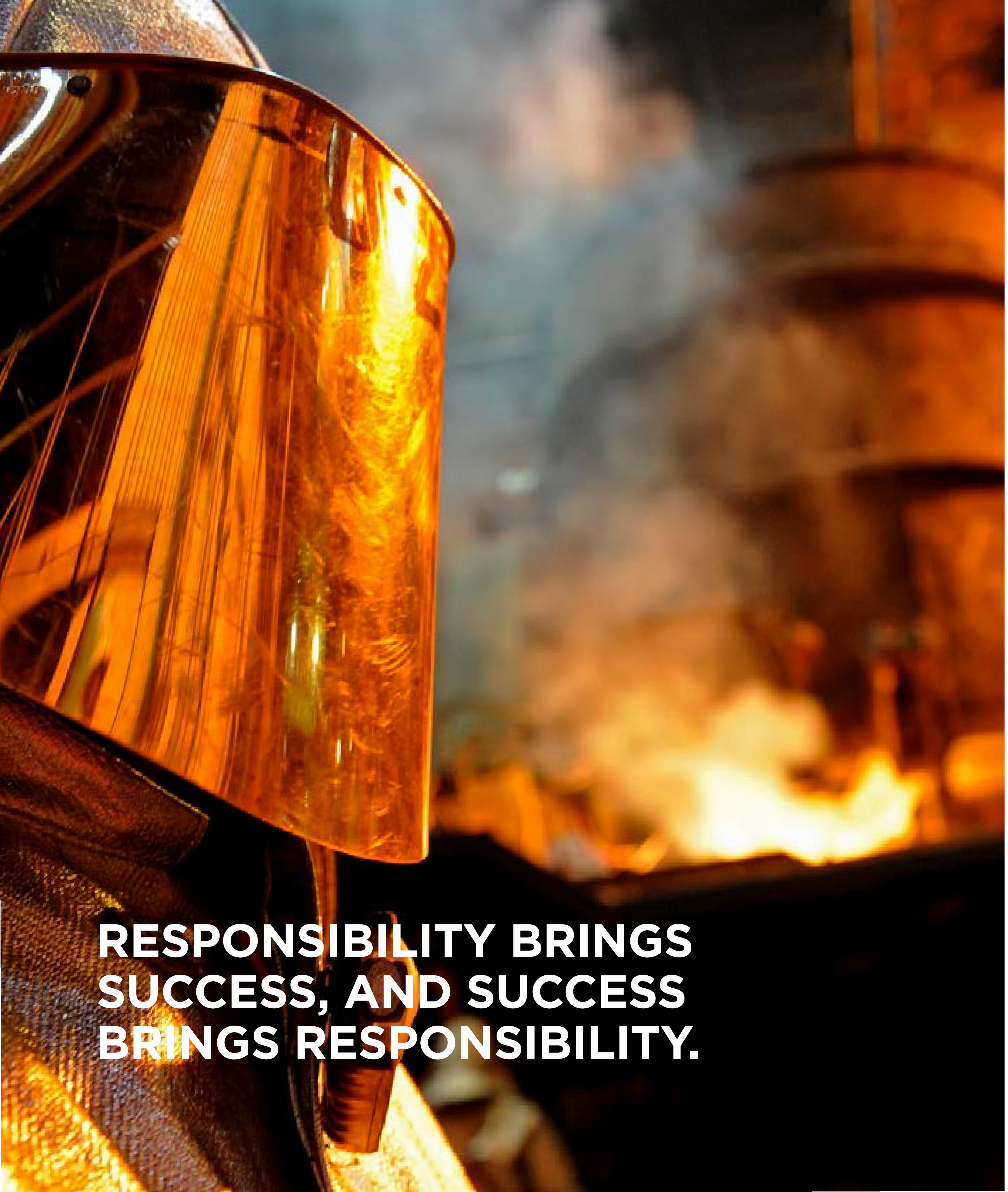
2022

ANNUAL REPORT



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2022 WAS ANOTHER EXCEPTIONAL YEAR FOR U. S. STEEL

For U. S. Steel, 2022 was a year of "Bests." We delivered our best-ever safety performance, exceptional environmental performance, and the second-best financial performance in the company's 122-year history. We are making good on our Best For All® Strategy, as we deliver profitable, differentiated steel solutions that are best for people and planet.

U. S. Steel Košice, s.r.o. (USSK) contributed significantly to U. S. Steel's broader success. As the following report details, USSK made excellent progress on safety and sustainability, all while delivering a strong financial performance. In fact, USSK's safety record was truly extraordinary, with zero days away from work for the entire year. USSK's stellar record in 2022 is all the more impressive given the backdrop in which it operated for most of the year, as Russia's unjustified invasion of Ukraine wreaked havoc on the European economy.

The following pages also detail some of the extraordinary humanitarian actions that the staff of USSK took to aid their neighbors in Ukraine. Their actions represent the best of U. S. Steel – and offer a profound example of how each of us lives by the S.T.E.E.L. principles every day.

Thank you for your interest in U. S. Steel. We look forward to another exceptional performance in 2023.

David Burritt

David Burritt
CEO of U. S. Steel

2022 WAS VERY MUCH THE STORY OF TWO HALVES

For **United States Steel Corporation**, 2022 was yet another exceptional year. While having delivered some all-time record performances, including best safety and environmental performance in the Corporation's history, the company reported its second-best adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) of $4.2 billion.

For us in Košice, 2022 was another great year. In fact, the second-best year in the last decade. Yet, **it was very much the story of two halves**. We had an excellent first half of the year with exceptional financial results, however a very challenged second half due to the war in the neighboring Ukraine which impacted the economy and energy prices and brought unique challenges with respect to supply of necessary raw materials. Even with the tremendous challenges brought to the region by the war, I am immensely proud of all my USSK colleagues. Not only did they quickly adapt to the changing business environment they also helped lead local efforts with generous donations of time, money, food and other essentials to the refuges that came to our community all while delivering record safety performance in the mill.

In fact, **the EU steel market in 2022** could be characterized by skyrocketing energy prices, exceptionally high inflation and consumer sentiment at historical lows. Escalating conflict in Ukraine combined with sanctions on Russian exports led to further deterioration in the EU steel market, as Ukraine and Russia represent a significant source of raw materials for steel production, gas and oil.

Taking the above-mentioned into consideration, I greatly appreciate the effort of our USSK team. Already before the **outbreak of the war** we had taken preventative measures and launched a plan aimed at securing stocks of strategic raw materials. Due to our contingency planning, our team was able to quickly ensure compliance to all sanctions against the Russian Federation. The Company acted further to identify risks and take relevant measures to reduce the impact on its business. The way our team maximized the benefit of an up market in the first half of the year and then very quickly transitioned to minimize the negative impacts of the war played a significant role in attaining the business results we managed to achieve.

The USSK team did so by maintaining the highest levels of **safety performance** and by driving safety enhancements through continuous improvements, demonstrating the importance of our primary "safety first" value. Focused execution starts with safety, and I'm pleased that we achieved another record year of safety performance. 2022 can be characterized by the frequency of all Occupational Safety and Health Administration injuries 0.015 **– which it is the best result since 2001 -** and the frequency of DAFW 0,000. Moreover, I am proud to say that in October 2022, we successfully completed the Safety Management System Certification Audit and **obtained a certificate** according to Standard STN ISO 45001:2019.

Safety results are table stakes for **operational excellence**. Great safety translates to **great operations** that we managed to sustain despite a different raw material mix to what we had been historically used to. I am also pleased to announce that in the **environmental area**, we have seen significant improvements, having exceeded our targets. Finally, I am greatly proud of our teams' alignment on our efforts to **digitize the business** through implementing ERP solution. All the efforts deserve an expression of gratitude to all the colleagues.

Throughout 2022, we continued putting significant amount of energy into strengthening the sustainability and environmental, social, governance (ESG) of our business. We see sustainability as the overarching, incredibly important aspect that covers and interlinks with all our activities. This is embedded in USSK culture and is not new to us. While becoming more prominent in society, including how businesses are evaluated, the core values of USSK have, from its inception, been well aligned and even exceeded the expectations of external stakeholders in Corporate Social Responsibility (CSR). And that is also our aim now regarding ESG and sustainability.

Since our founding, we have been a leader in the application of business ethics and responsible company management in Slovakia. Long before "sustainability" became associated with business and society, before ESG and CSR came to the forefront, safety and health protection of employees, attitude towards environmental protection and reducing the impact of our business in the region and the education and development of human resources in creating a motivated workforce were enshrined in our day-to-day business at USSK.

As a valuable member of the community in which we operate, we have been interested in the needs of the region and have been involved in solving them. This can be demonstrated by not hesitating to lend a helping hand immediately at the outbreak of the **conflict in Ukraine**. I am genuinely proud of the immediate response and outreach not only at the Group's business level, but also on individual level. USSK employees acted swiftly in a grassroots effort to help incoming refugees and transport them to safe accommodations. They also supported the First Response Centre in Košice by donating food and volunteering. This effort also reflects how important the human aspect is to us in our lives. By declaring safety as our highest priority, we do not only mean the physical safety, but also **how people feel in the working environment**.

In 2022, we also continued to pay substantial attention to the sustainable future of our company in the area of environmental protection. We have thoroughly analyzed technological possibilities and closely monitored the latest developments in steel production technology with the intention of creating a portfolio of effective decarbonization projects. We have put together the plans, that once executed, would help us not only meet but also exceed the expectations and requirements of our key stakeholders. With **state-of-the-art steel making, integrated route efficiency and utilization of new technologies**, we want to produce steel in a greener way. We know it as a commitment to the community in which we operate. At the same time, we want to continue to provide our customers with all grades of steel and maintain the high quality they are used to receiving. Our future plans are subject to EU funding commitments and alignment with key stakeholders to secure key enablers. In addition to financing, we see sufficient electricity at a competitive rate coupled with action from the European Union in the form of the Cross-border adjustment mechanism as a critical and necessary precondition. Finally, the creation of a market for green products in Europe is important, as we need not only to produce green products, but also to sell them.

Over the past year, we've made **significant progress** in all aspects of the environmental, social and governance (ESG) pillars upon which our sustainability framework is built, while continuing to work on transforming of this iconic company to meet tomorrow's challenges.

As I look forward to 2023, I am optimistic the right business environment will reemerge and allow USSK to continue on our sustainable journey. Our ultimate goal is to have the Best Business, to be the Best Partner, and to deliver the Best Shareholder return for all of our stakeholders.

I want to thank all of our stakeholders, and especially our hard-working colleagues for making 2022 a year of records and for continuing to drive forward with our safety first mindset, and for working to make our future bright. I remain confident in our ability to execute our best for all future safely. Together, we are building momentum in 2023 and setting up for another year focused on stockholder value creation, ESG transformation and innovation- all in line with our Best for All strategy.

Keep the faith, passion, leadership and hard work going and I am convinced we can have another one of the "good years." As our Corporate CEO Dave Burritt stresses, we cannot — and will not — stand still because our S.T.E.E.L. Principles require something more from each of us.

Jim Bruno

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

KEY INDICATORS

KEY CHALLENGES IN 2022

- The energy crisis and the related rising energy prices
- War conflict in Ukraine
  - Further deepening of the energy crisis and increase in energy prices to historical highs
  - Sharp growth in inflation, increase in interest rates, negative prospects for the development of the economy and the collapse of consumer sentiment to a historic low - a negative impact on steel consumption in all key steel-processing industries.
  - Closure or significant reduction of production capacities due to sharply declining demand in the third and fourth quarters of 2022
  - Complete disruption of trade flows of raw materials and the need to redirect them
- Rising prices for CO_2 emission allowances
- Continued high rate of imports to the EU and its share on EU steel consumption from non-EU producers who are not subject to the payment of CO_2 emissions allowances
- Reducing the impact on the environment: development of modern low-carbon technologies and related production processes

WAR IN UKRAINE

Year 2022 was particularly challenging from the perspective of supply chain management

- Given the potential impact of developments in neighboring Ukraine on our operations, as well as the related sanctions against the Russian Federation (several packages of sanctions imposed on the Russian Federation included restrictions on ship and truck transportation, trade in iron, steel, coal, computer equipment and luxury goods) U. S. Steel Košice, s.r.o. acted quickly.
- Already at the end of 2021, before the outbreak of the war, U. S. Steel Košice, s.r.o. prepared a program aimed at securing an increase in the stock of strategic raw materials.
- U. S. Steel Košice, s.r.o. procurement team began to implement a contingency plan immediately after the outbreak of the conflict in Ukraine.
- The company has diversified its sources of supply. The company has increased the supply of raw materials through European ports.
- U. S. Steel Košice, s.r.o. monitors the situation on a daily basis and, if necessary, takes appropriate measures as defined in the contingency plan.

Quantity of steel produced

3.483 million metric tons of raw steel slabs

Net profit

307 million EUR

Sales and other income

4,498 million EUR

Employment

8,253 employees

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 nongrain oriented sheets. On top of flat-rolled steel products, company also produces spiral welded pipes.

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.

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**

In 2022, U. S. Steel Košice, s.r.o. produced 3.483 million metric tons of raw steel slabs.

COMPANY MANAGEMENT

AS OF DECEMBER 31, 2022:

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 Energy 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

PRZEMYSLAW ZIÓLKOWSKI
Vice President Information Technology

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 No. 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 of the Company was U. S. Steel Global Holdings VI B.V., Basisweg 10, 1043 AP, Amsterdam, Netherlands. The ultimate parent company is United States Steel Corporation, 600 Grant Street, Pittsburgh, Pennsylvania, USA (United States Steel Corporation hereinafter also referred to as U. S. Steel or USS).

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 an organizational unit abroad, or other remote production sites.

DOMESTIC SUBSIDIARIES AS OF DECEMBER 31, 2022

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

- Ferroenergy s.r.o.
- 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 – 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.

CHANGES IN 2022

- On January 4, 2022, the subsidiary U. S. Steel Europe – Bohemia s.r.o. in liquidation was deleted from the Commercial Register.
- The subsidiary U. S. Steel Obalservis s.r.o. entered into liquidation on January 1, 2021, and on February 2, 2022 was deleted from the Commercial Register.
- On February 22, 2022, a transfer of 4,648 pcs of shares of U. S. Steel Košice, s.r.o. in the company STABILITA, d.d.s, a.s. at IAD Investments, správ. spol., a. s. was carried out.
- Effective June 2, 2022, the Company established Supervisory Board, which also acts as an audit committee in compliance with Act No. 423/2015 Coll. on statutory audit as amended. Duane Douglas Holloway (chairman), Manpreet Singh Grewal a Mgr. Eva Durzóová were elected ss members of the Supervisory Board.
- As of August 22, 2022, transfer of shares of the shareholder Ferroenergy s.r.o. were made in Tubular s.r.o. to company U. S. Steel Košice - SBS, s.r.o. and transfer of shares of the shareholder U. S. Steel Košice - Labortest, s.r.o. were made in U.S. Steel Košice - SBS, s.r.o. to company Tubular s.r.o.
- As of January 1, 2023 the companies Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. were deleted from the Commercial Register because of their dissolution without liquidation by merging with the parent company U. S. Steel Košice, s.r.o.
- 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”.

CORPORATE STRATEGY

U. S. Steel is a global steel producer that combines integrated blast furnace, basic oxygen furnace, and mini mill steel process technologies to produce the steel products that are the building blocks of a sustainable future.

United States Steel

BEST FOR ALL®

Best for All® strategy builds on the success of our transformative Best of Both® effort by extending our impact to a broader range of customers, constituents, and communities — including the planet itself.

It is focused on value creation, ESG transformation and disruptive innovation.

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.

Our Best for All strategy, expected to provide customers with profitable steel solutions for people and planet, is integral to our ESG commitments.

OUR STRATEGY SUPPORTS CUSTOMERS WITH:

TALENTED PEOPLE

Creating an environment of innovation and creativity, filling it with talented people and then empowering them to do what they do best.

POWERFUL PARTNERSHIPS

Collaborative teams who understand our customers' objectives and become an indispensable extension of their capabilities.

TRANSFORMATIVE SOLUTIONS

Continuously reimagining what steel can be and delivering transformative solutions that help customers create new products for the next generation.

BEST OF BOTH®

Our transformational Best of Both® strategy, merging the best of integrated and mini mill technologies to lay the foundation for the transition to Best of All®.

CRITICAL SUCCESS FACTORS

Best for All® seeks to accelerate progress across the three Best of Both® strategy critical success factors:

- **Winning in strategic markets.**
  Focused on building our capabilities in the markets where U. S. Steel is strongest to help our customers compete and win.
- **Moving down the cost curve.**
  Managing our costs to be nimble and efficient, able to respond rapidly to help customers address challenges and opportunities.
- **Move up the talent curve.**
  Investing in top talent, bringing our best and brightest people to every customer need.

A powerful partner, offering customers an unbeatable mix of world-class integrated and mini mill facilities and talent. A lean, agile competitor that responds quickly to customer need with innovative solutions. A greener steel provider, with customer and sustainability objectives tightly interwoven. A reinvigorated commercial organization that centers U. S. Steel's people, products and processes on supporting customer success.

This is the new U. S. Steel that we've built over the past three years. With our Best for All® strategy, we are moving forward with confidence and excitement—our best days are ahead.

We have built a stronger and more balanced U. S. Steel. With our Best for All® strategy, the future has never been brighter.

Net-zero carbon emissions by 2050 ambitions
In April of 2021, U. S. Steel announced our goal to achieve net-zero carbon emissions by 2050 (Scope 1 plus Scope 2), building on our 2030 goal of reducing greenhouse gas emissions intensity by 20% on a 2018 baseline (Scope 1 plus Scope 2). This underscores our Best for All® commitment: to be part of the solution to the growing challenge of climate change.

Together with our customers we can build anything. And today, that customer is planet Earth

U. S. Steel Košice

U. S. STEEL KOŠICE STRATEGY

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.

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.

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 2023.

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**
  After the successful Carnegie Way transformation in 2013, in 2019 we successfully implemented Moving Down The Cost Curve (MDCC). As all MDCC projects have been completed as of December 31, 2021, new projects with a two-year sustainability and a base year of 2021 have been adopted under the name BESTx which, in addition to reducing costs, focuse on 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**
  U. S. Steel is an active **Responsible Steel** member. Being committed to the ResponsibleSteel standard, which stems from and follows ESG principles, it obtained the 1st Site certification in North America (Big River Steel).

  USSK supports the enterprise Responsible Steel membership. We have been evaluating the appropriate timing for our company to engage in the site certification process as we are working closely with the corporate U. S. Steel sustainability team

  Transformation of our business to enable green steel production.

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 AND ESG

SUSTAINABILITY
CORPORATE SOCIAL RESPONSIBILITY (CSR)
ESG ISSUES

Every company defines these phrases a bit differently. U. S. Steel views them through a simple lens: Ensuring more sustainable future, for our company and the stakeholders who depend on us, is not only the right thing to do, it's also essential to our long-term success. To realize this future, we are implementing our Best for All® strategy to transform our company into a sustainable, competitive business, enabling us to remain a pillar of our communities, a source of pride for our employees, and the bedrock of sustainable manufacturing for generations to come.

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.

BEST FOR ALL®

Our Best for All strategy is focused on providing customers with profitable steel solutions for people and planet, creating a more sustainable future for all our stakeholders. This strategy is informed by assessment of the climate-related risks and opportunities in our industry as well as potential climate impacts on our facilities, customers and suppliers. The corporation identified initial material ESG themes by conducting research on current and emerging trends in sustainability, comparing our performance with peer steel producers and sustainability leaders.

U. S. STEEL CORPORATE FRAMEWORK

Celebrate Innovation

U. S. Steel innovation enables the development of profitable, sustainable solutions for customers and drives positive outcomes for all stakeholders. This pillar includes material efficiency, energy management, and process and product innovation.

Empower People

U. S. Steel maximizes the potential of the people we impact, both internal and external to the organization, through employee benefits and development, and community outreach. This pillar includes community engagement, corporate governance, diversity, equity and inclusion, health and safety, relationships with unions, and talent management.

Environmental Stewardship

U. S. Steel strives to minimize our environmental footprint through implementation of our greenhouse gas (GHG) intensity reduction goal, air quality goal and adherence to environmental standards. It requires us to engage with our stakeholders throughout the year and report on our performance to relevant groups across our organization

MATERIAL ESG TOPICS AND STAKEHOLDER ENGAGEMENT

In 2022, U. S. Steel engaged with an independent third party to update the assessment of materiality ESG topics that was conducted in 2019 to be more comprehensive and include input from external stakeholders.

We identified an initial universe of material ESG topics by conducting research on current and emerging sustainability trends, and benchmarked material topics and ESG performance of peer steelmakers and sustainability leaders.

In addition, U. S. Steel engaged a broad group of internal and external stakeholders to assess and prioritize these topics. We conducted interviews and surveys with 16 executives across U. S. Steel business lines and over 15 external stakeholders representing investors, customers, suppliers, lenders and non-governmental organizations. The stakeholders rated the importance of ESG topics to themselves and to other stakeholders, as well as to U. S. Steel's corporate goals and strategy. In addition, stakeholders commented on the ESG topics they expect to grow in importance in the short and medium term (bolded on the matrix).

We then plotted the key ESG risks and opportunities relative to their impact on U. S. Steel and our stakeholders. U. S. Steel's Sustainability Team validated the results, which are mapped in the materiality matrix. Our assessment identified 16 significant ESG topics to U. S. Steel, of which the following nine were considered of highest importance (here in alphabetical order):

Material matrix (16 material topics, 9 significant):

Significant ESG topics

1. **Air quality**
2. **Customer engagement**
3. **Diversity, equity and inclusion**
4. **Energy conservation**
5. **GHG emissions**
6. **Innovation**
7. **Safety and health**
8. **Talent management**
9. **Water quality and conservation**

During the stakeholder engagement process, we identified two recurring and emerging themes which encompass many of the 16 ESG material topics:

- **Just transition** - ensuring that the transition to net-zero greenhouse gas emissions for the steel industry is just and equitable for stakeholders that are directly affected.
- **Decarbonization** - reducing greenhouse gas emissions through product and process innovation, responsible supply chain initiatives, energy conservation efforts and other activities.

As we transition to a lower carbon footprint we are committed to continued engagement with community stakeholders, so we can be responsive to local community interests that facilitate a just transition that further enable community development goals.

As we move forward on our decarbonization journey, we anticipate cultivating employment opportunities through new technology development in partnership with like-minded companies, institutions, academia, and non-profit organizations.

U. S. Steel will continue to engage with a variety of internal and external stakeholders to understand evolving perspectives around ESG topic materiality, and risks and opportunities across our value chain. The insights gathered from this materiality refresh will inform U. S. Steel's Best for All® strategy and enterprise risk management mitigation strategies going forward.

The inclusion of information in this report should not be construed as a characterization regarding the materiality or financial impact (or potential impact) of that information or confirmation or other expectation that the actions described in this report (or related capital investments) will be taken within the time frame described, or at all. For additional information regarding U. S. Steel, please see our current and periodic reports filed with the United States Securities and Exchange Commission.

Within USSK, we systematically work on the development of our company's sustainability strategy. We have an effectively functioning 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.

At the corporate level, Sustainability & ESG agenda is led by Senior Vice President and Chief Strategy & Sustainability Officer, and Head of Sustainability.

Within USSK, this agenda falls within the competence of Vice President External Affairs, Administration and Business Development, Director EU ETS Strategy and Analysis and ESG & Sustainability Manager.

Corporate Governance Scheme

UN SUSTAINABLE DEVELOPMENT GOALS

As a responsible company, we strive to focus our attention not only on the sustainability of our business, but also on contributing to efforts aimed at overcoming global challenges. For a long time, we have been setting goals that are in line with the global **Sustainable Development Goals (SDGs)**, which were adopted by the UN member states in 2015 as part of the 2030 Agenda and which the Slovak Republic also endorses. We strive to do business responsibly. Towards the end of 2021, we started setting up a structure focused on meeting ESG requirements, by also creating our own ESG team. We continue doing so while intensifying both communication and cooperation as well as developing our skills and knowledge in this area. We have been deepening SDGs within our company and looking for new ways to embed them in our principles and values : labour, environment, anti-corruption system, and human rights... Working towards these goals not only contributes to overcoming global challenges. It also helps to create better working conditions, improve fair play on the market, reduce the risks that occur in the process ... and last but not least, to be more competitive.

We are aware of their importance, and we support the goals of sustainable development through our corporate mission, and via our wide-ranging activities, we contribute to their achievement.

SUSTAINABLE DEVELOPMENT GOALS

Celebrating Innovation
7 9 12

Empowering People
3 4 5 8 10 11

Protecting the Environment
6 7 12 13 15 17

ESG

Neither **Corporate Social Responsibility** (from English **CSR**) nor **ESG (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 society 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.

USSK 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 **Supplier Code of Conduct** and the **Code of Responsible Sourcing**
- **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.
  - Use of metal-bearing by-products from the engineering industry in agglomeration and blast furnace feed.

- **A greener approach to 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**.

Production (ESG)

- 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.
    - **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).
  - 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
- 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

Products (ESG)

- We respond, among others, to the needs of the construction, automotive, white goods and energy industries
- We are constantly expanding our product portfolio
- Our products help to create sustainable infrastructure and promote a more sustainable lifestyle
- **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, CO_2 savings in 2022 – 4,013 tons)

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)

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

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.

The Company has 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 duties stemming from the EU Taxonomy Regulation.

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

Economic activities eligible for reporting in accordance with the EU taxonomy are listed in the Annexes of Commission Delegated Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions, under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives (hereinafter "the Climate Delegated Regulation"), published in the Official Journal of the EU on 9 December 2021. Annex I of the Climate Delegated Regulation sets out the technical screening criteria determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation, as well as whether the economic activity causes no significant harm to any of the other environmental objectives defined by the Taxonomy Regulation; Annex II of this Regulation sets out the technical screening criteria determining the conditions under which an economic activity qualifies as contributing substantially to climate change adaptation, as well as whether the given economic activity does not significantly disrupt the achievement of any of the other environmental objectives.

The Company must also with effect from 1 January 2022, report in the prescribed manner the proportion of its revenues, capital expenditures (CAPEX) and operating expenditures (OPEX) that are eligible for reporting under the EU Taxonomy ("taxonomy-eligible") from the company's total revenues, CAPEX and OPEX for the year ended December 31, 2022.

According to Annexes I and II of the Climate Delegated Regulation, the Company made an eligibility assessment from consolidated IFRS financial statements based on the EU Taxonomy an also has the obligation to report alignment with EU Taxonomy based on the technical screening criteria. The Company assessed the technical screening criteria determined in the Climate Delegated Regulation and based on the assessment categorized its activities as Taxonomy non-aligned activities – as the activities do not meet the technical screening criteria.

TAXONOMY-ELIGIBLE ACTIVITIES

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. Turnover consists of revenues recognized from sales of own products and related services net of tax and discounts. Certain activities from other income were excluded either by its recognition under IAS 20 — Accounting for Government Grants and Disclosure of Government Assistance or by its kind (income recognized under IFRS 9 Financial Instruments) (Note 19 of consolidated Financial Statements). Not analysed activities represent non-homogeneous activities, which are immaterial on separate basis, are not connected and are not aligned with main activity of the Group and represent value of less than 1% of total revenues and other income.

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of turnover year N (18)	Taxonomy-aligned proportion of turnover year N-1 (19)	Category (enabling activity or) (20)	Category '(transitional activity)' (21)
		('000 EUR)	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																	
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%								%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of basic iron and steel and ferro alloys	24.10	3,405,838	88%																	
Manufacture of tubes, pipes, hollowprofiles and related fittings, of steel	24.20	64,500	2%																	
Cold rolling of narrow strip	24.32	356,997	9%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities (A.2)		3,827,335	99%																	
Total (A.1 + A.2)		3,827,335	99%														%		%	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		60,118	1%																	
Total (A+B)		3,887,453	100%																	

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of CapEx year N (18)	Taxonomy-aligned proportion of CapEx year N-1 (19)	Category (enabling activity or) (20)	Category '(transitional activity)' (21)
			%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																	
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%								%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of basic iron and steel and ferro alloys	24.10	82,395	100%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities (A.2)		82,395	100%																	
Total (A.1 + A.2)		82,395	100%														%		%	

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

Turnover of Taxonomy-non-eligible activities (B)			%
Total (A+B)		82,395	100%

Capital expenditures (CAPEX) consist of additions to property, plant, and equipment, including investment property and right of use assets and intangible assets (Note, 5, 7 of Consolidated Financial Statements). Technical improvement of non-current asset is also included. All ongoing investment projects were assessed. All CAPEX were determined as eligible based on EU Taxonomy as they relate to production and eligible activities either directly or are directly driven by legislative requirements and changes and are related to main eligible activity.

				Substantial contribution criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Taxonomy-aligned proportion of OpEx year N (18)	Taxonomy-aligned proportion of OpEx year N-1 (19)	Category (enabling activity or) (20)	Category '(transitional activity)' (21)
		('000 EUR)	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Percent	Percent	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES			%																	
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)			%	%	%	%	%	%	%								%			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of basic iron and steel and ferro alloys	24.10	105,015	100%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities (A.2)			%																	
Total (A.1 + A.2)			%														%		%	

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

Turnover of Taxonomy-non-eligible activities (B)			%
Total (A+B)		105,015	100%

Operating expenditures (OPEX) consist of non-capitalized costs related to production of the Company, excluding depreciation and amortization, charge for provision for CO_2 emissions, FX loses/gains and include direct costs relating to research and development, renovation of buildings of the repair and servicing of assets, or short-term rentals that relate to taxonomy-eligible economic main activity. All OPEX were determined as eligible based on EU Taxonomy as they relate to production and eligible activities either directly or are directly driven by legislative requirements and changes and are related to main eligible activity.

STRATEGY

ETHICS AND GOVERNING PRINCIPLES

Transparency and sound corporate governance are foundational to everything we do.

Since its founding, U. S. Steel has demonstrated an unwavering commitment to doing business ethically, with integrity, and in compliance with applicable laws and regulations. At the beginning of the 20th century, our co-founder and first chairman Judge Elbert Gary developed what is widely considered to be the first ever corporate code of ethics, known as the Gary Principles. The values set forth in those nine simple statements emphasizing integrity, fairness, and accountability underlie the S.T.E.E.L. Principles that we use today to state our long-held core values in a meaningful and memorable way.

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

U. S. Steel Košice Code of Ethical Business Conduct, as a fundamental internal regulation, constitutes a cornerstone of confidence necessary for the long-term success of our Company. The S.T.E.E.L. Principles are the foundation of our Code of Ethical Business Conduct and ethics and compliance program, and our business must always be conducted within the framework of these long-held core values: Safety First, Trust & Respect, Environmental Stewardship, Excellence and Accountability, and Lawful & Ethical Conduct.

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.

POLICIES

[Supplier Code of Conduct](#)

[USSK Code of Ethical Business Conduct](#)

[Anticorruption policy](#)

[Conflict of Interest](#)

[Sexual and Discriminatory Harrasment](#)

[Gifts and Entertainment](#)

[Anti-corruption guidelines for third parties](#)

[Safety & Industrial Hygiene Policy](#)

EMPLOYEE TRAININGS AND COMMUNICATION

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 & Compliance section), the quarterly online newsletter named "Ethically Speaking", Compliance Tips or short ethics videos. In 2022 employees could also expand their knowledge through **online training** focused on Principle 2 of the Code of Ethical Business Conduct – Trust and Respect, titled Creating a Respectful Workplace.

As every year, also in 2022 our company together with other plants within the United States Steel Corporation joined the 12th year of the **Ethics and Compliance week**. From November 7 to November 11, employees through receiving emails from the highest representatives of the corporation, by attending the Sexual Harassment online training and Ethical Culture Survey 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.

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 employees of the Group, external persons may also use the U. S. Steel Ethics Line to report unethical or unauthorized practices performed within USSK.

In order to promote transparency and the efficacy of the Ethics U. S. Steel Line, the number and types of reports alleging misconduct received, the types of actions taken in response to substantiated allegations, and anonymized summaries of select cases are provided to employees regularly. The Corporate Audit Committee receives additional data about new reports and closed cases quarterly, as well as summaries of significant allegations and investigations, to help facilitate its oversight of the ethics and compliance program.

1

Report Intake

Reporter contacts Ethics Line (phone/online/email) or raises concern to an internal resource that enters report into case management system

Immediate safety issues and threats escalated to Safety & Security

Corporate Internal Audit has access to all reports

2

Review and Assignment

Administrator reviews report, acknowledges receipt, and assigns it to appropriate investigator

Significant issues are escalated to Corporate Audit Committee; regular updates provided, as necessary

Investigators include trained personnel in Human Resources and Safety & Security, Internal Audit and Law department

3

Investigation

Investigator conducts appropriate investigation and prepares written report documenting findings and any remedial measures

Investigation may include document review, interviews, and other relevant steps

Confidentiality maintained to the extent possible

4

Case Closure

Cross-functional Case Closure Committee reviews investigation process, findings, and conclusions

Committee consists of Corporate and USSK representatives from Legal, Human Resources, Safety & Security, Internal Controls, and Internal Audit

Investigation is closed only if there is consensus by Case Closure Committee

Reporter is advised that investigation is complete and that appropriate action has been taken, if applicable

5

Reporting Out

Employees receive overview of Ethics Line activity and sample cases

Corporate Audit Committee receives detailed quarterly reports:

Updates regarding significant reports and investigations

Data and trends re: new reports (by location, issue, anonymity of reporter)

Data and trends re: closed cases (remedial actions, substantiation rates)

U. S. STEEL HAS BEEN NAMED
ONE OF THE WORLD'S MOST ETHICAL COMPANIES FOR 2022

U. S. Steel has been recognized by Ethisphere, a global leader in defining and advancing the standards of ethical business practices, as one of the 2022 World's Most Ethical Companies.

Grounded in Ethisphere's proprietary Ethics Quotient®, the World's Most Ethical Companies assessment process includes a comprehensive benchmark and assessment of governance, leadership and reputation, ethics and compliance programs, culture of ethics, and environmental and societal impact to support a strong value chain. The process serves as an operating framework to capture and codify the leading practices of organizations across industries and around the globe.

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. 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.

SUPPLIER CODE OF CONDUCT

Beyond our employees, we expect our business partners to share our values and act in accordance with the S.T.E.E.L. Principles. **Our standard contractual terms and conditions, Code of Ethical Business Conduct, and Anti-Corruption Guidelines for Third Parties detail our expectations**. In addition to this, in the course of 2022 we worked on implementation of the Supplier Code of Conduct.

The Supplier Code of Conduct, which is published on our website establishes our minimum requirements for ethical and lawful business practices, human rights and working conditions, and environmental stewardship throughout the supply chain. Priorities also include the fight against corruption, the elimination of conflicts of interest, the protection of competition and fair trade.

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 2022, **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.

CELEBRATING INNOVATION

PROCESS INNOVATION

COLLABORATING WITH CUSTOMERS TOWARD SHARED SUCCESS

In recent years, we have collaborated with several customers to solve specific problems during the design process to ensure better end results. What began as intermittent customer requests has evolved into ongoing collaborations, customized solutions and more differentiated products.

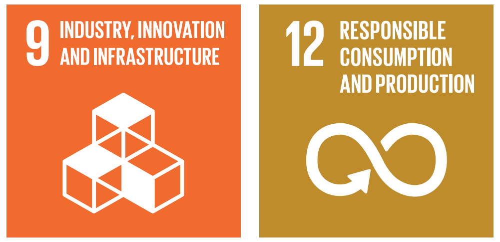
These collaborations have been extraordinarily successful, in large part because of the high level of trust we've built with our customers over time through our strong business relationships. There's a mutual respect for each other's knowledge and expertise, a comprehensive understanding of each other's businesses, and confidence that each party will fulfill its commitments.

> We have continuously strived to improve all aspects of our business, including optimizing how we produce steel, and this is taking us in exciting new directions. We believe that long-term success depends on our ability to adapt to the changing needs of our customers and the environment.

Our engagements start with understanding our customers' business needs, engineering requirements and obstacles. Then we identify a solution, which could be creating a specialized product or modifying an existing one to fit their needs. The more our customers learn about the properties of steel and the ways it can be used, the more they are turning to differentiated steel products as a solution earlier in the design process and pushing the boundaries of its use.

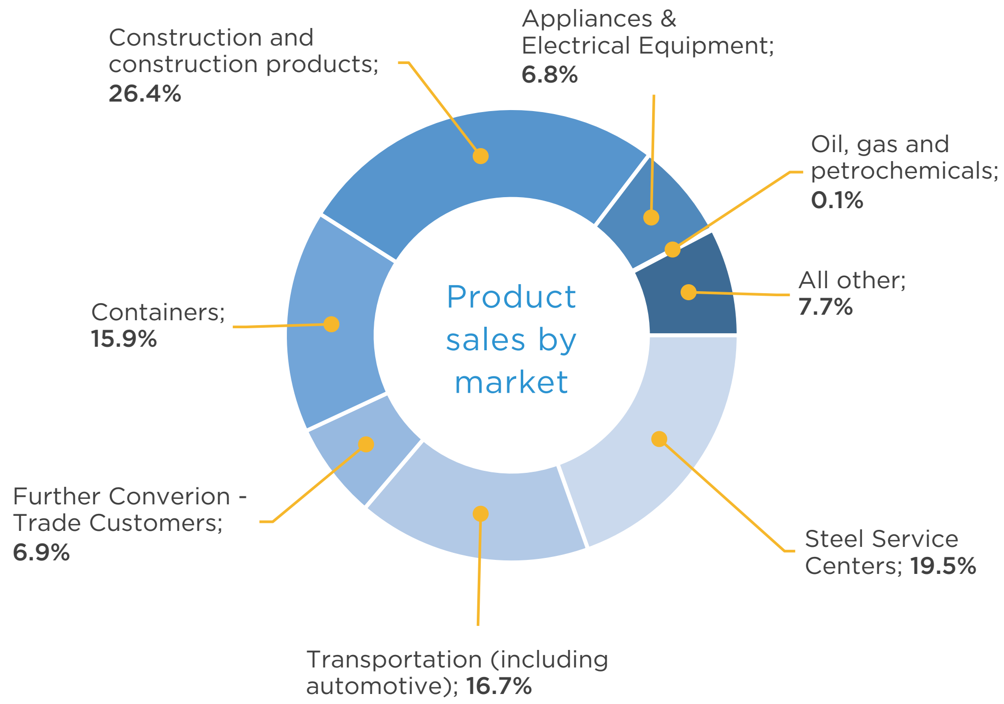
CELEBRATING INNOVATION

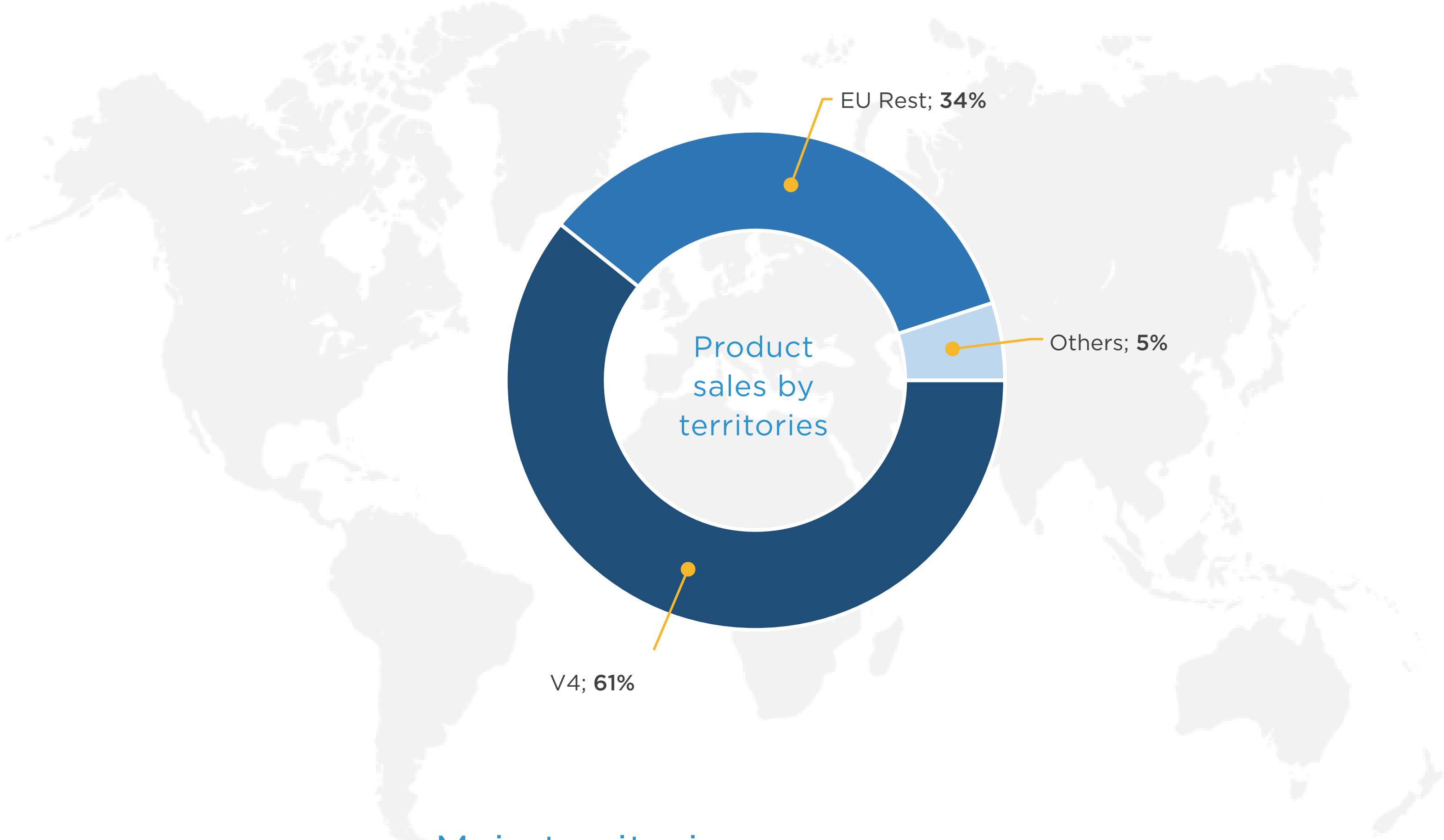
PRODUCTS AND INDUSTRIAL SOLUTIONS



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.

CELEBRATING INNOVATION

QUALITY AND CUSTOMER TECHNICAL SUPPORT (CTS)

USSK has an established and certified quality management system (QMS) according to the EN ISO 9001 standard and according to the IATF 16949 standard for the automotive industry, the performance of which is checked once a year by an accredited certification body. The company holds several dozen product certificates for its final and secondary products and also has several laboratories accredited according to the EN ISO/IEC 17025 standard.

In 2022, the company successfully completed a surveillance audit according to EN ISO 9001:2015 and IATF 16949:2016, thus confirming suitability and the efficiency of established processes. As part of USSK's transformation processes, several activities were streamlined and developed in this area, in order to accumulate activities connected with meeting the requirements of USSK's certified management systems in the area of environment, energy efficiency, safety and maintenance of railway transport (ECM) and the vision of introducing an integrated management system.

In the field of **internal quality**, when defining demanding internal goals, the quality of deliveries in 2022 was evaluated positively by USSK customers.

- **The target of 1.33%** for the category Reclassified material (Divert) was at the level of **1.40%**
- **The target of 0.92%** for the category Repaired material (Retreat) was at the level of **1.07%.**

As for external quality, in 2022 a positive trend in customer claims was recorded. Compared to 2021, number of received claims decreased by 4%.

As to cooperation with customers, the **Customer Satisfaction Survey** is a significant **external quality parameter of supplied products and services**. The response rate in 2022, reached the same record level as in previous year, **99 %**, whereby the customer satisfaction rating reached a **value of 1.69** (on a scale of 1 – excellent down to 5 – poor). **This result belongs to 3 best customer satisfaction survey ratings since U. S. Steel acquired Košice plant**. 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.

CELEBRATING INNOVATION

RESEARCH AND DEVELOPMENT

FOCUS OF RESEARCH AND DEVELOPMENT ACTIVITIES

- Increasing the productivity and efficiency of production brought about a reduction in CO_2 emissions as well as a reduction in the energy intensity of production and production costs.
- In the area of primary production, the processes of deoxidation, alloying and casting of steels were optimized.
- The use of advanced analytical methods and artificial intelligence continued in the modeling of metallurgical processes.
- The group of products in which the implementation of models for the prediction of mechanical properties has replaced the implementation of a mechanical test has significantly expanded. In addition to saving material and time for sampling and sample processing, the risk of injuries associated with these activities was eliminated.
- Increasing the quality of products was an integral part of research and development. Projects aimed at improving the internal cleanliness, surface quality and mechanical properties of steels were implemented.
- The development of new grades of steel tailored to the specific needs and requirements of customers continued. The mechanical properties of several products were modified according to their specific requirements. In addition to the development of new grades of steel, our production portfolio was also expanded to include new thicknesses and widths.
- Products with the highest added value were produced for strategic industries – the automotive, packaging, electrical engineering and the construction industry.

We contribute to increasing efficiency and sustainability

Research and development in 2022 responded to the current state of the steel market, the energy crisis as well as the general situation caused by the war in Ukraine. Therefore, the aim of the research and development activities was, on the one hand, the improvement and optimization of production processes and, on the other hand, the satisfaction of customer requests. To speed up and make project development more efficient, the established agile project management has proven itself.

AUTOMOBILE INDUSTRY

- Research and development of high-strength grades with improved elongation continued in the field of sheets intended for the automotive industry. These enable our customers to use thinner sheets for the production of cars while maintaining the safety of passengers, and thus reducing their weight as well as the emissions produced.
- The expansion of the portfolio of galvanized sheet grades with controlled surface microgeometry continued.
- With the help of sophisticated 3D automated optical systems, R&D 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.
- Significant progress was also recorded in the field of research and development of electrical steels suitable for the production of electric and hybrid motors.

PACKAGING INDUSTRY

- Project that successfully continued was the development of the new tinplate grades with significantly improved elongation, which was demanded by customers for the production of EOE (Easy Open Ends).

- Two new continuously annealed grades of tinplates were developed, which replaced the grades produced until now by batch annealing. In this way, the energy intensity of production and production costs were reduced.
- The project of development, application and testing of chromium-free passivation of tinplates continued successfully. In this project USSK, as a member of the international association APEAL, works closely with other European tinplate producers, paint suppliers and customers.

ELECTROTECHNICAL INDUSTRY

- A new grade of electrical steel for robotic applications has been developed, which needs to have guaranteed not only electromagnetic properties but also high thermal conductivity.
- In the field of electrical steels, several new grades with low core losses and high polarization have been developed, which enable the production of electric motors with higher efficiency.

CONSTRUCTION

- Innovations have also taken place in the area of sheets with organic coatings, used in the construction industry. They mainly involved the implementation of new paints with better durability and corrosion resistance, as well as with higher abrasion resistance, which better protects the surface from scratches.

In 2022, the costs to operate Research and Development department amounted to EUR 2.91 million (2021: EUR 2.95 million). Certain portion of these costs, if eligible, were included in the total costs of projects, which were identified to comply with R&D tax credit requirements. Total amount of the costs eligible for 2022 R&D tax credit, after adding operating trial costs, was estimated at EUR 11.2 million (2021: EUR 14 million).

CELEBRATING INNOVATION

CAPITAL INVESTMENTS

INFRASTRUCTURE PROJECTS

In 2022, the program of renewal of our Blast Furnace Stoves continued with the modernization of Stove 12 on Blast Furnace number 1. This is the third of three stoves 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 No. 5 Rail Bridge Upgrade and the purchase of new Raw Material Reloading Equipment, which increased the reliability of raw materials handling and transportation.

On the safety side, the second 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 reduced the likelihood of a serious injury or fatality. Other projects, such as the installation of a Dry Cleaning Machine, Slag Management Measurement and Spark Optical Emission Spectrometer improved the overall technical condition of USSK facilities.

IT PROJECT – NEW STRATUS SERVER

The Stratus server for HRM system is an example of a significant IT project. This project improved compatibility with the existing operating and database systems.

OTHER SUCCESSFUL IT PROJECTS

Replacement of USSK Network Devices, Desktops, UPS, Mobile Devices, Printers and Barcode Readers enhanced the reliability and security of USSK IT infrastructure

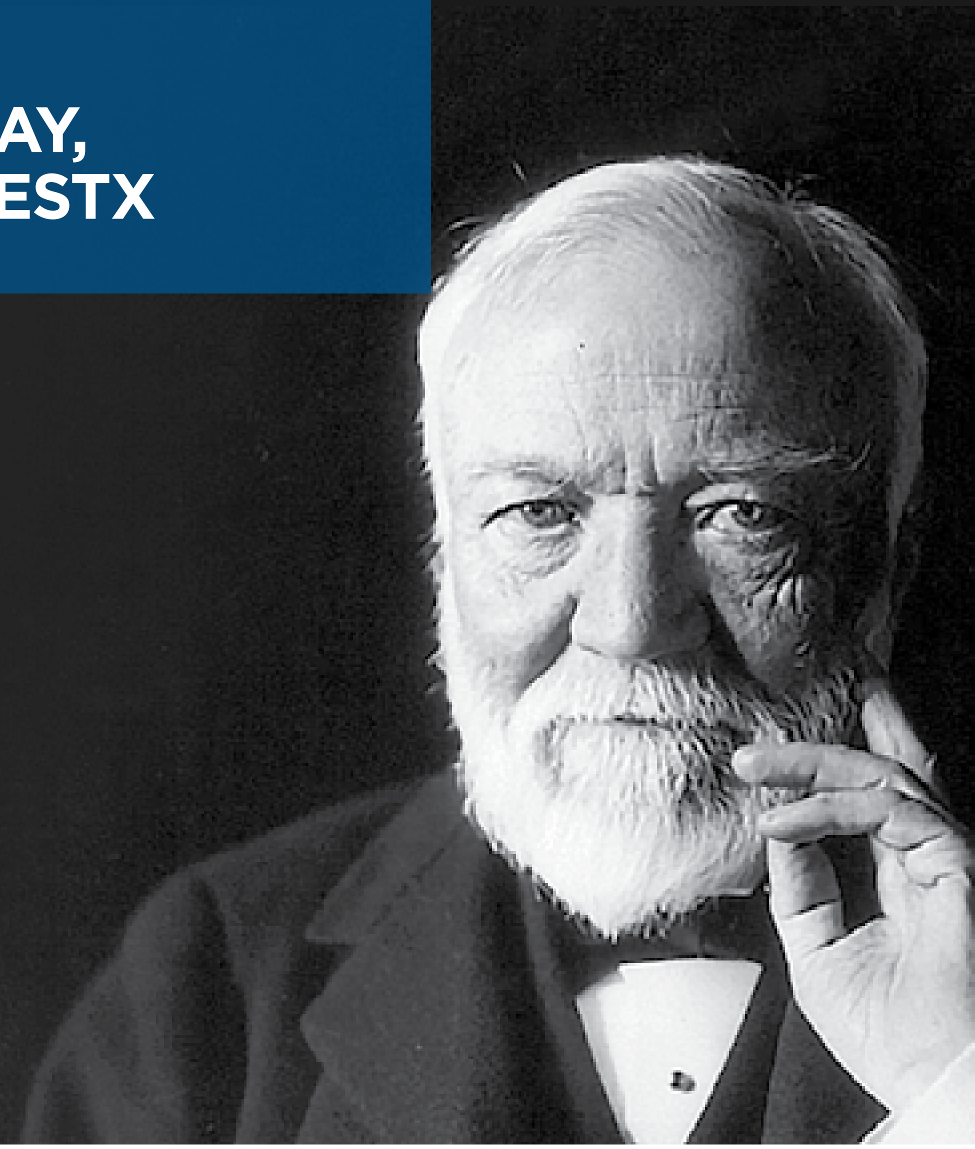
ENHANCING ENERGY EFFICIENCY AND EFFICIENT USE OF RAW MATERIALS AND OTHER RESOURCES

Such projects included the 10th stage of an ongoing USSK program to install LED Lights. This program is aimed at reducing electricity consumption and our CO_2 footprint by utilizing advanced LED lighting technology throughout the plant.

Other successful cost reduction projects were the Modification of the Nitrogen Distribution System for the Blast Furnaces and Coke Plant, Regulation of Industrial Water Supply, Hot Strip Mill Rolls Inspection System and Continuous Galvanizing Line 3 Steam Usage Elimination, Finally, the Tube Demagnetization and No. 2 Continuous Galvanizing Line Exit Inspection Quality Improvement projects supported our product sales, advancing our competitiveness and maintaining our strong market position.

CELEBRATING INNOVATION

CARNEGIE WAY, MDCC AND BESTX



Andrew Carnegie
1835 - 1919

After the successful **Carnegie Way** transformation in **2013**, in **2019** U. S. Steel Košice 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**. 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, 4**98 were implemented throughout this three-year period**.

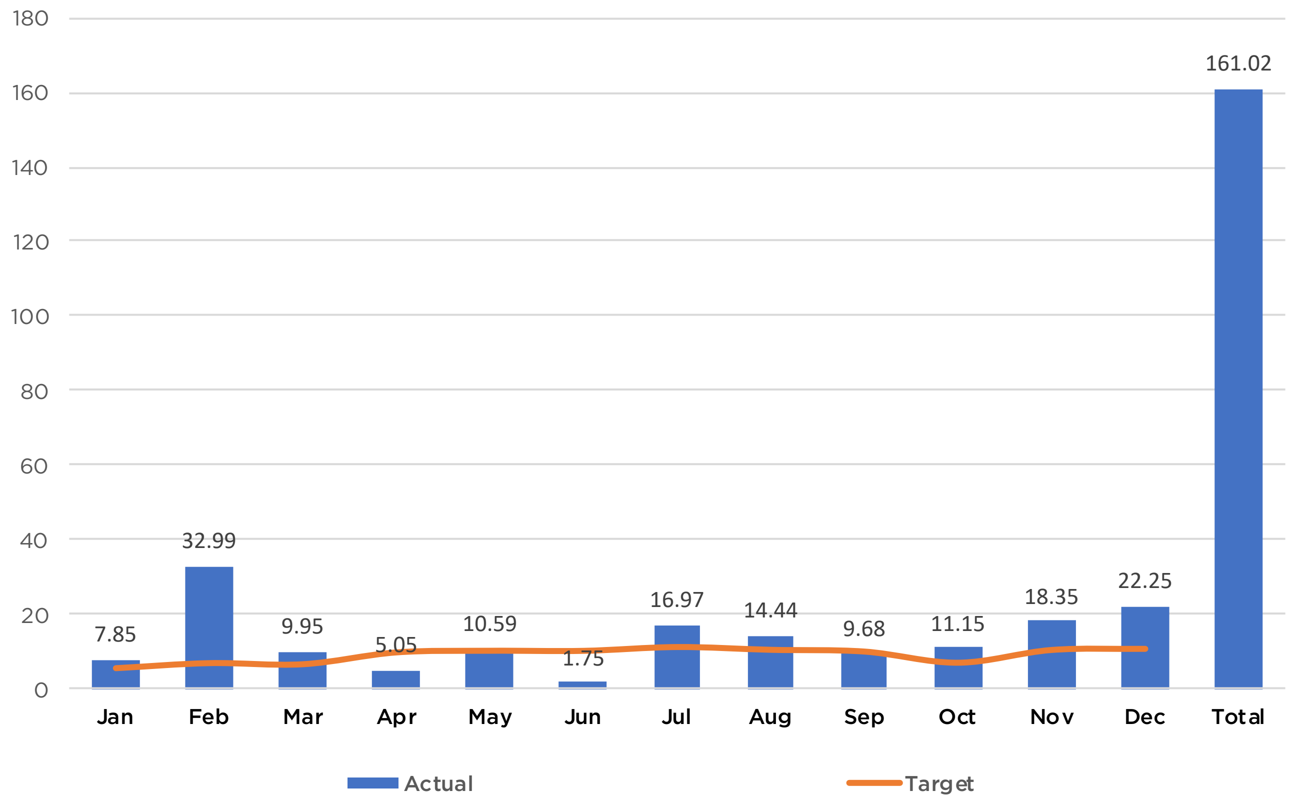
As all MDCC projects have been completed as of December 31, 2021, new projects with a two-year sustainability and a base year of 2021 have been adopted with a new name of BESTx. The objective was to strengthen our competitiveness by reducing costs and increase the profitability of flat-rolled products over the next few years. Under this **BESTx** initiative, project benefits are evaluated according to an even more rigorous methodology than MDCC, with a base year of 2021, including a two-year sustainability requirement. Lessons learned from Lean Six Sigma, change management and leadership training have been combined into this unique improvement method.

In 2022, benefits were brought by **198 BESTx projects**; their total value was **USD 161 million**, i.e. USD 51 million more than the target of USD 110 million (only projects bringing improvements to the EBIDTA).

Innovative ideas from employees have led to improvements in several key areas. Successful projects have been adopted in all departments of the company- **Safety, Operation, Production Support, Sales, Procurement, Environment, Research, Power Engineering and others**. This means that the benefits were visible in other sections of the company in addition to traditional production parameters such as yield and productivity of lines, lower energy intensity of production, elimination of losses due to poor quality, as well as in reducing the cost of components and spare parts with higher durability. **The Digital Projects**, which also focused on other digital process areas, not just Advance Analytic as in the past, also produced excellent results.

However, the focus of the improvement was on **energy projects** focused on energy saving, mainly technical gases, electricity as well as process steam. The regular monthly Energy BEST x meetings dedicated to this topic have significantly contributed to mitigating the severe energy prices increases of the past year. The best energy project was the **Modification of Turbo Generator No. 2.** To increase the electricity production at least partially, the TG2 units were modified. Other organizational and technical measures were also implemented, resulting in higher efficiency and productivity of the plant.

Cumulative EBITDA benefits in 2022: Overall recurring and one-time improvement impacts (without CAPEX)



THE MOST SUCCESSFUL BESTX PROJECTS (2022)

- **CO_2 free allowances emissions** - USSK has identified an opportunity to increase Hot Metal production in 2021 above 3.96 Mt (and subsequently sinter production), which triggered the 85% HAL threshold (Historical Allocation Level of production as an average of 2014-2018) and thus helped us increase our free allowance in 2022.
- **Opportunities for Low Cost Materials Utilization for the Coke Plant** - In collaboration with USSK Raw Materials department, new low cost materials for the Coke, Sinter Plant and Blast Furnaces were identified, analyzed and introduced into the production process to reduce overall production costs.
- **Profitability enhancement in the Commercial department** - The goal of the project was to increase profitability within Sales, primarily using the methodology from the „Customers Scoring“ initiative by either shifting volumes from less profitable to more profitable customers or by improving MOV (margin).
- **Scrap blend optimization model for Steelshop** - The new model, designed with Advance Analytics, can optimize the scrap mix to yield the lowest scrap input costs. It also allows more dynamics in negotiations with suppliers. The model can optimize the mix for purchasing but it can also be used for scrap utilization in the warehouse. With the new AA model, it is possible to generate scrap charge recipes to meet specific steel chemistry requirements based on heat operating limits and inventory targets.

CELEBRATING INNOVATION

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.

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 Košice 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.

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

2022 HIGHLIGHTS

Strategic initiatives:

- ERP phase Explore – Detail analyzes and To-Be design phase
  - A big success for IT in our company was moving into the explore phase of the ERP project. The ERP project will help us to streamline and optimize our business processes necessary for the running of the company. Among other benefits, greater data security will be ensured, work will become more efficient, software management costs will be saved, and many other measures will also be ensured.
- Operations Transformation – Support of transformation process in Ops area to ensure sustainable model, create set of KPIs (Key Personal Indicators) and OEEs (Overall Equipment Efficiency) indicators.

Operations support:

- HRM Roughing Mill – upgrade of the control system to replace obsolete computers and control systems in close cooperation with the DP Hot Rolling Mill
- 4 Stand Tandem Level2 upgrade related to elimination of Windows 2000

Digital technology:

- Optimalization of truck loading – higher utilization of available truck capacity reducing truck loads to customers by over 2000 annually, which would also lead to significant CO_2 reduction
- Side trim – internally developed machine vision model to detect quality defects
- Contribution towards CO_2 reduction and purchased energy trough prediction and managing KOP gas production and usage – machine learning model
- Shallow neural network used for scrap procurement and its usage (AI driven scrap quality mix)

Hybrid work support:

- Process of laptops deployment was accomplished to allow people work on-site as well as remotely from home

Training / Cooperation with universities:

- Upskilling of internal employees in Digital area through internally provided trainings and external university courses developed jointly
- Contribution to university students' education through providing lectures, diploma thesis and student employment
  - We are constantly expanding our platform of educational courses in the IT field for our employees, which not only broadens their horizons in the IT field, but also teaches them how to protect themselves in the digital space, both at work and at home. In this area, we also cooperate with universities through which we implement some of these courses. We are also deepening cooperation with universities in the sphere of cooperation with students, for example in the form of mentoring in the process of writing their final, bachelor's or diploma theses.

Further initiatives implemented in the IT area leading to more sustainable day-to-day business

Relocation (and collocation) of servers:

- Computer Center Central (VSC): The servers were concentrated in one room, which reduced the cooling area
- Computer center Steel Shop (VSO): The servers have been moved to one floor to reduce the required cooling

Follow data center best practices:

- Most of the servers in the computing centers are virtualized, which means that computers for multiple systems are shared. This saves electricity and generates less heat that needs to be cooled
- For smaller and medium systems, Blade technology is used, which saves space, shares IT components for more servers, saves electricity and generates less heat

Share printers:

- A standard of shared network printers has been introduced; these printers are mostly located in corridors. This allowed the elimination of a significant number of local printers. It allowed to reduce the number of different models of printers, the costs of their operation and it also resulted in a reduction in the number of printed pages

Remote work:

- All employees in the administration were equipped with laptops, mobile phones and were allowed remote access to USSK via VPN access
- Our meeting rooms have been equipped with technology to make it possible to hold Teams meetings with people working from home as well as from an external environment.
- Shared workplaces have been created

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 budge**t 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

After the launch of the Slovak version of The X App Košice at the end of 2021, developed thanks to local experts in information technology and with the help of our colleagues from the IT department, the user base has expanded considerably in 2022.

At its launch, we were full of expectations as to how it would be received by our colleagues, employees of U. S. Steel Košice, and the public. We have watched the number of users grow by the day. We can say that in a short time more than 6,100 colleagues decided to use the application or follow the news via a web browser.

Also, based on suggestions from employees, we have gradually added a search tool, telephone directory and other useful information. Since the launch of the app, we have published over 1,500 articles and received over 32,000 likes. In total, we recorded 641,000 article views.

In addition to quizzes, benefits and the amount of variable pay, thousands of colleagues also read essential information about what was happening in the company, such as the unclear situation after the outbreak of war in Ukraine, the company's quarterly financial results, the visit of the President of the Slovak Republic, and the situation on the steel market in Europe.

The app has also helped us with registering for company events, various quizzes, and surveys.

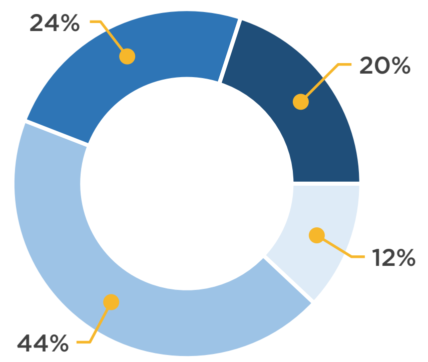
New technologies bring new possibilities. Reliable and accurate information is key to our effective communication with stakeholders.

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.

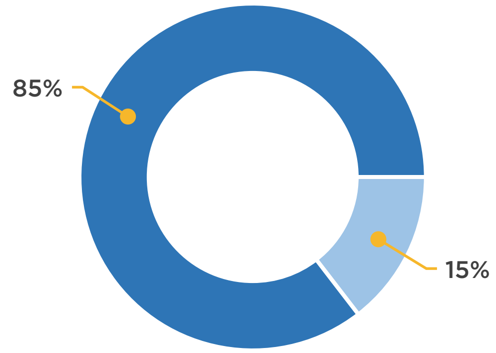
EMPOWERING PEOPLE

WORKFORCE CHARACTERISTICS

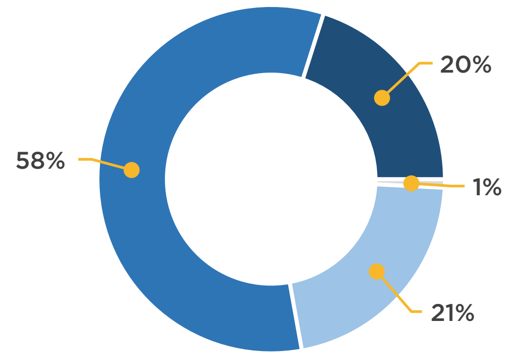
Headcount distribution by category



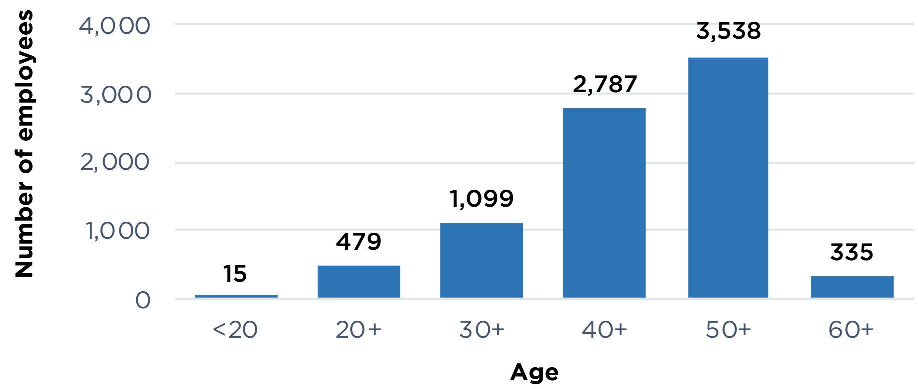
Headcount distribution by gender



Headcount distribution by education



Headcount distribution by age



DEVELOPMENT OF TALENT AND SKILLS

The company supports the **training and development of its employees** through programs focused on managerial, vocational, and professional skills. Also in 2022, due to the COVID-19 pandemic, educational activities in the different areas were carried out on a limited scale.

COVID-19 pandemic in 2022
After the pandemic peak at the beginning of the year, the pandemic situation in the region improved in the spring of 2022 and there is a gradual relaxation of pandemic precautions within the USSK facilities, reopening of canteens, resumption of trainings, FIT tests, and convalescent stays. Emphasis continues to be placed on personal and premises hygiene as an important part of preventive measures to prevent the spread of disease in the workplace. Even during the improved pandemic situation, we continue to make effective use of the Home Office. USSK recommends vaccination against COVID19, and we have created an opportunity for our employees to be vaccinated in close proximity to the workplace in cooperation with the Šaca Clinic. We also help the local community - we provided unused tests to local social service homes and hospitals in Košice. We continue with close monitoring of the progress of the pandemic and the potential impact on our operations.

Internal or external online learning has become a normal part of our working lives. We focused on updating and expanding our internal e-learning training courses. We have also made the SEDUO online learning platform available to selected employees with a wide range of interesting and up-to-date e-learning courses and training program. As part of the corporation's contract, we were also able to provide selected employees with access to Udemy Business, a global platform that offers thousands of valuable courses on a variety of topics. A pilot group of employees was also enrolled in online language training through the modern global solution goFLUENT.

In terms of **executive development**, the **program** designed **to enhance the leadership skills of line managers** continued in 2022. Newly appointed shift managers were progressively retrained in modules that enabled them to develop skills in effective communication, understanding best working practices, giving constructive feedback, building positive working relationships, and developing their subordinates. For this program we also used various e-learning modules and "on the job" development.

A **comprehensive development program for process engineers** was also implemented in 2022, using a combination of online learning and on-the-job development activities. As in previous years, the **Mentoring Development Program**, which aims to help newly appointed management or newly recruited employees develop their professional skills and make better use of their own potential by learning from the unique experiences of their mentors, also continued.

As in previous years, employees had the opportunity to sign up for **Internal Coaching** - an individual or team coaching session with 1 of our internal coaches. Individual coaching provides quality space for thinking, finding solutions and grasping ideas. Team coaching allows for the creation of a space to address a specific situation and leads to a common solution, as well as personal motivation for each team member. To ensure up-to-date professional knowledge of the metallurgical process, we organized a **Production Flow Academy** for our employees as well as students as part of a summer internship or a year-long internship, led by our in-house research and development experts. We have also responded to the situation in this area and have gradually introduced e-learning versions of these popular academies.

We also support our employees in improving their qualifications by studying at universities or high schools. In the case of selected fields of study that are directly in line with the job, we allow them to study alongside their employment (study leave or compensation of costs related to improving their qualifications).

In cooperation with the Institute of Informatics at the Pavol Jozef Šafárik University (UPJŠ) in Košice, another group of employees took part in a 3-month program - **Advanced Analytics Academy**, which is dedicated to developing experience in the field of development and application of various methods for data collection, analysis, and interpretation, e.g., in the optimization of dynamic or repetitive one-time processes, using graph structures and modeling of real processes.

In accordance with the corporate **Talent Management** process, succession plans have been prepared for management positions to identify potential successors and to address skills development so that they will be ready to fill the position in the event of a vacancy. Employees had the opportunity to define their individual development plan and focused on developing skills for their current or future position according to the succession plan. The right people in the right place at the right time! Identifying, developing, and retaining talent is key to building a high-performing company.

EMPOWERING PEOPLE

COOPERATION WITH SCHOOLS

The employee recruiting system is based on long-established cooperation with selected partnership vocational secondary schools and universities**.**

COOPERATION WITH HIGH SCHOOLS

Active recruitment promotion of metallurgy, mechanical engineering, and electrical engineering field of studies at more than 65 elementary schools in the Košice and Prešov regions resulted in the admission of **125 students** to the first grades of the contracted secondary schools. We develop our cooperation in the field of dual education with the Vocational High School of Industrial Technologies in Košice - Šaca, the Vocational High School of Railways and the Vocational High School of Automotive Engineering in Košice. The cooperation is primarily focused on providing vocational practice to students in selected production facilities of our company, support in the development of school educational programs and support in the recruitment of elementary school students.

In the school year 2022/2023, 436 students are studying **in contract vocational high schools in the dual education system** and in the state education system, which is an **increase of 58 students**. They have been preparing for their careers in the fields of metallurgical operator, machine and equipment mechanic, electrical mechanic, mechatronics technician, machine tool and equipment programmer and car mechanic. To meet the requirements in the field of new and progressive production methods, circular and green economy, we opened the studies in the Technical Lyceum field. Graduates of this field of study will be prepared to perform activities of operation and management of modern production technologies.

Systematic cooperation with high schools and universities ensures an influx of young talented people into our teams

COOPERATION WITH UNIVERSITIES

The cooperation is mainly focused on the Technical University in Košice and the Pavol Jozef Šafárik University (UPJŠ) in Košice. In the area of expanding practical and professional knowledge, we enable university students to attend field trips, professional unpaid internships and to solve bachelor's, diploma, and dissertation theses directly in production conditions. USSK Research & Development collaborated with the Human Resources Department on projects aimed at popularizing technical disciplines among young people and increasing interest in their study. Collaboration in the research and development field results in cooperation with the Faculty of Metallurgy of Materials and Recycling in the form of dissertations in the field of development of new materials for the automotive industry and investigation of processes in secondary metallurgy.

In addition to the above-mentioned activities, selected university students expand not only their theoretical knowledge but also their practical experience during our summer internship organized under the name **Summer Internship Program.** The project focuses on the development of their key competences, such as active listening, presentation, effective argumentation and advocacy, communication in foreign languages, basic competences in science and technology, mathematics, digital skills, problem solving, decision-making and teamwork. In 2022, **43 students of the fourth year from four Slovak and foreign universities** took part in the summer program.

In 2022, we also continued our successful project called **Year-long internship for university students**, which is intended for students in the third to fifth year of universities. In the first semester of 2022, 95 students were enrolled in the program and as of September, there were **78** students who are engaged in work on projects and activities of the various production plants and departments in the administration. The active approach of working with students has worked well for us. High school and university students have the opportunity to engage in practical activities of USSK to gain experience and skills that will give them a competitive advantage in the labor market. This approach also allows us to seek out talents from high school and university students to meet our future needs.

We also strive for their professional formation in the field of final thesis development at each level of higher education. In the previous year students developed **12 bachelor's and 44 master's theses** under the guidance of our experienced consultants.

EMPOWERING PEOPLE

EMPLOYEE SOCIAL PROGRAM AND COOPERATION WITH LABOR UNIONS

FINANCIAL AND NON-FINANCIAL EMPLOYEE BENEFITS

- Variable salary payment on a monthly basis according to the company's economic result
- Monthly reward on the basis of personal performance assessment
- 13th and 14th salary in May and November
- For managers, an annual bonus based on the company's economic performance and an assessment of personal performance
- Awards for work and life anniversaries
- Allowance for cultural and social events, sports activities, and medical supplies
- Contribution to supplementary pension savings (3rd pension pillar)
- Meal allowance even during sick leave and holidays
- Leave of absence in excess of the law for the birth of a child, wedding, etc.
- Flexible working hours
- Home Office and hybrid work mode
- Additional leave with pay for single women and single men caring for children
- Opportunity for continuing education and professional skills development
- Carrier growth opportunity within the entire company
- Various team and athletic activities
- Employee competitions
- Recreation stays
- Social assistance in difficult life situations, long-term sick leave
- Promotion of free blood donation
- Employee discounts with different partners

THE GRANT COMPETITION FOR EMPLOYEES

The year-long Grant Competition for employees of U.S. Steel Košice and its subsidiaries, which started at the beginning of 2021, also continued in 2022.

The employees not only became better acquainted with our product portfolio and customer base, but they could also win many prizes of various nature (kitchen cabinets, air conditioning, weekend stays, experience gifts, vouchers for the purchase of an electric bike or bicycle, coupons for the purchase of new electrical appliances, season tickets to HC Košice matches, contributions to the UP relax card).

REWARDING EMPLOYEES IN BANSKÁ ŠTIAVNICA

In 2022, the Day of Miners, Metallurgists, Geologists and Oil Workers was celebrated again in Banská Štiavnica. At the festivities held in the Church of St. Catharine, Metallurgists from U. S. Steel Košice also received the highest departmental awards. Our colleagues, namely **Hildegarda Dioszegiová, Alžbeta Egri, Jozef Greško, Pavol Jesenský, Roman Macák, and Alica Mašlejová** received the award for Work Loyalty from the hands of **Bohumír Zvrškovec**, chairman of the Main Mining Office. The Ministry of Economy of the Slovak Republic awarded **Jozef Voleska** for work dedication and **Ján Lengyel** received a recognition for Exemplary Rescuer. **Pavel Országˇ**, working at the Power Plant, received Work Loyalty Award.

The celebration has traditionally been part of the Salamander Days. In 2022, the 17th European Days of Miners and Metallurgists were also held in Banská Štiavnica at the same time.

After the ceremony, Vice President **Marcel Novosad** congratulated all the awardees and expressed his gratitude for the support provided by their partners.

COOPERATION WITH TRADE 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** applicable 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 closed in 2020, continued the annual collective bargaining on working time and salary area. On October 2022, **Addendum No. 5** to the Collective Agreement, on the basis of which one-time bonuses and wage increases for employees were implemented from November 1, 2022. At the same time, **Addendum No. 4**, which enabled the payment of a one-time salary for long-term performance of work to employees ending their employment was 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 2022, 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, professionals and general public about its business on its website, intranet, and the latest communication tool with employees is its own application based on social networks The X App Košice.

EMPOWERING PEOPLE

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 2022, 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.

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 2022, we continued to provide work for 26 employees whose health conditions had rendered them unable to carry out their previous responsibilities.**

SUPPORT OF MARGINALIZED ROMA COMMUNITY

Our Equal Opportunities project developed in cooperation with local municipalities offers solutions to specific Roma issues in the fields of education and employment.

A chance to work and be educated

The social enterprise was founded by the municipality of Velka Ida in 2021 and is the follow-up of our project Equality of opportunities in the field of employment of Roma living in the village of Velka Ida.

The aim of the cooperation is to give a chance to unemployed Roma who expressed interest in working and learning in the newly established social enterprise GOMBIDA.

At the very beginning, in 2002, U.S. Steel Kosice offered the Mayor of Velka Ida, who requested financial support to alleviate the problems in the Roma settlement, a job for its residents, among whom there was 100% unemployment.

Currently, despite the fact, that USSK has significantly reduced the purchase of services from external suppliers due to the energy crisis and cost savings, this project, given its social importance, has been preserved in the form of successful cooperation with the social enterprise GOMBIDA.

Selection of employees

The selection of employees of the social enterprise GOMBIDA for the joint project is based on personal knowledge of the applicants by the mayor, community and social workers. The employees of the social enterprise perform work appropriate to the level of their education, it is primarily auxiliary and cleaning work.

- The project solves a real local problem. It not only helps to solve specific problems in the region with high unemployment - it improves the economic situation and the living standard of people dealing with the generational poverty, but also enables the integration of Roma into society.

- Long-term unemployed people have received a regular income, they can ensure better housing and living conditions for their families.
- The education of employees is supported by several activities of the social enterprise.
- Encouraging and motivating them to obtain education and qualifications will ensure higher chances of employment on the labor market.

EMPLOYEE RESOURCE GROUPS (ERGs)

WOMEN'S INCLUSION NETWORK (WIN)

Employee resource group, WIN U. S. Steel Košice successfully continued its activities also in 2022. It organized 8 events during which they shared interesting and important information related to USSK, but also responded to the challenges that the Covid period brought about. Women Network also addressed current topics such as decarbonization and ERP. They also focused on topics related to a healthy lifestyle, how to improve sleep quality, social networks and personal data protection. In cooperation with external partner McKinsey, they organized an event called "New potential for economic growth: more women on the labor market and in leadership positions." They actively participated in charity events such as Volunteer Days at the shelter for abandoned animals near Haniska. WIN in USSK closely cooperates with WIN in the United States, not only by actively participating in their events, but also in helping to oragnise the large corporate event "Women in Steel."

NEXTGEN

The USSK NextGen community of young employees, which was created as part of the corporate NextGen platform in 2021, was also active in 2022.

- Right at the beginning of the year, they continued to focus on the nowadays highly important topic of sustainability and ESG. They organized an online event, the aim of which was to show how ESG elements, specifically the environmental pillar, are already part of the daily work of our colleagues who work in the following departments: environment, purchasing and energy. They also further worked on the HACKATHON project "Hack the sustainable USSK," aimed at finding innovative solutions in various ESG areas. Creative and passionate employees joined the initiative and came up with a number of interesting ideas that they worked on in 2022. In cooperation with the human resources department, a webinar entitled: "From an idea to a successful project," as well as a team building meeting, was organized for them. The first successful project is a cooperation with FMMR TUKE, the aim of which is to show the young generation the composition and potential of mobile phones and to bring them closer to the recycling process, not only theoretically, but especially practically. This project is intended for pupils of the second grade of elementary schools and pupils of secondary schools.
- At another successful event, they welcomed the commissioner of the city of Košice for innovation and economic development, who presented what the city is doing for its innovation system.
- During the year, in cooperation with GM for Primary Production, Digital Studio Europe, and Public Relations, they organized 3 excursions of primary production and the Hot Rolling Mill, while focusing on production processes and related Advanced Analytics projects.
- In cooperation with the Slovak Investment and Trade Development Agency (SARIO), they organized an event on "Successfully attracting a mega-investment to Slovakia," such as Volvo.
- During another team-building activity, they visited the exhibition entitled "Ironworks – the heart
- of industry," the author of which is the Czech industrial photographer Viktor Mácha, organized under the auspices of the Slovak Technical Museum in cooperation with the Monuments Office of the Slovak Republic.
- Another interesting discussion focused on "How artificial intelligence helps to produce steel," hosted thanks to colleagues from IT department.
- They hosted a lunch with USSK President, which provided NextGen members with space for an informal discussion.
- Last but not least, a pre-Christmas meeting was held at the Košice Christmas markets.

The organizational team reflects the diversity in the workplace, as two women and three men are represented.

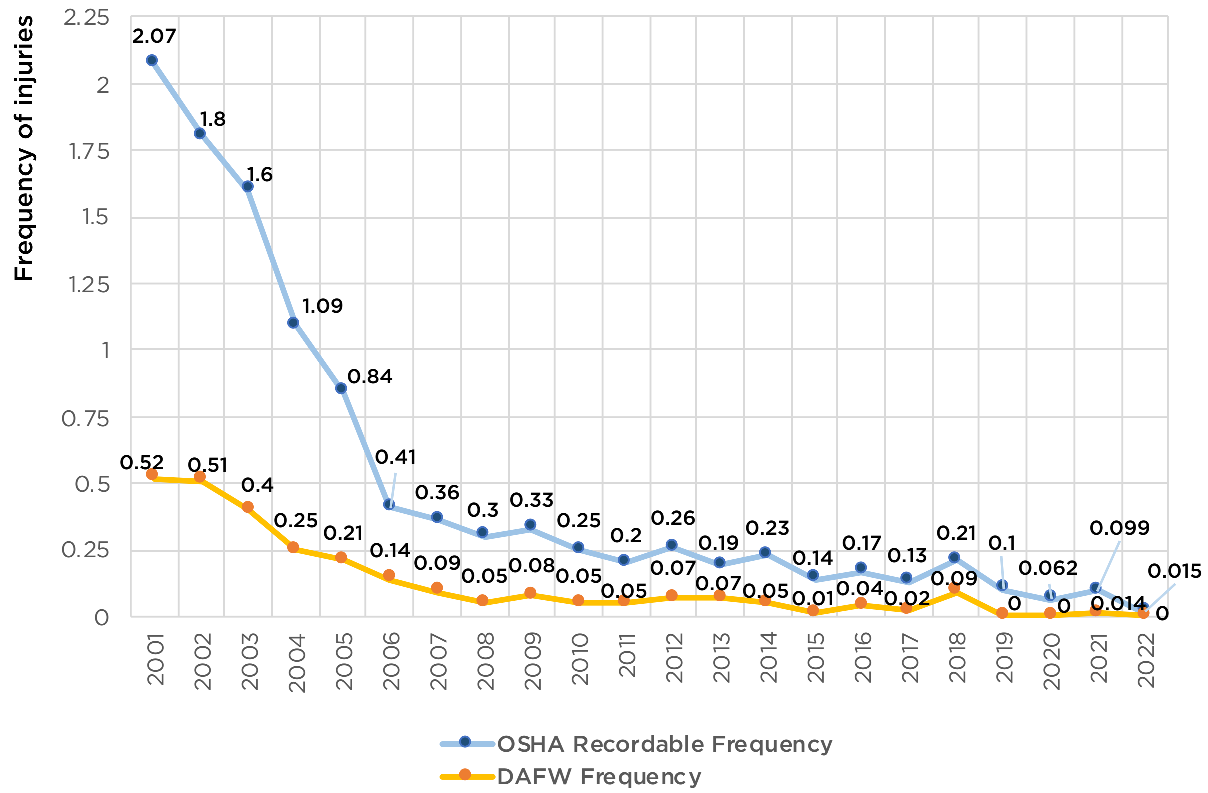
EMPOWERING PEOPLE

SAFETY AND HEALTH PROTECTION AT WORK

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 2022, the Company achieved (according to the methodology of the Occupational Safety and Health Administration (OSHA)) the frequency of all OSHA injuries **0.015 – which it is the best result since 2001** - and the frequency of DAFW **0,000**. The company recorded one OSHA recordable injury.



Compared to 2020 and 2021, there was a significant improvement in the monitored parameters. The 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**. In the course of 2022, Internal Safety Management Systems Audits we carried out at all organizational units. In October 2022, we successfully completed the Safety Management System Certification Audit and **obtained a certificate** according to Standard STN ISO 45001:2019. ISO 45001 specifies occupational health and safety standards to help reduce accidents in the workplace and provides tools to continuously improve safety performance.

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 **1,247 initiatives for improvement** identified we managed to solve **almost 95.20 %** by the end of the year.

In 2022, the Company further continued to pay a significant attention to the issues related to **contractors’ Safety**. Safety Professionals executed **698 in-depth audits** with focus on compliance with preventive Life-Threatening Programs Requirements. Activities in the project Mentoring of contractors and cooperation with the company ISN, dealing with the safety of contractors, also continued. 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.

In 2022, not only company employees, but also supplier employees successfully participated in the HIRA (Hazard Identification and Risk Assessment) project. For regular employees, the company organized a competition for the best HIRA projects.

WORKED HOURS WITHOUT INJURY

Also in 2022, our plants managed to achieve significant milestones of hours worked without injury.

On January 16, 2022, subsidieries reached **6,000,000 hours without injury OSHA** (as a second one in the history following Transportation DP). As of December 31, 2022, it was already 7,272,738.

Another record was reached by the employees of Coke Plant, who worked 3 million hours without injury. For the entire year 2022 we recorded one work-related OSHA Recordable Injury. That means the employees in the entire company managed to work without an incident.

„Congratulation to Coke Plant employees for reaching such a result in conditions with a higher level of risk and thus join plants such as DP Transportation, DP Coated Product & Tin Mill, or Subsidiaries as a whole. Joint efforts in the implementation of new projects, such as the installation of a camera system for the safe movement of Larry car operators on coke oven batteries, daily audits performed by division managers and Safety and Fire Technicians brings the expected completion of our objectives – work with zero injury. Of course, without the active engagement of all employees in the safe work performance, this would not have been possible.“ Róbert Meitner

EMPOWERING PEOPLE

CHEMICALS

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**. 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.

EMPOWERING PEOPLE

CRISIS MANAGEMENT

3 GOOD HEALTH AND WELL-BEIN

The core task of the Crisis Management department is to ensure USSK's compliance with applicable laws in the field of **prevention of serious industrial accidents, civil protection, economic mobilization and protection of critical infrastructure**. Last year, the crisis management fulfilled all obligations resulting from the applicable legislation of the Slovak Republic in the aforementioned legislative areas.

In October, USSK underwent a certification audit of the Occupational Health and Safety Management System according to ISO 450001, which also included an audit of the **area of Emergency Preparedness**, which is part of the Act on the Prevention of Serious Industrial Accidents. The result was a high level of emergency preparedness without any shortcomings.

Between June and September, a **coordinated inspection was carried out at USSK under the leadership of the Slovak Environmental Inspection**, which was aimed at fulfilling the tasks arising from Act no. 128/2015 Coll. on the prevention of serious industrial accidents and on the amendment and supplementation of certain laws with a focus on equipment and activities with the presence of a hazardous substance of the Coke Plant.

As a result of the energy crisis and tense international relations last year, the areas of **civil protection, critical infrastructure protection and economic mobilization** gained on importance and came to the forefront of public interest. The result was more intensive communication and exchange of information between the USSK as a subject of critical infrastructure and the subject of economic mobilization with the Ministry of Economy of the Slovak Republic, which is responsible for our company in the above areas. There was also intensive communication with Košice District Office - crisis management department for the field of civil protection. The Crisis Management ensured this communication and provided the state authorities with full cooperation in accordance with the applicable legislation.

In cooperation with the Technical University of Košice, we updated and submitted to the responsible state authorities for approval the '**USSK Safety Report**' which is the most important document in the field of prevention of serious industrial accidents and is subject to a regular update.

Gas Tight Doors


Entrance to the shelter


Filter-ventilation device

EMPOWERING PEOPLE

COMMUNITY ENGAGEMENT

THE COMPANY'S COMMUNITY AND REGIONAL SUPPORT

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 has been contributing to their solution 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.

WAR IN UKRAINE

War in Ukraine was the most critical challenge in 2022. Immediately after the outbreak of the Russian aggression in February, the whole community joint together to help thousands of refugees on our border and in our city. We cooperated with charities, civic associations, local government, as well as the state administration and other businesses to overcome that difficult period together.

> *„Nothing is more important than human life. We immediately mobilized our financial, material and human resources to help our neighbors in the war. We want peace, and that is why we must help those who are attacked."*
> James Bruno, USSK President

- In the very first days we provided several hundred cell phones for refugees, dominantly mothers with small children and volunteers in the field to enable them to get basic information, as well as electrical appliances to help refugees sheltered in student dormitories.
- We sent a truck full of food to Ukraine, specifically 17 tons of durable foods such as flour, oil, milk, sugar, salt, tea and rice.
- We offered our Training Center in Medzev to provide accommodation and boarding for mothers with children, elderly or ill people. From March to December, we provided safe place for 438 people, which means 8,747 overnight stays.
- We bought 1,150 foldable beds in amount of 169,000 EUR for refugee spots in Košice.
- We donated 100,000 EUR to Greek-Catholic Charity to provide systematic help to refugees, from which 31,560 EUR was collected by USSK employees.
- More than 1,000 employees also donated 10,700 lunches for people in several refugee spots in Košice.
- On a daily basis, we provided many other forms of company and individual assistance.

SUPPORT OF EDUCATION

The U. S. Steel Košice Group actively cooperates with selected technical secondary schools and colleges, especially in line with targeted employee recruitment. We contributed 50,000 EUR 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 from high schools and universities in the discovery of technical subjects, and helping them understand their roles in building a permanently sustainable future. With the same sum, 50,000 EUR we also supported the purchase of equipment for ergonomic laboratory at the Faculty of Mechanical Engineering.

Since 2004, the Company has been developing its own **Scholarship Program** to provide access to higher education for 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 2021/2022, 22 new scholarships were granted, and 24 more in 2022/2023. Scholarship awardees were involved in the Company's volunteer events including Steelmakers for Košice and Christmas Charity Hut. Several of them gained practical experience at USSK during summer or year-long internships, and also participated in organizational teams at Family Safety Day 2022.

HEALTH CARE

The U. S. Steel Košice Group focuses on specialized medical institutions in the region. In 2022, it contributed a total amount of 665,000 EUR to the L. Pasteur University Hospital in Košice, the Children's University Hospital in Košice, and the Specialized Geriatric Institute of Saint Lucas in Košice for the purchase of special equipment for surgery, gynecology, urology, neonatology, and other departments, as well as movable electrical beds and physiotherapy devices for senior patients.

SOCIAL CARE

USSK's assistance is focused mainly on centers for children and families in eastern Slovakia. We pay special attention to foster homes on Uralská Street in Košice and the town of Podolínec. We also provide 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 social situations, mainly mothers with children and lonely seniors. For this purpose, the Company organized traditional pre-Christmas fundraising between employees, and with the help of USSK and the USSK Foundation final collected sum amounted to 30,000 EUR.

„I want to thank very much the employees, U. S. Steel Košice and its Foundation that they put together such a wonderful amount. We help our clients who suffer in difficult social, health and other conditions, are homeless or are lonely seniors. We are passing this money on to those who need help most."
Cyril Korpesio, Archdiocesan Charity Košice Director

The Company has been also recognized as leader in providing **support for marginalized Roma communities**. In addition to help for above foster homes, which have predominantly children from Roma families unable to take care for their kids, USSK develops special projects to provide work for people from Roma settlements with almost 100 percent unemployment. In 2022, we provided work for Gombida social enterprise from neighboring village Veľká Ida, following another successful project Equal Opportunities – Work for Roma, which has served as model for other employers for many years. In addition, in 2022, we again donated waste firewood to Roma communities, which helped them especially in the winter months.

In 2022, we also continued with the project **We Are with You at the Right Time** for eleven families of steelmakers who found themselves in a difficult life situation. We managed to organize several trips and relax stays for them. Before Christmas, through an innovative online format of the **Wishing Tree** project we secured gifts for children from foster homes and families of steelmakers. Altogether, USSK employees bought wished gifts for 147 children from two foster homes, and eleven families.

Implemented anti-pandemic measures and the transition of many employees to the home office has brought new initiatives. The **Donate Lunch** project, introduced in 2020 to help people in social need, continued in 2021 and 2022 as well. In addition to 10,700 lunches donated for refugees from Ukraine, employees shared their lunches before Christmas and donated 1,353 meals to the shelter for the homeless people in Bernátovce, Oasis - hope for a new life. Lunches were prepared and distributed in cooperation with supplier company Delirest Slovakia s. r. o., which provides catering in the canteens and buffets of U. S. Steel Košice.

„Many thanks to everyone who donated lunches. I believe that the good you dedicate to the poor and the wretched will also be returned to you. In this way, together we are building a more beautiful and better world."
Priest Peter Gombita, Oasis Director

Employees also provided their help and **solidarity to the families of those colleagues who passed away** unexpectedly or after a long illness. To alleviate the unexpected situation of the families, the employees participated in 10 collections throughout the year and put together a total of 64,240 EUR.

SUPPORT FOR SPORTS

Support for sports has been focused on traditional sports and events in the Košice region. For many years, U. S. Steel Košice 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. In 2022, special support of 350,000 EUR also went to roof a public ice-skating rink at Alejová Sports and Pleasure Grounds. Our own program called Your Chance to Play also 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 212,827 EUR towards club membership fees and equipment for 580 young athletes, which includes 4,430 EUR provided for 5 children in 2022.

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 theater festival Visegrad Days. In 2022, the main support of 1 million EUR went to reconstruction of a unique Singing Fountain in the center of Košice. The repair and modernization will be carried out by the City of Košice Municipal Greenery Administration, and the Singing Fountain will receive new pumps, sound system and lighting. Thanks to digital technologies and technical connection with the State Theatre, it will be possible to transmit in real time the sound and image from performances in the theater directly to the water mist.

VOLUNTEERING AND REGIONAL COMMUNITY PROGRAMS

Volunteer programs are part of our community support. Our largest corporate volunteer event is the **Volunteer Days – Steelmakers for Košice**, held for the sixteenth time on 17-18 June 2022. The U. S. Steel Košice Group‘s employees helped seven organizations with public benefit activities. In two days, they have participated in the Steelmakers‘ Drop of Blood and the collection of clothing and other useful things for Archdiocesan Charity Košice, which runs 34 charity and community facilities in 16 towns in the region. They also worked on beautifying the Center for Children and Families on Hurbanova street, helped in the botanical and zoological gardens, Children‘s Historic Railway, and Animal Shelter. A new feature of 2022 Volunteer Days was an active involvement of two Employee Resource Groups: Women´s Inclusion Network and NextGen, which coordinated 2 from 7 above activities. Altogether, 1,370 volunteer hours were worked during this corporate event and over 32 liters of blood were donated. Of course, many employees give blood several times per year individually. Selfless help of volunteers was rewarded by a priority registration for the Family Safety Day event held on September 3 with program full of entertainment, competitions, and concerts.

„I think we do not talk enough about donating blood. Blood is still not replaceable by any other drugs, despite the fact that scientists have been trying to do this for decades. Apparently, we will not be able to replace it soon and we will still need blood donors."
Annamária Bratková, Head of Hematology Department, Agel Hospital, Košice-Šaca

For many years U. S. Steel Košice has been running the **Together for the Region** grant program, which focuses on community projects supporting meaningful leisure activities for children and teenagers, environmental protection and safety in everyday life. A specific feature of the program is the active involvement of USSK employees in these community activities. In the 2022 edition, 11 grants contributed to the revitalization of children's playgrounds in the village of Poľov and Belža, the equestrian area in the village of Silická Brezová and the community zone in the village of Lúčka. In addition, disabled children could make progress with a dog therapist. Other projects were to involve children from socially disadvantaged backgrounds, mainly Roma settlements, in environmental and creative activities and to teach them to spend their free time in a meaningful way. Since its inception in 2008, the Together for the Region program has already supported 130 community projects with a total amount exceeding 324,400 EUR. Information on individual projects is available on the USSK website.

Although more than a hundred community support projects in 2022 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, NextGen, human resources, trade unions, safety, IT and other departments in administration and production. While helping, we also involve our scholarship holders, retired colleagues and partners from several sectors. We systematically try to multiply our community support through synergies.

VISIT OF THE PRESIDENT OF THE SLOVAK REPUBLIC ZUZANA ČAPUTOVÁ

The topics of the negotiations with the company's management on April 28 were the decarbonization of Slovak industry and USSK's goals in this area, the current situation in the company as a result of the war conflict in Ukraine, especially with regard to the supply of strategic raw materials, as well as the help of the company and its employees to Ukraine and Ukrainian refugees.

PROTECTING ENVIRONMENT

Environmental stewardship is a core value at U. S. Steel, stemming from the Gary Principles created in the early 1900s and continuing today in our S.T.E.E.L. Principles. As a company, U. S. Steel lives its core value of environmental stewardship through three basic principles that all our employees are responsible for following. These principles are:

- Compliance with environmental laws and regulations;
- Continuous improvement in environmental and resource management;
- Continued reduction of emissions through innovation.

ENVIRONMENT

Environmental protection is one of principal strategic goals of the U. S. Steel Košice Group, and the main commitments in this area are enshrined in our **Quality, Environmental and Energy Policy**. On October 10–13, 2022, TÜV SÜD Slovakia s.r.o. carried out a combined SMS certification audit and supervisory 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 with positive aspects, the validity of the international environmental management certificate for USSK was extended.

The first supervisory audit of the quality management system, **the environmental management system**, and the energy management system at **Ferroenergy s.r.o.**, which was carried out by TÜV SÜD Slovakia s.r.o., took place on December 7-12, 2022. All three systems successfully defended the validity of the international certificate. Ferroenergy s.r.o. uses systems in the field of: Production and supply of electrical and thermal energy, compressed air, steam, demineralized and softened water.

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

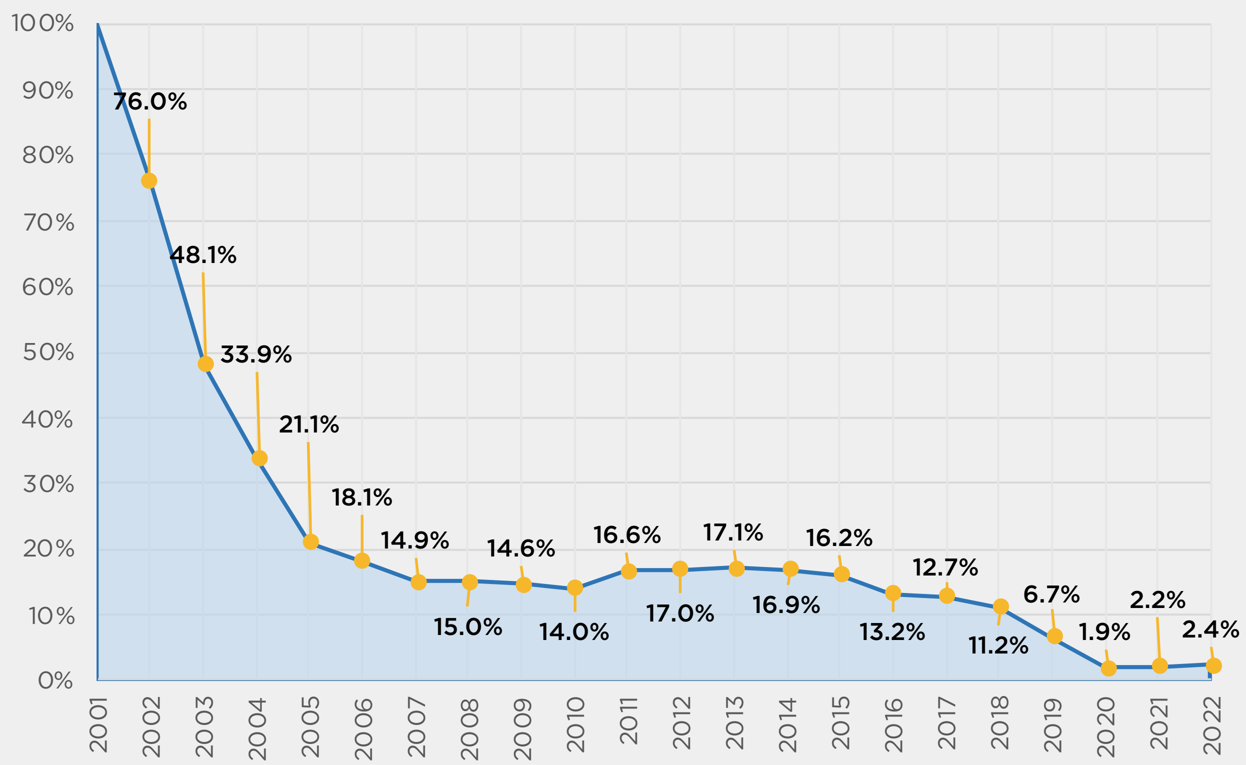
The greatest achievement in targeted care for various elements of the environment is the fact that since 2008 there has been no ecological accident. The aim of the Group's activities is to carry out activities in full compliance with applicable environmental legislation.

EURÓPSKA ÚNIA

OPERAČNÝ PROGRAM
KVALITA ŽIVOTNÉHO PROSTREDIA

Compared to 2001, the specific amount of particulate matter emissions decreased in 2022 by 97.6 %, in numerical terms to 0.107 ton per 1,000 tons of produced steel. Overall, since 2001 we have reduced yearly pollution of air by particulate matters in the vicinity of USSK by a total of 16,296 tons of dust.

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



In addition to particulate matter emissions, in the USSK we also reduced the specific amount of emissions of sulfur oxides by 83.57 % (from 2.97 t to 0.49 t per 1,000 t of steel produced) and nitrogen oxides by 55.97 % (from 2.74 t to 1.21 t per 1,000 t of produced steel) in 2022 compared to 2001. In numerical terms, this is a reduction of 9,407 tons of sulfur oxides and 5,979 tons of nitrogen oxides compared to 2001.

Compared to 2021, in 2022 the specific amount of sulfur oxides emissions decreased by 32.6%, in numerical terms by 0.23 t (from 0.72 t to 0.49 t per 1000 liquid steel produced).

The specific amount of total emissions emitted from USSK's operations decreased by 0.29 tons per 1000 tons of liquid steel produced in 2022 compared to 2021.

2001

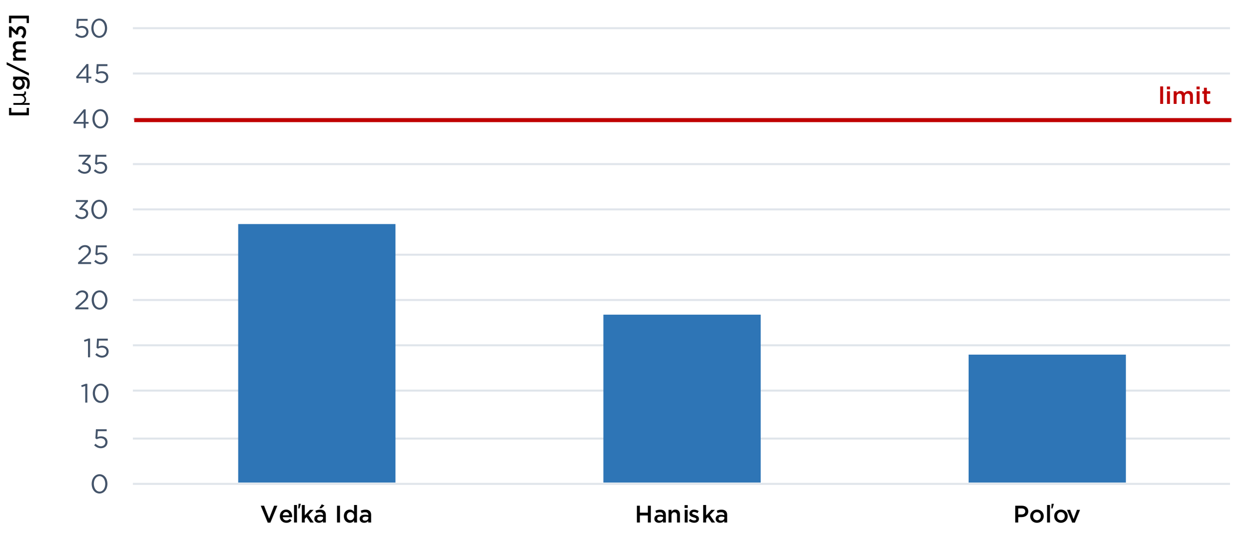
-56% emissions of nitrogen exides

-84% emissions of sulfur oxides

2022

In addition to monitoring emissions (pollutants discharged into the air), the Group also monitors imissions (pollutants contained and transferred in air) in the surrounding municipalities and data from three automatic monitoring systems are sent to the Slovak Hydrometeorological Institute.

Imissions monitoring PM10 [μg/m³] in neighboring municipalities



WASTE MANAGEMENT AND BY-PRODUCTS MANAGEMENT

In the area of waste management, during 2022 Ferroenergy s.r.o. company obtained approval for the handling of 1 by-product. It is an energy-gypsum which is sold in the solid state to an external customer respectively it can be used in the waste stabilization process on a stable stabilization line.

The stable stabilization line operated since March 2022 by ENVIRONCENTRUM s.r.o. company on the body of the Dry Heap serves to treat waste primarily from USSK production before its final disposal at USSK landfills. Overall, in 2022 more than 34,134 tons of mainly hazardous waste (only 103 tons of other waste) from USSK's production were processed in the stable stabilization line by physico-chemical treatment (activity D9 according to the Waste Act). After treatment these wastes were disposed of as other category waste at the USSK non-hazardous waste landfill.

In the area of waste management effective from June 2022, USSK received approval to operate two facilities for waste recovery with activities R4 and R5 according to Waste Act at the "Production preparation" operation and at the "Blast Furnaces" operation of Blast Furnaces DP. In the course of 2022, a total of 926 tons of waste from an external generator of this waste was recovered by the R4 activity at the waste recovery facility and the „Production Preparation" operation.

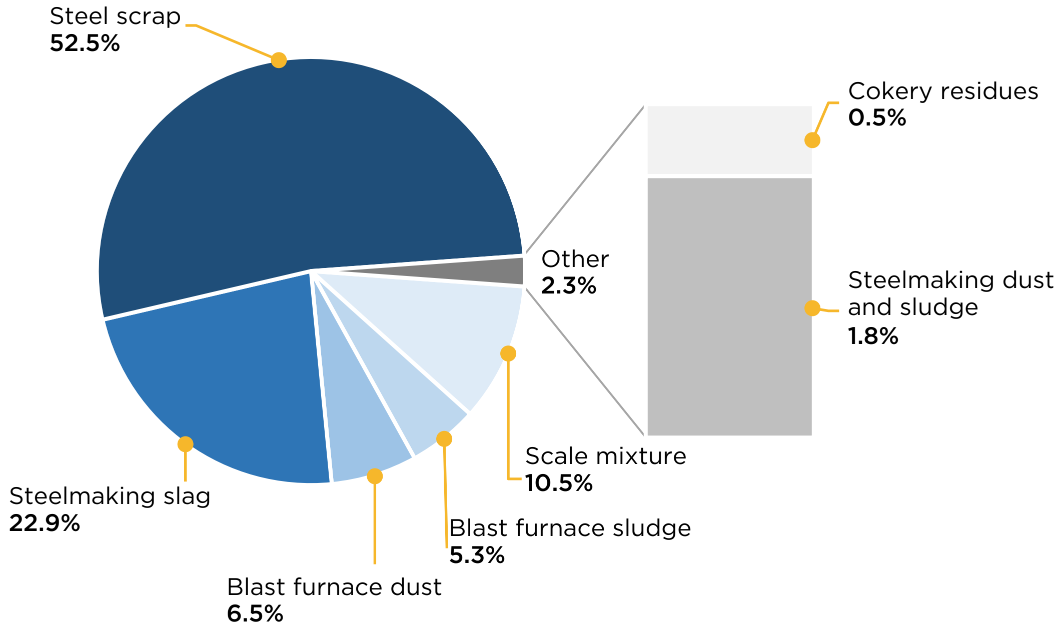
In terms of by-product management, by the end of 2022 the U. S. Steel Košice Group had 34 approved by-products.

The total amount of liquid Blast furnace slag has been sold to the external company since beginning of 2022 – for this reason it is not included in recycled materials inside of USSK.

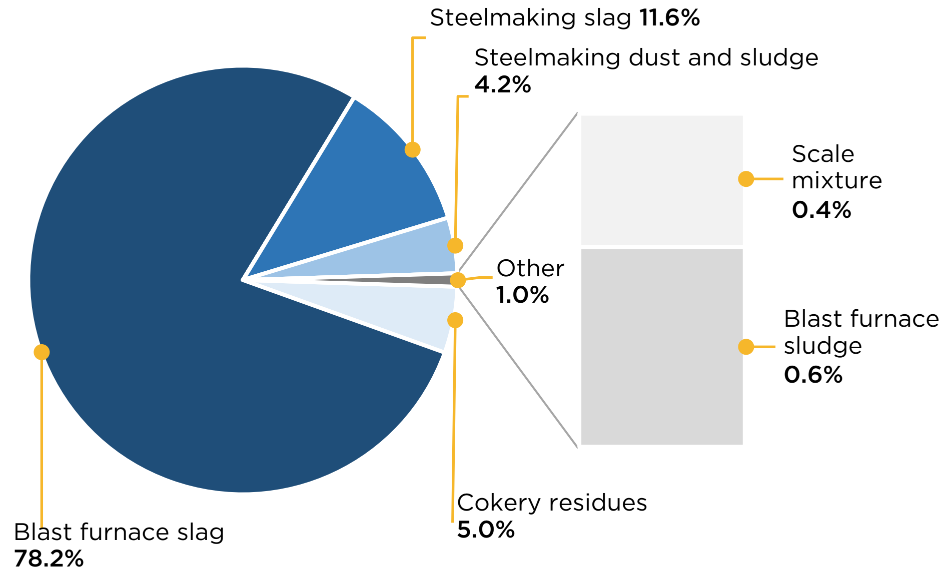
Due to reduced production compared to 2021, internal and also external recycling of materials decreased by approx.16%.

A total of 2,007,151 tons of residues were recycled within USSK and by an external processor outside USSK, specifically 692,041 tons of residues inside and 1,315,110 tons outside USSK.

Recycled materials in USSK



Recycled materials outside USSK



In the area of waste management within the municipal sphere, a system for the collection of deposited plastic and metal beverage containers was introduced in USSK in 2022 in in cooperation with company Delirest Slovakia s. r. o. and a system of separte collection of municipal waste components (collection of paper, collection of glass, collection of plastics and metals) in cooperation with company Kosit a.s.

HEAP MANAGEMENT

Our activities also continued in the field of body modification of the Dry Heap. Since the start of the sludge recovery process from the wastewater treatment plant, we have recovered more than 283,722 tons of material suitable for reclamation purposes. The use of this material in the Dry heap area resulted in a reduction of dust, as well as the greening of the heap slopes over an area of approximately 67,500 m^2 (year-on-year increase of 22 %).

NATURE AND LANDSCAPE PROTECTION

In the area of nature and landscape protection, in 2022 we oversaw the care of 205,191 m^2 of forestry land, 545,593 m^2 of other woodland and 28,432 m^2 of other land in the vicinity of USSK premises. As part of the care for these lands, in 2022 we planted 150 tree seedlings, performed the maintenance of roads and firebreaks in forest stands, and provided full-area mowing of grasslands and elimination of invasive plant species.

We reuse of wastewater, recycle metallurgical residues, wastes as well as other materials. Additionally, in 2022 we planted 150 new trees and saved 4,454 thanks to separate collection of paper

In line with legislative requirements, the Group continuously monitors and regularly informs its employees as well as the general and professional public about environmental performance via the company communication application X App Košice and on its website.

WATER MANAGEMENT

Significant results in the field of **water protection** include the reuse of returned water from the WWTP Sokoľany. The amount of treated wastewater returned to U. S. Steel Košice accounted for 16.68% of the total amount of wastewater produced last year.

PROTECTING ENVIRONMENT

GHG EMISSIONS

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.

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.

EU EMISSIONS TRADING SYSTEM

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** (fourth trading period) have been gradually refined. **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 used in the fourth trading period is the so-called dynamic allocation that flexibly responds to changes in production compared to the basic equivalent. To determine the free allocation it 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. After a reduced volume of free allocation in 2021 due to a drop in production, we again received an allocated volume for 2022 at the level of the historical production average from 2014-2018.

2022 GHG INTENSITY

Unit	Scope 1 Intensity	Scope 2 Intensity*	Total Intensity
Tons CO_2/ tons liquid steel	2.056	0.033	2.089

**(Note: Using the CO_2 emission factor of the energy mix of sources from the supplier (2021: 0,1655 tCO_2/MWh)*

THE EUROPEAN GREEN DEAL

The European Green Deal sets new ambitious goals. **Among other features, it calls for greater 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 and 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 wording will be adopted as part of the „Fit for 55" legislative package. At the end of 2022, the European institutions made significant progress in negotiating the legislative package. We expect the final agreement on its form to be reached in early 2023.

In 2021, USS announced the goal to achieve net-zero greenhouse gas emissions by 2050.

PATH OF THE CORPORATION TO NET-ZERO GREENHOUSE GAS EMISSIONS

U. S. Steel on the corporate level has developed a roadmap to our 2050 **net-zero greenhouse gas** (Roadmap to 2050) **emissions goal** (Scope 1+Scope 2). This builds on the commitment to achieve a **20% reduction** in GHG emissions intensity (Scope 1 plus Scope 2) **by 2030**, against our 2018 baseline, which was 2.31 metric tons CO_2 e/metric ton raw steel for Scope 1 plus Scope 2. We are committed to annual public reporting on progress against these goals, as well as the measures being implemented to achieve them. The Corporation had already declared a 16% progress towards the 2030 target when it released, in 2022, its 2021 Sustainability Report.

The roadmap includes technologies that exist and are being implemented today, as well as technologies that require further development. The more future-focused technologies will require collaboration with customers, universities, suppliers and other organizations, as well as supportive governmental policies, to implement. We commit to being part of that process to advance this technology.

At USSK, in 2022, we have continued thoroughly analyzing technological possibilities and closely monitored the latest developments in steel production technology with the intention of creating a portfolio of effective decarbonization projects.

The USSK team carried out a detailed analysis 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.

We have put together a pathway, that if executed, would help us not only meet but also exceed the expectations and requirements of our key stakeholders.

The portfolio is based on a combination of three main pillars:

- **State of the art steel making** - Electric arc furnaces (EAFs) and direct casting and rolling (DCR)
- **Integrated route Efficiency** - Portfolio of projects to reduce carbon intensity of the remaining blast furnace route
- **Utilization of new Technologies** - Research and exploration of new technologies such as hydrogen or CCS/CCU in the long run (2030+)

Our potential transformation plan requires multiple enablers, specifically:

- **Co-funding from public sources** - such as Recovery and Resilience plan or the Modernization fund required for the plan
- **Power network** - Strengthening of our existing connection to the power transmission network
- **Electricity** - Sufficient volumes of affordable emission-free electricity
- **Approvals** - Board and regulatory approvals

Partnerships are essential to bring about the required transformation

- On May 24, USSK signed **a memorandum of understanding with the City of Košice** to **support our intended decarbonization projects**.
- A **non-binding memorandum of cooperation** to establish a strategic partnership **with ČEZ** was signed on analysis of the future energy needs and cooperation in supplying the mill with emission-free electricity from renewable and nuclear sources and implementation of energy-saving measures.

We want to produce steel in a greener way. We conceive it as a **commitment to Slovakia**, i.e. the community in which we operate. At the same time, **we want to continue to provide our customers with all grades of steel and in the quality they are used to**. A pathway to decarbonization relies on **EU funding commitments and alignment with key stakeholders to secure key enablers on which our plans depend.**

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.

At USSK, we have for long-time been focusing on increasing efficiency in all areas of our operations, which, last but not least, also includes increasing energy efficiency.

PROTECTING ENVIRONMENT

ENERGY EFFICIENCY

The year 2022 was one of the most challenging years in the history of our company. We had to cope with the energy crisis caused by the pandemic in the previous period and subsequently the military conflict in Ukraine. Such situation affects not only the energy sector, but also the entire business of our company.

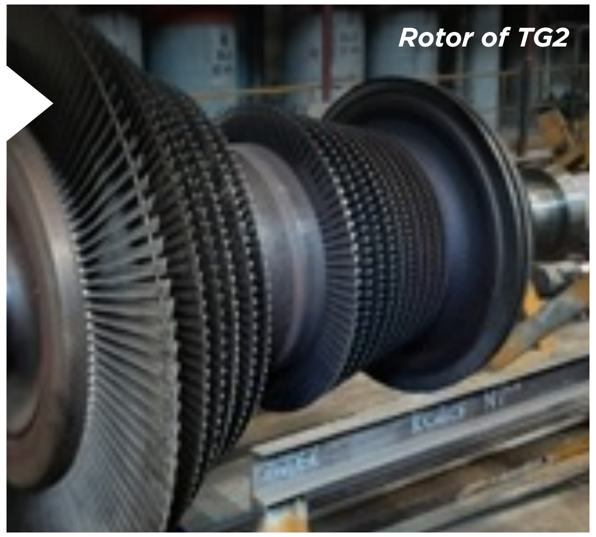
The sharp rise in energy prices required a flexible response. In addition, this situation forced us to think even more about the way energy is used across division plants in USSK and take actions which not only enabled stable operation of steel production, but also help us find ways to save and improve usage of the energy. In 2022, energy team had achieved saving amounting to 23.1 million EUR.

Most significant energy savings in 2022 were achieved thanks to the following projects:

- Modification of turbogenerator no.2 to increase power production
- Value in Use Energy model for effective management of fuel consumption at USSK
- BTC – repair of booster turbocompressor in order to return high efficiency of compressed air production
- 2nd phase of higher utilization of basic oxygen furnace gas to increase efficient usage of metallurgical gasses and therefore decreasing consumption of external fuels

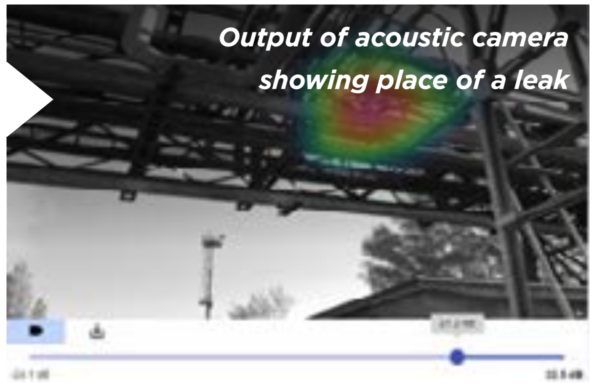
IN 2022 WE ARE PROUD OF:

- With goal in mind to eliminate high electricity prices on the market, in July 2022 we put to operation modified turbogenerator TG2. Turbogenerator is now able to operate without high pressure part, which was removed due to technical difficulty, all other systems were therefore modified to achieve such operation. TG2 can now reach lower power output, but in the event of high electricity prices on the market, it helps us reduce the overall cost of providing electricity energy for the company.



Rotor of TG2

- As part of our energy and energy media loss reduction activities, we purchased acoustic camera to help us identify leaks in energy media pipelines, such as compressed air, oxygen, nitrogen, and steam. By identifying the exact spot of leaks and subsequent repair we prevent wasting of energy input at our power plant.



Output of acoustic camera showing place of a leak

- The repair of the boost turbocompressor increased the efficiency of the production of compressed air for the needs of the oxygen production plant and the division plants of USSK. The machine received a new blades, the old hydraulic control system was replaced with a new electronic one. This repair allowed us to reuse the unique combination of air compression through the turbocharger and boost turbocompressor assembly, which additionally uses the heat of the compressed air caused by the compression for the useful heating of demineralized water in the heat-carrying circuit of the heating plant.

New blades of booster turbocompressor's rotor

- We worked intensively on the preparation of a decarbonization strategy from the point of view of energy consumption and energy media in order to not only reduce the consumption itself, but also to reduce the environmental impact and CO_2 production, which go hand in hand with energy consumption. Various negotiations were underway with electricity suppliers about the potential electrification of USSK, which would result in an increase in electricity consumption and a reduction in the environmental impact of steel production.

- We improved the quality of the evaluation of energy consumption within the USSK plants and the preparation of monthly energy report, by installing new meters, automating data loading and processing, revising measurement systems, using modern IT technologies.
- Since 2013, U.S. Steel Košice has implemented an energy management system (EnMS) according to the international standard EN ISO 50001, based on which conditions are created for complex and systemic solutions for efficient energy management. **The third certification audit of the energy management system was performed by external auditors TÜV SÜD Slovakia, s.r.o. in March 2022**. The auditors found no discrepancies and confirmed the high performance of the system and continuous process improvement. Based on the results of this audit, USSK renewed validity of the international EnMS certificate until 16 March 2025.

Among the strengths, the auditors listed:

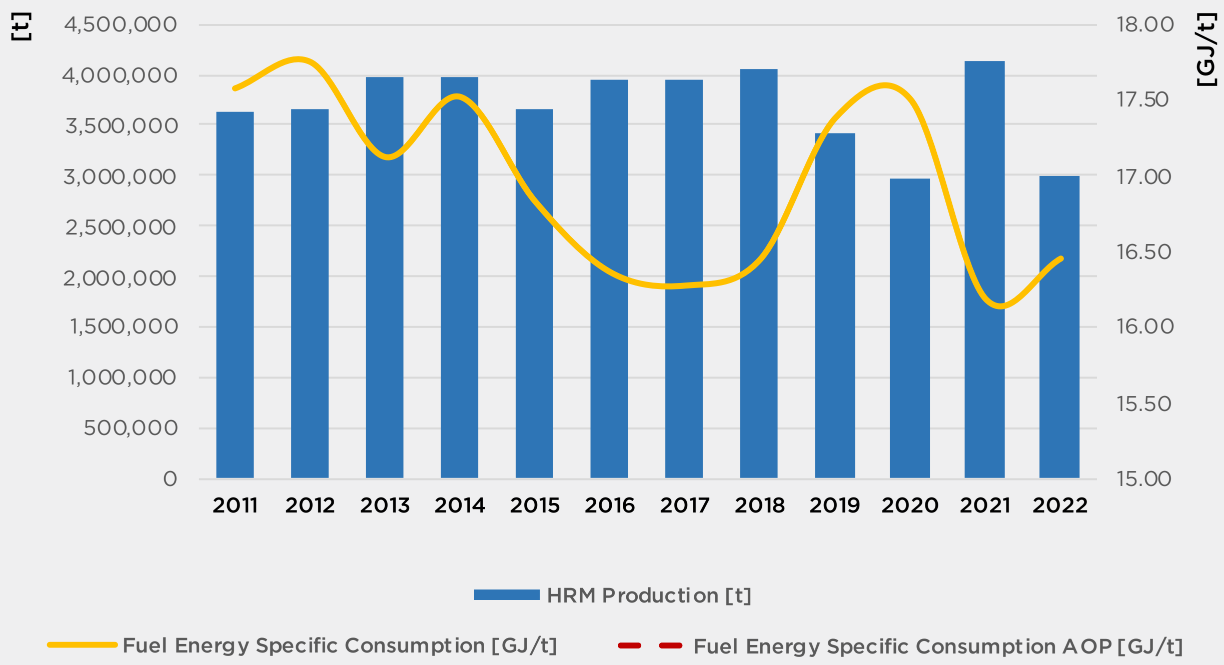
- Achieved energy efficiency results for the entire USSK for 2021.
- Upgrade to a sophisticated authorization matrix of individual employees for individual production equipment, devices, technological units.
- In practice, a new method of annealing (vibrational) has been introduced, saving energy, time, and handling bulky parts.
- Market analysis and quick reaction of USSK with suppliers of energy and strategic raw materials. Orientation to deliveries with the support of achieving the smallest possible carbon footprint.
- Introduced a new tool for diagnostics via an ultrasonic sensor / receiver - mainly focused on tracking leaks in energy and energy media distribution.
- BEST X meetings – energy projects aimed at reducing energy consumption and achieving savings.
- A new tool has been introduced to improve processes also from the point of view of energy through process engineers at individual division plants.

U. S. Steel is committed to reducing emissions at its operations and implementing innovative best-practice solutions to improve environmental performance and reduce energy consumption.

We too want to continue progressing towards a cleaner and healthier future. We will work with governments, academia and other companies to reduce our environmental footprint and promote supportive government policies.

However, due to the negative trend of rising energy prices and the situation on the steel market, we were forced to reduce steel production, which resulted in a slight increase in the fuel-energy intensity (FEI) to the level of 16,450 GJ /t of hot rolled coil.

FEI USSK - GJ/t of hot coil production HRM: 2011 - 2022



Though year 2022 brought many challenges and obstacles, we have not stopped as we continue to build an energy-responsible company in 2023.

2023 OUTLOOK

The energy crisis, which was deepened by the war in Ukraine, an increase in interest rates, and negative economic prospects put a strain on all key steel consuming sectors at the end of 2022. As a result, many steel producers have either shut down steelmaking capacity or cut production in the third and fourth quarters of 2022 to balance supply and demand. Production cuts will have a visible effect on the steel market in Europe early in 2023 (Source: Eurofer).

In 2022, apparent steel consumption is expected to see its third annual recession over the last four years (revised downwards to -3.5% from -1.7% y-o-y), as a result of quarterly drops forecasted also for the third and fourth quarters of 2022. Apparent steel consumption is set to decrease also in 2023, albeit at a lower rate (-1.9%), as demand from steel-using sectors is expected to remain severely subdued, at least until the second quarter of 2023 (Source: Eurofer). These developments are conditional on the evolution of energy prices and the Russia-Ukraine war – which are unforeseeable at the time of writing – and its impact on global supply chains.

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.

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, 2022	Dec 31, 2021	Dec 31, 2022	Dec 31, 2021
Property, plant and equipment, incl. investment property	807	806	905	911
Intangible assets	520	466	686	812
Long-term receivables	9	8	9	8
Other non-current assets	133	139	0	0
Inventories	764	674	762	673
Short-term receivables	369	521	351	507
Short-term loans and borrowings	0	62	0	0
Cash and cash equivalents	377	285	379	290
Other current assets	14	15	13	15
Total Assets	**2,993**	**2,976**	**3,105**	**3,216**
Equity	1,922	1,588	1,899	1,593
Long-term trade and other payables	7	10	7	10
Long-term loans and borrowings	0	0	0	0
Other long-term liabilities	138	139	133	144
Short-term trade and other payables	443	615	420	597
Other short-term liabilities	483	624	646	872
Total Equity and Liabilities	**2,993**	**2,976**	**3,105**	**3,216**

Compared to the previous accounting period, the carried amount of Group property, plant and equipment including investment property decreased by EUR 6 million due to disposals and annual depreciation charge which exceeded capital expenditures. In 2022, the Group's capital expenditure amounted to EUR 75 million compared to EUR 41 million in 2021.

As of December 31, 2022, the Group had purchased EUA emissions allowances totaling EUR 79 million, compared to purchased allowances worth EUR 207 million as of December 31, 2021. Emission allowances allocated by the Slovak Government in 2022 were measured at EUR 515 million compared to EUR 417 million in 2021.

The increase in inventory in 2022 was primarily due to higher raw material purchases during the year caused by uncertainty and fluctuations in world markets. Lower sales of products at the end of 2022 had an impact on the decrease of the short-term receivables balance. Decrease in provision for CO_2 emissions and current tax liability reflected in the decrease of other liabilities.

On December 15, 2022 the Group entered into a supplemental agreement No.1 to its EUR 300 million Credit Agreement („Credit Agreement"), where Ferroenergy s.r.o., subsidiary of U. S. Steel Košice, s.r.o. was deleted as guarantor to the Credit Agreement based on the approved merger of the U. S. Steel Košice, s.r.o., Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. with the effective date on January 1, 2023. The Credit Agreement with multiple banks has a maturity date of September 29, 2026 and also contains sustainability targets related to carbon reduction, safety performance and facility certification by ResponsibleSteel™.

In 2022 no borrowings were drawn against the EUR 300 million Credit Agreement. In 2021, the Group repaid borrowings worth EUR 300 million drawn from a EUR 460 million revolving Credit Facility Agreement with banks and borrowings worth EUR 122 million drawn from Loan Agreement with United States Steel Corporation.

Detailed information on long-term loans and borrowings of the Company and 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:

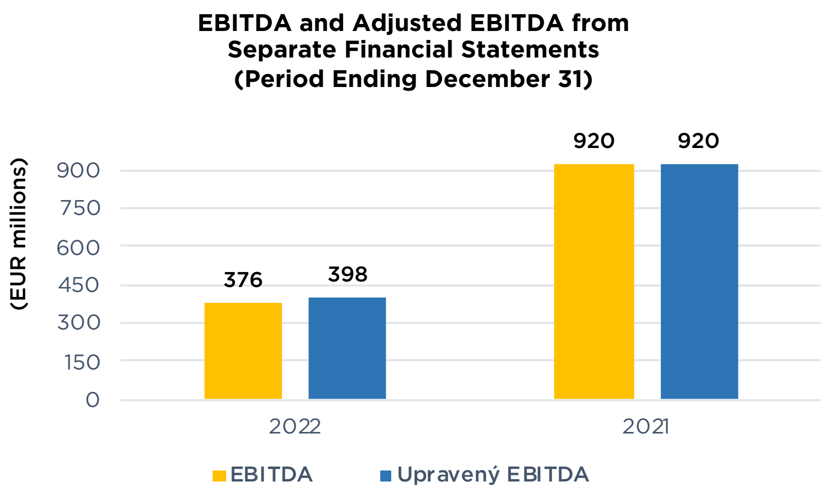
U. S. Steel Košice	Separate Statement of Profit and Loss in EUR (millions)		Consolidated Statement of Profit and Loss in EUR (millions)	
	2022	2021	2022	2021
Revenues and other income	4,620	4,039	4,498	4,004
Operating Profit / (Loss)	420	820	387	695
Net Profit / (Loss) for the Year	332	648	307	517
Total Comprehensive Income / (Loss)	334	684	306	679

The Group incurred a **net profit of EUR 307 million** in 2022 compared to a net profit of EUR 517 million in 2021. The decrease in reported profit was primarily caused by the overall deterioration of business conditions during second half of 2022. The decrease in result was due to higher raw material costs, increase in operating and energy costs, a decrease in demand and a weakening of the euro against the U.S. dollar, which resulted in reduced utilization of production capacities. These negative impacts were partially offset with increased average realized prices.

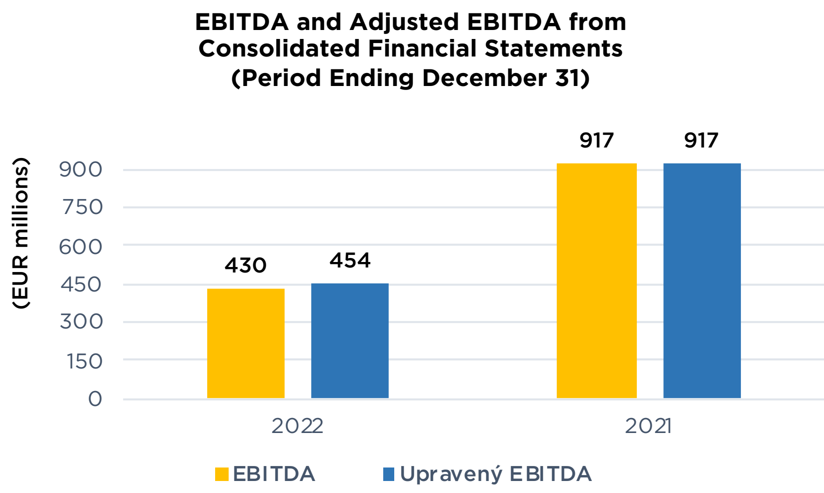
STATEMENT OF FINANCIAL PERFORMANCE

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)	
	2022	2021	2022	2021
EBITDA	376	920	430	917
Adjusted EBITDA	398	920	454	917



The Group's EBITDA decreased in 2022 compared to 2021 mainly due to lower sales volume, higher raw materials and energy costs and the weakening of the euro against the US dollar, which was partially offset by higher average realized prices.



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

PROPOSAL FOR 2022 PROFIT DISTRIBUTION

U. S. Steel Košice	in EUR (millions)
Profit for the Year 2022	332
(Contribution to) / Usage of Legal Reserve Fund	(9)
Transfer to Retained Earnings	323
Retained Earnings - Undistributed 2021 Profit	651
Retained Earnings - Other 2022 Changes Directly Accounted for in Retained Earnings	20
Retained Earnings as of December 31, 2022 Tota	994

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

ANNUAL REPORT 2022

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, 2022

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

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 2022, 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 2022;
- 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 No. 423/2015 on Statutory Audit and on the amendments and supplements to the 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 the 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, 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.

Responsibilities of management and those charged with governance 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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.

pwc

- 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. Martin Čelinák, FCCA
UDVA licence No. 1250

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

3 April 2023
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.

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

The separate financial statements for the year ended December 31, 2022, were prepared in accordance with International Financial Reporting Standards as adopted by the European Union on March 29, 2023, and will be submitted to the General Meeting of U. S. Steel Košice, s.r.o. ("the Company" or "USSK") for approval. Neither the Company's shareholder nor the executives have the power to amend the separate financial statements after issue.

Košice, March 29, 2023

James Edward Bruno
President
(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. Matúš Harakaľ, PhD.
Director Accounting Services and Financial Reporting
(responsible for financial statements preparation)

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

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SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2022	December 31, 2021
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**802,863**	803,227
Investment property	6	**3,739**	2,618
Intangible assets	7	**520,023**	465,595
Investments	8	**133,147**	138,300
Unquoted financial instruments	26	**111**	259
Long-term receivables	11	**8,622**	7,630
Total non-current assets		**1,468,505**	**1,417,629**
Current Assets			
Inventories	10	**763,698**	673,789
Trade and other receivables	11	**369,004**	520,888
Derivative financial instruments	12	**11,224**	13,459
Short-term loans to related parties	28	**-**	62,442
Restricted cash		**453**	379
Prepaid expense		**2,504**	1,877
Cash and cash equivalents	13	**377,215**	285,272
Total current assets		**1,524,098**	**1,558,106**
TOTAL ASSETS		**2,992,603**	**2,975,735**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**839,357**	839,357
Legal reserves	14	**74,804**	42,389
Other reserves	14	**4,519**	23,686
Retained earnings / (Accumulated losses)		**1,003,260**	682,815
Total Equity		**1,921,940**	**1,588,247**
Liabilities			
Non-Current Liabilities			
Long-term provisions for liabilities and charges	16	**8,054**	11,767
Long-term deferred income - environmental projects	5	**65,771**	70,447
Long-term employee benefits payables	17	**21,103**	31,594
Deferred income tax liability	9	**42,265**	24,960
Long-term trade and other payables	18	**7,315**	9,688
Total non-current liabilities		**144,508**	**148,456**
Current Liabilities			
Trade and other payables	18	**443,430**	614,677
Current income tax liability		**41,080**	152,699
Derivative financial instruments	12	**5,186**	85
Short-term borrowings from related parties	28	**33,695**	1,825
Short term provision for CO_2 emissions	16	**395,232**	468,293
Short-term provisions for liabilities	16	**2,505**	501
Short-term employee benefits payables	17	**5,027**	952
Total current liabilities		**926,155**	**1,239,032**
TOTAL EQUITY AND LIABILITIES		**2,992,603**	**2,975,735**

The accompanying notes on pages SF-11 to SF-68 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	2022	2021
Revenue from contracts with customers	19	**4,023,333**	3,589,701
Other income	19	**596,292**	449,052
Materials and energy consumed	20	**(3,032,836)**	(2,036,920)
Salaries and other employees benefits	21	**(365,364)**	(338,108)
Depreciation and amortization	5, 6, 7	**(74,942)**	(78,296)
Repairs and maintenance		**(90,834)**	(75,564)
Transportation services		**(91,476)**	(90,601)
Advisory services		**(10,191)**	(10,390)
Foreign exchange (losses) / gains		**(8,437)**	(13,717)
(Loss) / gain from changes in fair value of emission allowances	7	**(3,693)**	-
Charge for provision for CO_2 emissions	16	**(395,502)**	(468,293)
Other operating expenses	22	**(126,569)**	(106,374)
Profit / (loss) from operations		**419,781**	**820,490**
Dividend income		**230**	5,467
Interest income		**562**	329
Other financial income		**-**	952
Interest expense		**(1,954)**	(6,162)
Profit / (loss) profit before tax		**418,619**	**821,076**
Income tax (expense) / benefits	23	**(85,896)**	(172,778)
Profit / (loss) after tax		**332,723**	**648,298**
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	23	**7,059**	3,313
Revaluation of intangible assets	7, 23	**-**	10,963
Items that may be subsequently reclassified to profit or loss			
Changes in fair value of derivative hedging derivatives	23	**(6,089)**	21,868
Other Comprehensive Income, net of tax		**970**	**36,144**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**333,693**	**684,442**

The accompanying notes on pages SF-11 to SF-68 are an integral part of these separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Legal reserves	Other reserves	Retained earnings / (accumulated losses)	Total
Balance as of January 1, 2021	**839,357**	**69,474**	**22,059**	**(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:					
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**	**42,389**	**23,686**	**682,815**	**1,588,247**

	Share capital	Legal reserves	Other reserves	Retained earnings / (accumulated losses)	Total
Balance as of January 1, 2022	**839,357**	**42,389**	**23,686**	**682,815**	**1,588,247**
Profit for 2022	-	-	-	332,723	**332,723**
Other comprehensive income	-	-	(6,089)	7,059	**970**
Total comprehensive (loss) / income for the year	**-**	**-**	**(6,089)**	**339,782**	**333,693**
Adjustments:					
Release of revaluation reserve - CO_2 emission allowances	-	-	(13,078)	13,078	-
Total adjustments	**-**	**-**	**(13,078)**	**13,078**	**-**
Transactions with owners:					
Contribution to legal reserve fund	-	32,415	-	(32,415)	-
Total transactions with owners	**-**	**32,415**	**-**	**(32,415)**	**-**
Balance as of December 31, 2022	**839,357**	**74,804**	**4,519**	**1,003,260**	**1,921,940**

The accompanying notes on pages SF-11 to SF-68 are an integral part of these separate financial statements.

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

SEPARATE STATEMENT OF CASH FLOWS

	Note	Total	
		2022	2021
Profit / (loss) before tax		**418,619**	**821,076**
Non-cash adjustments for			
Depreciation of property, plant and equipment and investment property	5, 6	**65,658**	69,842
Depreciation of right of use assets	5	**7,184**	6,245
Amortization of intangible assets	7	**2,100**	2,209
Amortization of deferred income - CO_2 emission allowances	7, 19, 29	**(514,004)**	(415,863)
Amortization of deferred income - environmental projects	5, 19	**(4,675)**	(4,695)
Charge of provision for CO_2 emissions emitted	16, 29	**395,232**	468,293
Impairment (reversal of impairment) of investments		**115**	(30)
Liquidation of Financial investments (Subs)		**5,037**	1,808
Gains on disposal of property, plant and equipment, intangible assets and investment property	19, 22	**(3,100)**	(370)
(Gain) / loss on sale of financial investment	8, 22	**(785)**	233
Gains from changes in fair value of derivative financial instruments	19	**(34,484)**	(1,467)
Loss / (gain) from changes in fair value of CO_2 emission allowances		**3,693**	-
Dividend income and distribution of profit		**(230)**	(5,467)
Interest income		**(562)**	(329)
Interest expense		**1,954**	6,162
Foreign exchange gain	15	**-**	7,220
Change in landfill receivable	11	**(992)**	(526)
Changes in working capital			
Increases in inventories	10	**(89,909)**	(296,308)
Decrease / (increase) in trade and other receivables and other current assets	11	**153,545**	(235,459)
(Decrease) / increase in trade and other payables and other current liabilities	18	**(191,856)**	190,909
Cash generated from operating activities		**212,540**	**613,483**
Interest paid		**(1,724)**	(8,040)
Income taxes paid		**(180,469)**	(8)
Lease payments not included in the measurement of the lease liabilities	5, 22	**(1,189)**	(949)
Net receipts from derivative financial instruments		**34,484**	1,467
Net cash generated from operating activities		**63,642**	**605,953**
Cash flows from / (used in) investing activities			
Short-term loans provided to related parties	28	**(65,529)**	(124,955)
Short-term loans repaid by related parties	28	**127,852**	69,486
Purchases of property, plant and equipment	5	**(46,365)**	(23,067)
Proceeds from sale of property, plant and equipment		**1,779**	294
Proceeds from sale of CO_2 emissions	7	**26,634**	-
(Loss) / gain on disposal of financial investments		**(2,692)**	3,571
Purchases of intangible assets	7	**(39,325)**	(23,886)
Proceeds from sale of unquoted financial instruments		**933**	-
Change in restricted cash, net		**(74)**	154
Interest received		**681**	228
Dividends received and distribution of profit		**262**	5,435
Net cash from / (used in) investing activities		**4,156**	**(92,740)**
Cash flows from / (used in) financing activities			
Proceeds from borrowings	15, 25, 28	**64,565**	93,362
Repayment of borrowings	15, 25, 28	**(32,796)**	(531,383)
Payments for the principal portion of the lease liabilities	5, 15	**(7,624)**	(6,622)
Net cash generated from / (used in) financing activities		**24,145**	**(444,643)**
Net increase in cash and cash equivalents		**91,943**	**68,570**
Cash and cash equivalents at beginning of year	13, 26	**285,272**	216,702
Cash and cash equivalents at end of year	13, 26	**377,215**	**285,272**

The accompanying notes on pages SF-11 to SF-68 are an integral part of these separate financial statements.

Note 1 General Information

The Company U. S. Steel Košice, s.r.o. 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 no. 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, 2022 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 Energy 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.

Effective June 2, 2022, the Company established Supervisory Board, which also acts as an audit committee in compliance with Act No. 423/2015 Coll. on statutory audit as amended. As members of the supervisory board were elected Duane Douglas Holloway (chairman), Manpreet Singh Grewal a Mgr. Eva Durzóová.

Shareholder of the Company

As of December 31, 2022 and 2021, 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 April 21, 2022, 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 entities ("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, 2022 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, 2022 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, 2022 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 Company has changed its accounting policy related to hedge accounting, whereby it has adopted hedge accounting under IFRS 9 effective from January 1, 2022. The comparatives are not required to be restated and are accounted for in accordance with IAS 39. The Company has adopted the hedge accounting requirements of IFRS 9, which more closely align with the U. S. Steel Corporation's risk management policies and has elected to apply hedge accounting prospectively to certain of its commodity price risk management activities for which hedge accounting was not possible under IAS 39. On transition, it was concluded that all IAS 39 hedge relationships are qualifying IFRS 9 relationships.

Other 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

U. S. Steel Košice, s.r.o.

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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.

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.

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 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.

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 – 15 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.

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.

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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 allowances will be received, and that the Company will comply with the conditions attaching to the allowances, 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

The 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 or there are indicators which will enable to reverse recognized impairment loss. 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 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 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 are 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 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. The Company has not included the extension option in the lease term calculation also based on the fact that neither of the parties have legal enforceable right to prolong the contracts and the Company does not have economic incentive, which would lead to application of extension option.

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 financial assets 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.

Impairment

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. S. Steel Košice, s.r.o.

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Derecognition

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 determined by using the first-in, first-out (FIFO) cost method. The cost of work in progress, semi-finished production and finished products comprises raw materials cost, 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 accounting period 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

Equity and liabilities

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 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

Recognition and initial measurement

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

Financial liabilities are derecognized when relating 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 or 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. A deferred income is recognized for government grants or assistance received 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.

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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 and associated companies, 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

Defined contribution pension plan

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.

Employee retirement obligation

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.

Work and life jubilee benefits

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.

Termination benefits

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.

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 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.

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.

Dividend income and distribution of profit

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.

Foreign exchange forward 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 financial instruments to hedge its foreign currency and commodity price risk exposures. A hedged item is a highly probable forecast transaction that exposes the Company to risk of changes in future cash flows and is formally designated as a hedged item in the hedging relationship. A hedged item can also be a component of such an item or group of items. The hedged item must be reliably measured.

A hedging instrument is a designated derivative or non-derivative financial instrument measured at fair value through profit or loss whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. The Company has designated commodity forward, swaps and foreign exchange forward as hedging instruments.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Hedging derivatives are recognized initially at fair value, the attributable transaction costs are recogizinized in profit or loss when incurred. Subsequent to initial recognition, hedging derivatives are measured at fair value, and changes in fair value are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in other comprehensive income and accumulated in equity in a separate cash flow hedge reserve to the extent that the hedge is effective, following the conditions set in IFRS 9.

The amount recognized within equity is the lower of cumulative gain or loss on the hedging instrument from the inception of the hedge and the cumulative change in fair value of the hedged item from the inception of the hedge. Any remaining gain or loss on the hedging instrument is a hedge ineffectiveness that is recognized in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that have been recognized directly in equity shall be reclassified to profit or loss during the same period(s) during which the asset acquired or the liability assumed affects profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability.

As of December 31, 2022 and December 31, 2021, the Company classified all its hedging relationships as cash flow hedges.

The effectiveness of the hedge is an extent to which changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk are offset by changes in those of the hedging instrument. The hedge ineffectiveness is evaluated through a qualitative assessment or a quantitative computation, depending on the extent to which the critical terms of the hedged item and the hedging instrument match.

The main causes of hedge ineffectiveness include the basis difference (i.e. the fair value or cash flows of the hedged item depend on a variable that is different from the variable that causes the fair value or cash flows of the hedging instrument to change), timing difference (i.e. the hedged item and the hedging instrument occur or are settled at different dates), quantity or notional amount differences, credit or other risks that have an impact on the fair value of a hedged item or a hedging instrument.

Discontinuing of the hedge accounting

The Company discontinues hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The cumulative gains or losses previously recognized in equity are reclassified to profit and loss in the same period(s) when the hedged item affects the profit or loss. A hedging relationship that still meets the risk management objective and continues to meet all other qualifying criteria, after taking into account any rebalancing, cannot be discontinued.

Current versus non-current classification

Derivative instruments are classified as current or non-current or separated into a current and non-current portion as follows:

- When the Company holds a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.
- Derivative financial instruments which are held primarily for the purpose of trading are classified as current.

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 war in Ukraine (Note 27). 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, 2022 is approximately 15 years (as of December 31, 2021: 16 years). If estimated average useful life of these assets would increase by 1 year, the annual depreciation charge would have been lower by EUR 7.7 million (2021: EUR 6.6 million). If estimated average useful life of these assets would decrease by 1 year, the annual depreciation charge would have been higher by EUR 8.7 million (2021: EUR 7.5 million).

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

As noted in Note 2.8, the Company evaluates impairment of its property, plant and equipment, intangible assets, and investment properties whenever circumstances indicate that the carrying value may not be recoverable at the cash-generating unit level. The Company has evaluated various Company-specific factors and macro-economic factors, giving consideration to both positive and adverse factors and weighting them relative to importance and has determined that no impairment charge was required in 2022 and 2021.

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, 2022, 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 1,500 thousand lower / EUR 1,751 thousand higher net present value of estimated future employee benefits obligations. As of December 31, 2021, if the stated discount rate 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.

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, 2022, 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 331 thousand lower / EUR 352 thousand higher net present value of the estimated future landfill restoration expenditures. 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.

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 of the Company 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

The Company's procedure for the calculation of expected credit loss for trade receivables (Note 11) is based on 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, 2022

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. There is no material impact of the implementation of the amendments to the 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. There is no material impact of the implementation of the amendments to the 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. There is no material impact of the implementation of the amendments to the 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.

There is no material impact of the implementation of the improvements to the financial statements.

4.2 Standards, amendments and interpretations of standards issued but not effective until the financial year beginning January 1, 2023 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. The Company does not expect any impact of this standard on its financial statements as the Company does not issue insurance and reinsurance contracts.

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. The Company does not expect any impact of this standard on its financial statements as the Company does not issue insurance and reinsurance contracts.

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

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 defined that 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. 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. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company is currently assessing the impact of the amendments on its financial statements.

4.3 Standards, amendments and interpretations of standards issued but not yet endorsed in the EU

IFRS 14, Regulatory Deferral Accounts (issued on January 30, 2014 and effective for annual periods beginning on or after January 1, 2016). An entity that already presents IFRS financial statements is not eligible to apply the standard. 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 Company is currently assessing the impact of the amendments on its financial statements.

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. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The Company is currently assessing the impact of the amendments on its financial statements.

Non-current Liabilities with Covenants – Amendments to IAS 1 (issued on October 31, 2022 and effective for annual reporting periods beginning on or after January 1, 2024). Amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The Company is currently assessing the impact of the amendments on its financial statements.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (issued on September 22, 2022 and effective for annual reporting periods beginning on or after January 1, 2024, earlier application is permitted). Amendments to requirements for sale and leaseback transactions in IFRS 16 explain how an entity accounts for a sale and leaseback after the date of the transaction. 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.

Note 5 Property, Plant and Equipment

Movements in property, plant and equipment during 2022 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, 2022	**505,889**	**1,350,668**	**20,764**	**42,651**	**31,992**	**1,951,964**
Additions	-	-	-	71,472	4,464	**75,936**
Disposals	(773)	(8,699)	(1,287)	(285)	(565)	**(11,609)**
Transfer (to) / from investment property	(1,133)	-	-	-	-	**(1,133)**
Transfers to base	2,982	46,679	-	(49,661)	-	-
December 31, 2022	**506,965**	**1,388,648**	**19,477**	**64,177**	**35,891**	**2,015,158**
Accumulated Depreciation						
January 1, 2022	**(205,039)**	**(912,141)**	**(15,425)**	-	**(16,132)**	**(1,148,737)**
Depreciation for the year	(13,748)	(50,514)	(1,301)	-	(7,184)	**(72,747)**
Disposals	387	8,319	-	-	566	**9,272**
Transfer to / (from) investment property	(83)	-	-	-	-	**(83)**
December 31, 2022	**(218,483)**	**(954,336)**	**(16,726)**	-	**(22,750)**	**(1,212,295)**
Carrying amount	**288,482**	**434,312**	**2,751**	**64,177**	**13,141**	**802,863**

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**

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

Movements in right of use assets during 2022 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other right-of-use assets	Total
Cost				
January 1, 2022	**124**	**29,193**	**2,675**	**31,992**
Additions	247	2,652	1,565	**4,464**
Disposals	(7)	(394)	(164)	**(565)**
December 31, 2022	**364**	**31,451**	**4,076**	**35,891**
Accumulated Depreciation				
January 1, 2022	**(77)**	**(15,174)**	**(881)**	**(16,132)**
Depreciation for the year	(101)	(6,149)	(934)	**(7,184)**
Disposals	7	395	164	**566**
December 31, 2022	**(171)**	**(20,928)**	**(1,651)**	**(22,750)**
Carrying amount	**193**	**10,523**	**2,425**	**13,141**

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**

In 2022 no borrowing costs were capitalized (2021: EUR 712 thousand).

No property, plant and equipment of the Company were pledged in favor of a creditor or restricted in its use as of December 31, 2022 or December 31, 2021.

Purchases of property, plant and equipment in the Statement of Cash Flows excludes an acquisition of assets directly related to leasing totaling EUR 4.5 million (for the year ended December 31, 2021: EUR 4 million) and unpaid capital expenditures in the amount of EUR 25 million for the year ended December 31, 2022 (for the year ended December 31, 2021: EUR 20 million).

Impairment of property, plant and equipment

The Company evaluates impairment of non-financial assets for IFRS purposes whenever changes in circumstances indicate that the carrying amounts of the assets exceed their recoverable amount. Further details are disclosed in Note 3.

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 141 million (2021: USD 150 million, i.e. EUR 132 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 70 million (2021: USD 75 million, i.e. EUR 66 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 141 million (2021: USD 150 million, i.e. EUR 132 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 422 million (2021: USD 450 million, i.e. EUR 397 million).

Environmental Projects

In the years 2016 – 2017, the Ministry of Environment of the Slovak Republic approved the Company's applications to participate in Operational Program Environment Quality for fifteen 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, 2 and 3, Sinter Strand No. 1, 2, 3 and 4 Exit Emission Control, Dedusting of Sinter Strand No. 1 – 2 and 3 – 4, Steel Shop No. 2 Dedusting – Hot Metal Desulphurization, Coal Preparation Emission Control and Coke Handling Dedusting at Coke Batteries No. 1 and 3. Capital expenditures will remain mitigated if the Company complies with certain financial covenants, which are assessed annually (Note 11). The Company complied with these covenants as of December 31, 2022 and December 31, 2021.

All environmental projects were completed. The average period over which the assets from these projects are depreciated is 20 years.

The deferred income amortized to Other income in 2022 totaled EUR 4,675 thousand (2021: EUR 4,695 thousand). The Company believes that it complied with all relevant conditions. The Company did not recognize any additional deferred income in 2022 and 2021 (Notes 11 and 27).

Movements in deferred income relating to Environmental projects during 2022 and 2021 are as follows:

	2022	2021
Opening balance as of January 1	**70,447**	**75,153**
Net change in contracts relating to environmental projects	**(1)**	(11)
Amortization to Other income	**(4,675)**	(4,695)
Closing balance as of December 31	**65,771**	**70,447**

Lease

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

	December 31, 2022	December 31, 2021
Right-of-use assets *		
Land and buildings	**193**	47
Machinery, equipment and motor vehicles	**10,523**	14,019
Other right-of-use assets	**2,425**	1,794
Total right-of-use assets	**13,141**	**15,860**
Lease liabilities **		
Current	**8,353**	8,143
Non-current	**6,954**	9,686
Total lease liabilities	**15,307**	**17,829**

* 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, motor 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:

	2022	2021
Depreciation charge of right-of-use assets ***		
Land and buildings	101	98
Machinery, equipment and motor vehicles	6,149	5,774
Other right-of-use assets	934	373
Total depreciation charge of right-of-use assets	7,184	6,245
Interest expense ****	(410)	(436)
Expense relating to short-term leases (included in other operating expenses in Note 22)	(295)	(323)
Expense relating to leases of low-value assets that are not short-term leases (included in other operating expenses in Note 22)	(30)	(22)
Expense relating to variable lease payments not included in lease liabilities (included in other operating expenses in Note 22)	(864)	(604)
Expense relating to variable lease payments for energy consumed not included in lease liabilities (Note 20: EUR 397.5 million and EUR 249.7 million included in energy consumed in 2022 and 2021, respectively and EUR 3.7 million and EUR 1.8 million included in cost of merchandise in 2022 and 2021, respectively)	(401,207)	(251,483)

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

**** included in the line item 'Interest expense' in the statement of profit or loss and other comprehensive income.

The total cash outflow for leases in 2022 was EUR 8,812 thousand (2021: EUR 7,570 thousand). The total cash outflow for variable lease payments in 2022 was EUR 397,343 thousand (2021: EUR 249,340 thousand).

Lease liability maturities are as follows:

	December 31, 2022	December 31, 2021
Not later than 1 year	8,353	8,143
Later than 1 year and not later than 5 years	6,942	9,686
Later than 5 years	12	-
Present value of lease liability **	15,307	17,829

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

Note 6 Investment Properties

Movements in investment properties during 2022 and 2021 are as follows:

	2022	2021
Cost		
Opening balance as of January 1	4,556	4,681
Transfers to property, plant and equipment	(295)	(132)
Transfers from property, plant and equipment	1,428	7
Closing balance as of December 31	5,689	4,556
Accumulated Depreciation and Impairment Losses		
Opening balance as of January 1	(1,938)	(1,834)
Depreciation for the year	(95)	(105)
Transfers to property, plant and equipment	83	8
Transfers from property, plant and equipment	-	(7)
Closing balance as of December 31	(1,950)	(1,938)
Carrying amount	3,739	2,618

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 10,368 thousand as of December 31, 2022 (December 31, 2021: EUR 8,154 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 2022 are as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
January 1, 2022	**42,718**	**457,556**	**371**	**1,763**	**502,408**
Additions	-	550,463	-	2,866	**553,329**
Disposals	(2,188)	(493,106)	(13)	-	**(495,307)**
Change in fair value of CO_2 emission allowances	-	(3,693)	-	-	**(3,693)**
Transfers to base	2,865	-	-	(2,865)	-
December 31, 2022	**43,395**	**511,220**	**358**	**1,764**	**556,737**
Accumulated Amortization					
January 1, 2022	**(36,537)**	**-**	**(276)**	**-**	**(36,813)**
Amortization for the year	(2,085)	-	(15)	-	**(2,100)**
Disposals	2,186	-	13	-	**2,199**
December 31, 2022	**(36,436)**	**-**	**(278)**	**-**	**(36,714)**
Carrying amount	**6,959**	**511,220**	**80**	**1,764**	**520,023**

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)**
Change in fair value of CO_2 emission allowances (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**

In 2022 and 2021 no borrowing costs were capitalized.

No intangible assets of the Company were pledged in favor of a creditor or restricted in their use as of December 31, 2022 or December 31, 2021.

Insurance

Intangible assets are not insured.

Emission allowances

In 2022, the Company received allocations of CO_2 emission allowances from the Slovak Government in two parts. The emission allowances were initially measured at fair value as of the allocation date at EUR 81.81 per ton in the 1st allocation and at 83.06 in the 2nd allocation (2021: EUR 83.73 per ton). Emission allowances allocated by the Slovak Government in 2022 totaled EUR 514 million (2021: EUR 416 million). Emission allowances were recognized in deferred income on the acquisition date and subsequently recognized as income in the period for which the emission allowances have been allocated. 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.

The Company purchased 0.5 million tons EUAs totaling EUR 36.5 million in 2022 based on the projected future production levels. The Company sold 300 thousand tons EUAs totaling EUR 26.6 million to its subsidiary Ferroenergy s.r.o. in August 2022. In 2021 the Company purchased 350 thousand tons EUAs totaling EUR 21.4 million.

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

	December 31, 2022	December 31, 2021
CO_2 emission allowances (intangible asset valued at fair value)	**511,220**	457,556
Liability from the obligation to deliver allowances (provision) (Note 16)	**395,232**	468,293

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, 2022	Level 1	Level 2	Level 3	Total
Assets				
CO_2 emission allowances	511,220	-	-	**511,220**
Total	**511,220**	**-**	**-**	**511,220**

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
CO_2 emission allowances	457,556	-	-	**457,556**
Total	**457,556**	**-**	**-**	**457,556**

During 2022 and 2021, 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 514,913 thousand as of December 31, 2022 (December 31, 2021: EUR 448,344 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, 2022	December 31, 2021
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)	**118**	128
	Equity	**3,373**	3,378
U.S. Steel Košice – SBS, s.r.o., Slovakia, Security services			
	Ownership interest (%)	**98.00**	98.00
	Carrying amount	**34**	34
	Profit / (loss)	**55**	51
	Equity	**114**	110
Ferroenergy s.r.o., Slovakia, Production of steam, hot water, electricity and technical gases			
	Ownership interest (%)	**99.99**	99.99
	Carrying amount	**130,198**	130,198
	Profit / (loss)	**(29,265)**	(122,869)
	Equity	**109,932**	140,366
Tubular s.r.o., Slovakia, Metal processing			
	Ownership interest (%)	**85.00**	85.00
	Carrying amount	**4**	4
	Profit / (loss)	**(1)**	(1)
	Equity	**2**	3
U. S. Steel Europe – France S.A., France, Sales Agent			
	Ownership interest (%)	**99.94**	99.94
	Carrying amount	**212**	212
	Profit / (loss)	**6**	18
	Equity	**174**	186
U. S. Steel Europe – Germany GmbH, Germany, Sales Agent			
	Ownership interest (%)	**100.00**	100.00
	Carrying amount	**449**	565
	Profit / (loss)	**44**	45
	Equity	**1,269**	1,303
Total carrying amount of investments		**133,147**	**138,300**

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 as adopted by EU.

Where required by the law financial information of the USSK's subsidiaries is audited for the year 2022 and 2021.

None of the Company's ownership interests in subsidiaries were pledged as of December 31, 2022 or December 31, 2021.

On November 23, 2022 General meetings of U. S. Steel Košice, s.r.o., Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. (subsidiaries of USSK) approved merger of Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. with parent company U. S. Steel Košice, s.r.o.

Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. ceased to exist without liquidation by merger with U. S. Steel Košice, s.r.o. as of January 1, 2023 and USSK became universal legal successor of Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. USSK continues with all the business activities of Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. after the merger.

As of August 22, 2022, following transfers of shares of the shareholders were made:

- shares of the shareholder U. S. Steel Košice – Labortest, s.r.o. in entity U.S. Steel Košice - SBS, s.r.o. to company Tubular s.r.o.,
- shares of the shareholder Ferroenergy s.r.o. in entity Tubular s.r.o to company U.S. Steel Košice – SBS, s.r.o.

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". 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.

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.

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, 2022 (December 31, 2021: 21 percent).

The tax effect of the movements in the temporary differences during 2022 is as follows:

	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022
Property, plant and equipment	**(42,877)**	(6,975)	-	**(49,852)**
Leases	**669**	19	-	**688**
Inventories	**6,913**	6,781	-	**13,694**
Employee benefits	**6,783**	(225)	(1,877)	**4,681**
Tax loss 2019	**2,143**	(1,072)	-	**1,071**
CO_2 Emission allowances transactions	-	(15,876)	-	**(15,876)**
Derivative financial instruments	**(2,805)**	-	1,618	**(1,187)**
Provisions	**5,651**	359	-	**6,010**
Other temporary differences	**(1,437)**	(57)	-	**(1,494)**
Total	**(24,960)**	**(17,046)**	**(259)**	**(42,265)**
Deferred tax (liability) / asset	**(24,960)**			**(42,265)**

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

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**
Tax loss 2019	**3,215**	(1,072)	-	**2,143**
Research and development 2021 - 2023	**6,051**	(6,051)	-	**-**
CO_2 Emission allowances transactions	**(39)**	(3,827)	3,866	**-**
Derivative financial instruments	**3,005**	-	(5,810)	**(2,805)**
Provisions	**7,666**	(2,015)	-	**5,651**
Other temporary differences	**(71)**	(1,366)	-	**(1,437)**
Total	**(2,064)**	**(20,071)**	**(2,825)**	**(24,960)**

The Company has unrecognized potential deferred tax liability of EUR 964 thousand related to subsidiaries as of December 31, 2022 (December 31, 2021: deferred tax liability of EUR 1,258 thousand).

Tax loss carry forward

By the end of the 2022, 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 345,386 thousand in 2022 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 2023 in line with tax regulations.

Note 10 Inventories

	December 31, 2022	December 31, 2021
Raw materials	**402,606**	242,450
Work-in-progress	**62,269**	88,507
Semi-finished production	**160,770**	131,676
Finished goods	**136,744**	209,799
Merchandise	**41,198**	3,010
Inventory allowance	**(39,889)**	(1,653)
Total	**763,698**	**673,789**

No inventories were pledged in favor of a creditor or restricted in their use as of December 31, 2022 and 2021.

Inventory as of December 31, 2022 is shown net of write-down allowances resulting from lower net realizable values totaling EUR 39,889 thousand (December 31, 2021: EUR 1,653 thousand). Gross value of inventories written down were EUR 523 million as of December 31, 2022 (December 31, 2021: EUR 8 million).

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

	Raw materials	Work in progress	Semi-finished production	Finished products	Total
January 1, 2022	**33**	**683**	**748**	**189**	**1,653**
Allowance made	13,915	9,977	10,570	5,401	**39,863**
Allowance used	(18)	(812)	(757)	-	**(1,587)**
Allowance reversed	11	129	9	(189)	**(40)**
December 31, 2022	**13,941**	**9,977**	**10,570**	**5,401**	**39,889**

	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**

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.

Note 11 Trade and Other Receivables

	December 31, 2022	December 31, 2021
Trade receivables	**264,665**	414,067
Trade receivables that are subject of factoring arrangements	**30,051**	18,468
Related party trade receivable (Note 28)	**21,122**	28,729
Total trade receivables	**315,838**	**461,264**
Other receivables - funds for landfill restoration	**8,622**	7,630
Other receivables from related parties (Note 28)	**2**	32
Other receivables	**4,076**	755
Trade and other receivables - financial (gross)	**328,538**	**469,681**
Loss allowance for trade receivables	**(13,530)**	(13,842)
Loss allowance for other receivables	**(2)**	(165)
Trade and other receivables - financial (net)	**315,006**	**455,674**
VAT receivable	**55,174**	56,330
Advance payments made	**7,446**	16,514
Other receivables - non-financial	**62,620**	**72,844**
Trade and other receivables (net)	**377,626**	**528,518**
Long-term receivables (financial)	**8,622**	7,630
Short-term receivables (financial and non-financial)	**369,004**	520,888

No receivables of the Company were pledged in favor of a bank or other entities as of December 31, 2022 and 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 2022. Additional information about measurement of the trade receivables is disclosed in Note 26.

Trade receivables and other receivables

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

	December 31, 2022	December 31, 2021
No or low-risk counterparties	**144,789**	243,110
Increased risk counterparties	**140,998**	199,687
Trade receivables at amortized costs	**285,787**	**442,797**
No or low-risk counterparties	**30,051**	4,904
Increased risk counterparties	**-**	13,564
Trade receivables at FV through other comprehensive income	**30,051**	**18,468**
Total	**315,838**	**461,265**

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 13,532 thousand as of December 31, 2022 (December 31, 2021: EUR 14,007 thousand).

The movements of loss allowances were as follows:

	Trade receivables	Other receivables	Total
January 1, 2022	**13,842**	**165**	**14,007**
Receivables written-off	(273)	-	**(273)**
Unused amount reversed	(39)	(163)	**(202)**
December 31, 2022	**13,530**	**2**	**13,532**

	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**

A part of recognized loss allowance in amount of EUR 13,228 thousand (December 31, 2021: EUR 13,536 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 general expected credit losses allowance using a credit enhancement matrix. The general expected credit loss allowance calculated by the Company is EUR 304 thousand as of December 31, 2022 (December 31, 2021: EUR 471 thousand).

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 3.05 percent (2021: 3.6 percent), median for the year 2022 is 1.4 percent (2021: 1.4 percent). The expected credit loss rate was determined based on risk analysis of receivables currently after due date.

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 of 0.385 percent to the receivables balances as of December 31, 2022 (0.346 percent applied as of December 31, 2021). The Company also mitigates credit risk by utilizing a credit insurance with credible insurance institutions (rating not lower than A2 according to Moody's). Credit insurance is an integral part of credit enhancement matrix because it occurs from the initial recognition of trade receivable.

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, 2022 (December 31, 2021: immaterial).

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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 (Note 25) 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, 2022 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, 2022 and December 31, 2021 recognized in other comprehensive income and accumulated in revaluation reserves in equity will be reclassified into profit or loss in 2023 or were reclassified in 2022.

The table below shows the actual amount recognized in Other operating income:

	December 31, 2022	December 31, 2021
Profit / (Loss) from reclassification of forward transaction from equity reserve funds into profit or loss	**(10,564)**	11,304
Forward transactions entered	**54,834**	(13,961)
Balance recognized in Other operating income	**44,270**	**(2,657)**

The aggregated 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 of the Company's financial derivatives at the end of the reporting period:

	December 31, 2022		December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forwards - cash flow hedges	**2,928**	**5,186**	13,324	85
Commodity swap contracts - cash flow hedges	**8,296**	**-**	135	-
Total	**11,224**	**5,186**	**13,459**	**85**

Balances as of December 31, 2022 and December 31, 2021 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 Fifth Third Bank as of December 31, 2022 and December 31, 2021. As of December 31, 2022, the financial derivatives with ING Bank N.V. and Komerční banka, a.s. represent more than 76 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, 2022 (December 31, 2021: BBB+ and better). Information about the fair value hierarchy as of December 31, 2022 is disclosed in Note 26.

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

	December 31, 2022	December 31, 2021
Payable on gross settlement in EUR thousand	**(266,089)**	(307,597)
Receivable on gross settlement in EUR thousand*	**265,798**	322,002

* Receivables nominated in USD, converted to EUR at the rate of USD/EUR 1.0666

The Company is exposed to a fluctuation of tin and iron ore purchase prices. In order to eliminate the Company's exposure to tin and iron ore prices fluctuation, the Company entered into commodity swaps to protect its profit margin. All commodity tin swaps commenced in 2022 matured in 2022, resulting in a net loss in total amount of EUR 10,490 thousand (2021: income of EUR 4,123 thousand). All commodity swaps for iron ore commenced in 2022 in amount of EUR 8,295 thousand will mature in 2023. All commodity swaps for tin commenced in 2022 matured in 2022. All commodity iron ore swaps commenced in 2021 matured in 2022 (2021: no matured swap).

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

The total value of derivative operations in 2022 is a profit of EUR 34,484 thousand.

Note 13 Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Cash at bank	377,215	285,272
Total (Note 26)	**377,215**	**285,272**

Interest rates on bank accounts were approximately 0.45 percent per annum for EUR deposits, 1.00 percent per annum for USD deposits and 0.30 percent per annum for CZK deposits as of December 31, 2022 (December 31, 2021: 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. 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, 2022.

Legal reserve fund and Other reserves

The movements in reserve funds are as follows:

	Legal reserve fund	Other capital funds	Derivative hedging instruments	CO_2 emission allowances	Total
January 1, 2022	**42,389**	**44**	**10,564**	**13,078**	**66,075**
Changes in fair value of derivative hedging instruments	-	-	4,475	-	**4,475**
Changes in fair value of CO_2 emission allowances	-	-	-	(13,078)	**(13,078)**
Release of fair value of derivative hedging instruments	-	-	(10,564)	-	**(10,564)**
Contribution to legal reserve fund	32,415	-	-	-	**32,415**
December 31, 2022	**74,804**	**44**	**4,475**	**-**	**79,323**

	Legal reserve fund	Other capital funds	Derivative hedging instruments	CO_2 emission allowances	Total
January 1, 2021	**69,474**	**44**	**(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 emission allowances	-	-	-	10,963	**10,963**
Realization of CO_2 emission 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	**42,389**	**44**	**10,564**	**13,078**	**66,075**

The change in the fair value of CO_2 emission allowances is recognized after taking into account the deferred tax asset in the amount of EUR 0 thousand (2021: asset of EUR 3,866 thousand). The change in the fair value of derivative financial instruments is recognized after taking into account the deferred tax asset in the amount of EUR 1,618 thousand (2021: liability EUR 5,810 thousand) (Note 9).

Dividends

No dividends were paid to U. S. Steel Global Holdings VI B.V. in 2022 and 2021. There were no declared but unpaid dividends as of December 31, 2022 and December 31, 2021.

Note 15 Loans and Borrowings

The movement in liabilities from financing activities is as follows:

	Related parties (Note 28)	Lease liabilities (Note 5, 18)	Total
January 1, 2022	**1,825**	**17,829**	**19,654**
Proceeds	64,565	-	**64,565**
Repayments	(32,796)	-	**(32,796)**
Lease additions	-	5,102	**5,102**
Lease payments	-	(7,624)	**(7,624)**
Interest (decrease) / increase	101	-	**101**
December 31, 2022	**33,695**	**15,307**	**49,002**
Long-term	-	6,954	**6,954**
Short-term	33,695	8,353	**42,048**
December 31, 2022	**33,695**	**15,307**	**49,002**

	Long-term loans and borrowings	Intercompany loan from U.S.Steel (Note 28)	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 (decrease) / increase	(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**

Credit facilities available to the Company:

Lender	Agreed amount	Currency	Interest rate	Date of maturity	Unpaid principal as of December 31, 2022	Unpaid principal as of December 31, 2021
Group of Banks *	300,000,000	EUR	IBOR + 2.00 or 2.35% p.a.	September 29, 2026	-	-
ING Bank N.V.	20,000,000	EUR	EURIBOR + 1.70% p.a	December 3, 2024	-	-
		USD	LIBOR + 1.70% p.a		-	-
		CZK	PRIBOR + 1.70% p.a		-	-
United States Steel Corporation	150,000,000	USD	3M USD LIBOR + 2.9% p.a.	September 27, 2023	-	-

* 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

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 a 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 contains sustainability targets related to greenhouse gas emissions intensity reduction, safety performance and facility certification by ResponsibleSteel™. The Credit Agreement contains certain financial covenants calculated from consolidated financial statements prepared in accordance with US GAAP. The Credit Facility Agreement requires Company to maintain a net debt to EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization, hereinafter as "EBITDA") ratio of less than 3.50 : 1.00 for the rolling twelve months ending June 30, 2023. The Company has determined that it may not be able to comply with this covenant at June 30, 2023 based on the currently forecasted EBITDA for the twelve-month period ending June 30, 2023. This could partially or fully limit its ability to borrow under the Credit Facility Agreement. Any amendment or waiver may lead to additional lender protections, including a reduction of loan commitments or less favorable terms, and there can be no assurance that the Company can obtain waivers or amendments in timely fashion, or on acceptable terms or at all. The Company believes that it will have adequate cash on hand as of June 30, 2023, and will not need to borrow under the Credit Facility Agreement.

On December 15, 2022 the Company entered into a supplemental agreement No. 1 to its EUR 300 million Credit Facility Agreement, where Ferroenergy s.r.o., subsidiary of U. S. Steel Košice, s.r.o., was deleted as a guarantor to the Credit Facility Agreement based on the approved merger of the U. S. Steel Košice, s.r.o., Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. with the effective date on January 1, 2023.

On December 23, 2019, the Company entered into a USD 150 million Loan Agreement with United States Steel Corporation.

On December 3, 2021 the Company entered into a 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. As of December 31, 2022, the credit facility has been used in the amount of EUR 15,412 thousand for bank guarantees (December 31, 2021: the credit facility has been used in the amount of EUR 8,126 thousand for bank guarantees).

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. The Company complied with all covenants specified in the loan agreements as of December 31, 2022 and 2021.

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. Loans and Borrowings within the Group's cash pooling strategy are disclosed in Note 28.

Note 16 Provisions for Liabilities

Movements in provisions for liabilities were as follows:

	Landfill	Litigation	CO_2 emissions	Other	Total
January 1, 2022	**10,905**	**1,084**	**468,293**	**279**	**480,561**
Provision made	241	300	395,502	9,402	**405,445**
Provision used / reversed	(1,516)	(810)	(468,563)	(9,326)	**(480,215)**
December 31, 2022	**9,630**	**574**	**395,232**	**355**	**405,791**
Long-term provisions	7,480	574	-	-	**8,054**
Short-term provisions	2,150	-	395,232	355	**397,737**

	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**

The movement of provisions caused by the passage of time (i.e. accretion expense) in 2022 and 2021 was immaterial.

Provision reversals for the year 2022 and 2021 were immaterial.

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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 2022, 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. 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.

Emission allowances

A provision was recognized for CO_2 emissions emitted in 2022 in order to settle obligation by granted CO_2 emission allowances in amount of EUR 395,232 thousand (2021: EUR 408,323 thousand) and by purchased CO_2 emission allowances in amount of EUR 0 (2021: EUR 59,970 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.

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:

	2022	2021
Opening balance as of January 1	**32,546**	36,012
Total expense charged in profit or loss – pension	**1,624**	1,891
Total expense charged in profit or loss – jubilee	**408**	735
Total expense charged in profit or loss – termination	**20,565**	178
Remeasurements of post employment benefit liabilities	**(10,823)**	(4,037)
Benefits paid	**(18,190)**	(2,233)
Closing balance as of December 31	**26,130**	**32,546**
Long-term employee benefits payable	**21,103**	31,594
Short-term employee benefits payable	**5,027**	952

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

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

	December 31, 2022	December 31, 2021
Present value of the liability – pension	**24,719**	23,667
Present value of the liability – jubilee	**7,186**	9,457
Present value of the liability – termination	**3,836**	99
Remeasurements of post employment benefit liabilities	**(9,611)**	(677)
Total liability in the statement of financial position	**26,130**	**32,546**

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

	2022	2021
Current service costs – pension	**1,451**	1,803
Current service costs – jubilee	**371**	737
Current service costs – termination	**20,565**	178
Interest costs	**210**	86
Net actuarial losses / (gains)	**(1,889)**	157
Remeasurements of post employment benefit liabilities	**(8,934)**	(4,194)
Total	**11,774**	**(1,233)**

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.

An addendum No. 4 to the valid Collective Labor Agreement for 2020–2024 (the CLA Addendum No. 4) became effective on September 5, 2022 and enabled employees to receive one-time wage for long-standing work performance if the length of his/her uninterrupted labor contract with the Company calculated until December 31, 2022 is at least 5 years. In case the CLA Addendum No. 4 was used, an employee terminated his/her labor contract no later than on September 30, 2022. Costs related to one-time wage for long-standing work are considered as restructuring costs (Note 29).

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

	2022	2021
Discount rate - pension	**3.50%**	0.76%
Discount rate - jubilee	**3.60%**	0.40%
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 24.4 percent (2021: 24.8 percent) of total salaries and other employee benefits up to a monthly salary limit of EUR 7,931 (2021: EUR 7,644).

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 1.5 percent of the monthly accounted wage in 2022 (2021: 1.6 percent).

Information for pension plans with an accumulated employee benefits liabilities:

	December 31, 2022	December 31, 2021
Accumulated employee benefits liabilities	**14,712**	22,757
Effects of future compensation	**7,582**	9,690
Projected employee benefits liabilities	**22,294**	**32,447**
Termination	**3,836**	99
Total liability in the statement of financial position	**26,130**	**32,546**

Note 18 Trade and Other Payables

	December 31, 2022	December 31, 2021
Trade payables	**195,685**	321,129
Related party accounts payables (Note 28)	**45,391**	33,143
Assigned trade payables [(1)]	**61,671**	86,373
Accrued discounts and rebates	**15,603**	16,666
Uninvoiced deliveries and other accrued expenses	**57,104**	84,295
Trade payables and accruals (Note 25)	**375,454**	541,606
Lease liabilities	**15,307**	17,829
Other payables	**4,818**	3,411
Financial liabilities	**20,125**	21,240
Liability to employees and social security institutions	**29,682**	44,544
Advance payments received (Contract liability)	**15,574**	7,472
VAT and other taxes and fees	**9,910**	9,503
Non-financial liabilities	**55,166**	**61,519**
Total	**450,745**	**624,365**

[(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, 2022. 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, 2022	December 31, 2021
Short-term trade and other payables	**443,430**	614,677
Long-term trade and other payables	**7,315**	9,688
Total	**450,745**	**624,365**

Long-term trade and other payables represent lease liabilities (as of December 31, 2022: EUR 6,954 thousand and as of December 31, 2021: EUR 9,686 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, 2022	December 31, 2021
Trade and other payables not yet due	**448,368**	623,827
Trade and other payables past due	**2,377**	538
Total	**450,745**	**624,365**

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

	December 31, 2022	December 31, 2021
EUR	**295,851**	378,651
USD	**76,137**	154,625
Other	**3,466**	8,330
Total	**375,454**	**541,606**

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

	2022	2021
Opening balance as of January 1	**645**	**61**
Company contribution (company costs)	**1,796**	1,957
Employees contribution (repayments)	**-**	1
Withdrawals	**(1,406)**	(1,374)
Closing balance as of December 31	**1,035**	**645**

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:

	2022	2021
Sales of own production	**4,004,058**	3,576,331
Sales of merchandise	**1,035**	382
Rendering of services	**18,240**	12,988
Total	**4,023,333**	**3,589,701**

In 2022 and 2021, 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 2022 and 2021, 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

	2022	2021
Performance obligation satisfied at a point in time	**4,005,093**	3,576,713
Performance obligation satisfied over time	**18,240**	12,988
Total	**4,023,333**	**3,589,701**

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

Segments and Products	2022	2021
Hot-rolled sheets and plates	**1,790,310**	1,798,926
Cold-rolled sheets	**356,997**	375,704
Coated sheets	**891,932**	761,975
Tin mill products	**625,751**	390,760
Standard and line pipe	**64,500**	48,461
Slabs	**97,845**	105,476
Tar - nonsteel products *	**37,392**	18,543
Gasses *	**121,807**	42,438
By products and other *	**17,524**	34,048
Total	**4,004,058**	**3,576,331**

* For better understanding 2021 comparative values were separated from By products line item to separate line.

Market	2022	2021
Steel Service Centers	**775,011**	797,607
Transportation (including automotive)	**661,481**	429,860
Further conversion - trade customers	**271,980**	257,256
Containers	**630,405**	387,582
Construction and construction products	**1,046,934**	1,109,301
Appliances and electrical equipment	**271,366**	210,066
Oil, gas and petrochemicals	**4,017**	6,965
Mechanical Machinery	**29,913**	37,480
Metal Goods	**111,785**	97,540
Utilities *	**121,807**	42,438
Other markets *	**79,359**	200,236
Total	**4,004,058**	**3,576,331**

* For better understanding 2021 comparative values were separated from Other markets line item to separate line.

Other income

Other income consists of the following:

	2022	2021
Amortization of deferred income - CO_2 emission allowances (Note 7)	**514,004**	415,863
Amortization of deferred income - environmental projects (Note 5)	**4,675**	4,695
Gain on disposal of property, plant and equipment, investment property and intangible assets	**3,100**	370
Gain on derivative financial instruments (Note 12)	**34,484**	1,467
Rental income	**1,849**	1,544
Income from contractual penalties	**618**	751
Energy compensation from Ministry of Economy	**12,449**	10,142
Energy sales	**4,896**	-
Trade mark and Intellectual Property License	**16,056**	12,481
Miscellaneous income	**4,161**	1,739
Total	**596,292**	**449,052**

Note 20 Materials and Energy Consumed

Materials and energy consumed is comprised of the following:

	2022	2021
Materials consumed	**(2,274,832)**	(1,873,109)
Energy consumed *	**(652,129)**	(387,387)
Costs of merchandise sold	**(11)**	(106)
Changes in internally produced inventory	**(66,041)**	223,688
Inventory write-down allowance (Note 10)	**(39,823)**	(6)
Total	**(3,032,836)**	**(2,036,920)**

*The line Energy consumed includes a variable lease payment expense and services related to operating of leased asset totaling EUR (397.5) million (2021: EUR (249.7) million).

Note 21 Salaries and Other Employee Benefits

Salaries and employee benefits are comprised of the following:

	2022	2021
Wages and salaries	**(242,130)**	(238,685)
Termination benefits (Note 17)	**(20,565)**	(178)
Mandatory social and health insurance to insurance funds - defined contribution plans	**(47,425)**	(44,065)
Mandatory retirement insurance to insurance funds - defined contribution plans	**(41,531)**	(39,833)
Other social expenses - defined contribution plans	**(13,780)**	(12,650)
Pension income / (expenses) – retirement and work and life jubilees - defined benefit plans (Note 17)	**67**	(2,697)
Total	**(365,364)**	**(338,108)**

The number of active employees of the Company as of December 31, 2022 was 7,833 (December 31, 2021: 8,490). The average number of the Company's employees for 2022 was 8,251 (2021: 8,500).

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Note 22 Other Operating Expenses

Other operating expenses during 2022 and 2021 are as follows:

	2022	2021
Packaging	**(4,713)**	(4,009)
Cleaning and waste disposal	**(7,912)**	(8,416)
Advertising and promotion	**(1,787)**	(1,306)
Intermediary fees	**(1,121)**	(1,421)
Training	**(396)**	(247)
Impairment of receivables release (Note 11)	**202**	(472)
Loss on liquidation of Financial Investments	**(1,560)**	(233)
Real estate tax and other taxes	**(7,418)**	(6,073)
Environmental charges [(2)]	**(3,147)**	(3,853)
Waste storage charges [(2)]	**(3,595)**	(4,732)
Low value intangible assets, licences, trade marks, licence support	**(14,282)**	(3,236)
Laboratory and heat tests	**(7,136)**	(6,768)
External processing	**(18,423)**	(16,684)
Costs of processing of steel slag, sludge and dust	**(5,255)**	(5,308)
Audit fees	**(603)**	(588)
Other services provided by the auditor	**(7)**	(5)
Short-term leases (Note 5)	**(295)**	(323)
Low value leases (Note 5)	**(30)**	(22)
Variable lease payments (Note 5)	**(864)**	(604)
Addition and transportation costs related to claims [(2)]	**(1,381)**	(283)
Warehousing and handling of finished products	**(4,015)**	(3,003)
Insurance costs	**(6,561)**	(6,750)
Service activities	**(8,247)**	(9,329)
Security services - premises	**(3,559)**	(3,428)
Commitment fee - the Credit Agreement	**(2,857)**	(4,961)
Scarffing of conti-slabs	**(2,611)**	(2,470)
Telephone, fax, telex, postage, data processing	**(3,518)**	(3,207)
Costs of employee intracompany transportation	**(1,366)**	(1,245)
Crane operation	**(3,990)**	(4,504)
Chromium plating of rolls	**(1,240)**	(1,419)
Service of heavy machines	**(1,324)**	(1,114)
Other operating expenses [(1)]	**(7,558)**	(361)
Total	**(126,569)**	**(106,374)**

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

[(2)] For better understanding 2021 values were separated from Other operating expenses to separate lines.

Note 23 Income Tax

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

	2022	2021
Current tax	**(68,850)**	(152,707)
Deferred tax (Note 9)	**(17,046)**	(20,071)
Total current year tax	**(85,896)**	**(172,778)**
Total	**(85,896)**	**(172,778)**

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

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:

	2022	2021
Profit / (Loss) before tax	**418,619**	821,076
Tax calculated at 21 percent tax rate	**(87,910)**	(172,426)
Permanent differences:		
Research & Development deduction [1]	**2,646**	13,609
Effect of CO_2 emission allowances revaluation	**-**	(14,108)
Other [1]	**(632)**	147
Tax (charge) / credit	**(85,896)**	**(172,778)**

[1] For better understanding 2021 values were extracted from total permanent differences to separate lines.

The effective tax rate was 21 percent in 2022 (2021: 21 percent).

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

	2022			2021		
	Before tax	Tax (charge) / credit	After tax	Before tax	Tax (charge) / credit	After tax
Changes in fair value of derivative hedging instruments	**(7,707)**	**1,618**	**(6,089)**	27,682	(5,810)	21,868
Changes in actuarial gains and losses	**8,934**	**(1,877)**	**7,059**	4,194	(881)	3,313
Revaluation of intangible assets (Note 7)	**-**	**-**	**-**	7,097	3,866	10,963
Other comprehensive income	**1,227**	**(259)**	**970**	**38,973**	**(2,825)**	**36,144**

The change in the fair value of emission allowances is recognized after taking into account the deferred tax asset in the amount of 0 EUR (2021: liability of EUR 3,866 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 1,618 thousand (2021: asset EUR 5,810 thousand) (Note 9).

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 2021.

The capital structure of the Company consists of debt (Note 15) totaling EUR 49,002 thousand as of December 31, 2022 (December 31, 2021: EUR 19,654 thousand) and equity (Note 14) totaling EUR 1,921,940 thousand as of December 31, 2022 (December 31, 2021: EUR 1,588,247 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, 2022 and December 31, 2021.

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 to the Company. 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, etc.

The Company mitigates credit risk for approximately 76 percent (2021: 76 percent) of revenue from contracts with customers 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:

	2022	2021
Credit insurance	**63%**	65%
Letters of credit and documentary collection	**2%**	2%
Bank guarantees	**2%**	3%
Other credit enhancements	**9%**	6%
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 5 percent of gross annual revenues in either of the years presented.

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).

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.

(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, 2022	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)	-	251,135	30,051
Related party accounts receivables (net)	-	21,122	-
Other receivables (net)	-	12,698	-
Derivative financial instruments (Note 12)			
Forward foreign exchange	2,928	-	-
Commodity swaps - iron ore	8,296	-	-
Cash and cash equivalents and restricted cash (Note 13)			
Cash and cash equivalents and restricted cash	-	377,668	-
Total	**11,224**	**662,623**	**30,051**

December 31, 2022	Cash and cash equivalents and restricted cash at amortized cost
ING Bank N.V.	72,784
COMMERZBANK Aktiengesellschaft	14,650
Citibank Europe plc	79,141
Slovenská sporiteľňa, a.s.	35,869
Komerční Banka, a.s.	29,849
Československá obchodná banka, a.s.	74,189
Všeobecná úverová banka, a.s.	41,178
Other banks	29,555
Cash and cash equivalents (Note 13)	**377,215**
Slovenská sporiteľňa, a.s.	7
Všeobecná úverová banka, a.s.	19
Bank Handlowy w Warszawie SA	427
Cash restricted in its use	**453**
Total	**377,668**

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**

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.

Liquidity risk

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. The exposure by country is also closely monitored.

During 2022, the Company drew short-term borrowings as a part of the Group's cash pooling strategy of EUR 64,565 thousand and repaid EUR 32,796 thousand and provided to its subsidiaries the amount of EUR 65,529 thousand and received EUR 127,852 thousand. 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. Contracts concluded as a part of the Group's cash pooling strategy between the merging companies Ferroenergy s.r.o., U. S. Steel Košice - Labortest, s.r.o. and the successor company U. S. Steel Košice, s.r.o. ceased as of the date of the merger, January 1, 2023. The merger did not have any impact on the repayment of the cash pooling balances presented based on the fact that these cash pooling loans provided and drawn have been netted during merger procedures (Note 28).

Borrowing contract with U.S. Steel Košice - SBS, s.r.o. is valid until February 29, 2024 with the option to be prolonged. Borrowings drawn within the U.S. Steel Košice - SBS, s.r.o. cash pooling strategy bear interest rate spread over 1-month EURIBOR plus margin 1.7 percent per annum (Note 28).

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, 2022

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	377,215	-	-	**377,215**
Restricted cash	453	-	-	**453**
Trade receivables (net)	302,308	-	-	**302,308**
Other receivables (net)	12,698	-	-	**12,698**
Gross settled swaps and forwards	265,798	-	-	**265,798**
Total	**958,472**	**-**	**-**	**958,472**
Liabilities				
Trade payables and accruals	368,139	7,315	-	**375,454**
Other financial liabilities	4,818	-	-	**4,818**
Gross settled swaps and forwards	266,089	-	-	**266,089**
Lease liability	7,327	8,449	12	**15,788**
Loans and borrowings (Note15)	33,695	-	-	**33,695**
Total	**680,068**	**15,764**	**12**	**695,844**

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**
Gross settled swaps and forwards	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	3,411	-	-	**3,411**
Gross settled swaps and forwards	307,597	-	-	**307,597**
Lease liability	7,250	11,568	-	**18,818**
Loans and borrowings (Note15)	1,825	-	-	**1,825**
Total	**852,003**	**21,254**	**-**	**873,257**

U. S. Steel Košice, s.r.o.

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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, 2022, since no borrowings have been drawn as of December 31, 2022.

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, 2022 and December 31, 2021.

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, 2022

	Cash and cash equivalents	Cash restricted in its use
EUR	331,376	26
USD	38,862	-
CZK	6,948	-
other	29	427
Total	**377,215**	**453**

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**

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 to hedge highly probable forecasted purchases of strategic raw materials denominated in USD. Financial instruments are used exclusively for hedging of financial risk exposure which is determined by the analysis of income and expenses structured by foreign currency. Trading for speculative purposes is prohibited. 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, 2022, the Company had open USD forward purchase contracts for Euros in total notional value of approximately EUR 266 million (December 31, 2021: EUR 307 million).

On December 23, 2019, the Company entered into a USD 150 million Loan Agreement with United States Steel Corporation. As of December 31, 2022 and 2021 no borrowings were drawn against this Loan Agreement and the Company had the full amount of loan under the Loan Agreement at disposal.

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

As of December 31, 2022, 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 5,416 thousand charge / EUR 4,708 thousand credit to Profit, mainly as a result of gains/losses from the fair value change of forward foreign exchange contracts.

As of December 31, 2022, 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 148 thousand charge / EUR 170 thousand credit to Other comprehensive income, mainly as a result of gains/losses from the fair value change of forward foreign exchange contracts.

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 811 thousand charge / EUR 1,047 thousand credit to Profit, mainly as a result of gains/losses from the fair value change of forward foreign exchange contracts.

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 866 thousand charge / EUR 996 thousand credit to Other 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 primarily 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 and tin price fluctuation, the Company entered into commodity swaps 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 and tin requirements, which helped the Company's profitability objectives. All commodity swaps for iron ore commenced in 2022 in EUR 8,295 thousand will mature in 2023. All commodity swaps for tin commenced in 2022 matured in 2022. All commodity swaps for tin commenced in 2021 matured in 2021. All commodity swaps for iron ore commenced in 2021 for 2022 matured in 2022.

In 2022 and 2021, the Company did not carry out any other material derivative transaction mitigating commodity price risk and had open commodity derivatives for iron ore as of December 31, 2022 and December 31, 2021, respectively.

Based on sensitivity analysis performed by the Company zinc and tin price fluctuation would not have significant impact on the separate financial statements.

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, 2022

	Amortized cost	FV through profit or loss	FV through other comprehensive income	Total
Assets				
Unquoted financial instruments	-	111	-	**111**
Trade receivables (net)	251,135	-	30,051	**281,186**
Related party accounts receivables (net)	21,124	-	-	**21,124**
Other receivables (net)	12,696	-	-	**12,696**
Cash and cash equivalents	377,215	-	-	**377,215**
Restricted cash	453	-	-	**453**
Derivative financial instruments	-	11,224	-	**11,224**
Total	**662,623**	**11,335**	**30,051**	**704,009**

	Amortized cost	FV through profit or loss	Total
Liabilities			
Trade payables and accruals	375,454	-	**375,454**
Other financial liabilities (Note 18)	4,818	-	**4,818**
Derivative financial instruments	-	5,186	**5,186**
Short-term borrowings			
Related parties (Note 28)	33,591	-	**33,591**
Leases (Note 5, 18)	8,353	-	**8,353**
Long-term borrowings			
Leases (Note 5, 18)	6,954	-	**6,954**
Total	**429,170**	**5,186**	**434,356**

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)	3,411	-	**3,411**
Gross settled swaps and forwards	-	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	**564,668**	**85**	**564,753**

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, 2022

	Level 1	Level 2	Level 3	Total
Assets				
Trade receivables that are subject of factoring arrangements (Note 11)	-	30,051	-	**30,051**
Unquoted financial instruments	-	111	-	**111**
Hedging derivatives	-	11,224	-	**11,224**
Total	**-**	**41,386**	**-**	**41,386**
Liabilities				
Hedging derivatives	-	5,186	-	**5,186**
Total	**-**	**5,186**	**-**	**5,186**

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
Unquoted financial instruments	-	259	-	259
Hedging derivatives	-	13,459	-	13,459
Total	**-**	**32,186**	**-**	**32,186**
Liabilities				
Hedging derivatives	-	85	-	85
Total	**-**	**85**	**-**	**85**

* The Company has adjusted presentation of Trade receivables that are subject of factoring arrangements from Level 3 to Level 2 for the amount presented in year 2021.

During 2022 and 2021, 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, 2022 and December 31, 2021. Fair values of these instruments as of December 31, 2022 and December 31, 2021 approximate their carrying amounts.

Note 27 Contingent Liabilities and Contingent Assets

Capital Commitments

Capital expenditures of EUR 32 million had been committed under contractual arrangements as of December 31, 2022 (December 31, 2021: EUR 24 million).

Environmental Commitments

The Company is in compliance with environmental legislation. In 2022, the environmental expenses represented mainly by air, water pollution and solid waste handling fees totaled approximately EUR 9.2 million (2021: EUR 9.5 million). There are no material legal proceedings pending against the Company involving environmental matters.

The Company 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 15 thousand in 2022 and EUR 46 thousand in 2021. 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 2022 costs were EUR 108 thousand (2021: EUR 131 thousand).

Carbon Dioxide (CO_2) Emissions

The European Union has established 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. Final approval of the emission trading legislation package is expected in the end of Q2 2023.

In order to achieve the EU goal of carbon emissions neutrality by 2050, on July 14, 2021, the European Commission released a package of legislative proposal called Fit for 55. The proposals contain significant changes to current EU ETS functions and requirements, including: a new carbon border adjustment mechanism to impose carbon fees on EU imports, further reduction of free CO_2 allowance allocation to heavy industry and measures to strengthen the supply of carbon allowances.

An emission trading system (ETS) was established to encourage compliance with set emissions reduction targets 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.

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 updated 2021-2025 Slovak National Allocation table in February 2022. Subsequently, the Slovak Ministry of Environment, allocated the full amount of 2022 free allowances totaling 6.3 million EUA to the Company in February and April 2022. As of December 31, 2022, the Company purchased approximately 0.5 million EUA totaling EUR 36.5 million to cover the expected 2022 and 2023 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 as measured by the rate of CO_2 equivalents emitted per ton of finished steel shipped. These targets will apply to U. S. Steel's global operations.

The carbon reduction targets reflect Company's continued commitment to improvement in production efficiency and the manufacture of products that are environmentally friendly. The transition to Electric Arc Furnace (EAF) technology as well as incremental gains in energy reduction, use of renewable energy, hydrogen-based steelmaking and continued asset and process improvements are expected to reduce the greenhouse gas footprint of the Company. 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. 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, 2022 and December 31, 2021. If the Company is unable to meet these covenants in the future, the 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 Company has been exposed to risks related to the global COVID-19 pandemic, which has had adverse impacts on economic and market conditions 2022 and 2021. In 2022 and 2021, there was no significant impact of COVID-19 on the Company. The Company was able to implement sufficient measures related to the restrictions and requirements imposed by the Slovak Government.

There has been no significant impact of COVID-19 on the Company in 2022 and 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.

War in Ukraine

In February 2022, Russia invaded Ukraine and active conflict continues in the country. The war in Ukraine will likely continue to cause disruption and instability in Russia, Ukraine, as well as the markets in which the Company operates. The Company is constantly monitoring the situation for impacts both on the Company and its subsidiaries.

As a result of the invasion, the European Union (EU) has enacted sanctions against Russia and Russian interests. The Company is complying with all applicable sanctions that impact its business.

The Company purchases certain raw materials from sources that procure supply from Russia, including natural gas and iron ore. Since the onset of the war, and before, the Company has been building its inventory of iron ore and coal and procuring them through alternate sources. Current levels of iron ore and coal are sufficient to serve customer demand in the near future.

With the EU prohibiting purchases of coal from suppliers in Russia, new purchases of coal originating from Russia have stopped. The Company has built up sufficient inventory to meet current customer demand. Efforts to secure alternate sources of supply are underway to continue meeting demand.

Russian supply of natural gas to Europe has decreased significantly in response to enacted sanctions. However, Slovakia has natural gas storage and access to additional supply from countries including Norway, the United States and Africa. Together, these sources are enough to support the country's expected consumption through the 2023 winter season, which includes demand for natural gas for Company's operations.

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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 2022 separate financial statements or going concern assumption in 2023 and further. 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.

The Company 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:

Transaction	Related party	2022	2021
Rendering of services	United States Steel Corporation, Ultimate parent company	**17,471**	14,505
	Subsidiaries under control of the Company	**8,021**	7,807
Sales of materials and own production	United States Steel Corporation, Ultimate parent company	**-**	814
	Subsidiaries under control of the Company	**130,926**	50,113
Sales of merchandise	Subsidiaries under control of the Company	**240**	76
Disposal of P,P&E and Intangible Assets	Subsidiaries under control of the Company	**2,091**	27
Other Income	Subsidiaries under control of the Company	**754**	134
Revenues total		**159,503**	**73,476**
Services received	United States Steel Corporation, Ultimate parent company	**12,844**	2,500
	USS International Services, LLC, Company under common control of U. S. Steel	**2,772**	2,366
	Subsidiaries under control of the Company	**10,287**	16,928
Purchases of raw material	United States Steel Corporation, Ultimate parent company	**128,114**	83,681
Purchase of slabs	USS International, Inc., Company under common control of U. S. Steel	**13,324**	-
Purchase of other materials, products and goods	Subsidiaries under control of the Company	**648**	11,442
Purchase of energies	Subsidiaries under control of the Company	**401,207**	251,483
Cost of sales of material and own products	United States Steel Corporation, Ultimate parent company	**5,217**	941
	Subsidiaries under control of the Company	**8,990**	8,076
Other expense	Subsidiaries under control of the Company	**1,461**	10
Interest expense	United States Steel Corporation, Ultimate parent company	**-**	3,159
Expenses total		**584,864**	**380,586**

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

Transaction	Related party	2022	2021
Receivables	United States Steel Corporation, Ultimate parent company	1,256	14,010
	USS International Services, LLC, Company under common control of U. S. Steel	40	56
	Subsidiaries under control of the Company	19,828	14,695
Receivables total		**21,124**	**28,761**
Payables	United States Steel Corporation, Ultimate parent company	16,285	9,505
	USS International Services, LLC, Company under common control of U. S. Steel	948	647
	Subsidiaries under control of the Company	28,158	22,991
Payables total		**45,391**	**33,143**
Borrowings received including interest (Note 15)	Subsidiaries under control of the Company	33,695	1,825
Borrowings received		**33,695**	**1,825**
Loans provided	Subsidiaries under control of the Company	-	62,442
Loans provided total		**-**	**62,442**

No dividends were paid to U. S. Steel Global Holdings VI B.V. in 2022 and 2021 (Note 14).

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, 2022, 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.

In 2022 and 2021 the Company drew and provided short-term borrowings as a part of the Group's cash pooling strategy.

Short-term loans borrowed by the Company (Note 15):

Lender	Agreed amount	Currency	Interest rate	Date of Maturity	Transaction	2022	2021
Ferroenergy s.r.o.	20,000,000	EUR	1M EURIBOR + 2.00% p.a.	1. January 2023	Drawings	55,030	64,086
					Repayments	23,516	64,086
U. S. Steel Košice - Labortest s.r.o.	3,500,000	EUR	1M EURIBOR + 1.7% p.a.	1. January 2023	Drawings	7,424	5,954
					Repayments	7,232	6,153
U. S. Steel Košice - SBS s.r.o.	2,700,000	EUR	1M EURIBOR + 1.7% p.a.	29. February 2024	Drawings	2,111	1,880
					Repayments	2,048	1,903
Other	Not applicable as of December 31, 2022 - lender companies liquidated or sold				Drawings	-	21,442
					Repayments	-	29,782
Total					**Drawings**	**64,565**	**93,362**
					Repayments	**32,796**	**101,924**

Short-term loans provided by the Company:

Borrower	Agreed amount	Currency	Interest rate	Date of Maturity	Transaction	2022	2021
Ferroenergy s.r.o.	80,000,000	EUR	1M EURIBOR + 2.00% p.a.	1. January 2023	Drawings	63,455	124,715
					Repayments	125,779	69,246
U. S. Steel Košice - SBS s.r.o.	500,000	EUR	1M EURIBOR + 1.7% p.a.	29. February 2024	Drawings	2,074	240
					Repayments	2,073	240
Total					**Drawings**	**65,529**	**124,955**
					Repayments	**127,852**	**69,486**

Contracts concluded as a part of the Group's cash pooling strategy between the merging companies Ferroenergy s.r.o., U. S. Steel Košice - Labortest, s.r.o. and the successor company U. S. Steel Košice, s.r.o. ceased as of the date of the merger, January 1, 2023. The merger did not have any impact on the repayment of the cash pooling balances presented based on the fact that these cash pooling loans provided and drawn have been netted during merger procedures.

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 2022 and 2021 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:

	2022	2021
Wages and salaries	14,698	16,129
Mandatory social and health insurance to all insurance funds	4,352	4,460
Total	**19,050**	**20,589**

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.

The reconciliation of EBITDA, EBIT and EBT is as follows:

	2022	2021
Net profit / (loss)	332,723	648,298
Income tax	85,896	172,778
Interest expense and other financial costs	1,954	6,162
Interest income	(562)	(329)
Dividend income	(230)	(5,467)
Depreciation and amortization	74,942	78,296
Non cash portion of CO_2 provision charge (Note 16)	395,232	435,944
Amortization of deferred income - CO_2 emission allowances (Note 19)	(514,004)	(415,863)
EBITDA	**375,951**	**919,819**
Depreciation & Amortization	(74,942)	(78,296)
EBIT	**301,009**	**841,523**
Interest expense and other financial costs	(1,954)	(6,162)
Interest income	562	329
Dividend income	230	5,467
EBT	**299,847**	**841,157**

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

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:

	2022	2021
EBITDA	**375,951**	**919,819**
Restructuring and other charges (Note 17)	**22,153**	-
Adjusted EBITDA	**398,104**	**919,819**

EBITDA and Adjusted EBITDA amounts are derived from net profit shown on page SF-8. The decrease in EBITDA and Adjusted EBITDA in 2022 from the prior year primarily resulted from the lower sales volume, increased raw material and energy costs and the weakening of the Euro against the U.S. dollar, partially offset by higher sales prices.

Note 30 Events after the Reporting Period

On March 27, 2023, the Company entered into a Supplemental Amendment No. 10 to the EUR 20 million Bilateral Loan Agreement between the Company and ING Bank N.V that increased the size of the existing credit facility to EUR 30 million.

The Company merged with subsidiaries Ferroenergy s.r.o. and U. S. Steel Košice - Labortest, s.r.o. and U. S. Steel Košice, s.r.o. became the legal successor company of both entities. The merger was approved on November 23, 2022, whereby the effective date of the merger was January 1, 2023. This merger did not have any impact on the amounts presented in these separate financial statements for the year ended December 31, 2022. For the following period, the impact of merger of the entities will result in an increase of U. S. Steel Košice, s.r.o. assets totaling approximately EUR 307 mil. and the increase in value of liabilities of approximately EUR 201 mil.

After December 31, 2022, no other significant events have occurred that would require recognition or disclosure in the 2022 separate financial statements.

U. S. Steel Košice, s.r.o.

Consolidated financial statements for the year ended December 31, 2022

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.

pwc

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 2022, 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 2022;
- 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 No. 423/2015 on Statutory Audit and on the amendments and supplements to Act on the 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 the 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.

pwc

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, 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.

Responsibilities of management and those charged with governance 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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. Martin Čelinák, FCCA
UDVA licence No. 1250

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

3 April 2023
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, 2022

The consolidated financial statements for the year ended December 31, 2022, were prepared in accordance with International Financial Reporting Standards as adopted by the European Union on March 29, 2023, and will be submitted to the General Meeting of U. S. Steel Košice, s.r.o. ("the Company" or "USSK") for approval. Neither the Company's shareholder nor the executives have the power to amend the consolidated financial statements after issue.

Košice, March 29, 2023

James Edward Bruno
President
(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. Matúš Harakaľ, PhD.
Director Accounting Services and Financial Reporting
(responsible for financial statements preparation)

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U. S. Steel Košice, s.r.o.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(all amounts are in thousands of EUR if not stated otherwise)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2022	December 31, 2021
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**901,249**	908,331
Investment property	6	**3,642**	2,515
Intangible assets	7	**686,162**	812,343
Unquoted financial instruments	26	**111**	259
Long-term receivables	11	**8,622**	7,630
Total non-current assets		**1,599,786**	**1,731,078**
Current Assets			
Inventories	10	**761,813**	672,433
Trade and other receivables	11	**350,611**	507,107
Derivative financial instruments	12	**11,224**	13,459
Restricted cash		**455**	379
Prepaid expense		**2,512**	1,898
Cash and cash equivalents	13	**378,694**	289,556
Total current assets		**1,505,309**	**1,484,832**
TOTAL ASSETS		**3,105,095**	**3,215,910**

EQUITY AND LIABILITIES			
Equity			
Share capital	14	**839,357**	839,357
Legal reserve fund	14	**75,794**	43,890
Other reserves	14	**24,593**	158,253
Retained earnings / (Accumulated losses)		**958,827**	551,805
Total Equity		**1,898,571**	**1,593,305**
Liabilities			
Non-Current Liabilities			
Long-term provisions for liabilities and charges	16	**8,056**	11,773
Long-term deferred income - environmental projects	5	**65,771**	70,447
Long-term employee benefits payables	17	**21,996**	32,984
Deferred income tax liability	9	**37,768**	28,839
Long-term trade and other payables	18	**7,353**	9,743
Total non-current liabilities		**140,944**	**153,786**
Current Liabilities			
Trade and other payables	18	**420,019**	597,127
Current income tax liability		**41,343**	152,713
Derivative financial instruments	12	**5,186**	85
Short term provision for CO_2 emissions	16	**591,048**	717,337
Short-term provisions for liabilities	16	**2,505**	501
Short-term employee benefits payables	17	**5,479**	1,056
Total current liabilities		**1,065,580**	**1,468,819**
TOTAL EQUITY AND LIABILITIES		**3,105,095**	**3,215,910**

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	2022	2021
Revenue from contracts with customers	19	**3,902,831**	3,554,348
Other income	19	**594,825**	449,685
Materials and energy consumed	20	**(2,718,101)**	(1,833,071)
Salaries and other employees benefits	21	**(383,780)**	(363,294)
Depreciation and amortization	5, 6, 7	**(85,199)**	(89,168)
Repairs and maintenance		**(97,012)**	(75,717)
Transportation services		**(91,876)**	(91,160)
Advisory services		**(10,350)**	(11,762)
Foreign exchange (losses) / gains		**(8,437)**	(13,804)
Charge for provision for CO_2 emissions	16	**(591,376)**	(717,337)
Other operating expenses	22	**(124,752)**	(113,412)
Profit / (loss) from operations		**386,773**	**695,308**
Interest income		**128**	31
Interest expense		**(1,708)**	(5,807)
Profit / (loss) before tax		**385,193**	**689,532**
Income tax (expense) / benefits	23	**(78,561)**	(172,197)
Profit / (loss) after tax		**306,632**	**517,335**
- of this: attributable to owners of the Company		**306,632**	517,335
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	23	**7,289**	3,630
Revaluation of intangible assets	7, 23	**(2,051)**	136,426
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations	23	**-**	(24)
Change in fair value of derivative hedging instruments	23	**(6,087)**	21,869
Other Comprehensive income, net of tax		**(849)**	**161,901**
Total comprehensive income / (loss) for the year		**305,783**	**679,236**
Total comprehensive income / (loss) is attributable to:			
- Owners of the Company		**305,783**	679,236
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**305,783**	**679,236**

The accompanying notes on pages CF-11 to CF-65 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital	**Legal reserve fund**	**Other reserves**	**Retained earnings / (accumulated losses)**	**Total**
Balance as of January 1, 2021	**839,357**	**72,004**	**55,992**	**(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**	**43,890**	**158,253**	**551,805**	**1,593,305**

	Attributable to owners of the Company				
	Share capital	**Legal reserve fund**	**Other reserves**	**Retained earnings / (accumulated losses)**	**Total**
Balance as of January 1, 2022	**839,357**	**43,890**	**158,253**	**551,805**	**1,593,305**
Profit for 2022	-	-	-	306,632	**306,632**
Other comprehensive income	-	-	(8,138)	7,289	**(849)**
Total comprehensive income / (loss) for the year	**-**	**-**	**(8,138)**	**313,921**	**305,783**
Adjustments:					
Release of revaluation reserve - CO_2 emission allowances	-	-	(125,522)	125,522	**-**
Total adjustments	**-**	**-**	**(125,522)**	**125,522**	**-**
Transactions with owners:					
Contribution to legal reserve fund	-	32,421	-	(32,421)	**-**
Derecognition of legal reserve fund	-	(517)	-	-	**(517)**
Total transactions with owners	**-**	**31,904**	**-**	**(32,421)**	**(517)**
Balance as of December 31, 2022	**839,357**	**75,794**	**24,593**	**958,827**	**1,898,571**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Total 2022	2021
Profit / (Loss) before tax		**385,193**	**689,532**
Non-cash adjustments for			
Depreciation of property, plant and equipment and investment property	5, 6	**75,798**	80,516
Depreciation of right of use assets	5	**7,238**	6,368
Amortization of intangible assets	7	**2,163**	2,284
Amortization of deferred income - CO_2 emission allowances	7, 19, 29	**(514,685)**	(416,591)
Amortization of deferred income - environmental projects	5, 19	**(4,675)**	(4,695)
Charge of provision for CO_2 emissions emitted	16	**591,048**	717,337
(Profit) / Loss on disposal of business unit	8, 22	**(1,302)**	7,496
(Gain) / loss on disposal of property, plant and equipment, intangible assets and investment property	19, 22	**(1,009)**	(352)
Gain from changes in fair value of derivative financial instruments	19	**(34,485)**	(1,467)
Interest income		**(128)**	(31)
Interest expense		**1,708**	5,807
Foreign exchange gain	15	**-**	7,220
Change in landfill receivable	11	**(992)**	(526)
Changes in working capital			
(Increase) / decrease in inventories	10	**(89,380)**	(299,365)
(Increase) / decrease in trade and other receivables and other current assets	11	**155,511**	(235,339)
Increase / (decrease) in trade and other payables and other current liabilities	18	**(197,491)**	190,505
Cash generated from operating activities		**374,512**	**748,699**
Interest paid		**(1,470)**	(8,405)
Income taxes (paid) / received		**(180,544)**	(246)
Lease payments not included in the measurement of the lease liabilities	5, 22	**(1,191)**	(950)
Net receipts from derivative financial instruments		**34,484**	1,467
Net cash generated from operating activities		**225,791**	**740,565**
Cash flows from / (used in) investing activities			
Purchases of property, plant and equipment	5	**(49,945)**	(24,999)
Proceeds from sale of property, plant and equipment		**1,779**	294
Purchases of intangible assets	7	**(81,794)**	(209,998)
Proceeds from sale of unquoted financial instruments		**933**	-
Change in restricted cash, net		**(74)**	154
Interest received		**128**	31
Net cash used in investing activities		**(128,973)**	**(234,518)**
Cash flows from / (used in) financing activities			
Repayment of borrowings	15, 25, 28	**-**	(429,459)
Payments for the principal portion of the lease liabilities	5, 15	**(7,680)**	(6,749)
Net cash generated from / (used in) financing activities		**(7,680)**	**(436,208)**
Net increase in cash and cash equivalents		**89,138**	**69,839**
Cash and cash equivalents at beginning of year	13, 26	**289,556**	219,717
Cash and cash equivalents at end of year	13, 26	**378,694**	**289,556**

The accompanying notes on pages CF-11 to CF-65 are an integral part of these consolidated financial statements.

Note 1 General Information

The Company U. S. Steel Košice, s.r.o. 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 no. 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, 2022 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 Energy 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.

Effective June 2, 2022, U. S. Steel Košice, s.r.o. established Supervisory Board, which also acts as an audit committee in compliance with Act No. 423/2015 Coll. on statutory audit as amended. As members of the supervisory board were elected Duane Douglas Holloway (chairman), Manpreet Singh Grewal a Mgr. Eva Durzóová.

Shareholder of the Company

As of December 31, 2022 and 2021, 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 April 21, 2022, the General Meeting approved the Group's consolidated 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 entities.

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 Group 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.

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

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, 2022 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, 2022 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 Group has changed its accounting policy related to hedge accounting, whereby it has adopted hedge accounting under IFRS 9 effective from January 1, 2022. The comparatives are not required to be restated and are accounted for in accordance with IAS 39. The Group has adopted the hedge accounting requirements of IFRS 9, which more closely align with the U. S. Steel Corporation's risk management policies and has elected to apply hedge accounting prospectively to certain of its commodity price risk management activities for which hedge accounting was not possible under IAS 39. On transition, it was concluded that all IAS 39 hedge relationships are qualifying IFRS 9 relationships.

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

2.4 Foreign Currency Translations

<u>Functional and presentation currency</u>

Items included in these consolidated 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, rounded to thousands, if not stated otherwise.

<u>Transactions and balances</u>

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 Principles of Consolidation

<u>Subsidiaries</u>

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.

<u>Non-controlling interest</u>

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.

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 – 15 years). Expenditures to enhance or extend the software performance beyond its original specification are capitalized and added to the original cost of the software.

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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 allowances will be received, and that the Group will comply with the conditions attaching to the allowances, 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

The 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 or there are indicators which will enable to reverse recognized impairment loss. 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 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 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 are incurred.

2.11 Accounting for Leases

Initial recognition and measurement

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 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.

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 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. The Group has not included the extension option in the lease term calculation also based on the fact that neither of the parties have legal enforceable right to prolong the contracts and the Group does not have economic incentive, which would lead to application of extension option.

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.

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 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 financial assets 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.

Derecognition

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 determined by using the first-in, first-out (FIFO) cost method. The cost of work in progress, semi-finished production and finished products comprises raw materials cost, 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 accounting period and revalued to actual costs only at the end of the year.

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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

Equity and liabilities

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 entity has its registered office. A legal reserve fund may be used only to cover losses of the Group, 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

Financial liabilities are derecognized when relating 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 or 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. A deferred income is recognized for government grants or assistance received 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 and associated companies, 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.

Termination benefits

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.

Foreign exchange forward 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 financial instruments to hedge its foreign currency and commodity price risk exposures. A hedged item is a highly probable forecast transaction that exposes the Group to risk of changes in future cash flows and is formally designated as a hedged item in the hedging relationship. A hedged item can also be a component of such an item or group of items. The hedged item must be reliably measured.

A hedging instrument is a designated derivative or non-derivative financial instrument measured at fair value through profit or loss whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item. The Group has designated commodity forward, swaps and foreign exchange forward as hedging instruments.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Hedging derivatives are recognized initially at fair value, the attributable transaction costs are recognized in consolidated profit or loss when incurred. Subsequent to initial recognition, hedging derivatives are measured at fair value, and changes in fair value are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in other comprehensive income and accumulated in equity in a separate cash flow hedge reserve to the extent that the hedge is effective, following the conditions set in IFRS 9.

The amount recognized within equity is the lower of cumulative gain or loss on the hedging instrument from the inception of the hedge and the cumulative change in fair value of the hedged item from the inception of the hedge. Any remaining gain or loss on the hedging instrument is a hedge ineffectiveness that is recognized in consolidated profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that have been recognized directly in equity shall be reclassified to profit or loss during the same period(s) during which the asset acquired or the liability assumed affects profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability.

As of December 31, 2022 and December 31, 2021, the Group classified all its hedging relationships as cash flow hedges.

The effectiveness of the hedge is an extent to which changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk are offset by changes in those of the hedging instrument. The hedge ineffectiveness is evaluated through a qualitative assessment or a quantitative computation, depending on the extent to which the critical terms of the hedged item and the hedging instrument match.

The main causes of hedge ineffectiveness include the basis difference (i.e. the fair value or cash flows of the hedged item depend on a variable that is different from the variable that causes the fair value or cash flows of the hedging instrument to change), timing difference (i.e. the hedged item and the hedging instrument occur or are settled at different dates), quantity or notional amount differences, credit or other risks that have an impact on the fair value of a hedged item or a hedging instrument.

Discontinuing of the hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The cumulative gains or losses previously recognized in equity are reclassified to profit and loss in the same period(s) when the hedged item affects the profit or loss. A hedging relationship that still meets the risk management objective and continues to meet all other qualifying criteria, after taking into account any rebalancing, cannot be discontinued.

Current versus non-current classification

Derivative instruments are classified as current or non-current or separated into a current and non-current portion as follows:

- When the Group holds a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.
- Derivative financial instruments which are held primarily for the purpose of trading are classified as current.

<u>Forward physical purchase contracts for commodities</u>

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, 11 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 war in Ukraine (Note 27). 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, 2022 is approximately 15 years (as of December 31, 2021: 16 years). If estimated average useful life of these assets would increase by 1 year, the annual depreciation charge would have been lower by EUR 7.7 million (2021: EUR 6.6 million). If estimated average useful life of these assets would decrease by 1 year, the annual depreciation charge would have been higher by EUR 8.7 million (2021: EUR 7.5 million).

<u>Impairment of property, plant and equipment, intangible assets and investment properties</u>

As noted in Note 2.9, the Group evaluates impairment of its property, plant and equipment, intangible assets, and investment properties whenever circumstances indicate that the carrying value may not be recoverable at the cash-generating unit level. The Group has evaluated various Group-specific factors and macro-economic factors, giving consideration to both positive and adverse factors and weighting them relative to importance and has determined that there no impairment charge was required in 2022 and 2021.

<u>Income taxes</u>

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.

<u>Employee benefits</u>

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, 2022, 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 1,571 thousand lower / EUR 1,833 thousand higher net present value of estimated future employee benefits obligations. As of December 31, 2021, if the stated discount rate 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.

<u>Landfill provision</u>

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, 2022, 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 331 thousand lower / EUR 352 thousand higher net present value of the estimated future landfill restoration expenditures. 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.

<u>Leases</u>

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 of the Group 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).

<u>Revenue from contracts with customers</u>

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.

<u>Allowance for expected credit losses of trade receivables</u>

The Group's procedure for the calculation of expected credit loss for trade receivables (Note 11) is based on 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, 2022

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. There is no material impact of the implementation of the amendments to the Group's 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. There is no material impact of the implementation of the amendments to the Group's 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. There is no material impact of the implementation of the amendments to the Group's 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.

There is no material impact of the implementation of the improvements to the Group's consolidated financial statements.

4.2 Standards, amendments and interpretations of standards issued but not effective until the financial year beginning January 1, 2023 or later and not early adopted by the Group

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. The Group does not expect any impact of this standard on its financial statements as the Group does not issue insurance and reinsurance contracts.

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. The Group does not expect any impact of this standard on its financial statements as the Group does not issue insurance and reinsurance contracts.

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 defined that 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. 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. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

4.3 Standards, amendments and interpretations of standards issued but not yet endorsed in the EU

IFRS 14, Regulatory Deferral Accounts (issued on January 30, 2014 and effective for annual periods beginning on or after January 1, 2016). An entity that already presents IFRS financial statements is not eligible to apply the standard. 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 Group is currently assessing the impact of the amendments on its consolidated financial statements.

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. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Non-current Liabilities with Covenants – Amendments to IAS 1 (issued on October 31, 2022 and effective for annual reporting periods beginning on or after January 1, 2024). Amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (issued on September 22, 2022 and effective for annual reporting periods beginning on or after January 1, 2024, earlier application is permitted). Amendments to requirements for sale and leaseback transactions in IFRS 16 explain how an entity accounts for a sale and leaseback after the date of the transaction. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

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

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

Note 5 Property, Plant and Equipment

Movements in property, plant and equipment during 2022 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, 2022	**536,525**	**1,521,443**	**20,933**	**43,027**	**32,184**	**2,154,112**
Additions	-	-	-	74,935	4,490	**79,425**
Disposals	(773)	(9,034)	(1,287)	(285)	(602)	**(11,981)**
Transfer (to) / from investment property	(1,134)	-	-	-	-	**(1,134)**
Transfers to base	2,985	47,171	-	(50,156)	-	**-**
December 31, 2022	**537,603**	**1,559,580**	**19,646**	**67,521**	**36,072**	**2,220,422**
Accumulated Depreciation						
January 1, 2022	**(217,275)**	**(996,863)**	**(15,425)**	**-**	**(16,218)**	**(1,245,781)**
Depreciation for the year	(14,768)	(59,640)	(1,301)	-	(7,238)	**(82,947)**
Disposals	387	8,652	-	-	598	**9,637**
Transfer to / (from) investment property	(82)	-	-	-	-	**(82)**
December 31, 2022	**(231,738)**	**(1,047,851)**	**(16,726)**	**-**	**(22,858)**	**(1,319,173)**
Carrying amount	**305,865**	**511,729**	**2,920**	**67,521**	**13,214**	**901,249**

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 right of use assets during 2022 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other right-of-use assets	Total
Cost				
January 1, 2022	**130**	**29,380**	**2,674**	**32,184**
Additions	247	2,679	1,564	**4,490**
Disposals	(164)	(438)	-	**(602)**
December 31, 2022	**213**	**31,621**	**4,238**	**36,072**
Accumulated Depreciation				
January 1, 2022	**(81)**	**(15,706)**	**(431)**	**(16,218)**
Depreciation for the year	(101)	(6,203)	(934)	**(7,238)**
Disposals	-	434	164	**598**
December 31, 2022	**(182)**	**(21,475)**	**(1,201)**	**(22,858)**
Carrying amount	**31**	**10,146**	**3,037**	**13,214**

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**

In 2022 no borrowing costs were capitalized (2021: EUR 712 thousand).

No property, plant and equipment of the Group were pledged in favor of a creditor or restricted in its use as of December 31, 2022 or December 31, 2021.

Purchases of property, plant and equipment in the Statement of Cash Flows excludes an acquisition of assets directly related to leasing totaling EUR 4.5 million (for the year ended December 31, 2021: EUR 4 million) and unpaid capital expenditures in the amount of EUR 25 million for the year ended December 31, 2022 (for the year ended December 31, 2021: EUR 20 million).

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

The Group evaluates impairment of non-financial assets for IFRS purposes whenever changes in circumstances indicate that the carrying amounts of the assets exceed their recoverable amount. Further details are disclosed in Note 3.

<u>Insurance</u>

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 141 million (2021: USD 150 million, i.e. EUR 132 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 70 million (2021: USD 75 million, i.e. EUR 66 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 141 million (2021: USD 150 million, i.e. EUR 132 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 422 million (2021: USD 450 million, i.e. EUR 397 million).

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

Environmental Projects

In the years 2016 - 2017, the Ministry of Environment of the Slovak Republic approved the Group's applications to participate in Operational Program Environment Quality for fifteen 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, 2 and 3, Sinter Strand No. 1, 2, 3 and 4 Exit Emission Control, Dedusting of Sinter Strand No. 1 – 2 and 3 – 4, Steel Shop No. 2 Dedusting – Hot Metal Desulphurization, Coal Preparation Emission Control and Coke Handling Dedusting at Coke Batteries No. 1 and 3. Capital expenditures remain 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, 2022 and December 31, 2021.

All environmental projects were completed. The average period over which the assets from these projects are depreciated is 20 years.

The deferred income amortized to Other income in 2022 totaled EUR 4,675 thousand (2021: EUR 4,695 thousand). The Group believes that it complied with all relevant conditions. The Group did not recognize any additional deferred income in 2022 and 2021 (Notes 11 and 27).

Movements in deferred income relating to Environmental projects during 2022 and 2021 are as follows:

	2022	2021
Opening balance as of January 1	**70,447**	**75,153**
Net change in contracts relating to environmental projects	(1)	(11)
Amortization to Other income	**(4,675)**	(4,695)
Closing balance as of December 31	**65,771**	**70,447**

Lease

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

	December 31, 2022	December 31, 2021
Right-of-use assets *		
Land and buildings	**31**	49
Machinery, equipment and motor vehicles	**10,146**	13,674
Other right-of-use assets	**3,037**	2,243
Total Right-of-use assets	**13,214**	**15,966**
Lease liabilities **		
Current	**8,394**	8,198
Non-current	**6,992**	9,742
Total lease liabilities	**15,386**	**17,940**

* 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, motor 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.

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

	2022	2021
Depreciation charge of right-of-use assets ***		
Land and buildings	**101**	126
Machinery, equipment and motor vehicles	**6,203**	5,869
Other right-of-use assets	**934**	373
Total Depreciation charge of right-of-use assets	**7,238**	**6,368**
Interest expense ****	**(413)**	**(441)**
Expense relating to short-term leases (included in other operating expenses in Note 22)	**(295)**	**(323)**
Expense relating to leases of low-value assets that are not short-term leases (included in other operating expenses in Note 22)	**(32)**	**(23)**
Expense relating to variable lease payments not included in lease liabilities (included in other operating expenses in Note 22)	**(864)**	**(604)**

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

**** included in the line item 'Interest expense' in the statement of profit or loss and other comprehensive income.

The total cash outflow for leases in 2022 was EUR 8,870 thousand (2021: EUR 7,699 thousand).

Lease liability maturities are as follows:

	December 31, 2022	December 31, 2021
Not later than 1 year	**8,394**	8,198
Later than 1 year and not later than 5 years	**6,981**	9,742
Later than 5 years	**11**	-
Present value of lease liability **	**15,386**	**17,940**

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

Note 6 Investment Properties

Movements in investment properties during 2022 and 2021 are as follows:

	2022	2021
Cost		
Opening balance as of January 1	**4,332**	**4,272**
Transfers to property, plant and equipment	**(295)**	-
Transfers from property, plant and equipment	**1,429**	60
Closing balance as of December 31	**5,466**	**4,332**
Accumulated Depreciation and Impairment Losses		
Opening balance as of January 1	**(1,817)**	**(1,712)**
Depreciation for the year	**(89)**	(98)
Transfers to property, plant and equipment	**82**	-
Transfers from property, plant and equipment	**-**	(7)
Closing balance as of December 31	**(1,824)**	**(1,817)**
Carrying amount	**3,642**	**2,515**

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 10,112 thousand as of December 31, 2022 (December 31, 2021: EUR 7,889 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 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 2022 are as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
January 1, 2022	**43,216**	**804,092**	**371**	**1,804**	**849,483**
Additions	-	593,509	-	2,970	**596,479**
Disposals	(2,189)	(717,667)	(13)	-	**(719,869)**
Change in fair value of CO_2 emission allowances	-	(2,830)	-	-	**(2,830)**
Transfers to base	3,010	-	-	(3,010)	**-**
December 31, 2022	**44,037**	**677,104**	**358**	**1,764**	**723,263**
Accumulated Amortization					
January 1, 2022	**(36,864)**	**-**	**(276)**	**-**	**(37,140)**
Amortization for the year	(2,148)	-	(15)	-	**(2,163)**
Disposals	2,189	-	13	-	**2,202**
December 31, 2022	**(36,823)**	**-**	**(278)**	**-**	**(37,101)**
Carrying amount	**7,214**	**677,104**	**80**	**1,764**	**686,162**

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)**
Change in fair value of CO_2 emission allowances (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**

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In 2022 and 2021 no borrowing costs were capitalized.

No intangible assets of the Group were pledged in favor of a creditor or restricted in their use as of December 31, 2022 or December 31, 2021.

Insurance

Intangible assets are not insured.

Emission allowances

In 2022, the Group received allocations of CO_2 emission allowances from the Slovak Government in two parts. The emission allowances were initially measured at fair value as of the allocation date at EUR 81.81 per ton in the 1st allocation and at 83.06 in the 2nd allocation (2021: EUR 83.73 per ton). Emission allowances allocated by the Slovak Government in 2022 totaled EUR 514.7 million (2021: EUR 416.6 million). Emission allowances were recognized in deferred income on the acquisition date and subsequently recognized as income in the period for which the emission allowances have been allocated. 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.

The Group purchased 1 million EUAs totaling EUR 78.8 million in 2022 (2021: 3.5 million EUAs totaling EUR 207.4 million) based on the projected future production levels.

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

	December 31, 2022	December 31, 2021
CO_2 emission allowances (intangible asset valued at fair value)	**677,104**	804,092
Liability from the obligation to deliver allowances (provision) (Note 16)	**591,048**	717,337

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, 2022	Level 1	Level 2	Level 3	Total
Assets				
CO_2 emission allowances	677,104	-	-	**677,104**
Total	**677,104**	**-**	**-**	**677,104**

December 31, 2021	Level 1	Level 2	Level 3	Total
Assets				
CO_2 emission allowances	804,092	-	-	**804,092**
Total	**804,092**	**-**	**-**	**804,092**

During 2022 and 2021, 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 658,310 thousand as of December 31, 2022 (December 31, 2021: EUR 660,817 thousand).

Note 8 Group Structure

List of subsidiaries

The following subsidiaries have been consolidated as of the specified date:

Entity	Place of Incorporation	Principal activities	Group's Ownership Interest	
			December 31, 2022	December 31, 2021
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%
U. S. Steel Obalservis s.r.o. in liquidation	Slovakia	Packaging	**-**	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 – 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, 2022 or December 31, 2021.

On November 23, 2022 General meetings of U. S. Steel Košice, s.r.o., Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. (subsidiaries of USSK) approved merger of Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. with parent company U. S. Steel Košice, s.r.o.

Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. ceased to exist without liquidation by merger with U. S. Steel Košice, s.r.o. as of January 1, 2023 and USSK became universal legal successor of Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. USSK continues with all the business activities of Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. after the merger.

As of August 22, 2022, following transfers of shares of the shareholders were made:

- shares of the shareholder U. S. Steel Košice – Labortest, s.r.o. in entity U.S. Steel Košice - SBS, s.r.o. to company Tubular s.r.o.,
- shares of the shareholder Ferroenergy s.r.o. in entity Tubular s.r.o to company U.S. Steel Košice – SBS, s.r.o.

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". 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. The liquidation balance of U. S. Steel Obalservis s.r.o. in liquidation 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.

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.

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, 2022 (December 31, 2021: 21 percent).

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The tax effect of the movements in the temporary differences during 2022 is as follows:

	January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2022
Property, plant and equipment	**(47,503)**	(1,124)	-	**(48,627)**
Leases	**669**	19	-	**688**
Inventories	**7,228**	6,781	-	**14,009**
Employee benefits	**5,867**	(260)	(1,939)	**3,668**
Consolidated tax losses	**2,143**	1,356	-	**3,499**
CO_2 Emission allowances transactions	**12**	(16,663)	780	**(15,871)**
Derivative financial instruments	**(2,808)**	-	1,618	**(1,190)**
Provisions	**5,581**	359	-	**5,940**
Other temporary differences	**(28)**	144	-	**116**
Total	**(28,839)**	**(9,388)**	**459**	**(37,768)**
Deferred tax (liability) / asset	**(28,839)**			**(37,768)**

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**
Consolidated tax losses	**3,215**	(1,072)	-	**2,143**
Research and development 2021 - 2023	**6,051**	(6,051)	-	**-**
CO_2 Emission allowances transactions	**(222)**	(3,639)	3,873	**12**
Derivative financial instruments	**3,005**	-	(5,813)	**(2,808)**
Provisions	**7,597**	(2,016)	-	**5,581**
Other temporary differences	**913**	(941)	-	**(28)**
Total	**(6,560)**	**(19,374)**	**(2,905)**	**(28,839)**
Deferred tax (liability) / asset	**(6,560)**			**(28,839)**

The Group has unrecognized potential deferred tax liability of EUR 964 thousand related to subsidiaries as of December 31, 2022 (December 31, 2021: deferred tax liability of EUR 1,258 thousand).

Tax loss carry forward

By the end of the 2022, 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 333,931 thousand in 2022 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 2023 in line with tax regulations.

In 2022, the Group also recognized a deferred tax asset from a tax loss reported in a subsidiary Ferroenergy s.r.o. in accordance with IAS 12 Income Taxes. The total tax loss reported in the subsidiary Ferroenergy s.r.o. for 2022 was EUR 11.5 million. This tax loss can be utilized, in accordance with the valid tax legislation, from 2023 up to a maximum of 50% of the reported annual tax base and during the following five consecutive tax periods. In 2023, the Group plans to utilize tax loss reported in 2022 up to 50% of the reported annual tax base, in line with valid tax regulation.

Note 10 Inventories

	December 31, 2022	December 31, 2021
Raw materials	**402,640**	242,651
Work-in-progress	**61,307**	88,201
Semi-finished production	**160,865**	131,564
Finished products	**134,475**	209,520
Merchandise	**41,198**	3,010
Inventory allowance	**(38,672)**	(2,513)
Total	**761,813**	**672,433**

No inventories of the Group were pledged in favor of a creditor or restricted in their use as of December 31, 2022 and 2021.

Inventory as of December 31, 2022 is shown net of write-down allowances resulting from lower net realizable values totaling EUR 38,672 thousand (December 31, 2021: EUR 2,513 thousand). Gross value of inventories written down were EUR 523 million as of December 31, 2022 (December 31, 2021: EUR 8 million).

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

	Raw materials	Work in progress	Semi-finished	Finished products	Total
January 1, 2022	**213**	**789**	**742**	**769**	**2,513**
Allowance made	13,915	9,977	10,571	5,401	**39,864**
Allowance used	(198)	(919)	(756)	(585)	**(2,458)**
Allowance reversed	11	(332)	(682)	(244)	**(1,247)**
December 31, 2022	**13,941**	**9,515**	**9,875**	**5,341**	**38,672**

	Raw materials	Work in progress	Semi-finished	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**

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.

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Note 11 Trade and Other Receivables

	December 31, 2022	December 31, 2021
Trade receivables	**263,838**	413,257
Trade receivables that are subject of factoring arrangements	**30,051**	18,468
Related party trade receivable (Note 28)	**1,297**	14,067
Total trade receivables	**295,186**	**445,792**
Other receivables - funds for landfill restoration	**8,622**	7,630
Other receivables	**5,588**	2,359
Trade and other receivables - financial (gross)	**309,396**	**455,781**
Loss allowance for trade receivables	**(13,507)**	(13,819)
Loss allowance for other receivables	**(17)**	(172)
Trade and other receivables - financial (net)	**295,872**	**441,790**
VAT receivable	**55,900**	56,419
Advance payments made	**7,461**	16,528
Other receivables - non-financial	**63,361**	**72,947**
Trade and other receivables (net)	**359,233**	**514,737**
Long-term receivables (financial)	**8,622**	7,630
Short-term receivables (financial and non-financial)	**350,611**	507,107

No receivables of the Group were pledged in favor of a bank or other entities as of December 31, 2022 and 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 2022. 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, 2022	December 31, 2021
No or low-risk counterparties	**124,137**	227,637
Increased risk counterparties	**140,998**	199,687
Trade receivables at amortized costs	**265,135**	**427,324**
No or low-risk counterparties	**30,051**	4,904
Increased risk counterparties	**-**	13,564
Trade receivables at FV through other comprehensive income	**30,051**	**18,468**
Total	**295,186**	**445,792**

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 13,524 thousand as of December 31, 2022 (December 31, 2021: EUR 13,991 thousand).

The movements of loss allowances were as follows:

	Trade receivables	Other receivables	Total
January 1, 2022	**13,819**	**172**	**13,991**
Receivables written-off	(273)	-	**(273)**
Unused amount reversed	(39)	(155)	**(194)**
December 31, 2022	**13,507**	**17**	**13,524**

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

	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**

A part of recognized loss allowance in amount of EUR 13,243 thousand (December 31, 2021: EUR 13,543 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 general expected credit losses allowance using a credit enhancement matrix. The general expected credit loss allowance calculated by the Group is EUR 264 thousand as of December 31, 2022 (December 31, 2021: EUR 449 thousand).

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 3.05 percent (2021: 3.6 percent), median for the year 2022 is 1.4 percent (2021: 1.4 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 of 0.385 percent to the receivables balances as of December 31, 2022 (0.346 percent applied as of December 31, 2021). The Group also mitigates credit risk by utilizing a credit insurance with credible insurance institutions (rating not lower than A2 according to Moody's). Credit insurance is an integral part of credit enhancement matrix because it occurs from the initial recognition of trade receivable.

Other Receivables – Funds for landfill restoration

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, 2022 (December 31, 2021: immaterial).

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 (Note 25) 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, 2022 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, 2022 and December 31, 2021 recognized in other comprehensive income and accumulated in revaluation reserves in equity will be reclassified into profit or loss in 2023 or were reclassified in 2022.

The table below shows the actual amount recognized in Other operating income:

	December 31, 2022	December 31, 2021
Profit / (Loss) from reclassification of forward transaction from equity reserve funds into profit or loss	**(10,564)**	11,304
Forward transactions entered	**54,834**	(13,961)
Balance recognized in Other operating income	**44,270**	**(2,657)**

The aggregated 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 of the Group's financial derivatives at the end of the reporting period:

	December 31, 2022		December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forwards - cash flow hedges	**2,928**	**5,186**	13,324	85
Commodity swap contracts - cash flow hedges	**8,296**	**-**	135	-
Total	**11,224**	**5,186**	**13,459**	**85**

Balances as of December 31, 2022 and December 31, 2021 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 Fifth Third Bank as of December 31, 2022 and December 31, 2021. As of December 31, 2022, the financial derivatives with ING Bank N.V. and Komerční banka, a.s. represent more than 76 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, 2022 (December 31, 2021: BBB+ and better). Information about the fair value hierarchy as of December 31, 2022 is disclosed in Note 26.

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

	December 31, 2022	December 31, 2021
Payable on settlement in EUR thousand	**(266,089)**	(307,597)
Receivable on settlement in EUR thousand*	**265,798**	322,002

* Receivables nominated in USD, converted to EUR at the rate of USD/EUR 1.0666.

The Group is exposed to a fluctuation of tin and iron ore purchase prices. In order to eliminate the Group's exposure to tin and iron ore prices fluctuation, the Group entered into commodity swaps to protect its profit margin. All commodity tin swaps commenced in 2022 matured in 2022, resulting in a net loss in total amount of EUR 10,490 thousand (2021: income of EUR 4,123 thousand). All commodity swaps for iron ore commenced in 2022 in amount of EUR 8,295 thousand will mature in 2023. All commodity swaps for tin commenced in 2022 matured in 2022. All commodity iron ore swaps commenced in 2021 matured in 2022 (2021: no matured swap).

The total value of derivative operations in 2022 is a profit of EUR 34,484 thousand.

Note 13 Cash and Cash Equivalents

	December 31, 2022	December 31, 2021
Cash at bank	**378,694**	**289,556**
Total (Note 26)	**378,694**	**289,556**

Interest rates on bank accounts were approximately 0.45 percent per annum for EUR deposits, 1.00 percent per annum for USD deposits and 0.30 percent per annum for CZK deposits as of December 31, 2022 (December 31, 2021: 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.

Further information on the credit risk of cash and cash equivalents is disclosed in Note 25.

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

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, 2022.

Legal reserve fund and Other reserves

The movements in reserve funds are as follows:

	Legal reserve fund	Other capital funds	Derivative hedging instruments	CO_2 emission allowances	Translation reserve	Total
January 1, 2022	**43,890**	**319**	**10,565**	**147,150**	**219**	**202,143**
Changes in fair value of derivative hedging instruments	-	-	4,477	-	-	**4,477**
Changes in fair value of CO emission allowances	-	-	-	(2,051)	-	**(2,051)**
Realization of CO emission allowances revaluation	-	-	-	(125,522)	-	**(125,522)**
Release of fair value of derivative hedging instruments	-	-	(10,564)	-	-	**(10,564)**
Contribution to legal reserve fund	32,421	-	-	-	-	**32,421**
Derecognition of legal reserve fund	(517)	-	-	-	-	**(517)**
December 31, 2022	**75,794**	**319**	**4,478**	**19,577**	**219**	**100,387**

	Legal reserve fund	Other capital funds	Derivative hedging instruments	CO_2 emission allowances	Translation reserve	Total
January 1, 2021	**72,004**	**319**	**(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 emission allowances	-	-	-	136,426	-	**136,426**
Realization of CO emission 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	**43,890**	**319**	**10,565**	**147,150**	**219**	**202,143**

The change in the fair value of CO_2 emission allowances is recognized after taking into account the deferred tax asset in the amount of EUR 4 thousand (2021: asset of EUR 3,873 thousand). The change in the fair value of derivative financial instruments is recognized after taking into account the deferred tax asset in the amount of EUR 1,618 thousand (2021: liability EUR 5,813 thousand) (Note 9).

Dividends

No dividends were paid to U. S. Steel Global Holdings VI B.V. in 2022 and 2021. There were no declared but unpaid dividends as of December 31, 2022 and December 31, 2021.

Note 15 Loans and Borrowings

The movement in liabilities from financing activities is as follows:

	Lease liabilities (Note 5, 18)	Total
January 1, 2022	**17,940**	**17,940**
Lease additions	5,126	**5,126**
Lease payments	(7,680)	**(7,680)**
December 31, 2022	**15,386**	**15,386**
Long-term	6,992	**6,992**
Short-term	8,394	**8,394**
December 31, 2022	**15,386**	**15,386**

	Long-term loans and borrowings	Intercompany loan from U.S.Steel (Note 28)	Lease liabilities (Note 5, 18)	Total
January 1, 2021	**302,604**	**122,282**	**20,322**	**445,208**
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**

Credit facilities available to the Group:

Lender	Agreed amount	Currency	Interest rate	Date of maturity	Unpaid principal as of December 31, 2022	Unpaid principal as of December 31, 2021
Group of Banks *	300,000,000	EUR	IBOR + 2.00 or 2.35% p.a.	September 29, 2026	-	-
ING Bank N.V.	20,000,000	EUR	EURIBOR + 1.70% p.a	December 3, 2024	-	-
		USD	LIBOR + 1.70% p.a		-	-
		CZK	PRIBOR + 1.70% p.a		-	-
United States Steel Corporation	150,000,000	USD	3M USD LIBOR + 2.9% p.a.	September 27, 2023	-	-

* 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

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 a 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 contains sustainability targets related to greenhouse gas emissions intensity reduction, safety performance and facility certification by ResponsibleSteel™. The Credit Agreement contains certain financial covenants calculated from consolidated financial statements prepared in accordance with US GAAP. The Credit Facility Agreement requires Company to maintain a net debt to EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization, hereinafter as "EBITDA") ratio of less than 3.50 : 1.00 for the rolling twelve months ending June 30, 2023. The Company has determined that it may not be able to comply with this covenant at June 30, 2023 based on the currently forecasted EBITDA for the twelve-month period ending June 30, 2023. This could partially or fully limit its ability to borrow under the Credit Facility Agreement. Any amendment or waiver may lead to additional lender protections, including a reduction of loan commitments or less favorable terms, and there can be no assurance that the Company can obtain waivers or amendments in timely fashion, or on acceptable terms or at all. The Group believes that it will have adequate cash on hand as of June 30, 2023, and will not need to borrow under the Credit Facility Agreement.

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

On December 15, 2022 the Group entered into a supplemental agreement No. 1 to its EUR 300 million Credit Facility Agreement, where Ferroenergy s.r.o., subsidiary of U. S. Steel Košice, s.r.o. was deleted as guarantor to the Credit Facility Agreement based on the approved merger of the U. S. Steel Košice, s.r.o., Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. with the effective date on January 1, 2023.

On December 23, 2019, the Group entered into a USD 150 million Loan Agreement with United States Steel Corporation.

On December 3, 2021 the Group entered into a 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. As of December 31, 2022, the credit facility has been used in the amount of EUR 15,412 thousand for bank guarantees (December 31, 2021: the credit facility has been used in the amount of EUR 8,126 thousand for bank guarantees).

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. The Group complied with all covenants specified in the loan agreements as of December 31, 2022 and 2021.

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.

Note 16 Provisions for Liabilities

Movements in provisions for liabilities were as follows:

	Landfill	Litigation	CO_2 emissions	Other	Total
January 1, 2022	**10,905**	**1,084**	**717,337**	**285**	**729,611**
Provision made	241	300	591,376	9,404	**601,321**
Provision used / reversed	(1,516)	(810)	(717,665)	(9,332)	**(729,323)**
December 31, 2022	**9,630**	**574**	**591,048**	**357**	**601,609**
Long-term provisions	7,480	574	-	2	**8,056**
Short-term provisions	2,150	-	591,048	355	**593,553**

	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**

The movement of provisions caused by the passage of time (i.e. accretion expense) in 2022 and 2021 was immaterial.

Provision reversals for the year 2022 and 2021 were immaterial.

<u>Landfill</u>

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 2022, 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. The short-term portion of the provision represents expenditures that are expected to be settled within 12 months.

<u>Litigation</u>

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.

<u>Emission allowances</u>

A provision was recognized for CO_2 emissions emitted in 2022 in order to settle obligation by granted CO_2 emission allowances in amount of EUR 472,875 thousand (2021: EUR 409,018 thousand) and by purchased CO_2 emission allowances in amount of EUR 118,173 thousand (2021: EUR 308,319 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).

<u>Other</u>

Other provisions include provisions for warranty.

Note 17 Employee Benefits Liabilities

<u>Employee retirement liability</u>

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.

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

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:

	2022	2021
Opening balance as of January 1	**34,040**	**38,786**
Total expense charged in profit or loss – pension	**1,668**	1,440
Total expense charged in profit or loss – jubilee	**437**	428
Total expense charged in profit or loss – termination	**21,714**	240
Remeasurements of post employment benefit liabilities	**(11,242)**	(4,429)
Benefits paid	**(19,142)**	(2,425)
Closing balance as of December 31	**27,475**	**34,040**
Long-term employee benefits payable	**21,996**	32,984
Short-term employee benefits payable	**5,479**	1,056

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

	December 31, 2022	December 31, 2021
Present value of the liability - pension	**25,713**	24,619
Present value of the liability - jubilee	**7,574**	9,986
Present value of the liability - termination	**4,114**	133
Remeasurements of post employment benefit liabilities	**(9,926)**	(698)
Total liability in the statement of financial position	**27,475**	**34,040**

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

	2022	2021
Current service costs – pension	**1,488**	1,349
Current service costs – jubilee	**398**	430
Current service costs – termination	**21,714**	240
Interest costs	**219**	89
Net actuarial losses / (gains)	**(2,014)**	166
Remeasurements of post employment benefit liabilities	**(9,228)**	(4,595)
Total	**12,577**	**(2,321)**

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

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.

An addendum No. 4 to the valid Collective Labor Agreement for 2020–2024 (the CLA Addendum No. 4) became effective on September 5, 2022 and enabled employees of U. S. Steel Košice, s.r.o., Ferroenergy s.r.o., U.S. Steel Košice - SBS, s.r.o. and U. S. Steel Košice - Labortest, s.r.o. to receive one-time wage for long-standing work performance if the length of his/her uninterrupted labor contract with the company calculated until December 31, 2022 is at least 5 years. In case the CLA Addendum No. 4 was used, an employee terminated his/her labor contract no later than on September 30, 2022. Costs related to one-time wage for long-standing work are considered as restructuring costs (Note 29).

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

	2022	2021
Discount rate - pension	**3.50%**	0.76%
Discount rate - jubilee	**3.60%**	0.40%
Annual w age 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 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 24.3 percent (2021: 24.9 percent) of total salaries and other employee benefits up to a monthly salary limit of EUR 7,931 (2021: EUR 7,644).

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 1.5 percent of the monthly accounted wage in 2022 (2021: 1.6 percent).

Information for pension plans with an accumulated employee benefits liabilities:

	December 31, 2022	December 31, 2021
Accumulated employee benefits liabilities	**15,425**	23,819
Effects of future compensation	**7,936**	10,088
Projected employee benefits liabilities	**23,361**	**33,907**
Termination	**4,114**	133
Total liability in the statement of financial position	**27,475**	**34,040**

Note 18 Trade and Other Payables

	December 31, 2022	December 31, 2021
Trade payables	**197,833**	323,772
Related party accounts payables (Note 28)	**17,233**	10,152
Assigned trade payables [(1)]	**62,418**	86,651
Accrued discounts and rebates	**15,603**	16,666
Uninvoiced deliveries and other accrued expenses	**57,463**	84,841
Trade payables and accruals (Note 25)	**350,550**	**522,082**
Lease liabilities	**15,386**	17,940
Other payables	**4,829**	3,431
Financial liabilities	**20,215**	**21,371**
Liability to employees and social security institutions	**31,046**	46,154
Advance payments received (Contract liability)	**15,574**	7,472
VAT and other taxes and fees	**9,987**	9,791
Non-financial liabilities	**56,607**	**63,417**
Total	**427,372**	**606,870**

[(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, 2022. 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, 2022	December 31, 2021
Short-term trade and other payables	**420,019**	597,127
Long-term trade and other payables	**7,353**	9,743
Total	**427,372**	**606,870**

Long-term trade and other payables represent lease liabilities (as of December 31, 2022: EUR 6,992 and as of December 31, 2021: EUR 9,742 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, 2022	December 31, 2021
Trade and other payables not yet due	**424,995**	606,332
Trade and other payables past due	**2,377**	538
Total	**427,372**	**606,870**

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

	December 31, 2022	December 31, 2021
EUR	**270,946**	359,126
USD	**76,137**	154,625
Other	**3,467**	8,331
Total	**350,550**	**522,082**

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

	2022	2021
Opening balance as of January 1	**1,400**	**716**
Group contribution (group costs)	**4**	1,920
Employees contribution (repayments)	**1,884**	(20)
Withdrawals	**(2,121)**	(1,306)
Other	**-**	90
Closing balance as of December 31	**1,167**	**1,400**

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. 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.

Revenue from contracts with customers consists of the following:

	2022	2021
Sales of own production*	**3,886,117**	3,541,009
Sales of merchandise*	**796**	375
Rendering of services	**15,918**	12,964
Total	**3,902,831**	**3,554,348**

* For better understanding 2021 values were adjusted to 2022 values presentation.

In 2022 and 2021, sales of merchandise represent primarily external net sales of electricity, heat and steam.

In 2022 and 2021, 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

	2022	2021
Performance obligation satisfied at a point in time	**3,886,913**	3,541,384
Performance obligation satisfied over time	**15,918**	12,964
Total	**3,902,831**	**3,554,348**

U. S. Steel Košice, s.r.o.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(All amounts are in thousands of EUR if not stated otherwise)

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

Segments and Products	2022	2021
Hot-rolled sheets and plates	**1,790,310**	1,798,926
Cold-rolled sheets	**356,997**	375,704
Coated sheets	**891,932**	761,975
Tin mill products	**625,751**	390,760
Standard and line pipe	**64,500**	48,461
Slabs	**97,845**	105,476
Tar - nonsteel products *	**37,392**	18,543
By products and other *	**21,390**	41,164
Total	**3,886,117**	**3,541,009**

* For better understanding 2021 comparative values were separated from By products line item to separate line.

Market	2022	2021
Steel Service Centers	**775,011**	797,607
Transportation (including automotive)	**661,481**	429,860
Further conversion - trade customers	**271,980**	257,256
Containers	**630,405**	387,582
Construction and construction products	**1,046,934**	1,109,301
Appliances and electrical equipment	**271,366**	210,066
Oil, gas and petrochemicals	**4,017**	6,965
Mechanical Machinery	**29,933**	37,480
Metal Goods	**111,860**	97,540
Other markets *	**83,130**	207,352
Total	**3,886,117**	**3,541,009**

* For better understanding 2021 values were adjusted to 2022 values presentation.

Other income

Other income consists of the following:

	2022	2021
Amortization of deferred income - CO_2 emission allowances (Note 7)	**514,685**	416,591
Amortization of deferred income - environmental projects (Note 5)	**4,675**	4,695
Gain on disposal of property, plant and equipment, investment property and intangible assets	**1,009**	352
Gain on derivative financial instruments (Note 12)	**34,485**	1,467
Rental income	**1,774**	1,434
Income from contractual penalties	**618**	751
Energy compensation from Ministry of Economy	**12,449**	10,142
Energy sales	**4,896**	-
Trade Mark and Intellectual Property license	**16,056**	12,481
Miscellaneous income	**4,178**	1,772
Total	**594,825**	**449,685**

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

Note 20 Materials and Energy Consumed

Materials and energy consumed is comprised of the following:

	2022	2021
Materials consumed	**(2,343,213)**	(1,894,326)
Energy consumed	**(264,798)**	(162,920)
Costs of merchandise sold	**(3,684)**	(2,503)
Changes in internally produced inventory	**(67,789)**	226,871
Inventory write-down allowance (Note 10)	**(38,617)**	(193)
Total	**(2,718,101)**	**(1,833,071)**

Note 21 Salaries and Other Employee Benefits

Salaries and employee benefits are comprised of the following:

	2022	2021
Wages and salaries	**(254,392)**	(257,087)
Termination benefits (Note 17)	**(21,714)**	(240)
Mandatory social and health insurance to insurance funds - defined contribution plans	**(49,827)**	(47,529)
Mandatory retirement insurance to insurance funds - defined contribution plans	**(43,547)**	(42,844)
Other social expenses - defined contribution plans	**(14,428)**	(13,649)
Pension expenses – retirement and work and life jubilees - defined benefit plans (Note 17)	**128**	(1,945)
Total	**(383,780)**	**(363,294)**

The number of active employees of the Group as of December 31, 2022 was 8,253 (December 31, 2021: 8,950). The average number of employees of the Group for 2022 was 8,695 (2021: 9,254).

The average number of employees of the Group is comprised of the following:

	2022	2021
U. S. Steel Košice, s.r.o.	**8,251**	8,500
Other Group companies	**444**	754
Total	**8,695**	**9,254**

Note 22 Other Operating Expenses

Other operating expenses during 2022 and 2021 are as follows:

	2022	2021
Packaging	**(4,713)**	(4,009)
Cleaning and waste disposal	**(8,611)**	(9,395)
Advertising and promotion	**(1,801)**	(1,315)
Impairment of receivables release (Note 11)	**194**	(481)
Gain / (loss) on disposal of bussiness units	**1,302**	(7,496)
Real estate tax and other taxes	**(7,832)**	(6,746)
Environmental charges (2)	**(3,254)**	(3,513)
Waste storage charges (2)	**(5,148)**	(5,288)
Intangible assets, licences, trade marks, licence support	**(14,332)**	(3,337)
Laboratory and heat tests	**(875)**	(362)
External processing	**(18,423)**	(15,821)
Costs of processing of steel slag, sludge and dust	**(5,255)**	(5,308)
Audit fees	**(679)**	(674)
Other services provided by the auditor	**(7)**	(5)
Short-term leases (Note 5)	**(295)**	(323)
Low value leases (Note 5)	**(32)**	(23)
Variable lease payments (Note 5)	**(864)**	(604)
Creation & reversal of provision for litigation (non-tax)	**420**	1,965
Addition and transportation costs related to claims (2)	**(1,381)**	(283)
Warehousing and handling of finished products	**(4,015)**	(3,018)
Insurance costs	**(6,577)**	(6,759)
Service activities	**(9,648)**	(10,045)
Commitment fee - the Credit Agreement	**(2,857)**	(4,969)
Scarffing of conti-slabs	**(2,611)**	(2,470)
Telephone, fax, telex, postage, data processing	**(3,560)**	(3,269)
Costs of employee intracompany transportation	**(1,381)**	(1,370)
Energy advisory services	**(984)**	-
Crane operation	**(3,990)**	(4,504)
Chromium plating of rolls	**(1,240)**	(1,419)
Services of heavy machines	**(1,335)**	(889)
Chemical treatment of water circuits	**(827)**	(932)
Traveling Costs	**(732)**	(190)
Other operating expenses (1)	**(13,409)**	(10,560)
Total	**(124,752)**	**(113,412)**

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

(2) For better understanding 2021 values were separated from Other operating expenses to separate lines.

Note 23 Income Tax

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

	2022	2021
Current tax	**(69,173)**	(152,823)
Deferred tax (Note 9)	**(9,388)**	(19,374)
Total current year tax	**(78,561)**	**(172,197)**
Total	**(78,561)**	**(172,197)**

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

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

	2022	2021
Profit / (loss) before tax	385,193	689,532
Tax calculated at 21 percent tax rate	(80,891)	(144,802)
Permanent differences:		
Research & Development deduction [(1)]	2,646	13,609
Effect of CO emission allowances revaluation	-	(40,461)
Other [(1)]	(316)	(543)
Tax (charge) / credit	**(78,561)**	**(172,197)**

[(1)] For better understanding 2021 values were extracted from total permanent differences to separate lines.

The effective tax rate was 20 percent in 2022 (2021: 25 percent). As the Group's profit was lower than parent's Company profit due to subsidiary's loss, the effective tax rate decreased.

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

	2022			2021		
	Before tax	Tax (charge) / credit	After tax	Before tax	Tax (charge) / credit	After tax
Changes in fair value of derivative hedging instruments	(7,705)	1,618	(6,087)	27,682	(5,813)	21,869
Changes in actuarial gains and losses	9,228	(1,939)	7,289	4,595	(965)	3,630
Revaluation of intangible assets (Note 7)	(2,831)	780	(2,051)	132,553	3,873	136,426
Translation reserve	-	-	-	(24)	-	(24)
Other comprehensive income	**(1,308)**	**459**	**(849)**	**164,806**	**(2,905)**	**161,901**
Deferred tax (Note 9)	-	459	-	-	(2,905)	-

The change in the fair value of emission allowances is recognized after taking into account the deferred tax asset in the amount of 0 EUR (2021: liability of EUR 3,873 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 1,618 thousand (2021: asset EUR 5,813 thousand) (Note 9).

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 2021.

The capital structure of the Group consists of debt (Note 15) totaling EUR 15,386 thousand as of December 31, 2022 (December 31, 2021: EUR 17,940 thousand) and equity (Note 14) totaling EUR 1,898,571 thousand as of December 31, 2022 (December 31, 2021: EUR 1,593,305 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, 2022 and December 31, 2021.

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.

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 to the Group. 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, etc.

The Group mitigates credit risk for approximately 76 percent (2021: 76 percent) of revenue from contracts with customers 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:

	2022	2021
Credit insurance	63%	65%
Letters of credit and documentary collection	2%	2%
Bank guarantees	2%	3%
Other credit enhancements	9%	6%
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 5 percent of gross annual revenues in either of the years presented.

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).

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.

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

December 31, 2022	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)	-	250,331	30,051
Related party accounts receivables (net)	-	1,297	-
Other receivables (net)	-	14,193	-
Derivative financial instruments (Note 12)			
Forward foreign exchange	2,928	-	-
Commodity swaps - iron ore	8,296	-	-
Cash and cash equivalents and restricted cash (Note 13)			
Cash and cash equivalents and restricted cash	-	379,147	-
Total	**11,224**	**644,968**	**30,051**

December 31, 2022	Cash and cash equivalents and restricted cash at amortized cost
ING Bank N.V.	72,818
COMMERZBANK Aktiengesellschaft	14,650
Citibank Europe plc	79,141
Slovenská sporiteľňa, a.s.	35,874
Komerční Banka, a.s.	29,849
Československá obchodná banka, a.s.	74,189
Všeobecná úverová banka, a.s.	41,178
Other banks	30,995
Cash and cash equivalents (Note 13)	**378,694**
Slovenská sporiteľňa, a.s.	7
Všeobecná úverová banka, a.s.	19
Bank Handlowy w Warszawie SA	427
Cash restricted in its use	**453**
Total	**379,147**

U. S. Steel Košice, s.r.o.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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**

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.

Liquidity risk

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. The 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, 2022	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	378,694	-	-	**378,694**
Restricted cash	453	-	-	**453**
Trade receivables (net)	281,679	-	-	**281,679**
Other receivables (net)	14,193	-	-	**14,193**
Gross settled swaps and forwards	265,798	-	-	**265,798**
Total	**940,817**	**-**	**-**	**940,817**
Liabilities				
Trade payables and accruals	343,197	7,353	-	**350,550**
Other financial liabilities	4,829	-	-	**4,829**
Gross settled swaps and forwards	266,089	-	-	**266,089**
Lease liability (Note 5)	7,374	8,502	12	**15,888**
Total	**621,489**	**15,855**	**12**	**637,356**

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**
Gross settled swaps and forwards	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	3,431	-	-	**3,431**
Gross settled swaps and forwards	307,597	-	-	**307,597**
Lease liability (Note 5)	7,303	11,627	-	**18,930**
Total	**830,670**	**21,370**	**-**	**852,040**

Market risk

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, 2022, since no borrowings have been drawn as of December 31, 2022.

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, 2022 and December 31, 2021.

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.

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

December 31, 2022	Cash and cash equivalents	Cash restricted in its use
EUR	332,855	26
USD	38,862	-
CZK	6,948	-
other	29	427
Total	**378,694**	**453**

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**

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 to hedge highly probable forecasted purchases of strategic raw materials denominated in USD. Financial instruments are used exclusively for hedging of financial risk exposure which is determined by the analysis of income and expenses structured by foreign currency. Trading for speculative purposes is prohibited. 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, 2022, the Group had open USD forward purchase contracts for Euros in total notional value of approximately EUR 266 million (December 31, 2021: EUR 307 million).

On December 23, 2019, the Group entered into a USD 150 million Loan Agreement with United States Steel Corporation. As of December 31, 2022 and 2021 no borrowings were drawn against this Loan Agreement and the Group had the full amount of loan under the Loan Agreement at disposal.

As of December 31, 2022, 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 5,416 thousand charge / EUR 4,708 thousand credit to Profit, mainly as a result of gains/losses from the fair value change of forward foreign exchange contracts.

As of December 31, 2022, 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 148 thousand charge / EUR 170 thousand credit to Other comprehensive income, mainly as a result of gains/losses from the fair value change of forward foreign exchange contracts.

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 811 thousand charge / EUR 1,047 thousand credit to Profit, mainly as a result of gains/losses from the fair value change of forward foreign exchange contracts.

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 866 thousand charge / EUR 996 thousand credit to Other 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.

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

The Group is exposed to commodity price risk on both the purchasing and sales sides and manages the risk primarily 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.

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 and tin price fluctuation, the Group entered into commodity swaps 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 and tin requirements, which helped the Group's profitability objectives. All commodity swaps for iron ore commenced in 2022 EUR 8,295 thousand will mature in 2023. All commodity swaps for tin commenced in 2022 matured in 2022. All commodity swaps for tin commenced in 2021 matured in 2021. All commodity swaps for iron ore commenced in 2021 for 2022 matured in 2022.

In 2022 and 2021, the Group did not carry out any other material derivative transaction mitigating commodity price risk and had open commodity derivatives for iron ore as of December 31, 2022 and December 31, 2021, respectively.

Based on sensitivity analysis performed by the Group zinc and tin price fluctuation would not have significant impact on the consolidated financial statements.

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, 2022

	Amortized cost	FV through profit or loss	FV through other comprehensive	Total
Assets				
Unquoted financial instruments	-	111	-	**111**
Trade receivables (net)	250,331	-	30,051	**280,382**
Related party accounts receivables (net)	1,297	-	-	**1,297**
Other receivables (net)	14,193	-	-	**14,193**
Cash and cash equivalents	378,694	-	-	**378,694**
Restricted cash	453	-	-	**453**
Derivative financial instruments	-	11,224	-	**11,224**
Total	**644,968**	**11,335**	**30,051**	**686,354**

	Amortized cost	FV through profit or loss	Total
Liabilities			
Trade payables and accruals	350,550	-	**350,550**
Other financial liabilties (Note 18)	4,829	-	**4,829**
Derivative financial instruments	-	5,186	**5,186**
Short-term borrowings			
Leases (Note 5, 18)	8,394	-	**8,394**
Long-term borrowings			
Leases (Note 5, 18)	6,992	-	**6,992**
Total	**370,765**	**5,186**	**375,951**

December 31, 2021

	Amortized cost	FV through profit or loss	FV through other comprehensive	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)	3,431	-	**3,431**
Gross settled swaps and forwards	-	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	**543,453**	**85**	**543,538**

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, 2022

	Level 1	Level 2	Level 3	Total
Assets				
Trade receivables that are subject of factoring arrangements (Note 11)	-	30,051	-	**30,051**
Unquoted financial instruments	-	111	-	**111**
Hedging derivatives	-	11,224	-	**11,224**
Total	**-**	**41,386**	**-**	**41,386**
Liabilities				
Hedging derivatives	-	5,186	-	**5,186**
Total	**-**	**5,186**	**-**	**5,186**

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**
Unquoted financial instruments	-	259	-	**259**
Hedging derivatives	-	13,459	-	**13,459**
Total	**-**	**32,186**	**-**	**32,186**
Liabilities				
Hedging derivatives	-	85	-	**85**
Total	-	85	-	**85**

* The Group has adjusted presentation of Trade receivables that are subject of factoring arrangements from Level 3 to Level 2 for the amount presented in year 2021.

During 2022 and 2021, 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, 2022 and December 31, 2021. Fair values of these instruments as of December 31, 2022 and December 31, 2021 approximate their carrying amounts.

Note 27 Contingent Liabilities and Contingent Assets

Capital Commitments

Capital expenditures of EUR 45 million had been committed under contractual arrangements as of December 31, 2022 (December 31, 2021: EUR 24 million).

Environmental Commitments

The Group is in compliance with environmental legislation. In 2022, the environmental expenses represented mainly by air, water pollution and solid waste handling fees totaled approximately EUR 11 million (2021: EUR 10 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 15 thousand in 2022 and EUR 46 thousand in 2021. 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 2022 costs were EUR 108 thousand (2021: EUR 131 thousand).

Carbon Dioxide (CO_2) Emissions

The European Union has established 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. Final approval of the emission trading legislation package is expected in the end of Q2 2023.

In order to achieve the EU goal of carbon emissions neutrality by 2050, on July 14, 2021, the European Commission released a package of legislative proposal called Fit for 55. The proposals contain significant changes to current EU ETS functions and requirements, including: a new carbon border adjustment mechanism to impose carbon fees on EU imports, further reduction of free CO_2 allowance allocation to heavy industry and measures to strengthen the supply of carbon allowances.

An emission trading system (ETS) was established to encourage compliance with set emissions reduction targets 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.

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 updated 2021-2025 Slovak National Allocation table in

February 2022. Subsequently the Slovak Ministry of Environment, allocated the full amount of 2022 free allowances totaling 6.3 million EUA to the Group in February and April 2022. As of December 31, 2022, the Group purchased approximately 2.1 million EUA totaling EUR 147 million to cover the expected 2022 and 2023 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 as measured by the rate of CO_2 equivalents emitted per ton of finished steel shipped. These targets will apply to U. S. Steel's global operations.

The carbon reduction targets reflect Group's continued commitment to improvement in production efficiency and the manufacture of products that are environmentally friendly. The transition to Electric Arc Furnace (EAF) technology as well as incremental gains in energy reduction, use of renewable energy, hydrogen-based steelmaking and continued asset and process improvements are expected to reduce the greenhouse gas footprint of the Group. 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. 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, 2022 and December 31, 2021. 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.

Impact of Coronavirus (COVID-19)

The Group has been exposed to risks related to the global COVID-19 pandemic, which has had adverse impacts on economic and market conditions 2022 and 2021. In 2022 and 2021, there was no significant impact of COVID-19 on the Group. The Group was able to implement sufficient measures related to the restrictions and requirements imposed by the Slovak Government.

There has been no significant impact of COVID-19 on the Group in 2022 and 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.

War in Ukraine

In February 2022, Russia invaded Ukraine and active conflict continues in the country. The war in Ukraine will likely continue to cause disruption and instability in Russia, Ukraine, as well as the markets in which the Group operates. The Group is constantly monitoring the situation for impacts both on the Company and its subsidiaries.

As a result of the invasion, the European Union (EU) has enacted sanctions against Russia and Russian interests. The Group is complying with all applicable sanctions that impact its business.

The Group purchases certain raw materials from sources that procure supply from Russia, including natural gas and iron ore. Since the onset of the war, and before, the Group has been building its inventory of iron ore and coal and procuring them through alternate sources. Current levels of iron ore and coal are sufficient to serve customer demand in the near future.

With the EU prohibiting purchases of coal from suppliers in Russia, new purchases of coal originating from Russia have stopped. The Group has built up sufficient inventory to meet current customer demand. Efforts to secure alternate sources of supply are underway to continue meeting demand.

Russian supply of natural gas to Europe has decreased significantly in response to enacted sanctions. However, Slovakia has natural gas storage and access to additional supply from countries including Norway, the United States and Africa. Together, these sources are enough to support the country's expected consumption through the 2023 winter season, which includes demand for natural gas for Group's operations.

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

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 2022 consolidated financial statements or going concern assumption in 2023 and further. 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.

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:

Transaction	Related party	2022	2021
Rendering of services	United States Steel Corporation, Ultimate parent company	17,471	14,505
Sales of materials and own production	United States Steel Corporation, Ultimate parent company	-	2,111
Revenues total		**17,471**	**16,616**
Services received	United States Steel Corporation, Ultimate parent company	12,844	2,500
	USS International Services, LLC, Company under common control of U. S. Steel	2,772	2,366
Purchase of raw material	United States Steel Corporation, Ultimate parent company	128,114	83,681
Purchase of slabs	USS International, Inc., Company under common control of U. S. Steel	13,324	-
Cost of sales of material and own products	United States Steel Corporation, Ultimate parent company	5,217	941
Interest expense	United States Steel Corporation, Ultimate parent company	-	3,159
Expenses total		**162,271**	**92,647**
Receivables	United States Steel Corporation, Ultimate parent company	1,257	14,011
	USS International Services, LLC, Company under common control of U. S. Steel	40	56
Receivables total		**1,297**	**14,067**
Payables	United States Steel Corporation, Ultimate parent company	16,285	9,505
	USS International Services, LLC, Company under common control of U. S. Steel	948	647
Payables total		**17,233**	**10,152**

No dividends were paid to U. S. Steel Global Holdings VI B.V. in 2022 and 2021 (Note 14).

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, 2022, 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 2022 and 2021 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:

	2022	2021
Wages and salaries	15,122	16,839
Profit sharing expense	28	50
Mandatory social and health insurance to all insurance funds	4,507	4,712
Total	**19,657**	**21,601**

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).

The reconciliation of EBITDA, EBIT and EBT is as follows:

	2022	2021
Net profit / (loss)	306,632	517,335
Income tax	78,561	172,197
Interest expense and other financial costs	1,708	5,807
Interest income	(128)	(31)
Depreciation and amortization	85,199	89,168
Non cash portion of CO_2 provision charge (Note 16)	472,875	549,093
Amortization of deferred income - CO_2 emission allowances (Note 19)	(514,685)	(416,591)
EBITDA	**430,162**	**916,978**
Depreciation & Amortization	(85,199)	(89,168)
EBIT	**344,963**	**827,810**
Interest expense and other financial costs	(1,708)	(5,807)
Interest income	128	31
EBT	**343,383**	**822,034**

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.

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

The reconciliation of adjusted EBITDA is as follows:

	2022	2021
EBITDA	**430,162**	**916,978**
Restructuring and other charges (Note 17)	**23,355**	-
Adjusted EBITDA	**453,517**	**916,978**

EBITDA and Adjusted EBITDA amounts are derived from net profit shown on page CF-8. The decrease in EBITDA and Adjusted EBITDA in 2022 from the prior year primarily resulted from the lower sales volume, increased raw material and energy costs and the weakening of the Euro against the U.S. dollar, partially offset by higher sales prices.

Note 30 Events after the Reporting Period

On March 27, 2023, the Group entered into a Supplemental Amendment No. 10 to the EUR 20 million Bilateral Loan Agreement between the Group and ING Bank N.V that increased the size of the existing credit facility to EUR 30 million.

The Group has performed a merger of entities Ferroenergy s.r.o. and U. S. Steel Košice - Labortest, s.r.o. with U. S. Steel Košice, s.r.o. and U. S. Steel Košice, s.r.o. became the legal successor company of both entities. The merger was approved on November 23, 2022, whereby the effective date of the merger was January 1, 2023. This merger did not have any impact on the amounts presented in these consolidated financial statements for the year ended December 31, 2022.

After December 31, 2022, no other significant events have occurred that would require recognition or disclosure in the 2022 consolidated financial statements.