	19, 22	**(352)**	2,028
Gain from changes in fair value of derivative financial instruments	19	**(1,467)**	(2,123)
Interest income		**(31)**	(391)
Interest expense		**5,807**	14,292
Foreign exchange gain	15	**7,220**	(11,284)
Changes in working capital			
(Increase) / decrease in inventories	10	**(299,365)**	13,886
(Increase) / decrease in trade and other receivables and other current assets	11	**(235,339)**	(25,544)
Increase / (decrease) in trade and other payables and other current liabilities	18	**190,505**	112,619
Cash generated from operating activities		**749,225**	**166,309**
Interest paid		**(8,405)**	(13,169)
Income taxes (paid) / received		**(246)**	6,582
Lease payments not included in the measurement of the lease liabilities	5, 22	**(950)**	(501)
Net receipts from derivative financial instruments		**1,467**	2,123
Net cash generated from operating activities		**741,091**	**161,344**
Cash flows from / (used in) investing activities			
Purchases of property, plant and equipment	5	**(24,999)**	(65,530)
Proceeds from sale of property, plant and equipment		**294**	61
Purchases of intangible assets	7	**(209,998)**	(48,301)
Change in restricted cash, net		**154**	(533)
Change in landfill receivable	11	**(526)**	(964)
Receipts - environmental projects	11	**-**	16,088
Interest received		**31**	396
Net cash used in investing activities		**(235,044)**	**(98,783)**
Cash flows from / (used in) financing activities			
Proceeds from borrowings	15, 25, 28	**-**	82,903
Repayment of borrowings	15, 25, 28	**(429,459)**	(136,069)
Payments for the principal portion of the lease liabilities	5, 15	**(6,749)**	(6,861)
Net cash generated from / (used in) financing activities		**(436,208)**	**(60,027)**
Net increase in cash and cash equivalents		**69,839**	**2,534**
Cash and cash equivalents at beginning of year	13, 26	**219,717**	217,183
Cash and cash equivalents at end of year	13, 26	**289,556**	**219,717**

The accompanying notes on pages CF-11 to CF-65 are an integral part of these consolidated financial statements.

(All amounts are in thousands of EUR if not stated otherwise)

Note 1 General Information

U. S. Steel Košice, s.r.o. (hereinafter also "the Company") was established as a limited liability company on June 7, 2000 and entered in the Commercial Register of the District Court Košice I, Section Sro, Insert 11711/V on June 20, 2000.

The Company's registered office is:

Vstupný areál U. S. Steel
Košice
044 54
Slovak Republic
Identification No.: 36 199 222

Business activities of the Group

The principal activity of the Company and its subsidiaries (hereinafter "the Group") is production and sale of steel products (Note 19).

Liability in other business entities

The Group does not have unlimited liability in other business entities.

Average number of staff

The average number of the Group's employees is presented in Note 21.

The Group's management

Statutory representatives as of December 31, 2021 were as follows:

James Edward Bruno	President
Ing. Silvia Gaálová, FCCA	Vice President and Chief Financial Officer
Ing. Marcel Novosad	Vice President Operations
Ing. Július Lang	Vice President Commercial and Customer Technical Service
JUDr. Elena Petrášková, LL.M	Vice President Subsidiaries and General Counsel
RNDr. Miroslav Kiraľvarga, MBA	Vice President External Affairs, Administration and Business Development
David Earle Hathaway	Vice President Engineering and Innovation
Karl George Kocsis	Vice President Human Resources and Transformation

Emoluments of statutory representatives are disclosed in Note 28.

Shareholder of the Company

As of December 31, 2021 and 2020, the only shareholder of the Company was U. S. Steel Global Holdings VI B.V., Basisweg 10, 1043 AP, Amsterdam, Netherlands. The shareholder owns a 100 percent share of the share capital, representing 100 percent of the voting rights.

On May 26, 2021, the General Meeting approved the Company's financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") for the previous accounting period.

Consolidated Group

These Group's consolidated financial statements are prepared in accordance with the IFRS as adopted by the EU for U. S. Steel Košice, s.r.o. and its controlled companies.

The Group publishes and deposits financial statements, annual reports and reports of the auditor in accordance with Law No. 431/2002 Coll. on Accounting, as amended. The Company also publishes financial statements on its web page www.usske.sk.

The Group is included in the consolidated financial statements of its ultimate controlling party – United States Steel Corporation, 600 Grant Street, Pittsburgh, Pennsylvania, USA. The consolidated financial statements of the consolidated group are prepared by United States Steel Corporation ("U. S. Steel") in accordance with Generally Accepted Accounting Principles in the United States of America ("US GAAP") and are available at the registered address and internet web page www.ussteel.com.

Note 2 Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements (hereinafter "the consolidated financial statements") are set out below.

2.1 Statement of Compliance

These consolidated financial statements have been prepared in compliance with IFRS as adopted by the EU, issued as of December 31, 2021 and effective for annual periods then ended.

2.2 Basis of Preparation

The Slovak Accounting Law requires the Company to prepare consolidated financial statements for the year ended December 31, 2021 in compliance with IFRS as adopted by the EU.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of intangible assets representing the carbon dioxide emission allowances and by the revaluation of financial assets and financial liabilities at fair value through profit or loss or designated as hedging instruments.

These consolidated financial statements have been prepared on the going concern basis.

The preparation of consolidated financial statements in compliance with IFRS as adopted by the EU requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the end of reporting period and the reported amounts of revenues and expenses during the year. The actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.3 Changes in Accounting Policies

The accounting policies have been consistently applied to all periods presented.

2.4 Foreign Currency Translations

Functional and presentation currency

Items included in these financial statements are measured in euro ("EUR") which was determined to be the currency of the primary economic environment in which the Group entities operate ("the functional currency"). These consolidated financial statements are presented in EUR, which is the functional currency of all the Group's entities except for U. S. Steel Europe – Bohemia s.r.o. in liquidation, (functional currency is Czech crown – "CZK") rounded to thousands, if not stated otherwise.

Transactions and balances

The accounting books and records are kept in the functional currency EUR. Transactions in currencies other than the EUR are translated into the EUR using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in currencies other than the EUR, and from the translation of monetary assets and liabilities denominated in currencies other than the EUR at year-end exchange rates are recognized in profit or loss for the current period.

Group companies

The subsidiaries are financially, economically and organizationally autonomous. Their functional currencies are the respective local currencies. The results and financial position of U. S. Steel Europe – Bohemia s.r.o. in liquidation that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
b) income and expenses for each statement of comprehensive income are translated at average exchange rates; and
c) all resulting exchange differences are recognized in other comprehensive income and accumulated as a translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Principles of Consolidation

Subsidiaries

The consolidated financial statements of the Group include separate financial statements of U. S. Steel Košice, s.r.o. and the companies that it controls (Note 8), i.e. the Company (i) has the power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use power over the investees to affect the amount of the investor's returns. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

Transactions within the consolidated group, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated but they are considered as an impairment indicator of the transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the group, fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Non-controlling interest

Non-controlling interest is that part of the net results and of the net assets of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. This interest forms a separate component of the Group's equity.

The Group attributes total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2.6 Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the items such as purchase price, including import duties and non-refundable purchase taxes and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including borrowing costs for long-term construction projects if the recognition criteria are met (Note 2.10).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

The conditions for a tangible asset item (other than major parts and land) to be recognized in property, plant and equipment category are minimum value of EUR 1,700 per individual item and utilization more than one year.

Major spare parts and stand-by equipment qualify as property, plant and equipment when the Group expects to use them during more than one year or if the spare parts and servicing equipment can be used only in connection with a specific item of property, plant and equipment. The value limit for capitalization of major spare parts is EUR 40,000.

Land, art collections and construction in progress are not depreciated. Other property, plant and equipment items are depreciated on a straight-line basis over their estimated useful lives, as follows:

Buildings	35 years
Machinery, equipment and motor vehicles	6 – 15 years

Useful lives of landfills are determined based on their capacity.

Each component of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The Group allocates the amount initially recognized in respect of an item of property, plant and equipment proportionally to its significant parts and depreciates separately each such component.

Commencement of depreciation is the date when the asset is first available for its intended use.

When an asset is disposed of or it is determined that no future economic benefits are expected to arise from the continued use of the asset, the cost and accumulated depreciation of the asset are derecognized and any gain or loss resulting from its disposal is recognized in profit or loss for the current period.

The residual values and useful lives for assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Property, plant and equipment, intangible assets and investment properties are tested for impairment by the Group whenever changes in circumstances indicate that the carrying amount may not be recoverable or there are indicators which will enable to reverse recognized impairment loss. If it is determined that the assets carrying amounts exceed their recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.7 Investment Properties

Investment properties are measured initially at cost, including related transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. Investment properties (excluding land) are depreciated on a straight-line basis over their estimated useful lives (35 years). The depreciation period and method are reviewed at the end of each reporting period.

Where the Group uses only an insignificant part of a property it owns, the whole property is classified as investment property.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

Transfers to or from investment property are made only when there is a change in use.

Fair values are obtained from discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of existing lease contracts and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The valuation falls within Level 3 of the fair value hierarchy (Notes 2.25 and 6).

2.8 Intangible Assets

Intangible assets are recognized if it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

Intangible assets other than emission allowances are measured initially at cost. After initial recognition, intangible assets other than emission allowances are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives (2 - 15 years). The amortization period and method are reviewed at the end of each reporting period.
The conditions for an intangible asset item (other than emission allowances and intangible assets not yet available for use) to be recognized in intangible asset category are minimum value of EUR 2,400 per individual item and utilization more than one year.

Research and development costs

Research costs are expensed in the period in which they are incurred. The development costs that relate to a clearly defined product or process where the technical feasibility and the possibility of sale or internal use can be demonstrated, and the Group has sufficient resources to complete the project, to sell it or to utilize its results internally, are capitalized up to the amount that is expected to be recovered from future economic benefits. If the conditions for capitalization are not fulfilled, development costs are expensed in the period in which they are incurred.

Software

Acquired computer software is measured at cost less accumulated amortization and any accumulated impairment losses and is classified as an intangible asset if it is not an integral part of the related hardware. Software is amortized on a straight-line basis over its estimated useful life (2 – 5 years). Expenditures to enhance or extend the software performance beyond its original specification are capitalized and added to the original cost of the software.

Costs associated with maintaining computer software are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group which will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets.

Computer software development costs recognized as assets are amortized using the straight-line method over their estimated useful lives (2 – 5 years).

The average useful life of the Group's software is 5 years.

Emission allowances

Purchases, sales or swaps of emission allowances are recognized on the trade-date. Purchased emission allowances are recognized as intangible assets at cost at initial recognition. When emission allowances are swapped, the purchase and sale transactions are recognized separately. When emission allowances are sold, the intangible asset is derecognized, and the gain or loss is recognized in profit or loss for the current period.

Carbon dioxide emission allowances which are allocated to emitting facilities annually by the Slovak Government, are recognized as an intangible asset as of the date the emission allowances are credited to the National Registry of Emission Rights (hereinafter "NRER"). The emission allowances are initially measured at fair value. The fair value of emission allowances issued represents their market price on European Climate Exchange as of the date they are credited to the NRER. Emission allowances that are not yet received from the government, but for which there is reasonable assurance that the emission allowance will be received, and that the Group will comply with the conditions attaching to the allowance, are recognized as emission allowances receivable at fair value when the above-mentioned conditions are met. The entire fair value is recognized in compliance with *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance* as deferred income on the acquisition date and subsequently recognized as income in the period for which the emission allowances have been allocated. If the total amount of allocated and purchased allowances exceeds the amount of allowances to be delivered to the Slovak Government, the allocated allowances are considered to be delivered first, and accordingly the related deferred income is recognized in the profit or loss for the current accounting period in full.

As emissions are produced, a provision is recognized in the profit or loss for the current accounting period for the obligation to deliver the emission allowances equal to emissions that have been produced. The provision is disclosed under short-term provisions for liabilities. The provision is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, which represents the market price of the number of emission allowances required to cover emissions produced by the end of the reporting period. When the emission allowances are delivered to the Slovak Government in settlement of the liability for emissions, both the provision and the intangible asset are reduced in equal amounts.

At the end of reporting period the intangible asset representing the emission allowances either granted or purchased is carried at fair value with any revaluation surplus recorded in other comprehensive income. Revaluation decreases are recorded as an impairment loss in the profit or loss to the extent they exceed the revaluation surplus previously recorded in other comprehensive income and accumulated in equity. Revaluations are based on market prices published by European Climate Exchange. The above-mentioned fair value valuation falls within Level 1 of the fair value hierarchy (Notes 2.25 and 7). This revaluation reserve is transferred to retained earnings as the surplus is realized. Realization of the entire surplus may occur when the emission allowances are returned or sold.

Following the local tax regulation, the tax treatment of granted and purchased emission allowances differ. Revaluation surplus of purchased allowances represents the taxable income of respective period, whereas no revaluation is recognised for local tax purposes in relation to granted allowances, therefore the recognized revaluation surplus related to granted allowances is a part of deferred tax calculation through equity. When emission allowances are delivered, the reversing of the temporary differences leads to a reduction in tax expense.

2.9 Impairment of Non-Financial Assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets not yet available for use are not subject to amortization but are tested annually for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that have been impaired are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until the time the assets are substantially ready for their intended use or sale.

Borrowing costs eligible for capitalization are reduced by income on the temporary investment of those borrowings pending their incurring the expenses relating to qualifying assets.

All other borrowing costs are recognized in profit or loss in the period in which they incurred.

2.11 Accounting for Leases

<u>Initial recognition and measurement</u>

In applying *IFRS 16 Leases*, the Group has used the following practical expedients permitted by the standard:

- the Group has elected not to separate non-lease components and account for lease and non-lease components as a single lease component,
- the Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. EUR 10,000 was set as low-value threshold by the Group. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term in profit or loss,

- the Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and interpretation *IFRIC 4 Determining whether an Arrangements contains a Lease.*

According to the IFRS 16 the Group recognizes a right-of-use asset and a lease liability at the lease commencement date for all new lease contracts arose after January 1, 2019 with exception of short-term and low-value leases.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset on the site on which it is located, less any lease incentives received.

Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, incremental borrowing rate is used. The incremental borrowing rate of the Group is calculated for groups of lease agreements depending on their maturity. Incremental borrowing rate calculation is based on the evaluation of the risk of bank loans provided to the Group by bank partners and outlook of EURIBOR trend for respective maturity.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option;

Some vehicles leases contain variable payment terms that are linked to mileage. Variable lease payments are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

<u>Lease terms, extension and termination options</u>

IFRS 16 defines a lease term as the noncancelable period for which the lessee has the right to use an underlying asset including optional periods when an entity is reasonably certain to exercise an option to extend a lease or not to exercise an option to terminate a lease. Lease terms in the contracts are negotiated on an individual basis and may contain different terms and conditions. When determining the lease term, the Group (lessee) considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The option is reassessed if a significant event or a significant change in circumstances occurs that are within the control of the lessee.

As the exercise of an extension option in the existing contracts depend on the mutual lessee and lessor approval, the Group did not include extension option in the lease term calculation.

Lease contracts in the Group are typically made for periods of 1 to 5 years. The Group has set the internal rule for contracts with undefined lease term. Based on the Strategic plan periodicity the Group decided to use 5 years as the lease term for these contracts.

<u>Subsequent measurement</u>

The lease liability is measured in subsequent periods using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group has chosen to present the right-of-use assets as part of property, plant and equipment and the lease liabilities as other liabilities in the statement of financial position. The related detailed information is provided in the Note 5.

2.12 Financial Assets

Recognition and initial measurement

Financial assets are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Classification and subsequent measurement

Financial assets are classified as measured at amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group measures financial assets that are debt instruments at amortized cost if the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets measured at amortized cost include trade and other receivables, loans provided to related parties, cash, cash equivalents and restricted cash.

Trade receivables that are subject of factoring arrangements without recourse are measured at fair value through other comprehensive income as they are held within a business model with the objective to both sell financial assets or collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. In a non-recourse factoring arrangement, the transferor does not provide any guarantee about the receivables' performance. In other words, the transferor assumes no obligations whatsoever to repay any sums received from the factor regardless of the timing or the level of collections from the underlying debts. In that situation, the Group has transferred substantially all the risks and rewards of ownership of the receivables and de-recognizes the receivables in their entirety.

Investments in equity instruments are classified as measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Any change in fair value and dividends are recognized in other income/expenses in the statement of profit or loss as applicable.

For accounting policy related to derivative financial instruments refer to Note 2.24.

Impairment

The Group estimates expected credit losses for financial assets measured at amortized cost. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. The exposure at default is represented by the assets' gross carrying amount at the reporting date.

For trade receivables, an individual loss allowance is established when debtor entered bankruptcy or financial reorganization or in case of significant financial difficulties of the debtor. Financial situation of debtor with payments outstanding for more than 180 days after agreed due date is examined and when internal and external information indicates that the Group is unlikely to collect all amounts due according to the originally agreed terms, an individual loss allowance is also recognized.

For the rest of trade receivables, the Group applies a simplified approach based on lifetime expected credit loss at each reporting date. The expected credit loss is estimated using a receivables risk ratio matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial assets, the Group recognizes lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month expected credit loss. To assess whether there was a significant increase in credit risk the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition considering available reasonable and supportive forward-looking information, that is available without undue cost or effort. The Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. The carrying amount of the asset is reduced using a loss allowance account, and the amount of the individual impairment loss and expected credit loss is recognized in profit or loss. When the loans or receivables are uncollectible, they are written off against the related loss allowance account.

<u>Derecognition</u>

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.13 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

The cost of raw material inventories is assigned by using the first-in, first-out (FIFO) cost formula. The cost of work in progress, semi-finished production and finished products comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Work in progress, semi-finished production and finished products are valued at standard cost throughout the year and revalued to actual costs only at the end of the year.

2.14 Cash and Cash Equivalents

Cash and cash equivalents are financial assets that include cash on hand, money deposited with financial institutions that can be repayable on demand and other short-term highly liquid investments that are not subject to significant risk of changes in value and have maturity less than three months from the date of acquisition. Cash and cash equivalents are measured at amortized cost.

2.15 Equity and Reserves

<u>Equity and liabilities</u>

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement at initial recognition.

Interests, dividends, gains and losses related to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. When the rights and obligations regarding the manner of settlement of financial instruments depend on the occurrence or non-occurrence of uncertain future events, or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder, financial instruments are classified as a liability unless the possibility of the issuer being required to settle in cash or another financial asset is not genuine at the time of issuance or settlement is required only in case of the issuer's liquidation, in which case the instrument is classified as equity.

Reserve funds

a) Legal Reserve Fund

The legal reserve fund of companies based in Slovakia is formed in accordance with the Act No. 513/1991 Coll., the Commercial Code, as amended, i.e. in a minimum amount of 5 percent from profit after tax, for a total reserve fund balance of up to 10 percent of the share capital and in foreign-registered companies is constituted in accordance with the law of the country in which the company has its registered office. A legal reserve fund may be used only to cover losses of the Company, should the special law not stipulate otherwise.

b) Other Reserve Funds

Other reserve funds include the cumulative net change in fair value of derivative instruments, which meet criteria for application of hedge accounting and the cumulative net change in fair value of intangible assets carried at revalued amounts. Upon disposal of the financial derivative instruments (Note 2.24), the cumulative revaluation reserves are released through profit or loss of the current period. Upon disposal of the intangible assets, the cumulative revaluation reserves are transferred to retained earnings. The transfer is not made through profit or loss of the current period.

2.16 Financial Liabilities

Recognition and initial measurement

Financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Classification and subsequent measurement

Loans and borrowings, trade and other payables and accruals are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gain and losses are recognized in profit or loss.

Payables included in a structured supplier payable financing program arranged by the Group are classified as financial liabilities to a bank. When the obligation to settle payables is transferred to a financial institution, the Group presents operating cash outflow and financing cash inflow to reflect the receipt of the borrowing and the settlement of payables arising from operating activities. When the payable is paid to the financial institution, related cash outflows are presented as cash flows used in financing activities.

For accounting policy related to derivative financial instruments refer to Note 2.24.

Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

2.17 Dividends and Profit Distribution

Dividends and profit distribution are recognized in the accounts of the companies within the Group in the period in which they are approved by general meeting of companies. Dividend and profit distribution liability is initially measured at fair value and subsequently at amortized cost. Transactions within the Group are subsequently eliminated for consolidation purposes.

2.18 Government Grants

In general, to the extent that the Group received government grants or assistance, such grants or assistance are recognized only if there is a reasonable assurance that they will be received, and the Group will comply with the attached conditions. Non-monetary assistance is recognized at the fair value of the asset received. In these consolidated financial statements, government grants or assistance are treated as deferred income and released on a systematic basis into income over the period necessary to match them with the related costs that they are intended to compensate. If government grant or assistance is received to compensate costs of acquisition of fixed assets which were impaired, relating deferred income is released into income to match corresponding amount of impairment. If impairment is reversed subsequently, the grant or assistance is again recognized in deferred income to match the reversed amount. Income related to government grants or assistance is recognized in Other income of Statement of profit or loss.

2.19 Provisions for liabilities

Provisions are recognized when, and only when, the Group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not recognized for future operating losses.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in the provision related to the passage of time is recognized in interest expense.
When some or all the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The expense related to any provision is presented in profit or loss net of any reimbursement.

2.20 Current and Deferred Income Tax

Income tax expense comprises current and deferred tax expense. Current and deferred tax expenses are recognized in profit or loss, except when related to items recognized in other comprehensive income, or directly in equity, in which case the tax is also recognized in other comprehensive income, or directly in equity.

The current income tax charge is calculated based on taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in different years, and items that are never taxable or deductible. The current income tax liability is calculated using tax rates (and tax laws) that have been enacted, or substantively enacted, at the end of the reporting period, and any adjustment to taxes payable with respect to previous years. The management of the Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. Where appropriate, management establishes provisions based on the amounts expected to be paid to the tax authorities.

In the statement of financial position, deferred income tax is calculated by using the liability method based on temporary differences between the tax basis of assets and liabilities and their carrying amounts in these financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantively enacted, by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the unused tax losses and other temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for the cases where timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.21 Employee Benefits

<u>Defined contribution pension plan</u>

The Group makes contributions to the mandatory government and private defined contribution plans at the statutory rates in force during the year based on gross salary payments. The cost of these payments is charged to profit or loss in the same period as the related salary cost.

For employees of the Group who have signed participation supplementary pension savings agreement, the Group makes monthly contributions to the supplementary pension savings scheme in amounts determined in the respective Collective Labor Agreement.

<u>Employee retirement obligation</u>

The Group is committed to make payments to the employees upon retirement in accordance with the Slovak legislation and the Collective Labor Agreement.

Upon the first termination of labor contract and reaching the entitlement to old-age retirement the employee is entitled to a retirement benefit corresponding to a summary of his/her average monthly wage. Equally, upon the first termination of labor contract and reaching the entitlement to disability retirement, if the employee's long-term health condition results in a reduced ability to perform earning activity by more than

40 percent compared to healthy individuals, the employee is entitled to a retirement benefit corresponding to his/her average monthly wage.

In addition, employee could be entitled to both retirement and termination benefit upon fulfillment of agreed conditions.

Payment at first voluntary termination of labor contract before and in the month of entitlement to an old age pension
Upon the first voluntary termination of labor contract by mutual agreement at latest in the month of entitlement to an old age pension, the Group will pay the retirement benefit, in the maximum amount of five times of average monthly wage, which depends on the number of months till reaching the month of entitlement to an old age pension, whereby the maximum number of month till reaching the month of entitlement to an old age pension is 36.

Payment at first voluntary termination of labor contract after reaching the entitlement to disability retirement
Upon the first termination of labor contract by mutual agreement after reaching the entitlement to disability retirement, if the employee's long-term health condition results in a reduced ability to perform earning activity by more than 40 percent compared to healthy individuals, the Group will pay the retirement benefit, in the maximum amount of five times of average monthly wage, which depends on the number of months till reaching the month of entitlement to an old age pension, whereby the maximum number of month till reaching the month of entitlement to an old age pension is not stated.

The liability in respect to this employee benefit represents the present value of the defined benefit obligation at the end of a reporting period, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually 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 high quality corporate bonds in the European market which have terms to maturity approximating the terms of the related liability and subsequently attributing such present value to employees' years of service.

Remeasurements of the net defined benefit liability arising from changes in actuarial assumptions are charged to other comprehensive income and will not be reclassified to profit or loss in a subsequent period. Amendments to the benefit plan are charged to profit or loss. Past service cost is recognized as expense at the earlier of the following dates: a) when the plan amendment or curtailment occurs; or b) when the Group recognizes related restructuring cost or termination benefits.

<u>Work and life jubilee benefits</u>
The Group also pays certain work and life jubilee benefits. Employees of U. S. Steel Košice, s.r.o. and subsidiaries based in Slovak Republic are entitled to work and life jubilee benefits upon reaching a specific age and/or reaching a specific period of employment in accordance with the Collective Labor Agreement.

The liability in respect of the work and life jubilee benefits plan represents the present value of the defined benefit obligation at the end of a reporting period and is calculated annually 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 high quality corporate bonds in the European market which have terms to maturity approximating the terms of the related liability and subsequently attributing such present value to employees' years of service.

Actuarial gains and losses arising from actual development from the original assumptions and changes in actuarial assumptions are charged to profit or loss when incurred. Amendments to the work and life jubilees benefit plan are charged to profit or loss immediately.

<u>Termination benefits</u>
Termination benefits are payable either when employment is terminated by the Group as a result of specific organizational reasons or employee health reasons, or whenever an employee accepts voluntary redundancy in exchange for termination or similar benefits. The Group recognizes these benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination or similar benefits in exchange for an offer made to encourage voluntary redundancy. In case of an offer made to encourage voluntary redundancy, the measurement of these benefits is determined based on the number of employees who are expected to accept the offer. Termination benefits due more than 12 months after the end of the reporting period are discounted to present value.

Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognized in line item Liability to employees and social security. Liabilities for profit sharing and bonus plans are measured at the amounts expected to be paid when they are settled.

2.22 Revenue Recognition

Revenue is income arising in the course of the Group's ordinary activities and is recognized at transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognized net of discounts, rebates, returns and value added taxes.

In accordance with *IFRS 15 Revenue from Contracts with Customers*, the Group recognizes revenue applying the five step process: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the performance obligations are satisfied.

The Group evaluates its revenue arrangements whether it acts as a principal or an agent. If the Group is a principal, it recognizes revenue at transaction price for the goods or services net of taxes, discounts, rebates and returns and records corresponding direct costs of satisfying the contract. If the Group is an agent, relating revenue is recognized in the amount of the net consideration that the Group retains after paying a principal of the given service. Revenue from services performed as an agent is recognized in the period in which such services are rendered.

Revenue from the sales of own production and goods is recognized at the point in time when the Group transfers control of the own production and goods to a buyer and retains no managerial involvement nor effective control over the own production and goods sold. The Group recognizes revenue from rendering of service over time, in the period in which the services are rendered. Revenue is measured based on the following or combination of the following: units delivered, labour hours spent, actual costs incurred, machine hours used, time elapsed, or quantities of materials used.

Performance obligations identified in a contract with a customer may not be limited to the goods or services that are explicitly stated in the contract. The Group considers whether there are other promises in the contracts with customers that meets criteria for separate performance obligation and shall be accounted for separately (Notes 3 and 19). Total transaction price is allocated to performance obligation on a relative standalone selling price basis.

The key element of variable consideration is represented by retrospective volume rebates provided to certain customers according to rebate agreements (Note 18). The rebates are provided once all conditions stated in rebate agreements are met (the quantity of products purchased during a certain period exceeds specified thresholds, all invoices are paid, etc.). The Group adjusts its revenue for volume rebates based on the most likely amount of the volume rebates to be given to its customers. The estimate is based on the amount of tonnage shipped and is calculated on a customer by customer basis, or an order by order basis. As the rebate agreements are the short-term agreements (annual or shorter), there are no uncertainties at the year-end around the amount of annual revenue to be recognized. There are also some instances where the Group provides for certain seasonal discounts within its customer contracts (Note 18). The Group does not grant any discounts for prompt payments. Contract liability arising from the discounts and rebates is classified within trade and other payables (Note 18).

Contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (advance payments received) from the customer (Note 18). If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Group fulfills its contract obligations.

Interest income

Interest income is recognized using the effective interest method. Interest income is included in interest income in Statement of profit or loss for the current period.

2.23 Contingent Liabilities and Contingent Assets

Contingent liabilities are not recognized in these consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements unless they are virtually certain. They are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

2.24 Accounting for Derivative Financial Instruments

Derivative financial instruments are initially recognized in the statement of financial position at fair value (excluding transaction costs) and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in the fair value of derivatives held for trading are included in profit or loss for the current period.

An embedded derivative is separated from the host contract and accounted for as a derivative if all the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss for the current period.

Forward foreign exchange contracts embedded in the host raw material purchase contracts denominated in U.S. dollars are considered to be closely related to the host contracts because raw material prices are routinely denominated in U.S. dollars in commercial transactions in the economic environment in which the Group operates, and therefore are not separately accounted for.

Hedge accounting

The Group utilizes derivative forward transactions to hedge future cash flows. The criteria to meet the application of hedge accounting are: (a) the hedging relationship between the hedged item and the hedging instrument is clearly documented and (b) the hedge is highly effective. The hedging instruments are measured at fair value. Gains or losses relating to the effective portion of the derivatives are initially recognized in other comprehensive income. If a hedge of forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, then the Group reclassifies the associated gains and losses that were recognized directly in other comprehensive income into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss for the current period. The Group continues to apply IAS 39 continuously in 2021 and 2020, as there was no change to hedge policy and portfolio of hedged assets.

The Group has documented a strategy of financial risk management. Hedging targets are determined in compliance with this strategy. The Group documents the relationship between the hedged item and the hedging instrument at the inception of the transaction, as well as at the end of reporting period and at settlement date of the trade to assess whether the derivatives which are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity is subsequently recognized in the profit or loss.

Forward physical purchase contracts for commodities

The Group utilizes forward physical purchase contracts for certain commodities. These contracts are entered into and continue to be held for the purpose of the receipt or delivery of commodities in accordance with Group’s expected usage requirements. These contracts do not meet the definition of financial instruments and are accounted for as normal purchase contracts.

2.25 Fair Value Estimation

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

Financial and non-financial instruments, which are measured at fair value, are classified into three categories depending on how the data for measurement was obtained (Note 26):

- Level 1 represents quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 represents inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 are those derived from valuation techniques that include inputs that are not based on observable market data.

The classification of financial and non-financial instruments into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period in which they occur.

The carrying amounts of financial assets and liabilities with a maturity of less than one year 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 being used by the Group for similar financial instruments.

The Group measures or discloses a number of items at fair value:

- emission allowances (Notes 2.8 and 7),
- derivative financial instruments (Notes 2.24, 12 and 26),
- receivables subject to factoring arrangements (Notes 2.12, 12 and 26),
- fair value disclosures for investment properties measured using the cost model (Notes 2.7 and 6),
- fair value disclosures for financial instruments measured at amortized cost (Note 26),
- impairment of property, plant and equipment, intangible assets and investment properties (Notes 2.6, 2.7, 2.8, 2.9, 5, 6 and 7).

More detailed information in relation to the fair value measurement is disclosed in the applicable notes.

2.26 Events After the Reporting Period

Events after the reporting period that provide evidence of the condition that existed at the end of the reporting period (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

Note 3 Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements includes an assessment of certain accounting matters which require the Group to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the year. Assumptions made by the Group are continually evaluated using all available information including consideration of forecasted financial information in context with other information reasonably available under the circumstances. They are based on historical experience and other factors, including consideration of the unknown future impacts of the COVID-19 pandemic. The resulting accounting estimates will, by definition, rarely equal the related actual results. All such adjustments are of a normal recurring nature unless disclosed otherwise.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as well as certain significant judgments made by the Group in applying its accounting policies are outlined below.

<u>Estimated useful life of property, plant and equipment and investment property</u>

The average useful life of depreciable property, plant and equipment and investment property as of December 31, 2021 is approximately 16 years (as of December 31, 2020: 19 years). If estimated average useful life of these assets would increase by 1 year, the annual depreciation charge would have been lower by EUR 6.6 million (2020: EUR 4.6 million). If estimated average useful life of these assets would decrease by 1 year, the annual depreciation charge would have been higher by EUR 7.5 million (2020: EUR 5.1 million).

Impairment of property, plant and equipment, intangible assets and investment properties

The Group evaluates impairment of its property, plant and equipment, intangible assets and investment properties whenever circumstances indicate that the carrying amount exceeds its recoverable amount or there are indicators of reversal of impairment loss.

In 2020, the steel industry experienced impacts of pandemic. The Group was running two out of its three blast furnaces whole year and faced record low annual capacity utilization at level of 67 percent. In second half of 2020 market started to recover with both demand and prices gradually improving which supported restart of third blast furnace in January 2021. Operations returned to standard production volumes that allow the Group to benefit from volume efficiencies. Profitability is also supported by sustainable cost improvements achieved through cost reduction programs in prior periods. There were no impairment indicators identified in 2021 and 2020.

Income taxes

Certain areas of the Slovak tax law have not been sufficiently tested in practice. As a result, there is some uncertainty as to how the tax authorities would apply them. The extent of this uncertainty cannot be quantified. The uncertainty will be reduced only if legal precedents or official interpretations become available. The Group's management is not aware of any circumstances that may give rise to a future material expense in this respect.

At the end of each reporting period, unrecognized deferred tax assets and the carrying amount of deferred tax assets are re-assessed by the Group (Note 9). The Group recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Employee benefits

The present value of employee benefit obligations depends on several factors that are determined on an actuarial basis using a number of assumptions. The assumptions used for employee benefits include the discount rate, annual wage and salary increases and staff turnover. The appropriate assumptions are determined by U. S. Steel at the end of each year. Any changes in these assumptions will impact the carrying amount of employee benefits obligations (Notes 2.21 and 17).

As of December 31, 2021, if the discount rate developed on high quality European corporate bonds had been 1 percent higher / lower with all other variables held constant, it would have resulted to EUR 2,642 thousand lower / EUR 2,760 thousand higher net present value of estimated future employee benefits obligations. As of December 31, 2020, if the stated discount rate had been 1 percent higher / lower with all other variables held constant, it would have resulted to EUR 3,458 thousand lower / EUR 4,172 thousand higher net present value of estimated future employee benefits obligations.

Landfill provision

A provision for landfill restoration is measured at the net present value of the estimated future expenditure required to settle the Group's restoration and aftercare obligations. Restoration and aftercare expenditures are determined by an external professional company (Note 16).

As of December 31, 2021, if the average interest rate on borrowings drawn against revolving credit facilities had been 1 percent higher / lower, with all other variables held constant, it would have resulted to EUR 496 thousand lower / EUR 536 thousand higher net present value of the estimated future landfill restoration expenditures. As of December 31, 2020, if the average interest rate on borrowings drawn against revolving credit facilities had been 1 percent higher / lower, with all other variables held constant, it would have resulted to EUR 459 thousand lower / EUR 529 thousand higher net present value of the estimated future landfill restoration expenditures.

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use an identified asset for a period of time in exchange for consideration. At inception of a contract, the Group applied judgement when assessing whether a contract is or conveys a lease (Note 5).

IFRS 16 defines a lease term as the noncancelable period for which the lessee has the right to use an underlying asset including optional periods when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. Lease terms in the contracts are negotiated on an individual basis and may contain different terms and conditions. Management uses its own judgment when determining the lease term. The lease term is reassessed if a significant event or a significant change in circumstances occurs that are within the control of the Group (lessee).

Revenue from contracts with customers

The Group evaluates when the customer obtains control of the goods. It determined that the point in time to transfer the control to the customer depends primarily on delivery terms stated in the customer contracts, including consignment agreements, or in the individual purchase orders, as follows:

- “C” delivery terms – upon shipment of goods,
- “D” delivery terms – upon delivery to a destination stated in a purchase order,
- EXW delivery term – upon loading to carrier,
- Consignment warehouses – upon withdrawal from a consignment warehouse or by expiration of the agreed free storage time, whichever occurs earlier.

The Group applied judgement when assessing the indicators to determine it is a principal or an agent. It determined that it is a principal in majority of its revenue arrangements covering sales of own production and rendering of service, because it controls goods or services before transferring them to a customer. Regarding the revenue from the sales of merchandise, the Group determined that it is an agent for most of the sold merchandise. In respect of sale of services, the Group acts as a principal only for the sales of produced energy media sold to external customers. The judgment was also applied for arranging of transportation service as a separate performance obligation related to sales of own production or goods. The Group concluded that it acts as a principal, except for the sales with the “C” delivery terms, where it acts as an agent because the Group negotiates the transportation arrangements on behalf of a customer, has no discretion of establishing transportation prices for the transportation service and all risks related to the transportation service (quality, delivery, damages, lost) are borne by the transportation provider. Therefore, the Group merely arranges the transportation service on behalf of its customers and does not control the transportation service.

Allowance for expected credit losses of trade receivables

In 2020, the Group adjusted procedure for the calculation of expected credit loss for trade receivables (Note 11). The basis of the new calculation remains receivables risk classification according to internal risk rate (Note 25). The resultant matrix reflects assessment of the security status of receivables and trend in receivables aging taking into consideration its historical values. It represents the correlation between risk level, predicted financial ratios and expected credit losses. The amount of expected credit losses is sensitive to changes in circumstances and forecasted economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future.

Note 4 New Accounting Pronouncements

4.1 Standards, amendments and interpretations to published standards effective for the first time for periods on or after January 1, 2021

The following new standards and interpretations became effective from January 1, 2021:

COVID-19-Related Rent Concessions – Amendments to IFRS 16 (issued on March 31, 2021 and effective for annual reporting periods beginning on or after April 1, 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before June 30, 2021, was a lease modification. An amendment issued on March 31, 2021 extended the date of the practical expedient from June 30, 2021 to June 30, 2022. The Group did not receive any COVID-19 related rent concessions during the reporting period.

Interest Rate Benchmark (IBOR) Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on August 27, 2020 and effective for annual reporting periods beginning on or after January 1, 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. There is no material impact of the implementation of the amendments to the consolidated financial statements.

4.2 Standards, amendments and interpretations of standards issued but not effective until the financial year beginning January 1, 2022 or later and not early adopted by the Group

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IFRS 17 Insurance Contracts (issued on May 18, 2017 and effective for annual reporting periods beginning on or after January 1, 2023). IFRS 17 was issued as replacement for *IFRS 4 Insurance Contracts* and provides the first comprehensive guidance to accounting for insurance contracts under IFRS Standards. It aims to increase transparency and to reduce diversity in the accounting for insurance contracts. It requires a current measurement model where estimates are re-measured in each reporting period. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. The Group does not expect any impact of this standard on its financial statements as the Group does not issue insurance and reinsurance contracts.

Amendments to IFRS 17 (issued on May 18, 2017 and effective for annual reporting periods beginning on or after January 1, 2023)*).* Amendments address concerns and implementation challenges that were identified after *IFRS 17 Insurance Contracts* was published. The Group does not expect any impact of this standard on its financial statements as the Group does not issue insurance and reinsurance contracts.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (issued on January 23, 2020 and effective for annual reporting periods beginning on or after January 1, 2022 but on July 15, 2020 delayed to January 1, 2023 due to COVID-19 pandemic). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. European Commission has not yet approved this amendment. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Proceeds before Intended Use - Amendments to IAS 16 (issued on May 14, 2020 and effective for annual reporting periods beginning on or after January 1, 2022). The amendment prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. Instead such proceeds should be recognized in profit or loss, together with the costs of producing those items (to which IAS 2 applies). Accordingly, a company will need to distinguish between costs of producing and selling items before the PPE is available for its intended use and costs of making the PPE available for its intended use.

It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Onerous Contracts — Cost of Fulfilling a Contract - Amendments to IAS 37 (issued on May 14, 2020 and effective for annual reporting periods beginning on or after January 1, 2022). Amendments clarify that when assessing if a contract is onerous, the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Reference to the Conceptual Framework - Amendments to IFRS 3 (issued on May 14, 2020 and effective for annual reporting periods beginning on or after January 1, 2022). Amendments update an outdated reference in IFRS 3 to the revised *Conceptual Framework for Financial Reporting* and add an exception for the recognition of liabilities and contingent liabilities within the scope of *IAS 37 Provisions,* Contingent Liabilities and Contingent Assets and *IFRIC 21 Levies*. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Annual Improvements to IFRS Standards 2018–2020 Cycle – Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on May 14, 2020 and effective for annual reporting periods beginning on or after January 1, 2022).

IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

IFRS 9 Financial Instruments – clarifies which fees should be included in the 10 percent test for derecognition of financial liabilities.

IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The Group is currently assessing the impact of the improvements on its consolidated financial statements.

Amendment to IFRS 4 – deferral of IFRS 9 (issued on June 25, 2020 and effective for annual periods beginning on or after January 1, 2023). The amendments to IFRS 4 addressed the temporary accounting consequences of the different effective dates of IFRS 9 and the forthcoming IFRS 17. The amendments to IFRS 4 extended the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17. The fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has been deferred to annual reporting periods beginning on or after January 1, 2023. There is no material impact of the implementation of the amendments to the consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (issued on February 12, 2021 and effective for annual reporting periods beginning on or after January 1, 2023). 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. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Definition of Accounting Estimates – Amendments to IAS 8 (issued on February 12, 2021 and effective for annual reporting periods beginning on or after January 1, 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on May 7, 2021 and effective for annual reporting periods beginning on or after January 1, 2023). 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. European Commission has not yet approved this amendment. The Group is currently assessing the impact of the amendments on its financial statements.

IFRS 14, Regulatory Deferral Accounts (issued on January 30, 2014 and effective for annual periods beginning on or after January 1, 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. European Commission has not yet approved this amendment. Based on the nature of the standard, this standard will have no impact on the Group's consolidated financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on September 11, 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. European Commission has not yet approved this amendment. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Initial Application of IFRS 17 and IFRS 9 – Amendments to IFRS 17 "Insurance contracts" - Comparative Information issued by IASB on December 9, 2021. It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time. European Commission has not yet approved this amendment. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Unless otherwise described above, the new standards, amendments and interpretations are not expected to have a material impact on the Group's financial statements.

(All amounts are in thousands of EUR if not stated otherwise)

Note 5 Property, Plant and Equipment

Movements in property, plant and equipment during 2021 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Right of use assets	Total
Cost						
January 1, 2021	**535,421**	**1,503,597**	**18,001**	**39,675**	**30,012**	**2,126,706**
Additions	-	-	2,933	41,314	4,029	**48,276**
Disposals	(2,477)	(16,460)	(1)	(15)	(1,857)	**(20,810)**
Transfer (to) / from investment property	(60)	-	-	-	-	**(60)**
Transfers to base	3,641	34,306	-	(37,947)	-	**-**
December 31, 2021	**536,525**	**1,521,443**	**20,933**	**43,027**	**32,184**	**2,154,112**
Accumulated Depreciation						
January 1, 2021	**(203,485)**	**(945,037)**	**(14,687)**	**-**	**(11,548)**	**(1,174,757)**
Depreciation for the year	(14,135)	(65,545)	(738)	-	(6,368)	**(86,786)**
Disposals	338	13,719	-	-	1,698	**15,755**
Transfer to / (from) investment property	7	-	-	-	-	**7**
December 31, 2021	**(217,275)**	**(996,863)**	**(15,425)**	**-**	**(16,218)**	**(1,245,781)**
Carrying amount	**319,250**	**524,580**	**5,508**	**43,027**	**15,966**	**908,331**

Movements in property, plant and equipment during 2020 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Right of use assets	Total
Cost						
January 1, 2020	**522,455**	**1,445,988**	**17,720**	**75,624**	**29,821**	**2,091,608**
Additions	-	-	311	45,483	**1,359**	**47,153**
Disposals	(1,269)	(8,406)	(37)	(1,682)	**(1,168)**	**(12,562)**
Transfer (to) / from investment property	594	-	-	-	**-**	**594**
Transfers to base	13,641	66,015	7	(79,750)	**-**	**(87)**
December 31, 2020	**535,421**	**1,503,597**	**18,001**	**39,675**	**30,012**	**2,126,706**
Accumulated Depreciation						
January 1, 2020	**(188,214)**	**(886,368)**	**(13,530)**	**-**	**(6,034)**	**(1,094,146)**
Depreciation for the year	(15,310)	(65,585)	(1,175)	-	**(6,499)**	**(88,569)**
Disposals	413	6,916	18	-	**985**	**8,332**
Transfer to / (from) investment property	(374)	-	-	-	**-**	**(374)**
December 31, 2020	**(203,485)**	**(945,037)**	**(14,687)**	**-**	**(11,548)**	**(1,174,757)**
Carrying amount	**331,936**	**558,560**	**3,314**	**39,675**	**18,464**	**951,949**

(All amounts are in thousands of EUR if not stated otherwise)

Movements in right of use assets during 2021 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other right-of-use assets	Total
Cost				
January 1, 2021	**434**	**28,932**	**646**	**30,012**
Additions	1	1,551	2,477	**4,029**
Disposals	(305)	(1,103)	(449)	**(1,857)**
December 31, 2021	**130**	**29,380**	**2,674**	**32,184**
Accumulated Depreciation				
January 1, 2021	**(260)**	**(10,781)**	**(507)**	**(11,548)**
Depreciation for the year	(126)	(5,869)	(373)	**(6,368)**
Disposals	305	944	449	**1,698**
December 31, 2021	**(81)**	**(15,706)**	**(431)**	**(16,218)**
Carrying amount	**49**	**13,674**	**2,243**	**15,966**

Movements in right of use assets during 2020 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other right-of-use assets	Total
Cost				
January 1, 2020	**756**	**28,419**	**646**	**29,821**
Additions	-	1,359	-	**1,359**
Disposals	(322)	(846)	-	**(1,168)**
December 31, 2020	**434**	**28,932**	**646**	**30,012**
Accumulated Depreciation				
January 1, 2020	**(195)**	**(5,580)**	**(259)**	**(6,034)**
Depreciation for the year	(209)	(6,042)	(248)	**(6,499)**
Disposals	144	841	-	**985**
December 31, 2020	**(260)**	**(10,781)**	**(507)**	**(11,548)**
Carrying amount	**174**	**18,151**	**139**	**18,464**

Borrowing costs totaling EUR 712 thousand were capitalized in 2021 (2020: EUR 753 thousand). The average rate of capitalized interest for 2021 was 2.43 percent.

No property, plant and equipment of the Group were pledged in favor of a creditor or restricted in its use as of December 31, 2021 or December 31, 2020.

Purchases of property, plant and equipment in the Statement of Cash Flows excludes an acquisition of assets directly related to leasing totaling EUR 4 million (for the year ended December 31, 2020: EUR 1.4 million) and unpaid capital expenditures in the amount of EUR 20 million for the year ended December 31, 2021 (for the year ended December 31, 2020: EUR 21 million).

Impairment of property, plant and equipment

The Group evaluates non-financial assets for impairment whenever changes in circumstances indicate that the carrying amounts of the assets exceed their recoverable amount. In 2021 and 2020, no indicators were identified to recognize impairment of property, plant and equipment.

Insurance

Property, plant and equipment are insured by KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group. The insurance covers damage caused by theft, disaster and other causes of machinery and equipment failure while maximum insurance compensation for one insurance claim is USD 150 million, i.e. EUR 132 million (2020: USD 150 million, i.e. EUR 122 million) using the exchange rate at the end of reporting period. Compensation sublimits for individual risks are specified in the insurance contract. Self-insurance is USD 75 million, i.e. EUR 66 million (2020: USD 75 million, i.e. EUR 61 million) using the exchange rate at the end of the reporting period, per claim. All Risk Property Damage Insurance and Business Interruption Insurance including Machinery Breakdown excess of USD 150 million, i.e. EUR 132 million (2020: USD 150 million, i.e. EUR 122 million) is covered by the insurance policy of Grant Assurance Corporation held by United States Steel Corporation, where the maximum limit of coverage is USD 450 million, i.e. EUR 397 million (2020: USD 450 million, i.e. EUR 367 million).

(All amounts are in thousands of EUR if not stated otherwise)

Environmental Projects

In 2016, the Ministry of Environment of the Slovak Republic approved the Group's applications to participate in Operational Program Environment Quality for ten projects, which included Dedusting of Ladle Metallurgy of Steel Shop No.1 and Steel Shop No. 2, Emission Control for Ore Bridges of Blast Furnaces No.1 and No.3, Sinter Strand No. 1 - 2 and 3 - 4 Exit Emission Control, Dedusting of Sinter Strand No. 1 – 4. In 2017, additional five applications were approved for the following Group's projects: Steel Shop No. 2 Dedusting – Hot Metal Desulphurization, Coal Preparation Emission Control, Coke Handling Dedusting at Coke Batteries No. 1 and 3 and Emission Control for Ore Bridges of Blast Furnace No. 2. Capital expenditures will be mitigated if the Group complies with certain financial covenants, which are assessed annually (Note 11). The Group complied with these covenants as of December 31, 2021 and December 31, 2020.

In 2021, the Group did not invest in Property, plant and equipment related to projects aiming to improve environmental conditions beyond Best Available Techniques (BAT) requirements (2020: EUR 4,564 thousand) and nothing was capitalized from the funds generally available in the market (2020: EUR 2,467 thousand). All environmental projects are finished. The average period over which the assets from these projects are depreciated is 22 years.

The deferred income amortized to Other income in 2021 totaled EUR 4,695 thousand (2020: EUR 4,368 thousand). The Group believes that it complied with all relevant conditions. The Group did not recognize any additional deferred income in 2021 and 2020 (Notes 11 and 27).

Movements in deferred income relating to Environmental projects during 2021 and 2020 are as follows:

	2021	2020
Opening balance as of January 1	**75,153**	**79,682**
Net change in contracts relating to environmental projects	**(11)**	(161)
Amortization to Other income	**(4,695)**	(4,368)
Closing balance as of December 31	**70,447**	**75,153**

Lease

The statement of financial position shows the following amounts relating to leases:

	December 31, 2021	December 31, 2020
Right-of-use assets *		
Land and buildings	**49**	174
Machinery, equipment and motor vehicles	**13,674**	18,151
Other right-of-use assets	**2,243**	139
Total Right-of-use assets	**15,966**	**18,464**
Lease liabilities **		
Current	**8,198**	7,417
Non-current	**9,742**	12,905
Total lease liabilities	**17,940**	**20,322**

* included in the line item 'Property, plant and equipment' in the statement of financial position.

** included in the line item 'Trade and other payables' in the statement of financial position.

The Group leases various warehouses, vehicles, railroad cars and equipment. Information about lease measurement is disclosed in Note 2.11.

None of the existing Group's lease contract comprises variable lease payments that are based on an index or a rate.

(All amounts are in thousands of EUR if not stated otherwise)

The Statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2021	2020
Depreciation charge of right-of-use assets ***		
Land and buildings	**126**	209
Machinery, equipment and motor vehicles	**5,869**	6,042
Other right-of-use assets	**373**	248
Total Depreciation charge of right-of-use assets	**6,368**	**6,499**
Interest expense ****	**(441)**	(514)
Expense relating to short-term leases (included in other operating expenses in Note 22)	**(323)**	(9)
Expense relating to leases of low-value assets that are not short-term leases (included in other operating expenses in Note 22)	**(23)**	(10)
Expense relating to variable lease payments not included in lease liabilities (included in other operating expenses in Note 22)	**(604)**	(482)

*** included in the line item ‘Depreciation and amortization’ in the statement of other comprehensive income.

**** included in the line item ‘Interest expense’ in the statement of other comprehensive income.

The total cash outflow for leases in 2021 was EUR 7,699 thousand (2020: EUR 7,362 thousand).

Lease liability maturities are as follows:

	December 31, 2021	December 31, 2020
Not later than 1 year	**8,198**	7,417
Later than 1 year and not later than 5 years	**9,742**	12,875
Later than 5 years	**-**	30
Present value of lease liability **	**17,940**	**20,322**

** included in the line item ‘Trade and other payables’ in the statement of financial position.

Note 6 Investment Properties

Movements in investment properties during 2021 and 2020 are as follows:

	2021	2020
Cost		
Opening balance as of January 1	**4,272**	**4,866**
Transfers to property, plant and equipment	**-**	(613)
Transfers from property, plant and equipment	**60**	19
Closing balance as of December 31	**4,332**	**4,272**
Accumulated Depreciation and Impairment Losses		
Opening balance as of January 1	**(1,712)**	**(1,987)**
Depreciation for the year	**(98)**	(99)
Transfers to property, plant and equipment	**-**	376
Transfers from property, plant and equipment	**(7)**	(2)
Closing balance as of December 31	**(1,817)**	**(1,712)**
Carrying amount	**2,515**	**2,560**

Direct operating expenses (including repair and maintenance) arising from investment properties that generated rental income and direct operating expenses (including repair and maintenance) arising from investment properties that did not generate rental income were immaterial.

Investment properties of the Group are carried at historical cost less accumulated depreciation and accumulated impairment losses.

The fair value of the investment properties totaled EUR 7,889 thousand as of December 31, 2021 (December 31, 2020: EUR 7,672 thousand).

(All amounts are in thousands of EUR if not stated otherwise)

The fair value of the properties has not been determined on transactions observable in the market because of the nature of the property and lack of comparable data nor has been evaluated by an accredited external independent valuer. Instead, the fair values are determined by the Group's management using discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of existing lease contracts and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The valuation falls within Level 3 of the fair value hierarchy.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Note 7 Intangible Assets

Movements in intangible assets during 2021 are as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
January 1, 2021	**41,670**	**262,759**	**837**	**1,118**	**306,384**
Additions	-	624,010	-	2,579	**626,589**
Disposals	(347)	(215,230)	(466)	-	**(216,043)**
Revaluation surplus (Note 23)	-	132,553	-	-	**132,553**
Transfers to base	1,893	-	-	(1,893)	**-**
December 31, 2021	**43,216**	**804,092**	**371**	**1,804**	**849,483**
Accumulated Amortization					
January 1, 2021	**(34,978)**	**-**	**(679)**	**-**	**(35,657)**
Amortization for the year	(2,235)	-	(49)	-	**(2,284)**
Disposals	349	-	452	-	**801**
December 31, 2021	**(36,864)**	**-**	**(276)**	**-**	**(37,140)**
Carrying amount	**6,352**	**804,092**	**95**	**1,804**	**812,343**

Movements in intangible assets during 2020 are as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
January 1, 2020	**39,868**	**191,461**	**1,100**	**1,454**	**233,883**
Additions	-	178,820	-	1,601	**180,421**
Disposals	(122)	(182,648)	(263)	(13)	**(183,046)**
Revaluation surplus (Note 23)	-	75,126	-	-	**75,126**
Transfers to base	1,924	-	-	(1,924)	**-**
December 31, 2020	**41,670**	**262,759**	**837**	**1,118**	**306,384**
Accumulated Amortization					
January 1, 2020	**(32,648)**	**-**	**(878)**	**-**	**(33,526)**
Amortization for the year	(2,448)	-	(65)	-	**(2,513)**
Disposals	118	-	264	-	**382**
December 31, 2020	**(34,978)**	**-**	**(679)**	**-**	**(35,657)**
Carrying amount	**6,692**	**262,759**	**158**	**1,118**	**270,727**

(All amounts are in thousands of EUR if not stated otherwise)

No borrowing costs were capitalized in 2021 and 2020.

No intangible assets of the Group were pledged in favor of a creditor or restricted in their use as of December 31, 2021 or December 31, 2020.

Insurance

Intangible assets are not insured.

Emission allowances

In 2021, the Group received allocations of CO_2 emission allowances from the Slovak Government. The emission allowances were initially measured at fair value as of the allocation date at EUR 83.73 per ton (2020: EUR 23.57 per ton). Emission allowances allocated by the Slovak Government in 2021 totaled EUR 416.6 million (2020: EUR 132.1 million). Emission allowances were recognized in deferred income and subsequently released to profit during the period in which the related costs were recognized in the allotment price. The emission allowances are revalued to fair value at the end of each reporting period. The European Climate Exchange is used to obtain the fair value of the emission allowances. The liability for the obligation to deliver the emission allowances is settled within a few months after the end of the reporting period in accordance with applicable legislation.

Based on the projected future production levels and sufficient emission allowances inventory necessary to meet annual compliance submission in the future, the Group purchased 3.5 million EUAs totaling EUR 207.4 million in 2021 (2020: 2 million EUAs totaling EUR 46.7 million). The Group sold no EUAs to the external subject in 2021 and 2020. The Group did not execute any allowance swaps.

The balances included in the statement of financial position relating to emission allowances are as follows:

	December 31, 2021	**December 31, 2020**
Emission allowances (intangible asset valued at fair value)	**804,092**	262,759
Liability from the obligation to deliver allowances (provision) (Note 16)	**717,337**	215,230

Fair value of intangible assets

The following table provides an analysis of intangible assets that are measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

December 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Emission allowances	804,092	-	-	**804,092**
Total	**804,092**	**-**	-	**804,092**

December 31, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Emission allowances	262,759	-	-	**262,759**
Total	**262,759**	**-**	-	**262,759**

During 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

If a cost model had been used, the carrying amount of emissions allowances net of impairment would have totaled EUR 660,817 thousand as of December 31, 2021 (December 31, 2020: EUR 190,246 thousand).

(All amounts are in thousands of EUR if not stated otherwise)

Note 8 Group Structure

List of subsidiaries

The following subsidiaries have been consolidated as of December 31, 2021:

Entity	Place of Incorporation	Principal activities	Group's Ownership Interest	
			December 31, 2021	**December 31, 2020**
U. S. Steel Košice – Labortest, s.r.o.	Slovakia	Testing laboratory	**100.00%**	100.00%
U.S. Steel Košice – SBS, s.r.o.	Slovakia	Security services	**100.00%**	100.00%
RMS Košice s.r.o.	Slovakia	Maintenance and vulcanization services, refractory production	**-**	100.00%
U. S. Steel Services s.r.o. in liquidation	Slovakia	Various services	**-**	100.00%
U. S. Steel Obalservis s.r.o. in liquidation	Slovakia	Packaging	**100.00%**	100.00%
Ferroenergy s.r.o.	Slovakia	Production of electricity, steam, hot water and technical gases	**100.00%**	100.00%
Tubular s.r.o.	Slovakia	Metal processing	**100.00%**	100.00%
U. S. Steel Europe – Bohemia s.r.o. in liquidation	Czech Republic	Steel trading	**-**	100.00%
U. S. Steel Europe – France S.A.	France	Steel trading	**99.94%**	99.94%
U. S. Steel Europe – Germany GmbH	Germany	Steel trading	**100.00%**	100.00%

None of the Company's ownership interests in subsidiaries were pledged as of December 31, 2021 or December 31, 2020.

Effective from January 1, 2021, U. S. Steel Obalservis s.r.o. entered into liquidation and changed its name to "U. S. Steel Obalservis s.r.o. in liquidation".

Effective from January 1, 2020, U. S. Steel Europe – Bohemia s.r.o. entered into liquidation and changed its name to "U. S. Steel Europe – Bohemia s.r.o. in liquidation". The liquidation of the U. S. Steel Europe – Bohemia s.r.o. in liquidation was finished on the shareholder meeting as of June 16, 2021. Liquidation balance of U. S. Steel Europe – Bohemia s.r.o. in liquidation was EUR 19 thousand. On January 4, 2022 the subsidiary U. S. Steel Europe – Bohemia s.r.o. in liquidation was deleted from the commercial register.

Effective from August 1, 2020, U. S. Steel Services s.r.o. entered into liquidation and changed its name to "U. S. Steel Services s.r.o. in liquidation". The liquidation of the U. S. Steel Services s.r.o. in liquidation was finished on the shareholder meeting as of November 30, 2021 after completion of liquidation process. Liquidation balance of U. S. Steel Services s.r.o. in liquidation was EUR 2,598 thousand. On December 28, 2021 the subsidiary U. S. Steel Services s.r.o. in liquidation was deleted from the commercial register.

As of July 1, 2021, the activities and tasks of particular cost centers of RMS Košice s.r.o. were transfered to U. S. Steel Košice, s.r.o., whereby also related rights and obligations from employment relationships with employees concerned were transfered.

As of July 6, 2021, transfers of shares of the shareholder U. S. Steel Obalservis s.r.o. in liquidation in following entities were made U. S. Steel Košice - Labortest, s.r.o. (to company U.S. Steel Košice - SBS, s.r.o.), U.S. Steel Košice - SBS, s.r.o. (to company U. S. Steel Košice – Labortest, s.r.o.), and Ferroenergy s.r.o. (to company U.S. Steel Košice - SBS, s.r.o.).

On November 6, 2021 U. S. Steel Košice, s.r.o. sold its subsidiary RMS Košice s.r.o. to the new owner TERMOSTAV – MRÁZ, spoločnosť s ručením obmedzeným, Košice.

The activities of the subsidiaries are closely connected with the principal activity of the Company. None of the subsidiaries are listed on any stock exchange.

There are no significant restrictions on the subsidiaries' ability to transfer funds to the parent company in the form of cash, dividends or otherwise.

(All amounts are in thousands of EUR if not stated otherwise)

Note 9 Deferred Income Tax

Differences between IFRS as adopted by the EU and Slovak tax laws give rise to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is recorded at the rate of 21 percent as of December 31, 2021 (December 31, 2020: 21 percent).

The tax effect of the movements in the temporary differences during 2021 is as follows:

	January 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2021
Property, plant and equipment	**(36,604)**	(10,899)	-	**(47,503)**
Leases	**639**	30	-	**669**
Inventories	**1,370**	5,858	-	**7,228**
Employee benefits	**7,476**	(644)	(965)	**5,867**
Deferred charges	**(79)**	475	-	**396**
Provision for impairment of receivables	**(31)**	(16)	-	**(47)**
Tax loss 2019	**3,215**	(1,072)	-	**2,143**
Research and development 2021 - 2023	**6,051**	(6,051)	-	**-**
Emission allowances transactions	**(222)**	(3,639)	3,873	**12**
Derivative financial instruments	**3,005**	-	(5,813)	**(2,808)**
Provisions	**7,676**	(2,491)	-	**5,185**
Other temporary differences	**944**	(925)	-	**19**
Total	**(6,560)**	**(19,374)**	**(2,905)**	**(28,839)**
Deferred tax (liability) / asset	**(6,560)**			**(28,839)**

The tax effect of the movements in the temporary differences during 2020 is as follows:

	January 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2020
Property, plant and equipment	**(47,096)**	10,492	-	**(36,604)**
Leases	**155**	484	-	**639**
Inventories	**3,927**	(2,557)	-	**1,370**
Employee benefits	**7,368**	695	(587)	**7,476**
Deferred charges	**66**	(145)	-	**(79)**
Provision for impairment of receivables	**(7)**	(24)	-	**(31)**
Tax loss 2019	**3,156**	59	-	**3,215**
Research and development 2021 - 2023	**2,309**	3,742	-	**6,051**
Emission allowances transactions	**37**	8,104	(8,363)	**(222)**
Derivative financial instruments	**(617)**	-	3,622	**3,005**
Provisions	**7,029**	647	-	**7,676**
Other temporary differences	**131**	813	-	**944**
Total	**(23,542)**	**22,310**	**(5,328)**	**(6,560)**
Deferred tax (liability) / asset	**(23,542)**			**(6,560)**

The Group has unrecognized potential deferred tax liability of EUR 1,258 thousand related to subsidiaries as of December 31, 2021 (December 31, 2020: deferred tax liability of EUR 1,072 thousand).

Tax loss carry forward

By the end of the 2021, the Group recognized a deferred tax asset for the 2019 tax loss in accordance with *IAS 12 Income taxes*. As the Group reported taxable base of EUR 727,330 thousand in 2021 and the 2019 tax loss amounted to EUR 20,412 thousand, the Group utilized ¼ of the tax loss available in amount of EUR 5.1 million, in line with valid tax regulation. The Group plans to utilize the remaining tax loss in 2022 and 2023 in line with tax regulations.

(All amounts are in thousands of EUR if not stated otherwise)

Note 10 Inventories

	December 31, 2021	December 31, 2020
Raw materials	**242,651**	177,728
Work-in-progress	**88,201**	41,412
Semi-finished production	**131,564**	57,844
Finished products	**209,520**	105,152
Merchandise	**3,010**	2,959
Inventory allowance	**(2,513)**	(4,882)
Total	**672,433**	**380,213**

On January 22, 2020 the Group as pledgor and Commerzbank Finance & Covered Bond S.A as pledgee signed the Agreement on creation of pledge over movable assets. Collateral comprised all consolidated assets treated as inventory including stock of raw materials, work in progress, semi-finished production and finished products that are governed by Slovak law and that the pledgor currently owns or will own in the future, including their appurtenances and all documents necessary for their use and disposal. The book value of inventory involved in collateral was determined and reported with monthly frequency and its value was EUR 264 million as of December 31, 2020.

On August 11, 2021 the pledge over movable assets specified in the Agreement on creation of pledge over movable assets signed on January 22, 2020 was deregistered. The book value of inventory involved in collateral was last time determined and reported as of June 30, 2021 in the value EUR 382 million. No inventories were pledged in favor of a creditor or restricted in their use as of December 31, 2021. The EUR 460 million Revolving Credit Facility was terminated as of September 29, 2021.

Inventory as of December 31, 2021 is shown net of write-down allowances resulting from lower net realizable values totaling EUR 2,513 thousand (December 31, 2020: EUR 4,882 thousand). Gross value of inventories written down were EUR 8 million as of December 31, 2021 (December 31, 2020: EUR 11 million).

Movements of write-down allowances for inventories were as follows:

	Raw materials	Work in progress	Semi-finished production	Finished products	Total
January 1, 2021	**1,638**	**824**	**786**	**1,634**	**4,882**
Allowance made	29	860	1,438	391	**2,718**
Allowance used	(1,459)	(396)	(698)	(9)	**(2,562)**
Allowance reversed	5	(499)	(784)	(1,247)	**(2,525)**
December 31, 2021	**213**	**789**	**742**	**769**	**2,513**

	Raw materials	Work in progress	Semi-finished production	Finished products	Total
January 1, 2020	**486**	**2,201**	**2,481**	**4,836**	**10,004**
Allowance made	1,244	2,390	137	1,645	**5,416**
Allowance used	(20)	(923)	(1,661)	(362)	**(2,966)**
Allowance reversed	(72)	(2,844)	(171)	(4,485)	**(7,572)**
December 31, 2020	**1,638**	**824**	**786**	**1,634**	**4,882**

Usage of write-down allowances is recognized when inventory is removed from the accounting books (e.g. sale, disposal, donation, damage, consumption) or reversal is recognized when the indication that the inventories impairment loss recognized in prior periods no longer exists or may have decreased.

(All amounts are in thousands of EUR if not stated otherwise)

Note 11 Trade and Other Receivables

	December 31, 2021	December 31, 2020
Trade receivables	**413,257**	227,603
Trade receivables that are subject of factoring arrangements	**18,468**	7,776
Related party trade receivable (Note 28)	**14,067**	7,694
Total trade receivables	**445,792**	**243,073**
Other receivables – environmental projects	**-**	236
Other receivables - funds for landfill restoration	**7,630**	7,105
Other receivables	**2,359**	1,066
Trade and other receivables - financial (gross)	**455,781**	**251,480**
Loss allowance for trade receivables	**(13,819)**	(14,017)
Loss allowance for other receivables	**(172)**	(11)
Trade and other receivables - financial (net)	**441,790**	**237,452**
VAT receivable	**56,419**	36,581
Advance payments made	**16,528**	8,047
Other receivables - non-financial	**72,947**	**44,628**
Trade and other receivables (net)	**514,737**	**282,080**
Long-term receivables (financial)	**7,630**	7,105
Short-term receivables (financial and non-financial)	**507,107**	274,975

On January 22, 2020 the Group as pledgor and Commerzbank Finance & Covered Bond S.A as pledgee signed the Agreement on creation of pledge over certain trade receivables that were subject to Transaction Security. Collateral comprised the existing trade receivables and the future trade receivables in each case including appurtenances and any contractual or statutory security created or existing for the benefit of the pledgor. The book value of trade receivables subject to Transaction Security was determined and reported with monthly frequency and its value was EUR 200 million as of December 31, 2020.

On August 11, 2021, the pledge over certain trade receivables that were subject to Transaction Security specified in the Agreement signed on January 22, 2020 was deregistered. The book value of trade receivables subject to Transaction Security involved in collateral was last time determined and reported as of June 30, 2021 in the value EUR 375 million. No receivables of the Group were pledged in favor of a bank or other entities as of December 31, 2021. The EUR 460 million Revolving Credit Facility was terminated as of September 29, 2021.

Information about collateral or other credit enhancements and the overall credit risk of the Group is disclosed in Note 25. The valuation falls within Level 3 of the fair value hierarchy. There was no significant movement between fair value measurement categories during 2021. Additional information about measurement of the trade receivables is disclosed in Note 26.

<u>Trade receivables and other receivables</u>

The structure of trade receivables, including related party accounts receivable, is as follows:

	December 31, 2021	December 31, 2020
No or low-risk counterparties	**227,637**	123,949
Increased risk counterparties	**199,687**	111,348
Trade receivables at amortized costs	**427,324**	**235,297**
No or low-risk counterparties	**4,904**	2,493
Increased risk counterparties	**13,564**	5,283
Trade receivables at FV through other comprehensive income	**18,468**	**7,776**
Total	**445,792**	**243,073**

(All amounts are in thousands of EUR if not stated otherwise)

No or low-risk counterparties are customers with prompt payment discipline supported by requested credit enhancement endorsement. Increased risk counterparties are customers in higher risk locations, with inconsistent payment discipline and limited credit enhancement endorsement.

The Group recognized an allowance for expected credit losses to trade receivables and other receivables in amount of EUR 13,991 thousand as of December 31, 2021 (December 31, 2020: EUR 14,028 thousand).

The movements of loss allowances were as follows:

	Trade receivables	Other receivables	Total
January 1, 2021	**14,017**	**11**	**14,028**
Increase in loss allowance	386	161	**547**
Receivables written-off	(518)	-	**(518)**
Unused amount reversed	(66)	-	**(66)**
December 31, 2021	**13,819**	**172**	**13,991**

	Trade receivables	Other receivables	Total
January 1, 2020	**15,007**	**9**	**15,016**
Increase in loss allowance	416	3	**419**
Receivables written-off	(1,405)	(1)	**(1,406)**
Unused amount reversed	(1)	-	**(1)**
December 31, 2020	**14,017**	**11**	**14,028**

A part of recognized loss allowance in amount of EUR 13,543 thousand (December 31, 2020: EUR 13,637 thousand) relates to individually impaired receivables.

For the rest of the trade receivables and the other receivables, which almost all are falling within due (or few days overdue) category, the Group estimated expected credit losses using a credit enhancement matrix. The matrix specifies loss rates depending on shared credit risk characteristics represented by internal rating of customers and the days past due.

Oscillation of portion receivables after due date was significantly improved compared to the last ten years. Ten years median of past due trade receivables to total trade receivables ratio is 3.6 percent (2020: 3.95 percent), median for the year 2021 is 1.4 percent (2020: 2.4 percent). The expected credit loss rate was determined based on risk analysis of receivables currently after due date.

The Group performed regular review of customers' internal rating and considered historical, current and forward-looking information on its and the industry development. Based on the consideration the Group adjusted the historical loss rates and estimated expected credit loss by applying adjusted rates (0.346 percent applied) to the receivables balances as of December 31, 2021 (0.57 percent applied as of December 31, 2020). The general expected credit loss allowance calculated by the Group is EUR 449 thousand as of December 31, 2021 (December 31, 2020: EUR 391 thousand).

<u>Other Receivables – Funds for landfill restoration</u>

As required by legislation the Group deposited funds to cover closing and clean-up costs at the end of a landfill site's useful life into the State Treasury account. The Group will receive funds based on request once approved landfill expenditures occur. Funds for landfill restoration are receivables due from Slovak Republic with the credit rating A2 according to Moody's, that represents low credit risk. The Group therefore considers expected credit loss to be immaterial as of December 31, 2021 (December 31, 2020: immaterial).

(All amounts are in thousands of EUR if not stated otherwise)

Note 12 Derivative Financial Instruments

The Group has entered into forward foreign exchange contracts which are not traded and are agreed with the banks on specific contractual terms and conditions. These derivative instruments have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market foreign exchange rates.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses on forward foreign exchange contracts recognized in other comprehensive income and accumulated in revaluation reserves in equity (Note 14) as of December 31, 2021 will be recognized in the profit or loss in the period(s) during which the hedged forecast transaction affects the profit or loss. This is generally within 12 months after the end of reporting period. Gains and losses from revaluation of forward exchange contracts as of December 31, 2021 and December 31, 2020 recognized in other comprehensive income and accumulated in revaluation reserves in equity were reclassified into profit or loss in 2021 and 2020, respectively. The actual amount recognized in Other operating income in 2021 was loss of EUR 2,657 thousand (2020: income of EUR 2,123 thousand). The amount consists of reclassification of income of EUR 11,304 thousand (2020: income of EUR 2,321 thousand) from reserve funds into profit or loss related to forward transactions entered into during previous year where the asset acquired affected current year profit or loss, and expense of EUR 13,961 thousand (2020: expense of EUR 198 thousand) related to forward transactions entered into during 2021 (2020) where the asset acquired affected profit or loss in 2021 (2020).

The aggregate fair values of derivative financial instruments can fluctuate significantly from time to time. Fair value of hedging derivatives is determined using valuation techniques that utilize observable market data. The fair value of these forward foreign exchange contracts is determined using market forward exchange rates at the end of reporting period calculated from data obtained from Bloomberg and European Central Bank.

The table below sets out fair values, at the end of the reporting period, of the Group's forward foreign exchange contracts:

	December 31, 2021		December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forwards - cash flow hedges	**13,324**	**85**	3	14,312
Commodity swap contracts - cash flow hedges	**135**	**-**	-	-
Total	**13,459**	**85**	**3**	**14,312**

Balances as of December 31, 2021 and December 31, 2020 were not past due. The risk of concentration of counterparty credit risk is mitigated by purchasing forward foreign exchange contracts from several counterparties. The Group has entered into forward foreign exchange contracts with ING Bank N.V., Citibank Europe plc, Goldman Sachs Bank USA, J.P. Morgan, Komerční banka, a.s. and Commerzbank as of December 31, 2021 and December 31, 2020. As of December 31, 2021, the financial derivatives for ING Bank N.V. and Komerční banka, a.s. represent more than 63 percent of value of total financial derivatives. The ratings of the banks are BBB+ and better (according to Standard & Poor's) as of December 31, 2021 (December 31, 2020: BBB- and better). Information about the fair value hierarchy as of December 31, 2021 is disclosed in Note 26.

The table below reflects gross positions before the netting of any counterparty positions towards counterparties and covers the contracts with settlement dates after the respective end of the reporting period. The contracts are short term in nature:

	December 31, 2021	December 31, 2020
Payable on settlement in EUR thousand	**(307,597)**	(242,271)
Receivable on settlement in EUR thousand*	**322,002**	228,832

* Receivables nominated in USD, converted to EUR at the rate of USD/EUR 1.1326

The Group is exposed to a fluctuation of tin purchase prices. In order to eliminate the Group's exposure to tin prices fluctuation, the Group entered into commodity swaps to protect its profit margin. All commodity tin swaps commenced in 2021 matured in 2021, resulting in an income in total amount of EUR 4,123 thousand (2020: expense of EUR 3 thousand).

The total value of derivative operations in 2021 is a profit of EUR 1,467 thousand.

(All amounts are in thousands of EUR if not stated otherwise)

Note 13 Cash and Cash Equivalents

	December 31, 2021	December 31, 2020
Cash on hand	**-**	82
Cash at bank	**289,556**	219,635
Total (Note 26)	**289,556**	**219,717**

Interest rates on bank accounts were approximately 0.00 percent per annum for EUR deposits, 0.10 percent per annum for USD deposits and 0.00 percent per annum for CZK deposits as of December 31, 2021 (December 31, 2020: 0.00 percent per annum for EUR deposits, 0.10 percent per annum for USD deposits and 0.00 percent per annum for CZK deposits). Interest rates at bank accounts denominated in other currencies are not disclosed as the balances in these accounts are not material.

The cash has been deposited to banks with the rating Prime-2 and better according to Moody's, that represents high ability to repay short-term debt. The Group therefore considers expected credit loss to be immaterial. Further information on the credit risk of cash and cash equivalents is disclosed in Note 25.

Note 14 Equity

Share capital

The Company's registered and fully paid in capital is EUR 839,357 thousand. The Company does not have unregistered increased share capital as of December 31, 2021.

Other reserves

The movements in reserve funds are as follows:

	Other capital funds	Legal reserve fund	Derivative hedging instruments	CO_2 emission allowances	Translation reserve	Total
January 1, 2021	**319**	**72,004**	**(11,304)**	**66,734**	**243**	**127,996**
Changes in fair value of derivative hedging instruments	-	-	10,565	-	-	**10,565**
Changes in fair value of CO_2 allowances	-	-	-	136,426	-	**136,426**
Realization of CO_2 allowances revaluation	-	-	-	(56,010)	-	**(56,010)**
Release of fair value of derivative hedging instruments	-	-	11,304	-	-	**11,304**
Settlement of loss	-	(27,085)	-	-	-	**(27,085)**
Contribution to legal reserve fund	-	13	-	-	-	**13**
Derecognition of legal reserve fund	-	(1,042)	-	-	-	**(1,042)**
Translation reserve	-	-	-	-	(24)	**(24)**
December 31, 2021	**319**	**43,890**	**10,565**	**147,150**	**219**	**202,143**

	Other capital funds	Legal reserve fund	Derivative hedging instruments	CO_2 emission allowances	Translation reserve	Total
January 1, 2020	**319**	**71,993**	**2,321**	**20,819**	**254**	**95,706**
Changes in fair value of derivative hedging instruments	-	-	(11,303)	-	-	**(11,303)**
Changes in fair value of CO_2 allowances	-	-	-	66,763	-	**66,763**
Realization of CO_2 allowances revaluation	-	-	-	(20,848)	-	**(20,848)**
Release of fair value of derivative hedging instruments	-	-	(2,322)	-	-	**(2,322)**
Contribution to legal reserve fund	-	11	-	-	-	**11**
Translation reserve	-	-	-	-	(11)	**(11)**
December 31, 2020	**319**	**72,004**	**(11,304)**	**66,734**	**243**	**127,996**

(All amounts are in thousands of EUR if not stated otherwise)

The change in the fair value of emission allowances is recognized after taking into account the deferred tax asset in the amount of EUR 3,873 thousand (2020: liability of EUR 8,363 thousand) and the change in the fair value of derivative financial instruments after taking into account the deferred tax liability in the amount of EUR 5,813 thousand (2020: receivable EUR 3,622 thousand) (Note 9).

Dividends

No dividends were paid to U. S. Steel Global Holdings VI B.V. in 2021 and 2020. There were no declared but unpaid dividends as of December 31, 2021 and December 31, 2020.

Note 15 Loans and Borrowings

The movement in liabilities from financing activities is as follows:

	Long-term loans and borrowings	Intercompany loan from U.S.Steel (Note 28)	Supplier payable financing program	Lease liabilities (Note 5, 18)	Total
January 1, 2021	**302,604**	**122,282**	**-**	**20,322**	**445,208**
Proceeds	-	-	-	-	**-**
Repayments	(300,000)	(129,459)	-	-	**(429,459)**
Lease additions	-	-	-	4,367	**4,367**
Lease payments	-	-	-	(6,749)	**(6,749)**
Exchange rate impact	-	7,220	-	-	**7,220**
Interest (decrease) / increase	(2,604)	(43)	-	-	**(2,647)**
December 31, 2021	**-**	**-**	**-**	**17,940**	**17,940**
Long-term	-	-	-	9,742	**9,742**
Short-term	-	-	-	8,198	**8,198**
December 31, 2021	**-**	**-**	**-**	**17,940**	**17,940**

	Long-term loans and borrowings	Intercompany loan from U.S.Steel (Note 28)	Supplier payable financing program	Lease liabilities (Note 5, 18)	Total
January 1, 2020	**351,565**	**133,631**	**3,166**	**25,508**	**513,870**
Proceeds	75,000	-	7,903	-	**82,903**
Repayments	(125,000)	**-**	(11,069)	**-**	**(136,069)**
Lease additions	-	-	-	1,675	**1,675**
Lease payments	-	-	-	(6,861)	**(6,861)**
Exchange rate impact	-	(11,284)	-	-	**(11,284)**
Interest (decrease) / increase	1,039	(65)	-	-	**974**
December 31, 2020	**302,604**	**122,282**	**-**	**20,322**	**445,208**
Long-term	300,000	122,239	-	12,905	**435,144**
Short-term	2,604	43	-	7,417	**10,064**
December 31, 2020	**302,604**	**122,282**	**-**	**20,322**	**445,208**

On September 26, 2018, U. S. Steel Košice, s.r.o., a subsidiary of United States Steel Corporation and Ferroenergy s.r.o., a subsidiary of U. S. Steel Košice, s.r.o. as guarantor entered into a EUR 460 million revolving credit facility (the Credit Agreement) with Commerzbank, ING Bank N.V., Slovenská sporiteľňa a.s., Komerční banka, a.s., UniCredit Bank, Československá obchodná banka, a.s. and Citibank Europe plc. Borrowings drawn within the Credit Agreement bore interest rate spread over the applicable IBOR + margin 2.5 percent per annum (2020: applicable IBOR + margin 2.5 percent per annum).

In the first and second quarter of year 2021 the Group repaid borrowings totaling EUR 300 million drawn against the EUR 460 million Credit Agreement and as of September 29, 2021 the credit facility was terminated (as of December 31, 2020: totaling EUR 300 million were drawn against the EUR 460 million Credit Agreement and the Group had availability of EUR 160 million under the Credit Agreement).

On September 29, 2021, U. S. Steel Košice, s.r.o., a subsidiary of United States Steel Corporation and Ferroenergy s.r.o., subsidiary of U. S. Steel Košice, s.r.o. as guarantor, entered into a new unsecured EUR 300 million revolving credit facility (the Credit Facility Agreement) with ING Bank N.V., Slovenská sporiteľňa a.s., Komerční banka, a.s., UniCredit Bank Czech Republic and Slovakia a.s., Československá obchodná banka and Citibank Europe plc replacing EUR 460 million revolving credit facility. The Credit Facility Agreement has a maturity date of September 29, 2026 and contains sustainability targets related to carbon reduction, safety performance and facility certification by ResponsibleSteel™. Borrowings drawn within the Credit Agreement bear interest rate spread over the applicable EURIBOR + margin 2.35 percent per annum.

The Credit Agreement contains certain financial covenants calculated from consolidated financial statements prepared in accordance with US GAAP. The Group must ensure that (1) the net debt to EBITDA (Earnings before Interests, Taxes, Depreciation and Amortization hereinafter as "EBITDA") ratio does not, in respect of any measurement period exceed 3.50:1 and (2) the aggregate amount of (a) Subordinated Intercompany Indebtedness and (b) its total stockholders' equity is not lower than 40 percent of its total assets on any measurement date. EBITDA means, in relation to a measurement period, operating profit of the Group before taxation after (a) adding back any losses or expenses from any unusual, extraordinary or otherwise nonrecurring items, (b) adding back any amount attributable to the depreciation or amortization of the assets of the Group for that measurement period and (c) excluding income or gains from any unusual, extraordinary or otherwise non-recurring items.

As of December 31, 2021 no borrowings were drawn against the EUR 300 million Credit Facility Agreement and the Group had availability of EUR 300 million under the Credit Facility Agreement.

On December 23, 2019, the Group entered into a USD 150 million Loan Agreement with United States Steel Corporation. This agreement will mature on September 27, 2023. Interest on borrowings under the facility is 3 month USD LIBOR plus margin 2.9 percent per annum. As of December 31, 2021 borrowings totaling USD 150 million (i.e. EUR 132 million using the exchange rate valid at the end of the reporting period) were repaid and the Group had availability of USD 150 million under the Loan Agreement as of December 31, 2021.

On December 3, 2021 the Group entered into an supplemental agreement No.9 to its EUR 20 million Bilateral Loan Agreement between the Group and ING Bank N.V. This credit facility may be used for working capital financing, drawing bank overdraft, and issuing of bank guarantees and letters of credit until December 3, 2024. Interest on borrowings under the facility is respective IBOR (EURIBOR, USD LIBOR, PRIBOR) plus margin 1.7 percent per annum. As of December 31, 2021, the credit facility has been used in the amount of EUR 8,126 thousand for bank guarantees (December 31, 2020: the credit facility has been used in the amount of EUR 7,063 thousand for bank guarantees).

On December 11, 2018, the Group entered into an amendment No.4 to its Bilateral Loan Agreement in the amount of EUR 10 million between the Group and Commerzbank to extend the agreement's final maturity date from December 31, 2018 to December 31, 2021. Based on the amendment No. 6 the Bilateral Loan Agreement was terminated on August 31, 2021.

Within available credit facilities, the Group can draw loans with terms of not more than six months with interest fixed for each particular loan. Each of these facilities bear interest at the applicable inter-bank offer rate plus a margin. The Group is the sole obligor on each of these credit facilities and is obliged to pay a commitment fee on the undrawn portion of the facilities.

During 2021 and 2020 the Group had no borrowings under its EUR 20 million and EUR 10 million credit facilities. Only credit facility in the amount of EUR 20 million has been used for bank guarantees.

The Group complied with all covenants specified in the loan agreements as of December 31, 2021.

A structured supplier payable financing program between Citibank Europe plc. (Note 2.16) and the Group was put on hold on August 12, 2020 and was not utilized in 2021. As of December 31, 2020 all trade payables of the Group included in this program were repaid and Group did not recognize any short-term borrowings from these payables.

Management of capital is disclosed in Note 24 and information about credit facilities available to the Group and interest rate risk exposure is disclosed in Note 25.

(All amounts are in thousands of EUR if not stated otherwise)

Note 16 Provisions for Liabilities

Movements in provisions for liabilities were as follows:

	Landfill	Litigation	CO_2 emissions	Other	Total
January 1, 2021	**7,743**	**3,058**	**215,230**	**53**	**226,084**
Provision made	3,166	3,479	717,337	552	**724,534**
Provision used / reversed	(4)	(5,453)	(215,230)	(320)	**(221,007)**
December 31, 2021	**10,905**	**1,084**	**717,337**	**285**	**729,611**
Long-term provisions	10,683	1,084	-	6	**11,773**
Short-term provisions	222	-	717,337	279	**717,838**

	Landfill	Litigation	CO_2 emissions	Other	Total
January 1, 2020	**7,267**	**1,052**	**182,985**	**77**	**191,381**
Provision made	477	2,008	215,230	471	**218,186**
Provision used / reversed	(1)	(2)	(182,985)	(495)	**(183,483)**
December 31, 2020	**7,743**	**3,058**	**215,230**	**53**	**226,084**
Long-term provisions	7,712	3,058	-	1	**10,771**
Short-term provisions	31	-	215,230	52	**215,313**

The movement of provisions caused by the passage of time (i.e. accretion expense) in 2021 and 2020 was immaterial.

Provision reversals for the year 2021 and 2020 were immaterial.

Landfill

The provision for closing, reclamation and after-close monitoring of landfills is recognized based on the Law No. 79/2015 Coll. on Waste as amended. In 2021, the Group had four landfills; two for non-hazardous waste and two for hazardous waste. Reclamation of one hazardous and one non-hazardous landfill was completed, and those landfills were closed in 2011 and 2013. In February 2020, the 4th stage of non-hazardous landfill was opened and a new provision in the amount of EUR 2.1 million was recognized. The new provision represents a present value of estimated total closure and monitoring costs of the 4th stage of non-hazardous landfill. The short-term portion of the provision represents expenditures that are expected to be settled within 12 months.

Litigation

The Group uses external legal counsel to act in some legal proceedings and internal legal counsel in other proceedings. These proceedings are at different stages and some may proceed for undeterminable periods of time. The Group's management has made its best estimate of the probabilities and the contingent loss amounts associated with all legal proceedings in both Slovak and foreign jurisdictions and has recorded provisions accordingly. The provisions are considered immaterial to the Group's financial statements. Based on the facts currently available, management believes that the disposition of these other matters that are pending or asserted will not have a material adverse effect, individually or in the aggregate, on the financial position of the Group.

Emission allowances

A provision was recognized for CO_2 emissions emitted in 2021 in order to settle obligation by granted CO_2 emission allowances in amount of EUR 409,018 thousand (2020: EUR 143,932 thousand) and by purchased CO_2 emission allowances in amount of EUR 308,319 thousand (2020: EUR 71,298 thousand). The provision was calculated as a multiple of the final volume of CO_2 emitted for the calendar year and the fair value of CO_2 emission allowances on the European Climate Exchange as of the date of the financial statements. The provision was charged to Operating expenses. Amortization of related deferred income from allocated CO_2 emission allowances is recognized in Other income (Note 19).

Other

Other provisions include provisions for warranty.

(All amounts are in thousands of EUR if not stated otherwise)

Note 17 Employee Benefits Liabilities

Employee retirement liability

The Group is committed to make payments to employees upon retirement in accordance with the Labor Code and Collective Labor Agreement. The defined benefit liability is calculated annually using the projected unit credit method.

Work and life jubilee benefits

The Group also pays certain work and life jubilee benefits. The liability is calculated consistently with the employee retirement liability except that actuarial gains and losses and past services costs are recognized immediately in profit or loss for the current period.

The movement in the accrued liability over the years is as follows:

	2021	2020
Opening balance as of January 1	**38,786**	**38,854**
Total expense charged in profit or loss – pension	**1,440**	1,605
Total expense charged in profit or loss – jubilee	**428**	467
Total expense charged in profit or loss – termination	**240**	25,226
Remeasurements of post employment benefit liabilities	**(4,429)**	(1,852)
Benefits paid	**(2,425)**	(25,514)
Closing balance as of December 31	**34,040**	**38,786**
Long-term employee benefits payable	**32,984**	36,671
Short-term employee benefits payable	**1,056**	2,115

The amounts recognized in the statement of financial position are determined as follows:

	December 31, 2021	December 31, 2020
Present value of the liability - pension	**24,619**	23,391
Present value of the liability - jubilee	**9,986**	10,335
Present value of the liability - termination	**133**	1,163
Remeasurements of post employment benefit liabilities	**(698)**	3,897
Total liability in the statement of financial position	**34,040**	**38,786**

The amounts recognized in the comprehensive income are determined as follows:

	2021	2020
Current service costs – pension	**1,349**	1,421
Current service costs – jubilee	**430**	427
Current service costs – termination	**240**	25,226
Interest costs	**89**	224
Net actuarial losses / (gains)	**166**	859
Remeasurements of post employment benefit liabilities	**(4,595)**	(2,711)
Total	**(2,321)**	**25,446**

Current service cost and net actuarial losses are presented in salaries and other employee benefits (Note 21) and interest costs are reflected in interest expense line of the statement of profit or loss and other comprehensive income.

Principal actuarial assumptions used to determine employee benefits liabilities as of December 31, were as follows:

	2021	2020
Discount rate - pension	**0.76%**	0.34%
Discount rate - jubilee	**0.40%**	(0.02%)
Annual wage and salary increases	**5.00%**	5.00%
Staff turnover (1)	**5.00%**	5.00%

(1) Staff turnover is replaced by termination table that varies by employee's age and years of service but does not exceed 5 percent annually.

(All amounts are in thousands of EUR if not stated otherwise)

For calculating the discount rate for euro-denominated pension and postretirement liabilities in accordance with *IAS 19 Employee benefits*, the Group used suitable Euro yield curve which benchmark highly rate corporate bonds. The yield curve selected was derived based on data published by European Central Bank and underlying data provided by EuroMTS Ltd. Discount rates were applied based on the duration of the pension and jubilee liability.

Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognized in liability to employees and social security institutions (Note 18). Liabilities for profit sharing and bonus plans are measured at the amounts expected to be paid when they are settled.

The amount of profit sharing and bonus plans is presented in Note 21.

Defined contribution pension plan

Throughout the year, the Group made contributions to the mandatory government and private defined contribution plans representing 24.9 percent (2020: 23.8 percent) of total salaries and other employee benefits up to a monthly salary limit of EUR 7,644 (2020: EUR 7,091).

The amount of contributions for social security is presented in Note 21.

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Group made contributions to the supplementary scheme amounting to 1.6 percent of the monthly accounted wage in 2021 (2020: 1.5 percent).

Information for pension plans with an accumulated employee benefits liabilities:

	December 31, 2021	December 31, 2020
Accumulated employee benefits liabilities	**23,819**	25,499
Effects of future compensation	**10,088**	12,124
Projected employee benefits liabilities	**33,907**	**37,623**
Termination	**133**	1,163
Total liability in the statement of financial position	**34,040**	**38,786**

Note 18 Trade and Other Payables

	December 31, 2021	December 31, 2020
Trade payables	**323,772**	175,835
Related party accounts payable (Note 28)	**10,152**	7,561
Assigned trade payables (1)	**86,651**	36,648
Accrued discounts and rebates	**16,666**	10,382
Uninvoiced deliveries and other accrued expenses	**84,841**	90,103
Trade payables and accruals (Note 25)	**522,082**	**320,529**
Lease liabilities	**17,940**	20,322
Other payables	**3,427**	4,960
Financial liabilities	**21,367**	**25,282**
Liability to employees and social security institutions	**46,154**	47,873
Advance payments received (Contract liability)	**7,472**	3,246
VAT and other taxes and fees	**9,791**	11,632
Non-financial liabilities	**63,417**	**62,751**
Total	**606,866**	**408,562**

(1) Assigned trade payables are trade payables which are not going to be paid to original supplier because receivables against the Group were requested by the supplier to be transferred to other creditor and the transfer was approved by the Group.

The Group provided or will provide discounts and rebates to the customers which fulfilled all requirements stated in sale contracts as of December 31, 2021. Issued credit invoices are offset with receivables as of the due date of the respective credit note or paid in cash when there are no outstanding receivables.

(All amounts are in thousands of EUR if not stated otherwise)

	December 31, 2021	December 31, 2020
Short-term trade and other payables	**597,123**	395,065
Long-term trade and other payables	**9,743**	13,497
Total	**606,866**	**408,562**

Long-term trade and other payables represent lease liabilities (as of December 31, 2021: EUR 9,742 and as of December 31, 2020: EUR 12,906 thousand) and the retention portion of capital expenditures for which different due dates were agreed upon in trade contracts, longer than 12 months.

The aging structure of trade and other payables is presented in the table below:

	December 31, 2021	December 31, 2020
Trade and other payables not yet due	**606,328**	406,953
Trade and other payables past due	**538**	1,609
Total	**606,866**	**408,562**

The carrying amount of trade payables and accruals is denominated in the following currencies:

	December 31, 2021	December 31, 2020
EUR	**359,126**	246,539
USD	**154,625**	68,225
Other	**8,331**	5,765
Total	**522,082**	**320,529**

Contributions to and withdrawals from the social fund during the accounting period are shown in the following table:

	2021	2020
Opening balance as of January 1	**716**	**633**
Group contribution (group costs)	**1,920**	1,610
Employees contribution (repayments)	**(20)**	11
Withdrawals	**(1,306)**	(1,663)
Other	**90**	125
Closing balance as of December 31	**1,400**	**716**

The social fund is used for social, medical, relaxing and similar needs of the Group's employees in accordance with Social Fund Law. The balances are included in the liability to employees and social security institutions caption of the table above.

Note 19 Revenue from Contracts with Customers and Other Income

The main activities of the Group are the production and sale of steel products, which include slabs, sheet, strip mill plate, tin mill products and spiral welded pipes. In addition, the Group also produces and distributes electricity, heat and gas. The Group also produces coke which is primarily used in the steel making process, produces refractories and provides maintenance of blast furnaces and provides packaging of semi-finished and finished steel products. The Group also provides certain functional support services to its ultimate parent company.

For most of its revenue arrangements, the Group acts as a principal, however, the Group also acts as an agent arranging for the transportation service related to the sales of own production with the "C" delivery terms (Note 3) and in the sale of merchandise and records as revenue the net consideration it retains after paying the suppliers.

(All amounts are in thousands of EUR if not stated otherwise)

Revenue from contracts with customers consists of the following:

	2021	2020
Sales of own production	**3,538,994**	1,667,160
Sales of merchandise	**2,390**	871
Rendering of services	**12,964**	19,790
Total	**3,554,348**	**1,687,821**

In 2021 and 2020, sales of merchandise represent primarily external net sales of electricity, heat and steam.

In 2021 and 2020, rendering of services comprised of technology consulting services, support services related to production of electricity, distribution of media (natural gas, electricity, water), repairs provided to external customers and arranging transportation services to customers.

Timing of revenue recognition

	2021	2020
Performance obligation satisfied at a point in time	**3,541,384**	1,668,031
Performance obligation satisfied over time	**12,964**	19,790
Total	**3,554,348**	**1,687,821**

Disaggregation of the revenue from contracts with customers – sales of own production

Segments and Products	2021	2020
Hot-rolled sheets and plates	**1,798,926**	682,080
Cold-rolled sheets	**375,704**	140,804
Coated sheets	**761,975**	448,551
Tin mill products	**390,760**	331,571
Standard and line pipe	**48,461**	35,004
Slabs	**105,476**	1,854
By-products and other	**57,692**	27,296
Total	**3,538,994**	**1,667,160**

Market	2021	2020
Steel Service Centers	**797,607**	307,911
Transportation (including automotive)	**429,860**	292,484
Further conversion - trade customers	**257,256**	90,974
Containers	**387,582**	329,175
Construction and construction products	**1,109,301**	392,943
Appliances and electrical equipment	**210,066**	116,609
Oil, gas and petrochemicals	**6,965**	2,920
Mechanical Machinery	**37,480**	11,440
Metal Goods	**97,540**	42,677
By-products and other	**205,337**	80,027
Total	**3,538,994**	**1,667,160**

(All amounts are in thousands of EUR if not stated otherwise)

Other income

Other income consists of the following:

	2021	2020
Amortization of deferred income - CO_2 emission allowances (Note 7)	**416,591**	132,120
Amortization of deferred income - environmental projects (Note 5)	**4,695**	4,368
Gain on disposal of property, plant and equipment, investment property and intangible assets	**352**	-
Gain on derivative financial instruments (Note 12)	**1,467**	2,123
Rental income	**1,434**	1,463
Income from contractual penalties	**751**	133
Energy compensation from Ministry of Economy	**10,142**	11,487
COVID-19 compensation*	**-**	20,243
Trade Mark and Intellectual Property license	**12,481**	7,563
Miscellaneous income	**1,772**	1,135
Total	**449,685**	**180,635**

*national government's „kurzarbeit" mechanism providing compensation to the Group for wages to employers forced to temporarily reduce working hours

Note 20 Materials and Energy Consumed

Materials and energy consumed is comprised of the following:

	2021	2020
Materials consumed	**(1,894,326)**	(992,373)
Energy consumed	**(162,920)**	(115,708)
Costs of merchandise sold	**(2,503)**	(2,340)
Changes in internally produced inventory	**226,871**	(21,322)
Inventory write-down allowance (Note 10)	**(193)**	2,156
Total	**(1,833,071)**	**(1,129,587)**

Note 21 Salaries and Other Employee Benefits

Salaries and employee benefits are comprised of the following:

	2021	2020
Wages and salaries	**(257,087)**	(214,576)
Termination benefits (Note 17)	**(240)**	(25,226)
Mandatory health and other social insurance to insurance funds (Note 17)	**(47,529)**	(43,587)
Mandatory retirement insurance to insurance funds (Note 17)	**(42,844)**	(35,915)
Other social expenses	**(13,649)**	(12,781)
Pension expenses – retirement and work and life jubilees (Note 17)	**(1,945)**	(2,707)
Total	**(363,294)**	**(334,792)**

The number of active employees of the Group as of December 31, 2021 was 8,950 (December 31, 2020: 9,376). The average number of employees of the Group for 2021 was 9,254 (2020: 9,906).

The average number of employees of the Group is comprised of the following:

	2021	2020
U. S. Steel Košice, s.r.o.	**8,500**	8,638
Other Group companies	**754**	1,268
Total	**9,254**	**9,906**

(All amounts are in thousands of EUR if not stated otherwise)

Note 22 Other Operating Expenses

Other operating expenses during 2021 and 2020 are as follows:

	2021	2020
Packaging	**(4,009)**	(2,107)
Cleaning and waste disposal	**(9,395)**	(7,891)
Advertising and promotion	**(1,315)**	(1,090)
Intermediary fees	**(87)**	-
Training	**(261)**	(173)
Impairment of receivables release (Note 11)	**(481)**	(418)
Loss on disposal on property, plant and equipment and intangible assets	**-**	(2,028)
Loss on disposal of business units	**(7,496)**	-
Real estate tax and other taxes	**(6,746)**	(8,365)
Intangible assets, licences, trade marks, licence support	**(3,337)**	(3,488)
External processing	**(15,821)**	(10,189)
Costs of processing of steel slag, sludge and dust	**(5,308)**	(3,917)
Audit fees	**(674)**	(621)
Other services provided by the auditor	**(5)**	(1)
Short-term leases (Note 5)	**(323)**	(9)
Low value leases (Note 5)	**(23)**	(10)
Variable lease payments (Note 5)	**(604)**	(482)
Creation & reversal of provision for litigation (non-tax)	**1,965**	(2,056)
Warehousing and handling of finished products	**(3,018)**	(2,881)
Insurance costs	**(6,759)**	(4,124)
Service activities	**(10,045)**	(5,572)
Commitment fee - the Credit Agreement	**(4,969)**	(2,437)
Scarffing of conti-slabs	**(2,470)**	(2,156)
Telephone, fax, telex, postage, data processing	**(3,269)**	(3,215)
Costs of employee intracompany transportation	**(1,370)**	(1,281)
Crane operation	**(4,504)**	(3,189)
Chromium plating of rolls	**(1,419)**	(1,895)
Services of heavy machines	**(889)**	(766)
Chemical treatment of water circuits	**(932)**	(712)
Laboratory and heat tests	**(362)**	(259)
Traveling Costs	**(190)**	(121)
Gifts, Donations	**(998)**	(75)
Works of manufacturing nature	**(1,357)**	(825)
Other operating expenses [1]	**(16,941)**	(11,981)
Total	**(113,412)**	**(84,334)**

[1] Other operating expenses include various types of services not exceeding EUR 1 million individually.

Note 23 Income Tax

The income tax (expense) / credit consists of following:

	2021	2020
Current tax	**(152,823)**	(440)
Deferred tax (Note 9)	**(19,374)**	20,688
Total current year tax	**(172,197)**	**20,248**
Prior year deferred tax correction	**-**	1,622
Total	**(172,197)**	**21,870**

(All amounts are in thousands of EUR if not stated otherwise)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the tax rate applicable to the Group as follows:

	2021	2020
Profit / (loss) before tax	**689,532**	(107,097)
Tax calculated at 21 percent tax rate	**(144,802)**	22,490
Permanent differences	**17,236**	4,869
Effect of CO_2 emission allowances revaluation	**(40,461)**	(6,307)
Other	**(4,170)**	(804)
Tax (charge) / credit	**(172,197)**	**20,248**

The effective tax rate was 25 percent in 2021 (2020: 19 percent). As the Group's profit was lower than parent's Company profit due to subsidiary's loss, the effective tax rate increased.

The increase in permanent differences in 2021 compared to 2020 was due to a significant increase in expenditure on research and development.

The tax (charge) / credit relating to components of other comprehensive income is as follows:

	2021			2020		
	Before tax	Tax (charge) / credit	After tax	Before tax	Tax (charge) / credit	After tax
Changes in fair value of derivative hedging instruments	**27,682**	**(5,813)**	**21,869**	(17,247)	3,622	(13,625)
Changes in actuarial gains and losses	**4,595**	**(965)**	**3,630**	2,711	(587)	2,124
Revaluation of intangible assets (Note 7)	**132,553**	**3,873**	**136,426**	75,126	(8,363)	66,763
Translation reserve	**(24)**	**-**	**(24)**	(11)	-	(11)
Other comprehensive income	**164,806**	**(2,905)**	**161,901**	**60,579**	**(5,328)**	**55,251**
Deferred tax (Note 9)	**-**	**(2,905)**	**-**	-	(5,328)	-

Note 24 Capital Management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholder and to pay obligations as they come due. The Group's overall strategy did not change compared to 2020.

The capital structure of the Group consists of leases (Notes 15) totaling EUR 17,940 thousand as of December 31, 2021 (December 31, 2020: EUR 445,208 thousand) and equity (Note 14) totaling EUR 1,593,305 thousand as of December 31, 2021 (December 31, 2020: EUR 915,107 thousand) that includes share capital, reserve funds and retained earnings.

The externally imposed capital requirements for a limited liability company established in the Slovak Republic include a minimum level of share capital totaling EUR 5 thousand. The Group complied with the regulatory capital requirements as of December 31, 2021 and December 31, 2020.

Note 25 Financial Risk Management

Financial risk is managed in compliance with policies and procedures established by U. S. Steel. The use of risk management instruments is controlled by U. S. Steel management which has authorized the use of futures, forwards, swaps and options to manage exposure to price fluctuations of certain commodities and foreign currency transactions. The derivative instruments, if used, could materially affect the Group's results of operations in particular accounting periods; however, management believes that the use of these instruments will not have a material adverse effect on the financial position or liquidity of the Group.

The Group is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign exchange rate risk and other price risk). The overall financial risk management process focuses on the unpredictability of financial markets and aims to minimize potential adverse effects on the Group's financial performance.

(All amounts are in thousands of EUR if not stated otherwise)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is essentially exposed to credit risk from its operating activities (primarily trade receivables). Remaining credit risk relates mainly to receivables resulting from Environmental projects (Note 11), deposits with banks (Note 13) and derivative financial instruments (Note 12).

Credit risk related to receivables is managed by the Credit & Collection Department. All customers of the Group are assigned an internal risk rating in accordance with approved internal policies and procedures. A customer's credit rating is determined by considering its financial situation, payment behavior, past experience and other factors. Individual credit limits are established based on internal ratings and the amounts and utilization of the limits are periodically re-evaluated and monitored. Group management carefully monitors the impact of the current economic situation on the customers and adjusts the ratings and related credit limits accordingly. Trade receivables are monitored daily for individual customers and groups of customers under common control. Overdue receivables are handled in accordance with established collection management practices such as reminders, phone contact, suspension of orders and shipments and etc.

The Group mitigates credit risk for approximately 76 percent (2020: 76 percent) of its revenues by requiring credit insurance, letters of credit, bank guarantees, prepayments or other collateral. The acceptable ratings of the banks are BBB- and better (according to Standard & Poor's or equivalent of it per other rating agencies). The ratings of banks are monitored monthly or if circumstances change. Information about collateral or other credit enhancements is as follows:

	2021	2020
Credit insurance	**65%**	68%
Letters of credit and documentary collection	**2%**	1%
Bank guarantees	**3%**	2%
Other credit enhancements	**6%**	5%
Credit enhanced sales	**76%**	**76%**
Unsecured sales	**24%**	24%
Total	**100%**	**100%**

The majority of the Group's customers are located in Central and Western Europe. No single customer accounts for more than 10 percent of gross annual revenues.

Expected credit losses related to trade and other receivables are estimated at the end of each reporting period using a credit enhancements matrix. Significant accounting estimates and judgements are applied in the estimation (Note 3).

(All amounts are in thousands of EUR if not stated otherwise)

The Group is exposed to overall credit risk arising from financial assets as summarized below:

December 31, 2021	Derivative financial instruments measured at FV through profit or loss	Financial assets measured at amortized cost	Financial assets measured at FV through other comprehensive income
Trade and other receivables (Note 11)			
Trade receivables (net)	-	399,438	18,468
Related party accounts receivables (net)	-	14,067	-
Other receivables (net)	-	9,817	-
Derivative financial instruments (Note 12)			
Forward foreign exchange	13,324	-	-
Commodity swaps - iron ore	135	-	-
Cash and cash equivalents and restricted cash (Note 13)			
Cash and cash equivalents and restricted cash	-	289,935	-
Total	**13,459**	**713,257**	**18,468**

December 31, 2021	Cash and cash equivalents and restricted cash at amortized cost
ING Bank N.V.	68,823
COMMERZBANK	42,576
Citibank (Slovakia) a.s.	65,737
Slovenská sporiteľňa, a.s.	9,460
Komerční Banka, a.s.	41,080
Československá obchodná banka, a.s.	50,268
Všeobecná úverová banka, a.s.	8,410
Other banks	3,202
Cash and cash equivalents (Note 13)	**289,556**
Slovenská sporiteľňa, a.s.	229
Citibank (Poland S.A.)	150
Cash restricted in its use	**379**
Total	**289,935**

(All amounts are in thousands of EUR if not stated otherwise)

December 31, 2020

	Derivative financial instruments measured at FV through profit or loss	Financial assets measured at amortized cost	Financial assets measured at FV through other comprehensive income
Trade and other receivables (Note 11)			
Trade receivables (net)	-	213,586	7,776
Related party accounts receivables (net)	-	7,694	-
Other receivables – environmental projects	-	236	-
Other receivables (net)	-	8,160	-
Derivative financial instruments (Note 12)			
Forward foreign exchange	3	-	-
Cash and cash equivalents and restricted cash (Note 13)			
Cash and cash equivalents and restricted cash	-	220,250	-
Total	**3**	**449,926**	**7,776**

December 31, 2020

	Cash and cash equivalents and restricted cash at amortized cost
ING Bank N.V.	24,049
COMMERZBANK	15,176
Citibank (Slovakia) a.s.	31,627
Slovenská sporiteľňa, a.s.	4,785
Komerční Banka, a.s.	41,665
Československá obchodná banka, a.s.	39,779
Všeobecná úverová banka, a.s.	61,397
Other banks	1,157
Cash on hand	82
Cash and cash equivalents (Note 13)	**219,717**
Citibank (Poland S.A.)	533
Cash restricted in its use	**533**
Total	**220,250**

The maximum exposure to credit risk at the reporting date is the carrying value of the above mentioned financial assets before consideration of collateral and other credit enhancements.

<u>Liquidity risk</u>

The Group's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of credit facilities to cover the liquidity risk in accordance with its financing strategy. Group management monitors expected and actual cash flows and the cash position of the Group on a daily basis in accordance with approved internal policies and procedures. Excess funds are invested to liquid financial assets and time deposits not to exceed USD 100 million or equivalent in other currency for sole obligor. The investment exposure by country is also closely monitored.

Borrowings are disclosed in Note 15.

(All amounts are in thousands of EUR if not stated otherwise)

The table below summarizes the expected undiscounted cash flows in relation to agreed maturities of financial assets and financial liabilities.

December 31, 2021

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	289,556	-	-	**289,556**
Restricted cash	379	-	-	**379**
Trade receivables (net)	431,973	-	-	**431,973**
Other receivables (net)	9,817	-	-	**9,817**
Derivative financial instruments	322,002	-	-	**322,002**
Total	**1,053,727**	**-**	**-**	**1,053,727**
Liabilities				
Trade payables and accruals	512,339	9,743	-	**522,082**
Other financial liabilities	3,427	-	-	**3,427**
Derivative financial instruments	307,597	-	-	**307,597**
Lease liability (Note 5)	8,198	9,742	-	**17,940**
Total	**831,561**	**19,485**	**-**	**851,046**

December 31, 2020

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	219,717	-	-	**219,717**
Restricted cash	533	-	-	**533**
Trade receivables (net)	229,056	-	-	**229,056**
Other receivables – environmental projects	236	-	-	**236**
Other receivables (net)	8,160	-	-	**8,160**
Derivative financial instruments	228,832	-	-	**228,832**
Total	**686,534**	**-**	**-**	**686,534**
Liabilities				
Trade payables and accruals	307,032	13,497	-	**320,529**
Other financial liabilities	4,959	-	-	**4,959**
Derivative financial instruments	242,271	-	-	**242,271**
Lease liability (Note 5)	7,416	12,876	30	**20,322**
Loans and borrowings (Note 15)	-	459,965	-	**459,965**
Total	**561,678**	**486,338**	**30**	**1,048,046**

<u>Market risk</u>

a) Interest rate risk

The Group is subject to the effects of interest rate fluctuations on borrowings drawn against revolving credit facilities (Note 15). The Group was not subjected to the effects of interest rate fluctuations on borrowings drawn against revolving credit facilities as of December 31, 2021, since no borrowings have been drawn as of December 31, 2021. If the interest rate had been 1 percent higher / lower as of December 31, 2020, it would have resulted to EUR 5.1 million higher / lower interest expense.

The Group's income is substantially independent of changes in market interest rates. The Group had accrued interest income from intercompany loan and had other minor interest income from short term bank deposits and cash at bank accounts as of December 31, 2021 and December 31, 2020.

b) Currency risk

The Group is exposed to the risk of price fluctuations due to the effects of foreign exchange rates on revenues and operating costs, capital expenditures and existing assets or liabilities denominated in currencies other than the EUR, particularly the U.S. dollar. The fluctuation of exchange rates represents significant risk as the majority of sales are denominated in EUR, while purchases of strategic raw materials are mainly in USD.

(All amounts are in thousands of EUR if not stated otherwise)

The structure of cash and cash equivalents and cash restricted in its use by currency is as follows:

December 31, 2021	Cash and cash equivalents	Cash restricted in its use
EUR	4,018	229
USD	169,657	-
CZK	115,856	-
other	25	150
Total	**289,556**	**379**

December 31, 2020	Cash and cash equivalents	Cash restricted in its use
EUR	212,376	-
USD	4,107	-
CZK	3,151	-
other	83	533
Total	**219,717**	**533**

The Group manages its exposure to certain currency price fluctuations in cooperation with U. S. Steel's Corporate Finance, using a limited number of forward foreign exchange contracts. Derivative hedging instruments are carried out in compliance with an approved hedging strategy and internal policy. Financial instruments are used exclusively for hedging of financial risk. Trading for speculative purposes is prohibited. The risk exposure, as determined by the analysis of income and expense structured by foreign currency, is hedged based on highly probable cash flow forecast transactions. These cash flows are planned in the form of the annual operating plan for the next 12 months and updated in line with quarterly short-range forecasts or whenever new business circumstances occur. Management monitors the open positions monthly.

As of December 31, 2021, the Group had open USD forward purchase contracts for Euros in total notional value of approximately EUR 307 million (December 31, 2020: EUR 242 million).

On December 23, 2019, the Group entered into a USD 150 million Loan Agreement with United States Steel Corporation. As of December 31, 2021, borrowings totaling USD 150 million (i.e. EUR 132 million using the exchange rate valid at the end of the reporting period) were repaid from this credit facility.

As of December 31, 2021, if the EUR had weakened / strengthened by 7 percent against the U.S. dollar with all other variables held constant, this movement would have resulted in a EUR 125 thousand charge / EUR 255 thousand credit to total comprehensive income, mainly as a result of gains/losses from the fair value change of forward foreign exchange contracts.

As of December 31, 2020, if the EUR had weakened / strengthened by 7 percent against the U.S. dollar with all other variables held constant, this movement would have resulted in a EUR 4 million credit / EUR 3 million charge to total comprehensive income, mainly as a result of gains/losses from the fair value change of forward foreign exchange contracts.

c) Other price risk

In the normal course of its business, the Group is exposed to price fluctuations related to the production and sale of steel products. The Group is also exposed to price risk related to the purchase, production or sale of coal, coke, natural gas, steel scrap, iron ore and pellets, zinc, tin and other nonferrous metals used as raw materials.

The Group is exposed to commodity price risk on both the purchasing and sales sides and manages the risk through natural hedges. The Group's market risk strategy is in compliance with U. S. Steel's strategy that has generally been to obtain competitive prices for our products and services and allow operating results to reflect the market price movements dictated by supply and demand in the profit or loss.

(All amounts are in thousands of EUR if not stated otherwise)

The Group is exposed to a fluctuation of Iron Ore, Zinc and Tin purchase prices. An increase in these commodity prices would have an adverse impact on the Group's profitability. In order to mitigate the Group's exposure to Iron Ore, Zinc and Tin price fluctuation, the Group entered into commodity forwards to protect its profit margin. By participating in this hedging program, the Group fixed the price for the portion of the Group's Iron Ore, Zinc and Tin requirements, which helped the Group's profitability objectives. All commodity forwards commenced in 2021 matured in 2021. All commodity forwards commenced in 2020 matured in 2020.

In 2021 and 2020, the Group did not carry out any other material derivative transaction mitigating commodity price risk and had no material open commodity derivatives as of December 31, 2021 and December 31, 2020, respectively.

Note 26 Financial Instruments by Category

The following table provides a reconciliation of classes of financial assets and liabilities with the measurement categories as determined by *IFRS 9 Financial Instruments:*

December 31, 2021

	Amortized cost	FV through profit or loss	FV through other comprehensive income	Total
Assets				
Unquoted financial instruments	-	259	-	**259**
Trade receivables (net)	399,438	-	18,468	**417,906**
Related party accounts receivables (net)	14,067	-	-	**14,067**
Other receivables (net)	9,817	-	-	**9,817**
Cash and cash equivalents	289,556	-	-	**289,556**
Restricted cash	379	-	-	**379**
Derivative financial instruments	-	13,459	-	**13,459**
Total	**713,257**	**13,718**	**18,468**	**745,443**

	Amortized cost	FV through profit or loss	Total
Liabilities			
Trade payables and accruals	522,082	-	**522,082**
Other financial liabilties (Note 18)	3,427	-	**3,427**
Derivative financial instruments	-	85	**85**
Short-term borrowings			
Leases (Note 5, 18)	8,198	-	**8,198**
Long-term borrowings			
Leases (Note 5, 18)	9,742	-	**9,742**
Total	**543,449**	**85**	**543,534**

(All amounts are in thousands of EUR if not stated otherwise)

December 31, 2020

	Amortized cost	FV through profit or loss	FV through other comprehensive income	Total
Assets				
Unquoted financial instruments	-	259	-	**259**
Trade receivables (net)	213,586	-	7,776	**221,362**
Related party accounts receivables (net)	7,694	-	-	**7,694**
Other receivables - environmental projects	236	-	-	**236**
Other receivables (net)	8,160	-	-	**8,160**
Cash and cash equivalents	219,717	-	-	**219,717**
Restricted cash	533	-	-	**533**
Derivative financial instruments	-	3	-	**3**
Total	**449,926**	**262**	**7,776**	**457,964**

	Amortized cost	FV through profit or loss	Total
Liabilities			
Trade payables and accruals	320,529	-	**320,529**
Other financial liabilties	4,959	-	**4,959**
Derivative financial instruments	-	14,312	**14,312**
Short-term borrowings			
Leases (Note 5, 18)	7,417	-	**7,417**
Long-term borrowings			
Long-term borrowings	300,000	-	**300,000**
Intercompany loan from U.S.Steel (Note 28)	122,239	-	**122,239**
Leases (Note 5, 18)	12,905	-	**12,905**
Total	**768,049**	**14,312**	**782,361**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

December 31, 2021

	Level 1	Level 2	Level 3	Total
Assets				
Trade receivables that are subject of factoring arrangements (Note 11)	-	-	18,468	**18,468**
Hedging derivatives	-	13,459	-	**13,459**
Total	**-**	**13,459**	**18,468**	**31,927**
Liabilities				
Hedging derivatives	-	85	-	**85**
Total	**-**	**85**	**-**	**85**

December 31, 2020

	Level 1	Level 2	Level 3	Total
Assets				
Trade receivables that are subject of factoring arrangements (Note 11)	-	-	7,776	**7,776**
Hedging derivatives	-	3	-	**3**
Total	**-**	**3**	**7,776**	**7,779**
Liabilities				
Hedging derivatives	-	14,312	-	**14,312**
Total	**-**	**14,312**	**-**	**14,312**

During 2021 and 2020, there were no transfers between Level 1 and Level 2 of fair value measurements and no transfers into and out of Level 3 of fair value measurements.

All other financial instruments, with the exception of hedging derivatives and trade receivables that are subject of factoring arrangements, are measured at amortized cost as of December 31, 2021 and December 31, 2020. Fair values of these instruments as of December 31, 2021 and December 31, 2020 approximate their carrying amounts.

Note 27 Contingent Liabilities and Contingent Assets

Capital Commitments

Capital expenditures of EUR 24 million had been committed under contractual arrangements as of December 31, 2021 (December 31, 2020: EUR 53 million).

Environmental Commitments

The Group is in compliance with environmental legislation. In 2021, the environmental expenses represented mainly by air, water pollution and solid waste handling fees totaled approximately EUR 10 million (2020: EUR 6 million). There are no material legal proceedings pending against the Group involving environmental matters.

The Group is subject to the laws of Slovakia and the European Union (EU). An EU Regulation commonly known as Registration, Evaluation, Authorization and Restriction of Chemicals, Regulation 1907/2006 (REACH) requires the registration of certain substances produced in or imported into the EU, and application for authorization to continue use where replacement of certain substances is not possible or feasible. In some cases, replacements for substances currently used in our operations were implemented. Suppliers in EU have filled the Application for Authorization to be permitted to continue using hexavalent chromium substances also in our production until suitable alternatives can be identified. European Commission approved Authorization for the Group suppliers to use sodium dichromate for packaging steel until April 14, 2024 and chromium trioxide for packaging steel until September 21, 2024. The Group can still use hexavalent chromium substances in the selected processes until the suitable alternative is qualified for use. On May 25, 2020 the Group filled an independent Application for Authorization to be permitted to continue using sodium dichromate and chromium trioxide for packaging steel until 2027. Efforts are ongoing to identify, test and prove the feasibility of replacement substances. Membership contributions to consortiums for update of registration and authorization documentation were EUR 46 thousand in 2021 and EUR 18 thousand in 2020. The Group cannot reliably estimate the potential additional registration costs of produced and purchased substances.

Effective from January 1, 2020, the Group transferred, within the framework of fulfilling the obligations of a packaging manufacturer, from the collective system to the individual system of fulfillment of obligations, resulting in reduction of the total costs relating to the subsequent collection, sorting and recovery of the packaging waste. Due to the impact of the change as well as the optimization of record keeping procedure for the packaging placed on the Slovak market, the 2021 costs were EUR 131 thousand (2020: EUR 128 thousand). In addition, the Slovak Republic has adopted amendment to the waste legislation that became effective on December 12, 2020. The Group estimates the financial impact of this amendment to the Waste Act on its operations in the amount of approximately EUR 85 thousand

Carbon Dioxide (CO_2) Emissions

The European Union has established aggressive CO_2 reduction targets of 40 percent by 2030, against a 1990 baseline, and full carbon neutrality by 2050. As part of the European Green Deal the Commission proposed in September 2020 to raise the 2030 reduction target to at least 55 percent compared to 1990. The new target has yet to be endorsed by the European Parliament.

An emission trading system (ETS) was established to ensure compliance with set emissions reduction and starting in 2013, the ETS discontinued allocation based on national allocation plans (NAP) and began to employ centralized allocation which is more stringent than the previous requirements.

The European Union has imposed limitations under the ETS for the period 2013-2020 (Phase III) that were more stringent than those in NAP II, reducing the number of free emission allowances allocated to companies to cover their CO_2 emissions.

As of December 31, 2020, the Group had 12.3 million of purchased European Union Allowances (EUA) totaling EUR 141 million available to cover the estimated Phase III period shortfall of emission allowances.

Phase IV of the EU Emissions Trading System (EU ETS) commenced on January 1, 2021 and will finish on December 31, 2030. The Phase IV is divided into two sub periods (2021-2025 and 2026-2030). The European Commission issued final approval of the Slovak National Allocation table in July 2021. The Slovak Ministry of Environment, after consent from the European Commission, allocated free allowances to Group in December 2021 . The final volume was reduced to reflect Group's production cuts in 2019 and 2020. The same assessment and potential reduction will take place in every year. In the fourth quarter of 2020 the Group started with purchases of allowances for the Phase IV period. As of December 31, 2021, the Group purchased approximately 4 million EUA totaling EUR 176 million to fully cover the estimated 2021 shortfall and 1.1 million EUA totaling EUR 68 million to cover the expected 2022 shortfall of emission allowances.

In 2019, the U. S. Steel Corporation announced its commitment to reduce greenhouse gas emissions intensity across its global footprint by 20 percent, as measured by the rate of CO_2 equivalents emitted per ton of finished steel shipped, by 2030 based on 2018 baseline levels. Then, in 2021, the U. S. Steel Corporation announced its goal to achieve net-zero emissions by 2050. These targets will apply to U. S. Steel's global operations.

The carbon intensity reduction targets reflect Group's continued commitment to improvement in production efficiency and the manufacture of products that are environmentally friendly. These aggressive targets require drastic measures within the steel industry to comply. Incremental gains in energy reduction, use of renewable energy and continued asset and process improvements are expected to reduce our greenhouse gas footprint. However, the development of breakthrough technologies is likely required to continue the path of low to no carbon footprint in the steel industry. Implementation of new technologies will most likely require significant amounts of capital and an abundant source of low-cost hydrogen and/or green power, most likely leading to an increase in the cost of future steelmaking. In addition, the cost of emission allowances is forecast to increase, along with the number of allowances decreasing in the next several years.

<u>Best Available Techniques (BAT's)</u>

The EU's Industry Emission Directive requires implementation of EU determined BAT's for Iron and Steel production to reduce environmental impacts as well as compliance with BAT associated emission levels. Total capital expenditures for projects to comply with or go beyond the BAT requirements were EUR 138 million over the actual program period. These costs were partially offset by the EU funding received and may be mitigated over the next measurement period if the Group complies with certain financial covenants, which are assessed annually. The Group complied with these covenants as of December 31, 2021 and December 31, 2020. If the Group is unable to meet these covenants in the future, the Group might be required to provide additional collateral (e.g. bank guarantee) to secure 50 percent of the EU funding received.

<u>Impact of Coronavirus (COVID-19)</u>

The global pandemic resulting from the coronavirus designated as COVID-19 has had a significant impact on economies, businesses and individuals around the world. Efforts by governments around the world to contain the virus have involved, among other things, border closings and other significant travel restrictions; mandatory stay-at-home and work-from-home orders; mandatory business closures; public gathering limitations; and prolonged quarantines. These efforts and other governmental, business and individual responses to the COVID-19 pandemic have led to significant disruptions to commerce, lower consumer demand for goods and services and general uncertainty regarding the short-term and long-term impact of the COVID-19 virus on the domestic and international economy and on public health. The Group implemented a comprehensive response to the pandemic focused on protecting health and safety of the employees, preserving cash and liquidity, ensuring the Group's operations and supporting its customers and community. U. S. Steel Košice, s.r.o. was identified by the Slovak government as a strategic and critical company, essential to economic prosperity, and continued to operate.

The duration, severity, speed and scope of the COVID-19 pandemic remains highly uncertain and the extent to which COVID-19 will affect the Group depends on future developments, such as potential surges of the outbreak and the speed of the development, distribution and effectiveness of vaccine and treatment options, which cannot be predicted at this time. Although the Group has continued to operate, it experienced a significant reduction in demand and low selling prices at the on set of the pandemic.

(All amounts are in thousands of EUR if not stated otherwise)

In year 2020 demand went down due to economic and industrial lockdowns. One of three blast furnaces of the Group remained idled for the entire year. As a result, steel production capability utilization dropped to 67 percent in 2020, which represented an 11 percentage points decline from the previous year. Group emerged from this unfavorable period with the support of the state “kurzarbeit” mechanism which provided wage compensation to employers forced to temporarily reduce working hours by external factors, which the pandemic did (Note 19). Throughout this challenging period, Group focused on optimizing costs through maintenance and production labor transformations. New processes, procedures, and controls were implemented to respond to changes in business environment.

Since the second quarter of year 2020, demand has continued to accelerate especially in key markets like automotive, construction and appliance. The demand rebound in the second half, together with continuously improved selling prices, helped to reduce significant unfavorable impacts on the full year results.

This positive trend remained also in financial year 2021 and there has been no significant impact of COVID 19 on the Group in year 2021.The Group has been able to implement sufficient measures related to restrictions and requirements imposed by the government and has been able to operate without any further outages and production reductions. In 2021 Group benefited from significantly improved business conditions compared to the previous year's COVID-19 pandemic induced market challenges.

The nature, extent and duration of the effects of the COVID-19 pandemic on the Group was highly uncertain, however due to an active management of credit risks, its effective monitoring and controlling through credit evaluation and rating of customers Group did not experienced any credit loss in 2020 or 2021 (Note 25).

The Group does not expect an impact on its ability to continue to operate as a going concern.

Note 28 Related Party Transactions

Transactions with related parties

The following table provides amounts of transactions with related parties recognized in the profit or loss of the relevant financial year and outstanding balances resulting from transactions with related parties included in the statement of financial position as of December 31 of the relevant financial year:

		2021	2020
United States Steel Corporation, Ultimate parent company			
	Revenues	**16,616**	9,907
	Expenses	**90,281**	139,526
	Receivables	**14,011**	7,609
	Payables	**9,505**	7,114
	Borrowings received including interest (Note 15)	**-**	122,282
USS International Services, LLC, Company under common control of U. S. Steel			
	Expenses	**2,366**	2,931
	Receivables	**56**	85
	Payables	**647**	447
Total			
	Revenues	**16,616**	**9,907**
	Expenses	**92,647**	**142,457**
	Receivables	**14,067**	**7,694**
	Payables	**10,152**	**7,561**
	Borrowings received including interest	**-**	**122,282**

No dividends were paid to U. S. Steel Global Holdings VI B.V. in 2021 (No dividends were paid to U. S. Steel Global Holdings VI B.V. in 2020) (Note 14).

Transactions with United States Steel Corporation relate mainly to rendering of services (2021: EUR 14,505 thousand; 2020: EUR 8,842 thousand), purchases of raw material (2021: EUR 83,681 thousand; 2020: EUR 131,025 thousand), managerial services (2021: EUR 2,500 thousand; 2020: EUR 2,329 thousand), interest expense (2021: EUR 3,159 thousand; 2020: EUR 5,128 thousand), sales of own products (2021: EUR 2,111 thousand; 2020: EUR 1,065 thousand) and cost of sales of own products (2021: EUR 941 thousand; 2020: EUR 1,044 thousand).

(All amounts are in thousands of EUR if not stated otherwise)

USS International Services, LLC provides managerial services to U. S. Steel Košice, s.r.o. (2021: EUR 2,366 thousand; 2020: EUR 2,931 thousand).

All related party transactions were realized on arm's length basis.

On December 23, 2019, the Group entered into a USD 150 million Loan Agreement with United States Steel Corporation. This agreement will mature on September 27, 2023. Interest on borrowings under the facility is 3 month USD LIBOR plus margin 2.9 percent per annum. As of December 31, 2021, borrowings totaling USD 150 million (i.e. EUR 132 million using the monthly average exchange rate) were fully repaid against this credit facility and the interest expense was USD 3,728 thousand (i.e. EUR 3,159 thousand using the monthly average exchange rate). As of December 31, 2021, USD 150 million was available to borrow under this Agreement.

Employments of the statutory representatives and key management employees

a) Slovak and foreign statutory representatives of the Group did not receive any cash or non-cash benefits from the Group in 2021 and 2020 that arise from their positions as statutory representatives. Foreign statutory representatives of the Group are employed and paid based on their employment contracts with USS International Services, LLC and their compensation is included in charges for managerial services provided to the Group. Salaries and other employee benefits of the Group's key management employees shown in the following table comprise also a compensation of Slovak statutory representatives:

	2021	2020
Wages and salaries	**16,839**	16,197
Profit sharing expense	**50**	2
Mandatory social and health insurance to all insurance funds	**4,712**	4,457
Total	**21,601**	**20,656**

b) Shares of U. S. Steel granted to the Group's executives do not represent a material amount in these financial statements.

c) No loans or advance payments were provided to statutory representatives by the Group.

Note 29 Financial Performance Indicators

USSK management believes that EBITDA considered along with the net earnings (loss), Earnings Before Interest and Taxes (EBIT) and Earnings Before Taxes (EBT) are relevant indicators of trends relating to Group's financial performance and cash generating activity. These performance indicators provide management and investors with additional information for comparison of our operating results to the operating results of other companies. These measures are not intended to evaluate the Group's liquidity position.

EBITDA is determined from net earnings (loss) as adjusted for income taxes, net interest income (loss) and significant non-cash items which do not affect cash generating activity. Adjustments include depreciation, amortization, asset impairment charge or reversal and non-cash charges recorded in line with emission allowances accounting policy. Earnings Before Interest and Taxes (EBIT) is a measure of a Group's profitability determined from EBITDA adding back depreciation, amortization and asset impairment charge or reversal. Earnings Before Tax (EBT) is further adjusted adding back net financial income (expense).

(All amounts are in thousands of EUR if not stated otherwise)

The reconciliation of EBITDA, EBIT and EBT is as follows:

	2021	2020
Net profit / (loss)	**517,335**	(85,227)
Income tax	**172,197**	(21,870)
Interest expense and other financial costs	**5,807**	14,292
Interest income	**(31)**	(391)
Depreciation and amortization	**89,168**	91,181
Non cash portion of CO_2 provision charge (Note 16)	**549,093**	205,205
Amortization of deferred income - CO_2 emission allowances (Note 19)	**(416,591)**	(132,120)
EBITDA	**916,978**	**71,070**
Depreciation & Amortization	**(89,168)**	(91,181)
EBIT	**827,810**	**(20,111)**
Interest expense and other financial costs	**(5,807)**	(14,292)
Interest income	**31**	391
EBT	**822,034**	**(34,012)**

Adjusted EBITDA provides additional information by excluding the effects of non-recurring adjusting items or one-off events that can obscure underlying trends, e.g. restructuring and other charges, or income/gains or expenses/losses from any items unusual because of their nature, size or incidence or other nonrecurring items.

The reconciliation of adjusted EBITDA is as follows:

	2021	2020
EBITDA	**916,978**	**71,070**
Restructuring and other charges (Note 17)	**-**	28,608
Adjusted EBITDA	**916,978**	**99,678**

EBITDA and Adjusted EBITDA amounts are derived from net profit shown on page CF-8. EBITDA significantly improved in 2021 compared to 2020 mainly due to favorable impact of increased average realized prices and shipments which were partially offset by unfavorable impact of higher raw material, energy costs and increased operating costs.

Note 30 Events after the Reporting Period

The liquidation of U. S. Steel Obalservis s.r.o. in liquidation was finished on the shareholder meeting as of January 18, 2022 after completion of liquidation process. Liquidation balance was EUR 2,692 thousand. On February 2, 2022 the subsidiary U. S. Steel Obalservis s.r.o. in liquidation was deleted from commercial register.

On February 28, 2022 the CO_2 emission allowances were allocated to the U.S. Steel Košice, s.r.o. account in the volume of 4,966,716 tons totaling EUR 406.3 million, as allocation for year 2022. 2022 free CO_2 allocation was not credited to the account of Ferroenergy s.r.o. to the date of signature of the consolidated financial statements for the year 2021. On April 7, 2021, the Group surrendered 8,972,193 tons of CO_2 emission allowances for year 2021 via the Slovak National Administrator of Union Registry fulfilling its obligation for the first year of the Phase IV period.

Following current situation in Ukraine and the related sanctions against the Russian Federation, the Group has identified the risks and has taken relevant measures to reduce the impact on its business. The Group constantly analyzes the entire situation based on the available information and actual development and evaluates its impacts on the Group. The Group's management considered the potential impact of this situation on its activities and business and concluded that they did not have a significant impact on its 2021 consolidated financial statements or going concern assumption in 2022. However, if current situation turns into negative development, it might have a material adverse effect on the Group, its business, financial condition, results, cash flows and prospects in general. Several packages of sanctions imposed on the Russian Federation contained restrictions on ship and truck transportation, trade in iron, steel, coal, computer technologies and luxury goods, which may affect the Group. The Group is currently evaluating the impact of these sanctions on its operations and taking the necessary measures to prevent their unfavorable impact.

After December 31, 2021, no other significant events have occurred that would require recognition or disclosure in the 2021 consolidated financial statements.