# PJSC "KOKS"

# International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor's Report

# For the year ended 31 December 2022

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Technologies of Trust

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# Independent Auditor's Report

To the Shareholders and Board of Directors of PUBLIC JOINT STOCK COMPANY "KOKS":

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PUBLIC JOINT STOCK COMPANY "KOKS" (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 (IFRS).

### 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 cash flows for the year then ended;
- the consolidated statement of changes in equity 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 Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Compliance with debt covenants | |
| *Refer to Notes 18, 33 to consolidated financial statements*<br><br>As of 31 December 2022, the Group carried long-term borrowings and long-term bond in the amount of RUB 44,705 million.<br><br>The underlying loan agreements contain financial and non-financial covenants that the Group must comply with. Breach of certain debt covenants would entitle the Group's lenders to demand early repayment. If one lender exercises its right to demand early repayment, it could trigger cross-default clauses with certain other lenders.<br><br>The variety of covenants attached to the Group's underlying loan agreements increases the risk of potential non-compliance with existing covenant terms.<br><br>We focused on the Group's potential non-compliance with debt covenants due to materiality of potential reclassification of long-term borrowings and long-term bonds to short-term borrowings and short-term bonds. Also, early repayment of long-term borrowings and long-term bonds may cause liquidity problems for the Group. | We reviewed the Group's process of monitoring compliance with debt covenants and confirmed how management monitors the execution of loan contract terms.<br><br>We verified completeness of the covenant terms attached to the Group's loan agreements and bond prospectuses by examining terms of loan agreements, bond prospectus, communicating with banks and reviewing confirmation letters obtained from the banks for all underlying borrowings balances.<br><br>We recalculated financial covenants and obtained information regarding compliance with non-financial covenants by referencing to the results of our other audit procedures and information obtained from finance credit department personnel. |
| Fair value valuation of loans issued to LLC "TULACHERMET-STAL" | |
| *Refer to Note 5, 30, 32 to the consolidated financial statements*<br><br>The Group classified loans issued to LLC "TULACHERMET-STAL" as financial assets measured at fair value through profit or loss.<br><br>We focused on the matter due to materiality of the amount of loans issued to LLC "TULACHERMET-STAL" at the reporting date (RUB 26,765 million as at 31 December 2022) and critical accounting estimates and judgements applied by management of the Group.<br><br>For the purpose of fair value measurement, the following inputs were used by the management of the Group: forecasted key rates, average interest rates for Group's long-term RR-denominated bank loans and LLC "TULACHERMET-STAL"'s free cash flows projections. | Given the high sensitivity of the loans issued to LLC "TULCHERMET-STAL" valuation to the key assumptions disclosed in Note 32 we focused our procedures on these assumptions and also on adequacy of related disclosures.<br><br>We assessed the methodology applied by the internal experts of the Group in preparation of forecasted cash flows and tested mathematical accuracy of the calculations.<br><br>Key assumptions used by management of the Group in the forecasted cash flows were confirmed as follows:<br><br>• Projected production volume were confirmed by internal expert of LLC "TULACHERMET-STAL";<br>• Prices for finished goods and main raw materials were compared to current market prices;<br>• Forecasted key rates, cumulative main raw materials and finished goods prices dynamics were compared to forecasts by independent recognised analysts.<br><br>We compared interest rates used in fair value measurement of loans issued to LLC "TULACHERMET-STAL" with interest rates for long-term bank loans denominated in Russian roubles obtained by the Group. |

| | |
|---|---|
| The most critical estimates and judgements relate to applied key rate and discount rate, as well as assumptions supporting relevant forecasted cash flows of LLC “TULACHERMET-STAL”, in particular those concerning projected production volume changes, projected main raw materials and finished goods prices changes. | |
| Impairment assessment of the Group’s non-financial non-current assets<br><br>*Refer to Note 5, 7, 8, 9 to the consolidated financial statements*<br><br>In the context of geopolitical uncertainty and changes in macroeconomics indicators, including market prices for raw materials and finished goods, the management of the Group decided to perform impairment test of non-financial non-current assets to estimate their recoverable amount. As at 31 December 2022, the carrying amount of the Group's non-financial non-current assets (property, plant and equipment, goodwill, intangible assets) is RUB 93,649 million. We focused on the impairment assessment of non-financial non-current assets of the Group due to critical accounting estimates and judgements applied by management of the Group.<br><br>The recoverable amount of each cash generating units was determined by the management of the Group based on value-in-use calculations. In these calculations the management of the Group use cash flow projections based on past performance and its market expectations. | We reviewed on a sample basis the discounted cash flow models for cash generating units, prepared by management to determine the recoverable amount of the relevant non-financial non-current assets.<br><br>Our audit procedures related to management's assessment of potential non-financial non-current assets impairment included:<br><br>• analysis of the methodology used by management for the impairment test;<br>• examination of the mathematical accuracy of the valuation models;<br>• verification of the input data, such as historical information, used in the valuation models;<br>• identification and assessment of reasonableness of key assumptions, whether these are in line with the external available sources (including macroeconomic forecasts);<br>• reperformance of sensitivity analysis around the selected key assumptions. The impact of a reasonably acceptable change in the above assumptions on the test results was disclosed in the consolidated financial statements. |

## Other information

Management is responsible for the other information. The other information comprises Securities Issuer’s Report for the 12 months 2022 (but does not include the consolidated financial statements and our auditor’s report thereon), which is expected to be made available to us after the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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.

When we read Securities Issuer’s Report for the 12 months 2022, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### 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 IFRS, 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 those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is M.I. Buchnev.

30 March 2023

Moscow, Russian Federation

M.I. Buchnev is authorised to sign on behalf of the general director of Joint-Stock Company "Technologies of Trust – Audit" (Principal Registration Number of the Record in the Register of Auditors and Audit Organizations (PRNR) – 12006020338), certified auditor (PRNR – 21906099044)

*(in millions of RR unless stated otherwise)*

| | Note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets:** | | | |
| Property, plant and equipment | 7 | 85,134 | 72,357 |
| Goodwill | 9 | 4,451 | 4,497 |
| Other intangible assets | 8 | 4,064 | 4,203 |
| Deferred income tax asset | 29 | 1,165 | 467 |
| Non-current loans issued | 10 | 27,114 | 26,567 |
| Other non-current assets | | 128 | 224 |
| **Total non-current assets** | | **122,056** | **108,315** |
| **Current assets:** | | | |
| Inventories | 11 | 10,144 | 12,562 |
| Trade and other receivables | 12 | 20,888 | 15,988 |
| VAT recoverable | | 601 | 2,528 |
| Advances issued | 12 | 771 | 7,181 |
| Current loans issued | 13 | 4 | 479 |
| Cash, cash equivalents and restricted cash | 14 | 11,088 | 8,061 |
| **Total current assets** | | **43,496** | **46,799** |
| **Total assets** | | **165,552** | **155,114** |
| **EQUITY** | | | |
| Share capital | 15 | 213 | 213 |
| Treasury shares | 15 | (6,121) | (11) |
| Retained earnings | 16 | 51,032 | 44,365 |
| Revaluation reserve | | 257 | 312 |
| Currency translation reserve | | (23) | (20) |
| **Equity attributable to the Company's equity holders** | | **45,358** | **44,859** |
| **Non-controlling interest** | | **170** | **262** |
| **Total equity** | | **45,528** | **45,121** |
| **LIABILITIES** | | | |
| **Non-current liabilities:** | | | |
| Provision for restoration liability | 17 | 342 | 323 |
| Deferred income tax liability | 29 | 3,531 | 2,537 |
| Long-term borrowings | 18 | 20,290 | 24,928 |
| Long-term bonds | 18 | 24,415 | 30,773 |
| Trade long-term payables | 19 | 203 | 507 |
| **Total non-current liabilities** | | **48,781** | **59,068** |
| **Current liabilities:** | | | |
| Trade and other short-term payables | 19 | 19,704 | 26,038 |
| Current income tax payable | | 469 | 322 |
| Other taxes payable | 20 | 1,840 | 2,708 |
| Provision for restoration liability | 17 | 706 | 856 |
| Short-term borrowings and current portion of long-term borrowings | 18 | 42,746 | 20,236 |
| Short-term bonds | 18 | 5,772 | 642 |
| Short-term lease obligation | | - | 9 |
| Other current financial liabilities | 32 | - | 111 |
| Provisions and other current non-financial liabilities | | 6 | 3 |
| **Total current liabilities** | | **71,243** | **50,925** |
| **Total liabilities** | | **120,024** | **109,993** |
| **Total liabilities and equity** | | **165,552** | **155,114** |

A.G. Parshukov
Senior Vice President
MC "IMH"

L.V. Arincheva
Chief Accountant
MC "IMH"

30 March 2023

The accompanying notes are an integral part of these consolidated financial statements.

*(in millions of RR unless stated otherwise)*

| | Note | 2022 | 2021 |
|---|---|---|---|
| Revenue | 21 | 117,216 | 152,394 |
| Cost of sales | 22 | (86,365) | (100,620) |
| **Gross profit** | | **30,851** | **51,774** |
| Distribution costs | 24 | (2,843) | (3,047) |
| General and administrative expenses | 25 | (8,843) | (8,832) |
| Taxes other than income tax | 23 | (2,447) | (1,484) |
| (Impairment)/Reversals of impairment of property, plant and equipment | 7 | (352) | 37 |
| Goodwill impairment | 9 | (46) | - |
| Gain/(Loss) on disposal of investment in subsidiary | | 3 | (7) |
| Reversals of accrual/(Accrual) of reclamation and mine technical liquidation reserve | 17 | 182 | (1,086) |
| Net impairment losses on financial and contract assets | 33 | (2) | (389) |
| Other operating income/(expenses), net | 26 | 923 | (60) |
| **Operating profit** | | **17,426** | **36,906** |
| Finance income | 27 | 3,729 | 1,727 |
| Finance expenses | 28 | (7,214) | (4,817) |
| Loss on remeasurement of financial instruments | 32 | (1,784) | (52) |
| **Profit before income tax** | | **12,157** | **33,764** |
| Income tax expense | 29 | (2,761) | (7,878) |
| **Profit for the year** | | **9,396** | **25,886** |
| **Profit/(Loss) is attributable to:** | | | |
| Shareholders of the parent Company | | 9,488 | 25,923 |
| Non-controlling interest | | (92) | (37) |
| **Profit for the year** | | **9,396** | **25,886** |
| | | | |
| **Other comprehensive (loss)/income:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Translation of financial information of foreign operations to presentation currency | | (3) | (8) |
| Income tax relating to components of other comprehensive loss | | - | - |
| | | **(3)** | **(8)** |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Remeasurements of post-employment benefit obligations | | (19) | (12) |
| Income tax relating to components of other comprehensive loss | | 4 | 2 |
| | | **(15)** | **(10)** |
| **Total other comprehensive loss for the year** | | **(18)** | **(18)** |
| **Total comprehensive income for the year** | | **9,378** | **25,868** |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Shareholders of the parent company | | 9,470 | 25,905 |
| Non-controlling interest | 36 | (92) | (37) |
| **Total comprehensive income for the year** | | **9,378** | **25,868** |
| **Basic and diluted profit per ordinary share (in RR per share)** | **35** | **32.50** | **78.58** |

*(in millions of RR unless stated otherwise)*

| | Note | 2022 | 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | 12,157 | 33,764 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 22, 25 | 4,402 | 4,271 |
| Amortisation of other intangible assets | 22 | 181 | 165 |
| Impairment/(Reversals of impairment) of property, plant and equipment | 7 | 352 | (37) |
| Goodwill impairment | 9 | 46 | - |
| (Gain)/Loss on disposal of investment in subsidiary | | (3) | 7 |
| Interest income | 27 | (2,612) | (1,726) |
| Interest expense | 28 | 6,703 | 4,422 |
| Loss on remeasurement of financial instruments | | 1,784 | 52 |
| (Reversals of accrual)/Accrual of reclamation and mine technical liquidation reserve | 17 | (182) | 1,086 |
| Reverse of vacation reserve | | (45) | (31) |
| Write-down of inventories to net realisable value | 26 | 10 | 47 |
| Net impairment losses on financial and contract assets | 33 | 2 | 389 |
| Exchange (gain)/loss, net | 26, 27, 28 | (1,600) | 360 |
| (Gain)/Loss on disposal of property, plant and equipment and other intangible assets | 26 | (143) | 200 |
| Inventories surplus | 26 | (146) | (319) |
| Dividend income | 26 | (71) | (50) |
| Other effects | | 142 | (49) |
| **Operating cash flows before working capital changes** | | **20,977** | **42,551** |
| **Changes in working capital** | | | |
| Increase in trade and other receivables, advances issued and VAT recoverable | | (2,674) | (8,270) |
| Decrease/(Increase) in inventories | | 2,449 | (4,481) |
| (Decrease)/Increase in trade and other payables | | (7,708) | 3,525 |
| (Decrease)/Increase in taxes other than income tax payable | | (788) | 1,429 |
| (Increase)/Decrease in restricted cash | 14 | (19) | 69 |
| **Cash from operating activities** | | **12,237** | **34,823** |
| Income tax paid | | (2,062) | (7,455) |
| **Net cash from operating activities** | | **10,175** | **27,368** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (15,400) | (14,839) |
| Payment of capitalized interest | 7 | (1,527) | (927) |
| Proceeds from sale of property, plant and equipment | | 295 | 28 |
| Proceeds from disposal of subsidiary, net of disposed cash | | (8) | - |
| Loans issued | | (394) | (475) |
| Repayment of loans issued | | 314 | 289 |
| Interest received on loans issued and bank deposits | | 486 | 174 |
| Dividends received | | 71 | 50 |
| Acquisition of other intangible assets and other non-current assets | | (40) | (130) |
| **Net cash used in investing activities** | | **(16,203)** | **(15,830)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings and bonds | 18 | 56,516 | 27,632 |
| Repayment of borrowings and bonds | 18 | (39,132) | (26,575) |
| Dividends paid | 16 | (1,744) | - |
| Repayment of other financial liability | 32 | - | (135) |
| Interest paid on borrowings and bonds | | (6,691) | (4,247) |
| Advances issued for treasury shares | 12 | - | (6,110) |
| **Net cash from/(used in) financing activities** | | **8,949** | **(9,435)** |
| **Net increase in cash and cash equivalents** | | **2,921** | **2,103** |
| Effects of exchange rate changes on cash and cash equivalents | | 87 | (74) |
| **Net cash and cash equivalents at the beginning of the year** | 14 | **8,061** | **6,032** |
| **Net cash and cash equivalents at the end of the year** | 14 | **11,069** | **8,061** |

The accompanying notes are an integral part of these consolidated financial statements.

*(in millions of RR unless stated otherwise)*

| | Share capital | Treasury shares | Currency translation reserve | Revaluation reserve | Retained earnings | Total attributable to equity holders of the Company | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31 December 2020** | **213** | **(11)** | **(12)** | **349** | **18,414** | **18,953** | **300** | **19,253** |
| Profit/(Loss) for the year | - | - | - | - | 25,923 | **25,923** | (37) | **25,886** |
| Other comprehensive loss for the year | - | - | (8) | - | (10) | **(18)** | - | **(18)** |
| **Total comprehensive (loss)/income for the year** | **-** | **-** | **(8)** | **-** | **25,913** | **25,905** | **(37)** | **25,868** |
| Purchase of non-controlling interest in subsidiary, net | - | - | - | - | 1 | **1** | (1) | **-** |
| Revaluation reserve written-off to retained earnings | - | - | - | (37) | 37 | **-** | - | **-** |
| | **-** | **-** | **-** | **(37)** | **38** | **1** | **(1)** | **-** |
| **Balance at 31 December 2021** | **213** | **(11)** | **(20)** | **312** | **44,365** | **44,859** | **262** | **45,121** |
| Profit/(Loss) for the year | - | - | - | - | 9,488 | **9,488** | (92) | **9,396** |
| Other comprehensive loss for the year | - | - | (3) | - | (15) | **(18)** | - | **(18)** |
| **Total comprehensive (loss)/income for the year** | **-** | **-** | **(3)** | **-** | **9,473** | **9,470** | **(92)** | **9,378** |
| Dividends declared (Note 16) | - | - | - | - | (2,861) | **(2,861)** | - | **(2,861)** |
| Revaluation reserve written-off to retained earnings | - | - | - | (55) | 55 | **-** | - | **-** |
| Purchase of treasury shares | - | (6,110) | - | - | - | **(6,110)** | - | **(6,110)** |
| | **-** | **(6,110)** | **-** | **(55)** | **(2,806)** | **(8,971)** | **-** | **(8,971)** |
| **Balance at 31 December 2022** | **213** | **(6,121)** | **(23)** | **257** | **51,032** | **45,358** | **170** | **45,528** |

*(in millions of RR unless stated otherwise)*

## 1. General information about PJSC "KOKS" and its subsidiaries

PUBLIC JOINT STOCK COMPANY «KOKS» (PJSC "KOKS" or the "Company") was initially established in 1924 as Kemerovski Koksokhimicheski Kombinat, a state-owned enterprise. It was incorporated as an open joint stock company on 30 July 1993 as part of Russia's privatisation programme. The legal form was changed from open joint-stock company to public joint-stock company on 23 June 2016 in accordance with the current legislation of the Russian Federation. The Company's registered office is located at 6, 1st Stakhanovskaya Street, Kemerovo, Kemerovo Region, Russian Federation, 650021.

The principal activities of PJSC "KOKS" and its subsidiaries (jointly referred to as the "Group") include coal mining, production of coke and coal concentrate, iron-ore concentrate and pig iron, metal powder (high-purity chrome products), as well as the procurement, storage, recycling and sale of ferrous and non-ferrous scrap metal. The Group's manufacturing facilities are primarily based in the city of Kemerovo, Kemerovo Region, and the city of Tula, Tula Region, in the Russian Federation. Its products are sold in Russia as well as in other countries.

As at 31 December 2022 and at 31 December 2021 the Company's beneficial controlling owner is Evgeny B. Zubitskiy.

The Group's main subsidiaries are:

| Name | Country of incorporation | Type of activity | Note | Percentage of voting shares held by the Group as at 31 December 2022 | 31 December 2021 |
|---|---|---|---|---|---|
| JSC "CPP "Berezovskaya" | Russia | Production of coal concentrate | | 98.7 % | 98.7 % |
| LLC "Uchastok "Koksoviy" | Russia | Coal mining | | 100.0% | 100.0% |
| LLC "Butovskaya mine" | Russia | Coal mining | | 100.0% | 100.0% |
| LLC "Tikhova mine" | Russia | Coal mining | | 100.0% | 100.0% |
| JSC "TULACHERMET" | Russia | Pig-iron production | | 97.9% | 97.9% |
| JSC "Kombinat KMAruda" | Russia | Mining and concentration of iron-ore | | 100.0% | 100.0% |
| JSC "POLEMA" | Russia | Production of chrome | | 100.0% | 100.0% |
| JSC "SCHZ" | Russia | Production of cast-iron ware | (1.1) | - | 100.0% |
| PTW Ltd. | China | Sales activities | | 100.0% | 100.0% |
| LLC "Consultinvest 2000" | Russia | Lease of property | | 100.0% | 100.0% |
| MC "IMH" | Russia | Management services | | 100.0% | 100.0% |
| LLC "BKF "Gorizont" | Russia | Transactions with securities | | 100.0% | 100.0% |
| LLC "Koks-Mining" | Russia | Management services for coal mines | (1.2) | - | 100.0% |
| PKR Ltd | Korea | Sales activities | | 100.0% | 100.0% |
| IMH Finance DAC | Ireland | Issue of euro-commercial papers | | 100.0% | 100.0% |
| Polema (Qingdao) Import&Export Co., LTD | China | Sales activities | | 100.0% | 100.0% |
| LLC "PMH-VTORMET" | Russia | Procurement, storage, recycling and sale of ferrous and non-ferrous scrap metal | | 97.9% | 97.9% |

The structured entities are:

| Name | Country of incorporation | Type of activity | Note | Percentage of voting shares held by the Group as at 31 December 2022 | 31 December 2021 |
|---|---|---|---|---|---|
| Koks Finance DAC | Ireland | Structured entity | (1.3) | - | - |
| IMH Capital DAC | Ireland | Structured entity | (1.4) | - | - |

1.1. In August 2022, the Group sold 100% of its share in JSC "SCHZ".

1.2. LLC "Koks-Mining" liquidation process has been completed in April 2022.

1.3. In April 2011, Koks Finance Limited was incorporated in Dublin, Ireland. The main activity of Koks Finance Limited is an issue of loan participation notes for the sole purpose of financing a loan to the Company. The legal form was changed from Limited Liability Company to Designated Activity Company on 15 September 2016 in accordance with the current legislation of Ireland. Koks Finance DAC is consolidated in the Group's financial statements.

As at 31 December 2022 and 31 December 2021 Koks Finance DAC is placed into liquidation, loan participation notes, issued by this entity, are repaid in full.

## 1. General information about PJSC "KOKS" and its subsidiaries (continued)

1.4. In August 2020, IMH Capital DAC was incorporated in Dublin, Ireland. The main activity of IMH Capital DAC is an issue of loan participation notes for the sole purpose of financing a loan to the Company (Note 18). IMH Capital DAC is consolidated in the Group's financial statements.

As at 31 December 2022 and 31 December 2021, the percentage of the Group's effective ownership interest in its subsidiaries was equal to the percentage of its voting interest.

## 2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL").

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

Each Group company incorporated in Russia maintains its own accounting records and prepares financial statements in accordance with Russian Accounting Standards (RAS). The consolidated financial statements have been prepared using RAS records and reports that have been adjusted and reclassified to ensure accurate presentation in compliance with IFRS.

Each Group company incorporated outside of Russia maintains its own accounting records and prepares financial statements in accordance with the local generally accepted accounting principles (GAAP) in its home jurisdiction. The financial statements of companies outside of Russia have been adjusted and reclassified to ensure accurate presentation and compliance with IFRS.

As at 31 December 2022, the official Central Bank of the Russian Federation (CBR) exchange rates for transactions denominated in foreign currencies were RR 70.3375 / USD 1 (as at 31 December 2021: RR 74.2926 / USD 1) and RR 75.6553 / EUR 1 (as at 31 December 2021: RR 84.0695 / EUR 1).

## 3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### 3.1. Consolidated financial statements

*(a) Subsidiaries*

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has 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 its 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 that such control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group applies IFRS 10 and IFRS 3. In accordance with these standards, acquisition-related costs are to be expensed as incurred. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the proportionate share of the non-controlling interest in the acquiree's net assets. Any excess of the consideration transferred above the amount of any non-controlling interest in the acquiree and the fair value as of the acquisition date of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. Any excess of the acquiree's interest in the fair value of the identifiable net assets acquired above the consideration transferred is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

### 3. Summary of significant accounting policies (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

*(b) Purchases and sales of non-controlling interests*

The Group applies the economic entity model to account for transactions with owners of non-controlling interest in transactions that do not result in a loss of control. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

### 3.2. Foreign currency transactions

*(a) Functional and presentation currency*

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The Company's functional currency and the Group's presentation currency is the national currency of the Russian Federation, the Russian rouble (RR).

*(b) Transactions and balances*

Monetary assets and liabilities denominated in foreign currencies are translated into each entity's functional currency at the official exchange rate of the Central Bank at the respective reporting dates. Foreign exchange gains and losses resulting from transaction settlements, and from the translation of monetary assets and liabilities into each entity's functional currency at the Central Bank's official year-end exchange rates, are recognised in the consolidated statement of profit or loss and other comprehensive income. Foreign exchange gains and losses related to loans issued, deposits, borrowings, bonds are classified as finance income and expenses in the consolidated statement of profit or loss and other comprehensive income. Other foreign exchange gains and losses are classified as other operating income and expenses.

Translation at year-end exchange rates does not apply to non-monetary items, including equity investments.

*(c) Operations of Group companies, the functional currency of which differs from the Group's presentation currency*

The assets, liabilities and financial results of those Group companies (none of which operates in a hyperinflationary economy) the functional currency of which differs from the Group's presentation currency are translated into the presentation currency in the following way:

- assets and liabilities are translated into the Group's presentation currency using the exchange rate as at the reporting date;
- income and expenses are translated to the Group's presentation currency using the average exchange rate for the month of transaction; and
- exchange differences calculated as a result of the translations described in points above are recognised initially as a separate component in the consolidated statement of profit or loss and other comprehensive income and are reclassified to profit or loss upon disposal of the of foreign company.

Goodwill related to acquisitions of foreign entity is translated into Russian roubles at the reporting date exchange rate. Exchange differences arising are recognised in other comprehensive income.

### 3.3. Property, plant and equipment

Property, plant and equipment items are recorded at cost, less accumulated depreciation and impairment, if any. Cost includes expenditures that are directly attributable to an item's acquisition. Subsequent costs, including overhaul expenses, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the value of the item can be measured reliably. All other repairs and maintenance are recognized in the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Mining assets consist of mine development and construction costs, which represent expenditures incurred in developing access to mineral reserves and preparations for commercial production, including sinking shafts and underground drifts, roads, infrastructure, etc.

**3. Summary of significant accounting policies (continued)**

At each reporting date, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds against the carrying amount and are recognised as other operating income and expenses in the consolidated statement of profit or loss and other comprehensive income.

*Depreciation.* Land and construction in progress are not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method (except for underground mines mining assets) to allocate their depreciable amounts (cost less residual values) over their estimated useful lives:

| | Useful lives in years |
|---|---|
| Buildings | 20-80 |
| Installations | 8-75 |
| Plant and equipment | 2-60 |
| Transport vehicles | 2-20 |
| Other | 2-25 |

*Depreciation of mining assets.* Depreciation of underground mines mining assets is calculated using the units-of-production method based upon quantity of material extracted from the mine and estimation of recovered reserves. Depreciation of open-pit mine mining assets is calculated using the straight-line method.

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

### 3.4. Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisitions of associates is included in investment in associates. Goodwill is carried at cost less accumulated impairment losses, if any.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of group of assets within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the operation disposed of, generally measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit that is retained.

### 3.5. Other intangible assets

Group's intangible assets have definite and indefinite useful lives and primarily include production licences. Acquired licences are capitalised on the basis of the costs incurred to acquire them.

All groups of intangible assets with definite useful lives are amortised using the straight-line method over their remaining useful lives (see Notes 8 and 31).

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal. Prior impairments of intangible assets (other than goodwill) are reviewed for possible reversal at each reporting date.

## 3. Summary of significant accounting policies (continued)

### 3.6. Inventories

Inventories are recorded at the lower of cost and net realisable value. The cost of inventory is assigned using the weighted average basis. The cost of finished goods and work in progress includes raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

### 3.7. Prepayments

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

### 3.8. Financial instruments

***Financial instruments – initial recognition.*** Financial instruments at fair value through profit or loss ("FVTPL") are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an expected credit losses ("ECL") allowance is recognised for financial assets measured at amortised cost ("AC"), resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

***Financial assets – classification and subsequent measurement – measurement categories.*** The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

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

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

***Financial assets – classification and subsequent measurement – cash flow characteristics.*** Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

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

***Financial assets – reclassification.*** Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes.

## 3. Summary of significant accounting policies (continued)

***Financial assets impairment – credit loss allowance for ECL.*** The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position.

For trade receivables and contract assets, the loss allowance is determined at initial recognition and throughout its life at an amount equal to the lifetime. The Group uses a provision matrix to estimate ECL for trade receivables. For other financial assets, the Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 33 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 33. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

***Financial assets – write-off.*** Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

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

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

***Financial assets – modification.*** The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

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

***Financial liabilities – measurement categories.*** Financial liabilities are classified as subsequently measured at AC, except for financial guarantee contracts.

***Financial liabilities – derecognition.*** Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

## 3. Summary of significant accounting policies (continued)

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

***Financial liabilities – modification.*** Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

***Cash and cash equivalents.*** Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of Group's cash management are included as a component of cash and cash equivalents in the consolidated statement of cash flows.

Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statement of cash flows and consolidated statement of financial position. Balances restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date are included in other non-current assets.

***Trade and other receivables.*** Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

***Trade and other payables.*** Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

***Borrowings.*** Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at AC using the effective interest method.

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 capitalised as part of the costs of those assets.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

All other borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

Repayment of interest expenses for the period is recognised in the consolidated statement of cash flows within financing activities, except for capitalized interest recognized within investing activities.

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

## 3. Summary of significant accounting policies (continued)

### 3.9. Value added tax

Value added tax (VAT) related to sales is payable to the Russian federal tax authorities at the earlier of two dates: the date of dispatch (transfer) of goods (services, work, property rights), or the date of collection of receivables from customers for the future supply of goods (work, services, property rights). VAT included in the cost of purchased goods (work, services, property rights) generally can be reclaimed by offsetting it against VAT on sales once the goods (work, services, property rights) have been accounted for, except for VAT on export sales, which is reclaimable once export transactions have been confirmed.

Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

### 3.10. Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

### 3.11. Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Right-of-use assets are included in property, plant and equipment. Assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Variable payments not included in the calculation of lease liability:

- payments under land lease agreements, the calculation of which depends on the cadastral value of the land plot and other coefficients established by government decrees;
- payments for utilities and other services, determined upon the fact of consumption;
- payments that depend on the use of the asset (per unit of volume or revenue received using the asset).

The lease payments are discounted using the interest rate implicit in the lease.

Payments associated with short-term leases of property, plant and equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

## 3. Summary of significant accounting policies (continued)

### 3.12. Income tax

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss unless it relates to transactions that are recognised, in the same or in a different period, in other comprehensive income or directly in equity.

Current tax is the amount that is expected to be paid to or recovered from the tax authorities on taxable profits or losses for the current and prior periods. Taxes other than income taxes are recorded within operating expenses.

Deferred income tax is accrued using the balance sheet liability method for tax loss carry forwards and for temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

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

### 3.13. Employee benefits

Wages, salaries, contributions to state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group.

### 3.14. Post-employment obligations

Some Group's subsidiaries provide retirement benefits to their retired employees. Entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of such benefits are accrued over the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised as other comprehensive income in the period they arise.

### 3.15. Provisions for liabilities and charges

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reassessed annually and changes in provisions resulting from the passage of time are reflected in the consolidated statement of profit or loss and other comprehensive income each year within interest expense. Other changes in provisions related to a change in the expected repayment plan, in the estimated amount of the obligation or in the discount rates, are treated as a change in an accounting estimate in the period of the change and, with the exception of provision for restoration liabilities, reflected in the consolidated statement of profit or loss and other comprehensive income.

Provisions for restoration liability are recognised when the Group has a present legal or constructive obligation to dismantle, remove and restore items of property, plant and equipment. The amount of the provision is the present value of the estimated expenditures expected to be required to settle the liability, determined using pre-tax risk free discount rates adjusted for risks specific to the liability. Changes in the provision resulting from the passage of time are recognised as interest expense. Changes in the provision, which is reassessed at each reporting date, related to a change in the expected pattern of settlement of the liability, or in the estimated amount of the provision or in the discount rates, are treated as a change in an accounting estimate in the period of change. Such changes are reflected as adjustments to the carrying value of property, plant and equipment and the corresponding liability, if decrease in the liability exceeds the carrying value of property, plant and equipment, the excess is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

## 3. Summary of significant accounting policies (continued)

### 3.16. Uncertain tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions, other than interest and fines, are recorded within the income tax charge. Adjustments for uncertain income tax positions in respect of interest and fines are recorded within finance expenses and other gains/(losses), net, respectively.

### 3.17. Revenue recognition

Revenue from the sale of goods (primarily coke products, pig iron, coal, chrome and powder metallurgy products) and services is recognised in the amount of 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 recognised net of value-added tax, rebates and discounts.

Contracts with customers do not contain a significant financing component. A significant portion of products is sold under one-year contracts with prices determined for each shipment. Group's contracts with customers are fixed-price contracts and may include advance payment or deferred payment terms. Generally, the sales are made with a credit term of 30-60 days under contracts with deferred payment terms, which is consistent with the market practice and consequently trade receivables are classified as current assets.

A receivable is recognised when the goods are delivered or dispatched based on delivery terms as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Contracts assets are immaterial and therefore not presented separately in the consolidated financial statements.

A contract liability is a Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. Contract liabilities are included in trade and other payables line as advances received.

Sales of goods are recognized when control of the products has transferred in accordance with each contract's terms. If the Group provides any additional services (such as carriage) to a customer after the control over goods has passed, the revenue from such services is considered to arise from a separate performance obligation, stated in the contract with a reference to delivery terms, and is recognized over the time that the service is rendered. All shipping and handling costs incurred by the Group in respect of carriage services that represent a separate performance obligation are recognised as cost of sales. All other shipping and handling costs incurred by the Group are recognised as distribution costs.

### 3.18. Share capital and reserves

***Ordinary shares***

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

***Treasury shares***

Own shares reacquired by the Company or its subsidiaries (treasury shares) are deducted from equity in the amount of the consideration paid until further cancellation or reissue. Where such shares are subsequently reissued or resold, the consideration received is recognised directly in equity. Any gain or loss arising from these transactions is recognised in the consolidated statement of changes in equity.

***Revaluation reserve***

Prior to adoption of IFRS 3(R), revaluation of assets held by associates, where control was subsequently obtained and fair value adjustments were performed as of the date of obtaining control, was recorded in the revaluation reserve. During the period of control, the Group transfers the revaluation reserve directly to retained earnings in proportion to the depreciation of property, plant and equipment of the subsidiary.

***Currency translation reserve***

The currency translation reserve was created following the consolidation of entities, whose functional currency is not the Russian rouble.

## 3. Summary of significant accounting policies (continued)

### 3.19. Segment reporting

An operating segment is a component of the Group that:

(a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with any of the Group's other components);

(b) whose operating results are regularly reviewed by the Group's chief operating decision-maker to make decisions about resources to be allocated to the segment and assess its performance; and

(c) for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments. Reportable segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

## 4. Adoption of new or revised standards and interpretations

The following amended standards became effective from 1 January 2022, but did not have any material impact on the Group:

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

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Group has not early adopted:

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, deferred to 1 January 2023 by the Amendments to IFRS 17).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022, the effective date subsequently modified to 1 January 2024 by the Amendments to IFRS 1).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023, the effective date subsequently modified to 1 January 2024 by the Amendments to IFRS 1).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).
- Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).

## 4. Adoption of new or revised standards and interpretations (continued)

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

The new standards, amendments to standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

## 5. Critical accounting estimates and judgements in applying accounting policies

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

### 5.1. Determining of control over entities

The Group includes subsidiaries and other special purpose entities controlled by the Group in these consolidated financial statements. When determining whether there is control over entities, the Group management makes professional judgements regarding risks and benefits, as well as about the possibility of making operational decisions in relation to the entity in question. In some cases, elements are present that, considered in isolation, indicate control or lack of control over an entity, but when considered together make it difficult to reach a clear conclusion. In cases where more arguments are in place towards the existence of control, the entity is consolidated.

LLC "TULACHERMET-STAL" is a related party of the Group and is controlled by the Group's beneficial controlling owner. As at 31 December 2022 and 2021 the Group is not a participant of LLC "TULACHERMET-STAL" and it does not have power to direct relevant activities of this entity.

The Group performs the following operations with LLC "TULACHERMET-STAL":

- As of 31 December 2022 the Group's consolidated financial statements include loans issued to LLC "TULACHERMET-STAL" carrying amount RR 26,765 million (31 December 2021: RR 26,563 million). (Note 30).
- In 2022 the Group sold to LLC "TULACHERMET-STAL" pig iron, crushed pig iron and cast-iron ware for RR 39,576 million (2021: RR 41,736 million), scrap metal for RR 4,888 million (2021: RR 9,237 million) and other products, materials, services and goods for RR 1,115 million (2021: other products and services for RR 614 million). As at 31 December 2022, the Group had an outstanding balance of trade and other receivables from LLC "TULACHERMET-STAL" in the amount of RR 16,734 million, net of expected credit loss amounting to RR 104 million (31 December 2021: trade and other receivables in the amount of RR 9,809 million, net of expected credit loss amounting to RR 346 million).

Management applied its professional judgement to determine whether the Group exercises control over LLC "TULACHERMET-STAL" in accordance with IFRS 10 "Consolidated Financial Statements".

In accordance with the professional judgement of the Group management, the Group does not have control over LLC "TULACHERMET-STAL", because, despite the existing relationships, the Group does not have the power to direct relevant activities of LLC "TULACHERMET-STAL", the Group is not a participant of LLC "TULACHERMET-STAL" and there are no contractual or other relations between the Group and LLC "TULACHERMET-STAL" that would provide the Group with the power to direct the relevant activities of LLC "TULACHERMET-STAL".

### 5.2. Estimated useful lives of property, plant, equipment and licences

The Group applies a range of useful lives to buildings, installations, plant and equipment, transport vehicles and other assets classified as property, plant and equipment. Significant judgement is required in estimating the useful lives of such assets.

When determining economic life, assumptions that were valid at the time of estimation, may change when new information becomes available. Factors that could affect estimation include:

- changes in environmental and other legislation applicable to the Group's operations;
- development of new technologies and equipment; and
- changes in the terms of licences.

*(in millions of RR unless stated otherwise)*

## 5. Critical accounting estimates and judgements in applying accounting policies (continued)

Significant judgement is required in estimating the useful lives of other intangible assets, which primarily include production licences. When determining economic life, assumptions that were valid at the time of estimation, may change when new information becomes available. Factors that could affect estimation include:

- changes in environmental and other legislation applicable to the Group's operations;
- development of new technologies and equipment;
- changes in the terms of licences;
- plans and abilities of the Group to renew existing production licences at a low cost.

Information about the impact of changes in useful lives of property, plant and equipment and other intangible assets on profit/(loss) before income tax is presented in Notes 7 and 8.

### 5.3. Recognition of deferred tax assets

The deferred tax asset represents income taxes, recoverable through future deductions from taxable profits. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised (see Note 29).

In determining future taxable profits and the amount of tax benefits that are probable in the future, management makes judgements and applies estimates based on taxable profits of the previous three years and expectations of future operating results that are believed to be reasonable under the circumstances.

### 5.4. Fair value of loans issued measured at fair value through profit or loss

As of 31 December 2022 the Group's consolidated financial statements include loans issued to LLC "TULACHERMET-STAL" carrying amount RR 26,765 million (31 December 2021: RR 26,563 million). According to IFRS 9 they are measured at fair value through profit or loss. For the purpose of fair value measurement following inputs were used: forecasted key rates, average interest rates for Group's long-term RR-denominated bank loans and LLC "TULACHERMET-STAL"'s free cash flows projections.

Concerning interest rate management's judgments are based on the assumption, that terms of bank credit facilities for LLC "TULACHERMET-STAL" will be similar to those for the Group. Sensitivity analysis of fair value measurement model is disclosed in Note 32.

### 5.5. Expected credit losses measurement

Measurement of ECL is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 33. The Group regularly reviews and validates the model and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

### 5.6. Estimated impairment of non-financial non-current assets

In the context of ongoing geopolitical tensions (see Note 31), international sanctions against certain Russian companies, banks and individuals, as well as changes in macroeconomic indicators, including market prices for raw materials and finished goods, the Group's management tested cash generating units (CGU) for impairment.

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on a budget for 2023 and financial forecasts for CGU, approved by management, covering ten to twelve-year period through 2032-2034 inclusive. Cash flows beyond the related forecast period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the sector of the economy in which the relevant CGU operates.

Assumptions used in the value-in-use calculations include:

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Long-term growth rate | 3.87% p.a. | 4% p.a. |
| Post-tax discount rate | 15.23% p.a. | 14.76% p.a. |

## 5. Critical accounting estimates and judgements in applying accounting policies (continued)

Other key expectations used in the impairment test model are as follows:

- sales volumes for pig iron products forecast: 13% growth for 2023 due to the increase of production volume of blast furnace No.3 overhauled in the 4th quarter 2022, 8% growth for 2024 due to the launch of the blast furnace No.1, 19% decline for 2025 due to the preparing for maintenance and maintenance of blast furnace No.3, 58% growth for 2026 due to achievement of the blast furnace No.3 full production capacity, 3% growth for 2027 due to achievement of the blast furnace No.1 full production capacity, 4% decline for 2028, 4% growth for 2029, 10% decline for 2030 due to the scheduled maintenance of the blast furnace No.1, 7% growth for 2031, 4% growth for 2032 due to the maintenance completion, 3% decline for 2033 and 1% decline for 2034;
- sales volumes for coke products forecast: 10% decline for 2023, 9% growth for 2024, 2% decline for 2025, 4% p.a. decline for the period 2026-2028, 22% p.a. decline for the period 2029-2030 due to the decrease of production capacity and without changes for the period 2031-2032;
- sales volumes for iron ore products forecast: 24% growth for 2023, 22% growth for 2024, 4% growth for 2025 and further stable level of volumes due to the launch and increase of production on the new mining level;
- sales volumes for powder products forecast: 7% decline for 2023, 2% growth for 2024 and without changes for the period 2025-2032;
- sales prices for pig iron products forecast: 1% average annual decline for the period 2023-2027 and inflation forecast thereafter to 2034;
- sales prices for coke products forecast: 0.1% average annual growth for the period 2023-2027 and inflation forecast thereafter to 2032;
- sales prices for iron ore products forecast: 6% average annual growth for the period 2023-2027 and inflation forecast thereafter to 2032;
- sales prices for powder products forecast: 4% average annual growth for the period 2023-2027 and inflation forecast thereafter to 2032;
- US dollar exchange rates forecast: 5% decline for 2023, 13% growth for 2024, 7% growth for 2025 and average 2% p.a. growth thereafter to 2032.

Management determined a cash operating return based on past performance and its market expectations.

As of 31 December 2022 the value-in-use amount calculated for all CGUs based on the above assumptions exceeds the book value of assets (including allocated goodwill) and no impairment is recognized.

Management believes that a reasonable change in the post-tax discount rate, sales volumes, sales prices and long-term growth rate would not impair non-financial non-current assets for the year ended 31 December 2022, excluding goodwill allocated to CGU JSC “TULACHERMET”. If management's estimate of forecasted sales volumes for main products used to calculate discounted cash flow was 2% lower, the Group would have to impair goodwill allocated to JSC “TULACHERMET” by RR 1,180 million. If management's estimate of forecasted sales prices for JSC “TULACHERMET” products was 2% lower, goodwill would have to be impaired by RR 1,248 million and property, plant and equipment would have to be impaired by RR 3,983 million.

In 2016 the Group got 100% share in the charter capital of LLC “Gorny otdykh” and classified as an acquisition of assets and liabilities, rather than as a business combination in accordance with the definitions in IFRS 3 “Business combinations”. The Group's management does not consider the acquired assets as a cash generated unit in accordance with the definition in IAS 36 “Impairment of assets” and includes the value of the assets acquired to the carrying value of the Group’s existing cash generated units for the purposes of assessing impairment indicators and impairment testing of the Group’s assets.

## 6. Segment information

The Group operates as a vertically integrated business. The chief executive officer of MC “IMH” is considered to be the chief operating decision-maker (CODM). The CODM is responsible for decision-making, estimating results and distributing resources, relying on internal financial information prepared in accordance with the Group’s IFRS accounting policies.

*(in millions of RR unless stated otherwise)*

## 6. Segment information (continued)

The Group's management has determined the following operating segments based on nature of production:

- Coal – coal mining;
- Coke – coke production;
- Ore & Pig Iron – mining of iron ore, production of iron ore products, pig iron, crushed pig iron, cast iron ware and procurement, storage, recycling, sale of ferrous and non-ferrous scrap metal;
- Polema – production and sales of powder metallurgy articles (chrome articles);
- Unallocated – include subsidiaries: MC "IMH", LLC "Consultinvest 2000", LLC "BKF "Gorizont" and assets of LLC "Gorny otdykh" (Note 5).

Inter-segment sales are generally composed of:

- Sales of coal to the Coke segment;
- Sales of coke to the Ore & Pig Iron segment;
- Management services rendered to the Coal, Coke, Ore & Pig Iron and Polema segments.

Segment revenue and segment results include transfers between operating segments. Analyses of revenue generated from external sales by products and services are included in Note 21.

The Group's management assesses the performance of operating segments based on revenue, adjusted EBITDA, assets and liabilities.

| | Coal | Coke | Ore & Pig Iron | Polema | Unallocated | Total |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | | | |
| Inter-segment revenue | 8,936 | 30,201 | 85 | 5 | 2,922 | **42,149** |
| External revenue | 12,990 | 26,102 | 74,145 | 3,568 | 411 | **117,216** |
| **Segment revenue, total** | **21,926** | **56,303** | **74,230** | **3,573** | **3,333** | **159,365** |
| **Adjusted EBITDA** | **12,428** | **5,441** | **2,908** | **875** | **(424)** | **21,228** |
| **Year ended 31 December 2021** | | | | | | |
| Inter-segment revenue | 9,041 | 34,029 | 179 | 5 | 2,917 | **46,171** |
| External revenue | 10,551 | 40,753 | 98,312 | 2,499 | 279 | **152,394** |
| **Segment revenue, total** | **19,592** | **74,782** | **98,491** | **2,504** | **3,196** | **198,565** |
| **Adjusted EBITDA** | **11,314** | **20,540** | **10,868** | **234** | **(592)** | **42,364** |

The reconciliation between profit/(loss) before income tax and Group's adjusted EBITDA:

| | Coal | Coke | Ore & Pig Iron | Polema | Unallocated | Total |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | | | |
| **Profit/(Loss) before income tax** | 10,489 | 3,213 | (1,801) | 838 | (582) | **12,157** |
| Amortisation and depreciation | 2,276 | 296 | 1,840 | 56 | 115 | **4,583** |
| Interest income | (74) | (248) | (2,275) | (8) | (7) | **(2,612)** |
| Inter-segment interest income | - | (532) | - | - | - | **(532)** |
| Interest expense | 21 | 4,014 | 2,668 | - | - | **6,703** |
| Inter-segment interest expense | 128 | - | 404 | - | - | **532** |
| Exchange (gain)/loss, net | (193) | (1,357) | (45) | (11) | 6 | **(1,600)** |
| (Reversals of impairment)/Impairment of property, plant and equipment | (37) | 1 | 388 | - | - | **352** |
| Goodwill impairment | - | - | 46 | - | - | **46** |
| Reversals of accrual of reclamation and mine technical liquidation reserve | (182) | - | - | - | - | **(182)** |
| Loss on remeasurement of financial instruments | - | - | 1,784 | - | - | **1,784** |
| Loss/(Gain) on disposal of investment in subsidiary | - | 54 | (101) | - | 44 | **(3)** |
| **Total adjusted EBITDA** | **12,428** | **5,441** | **2,908** | **875** | **(424)** | **21,228** |

*(in millions of RR unless stated otherwise)*

## 6. Segment information (continued)

| | Coal | Coke | Ore & Pig Iron | Polema | Unallocated | Total |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2021** | | | | | | |
| **Profit/(Loss) before income tax** | 7,615 | 17,645 | 9,009 | 151 | (656) | **33,764** |
| Amortisation and depreciation | 2,282 | 328 | 1,624 | 88 | 114 | **4,436** |
| Interest income | (16) | (77) | (1,620) | (9) | (4) | **(1,726)** |
| Inter-segment interest income | - | (317) | (72) | - | - | **(389)** |
| Interest expense | 55 | 2,813 | 1,550 | 4 | - | **4,422** |
| Inter-segment interest expense | 372 | - | 10 | - | 7 | **389** |
| Exchange (gain)/loss, net | (43) | 148 | 256 | - | (1) | **360** |
| Reversals of impairment of property, plant and equipment | (37) | - | - | - | - | **(37)** |
| Accrual of reclamation and mine technical liquidation reserve | 1,086 | - | - | - | - | **1,086** |
| Loss/(Gain) on remeasurement of financial instruments | - | - | 73 | - | (21) | **52** |
| Loss/(Gain) on disposal of investment in subsidiary | - | - | 38 | - | (31) | **7** |
| **Total adjusted EBITDA** | **11,314** | **20,540** | **10,868** | **234** | **(592)** | **42,364** |

Adjusted EBITDA analysed by the CODM is defined as profit/(loss) before income tax adjusted for interest income and interest expense, depreciation, amortisation and impairment, any extraordinary gains and losses, and foreign exchange gains and losses.

**Segment assets and liabilities**

Segment assets consist primarily of property, plant and equipment, other intangible assets, inventories, trade and other receivables, advances issued, loans issued, VAT recoverable, and cash and cash equivalents.

Segment liabilities include accounts payable arising during operating activities, borrowings and interest payable.

Capital expenditures comprise additions to property, plant and equipment, and other intangible assets.

Segment assets and liabilities as at 31 December 2022 and 2021, and capital expenditures for the years ended 31 December 2022 and 2021 are presented below:

| | Coal | Coke | Ore & Pig Iron | Polema | Unallocated | Total |
|---|---|---|---|---|---|---|
| **At 31 December 2022** | | | | | | |
| Segment assets | 38,281 | 77,097 | 116,332 | 3,504 | 8,450 | **243,664** |
| Segment liabilities | 35,611 | 66,565 | 86,069 | 949 | 7,720 | **196,914** |
| Capital expenditures for the year ended 31 December 2022 | 5,237 | 960 | 10,538 | 167 | 1,485 | **18,387** |
| **At 31 December 2021** | | | | | | |
| Segment assets | 33,181 | 68,232 | 108,578 | 2,181 | 7,790 | **219,962** |
| Segment liabilities | 37,982 | 58,445 | 69,608 | 453 | 6,621 | **173,109** |
| Capital expenditures for the year ended 31 December 2021 | 4,256 | 1,320 | 8,810 | 80 | 2,161 | **16,627** |

The reconciliation between the assets of operational segments and total assets in the consolidated statement of financial position is presented below:

| | At 31 December 2022 | At 31 December 2021 |
|---|---|---|
| **Segment assets** | **243,664** | **219,962** |
| **Items not included in segment assets** | | |
| Goodwill | 4,451 | 4,497 |
| Deferred income tax asset | 1,165 | 467 |
| Other non-current assets | 50 | 50 |
| Elimination of inter-segment balances | (83,778) | (69,862) |
| **Total assets** | **165,552** | **155,114** |

*(in millions of RR unless stated otherwise)*

## 6. Segment information (continued)

The reconciliation between the liabilities of operational segments and total liabilities in the consolidated statement of financial position is presented below:

| | At 31 December 2022 | At 31 December 2021 |
|---|---|---|
| **Segment liabilities** | **196,914** | **173,109** |
| **Items not included in segment liabilities** | | |
| Provision for restoration liability | 1,048 | 1,179 |
| Deferred income tax liability | 3,531 | 2,537 |
| Taxes payable | 2,309 | 3,030 |
| Elimination of inter-segment balances | (83,778) | (69,862) |
| **Total liabilities** | **120,024** | **109,993** |

The reconciliation between the capital expenditures of operational segments and total additions of property, plant and equipment as described in Note 7 is presented below:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| **Segment capital expenditures** | **18,387** | **16,627** |
| Additions of other intangible assets (Note 8) | 46 | 139 |
| Additions of property, plant and equipment (Note 7) | 18,341 | 16,488 |

### Information about geographical areas

A revenue analysis of external Russian and foreign customers based on a given customer’s geographical location is provided in Note 21.

The following table presents revenues from external customers:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| **Total sales:** | **117,216** | **152,394** |
| Russia | 104,207 | 90,710 |
| Switzerland | 7,429 | 40,273 |
| Kyrgyz Republic | 1,714 | 5,166 |
| Belarus | 1,342 | 2,197 |
| Kazakhstan | 784 | 9,686 |
| Singapore | - | 2,507 |
| Other | 1,740 | 1,855 |

For the year ended 31 December 2022 all segments revenue from customers of the Group, which are companies under common control of the Group’s beneficial controlling owner, amounted to RR 62,725 million (2021: Ore & Pig Iron, Polema and Unallocated segments revenue from the largest customers of the Group, which were companies under common control of the Group’s beneficial controlling owner, amounted to RR 83,376 million).

The Group’s non-current assets (other than financial instruments and deferred income tax asset) are located in the Russian Federation.

*(in millions of RR unless stated otherwise)*

## 7. Property, plant and equipment

| | Land | Buildings | Installations | Plant and equipment | Transport vehicles | Mining assets | Construction in progress | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost at 31 December 2021** | **1,947** | **7,430** | **27,556** | **25,585** | **5,955** | **16,179** | **33,513** | **354** | **118,519** |
| Additions | 386 | 325 | 2,113 | 3,619 | 460 | 188 | 11,228 | 22 | **18,341** |
| Transfers | - | 195 | 598 | 2,031 | - | 10 | (2,835) | 1 | **-** |
| Disposals | (253) | (249) | (1,374) | (11) | (122) | (7,735) | (2,238) | (4) | **(11,986)** |
| Disposal through sale of subsidiary | - | (38) | (33) | (799) | (29) | - | (7) | - | **(906)** |
| **Cost at 31 December 2022** | **2,080** | **7,663** | **28,860** | **30,425** | **6,264** | **8,642** | **39,661** | **373** | **123,968** |
| **Accumulated depreciation and impairment at 31 December 2021** | **(18)** | **(2,373)** | **(13,274)** | **(16,165)** | **(2,575)** | **(9,387)** | **(2,116)** | **(254)** | **(46,162)** |
| Depreciation charges | - | (258) | (1,868) | (1,984) | (611) | (66) | - | (34) | **(4,821)** |
| Accumulated depreciation and impairment related to disposals | 4 | 231 | 888 | 362 | 121 | 7,896 | 2,091 | 2 | **11,595** |
| Accumulated depreciation and impairment related to sale of subsidiary | - | 38 | 33 | 799 | 29 | - | 7 | - | **906** |
| (Impairment)/ Reversals of impairment | (3) | (14) | (11) | (326) | (3) | - | 5 | - | **(352)** |
| **Accumulated depreciation and impairment at 31 December 2022** | **(17)** | **(2,376)** | **(14,232)** | **(17,314)** | **(3,039)** | **(1,557)** | **(13)** | **(286)** | **(38,834)** |
| **Net book value at 31 December 2021** | **1,929** | **5,057** | **14,282** | **9,420** | **3,380** | **6,792** | **31,397** | **100** | **72,357** |
| **Net book value at 31 December 2022** | **2,063** | **5,287** | **14,628** | **13,111** | **3,225** | **7,085** | **39,648** | **87** | **85,134** |

*(in millions of RR unless stated otherwise)*

## 7. Property, plant and equipment (continued)

| | Land | Buildings | Installations | Plant and equipment | Transport vehicles | Mining assets | Construction in progress | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost at 31 December 2020** | **1,470** | **7,048** | **25,047** | **23,569** | **5,231** | **16,042** | **24,434** | **328** | **103,169** |
| Additions | 477 | 201 | 1,944 | 2,133 | 855 | 74 | 10,769 | 35 | **16,488** |
| Transfers | - | 195 | 783 | 404 | 2 | 12 | (1,400) | 4 | **-** |
| Disposals | - | (14) | (142) | (521) | (133) | (25) | (290) | (13) | **(1,138)** |
| Reclassification | - | - | (76) | - | - | 76 | - | - | - |
| **Cost at 31 December 2021** | **1,947** | **7,430** | **27,556** | **25,585** | **5,955** | **16,179** | **33,513** | **354** | **118,519** |
| **Accumulated depreciation and impairment at 31 December 2020** | **(18)** | **(2,132)** | **(11,456)** | **(14,774)** | **(2,140)** | **(9,322)** | **(2,306)** | **(232)** | **(42,380)** |
| Depreciation charges | - | (253) | (1,891) | (1,878) | (568) | (60) | - | (35) | **(4,685)** |
| Accumulated depreciation and impairment related to disposals | - | 12 | 65 | 478 | 133 | 3 | 162 | 13 | **866** |
| Reclassification | - | - | 8 | - | - | (8) | - | - | - |
| Reversals of impairment | - | - | - | 9 | - | - | 28 | - | **37** |
| **Accumulated depreciation and impairment at 31 December 2021** | **(18)** | **(2,373)** | **(13,274)** | **(16,165)** | **(2,575)** | **(9,387)** | **(2,116)** | **(254)** | **(46,162)** |
| **Net book value at 31 December 2020** | **1,452** | **4,916** | **13,591** | **8,795** | **3,091** | **6,720** | **22,128** | **96** | **60,789** |
| **Net book value at 31 December 2021** | **1,929** | **5,057** | **14,282** | **9,420** | **3,380** | **6,792** | **31,397** | **100** | **72,357** |

As at 31 December 2022 the Group does not have any right-of-use assets (31 December 2021: right-of-use assets amounted to RR 56 million included in transport vehicles).

As at 31 December 2022 the construction in progress includes JSC "Kombinat KMAruda" balances related to the new mining stage to ramp up production capacity in the amount of RR 19,403 million (31 December 2021: RR 14,063 million).

As at 31 December 2022 the construction in progress includes corporate asset construction in the amount of RR 6,524 million (2021: RR 5,699 million) (see Note 5).

During the year ended 31 December 2022, a depreciation expense of RR 4,086 million (2021: RR 3,885 million) was included in the cost of products sold, a depreciation expense of RR 316 million (2021: RR 386 million) was included in general and administrative expenses (see Notes 22 and 25), and a depreciation expense of RR 419 million (2021: RR 414 million) was capitalised.

If management's estimates of useful lives were to decrease by 10%, profit before income tax for the year ended 31 December 2022 would decrease by RR 489 million (2021: profit before income tax would decrease by RR 475 million). An increase in useful lives by 10% would result in an increase of profit before income tax for the year ended 31 December 2022 by RR 400 million (2021: increase of profit before income tax by RR 388 million).

The production activities at the LLC "Butovskaya mine" have been suspended from 21 September 2020 due to unfavorable market conditions for the company's coal products (grade KO). Starting from 15 September 2021, an external administration procedure has been introduced in respect of LLC "Butovskaya mine". In the year 2022, Hazardous production facility (coal mine) technical liquidation project has been approved. As at 31 December 2022 restoration and technical liquidation liability related to LLC "Butovskaya mine" has been recognized in the amount of RR 701 million (31 December 2021: RR 1,114 million) (see Note 17). During the year ended 31 December 2022 disposals of property, plant and equipment include previously impaired property, plant and equipment of LLC "Butovskaya mine" in the amount of RR 9,852 million.

*(in millions of RR unless stated otherwise)*

## 7. Property, plant and equipment (continued)

During the year ended 31 December 2022 the Group recognised an impairment loss in the amount of RR 388 million on property, plant and equipment of the subsequently sold subsidiary due to the planned sale transaction of the subsidiary at the price below its net assets and related goodwill (Note 1). Also, during the year ended 31 December 2022 the Group recognised an impairment loss on property, plant and equipment in the amount of RR 1 million, which, in accordance with recent management plans, will not be used in the Group's production activities and reversed an impairment loss in the amount of RR 37 million due to changes in management plans related to use of previously impaired items of property, plant and equipment.

During the year ended 31 December 2021 the Group recognised an impairment loss on property, plant and equipment in the amount of RR 34 million, which, in accordance with recent management plans, will not be used in the Group's production activities. Also, during the year ended 31 December 2021 the Group reversed an impairment loss in the amount of RR 71 million due to changes in management plans related to use of previously impaired items of property, plant and equipment.

Additions of property, plant and equipment during the year ended 31 December 2022 include capitalised borrowing cost of RR 1,527 million, including foreign exchange losses from financing activities in the amount of RR 52 million (2021: RR 927 million, including foreign exchange losses from financing activities in the amount of RR 35 million). The capitalisation rate used to determine the amount of capitalised interest during the year ended 31 December 2022 was 9.90% (2021: 7.25%).

## 8. Other intangible assets

Movements of other intangible assets are provided below:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Cost as at the beginning of the year | 7,636 | 7,508 |
| Accumulated amortisation and impairment | (3,433) | (3,268) |
| **Net book value as at the beginning of the year** | **4,203** | **4,240** |
| Additions | 46 | 139 |
| Amortisation charge | (181) | (165) |
| Disposals | (4) | (11) |
| Net book value at the end of the year | 4,064 | 4,203 |
| Cost as at the end of the year | 7,678 | 7,636 |
| **Accumulated amortisation and impairment** | **(3,614)** | **(3,433)** |

If management's estimates of useful lives for other intangible assets were to decrease by 10%, profit before income tax for the year ended 31 December 2022 would decrease by RR 20 million (2021: profit before income tax would decrease by RR 18 million). An increase in useful lives by 10% would result in an increase of profit before income tax for the year ended 31 December 2022 by RR 16 million (2021: increase of profit before income tax by RR 15 million).

Information on the carrying amount of each significant individual other intangible asset is provided below:

| | Carrying amount | |
|---|---|---|
| | **At 31 December 2022** | **At 31 December 2021** |
| Licence to produce ferruginous quartzite from the Korobkovsky mine | 1,957 | 2,042 |
| Coal mining licence for the Nikitinsky-2 coal basin (LLC "Tikhova mine") | 1,786 | 1,878 |
| Licence for coal mining at the Koksoviy basin (Glubokiy) | 88 | 88 |
| Other | 233 | 195 |
| **Total** | **4,064** | **4,203** |

*(in millions of RR unless stated otherwise)*

## 9. Goodwill

Movement of goodwill arising on acquisition of subsidiaries during the year 2022 and 2021 is provided below:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Gross book value at the beginning of the year | 6,222 | 6,222 |
| Accumulated impairment | (1,725) | (1,725) |
| **Net book value at the beginning of the year** | **4,497** | **4,497** |
| Sale of subsidiary | (46) | - |
| Impairment | (46) | - |
| Impairment related to sale of subsidiary | 46 | - |
| Gross book value at the end of the year | 6,176 | 6,222 |
| Accumulated impairment | (1,725) | (1,725) |
| **Net book value at the end of the year** | **4,451** | **4,497** |

*Testing goodwill for impairment*

Goodwill is allocated to the following CGUs, which represent the lowest level within the Group at which goodwill is monitored by management and which are not larger than an operating segment:

| | At 31 December 2022 | At 31 December 2021 |
|---|---|---|
| JSC "Kombinat KMAruda" | 2,223 | 2,223 |
| JSC "TULACHERMET" | 1,248 | 1,248 |
| JSC "POLEMA" | 980 | 980 |
| JSC "SCHZ" | - | 46 |
| **Total net book value of goodwill** | **4,451** | **4,497** |

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use certain assumptions and expectations, approved by the management (Note 5). The value-in-use amount calculated as of 31 December 2022 (as well as of 31 December 2021) for all CGUs in the table above exceeds the book value of assets (including allocated goodwill), consequently, management concluded there is no impairment for goodwill.

## 10. Non-current loans issued

| | At 31 December 2022 | Interest rate | At 31 December 2021 | Interest rate |
|---|---|---|---|---|
| Loans issued to related parties and denominated in Russian roubles (Note 30) | 27,114 | 9.00% | 26,567 | 7.30-7.94% |
| **Total non-current loans issued** | **27,114** | | **26,567** | |

As of 31 December 2022 non-current loans issued to related party in the amount of RR 26,765 million are measured at fair value through profit or loss (31 December 2021: non-current loans issued to related party in the amount of RR 26,563 million are measured at fair value through profit or loss).

As at 31 December 2022 non-current loans issued to third parties expected credit loss allowance amounted to RR 179 million (31 December 2021: RR 195 million).

## 11. Inventories

| | At 31 December 2022 | At 31 December 2021 |
|---|---|---|
| Raw materials, materials and supplies held for production purposes | 7,936 | 8,372 |
| Finished goods | 1,555 | 3,453 |
| Work in progress | 653 | 737 |
| **Total inventories** | **10,144** | **12,562** |

During the year 2022 the Group recorded inventories write-down to net realisable value in the amount of RR 10 million (31 December 2021: RR 47 million).

*(in millions of RR unless stated otherwise)*

## 12. Trade and other receivables, advances issued

| | At 31 December 2022 | At 31 December 2021 |
|---|---|---|
| Trade receivables from related parties (net of expected credit loss amounting to RR 113 million as at 31 December 2022; RR 371 million as at 31 December 2021) | 17,128 | 10,465 |
| Trade receivables (net of expected credit loss amounting to RR 195 million as at 31 December 2022; RR 20 million as at 31 December 2021) | 3,363 | 4,861 |
| Taxes receivable | 163 | 497 |
| Other accounts receivable (net of expected credit loss amounting to RR 150 million as at 31 December 2022; RR 248 million as at 31 December 2021) | 195 | 140 |
| Other accounts receivable from related parties (net of expected credit loss amounting to RR 8 million as at 31 December 2022; RR 67 million as at 31 December 2021) | 39 | 25 |
| **Total trade and other receivables** | **20,888** | **15,988** |
| Advances issued | 870 | 7,269 |
| Less impairment | (99) | (88) |
| **Total advances issued** | **771** | **7,181** |

In December 2021 a subsidiary of the Group made payments, related to acquisition of 37,958,929 PJSC "Koks" ordinary shares, for a total amount of RR 6,110 million. As of 31 December 2021, these payments are included in advances issued (see Note 15).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the historical payment profiles of sales, and the corresponding historical credit losses experienced. As a regular payment term specified for the majority of customers is prepayment or payment within 60 days the effect of adjustment on future expected losses is immaterial. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor.

Note 33 provides ageing analysis of trade and other receivables, related expected credit losses allowance and movement in the credit losses allowance.

## 13. Current loans issued

| | At 31 December 2022 | Interest rate | At 31 December 2021 | Interest rate |
|---|---|---|---|---|
| Bank deposits denominated in Russian roubles | 4 | 7.7% | 4 | 6.75% |
| Loans issued and denominated in Russian roubles | - | - | 184 | 6.5-10,0% |
| Loans issued and denominated in USD | - | - | 291 | 6.5% |
| **Total current loans issued** | **4** | | **479** | |

As at 31 December 2022 current loans issued to third parties expected credit loss allowance amounted to RR 110 million (31 December 2021: current loans issued to third parties expected credit losses allowance amounted to RR 98 million).

## 14. Cash, cash equivalents and restricted cash

| | At 31 December 2022 | At 31 December 2021 |
|---|---|---|
| RR bank deposits | 6,776 | 4,245 |
| RR-denominated cash in hand and bank balances | 4,207 | 3,450 |
| Bank balances denominated in foreign currencies | 86 | 357 |
| Bank deposits in foreign currencies | - | 9 |
| Restricted cash | 19 | - |
| **Total cash, cash equivalents and restricted cash** | **11,088** | **8,061** |

As at 31 December 2022 and 31 December 2021 all bank balances and bank deposits are not past due and, as the result of assessment, the expected credit losses related to them amounted to RR nil million.

In the year 2022, independent rating agencies Fitch Ratings and Moody's withdrew their credit ratings of Russia and all Russian entities due to EU sanctions. The Group analyzes the credit quality of cash and cash equivalents based on the credit ratings of independent Russian rating agencies ACRA and Expert RA. Comparative data as of 31 December 2021 have been adjusted accordingly.

*(in millions of RR unless stated otherwise)*

## 14. Cash, cash equivalents and restricted cash (continued)

The analysis of the credit quality of bank balances is as follows:

| | At 31 December 2022* | At 31 December 2021* | At 31 December 2021** |
|---|---|---|---|
| A to AAA rated | 11,058 | 8,041 | 21 |
| B to BBB rated | 3 | 1 | 7,885 |
| Unrated | 26 | 19 | 155 |
| **Total** | **11,087** | **8,061** | **8,061** |

* Based on the credit ratings of independent rating agencies ACRA and Expert RA

** Based on the credit ratings of independent rating agencies Fitch Ratings and Moody's

## 15. Share capital

As of 31 December 2022 and 2021, the Company's share capital (authorised, issued and paid in) totalled RR 213 million. The share capital consisted of 330,046,400 ordinary shares with a par value of RR 0.10 per share as of 31 December 2022 and 31 December 2021. As of 31 December 2022 and 31 December 2021, the share capital included a hyperinflationary adjustment totalling RR 180 million, which was calculated in accordance with the requirements of IAS 29, "Financial Reporting in Hyperinflationary Economies", and relates to reporting periods prior to 1 January 2003.

In February 2017 the Company acquired 135,400 of its shares for RR 11 million. In February 2018 these shares were sold to a subsidiary of the Group. In January 2022 a subsidiary of the Group acquired 37,958,929 Company's shares, for a total amount of RR 6,110 million.

All these shares are classified as treasury shares and are deducted from equity at cost.

## 16. Retained earnings

The Company's Russian statutory financial statements serve as the basis for its profit distribution and other appropriations. Under Russian law, the basis of distribution is defined as a company's profit. However, the relevant legislation and other statutes and regulations governing profit distribution are open to legal interpretation and, thus, Group's management believes that at present it would not be appropriate to disclose the amount for distributable reserves in these consolidated financial statements.

On 04 October 2022 the Company's extraordinary shareholders' meeting approved dividends for the six months ended 30 June 2022 totalling RR 3,234 million (including RR 373 million dividends on shares held by the subsidiaries). Dividends per share amounted to RR 9.80.

During 2021 year no dividends were declared.

## 17. Provision for restoration liability

The table below summarises movements in the provision for restoration liability:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| **Balance at the beginning of the year** | **1,179** | **82** |
| Additions to property, plant and equipment | - | 22 |
| Changes in estimates adjusted against property, plant and equipment | 277 | - |
| (Reversals of accrual)/Accrual of reclamation and mine technical liquidation reserve | (182) | 1,086 |
| Unwinding of the present value discount | 9 | 8 |
| Utilisation of provision | (235) | (19) |
| **Balance at the end of the year** | **1,048** | **1,179** |
| Less current part of the provision | (706) | (856) |
| **Long-term part of the provision for restoration liability as at the end of the year** | **342** | **323** |

A provision for restoration liability in the amount of RR 1,048 million as of 31 December 2022 was recorded for the net present value of the estimated future obligation to restore land around the Vakhrusheva, Butovskaya and Tikhova coal mines and obligations related to technical liquidation project of LLC "Butovskaya mine" (as of 31 December 2021: RR 1,179 million).

Management has estimated the restoration liability through 2043 based on their interpretation of the licence agreements and environmental legislation, and in accordance with IAS 37, "Provisions, Contingent Liabilities And Contingent Assets". In the year 2021 the Group recognized reserve for reclamation and obligations related to technical liquidation project of LLC "Butovskaya mine" in the consolidated statement of profit or loss and other comprehensive income in the amount of RR 1,086 million (see Note 7).

*(in millions of RR unless stated otherwise)*

## 17. Provision for restoration liability (continued)

The discount rates used to calculate the net present value of the restoration liability were 8.0-10.2% at 31 December 2022 (31 December 2021: 8.5-9.5%) and represented a risk free pre-tax rate. The related asset of RR 411 million as of 31 December 2022 (31 December 2021: RR 136 million) was recorded as installations within property, plant and equipment at the net book value.

## 18. Borrowings and bonds

### Short-term borrowings and current portion of long-term borrowings

Loans and borrowings by type may be analysed as follows:

| | At 31 December 2022 | Interest rate | At 31 December 2021 | Interest rate |
|---|---|---|---|---|
| RR-denominated bank loans, fixed | 22,769 | 6.95 - 11.00% | 5,323 | 6.95 - 8.65% |
| RR-denominated bank loans, variable | 19,977 | 9.25 - 9.99% | 9,962 | 9.85 - 10.90% |
| USD-denominated bank loans, fixed | - | - | 4,951 | 2.38 - 3.20% |
| **Total short-term borrowings and current portion of long-term borrowings** | **42,746** | | **20,236** | |

### Long-term borrowings

| | At 31 December 2022 | Interest rate | At 31 December 2021 | Interest rate |
|---|---|---|---|---|
| RR-denominated bank loans variable | 12,590 | 9.75 - 9.95% | 18,713 | 10.25 - 10.99% |
| RR-denominated bank loans, fixed | 7,700 | 6.95 - 10.31% | 3,968 | 6.95 - 7.30% |
| USD-denominated bank loans, fixed | - | - | 2,247 | 3.20% |
| **Total long-term borrowings** | **20,290** | | **24,928** | |

As at 31 December 2022 and 31 December 2021 all loans are unsecured.

Borrowings of the Group are due for repayment as follows:

| | At 31 December 2022 | At 31 December 2021 |
|---|---|---|
| Borrowings to be repaid – within one year | 42,746 | 20,236 |
| - between one and five years | 20,290 | 24,928 |
| - after five years | - | - |
| **Total borrowings** | **63,036** | **45,164** |

As at 31 December 2022, the Group had undrawn borrowing facilities in the amount of RR 34,897 million, including long-term facilities in the amount of RR 33,666 (as at 31 December 2021: RR 39,118 million, including long-term facilities of RR 33,618 million).

Movements in borrowings are analysed as follows:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| **Short-term borrowings and current portion of long-term borrowings:** | | |
| **Balance at the beginning of the year** | **20,236** | **11,239** |
| Borrowings received | 38,926 | 13,869 |
| Borrowings repaid | (30,867) | (19,768) |
| Reclassification of borrowings | 13,579 | 14,741 |
| Bank overdrafts received | - | 974 |
| Bank overdrafts repaid | - | (974) |
| Other non-cash effects | 7 | 5 |
| Effect of changes in exchange rates | 865 | 150 |
| **Balance at the end of the year** | **42,746** | **20,236** |
| **Long-term borrowings:** | | |
| **Balance at the beginning of the year** | **24,928** | **32,570** |
| Borrowings received | 17,590 | 13,763 |
| Borrowings repaid | (8,265) | (6,806) |
| Reclassification of borrowings | (13,579) | (14,741) |
| Other non-cash effects | 1 | 13 |
| Effect of changes in exchange rates | (385) | 129 |
| **Balance at the end of the year** | **20,290** | **24,928** |

*(in millions of RR unless stated otherwise)*

## 18. Borrowings and bonds (continued)

### BO-05 series bonds

In August 2018 the Group issued five-year maturity bonds in the principal amount of RR 5 billion at a coupon rate of 9.2% payable semi-annually (series BO-05 bonds).

Movements in series BO-05 bonds are analysed as follows:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| **Short-term bonds:** | | |
| **Balance at the beginning of the year** | **178** | **174** |
| Interest expense | 463 | 463 |
| Interest paid | (459) | (459) |
| Reclassification | 4,986 | - |
| **Balance at the end of the year** | **5,168** | **178** |
| **Long-term bonds:** | | |
| **Balance at the beginning of the year** | **4,986** | **4,986** |
| Reclassification | (4,986) | - |
| **Balance at the end of the year** | **-** | **4,986** |

### Eurobonds

On 23 September 2020, the Group issued 350,000 five-year maturity eurobonds for a total amount of USD 350 million at a coupon rate of 5.90% through its structured entity, IMH Capital DAC. The coupons are payable semi-annually. In the year 2022 as part of the counter-sanctions measures Russian Federation issued official documents, which establish a framework of eurobonds obligations performance, as a result the Company has solicited consents of the bondholders to amend payment manner under 5.90% loan participation notes due 2025.

Updated manner of payments includes following options:

1. direct payments in Russian Roubles to the bondholders, holding notes through Russian National Settlement Depository or other Russian custodians;
2. direct payments to the bondholders or beneficial owners of the notes under their application and proof of holding confirmation, provided that the authorisation from the relevant Russian authority has been received, if requested;
3. payments through the principal paying agent, provided that the authorisation from the relevant Russian authority has been received;
4. payments to special accounts denominated in Russian Roubles opened for the benefit of bondholders, provided that the authorisation from the relevant Russian authority has been received, if requested.

The table below sets out an analysis of Group's eurobonds liabilities and their movements for each of the periods presented in the consolidated financial statements:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| **Short-term bonds:** | | |
| **Balance at the beginning of the year** | **464** | **422** |
| Interest expense | 1,452 | 1,559 |
| Interest paid | (1,577) | (1,508) |
| Effect of changes in exchange rates | 265 | (9) |
| **Balance at the end of the year** | **604** | **464** |
| **Long-term bonds:** | | |
| **Balance at the beginning of the year** | **25,787** | **25,642** |
| Bonds repaid | - | (1) |
| Other non-cash effects | - | 1 |
| Effect of changes in exchange rates | (1,372) | 145 |
| **Balance at the end of the year** | **24,415** | **25,787** |

As at 31 December 2022, the carrying value of 5.90% loan participation notes due 2025 amounted to RR 25,019 million (including the current portion of the bonds, which is equal to RR 604 million), net of transaction costs.

As at 31 December 2021, the carrying value of 5.90% loan participation notes due 2025 amounted to RR 26,251 million (including the current portion of the bonds, which is equal to RR 464 million), net of transaction costs.

*(in millions of RR unless stated otherwise)*

## 18. Borrowings and bonds (continued)

### Debt covenants

In the year 2022 Eurobond holders have consented to waive their right for early demand of bonds repayment due to the breaches of loan agreement provisions. As a result, as of 31 December 2022 and at the date of approval of the consolidated financial statements the right to demand early repayment of long-term bonds has not occurred.

## 19. Trade and other payables

| | At 31 December 2022 | At 31 December 2021 |
|---|---|---|
| **Long-term payables:** | | |
| **Financial liabilities** | | |
| Trade accounts payable | 203 | 507 |
| **Total financial liabilities** | **203** | **507** |
| **Total trade long-term payables** | **203** | **507** |
| **Short-term payables:** | | |
| **Financial liabilities** | | |
| Trade accounts payable | 12,529 | 20,786 |
| Dividends payable | 1,117 | - |
| Interest payable | 129 | 128 |
| Other accounts payable | 2,195 | 425 |
| **Total financial liabilities** | **15,970** | **21,339** |
| **Non-financial liabilities** | | |
| Wages and salaries payable | 1,990 | 1,860 |
| Advances received | 1,744 | 2,839 |
| **Total non-financial liabilities** | **3,734** | **4,699** |
| **Total trade and other short-term payables** | **19,704** | **26,038** |

## 20. Other taxes payable

| | At 31 December 2022 | At 31 December 2021 |
|---|---|---|
| VAT | 947 | 1,705 |
| Contributions to state pension and social insurance funds | 486 | 513 |
| Property tax | 142 | 162 |
| Individual income tax | 133 | 134 |
| Export duties | - | 172 |
| Other taxes | 132 | 22 |
| **Total taxes other than income tax payable** | **1,840** | **2,708** |

The total statutory pension contributions for 2022 included in captions of the consolidated statement of profit or loss and other comprehensive income and capitalised to property, plant and equipment amounted to RR 3,276 million (2021: RR 2,986 million), including portion in the amount of RR 117 million accrued on payment to key management personnel (2021: RR 113 million).

## 21. Revenue

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| **Sales in Russia:** | | |
| Sales of pig iron | 58,035 | 50,503 |
| Sales of coke and coking products | 21,799 | 14,827 |
| Sales of coal and coal concentrate | 11,767 | 9,006 |
| Sales of scrap metal | 4,890 | 9,242 |
| Sales of services | 2,595 | 2,909 |
| Sales of powder metallurgy products | 2,552 | 1,258 |
| Sales of cast-iron ware | 928 | 1,550 |
| Sales of chrome | 302 | 312 |
| Sales of crushed pig iron | 62 | 64 |
| Other sales | 1,277 | 1,039 |
| **Total sales in Russia** | **104,207** | **90,710** |
| **Sales to other countries:** | | |
| Sales of pig iron | 6,377 | 33,831 |
| Sales of coke and coking products | 5,751 | 26,763 |
| Sales of powder metallurgy products | 346 | 389 |
| Sales of chrome | 343 | 485 |
| Sales of cast-iron ware | 164 | 214 |
| Other sales | 28 | 2 |
| **Total sales to other countries** | **13,009** | **61,684** |
| **Total revenue** | **117,216** | **152,394** |

*(in millions of RR unless stated otherwise)*

## 21. Revenue (continued)

Timing of revenue recognition (for each revenue stream) is as follows:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| At a point in time | 115,413 | 149,807 |
| Over time | 1,803 | 2,587 |
| **Total revenue** | **117,216** | **152,394** |

## 22. Cost of sales

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Raw materials and supplies | 63,737 | 83,594 |
| Wages and salaries including associated taxes | 10,119 | 9,304 |
| Depreciation of property, plant and equipment | 4,086 | 3,885 |
| Changes in finished goods and work in progress | 2,049 | (2,423) |
| Transportation services | 1,803 | 2,587 |
| Energy | 1,513 | 1,417 |
| Other services | 636 | 549 |
| Amortisation of other intangible assets | 181 | 165 |
| Other expenses | 2,241 | 1,542 |
| **Total cost of sales** | **86,365** | **100,620** |

In the year 2022 total employee benefits expenses, included in cost of sales, general and administrative expenses amounted to RR 16,108 million (2021: RR 15,117 million).

## 23. Taxes other than income tax

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Mineral resources extraction tax | 1,640 | 477 |
| Property tax | 539 | 668 |
| Land tax | 225 | 207 |
| Other taxes | 43 | 132 |
| **Total taxes other than income tax** | **2,447** | **1,484** |

## 24. Distribution costs

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Transportation services | 2,782 | 2,846 |
| Export duties | - | 172 |
| Other selling expenses | 61 | 29 |
| **Total distribution costs** | **2,843** | **3,047** |

## 25. General and administrative expenses

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Wages and salaries including associated taxes | 5,989 | 5,813 |
| Other purchased services | 2,038 | 2,129 |
| Materials | 392 | 413 |
| Depreciation of property, plant and equipment | 316 | 386 |
| Other | 108 | 91 |
| **Total general and administrative expenses** | **8,843** | **8,832** |

*(in millions of RR unless stated otherwise)*

## 26. Other operating income/(expenses), net

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Exchange gain, net | 994 | 34 |
| Inventories surplus | 146 | 319 |
| Gain/(Loss) on disposal of property, plant and equipment and other intangible assets | 143 | (200) |
| Dividend income | 71 | 50 |
| Write-down of inventories to net realisable value | (10) | (47) |
| (Return of the receipt)/Receipt from beneficial controlling owner, which is not a share capital contribution | (339) | 339 |
| Charity payments | (347) | (482) |
| Income of servise facilities | 41 | 27 |
| VAT non-recoverable | (46) | (61) |
| Reimbursement of losses | (36) | (93) |
| Other | 306 | 54 |
| **Other operating income/(expenses), net** | **923** | **(60)** |

## 27. Finance income

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Interest income on loans issued measured at FVTPL | 2,097 | 1,561 |
| Financial foreign exchange gain on bonds issued and on interest accrued on bonds issued, net | 1,117 | - |
| Interest income on bank deposits | 460 | 139 |
| Interest income on loans issued measured at AC | 55 | 25 |
| Effect of discounting trade accounts payable to present value | - | 1 |
| Financial foreign exchange gain on loans issued and interest accrued on loans issued, net | - | 1 |
| **Total finance income** | **3,729** | **1,727** |

## 28. Finance expenses

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Interest expense on borrowings and bonds | 6,691 | 4,373 |
| Financial foreign exchange loss on borrowings and interest accrued on borrowings, net | 428 | 267 |
| Financial foreign exchange loss on bank deposits, net | 54 | 14 |
| Financial foreign exchange loss on loans issued and interest accrued on loans issued, net | 29 | - |
| Unwinding of trade accounts payable to present value discounting effect | 12 | 43 |
| Financial foreign exchange loss on bonds issued and on interest accrued on bonds issued, net | - | 114 |
| Interest expense on lease obligation | - | 6 |
| **Total finance expenses** | **7,214** | **4,817** |

## 29. Income tax expense

Income tax expense recorded in the consolidated statement of profit or loss and other comprehensive income comprises the following:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Current income tax expense | 2,531 | 7,205 |
| Deferred income tax expense | 230 | 673 |
| **Income tax expense** | **2,761** | **7,878** |

In the year 2022 and 2021 the income tax rate applicable to the Group's subsidiaries incorporated in Russia is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

*(in millions of RR unless stated otherwise)*

## 29. Income tax expense (continued)

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| **Profit before income tax** | **12,157** | **33,764** |
| Theoretical tax at statutory rate | 2,431 | 6,753 |
| Tax effect of items that are not tax deductible/exempt: | | |
| Social infrastructure expenses | 62 | 56 |
| Charity payments | 56 | 104 |
| Impairment losses on financial and contract assets | 19 | 9 |
| VAT non-recoverable | 11 | 30 |
| Exchange differences | (1) | - |
| Disposal of investment in subsidiary | (97) | 1 |
| Write-off and impairment of non-current assets | 19 | 55 |
| Write-down of inventories to net realisable value | - | 4 |
| Other non-deductible expenses | 173 | 367 |
| Unrecognised deferred tax assets | 88 | 499 |
| **Total income tax expense** | **2,761** | **7,878** |

Unrecognised deferred tax assets for the year 2021 include LLC "Butovskaya mine" deferred income tax assets in the amount of RR 362 million.

| | As of 31 December 2021 | Charged to profit or loss | Charged to other comprehensive income | Disposal of subsidiary | As of 31 December 2022 |
|---|---|---|---|---|---|
| ***Tax effect of taxable temporary differences*** | | | | | |
| Property, plant and equipment | 4,167 | 665 | - | (4) | 4,828 |
| Intangible assets | 803 | (1) | - | - | 802 |
| Inventories | 18 | 18 | - | - | 36 |
| Accounts receivable | 13 | 8 | - | - | 21 |
| Borrowings and bonds | 2 | 275 | - | - | 277 |
| Other | 44 | 81 | - | - | 125 |
| **Deferred income tax liabilities** | **5,047** | **1,046** | **-** | **(4)** | **6,089** |
| Less: deferred tax assets offset | (2,510) | - | - | - | (2,558) |
| **Total deferred income tax liabilities** | **2,537** | **-** | **-** | **-** | **3,531** |
| ***Tax effect of deductible temporary differences*** | | | | | |
| Losses carried forward | (1,560) | (425) | - | - | (1,985) |
| Loans issued | (681) | (376) | - | - | (1,057) |
| Inventories | (240) | 67 | - | - | (173) |
| Accounts receivable | (119) | 39 | - | - | (80) |
| Provision for restoration liability | (22) | (54) | - | - | (76) |
| Borrowings and bonds | (43) | (7) | - | - | (50) |
| Derivative financial instruments | (42) | - | - | - | (42) |
| Accounts payable | (180) | 46 | (4) | - | (138) |
| Other taxes payable | (34) | 34 | - | - | - |
| Financial guarantees | (22) | 22 | - | - | - |
| Other | (34) | (162) | - | 74 | (122) |
| **Deferred income tax assets** | **(2,977)** | **(816)** | **(4)** | **74** | **(3,723)** |
| Less: deferred tax liabilities offset | 2,510 | - | - | - | 2,558 |
| **Total deferred income tax assets** | **(467)** | **-** | **-** | **-** | **(1,165)** |
| **Net deferred income tax liabilities/(assets)** | **2,070** | **230** | **(4)** | **70** | **2,366** |

*(in millions of RR unless stated otherwise)*

## 29. Income tax expense (continued)

| | As of 31 December 2020 | Charged to profit or loss | Charged to other comprehensive income | Disposal of subsidiary | As of 31 December 2021 |
|---|---|---|---|---|---|
| ***Tax effect of taxable temporary differences*** | | | | | |
| Property, plant and equipment | 3,772 | 395 | - | - | 4,167 |
| Intangible assets | 808 | (5) | - | - | 803 |
| Inventories | 21 | (3) | - | - | 18 |
| Accounts receivable | 120 | (107) | - | - | 13 |
| Borrowings and bonds | 3 | (1) | - | - | 2 |
| Other | 10 | 34 | - | - | 44 |
| **Deferred income tax liabilities** | **4,734** | **313** | **-** | **-** | **5,047** |
| Less: deferred tax assets offset | (2,964) | - | - | - | (2,510) |
| **Total deferred income tax liabilities** | **1,770** | **-** | **-** | **-** | **2,537** |
| ***Tax effect of deductible temporary differences*** | | | | | |
| Losses carried forward | (1,848) | 281 | - | 7 | (1,560) |
| Loans issued | (653) | (28) | - | - | (681) |
| Inventories | (179) | (61) | - | - | (240) |
| Accounts receivable | (58) | (61) | - | - | (119) |
| Provision for restoration liability | (19) | (3) | - | - | (22) |
| Borrowings and bonds | (98) | 55 | - | - | (43) |
| Derivative financial instruments | (42) | - | - | - | (42) |
| Accounts payable | (197) | 19 | (2) | - | (180) |
| Other taxes payable | - | (34) | - | - | (34) |
| Financial guarantees | (24) | 2 | - | - | (22) |
| Other | (224) | 190 | - | - | (34) |
| **Deferred income tax assets** | **(3,342)** | **360** | **(2)** | **7** | **(2,977)** |
| Less: deferred tax liabilities offset | 2,964 | - | - | - | 2,510 |
| **Total deferred income tax assets** | **(378)** | **-** | **-** | **-** | **(467)** |
| **Net deferred income tax liabilities/(assets)** | **1,392** | **673** | **(2)** | **7** | **2,070** |

As of 31 December 2022, the Group did not record deferred tax liabilities for temporary differences of RR 519 million (31 December 2021: RR 693 million) related to investments in subsidiaries, as the Company is able to control the reversal of temporary differences and does not intend to realise them in the foreseeable future.

As at 31 December 2022, the Group has unrecognised deferred tax assets in respect of unused tax loss carry forwards of RR 4,386 million (as at 31 December 2021: RR 4,461 million).

Starting from 1 January 2017 the amendments to the Russian tax legislation became effective in respect of tax loss carry forwards. The amendments affect tax losses incurred and accumulated since 2007 that have not been utilised. The 10-year expiry period for tax loss carry forwards no longer applies. The amendments also set limitation on utilisation of tax loss carry forwards that will apply during the period from 2017 to 2024. The amount of losses that can be utilised each year during that period is limited to 50% of annual taxable profit.

As at 31 December 2022, the Group also has unrecognised deferred tax assets in respect of deductible temporary differences of RR 1,732 million (as at 31 December 2021: RR 1,734 million).

## 30. Balances and transactions with related parties

Parties are generally considered to be related if one party has the ability to control or jointly control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related-party relationship, attention is directed to the substance of the relationship, not merely the legal form. Information about the parties that ultimately own and control the Company is disclosed in Note 1.

**Balances outstanding with related parties as at 31 December 2022, excluding remuneration of key management personnel:**

| | Companies under common control | Associates | Ultimate shareholders | Total |
|---|---|---|---|---|
| Non-current loans issued | 27,114 | - | - | **27,114** |
| Trade receivables | 17,128 | - | - | **17,128** |
| Other accounts receivable | 32 | 5 | 2 | **39** |
| Advances issued | - | 55 | - | **55** |
| Trade accounts payable | (58) | (11) | - | **(69)** |
| Other accounts payable | (1,548) | - | - | **(1,548)** |
| Advances received | (160) | - | - | **(160)** |

*(in millions of RR unless stated otherwise)*

## 30. Balances and transactions with related parties (continued)

**Balances outstanding with related parties as at 31 December 2021, excluding remuneration of key management personnel:**

| | Companies under common control | Associates | Ultimate shareholders | Total |
|---|---|---|---|---|
| Non-current loans issued | 26,567 | - | - | **26,567** |
| Trade receivables | 10,465 | - | - | **10,465** |
| Other accounts receivable | 25 | - | - | **25** |
| Advances issued | - | 263 | - | **263** |
| Trade accounts payable | (14) | (14) | - | **(28)** |
| Other accounts payable | (299) | - | - | **(299)** |
| Advances received | (2,017) | - | - | **(2,017)** |
| Financial guarantee | (111) | - | - | **(111)** |

Balances outstanding with related parties as at 31 December 2022 and 31 December 2021 are not secured and have to be extinguished with cash, excluding advances which have to be extinguished by goods and services.

**Related party transactions for the year ended 31 December 2022, excluding remuneration of key management personnel:**

| | Companies under common control | Associates | Ultimate shareholders | Total |
|---|---|---|---|---|
| ***Sales in Russia:*** | | | | |
| Sales of pig iron | 39,497 | - | - | **39,497** |
| Sales of coal and coal concentrate | 11,767 | - | - | **11,767** |
| Sales of scrap metal | 4,888 | - | - | **4,888** |
| Sales of services | 1,540 | - | - | **1,540** |
| Sales of crushed pig iron | 62 | - | - | **62** |
| Sales of coke and coking products | 42 | - | - | **42** |
| Sales of cast-iron ware | 17 | - | - | **17** |
| Sales of powder metallurgy products | 12 | - | - | **12** |
| Other sales | 51 | - | - | **51** |
| ***Sales to other countries:*** | | | | |
| Sales of pig iron | 4,836 | - | - | **4,836** |
| Sales of chrome | 13 | - | - | **13** |
| ***Other income/(expenses):*** | | | | |
| Interest income | 2,115 | - | - | **2,115** |
| Reversals of net impairment losses on financial and contract assets | 253 | 4 | - | **257** |
| Loss on remeasurement of financial instruments | (1,784) | - | - | **(1,784)** |
| Dividend income | - | 71 | - | **71** |
| Gain on disposal of property plant and equipment | 26 | - | - | **26** |
| Other operating income/(expenses), net | 632 | (3) | (332) | **297** |
| ***Purchase of property, plant and equipment, goods and services:*** | | | | |
| Purchase of raw materials, supplies and goods for resale | (1,116) | (5,744) | - | **(6,860)** |
| Distribution costs | - | (2,228) | - | **(2,228)** |
| Purchase of property, plant and equipment | (17) | - | - | **(17)** |
| Other purchased services | (18) | (15) | - | **(33)** |

*(in millions of RR unless stated otherwise)*

**30. Balances and transactions with related parties (continued)**

**Related party transactions for the year ended 31 December 2021, excluding remuneration of key management personnel:**

| | Companies under common control | Associates | Ultimate shareholders | Total |
|---|---|---|---|---|
| ***Sales in Russia:*** | | | | |
| Sales of pig iron | 41,639 | - | - | **41,639** |
| Sales of scrap metal | 9,237 | - | - | **9,237** |
| Sales of coal and coal concentrate | 9,006 | - | - | **9,006** |
| Sales of services | 1,815 | - | - | **1,815** |
| Sales of crushed pig iron | 64 | - | - | **64** |
| Sales of coke and coking products | 39 | - | - | **39** |
| Sales of cast-iron ware | 33 | - | - | **33** |
| Other sales | 33 | - | - | **33** |
| ***Sales to other countries:*** | | | | |
| Sales of pig iron | 31,717 | - | - | **31,717** |
| Sales of chrome | 68 | - | - | **68** |
| Sales of powder metallurgy products | 4 | - | - | **4** |
| ***Other income/(expenses):*** | | | | |
| Interest income | 1,577 | - | - | **1,577** |
| Dividend income | - | 50 | - | **50** |
| Loss on remeasurement of financial instruments | (73) | - | - | **(73)** |
| (Net impairment losses)/Reversals of net impairment losses on financial and contract assets | (122) | 1 | - | **(121)** |
| Other operating income, net | 190 | 56 | 343 | **589** |
| ***Purchase of property, plant and equipment, goods and services:*** | | | | |
| Distribution costs | - | (1,943) | - | **(1,943)** |
| Purchase of raw materials, supplies and goods for resale | (1,444) | (4,046) | - | **(5,490)** |
| Purchase of property, plant and equipment | (101) | - | - | **(101)** |
| Other purchased services | (8) | - | - | **(8)** |

During the year ended 31 December 2022, revenue from transactions of the Group with related party steel-producer, related-party metallurgical products trader and related-party coal trader, all companies under common control, amounted to RR 62,715 million and mainly consists of revenue from pig iron, scrap metal, coal and services sales (year ended 31 December 2021: revenue from transactions of the Group with related party steel-producer, related-party metallurgical products trader and related-party coal trader, all companies under common control, amounted to RR 93,647 million). As at 31 December 2022, the Group had an outstanding balance of advances received from related party steel producer and related party coal trader in the amount of RR 160 million (31 December 2021: the Group had an outstanding balance of advances received from related party steel producer, related party metallurgical products trader and related party coal trader in the amount of RR 2,017 million).

During the year ended 31 December 2022 and 31 December 2021 related party transactions commercial terms were the following:

- price for pig iron is determined based on the range of pig iron market prices (2021: price for liquid pig iron is determined based on the range of pig iron sale prices for third parties in the month of the transaction (until 1 July 2021) or in the month of shipment (after 1 July 2021), while volume discounts may be applied);
- price for exported pig iron is determined based on the range of market prices in the month of the transaction, including correction for transportation costs;
- sale and purchase price for scrap metal is determined based on purchase prices from independent suppliers or based on the range of market prices;
- coal price, depending on the grade, is determined based on the price offers from independent suppliers or based on the range of coal concentrate market prices, including correction for processing, transportation costs and coal concentrate yield factor;
- price for coal processing services rendered is not lower that purchase price for similar services from third parties;
- purchase price for transportation services is in the range of price offers from third parties.

*(in millions of RR unless stated otherwise)*

## 30. Balances and transactions with related parties (continued)

### LLC "TULACHERMET-STAL"

As at 31 December 2022, non-current loans issued by the Group to LLC "TULACHERMET-STAL" maturing in the year 2030 totalled RR 26,765 million (31 December 2021: RR 26,563 million) (see Note 10 and 32).

### Other companies under common control

As at 31 December 2022 non-current loans issued by the Group to other companies under common control of the beneficial controlling owner totalled RR 349 million (31 December 2021: RR 4 million) (see Note 10).

### Remuneration of key management personnel

Remuneration of key management personnel paid, including beneficial controlling owner acting as chief executive officer of MC "IMH", is presented in the table below:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Wages and salaries | 1,326 | 1,276 |
| Contributions to state pension and social insurance funds | 174 | 169 |
| Severance pay | 3 | 15 |
| **Total remuneration of key management personnel** | **1,503** | **1,460** |

All these payments are short-term employee benefits and are included in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income. The compensation was paid to 39 people for the year ended 31 December 2022 and 33 people for the year ended 31 December 2021.

As at 31 December 2022 the remuneration of key management personnel outstanding balance amounted to RR 34 million (31 December 2021: RR 35 million).

The amount of accrued and paid remuneration of key management personnel differs by the amount of accrual/(reverse) of vacation reserve. For the year ended 31 December 2022 the key management personnel vacation reserve accrual amounted to RR 11 million (for the year ended 31 December 2021: the key management personnel vacation reserve reverse amounted to RR 107 million). As at 31 December 2022 the key management personnel vacation reserve amounted to RR 96 million (31 December 2021: RR 75 million).

## 31. Contingencies, commitments and operating risks

### Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing geopolitical tension and sanctions imposed by a number of countries against certain sectors of the Russian economy, Russian companies and individuals.

In 2022 ongoing geopolitical tension significantly escalated as a result of further developments of the situation with Ukraine which has been deteriorating since February 2022 and remains highly unstable. The escalation of the geopolitical situation negatively affected commodity and financial markets, led to increased volatility, which is reflected in rising oil prices, fluctuations in the rouble exchange rate, decline in stock market and revision of the key rate. After 24 February 2022, a number of sanctions were imposed on Russia, restricting the access of large entities to the financial markets of Europe and the United States, including disconnection from the SWIFT international system. These measures have had some negative consequences, in particular, restricting access to foreign financial and legal infrastructure for Russian issuers, which not only reduces the opportunities for attracting new funds, but substantially complicates the fulfillment of current obligations to foreign investors.

To stabilize the situation on the financial market, the Central Bank of the Russian Federation (CBR) has carried out a number of actions to maintain financial stability and continuity of the operational activities of financial organizations, including the introduction of temporary regulatory relief for banks, conducting operations to provide additional liquidity to the banking sector.

The Government of the Russian Federation has carried out a number of actions to provide subsidies from the federal budget to Russian credit organizations to reimburse their lost income on loans issued to system-forming organizations of industry and trade.

## 31. Contingencies, commitments and operating risks (continued)

As part of anti-sanctions measures supporting the Russian Federation economic stability, on 28 February 2022 the President of the Russian Federation signed a decree obliging exporters to sell 80% of revenue in foreign currency, and the CBR raised the key rate to 20% per annum. On 11 March 2022, Russian Rouble reached record low rates of RR 120.3785 / USD 1 and RR 132.9581 / EUR 1. However, soon after the record-high decline, the rouble exchange rate significantly strengthened (see Note 2). On 9 June 2022, a decree of the President of the Russian Federation was issued, which changed the procedure for determining the volume of mandatory sales of revenue by exporters and established that the volume of foreign exchange revenue for mandatory sale will be determined by the government commission on investments, and the terms of sale will be determined by the Board of directors of the CBR. The CBR gradually lowered the key rate to 9.5, and then it was lowered to 7.5% per annum. On December 16, the Board of Directors of the CBR decided to keep the key rate at 7.5% per annum due to the fact that the observed rates of price increases are moderate, and consumer demand is restrained.

At the same time, the CBR noted, that external environment for the Russian economy remains negative and significantly constrains economic activity. Also, a number of regulations have been issued establishing the procedure for the fulfillment of obligations by Russian borrowers to foreign investors, which requires the implementation of a number of additional measures.

Sensitivity to volatile oil and gas prices remains as the main factor influencing the economy. At the same time, there is a change in the main export directions, which entails the need to change the structure of production and increases the risks associated with logistics in new directions, as well as with a scarce labor market.

In March 2022, the Group's management put in place additional procedures to monitor and minimize various risks, as well as to identify internal resources to strengthen economic sustainability.

In April 2022, the European Union, the United Kingdom and Switzerland, within next packages of restrictive measures for a number of Russian legal entities and individuals, imposed personal sanctions against the chief executive officer of MC "IMH", which are binding on the territory of the European Union, the United Kingdom and Switzerland, on their citizens and legal entities registered in these territories. Since the opportunities for interaction with partners from countries that imposed sanctions on the Russian Federation are significantly limited, the Group has reoriented a significant share of commodity flows to the domestic market.

The situation with restrictive measures has affected relations with partners to a greater extent due to the lack of order and experience in such conditions in contracts. As a result, there is a risk of termination of contracts, litigation and other confrontation with counterparties.

As of 31 December 2022, the overall level of uncertainty remains high. The possibility of imposing additional sanctions and restrictions on the business activity of various organizations operating in the region has remained. The full range of impacts and consequences of such decisions for the Group and the economy of the region as a whole is not possible to assess.

In the first quarter of 2023, the International Monetary Fund and the CBR improved the forecast for the dynamics of Russia's GDP for 2023. The positive expectations of the CBR are associated with the revision of the results of previous periods, as well as with significant budget expenditures that contribute to the expansion of aggregate consumer demand in the country. The growing industries, the results of which are largely influenced by public investment, include construction and transport infrastructure, which consume a significant amount of metal products. Given that the main customers of the Group's products are steel companies, this factor will have a positive impact on the business in the medium term.

Considering the risks from the global economy as of the first quarter of 2023, various authoritative sources, in particular, the CBR, note a reduction in the likelihood of a global recession, which is facilitated by the opening of the Chinese economy after the removal of pandemic restrictions, the policy of central banks of developed countries aimed at reducing inflation, and lower prices in energy markets, primarily in Europe. All this has a positive effect on the economies of developing countries, including Russia's key trading partners. At the same time, specific country sanctions risks restrain the impact of positive factors on the Russian economy.

At the same time, it is not possible to determine how long the negative external conditions for the Russian economy will persist and to forecast at which level financial and commodity markets indicators will stabilize.

Although above-mentioned uncertainties may adversely affect the economic and financial performance of the Group in future periods, they do not affect the Group's ability to continue as a going concern.

## 31. Contingencies, commitments and operating risks (continued)

### Capital commitments

As at 31 December 2022 the amount of capital commitments was RR 2,682 million (at 31 December 2021: RR 2,745 million).

### Taxes

Russian tax and customs legislation, enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting such tax positions may be challenged by the tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the tax authorities for three calendar years preceding the year when decisions about the review were made. Under certain circumstances, reviews may cover longer periods.

Russia's transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation empowers the tax authorities to make transfer pricing adjustments and impose additional tax liabilities regarding controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to ensure compliance with this transfer pricing legislation.

Tax liabilities arising from controlled transactions are determined using actual transaction prices. It is possible that, as the interpretation of the transfer pricing rules evolves, such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

### Insurance policies

At 31 December 2022 and 2021, the Group held limited insurance policies on its assets and operations, or for public liability or other insurable risks.

### Environmental and climate change matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised in the consolidated financial statements immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

The Group management has taken note of global awareness and concerns about the potential impact of climate change. Currently, this matter has had no significant impact on the consolidated financial statements, but management continues to monitor developments in this area.

### Legal proceedings

During the 2022 year, the Group was involved in a number of court proceedings (both as a plaintiff and defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding that could have a material effect on the result of the Group's operations or its financial position, and which have not been accrued or disclosed in these consolidated financial statements.

*(in millions of RR unless stated otherwise)*

## 31. Contingencies, commitments and operating risks (continued)

### Licences

The Group is subject to periodic reviews of its activities by government authorities with respect to compliance with the requirements of its mining licences. Management responds promptly, provides reports based on the results of such reviews and, if necessary, cooperates with the government authorities to agree on remedial actions necessary to resolve any findings resulting from such reviews. Failure to comply with the terms of a licence and legal requirements could result in fines, penalties or licence limitation, suspension or revocation. Management believes any issues of non-compliance, including changes in the work plan or financial measures, will be resolved by negotiations, eliminating weaknesses or corrective actions without any adverse effect on the Group's financial position, results of operations, or cash flows. The Group may renew its licences beyond the original expiration date if it meets the licence agreement terms. Accordingly, depreciation of property, plant and equipment and amortisation of other intangible assets related to the licenced areas takes into account the fact that licences will be renewed in the future.

The Group's coal fields are situated on land belonging to the Kemerovo Regional Administration, while its ferruginous quartzite fields are located in territory belonging to the Belgorod Regional Administration. Licences are issued by the Russian Ministry of Natural Resources, and the Group pays mineral resources extraction tax to explore and mine mineral resources from these fields.

| Licence holder | Field | Expiry date |
|---|---|---|
| LLC "Butovskaya mine" | Butovskoe-Zapadnoe and Chesnokovskoe areas of the Kemerovo coal field (Butovskaya mine) | January 2023 |
| LLC "Uchastok "Koksoviy" | Koksoviy area (Vakhrusheva coal mine) | December 2037 |
| LLC "Uchastok "Koksoviy" | Koksoviy area (Glubokiy) | April 2034 |
| LLC "Tikhova mine" | Nikitinsky-2 coal basin | September 2025 |
| JSC "Kombinat KMAruda" | Licence to produce ferruginous quartzite from the Korobkovsky mine | January 2026 |

## 32. Fair value disclosures

Fair value measurements of Group's financial instruments are analysed by their level in the fair value hierarchy as follows:

(i) Level 1 covers measurements made at quoted prices in active markets for identical assets or liabilities;

(ii) Level 2 measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

(iii) Level 3 measurements are valuations not based on observable market data.

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

### Financial assets and liabilities carried at fair value

The following table analyses Group's financial instruments carried at fair value by the level of fair value hierarchy:

| | 31 December 2022 | | | 31 December 2021 | | |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Assets** | | | | | | |
| Loans issued | - | - | 26,765 | - | - | 26,563 |
| Other financial assets | - | - | 50 | - | - | 50 |
| **Liabilities** | | | | | | |
| Other financial liability | - | - | - | - | - | - |
| Financial guarantee | - | - | - | - | - | 111 |

At 31 December 2022 and 2021 the carrying amount of loans issued measured at FVTPL includes loans issued to LLC "TULACHERMET-STAL".

*(in millions of RR unless stated otherwise)*

## 32. Fair value disclosures (continued)

The following table analyses Group’s financial instruments carried at fair value movement for the year ended 31 December 2022:

| | Loans issued | Other financial assets | Financial guarantee |
|---|---|---|---|
| **Fair value at 31 December 2021** | **26,563** | **50** | **(111)** |
| Interest income | 2,097 | - | - |
| Remeasurement at FVTPL | (1,895) | - | - |
| Reversal of remeasurement at FVTPL | - | - | 111 |
| **Fair value at 31 December 2022** | **26,765** | **50** | **-** |

The following table analyses Group’s financial instruments carried at fair value movement for the year ended 31 December 2021:

| | Loans issued | Other financial assets | Other financial liability | Financial guarantee |
|---|---|---|---|---|
| **Fair value at 31 December 2020** | **25,226** | **50** | **(135)** | **(120)** |
| Interest income | 1,561 | - | - | - |
| Repayment of other financial liability | - | - | 135 | - |
| Remeasurement at FVTPL | (61) | - | - | 9 |
| Reclassification | (163) | - | - | - |
| **Fair value at 31 December 2021** | **26,563** | **50** | **-** | **(111)** |

Fair value measurement of loans issued to LLC “TULACHERMET-STAL” is determined using forecasted key rates, average interest rates for Group’s long-term RR-denominated bank loans and forecasted cash flows of LLC “TULACHERMET-STAL”. Due to assumptions underlying fair value estimation, loans issued to LLC “TULACHERMET-STAL” are categorized as Level 3 in the fair value hierarchy, described above.

As at 31 December 2022 the fair value of the loans issued to LLC “TULACHERMET-STAL” is sensitive to forecasted cash flows changes, key rate and discount rate changes (31 December 2021: fair value of the loans issued to LLC “TULACHERMET-STAL” is sensitive to interest rate changes and forecasted cash flows changes). As at 31 December 2022 and 31 December 2021 forecasted cash flow of LLC “TULACHERMET-STAL” is mostly sensitive to production volume changes, raw materials and finished goods prices forecasts.

The table below represents the effect on fair value of the loans issued that would occur from changes of the initial inputs at 31 December 2022:

| | Inputs used | Range of inputs | Reasonable changes | Sensitivity of fair value measurement |
|---|---|---|---|---|
| Loans issued | Key rate | 4.25-7.50% | +1% | (579) |
| | | | -1% | 530 |
| | Discount rate | 6.94-10.19% | +1% | (1,232) |
| | | | -1% | 1,265 |
| | Production volume per year for the period 2022-2030 | 1,388-1,510 th.tn | +10% | 917 |
| | | | -10% | (764) |
| | Finished goods prices average annual change for the period 2023-2030 | -23.04%-+9.95% | +3% | 1,053 |
| | | | -3% | (1,095) |
| | Raw materials prices average annual change for the period 2023-2030 | -22.08%-+4.65% | +3% | (334) |
| | | | -3% | 651 |

The table below represents the effect on fair value of the loans issued that would occur from changes of the initial inputs at 31 December 2021:

| | Inputs used | Range of inputs | Reasonable changes | Sensitivity of fair value measurement |
|---|---|---|---|---|
| Loans issued | Interest rate | 7.94 % | +1% | (993) |
| | | | -1% | 1,034 |
| | Production capacity | 1,500 th.tn | +10% | 67 |
| | | | -10% | (16) |
| | Finished goods prices average annual change for the period 2022-2026 | -2.20%- +2.11% | +3% | 350 |
| | | | -3% | (881) |
| | Raw materials prices average annual change for the period 2022-2026 | -8.65%-+0.86% | +3% | (411) |
| | | | -3% | 230 |

*(in millions of RR unless stated otherwise)*

## 32. Fair value disclosures (continued)

### Financial assets and liabilities carried at amortised cost

Group's financial instruments except those carried at fair value are measured at amortised cost. Management believes that the carrying amount of cash, cash equivalents and restricted cash, accounts receivable and payable in the consolidated statement of financial position approximates their fair value based on level 1 (cash), level 2 (cash equivalents, loans issued and bank deposits) and level 3 (accounts receivable and payable) measurements.

The table below presents financial instruments measured at amortised cost for which carrying amount differs from fair value:

| | 31 December 2022 | | | | 31 December 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Level 1 | Level 2 | Level 3 | Carrying amount | Level 1 | Level 2 | Level 3 |
| **Assets** | | | | | | | | |
| Loans issued and bank deposits | 353 | - | 376 | - | 483 | - | 494 | - |
| **Liabilities** | | | | | | | | |
| Borrowings | 63,036 | - | 63,195 | - | 45,164 | - | 45,786 | - |
| Bonds | 30,187 | 3,003 | - | 20,035 | 31,415 | 31,347 | - | - |

The fair value of loans issued and bank deposits carried at amortised cost was determined using valuation techniques based on Level 2 measurements as expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The fair values of long-term and short-term borrowings carried at amortised cost were determined using valuation techniques. The fair value of floating rate borrowings was estimated to be equal to their carrying amount. The fair value of fixed interest rate borrowings with stated maturity was estimated based on Level 2 measurements as expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The fair value of the Group's bonds was based on quoted active market prices, which are Level 1 measurements, except of the fair value of eurobonds as at 31 December 2022, which was determined based on expected cash flows discounted at interest rate for instruments with similar credit risk, which relates to the Level 3 of the hierarchy.

## 33. Financial risks

The Group's risk management is based on determining risks to which the Group is exposed in the course of ordinary operations. The Group is exposed to the following major risks: (a) credit risk, (b) market risk, and (c) liquidity risk. Risk management is carried out on an ongoing basis and consists of proactive analysis, control and management of all opportunities, threats and risks arising in connection with the Group's operational objectives.

### (a) Credit risk

The maximum exposure to credit risk is represented by the book value of the following financial assets net of expected credit losses allowance.

| | Note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| ***Non-current financial assets:*** | | | |
| Non-current loans issued | 10 | 27,114 | 26,567 |
| Other long-term accounts receivable | | 78 | 174 |
| Other financial assets | | 50 | 50 |
| ***Current financial assets:*** | | | |
| Trade and other accounts receivable | 12 | 20,725 | 15,491 |
| Current loans issued | 13 | 4 | 479 |
| Cash, cash equivalents and restricted cash | 14 | 11,088 | 8,061 |
| **Total carrying value** | | **59,059** | **50,822** |

For minimising of credit risk, the Group takes the following procedures:

- interaction between the Group's structural divisions (commercial, legal, accounting, economic security divisions, etc.) is regulated to ensure that credit risks are minimised;
- sales of products are made to customers with an appropriate credit history;
- the Group mostly sells products to customers that are major market players; and
- when expanding its presence in sales markets, the Group performs stringent legal and financial reviews of potential customers.

*(in millions of RR unless stated otherwise)*

## 33. Financial risks (continued)

### Expected credit losses allowance

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other accounts receivable and contract assets.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. For purposes of measuring probability of default, the group defines default as a situation when the exposure meets one or more of the following criteria:

- the customer is more than 90 days past due on its contractual payments;
- international rating agencies have classified the customer in the default rating class;
- the customer meets the unlikeliness-to-pay criteria listed below:
  - the customer is insolvent;
  - the customer is in breach of financial covenants; and
  - it is becoming likely that the customer will enter bankruptcy.

The Group monitors all financial assets, loans issued and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month estimated credit loss.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment.

The Group analyses all data collected using statistical models and estimates the remaining lifetime probability of default exposures and how these are expected to change over time. The factors taken into account in this process include macro-economic data such as GDP growth, unemployment and interest rates. Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The expected credit losses allowance for account receivable, loans issued measured at amortised cost, cash and cash equivalents and other financial assets as at 31 December 2022 are presented in the table below:

| | **Gross carrying amount** | **ECL allowance** |
|---|---|---|
| - not past due | 29,158 | (220) |
| - less than 30 days overdue | 1,124 | (59) |
| - 31 to 90 days overdue | 374 | (4) |
| - 91 to 360 days overdue | 838 | (230) |
| - over 360 days overdue | 1,556 | (243) |
| **Total** | **33,050** | **(756)** |

*(in millions of RR unless stated otherwise)*

## 33. Financial risks (continued)

The expected credit losses allowance for account receivable, loans issued measured at amortised cost, cash, cash equivalents and restricted cash and other financial assets as at 31 December 2021 are presented in the table below:

| | Gross carrying amount | ECL allowance |
|---|---|---|
| - not past due | 21,746 | (440) |
| - less than 30 days overdue | 467 | (21) |
| - 31 to 90 days overdue | 1,104 | (48) |
| - 91 to 360 days overdue | 1,753 | (319) |
| - over 360 days overdue | 191 | (174) |
| **Total** | **25,261** | **(1,002)** |

The credit quality of not past due financial assets was assessed using historical data on counterparties' failure to pay and the length of the business relationship. The following categories are used by the Group:

- Group 1 – the length of the business relationship with the counterparty is over a year, and the counterparty has never defaulted on its liabilities;
- Group 2 – the length of the business relationship with the counterparty is over a year, and the counterparty has delayed payment but still fulfilled its liabilities; and
- Group 3 – the length of the business relationship with the counterparty is less than a year.

Credit risk related to not past due financial assets (expected to be realised in full) as at 31 December 2022:

| | Group 1 | Group 2 | Group 3 | Total |
|---|---|---|---|---|
| Trade and other receivables | 934 | 14,940 | 1,497 | **17,371** |
| Loans issued | 4 | 349 | - | **353** |
| Other non-current accounts receivable | 32 | 44 | - | **76** |
| Cash, cash equivalents and restricted cash | 11,088 | - | - | **11,088** |
| Other financial assets | 50 | - | - | **50** |
| **Total** | **12,108** | **15,333** | **1,497** | **28,938** |

The table below presents movements in the credit losses allowance for the year ended 31 December 2022:

| | Trade accounts receivable | Loans issued | Other accounts receivable | Total |
|---|---|---|---|---|
| **As at 31 December 2021** | **391** | **293** | **317** | **1,001** |
| Charged to profit or loss | 510 | 35 | 2 | **547** |
| Reversed through profit or loss | (549) | - | (7) | **(556)** |
| Used | (44) | (39) | (154) | **(237)** |
| **As at 31 December 2022** | **308** | **289** | **158** | **755** |

Credit risk related to not past due financial assets (expected to be realised in full) as at 31 December 2021:

| | Group 1 | Group 2 | Group 3 | Total |
|---|---|---|---|---|
| Trade and other receivables | 1,755 | 10,647 | 138 | **12,540** |
| Loans issued | 4 | - | 479 | **483** |
| Other non-current accounts receivable | 136 | 36 | - | **172** |
| Cash and cash equivalents | 8,061 | - | - | **8,061** |
| Other financial assets | 50 | - | - | **50** |
| **Total** | **10,006** | **10,683** | **617** | **21,306** |

The table below presents movements in the credit losses allowance for the year ended 31 December 2021:

| | Trade accounts receivable | Loans issued | Other accounts receivable | Total |
|---|---|---|---|---|
| **As at 31 December 2020** | **272** | **147** | **395** | **814** |
| Charged to profit or loss | 230 | 164 | 19 | **413** |
| Reversed through profit or loss | (86) | - | (22) | **(108)** |
| Used | (25) | (18) | (75) | **(118)** |
| **As at 31 December 2021** | **391** | **293** | **317** | **1,001** |

### 33. Financial risks (continued)

***Concentration of credit risk***

Management monitors concentrations of credit risk by obtaining reports listing exposures to counterparties with aggregated balances in excess of 5% of the Group's net assets. As of 31 December 2022, the Group had a concentration of credit risk due to loans issued to related party in the amount of RR 26,765 million and due to trade and other receivables from related party in the amount of RR 16,734 million (31 December 2021: loans issued to related party in the amount of RR 26,563 million and trade and other receivables from related party in the amount of RR 9,809 million) (see Notes 10 and 12). At 31 December 2022 and 31 December 2021, there were no other significant credit risk concentration, due to the diversified structure of the Group's counterparties and timely repayment of the receivables.

At 31 December 2022, the Group's significant bank accounts are held mainly with major Russian banks, mainly Bank VTB, AB Rossiya, Promsvyazbank, Gazprombank and Sberbank (2021: Gazprombank, Sberbank, Alfa-Bank and Bank VTB) thus exposing the Group to a concentration of credit risk (see Note 14).

### (b) Market risk

***Foreign currency risk***

The Group has international operations and, therefore, is exposed to foreign currency risk arising due to changes in euro and US dollar exchange rates against the Russian rouble. Foreign currency risk is managed by making operating decisions depending on the current market situation.

The amounts of the Group's assets and liabilities denominated in a foreign currency other than the functional currency of the Group's companies as at 31 December 2022 are provided below:

| | **in thousands of USD** | **in thousands of EUR** |
|---|---|---|
| Trade and other receivables | 19,001 | 126 |
| Cash and cash equivalents | 197 | 40 |
| Trade accounts payable | (11,428) | (3,255) |
| Bonds | (355,699) | - |
| **Net total, in foreign currency** | **(347,929)** | **(3,089)** |

The Group's assets and liabilities denominated in USD amounted RR 24,472 million at the exchange rate as at 31 December 2022. The Group's assets and liabilities denominated in EUR amounted RR 234 million at the exchange rate as at 31 December 2022.

The analysis of the effect of foreign currency risk on the Group's profit/equity for 2022 is given below.

The official CBR USD/RUB exchange rate at 31 December 2022 was RR 70.3375 / USD 1. A 20% decrease/increase in the USD/RUB exchange rate would have resulted in an increase/decrease of Group's net profit for the year of RR 3,916 million.

The official CBR EUR/RUB exchange rate as at 31 December 2022 was RR 75.6553 / EUR 1. A 20% decrease/increase in the EUR/RUB exchange rate would have resulted in an increase/decrease of Group's net profit for the year of RR 37 million.

The amounts of the Group's assets and liabilities denominated in a foreign currency other than the functional currency of the Group's companies as at 31 December 2021 are provided below:

| | **in thousands of USD** | **in thousands of EUR** |
|---|---|---|
| Trade and other receivables | 9,179 | 313 |
| Current loans issued | 3,917 | - |
| Cash and cash equivalents | 4,324 | 421 |
| Trade accounts payable | (20,284) | (6,392) |
| Bonds | (353,346) | - |
| Borrowings | (96,887) | - |
| Interest payable | (7) | - |
| **Net total, in foreign currency** | **(453,104)** | **(5,658)** |

The Group's assets and liabilities denominated in USD amounted RR 33,662 million at the exchange rate as at 31 December 2021. The Group's assets and liabilities denominated in EUR amounted RR 476 million at the exchange rate as at 31 December 2021.

The analysis of the effect of foreign currency risk on the Group's profit/equity for 2021 is given below.

## 33. Financial risks (continued)

The official CBR USD/RUB exchange rate at 31 December 2021 was RR 74.2926 / USD 1. A 20% decrease/increase in the USD/RUB exchange rate would have resulted in an increase/decrease of Group's net profit for the year of RR 5,386 million.

The official CBR EUR/RUB exchange rate as at 31 December 2021 was RR 84.0695 / EUR 1. A 20% decrease/increase in the EUR/RUB exchange rate would have resulted in an increase/decrease of Group's net profit for the year of RR 76 million.

***Interest rate risk***

The Group is exposed to interest rate risk on short-term and long-term loans issued, borrowings and bonds. Instruments issued at fixed interest rates expose the Group to fair value fluctuations due to changing interest rates.

The Group minimises interest rate risk by:

- monitoring trends in the domestic (RR) and global (USD/EUR) currency markets;
- monitoring analyst reviews and comments by leading financial institutions and major global information agencies; and
- making decisions based on analyses of the interdependence of such parameters as currency, term, amount and interest rate type.

In the year ended 31 December 2022 if bank loans variable interest rates had been 100 basis points higher/lower, the Group's net profit for the year would have been lower/higher of RR 260 million. In the year ended 31 December 2021 if bank loans variable interest rates had been 100 basis points higher/lower, the Group's net profit for the year would have been lower/higher of RR 220 million (see Note 18).

### (c) Liquidity risk

In order to minimise liquidity risks, the Group maintains committed credit facilities in major domestic and international banks. The Group determines the necessary credit limit on the basis of ten-year, five-year, annual and monthly financial plans for each entity within the Group and for the Group as a whole.

The Group distinguishes between funds needed depending on what they will be used for.

Working capital needs are mainly financed through short-term credit lines and overdrafts at the minimal interest rate offered in financial markets under existing market conditions.

Investment programmes to acquire new high-cost equipment, construct new production facilities, or rebuild and upgrade existing facilities are financed through medium-term and long-term credit facilities.

The Group has raised a number of public borrowings in the past and intends to further pursue such endeavours depending on market conditions. The relevant loan arrangements contain financial and non-financial covenant terms that the Group must comply with. The Group management established an effective process that allows to proactively monitor the execution of contract terms and receive a consent from respective lenders to waive its right for early demand of loans repayment before the potential breach occurs, if any.

Management monitors the correspondence of repayment periods for external and internal debts with the payback period for the relevant assets at both the strategic and operational levels. The Group uses both general ratios (adjusted EBITDA, adjusted EBITDA/Revenue, Net Debt/adjusted EBITDA, adjusted EBITDA/Interest expense, Debt/Equity, etc.) and a number of special debt (liquidity) ratios in its decision-making.

Management allocates available cash surpluses, based on the issuance of intra-group loans approved by the general shareholders' meeting, among the Group's entities to attain optimal and balanced availability of funds for each entity. Such allocation may be used to replenish working capital in each entity without the need to raise third-party borrowings and, when necessary, to refinance more costly bank facilities and other borrowings.

*(in millions of RR unless stated otherwise)*

## 33. Financial risks (continued)

The table below provides an analysis of non-discounted cash flows related to the Group's contractual obligations by maturity as at 31 December 2022:

| | Payable in the period | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Within 3 months** | **3-12 months** | **1-2 years** | **2-3 years** | **3-4 years** | **4-5 years** | **Beyond 5 years** | **Total** |
| Trade accounts payable | 10,751 | 1,790 | 179 | 39 | - | - | - | **12,759** |
| Other accounts payable | 2,013 | 182 | - | - | - | - | - | **2,195** |
| Borrowings: | | | | | | | | |
| *- Principal* | 6,837 | 35,929 | 13,790 | 6,500 | - | - | - | **63,056** |
| *-Interest payable as of 31 December 2022* | 129 | - | - | - | - | - | - | **129** |
| *- Interest to be accrued in future periods** | 1,411 | 2,493 | 1,549 | 105 | - | - | - | **5,558** |
| Bonds: | | | | | | | | |
| *- Principal* | - | 5,000 | - | 24,618 | - | - | - | **29,618** |
| *-Interest accrued as of 31 December 2022* | 695 | - | - | - | - | - | - | **695** |
| *- Interest to be accrued in future periods** | 391 | 958 | 1,452 | 1,452 | - | - | - | **4,253** |
| **Total** | **22,227** | **46,352** | **16,970** | **32,714** | **-** | **-** | **-** | **118,263** |

** Bank interest to be accrued in future periods was estimated based on the terms and conditions of loan and borrowing agreements in effect as at the reporting date.*

Liabilities due within 12 months are to be paid by cash received from operating activities and external financing received subsequent to the reporting date.

The table below provides an analysis of non-discounted cash flows related to the Group's contractual obligations by maturity as at 31 December 2021:

| | Payable in the period | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Within 3 months** | **3-12 months** | **1-2 years** | **2-3 years** | **3-4 years** | **4-5 years** | **Beyond 5 years** | **Total** |
| Trade accounts payable | 16,782 | 4,016 | 390 | 134 | 10 | - | - | **21,332** |
| Other accounts payable | 123 | 302 | - | - | - | - | - | **425** |
| Leases | 7 | 2 | - | - | - | - | - | **9** |
| Borrowings: | | | | | | | | |
| *- Principal* | 5,570 | 14,667 | 23,733 | 1,200 | - | - | - | **45,170** |
| *-Interest payable as of 31 December 2021* | 128 | - | - | - | - | - | - | **128** |
| *- Interest to be accrued in future periods** | 959 | 2,140 | 1,845 | 31 | - | - | - | **4,975** |
| Bonds: | | | | | | | | |
| *- Principal* | - | - | 5,000 | - | 26,002 | - | - | **31,002** |
| *-Interest accrued as of 31 December 2021* | 589 | - | - | - | - | - | - | **589** |
| *- Interest to be accrued in future periods** | 464 | 1,119 | 1,826 | 1,534 | 1,534 | - | - | **6,477** |
| **Total** | **24,622** | **22,246** | **32,794** | **2,899** | **27,546** | **-** | **-** | **110,107** |

** Bank interest to be accrued in future periods was estimated based on the terms and conditions of loan and borrowing agreements in effect as at the reporting date.*

As at 31 December 2022, the Group's current liabilities exceeded current assets by RR 27,747 million (as at 31 December 2021: RR 4,126 million). The Group had undrawn borrowing facilities in the amount of RR 34,897 million as at 31 December 2022 (out of which RR 33,666 million are long-term facilities) (as at 31 December 2021: the Group had undrawn borrowing facilities in the amount of RR 39,118 million (out of which RR 33,618 million are long-term facilities)) (see Note 18). Accordingly, management prepared these consolidated financial statements based on going concern assumption.

*(in millions of RR unless stated otherwise)*

## 34. Capital risk management

The capital structure of the Group consists of net debt (short-term and long-term borrowings and bonds offset by cash and cash equivalents) and equity of the Group.

Every year, the Group plans and carries out investment programmes to maintain a high technical and technological level for its property, plant and equipment, avoid business interruptions, maintain environmental protection and life safety standards, and introduce new production facilities that can ensure the Group's future profitability.

The Group has defined following criteria for the requirements (positive NPV, average payback period of five years, internal rate of return at least 20%, Net Debt / EBITDA below 4.0, EBITDA / Interest expense at least 1.5 and other indicators) for both small-scale and large-scale investment projects, including new investment projects under consideration.

## 35. Profit per share

The amount of basic profit per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Company has no dilutive potential ordinary shares; therefore, the diluted profit per share equals the basic profit per share.

Profit per share is calculated as follows:

| | Note | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|---|
| Profit for the year | | 9,488 | 25,923 |
| Weighted average number of ordinary shares in issue (millions of shares) | 15 | 291.95 | 329.91 |
| **Basic and diluted profit per ordinary share (in RR per share)** | | **32.50** | **78.58** |

## 36. Non-controlling interest

The following table provides information about JSC "TULACHERMET", the only Group subsidiary that has a non-controlling interest that is material to the Group (information is presented before inter-company eliminations):

| Carrying amount of non-controlling interest | | Loss attributable to non-controlling interest | | Revenue | | Loss | | Total comprehensive loss | |
|---|---|---|---|---|---|---|---|---|---|
| at 31 December 2022 | at 31 December 2021 | for the year ended 31 December 2022 | for the year ended 31 December 2021 | for the year ended 31 December 2022 | for the year ended 31 December 2021 | for the year ended 31 December 2022 | for the year ended 31 December 2021 | for the year ended 31 December 2022 | for the year ended 31 December 2021 |
| 162 | 252 | (90) | (36) | 68,265 | 87,770 | (4,245) | (1,684) | (4,245) | (1,684) |

| Current assets | | Non-current assets | | Current liabilities | | Non-current liabilities | |
|---|---|---|---|---|---|---|---|
| at 31 December 2022 | at 31 December 2021 | at 31 December 2022 | at 31 December 2021 | at 31 December 2022 | at 31 December 2021 | at 31 December 2022 | at 31 December 2021 |
| 34,373 | 29,928 | 41,900 | 38,952 | (52,529) | (36,953) | (14,945) | (18,883) |

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Net cash used in operating activities | (9,520) | (16,179) |
| Net cash (used in)/from investing activities | (1,187) | 1,087 |
| Net cash from financing activities | 11,753 | 17,657 |
| Net increase in cash and cash equivalents | 1,046 | 2,565 |
| Effects of exchange rate fluctuations on cash and cash equivalents | 6 | (69) |
| Cash and cash equivalents at the beginning of the year | 5,780 | 3,284 |
| Cash and cash equivalents at the end of the year | 6,832 | 5,780 |

As of 31 December 2022 the ownership share held by non-controlling interests in the equity of JSC "TULACHERMET" was equal to the voting rights share held by non-controlling interests and amounted to 2.12%, the share of ordinary shares held by non-controlling interests amounted to 0.8% (as of 31 December 2021: 2.12% and 0.8%, respectively).

## 36. Non-controlling interest (continued)

No dividends were paid by JSC “TULACHERMET” to non-controlling shareholders in the years ended 31 December 2022 and 31 December 2021.

Holders of the non-controlling interest in JSC “TULACHERMET” have the right to veto any transaction with related parties with a financial effect above 10% of the book value of the entity's assets as estimated in accordance with the RAS financial statements as of 31 December 2022 – RR 7,276 million (as of 31 December 2021 – RR 6,255 million).

## 37. Subsequent events

### LLC “Butovskaya mine”

In February 2023 LLC “Butovskaya mine” has been adjudged bankrupt and bankruptcy management has been initiated.