2023

ANNUAL REPORT

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Since its acquisition of the Košice Steelworks in 2000, U. S. Steel Košice (USSK) has been a significant strategic and financial contributor to U. S. Steel. Powered by the best steelworkers in all of Europe, USSK has reliably delivered strong financial results, exceptional safety performance, and a stellar environmental record.

As the following report details, USSK continued to build on its remarkable legacy in 2023. Once again demonstrating its tremendous value to U. S. Steel, USSK notched extraordinary safety results and solid financials, even during this historically challenging period in Europe. And it accomplished all this while making meaningful investments in digitization.

To the more than 7,700 employees at USSK: thank you for all you do, and all you continue to do. Your embodiment of our S.T.E.E.L. Principles is laudable. Congratulations and thank you for another terrific year.

David Burritt
CEO U. S. Steel

2023 was an historic year for the whole of U. S. Steel, and certainly for USSK. Against a challenging backdrop driven by the ongoing war in Ukraine, elevated energy costs, and the challenged industrial production environment across the continent, the USSK team delivered a solid financial performance, operational excellence, and a remarkable safety record. USSK's employees are powering the business towards a sustainable future – and doing so in a safe and responsible manner. It is my honor to lead them.

As this report details, in 2023, USSK responded flexibly and dynamically to changing market conditions in order to maintain competitiveness. We are nothing if not resilient. The upshot was a good year in a very challenged environment, with meaningful progress notched on our journey to a sustainable future, and with key investments made in digital and artificial intelligence. The year, of course, was capped off by the announcement of Nippon Steel's acquisition of U. S. Steel.

As it has been the case since the beginning of U. S. Steel's operations in Košice, we delivered strong financial results while behaving safely and environmentally responsibly.

Steel is the cornerstone of modern society, and we know that we must work to make our industry more sustainable for the long haul. Indeed, steel is necessary to the ongoing energy transition. It is essential for electric vehicle motors, wind turbines, as well as solar panels. The improvement of its functional properties, together with the possibility of endless recycling without loss of quality, makes steel the material of not just the present, but also the future.

Nonetheless, steel production is energy intensive. We believe that the steel industry needs to reduce its emissions intensity in a meaningful way to contribute to achieving not only a safe, modern and sustainable society, but also a cleaner planet, for all of us – and for our children and, in my case, grandchildren.

That's why our investments in digitization are so exciting. The process of digitalization began in Košice Iron and Steel Works in the early 1990s. Today,

U. S. Steel Košice has its own IT department with more than 200 employees, including a plethora of data engineers and scientists who are driving our business forward with artificial intelligence.

In fact, digitalization is now embedded in most of our production and support processes. We started the first projects based on data evaluation with advanced analytics and artificial intelligence in 2017. Today, in the areas of raw material procurement, prediction of process parameters at various production steps, production process control, visual quality control, as well as prediction and optimization of energy consumption, these digital tools not only help us to save more than 30 million euros per year, but also, and above all, reduce the environmental impact of our production.

Our forthcoming partnership with Nippon Steel will only strengthen our strides towards environmental sustainability. Our common ambition will be innovation-oriented research towards the most efficient and environmentally sustainable applications. Both companies aim to share their cutting-edge technologies and manufacturing capabilities to be at the forefront of innovation and digital transformation in steelmaking.

As always, the dedication, hard work and commitment of our employees form the foundation of our strong corporate culture. USSK´s employees are the best steelworkers in Europe, and each day they make remarkable contributions not only to our business, but to our communities as well.

I firmly believe that our daily efforts, responsibility, and commitment will drive our success in the decades to come, and together we will build to a more sustainable future for all of us.

Thank you for your interest in USSK.

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

2023 AT U. S. STEEL KOŠICE IN NUMBERS

Quantity of steel produced
3.987 million metric tons of raw steel slabs

Net loss
31 milion EUR

Sales and other income
3,756 milion EUR

Employment
7,712*

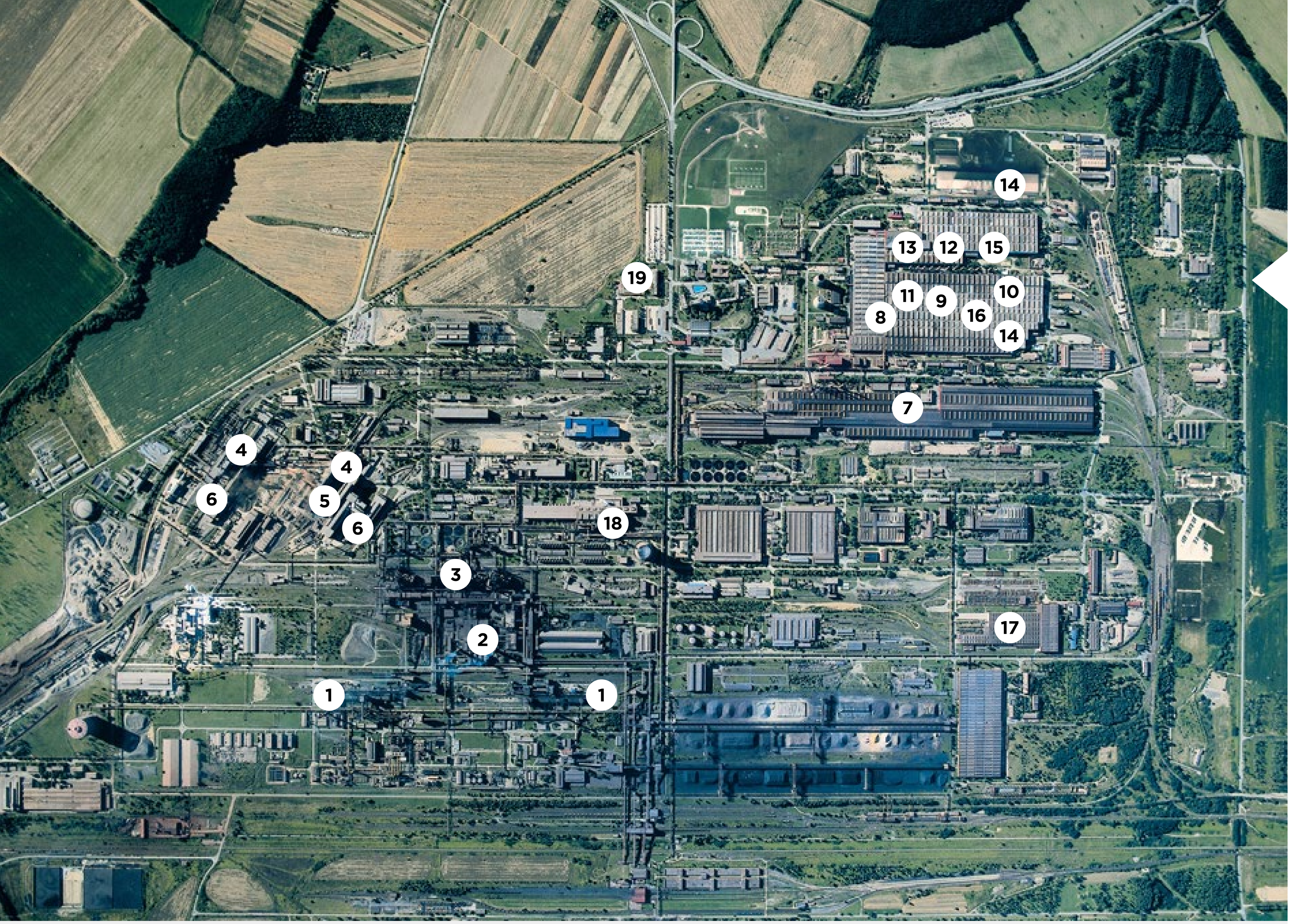
Proportion of women
14.5%

Proportion of women among statutory representatives
25%

OSHA Days Away From Work Fequency
0.000

OSHA Recordable Injuries Frequency
0.084

* U. S. Steel Košice, as of December 31, 2023



U. S. Steel Košice, s.r.o. was established as a limited liability company on June 7, 2000 and inscribed in the Commercial Register of Municipal Court Košice I, Section Sro, Insert 11711/V on June 20, 2000. The Company's registered office is at Vstupný areál U. S. Steel, 044 54 Košice and as of december 31, 2023, its sole shareholder was U. S. Steel Global Holdings VI B.V., Basisweg 10, 1043 AP, Amsterdam, Netherlands. The ultimate parent company is United States Steel Corporation, 600 Grant Street, Pittsburgh, Pennsylvania, USA (United States Steel Corporation hereinafter also referred to as U. S. Steel or USS).

As of December 31, 2023, U. S. Steel Košice, s.r.o. had 4 subsidiaries, 2 of them located in Slovakia and 2 abroad. The Company does not have an organizational unit abroad, or other remote production sites.

On December 18, 2023, U. S. Steel announced that, following a robust review of strategic alternatives, it entered into a merger agreement with Nippon Steel Corporation (NSC). NSC has agreed to acquire all outstanding shares of U. S. Steel common stock for $55.00 per share in cash. Upon the closing of the transaction, U. S. Steel will cease to be a publicly traded company. This transaction represents an exciting, new chapter for both iconic corporations, "Moving Forward Together as the Best Steelmaker with World-Leading Capabilities." The transaction combines cutting-edge technologies across NSC and U. S. Steel to advance innovation and deliver high-grade steel products, such as electrical steel and automotive flat steel to customers around the world. NSC and U. S. Steel will share their world-leading technologies and manufacturing capabilities to be at the forefront of innovation and digital transformation in steelmaking for the benefit of customers. After conducting a robust and competitive review throughout the second half of 2023, U. S. Steel's Board of Directors believes this transaction represents the best path forward for the company and its stockholders. The purchase price delivers a premium of approximately 142 percent to U. S. Steel's share price as of August 11, 2023, the last trading day before the strategic alternatives review process was publicly announced. The proposed transaction with NSC is subject to approval by U. S. Steel's stockholders and the satisfaction of customary regulatory approvals, and other customary closing conditions. Until that time, both companies will continue to operate independently.

COMPLEX PRODUCTION AND TECHNOLOGICAL PLANT

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

U. S. Steel Košice, s.r.o. has annual raw steel production capability of **4.5 million metric tons.** Operation facilities include two coke batteries (**1**), four sintering strands (**2**), three blast furnaces (**3**), four steelmaking vessels (**4**), a vacuum degassing unit (**5**), two dual strand continuous casters (**6**), a hot strip mill (**7**), two pickling lines (**8**), two cold reduction mills (**9**), a batch annealing facility (**10**), a skinpass (**11**), two-stand tandem mill (**12**), two continuous annealing lines (**13**), two hot-dip galvanizing lines (**14**), two tin-coating lines (**15**), one dynamo line (**16**), a color-coating line (**16**) and two spiral-welded pipelines (**17**). U. S. Steel Košice, s.r.o. also has multiple slitting, cutting and other finishing lines for flat products. Power engineering plant (**18**) is also part of the Company. The research and development unit (**19**) runs corporate excellence centers for coal and coke, electrical steels, statistics and mathematical analyses.

MEMBERSHIP IN ORGANIZATIONS

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

HISTORY

- **1959** – On the basis of the government´s decision, the Deed of Foundation, establishing the national enterprise – the East Slovakian Steelworks (VSŽ) – was signed on April 1.
- **1960** - On January 4 construction of the iron and steel works started. More than four thousand people participated in the official groundbreaking.
- **1965** – One of the largest investment projects – construction of the first blast furnace – was completed and the first iron was smelted on June 2.
- **1966** – The whole metallurgical cycle was completed thanks to rapidly proceeding construction.
- **1969** – The old type of radiator production started.
- **1972** – The first spiral welded pipe intended for export.
- **1982** – On April 28 the continuous casting of steel slabs was officially put into operation.
- **1989** – VSŽ, national enterprise was transformed on July 1 into a state company.
- **1990** – From November 15 the steel company became a joint-stock company (a.s.).
- **1991-1992** – VSŽ was included in the first wave of voucher privatization.
- **1995** – VSŽ, a.s. became an associate member of Eurofer – the European Steel Association.
- **1996** – The last ingot was rolled out in the Slabbing Plant on January 10. This technology was then replaced by steel casting into slabs.
- **1998** – VSŽ and the United States Steel Corporation set up a joint venture based in Košice.
- **2000** – On November 24 the United States Steel Corporation took over the Košice steelworks.
- **2007** – Galvanizing Line No. 3 was officially brought into operation.
- **2023** – In December 2023 Japan Nippon Steel announced the acquisition of the United States Steel Corporation.

COMPANY MANAGEMENT

AS OF DECEMBER 31, 2023:

JAMES E. BRUNO
President/statutory representative

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

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

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

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

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

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

Ing. MARCEL NOVOSAD
Vice President Operations / statutory representative

TOMÁŠ KURIATNIK, MBA
Vice President Information Technology

SUPERVISORY BOARD

DUANE DOUGLAS HOLLOWAY
Chairman

MANPREET SINGH GREWAL

Mgr. EVA DURZÓOVÁ

INTRODUCTION

STRATEGY

Mission Statement	Be a supplier of choice for industrial customers in Central Europe and beyond providing sustainable steel solutions and best customer service.		
Key Success Factors	**Win in Attractive Markets** Optimize within current capabilities and identify new opportunities to provide differentiated value added steel products	**Move Down the Cost Curve** Ensure cost leadership especially given lack of differentiation driven by current capability constains	**Move Up the Talent Curve** Build on existing experience and dedication of the workforce, minimize negative impact of aging workforce
Key Initiatives	Decarbonization program (state of the art electric mill, Air Separation Unit (ASU) 10, smaller projects)		
	Increasing value added capacity		
	Operational efficiency and process excellence enabled by digital and analytics (MetriX)		
	Digital transformation: ENTERPRISE RESOURCE PLANNING PROGRAM (ERP), DIGITAL & ANALYTICS		
		Footprint optimization	
			Digital Skills

Building on USS's corporate strategy and recognizing specifics of the local environment and the segment, USSK aspires to be a supplier of choice for industry in Central Europe and beyond providing sustainable steel solutions and best customer service.

This aspiration stems from USSK's strengths, including a wide portfolio of products, quality credentials and customer service accolades.

With its strategy, USSK aims to target three main success factors:

- **Grow its presence in attractive market segments** (within current constraints and through potential future projects).
- **Continue its efforts in cost leadership** acknowledging that steel is a globally traded commodity where price (and hence production costs) is one of the key buying factors.
- **Continue developing its experienced and highly dedicated workforce.**

To deliver this strategy, USSK is managing a portfolio of initiatives comprising mainly:

- **Decarbonization plan**
  - » Focused on significant reduction of future CO_2 footprint through implementation of technological changes including State-of-the art mill with Electric Arc Furnaces (EAFs), Direct Casting and Rolling (DCR) and several electrification projects such a new air separation unit or an electric blower.
- **Increasing value-added capacity**
  - » USSK has been continuously improving throughput of existing value-added lines and will continue to pursue these opportunities.

» In addition, USSK has identified several potential projects in this area which may become relevant after decarbonization.

✔ **Operations and process excellence**

» Continuous improvement is in the DNA of USSK. As steel is, to some extent, a commodity product, USSK aspires to outperform its competitors on key value drivers in operations (such as yields, productivity or fuel rates).

» After completing the BestX program in 2023, USSK is starting the next wave of its continuous improvement program under the name MetriX (formerly BestX), this time covering years 2024 and 2026. More details on BestX can be found in *Continuous Improvement Programs section.*

✔ **Digital transformation – ERP, Digital&Analytics**

» Leveraging digital tools is key to improving our operations.

» We are in the middle of replacing our home-grown legacy ERP system with a new market leading standardized solution which will enable a sustainable future through digital solutions and reliable process and data.

» In addition, we will continue running a Digital&Analytics program focused on implementing innovative digital and AI solutions in our processes.

✔ **Footprint optimization**

» We continuously evaluate our core and non-core activities to ensure we maximize returns to our shareholders.

✔ **Digital skills**

» As part of our Digital&Analytics program, USSK invests into capability building of its employees through a range of trainings focused on Digital and AI skills including internal bootcamps and several levels of AI academy in cooperation with Pavol Jozef Šafárik University.

USSK management has quantified the strategy and regularly reviews progress towards achieving ambitious targets in safety, profitability, carbon footprint as well as customer experience and employee engagement.

INTRODUCTION

SUSTAINABILITY AND ESG

SUSTAINABILITY
CORPORATE SOCIAL RESPONSIBILITY (CSR)
ESG ISSUES

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

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

BEST FOR ALL®

Our Best for All® strategy is focused on providing customers with profitable steel solutions for people and planet, creating a more sustainable future for all our stakeholders. This strategy is informed by assessment of the climate-related risks and opportunities in our industry as well as potential climate impacts on our facilities, customers, and suppliers.

U. S. STEEL CORPORATE FRAMEWORK

Celebrate Innovation

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

7 9 12

Protecting Environment

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

6 7 12 13 15 17

Empower People

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

3 4 5 8 10 11

SUSTAINABLE DEVELOPMENT GOALS AT USSK

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

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

3 GOOD HEALTH AND WELL-BEING	• At USSK, safety first remains our primary and the most important value in protecting life and health at work • Occupational safety and health management system (p. 93) • Safety Culture and related campaigns (p. 95) • REACH (p. 97) • Crisis management (p. 99)
4 QUALITY EDUCATION	• Cooperation with high schools and universities (p. 51, 81) • Scholarship Program (p. 102) • Promotion of employee training to raise skills (Seduo, Mentoring program) (p. 79-81)
5 GENDER EQUALITY	• USSK Code Of Ethical Business Conduct (p. 118) • Selection of employees (p. 88) • Enhancement of women's working conditions, assistance with professional development, and work-life balance (p. 89-92)
6 CLEAN WATER AND SANITATION	• Mitigating impact on environment (p. 57) • Water Management (p. 62)
7 AFFORDABLE AND CLEAN ENERGY	• Energy Efficiency (p. 70)

8 DECENT WORK AND ECONOMIC GROWTH	• Employee Social Program and Cooperation with Labor Unions (p. 84) • Promotion of diversity & inclusion (p. 86)
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Certified quality management system (p. 40) • Research and development (p. 41) • Investments into various projects (p. 45, 50)
10 REDUCED INEQUALITIES	• Support of Marginalized Roma Community (p. 88) • Inclusion of Colleagues with Disabilities (p. 87) • The Company's Community and Regional Support (p. 100) • USSK Code Of Ethical Business Conduct (p. 118)
11 SUSTAINABLE CITIES AND COMMUNITIES	• Volunteering and Regional Community Programs (p. 111)
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Customer Satisfaction Survey (p. 40) • Circular Economy (p. 60) • Recycling of by-products, including slag, dust, and sludge (p. 60)
13 CLIMATE ACTION	• Mitigating impact on environment (p. 57) • EU Emissions Trading System (p. 68) • USS path to Net-Zero Greenhouse Gas Emissions (p. 66)
15 LIFE ON LAND	• Mitigating impact on environment (p. 57) • Nature and Landscape Protection (p. 57)
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• Bribery prevention - Anti-corruption Policy (p. 118) • Thorough confirmation of no use of conflict material (p. 122)
17 PARTNERSHIPS FOR THE GOALS	• Community Engagement (p. 100)

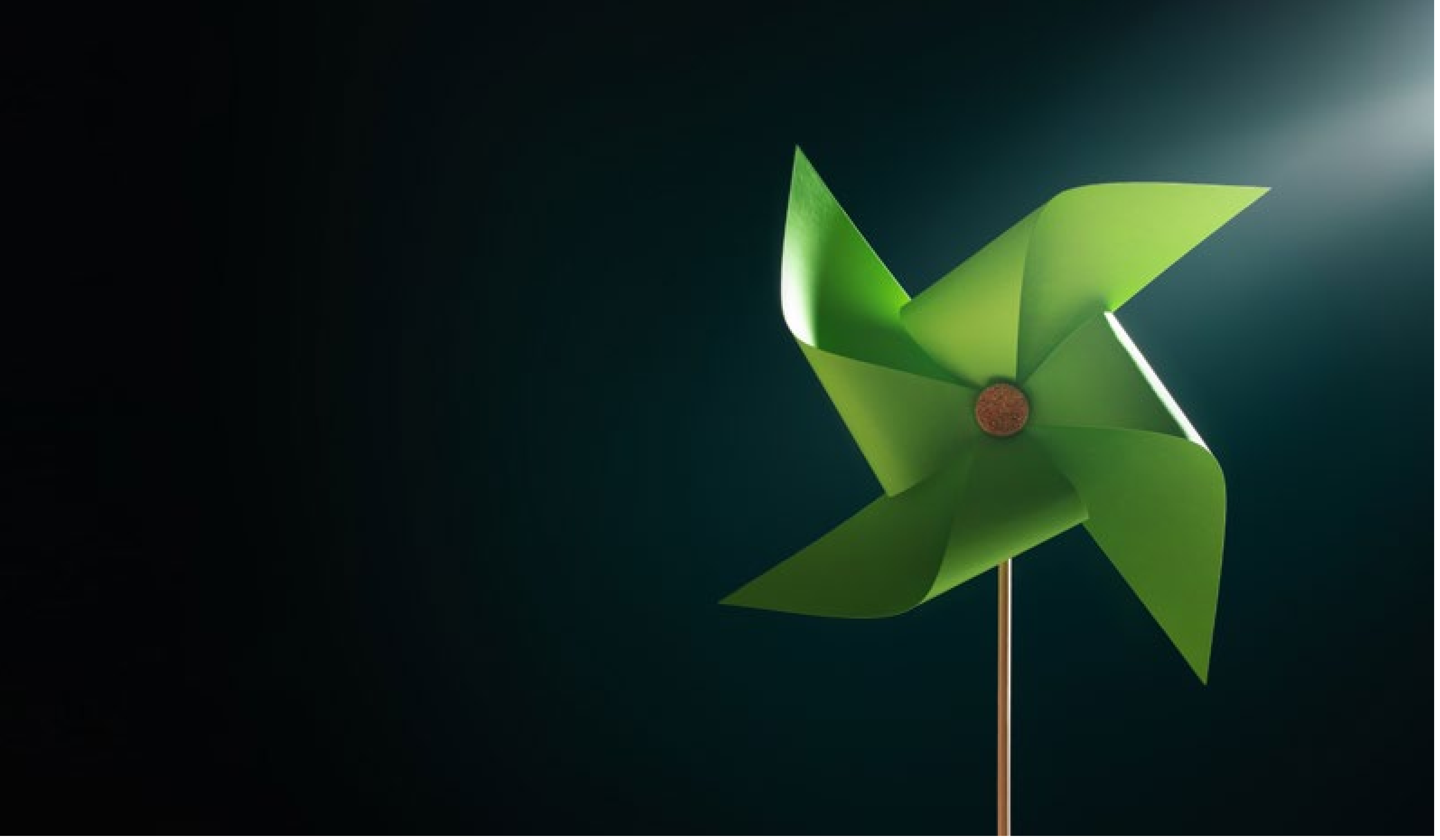
ESG

Corporate Social Responsibility (from English CSR) and **ESG (Environmental, Social, Governance** representing the criteria used to assess a company's impact on climate and the environment, its societal impact and the quality of decision-making and management) are anything new for our Company. We have been producing in Slovakia high-quality steel that serves world needs for more than 20 years. Long before the word "sustainability" began to be used in connection with the business to society relationship, the Company applied a responsible approach in its business. Since the beginning of our operations in Košice, we have followed the principles of ethical and transparent business of the first Chairman of the Supervisory Board of U. S. Steel, Elbert Gary, which he introduced at the beginning of the 20th century.

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

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

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



MATERIALITY ASSESSMENT AND STAKEHOLDER ENGAGEMENT

U. S. Steel Košice has been intensively preparing for the new obligation to compile a sustainability report according to the European Sustainability Reporting Standards (ESRS). Therefore, at the end of 2023, a **double materiality assessment** was conducted, based on these standards. On the identified set of cross-sectional ESG topics, which were selected from the relevant sustainability context of U. S. Steel Košice, U. S. Steel, as well as for similar companies operating in the steel segment, the Company evaluated the importance of these topics from the point of view of impacts and financial significance. In addition, it engaged a wide range of internal and external stakeholders from employees, investors, affected communities, the value chain and non-governmental organizations to confirm the internal assessment of double materiality. Stakeholders were involved in the form of a questionnaire or dialogue, within which they evaluated the importance of ESG topics for themselves and for other stakeholders.

The disclosure of the double materiality assessment will be prepared as part of the annual report compiled on the basis of the Corporate Sustainability Reporting Directive (CSRD).

SUSTAINABILITY THROUGHOUT THE PRODUCTION PROCESS

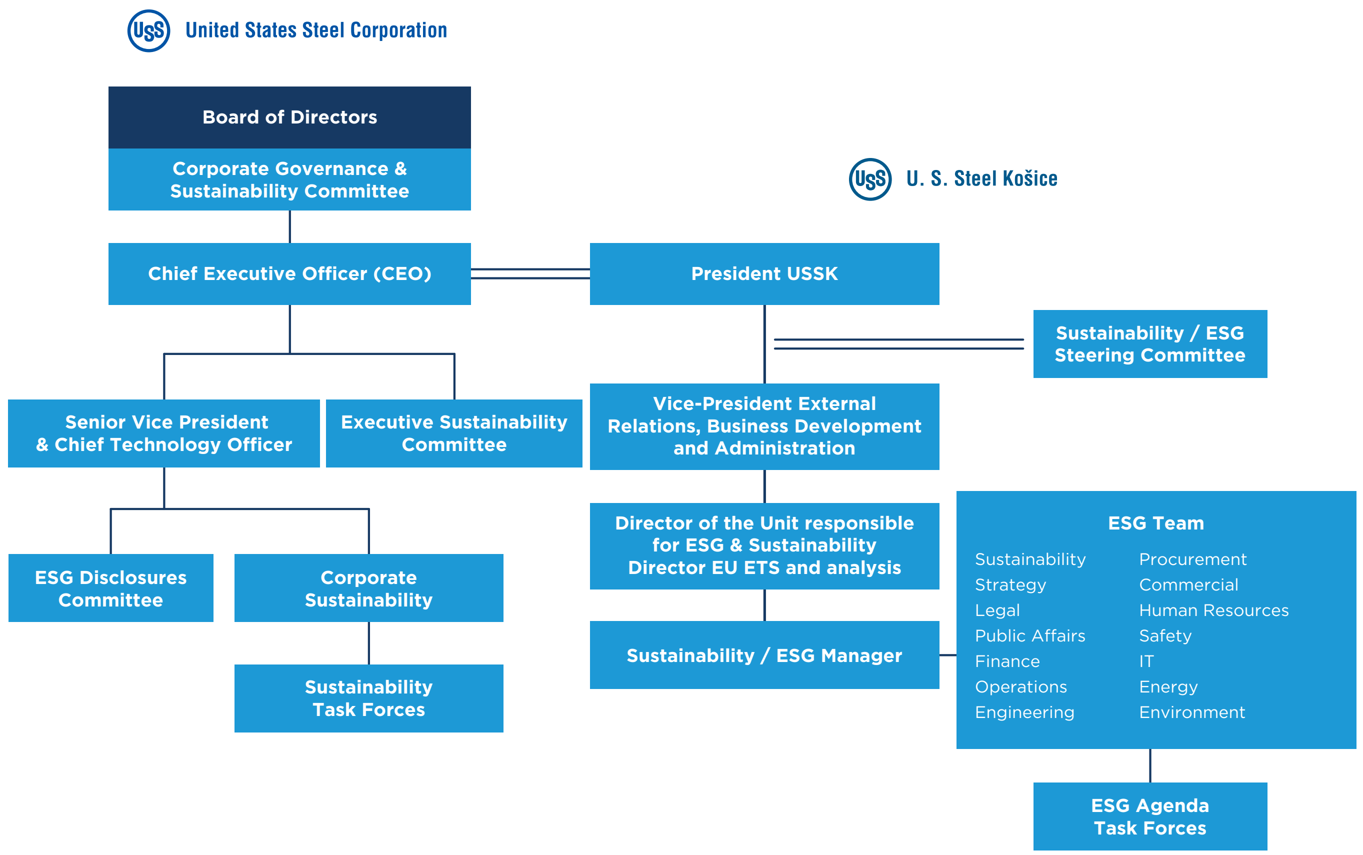
Sustainability within U. S. Steel means ensuring that our Company creates long-term value for all who participate in it - for investors, customers, employees, the community where we live and work, and ultimately for the planet.

Within U. S. Steel Košice we systematically work on the development of our Company's sustainability strategy. We have an effectively functioning ESG / Sustainability team, which covers the agenda across the entire scope of the Company as we are not indifferent to sustainability. We believe that a responsible and sustainable way to succeed is key to our business. It not only brings economic development, but also strengthens the motivation and loyalty of employees, evokes customer satisfaction and loyalty, promotes understanding with the community in which we operate and live, and last but not least, is beneficial to our shareholders.

U. S. Steel is an active ResponsibleSteel™ (RS) member. Being committed to the RS standard, which stems from and follows ESG principles, USS obtained the 1st Site certification in North America (Big River Steel). While supporting USS RS membership, USSK has been, in close cooperation with the corporate team, actively preparing for RS Site Certification process.

Within U. S. Steel Košice, ESG agenda is the responsibility of the Vice President for External Relations, Administration and Business Development, Director of EU ETS Strategy and Analysis and Sustainability/ESG Manager.

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



BUSINESS ENVIRONMENT

TRUSTED BY OUR EMPLOYEES, CUSTOMERS, INVESTORS, COMMUNITY

Company Management (ESG)

- Transparent and ethical management of the company
- Diversity

Procurement of raw materials, products and services (ESG)

- **Transparent and responsible principles for supplier selection and cooperation with suppliers**
- Implementation of **Supplier Code of Conduct** and the **Code of Responsible Sourcing**
- **Use of alternative materials**

    - Use of **recyclable materials** in the production of refractory materials.
    - Use of **BIO alternatives** for sealing and insulating materials as a substitute for materials with carcinogenic elements.
    - Purchase of so-called **green zinc** - use of recycled extracted zinc ore from the dump for the re-production of zinc blocks using new technologies.
    - Use of metal-bearing by-products from the engineering industry in agglomeration and blast furnace feed.

- **A greener approach to transport**

    - Transport of raw materials - **85 %** of our deliveries are imported using **rail transport,** 15 % are imported using **ship transport** and **less than 1 %** uses a **road transport.**

Production (ESG)

- Monitoring and systematically reducing environmental impact
- Efficient and responsible use of raw materials, energy, and water
- Reuse of natural raw materials, use and purification of water, reduction of air pollution or waste treatment are the main areas of environmental protection in our company
- We strategically invest in R&D, including lower-emission steel production
- **Steel production is an ideal example of a CIRCULAR ECONOMY:**

    - Steel can be infinitely recycled without loss of quality. At USSK, we can use up to 3,000-4,000 tons of scrap per day.
    - Steel has an average lifespan of 40 years, and many steel products can be reused at their end of life, conserving resources
    - By-products of the production process can be further used
    - 60 % of technological residues of the production is blast furnace and steel slag, which has additional uses in various industries. Waste that cannot be further used is stored on our safe landfills.
        - **By-products and materials** that are formed during the production process of steel and coke are reused in **various segments of industry and construction.** They are not landfilled, thus impact on the environment is being minimized.
        - **Granulated blast** furnace slag is used as an additive in the production of cement, by-products from the production of coke and coke oven gas are used in the **chemical industry.**
        - In the area of **recovery and treatment of selected waste** by stabilization and / or decontamination, recycled material is used for landfill reclamation (or disposed at the landfill of non-hazardous waste).
    - USSK produces approximately 60 % of the total electricity consumed at the plant.

- The steel industry is constantly innovating new products and processes. Of the 3,500 grades of steel in use today, 75% did not exist 20 years ago
- Steel production energy consumption has decreased by about 60% since the 1960s, thanks to energy efficiency improvements
- Advanced High-Strength Steels make applications across industries lighter and stronger, reducing their environmental footprint
- Nearly all technologies designed to reduce greenhouse gas (GHG) emissions rely on steel: renewable energy generation, transportation, electrification and the hydrogen industry. In order to transition to net-zero GHG emissions by 2050, the world needs steel
- By 2050, global steel use is expected to rise about 20% from today's level to meet the needs of the world's growing population

Products (ESG)

- We respond, among others, to the needs of the construction, automotive, white goods and energy industries
- We are constantly expanding our product portfolio
- Our products help to create sustainable infrastructure and promote a more sustainable lifestyle.
- Transport of products - changing to eco-friendly, multimodal method of material delivery to customers, through distribution warehouses in Germany (CO_2 savings in 2021 - 3,692 tons, CO_2 savings in 2022 – 4,013 tons, CO_2 savings in 2023 – 2,595 tons)

Quality and safe working environment (ESG)

- Fair, ethical, and respectful treatment of our employees
- Opportunities for further development
- A wide range of benefits (beyond the legislative requirements)
- Safe, healthy, and quality working life for our people
- Safety of our employees is our priority
- We implement complex safety projects
- We provide our employees with the necessary personal protective equipment (PPE)

Engaged member of the community (ESG)

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

INTRODUCTION

TAXONOMY

REPORTING OF INFORMATION IN ACCORDANCE WITH THE EU TAXONOMY

The Company is required by Regulation (EU) 2020/852 of the European Parliament and of the Council establishing a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088 (the "Taxonomy Regulation" or "EU Taxonomy") to evaluate and disclose information for 2023 on the proportion of revenues, capital expenditures, and operating expenses that are associated with eligible economic activities or economic activities that comply with the EU Taxonomy.

The Company has followed the following applicable delegated regulations in developing the EU taxonomy requirements in this reporting period:

- Commission Delegated Regulation (EU) 2021/2139 (so-called delegated regulation on climate), which contains a classification of economic activities that contribute significantly to climate change mitigation and/or adaptation for **climate** change. The economic activities covered by this delegated regulation are to be assessed not only for their eligibility but **also for their alignment** with the EU taxonomy, i.e., appropriate technical assessment criteria are also taken into account.
- Commission Delegated Regulation (EU) 2023/2486 (the so-called delegated regulation on environment), which includes a classification of economic activities that contribute significantly to at least one of the remaining **environmental** objectives of the taxonomy: pollution, water and marine resources, biodiversity, and ecosystems and/or circular economy. This regulation applies for the first time from 1 January 2024 and in the first year of reporting we therefore report **only the eligibility** of our economic activities in accordance with the requirements of the regulation, i.e., the share of eligible or non-eligible economic activities in our total turnover, capital expenditure and operating expenditure.

1. Eligible economic activities of USSK

An eligible economic activity under the EU taxonomy (hereinafter referred to as an 'eligible economic activity') is an economic activity that is described in the delegated regulations supplementing the EU taxonomy, regardless of the fact whether that economic activity meets some or all of the technical screening criteria determined in those delegated acts.

The main activity of the Company is to produce and sell steel products, which include slabs, sheets, steel strips, tin-plated products, and spiral-welded pipes. As supporting activity which the Company consider also to be eligible in terms of EU taxonomy, USSK provides availability and regulating electricity.

In addition to our core business, the Company also engages in ancillary activities, such as the processing and material and energy recovery of waste, the sale of by-products generated as residues from our production, as well as the care of the environment within the USSK premises as well as in adjacent protected areas on which the Company may have a potential impact. These non-core activities are so insignificant in terms of total turnover, capital, and operating expenditure that they are considered immaterial and are not analyzed further under the EU taxonomy.

Therefore, among the eligible economic activities under the EU taxonomy, we list the following activities for USSK:

Eligible economic activities of the Company according to the EU taxonomy

Economic activity	Description	Significant contribution to an environmental objective	Contribution to the indicator	NACE Code
3.9. Iron and Steel Production	Production of iron and steel and ferro alloys	Climate change mitigation	Turnover, Capital expenditure, Operating costs	24.10
4.9 Transmission and distribution of electricity	Operation of transmission and distribution system	Climate change mitigation	Turnover	35.12

2. Aligned economic activities of USSK

An economic activity is considered environmentally sustainable if it is aligned with the EU taxonomy (hereafter referred to as 'aligned economic activity') and meets all of the following requirements under Article 3 of the EU Taxonomy Regulation:

- It meets the technical screening criteria set by the European Commission in accordance with the Regulations, namely:
  - It makes a significant contribution to one or more of the environmental objectives set out in the Regulation.
  - It does not significantly harm any of these environmental objectives (DNSH principle).
  - It is carried out in accordance with the minimum social safeguards set out in the Regulation.

The Company assessed its eligible economic activities against the technical screening criteria only in the context of the delegated regulation on climate, that is, specifically the activities related to production of iron and steel production and transmission and distribution of electricity. However, after reviewing the technical screening criteria, the Company concluded that these activities fail to align with the EU taxonomy, as is explained below.

The technical screening criteria of eligible activities (assessment of alignment with EU taxonomy) will be reviewed in the next reporting period for the financial year 2024, provided that the Company will have at least one such eligible activity.

2.1 TECHNICAL SCREENING CRITERIA

2.1.1 Significant contribution to the objective of climate change mitigation

The economic activity of iron and steel production contributes significantly to the objective of mitigating climate change if production process has not exceeded the limits of greenhouse emission emitted determined in Regulation. Similarly, there are emission thresholds for the activity of transmission and distribution of electricity that would confirm the low carbon production of electricity.

The Company does not meet technical screening criteria for either of activities, after the assessment, therefore can no longer be assessed as environmentally sustainable.

2.1.2 Do No Significant Harm Principle (DNSH)

In addition to significant benefits, the technical screening criteria also address the so-called 'no significant harm' principle, which should ensure that the economic activity does not have a significant negative impact on the environment and does not undermine any other environmental objective set out in Article 9 of Regulation (EU) 2020/852:

a) Adapting to climate change

As far as this activity, the Company is required to meet the criteria set out in Appendix A of the Climate Delegated Regulation, which requires an assessment of climate risks, their severity and an assessment of adaptation solutions that can mitigate the identified physical climate risk while taking into account the lifetime of the activity in question.

The Company will make such an assessment of climate risks in future reporting periods, also in view of the disclosure requirement for this information under European Reporting Standard ESRS E1.

b) Sustainable use and protection of water resources

For this activity, the Company needs to meet the criteria set out in Appendix B of Annex I of the Climate Delegated Regulation. Assessment on impact as for environment, as for water is performed by the Company in compliance with valid legislation and with regulation 2011/92/EU.

c) Pollution prevention and control

The activities follow the principles of the general environmental, health and safety guidelines contained in the internal Occupational Health and Safety (OHS) document. Reports are regularly submitted, and obligation fulfilled in the applicable standards and regulations regarding the use of the substances listed in:

- Regulation (EU) 2019/1021 of the European Parliament and of the Council on Persistent Organic Pollutants
- Regulation (EC) No 1005/2009 of the European Parliament and of the Council on substances that deplete the ozone layer.

d) Protection and restoration of biodiversity and ecosystems

The Company must comply with the criteria set out in Appendix D of the Climate Delegated Regulation to carry out an environmental impact assessment in accordance with Directive 2011/92/EU. However, only activities that meet the thresholds set by Act 24/2006 are subject to such an assessment, and the Company did not carry out any such activities in the reporting period.

2.1.3 Minimum social safeguards

According to Article 3(c) of the EU taxonomy, any economic activity that is considered environmentally sustainable must be carried out in accordance with minimum safeguards.

Minimum safeguards are defined in Article 18(a) of the EU taxonomy as practices that ensure that environmentally sustainable economic activities are carried out in accordance with:

- OECD Guidelines for Multinational Enterprises (2011)[1]
- The UN Guiding Principles on Business and Human Rights (UNGP)[2] , including the principles and rights set out in the eight core conventions set out in the ILO Declaration on Fundamental Principles and Rights at Work[3]
- The International Charter of Human Rights[4]

The assessment of the Minimum safeguards was carried out in the light of the Final Report on Minimum safeguards prepared by the Platform for Sustainable Finance in October 2022[5].

Assessments of compliance with minimum social safeguards were carried out for the four areas examined:

- Human rights (including labor and consumer rights)
- Corruption and bribery
- Taxation
- Fair competition

There have been no human rights violations (including labor and consumer rights) in the Company, either during the reporting period or historically. To ensure the proper functioning of the company in the field of human rights, the Company's Ethical Code of Conduct is in place. In order to proactively prevent corrupt conduct and bribery, the Company has established an Internal System for handling complaints of anti-social activities. In 2023, the Company has also received a designation of "Highly Reliable Tax Entity" from the Slovak Financial Administration.

[1] https://www.oecd.org/daf/inv/mne/48004323.pdf

[2] https://www.ohchr.org/sites/default/files/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

[3] https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/normativeinstrument/wcms_716594.pdf

[4] https://www.ohchr.org/sites/default/files/Documents/Publications/Compilation1.1en.pdf

[5] https://finance.ec.europa.eu/system/files/2022-10/221011-sustainable-finance-platform-finance-report-minimum-safeguards_en.pdf

3. The Company accounting policies

Key Performance Indicators (KPIs) include a turnover indicator, a capital expenditure indicator and an operating expenditure indicator. The disclosure of KPIs is in line with the EU taxonomy and in accordance with Annex II to the EU Commission Delegated Regulation on disclosure[6] and Annex II to the EU Commission Delegated Regulation on residual environmental targets[7].

As the Company does not have any aligned activity under the terms of the EU taxonomy, ratios of aligned KPIs show zero values for turnover, capital and operating expenses and only non-zero values for the ratios of eligible (non-aligned) activities.

The aggregate share of economic activities eligible and aligned to each of the Company's indicators is shown in the following Table:

Proportion of economic activities eligible and aligned under the EU taxonomy for 2023 (turnover, capital expenditure, operating costs)

Year ending 31 December 2023	Total (ths. of EUR)	Share of eligible (non-aligned) economic activities (%)	Share of aligned economic activities (%)	Share of non-eligible economic activities (%)
Turnover	3,755,511	83%	0%	17%
Capital expenditure	262,082	100%	0%	0%
Operating expenses	106,175	100%	0%	0%

3.1 TURNOVER

Turnover consists of revenues recognized from sales of own products and related services net of tax and discounts. The main activities of the Company are the production and sale of steel products, which include slabs, sheet, strip mill plate, tin mill products and spiral welded pipes. In addition, the Company provides supporting services related availability and regulatory electricity. The Company also produces coke which is primarily used in the steel making process (Note 19 of IFRS Financial Statements). Certain activities from other income were excluded either by their recognition under IAS 20 — Accounting for Government Grants and Disclosure of Government Assistance or by its kind (income recognized under IFRS 9 Financial Instrument: Recognition and Measurement).

Unanalyzed activities are non-homogeneous activities that are individually insignificant, unrelated to and not aligned with the Company's core business and represent less than 1% of total revenue and other income.

The Company does not report any proportion of turnover associated with aligned economic activities as explained in Chapter 3 and section 2.1.1.

[6] European Commission Delegated Regulation No 2021/2178 of 6 July 2021, supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of the information to be disclosed by businesses covered by Article 19a or 29a of Directive 2013/34/EU with regard to environmentally sustainable economic activities and specifying the methodology for fulfilling that disclosure obligation

[7] https://eur-lex.europa.eu/legal-content/SK/TXT/PDF/?uri=OJ:L_202302486

Financial year 2023	Year 2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	Code	Turnover	Proportion of turnover	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Minimum Safeguards	Proportion of taxonomy-aligned (A.1) or -eligible (A.2) turnover, year N-1	Category enabling activity	Category transitional activity
		(000 EUR)	%	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[2]	Y/N[2]	Y/N[2]	Y/N[2]	Y/N[2]	Y/N[2]	Y/N[2]	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
none		0	0%	Non-applicable													0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
3.9 Manufacture of iron and steel	CCM 3.9	3,104,646	82.5%	Y	N	N	N	N	N	Non-applicable						Y	3,827,335		T
4.9 Transmission and distribution of electricity	CCM 4.9	14,143	0.5%	Y	N	N	N	N	N							Y	0		T
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		3,118,789	83.0%	83%	0%	0%	0%	0%	0%							Y	3,827,335		T
A. Turnover of Taxonomy-eligible activities (A.1 + A.2)		3,118,789	83.0%	83%	0%	0%	0%	0%	0%							Y	3,827,335		T
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		636,722	17.0%																
TOTAL		3,755,511	100%																

[1] Y – Yes, Taxonomy-eligible and Taxonomy / N – No, Taxonomy-eligible but not Taxonomy / NEL – Not eligible

[2] Yes / No

The turnover ratio was determined as the ratio of the turnover associated with eligible economic activities (numerator) to the total turnover of the Company as defined by the EU taxonomy (denominator) for the year ending 31 December 2023.

Revenue indicator

CAPITAL EXPENDITURE

The Company does not report any portion of capital expenditures related to the aligned economic activities as explained in Chapter 3 and section 2.1.1.

The capital expenditure indicator is defined as the ratio of capital expenditure related to aligned economic activities (numerator) to total capital expenditure as defined by the EU taxonomy (denominator) for the year ending 31 December 2023. However, the Company does not report any portion of capital expenditures related to the aligned economic activities as explained in Chapter 3 and section 2.1.1. Hence the Company only calculated the eligibility ratio using the similar methodological approach as described above.

The denominator and numerator include capital expenditure related to the main economic activity.

Capital expenditures (CAPEX) consist of additions to property, plant, and equipment, including investment property and right of use assets and intangible assets (Note 5 and 7 of IFRS Financial Statements). Technical improvement of non-current asset is also included. Additions of assets resulting from

Capital expenditure indicator

Financial year 2023	Year 2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	Code	CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Minimum Safeguards	Proportion of taxonomy-aligned (A.1) or -eligible (A.2) CapEx, year N-1	Category enabling activity	Category transitional activity
		(000 EUR)	%	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[2]	Y/N[2]	Y/N[2]	Y/N[2]	Y/N[2]	Y/N[2]	Y/N[2]	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
none		0	0%	Non-applicable													0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
3.9 Manufacture of iron and steel	CCM 3.9	262,082	100.0%	Y	N	N	N	N	N	Non-applicable						Y	82,395		T
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		262,082	100.0%	100%	0%	0%	0%	0%	0%							Y	82,395		T
A. CapEx of Taxonomy-eligible activities (A.1 + A.2)		262,082	100%	100%	0%	0%	0%	0%	0%							Y	82,395		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		0	0.0%																
TOTAL		262,082	100%																

[1] Y – Yes, Taxonomy-eligible and Taxonomy / N – No, Taxonomy-eligible but not Taxonomy / NEL – Not eligible

[2] Yes / No

Financial year 2023		Year 2023		Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)									
Economic activities	OpEx	OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Circular economy	Pollution	Biodiversity	Minimum Safeguards	Proportion of taxonomy-aligned (A.1) or -eligible (A.2) OpEx, year N-1	Category enabling activity	Category transitional activity
		(000 EUR)	%	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[1]	Y/N/ NEL[2]	Y/N[2]	Y/N[2]	Y/N[2]	Y/N[2]	Y/N[2]	Y/N[2]	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
none		0	0%	Non-applicable													0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
3.9 Manufacture of iron and steel	CCM 3.9	106,174	100.0%	Y	N	N	N	N	N	Non-applicable						Y	82,395		T
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		106,174	100.0%	100%	0%	0%	0%	0%	0%							Y	82,395		T
A. OpEx of Taxonomy-eligible activities (A.1 + A.2)		106,174	100%	100%	0%	0%	0%	0%	0%							Y	82,395		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		0	0.0%																
TOTAL		106,174	100%																

Operating expenses indicator

[1] Y – Yes, Taxonomy-eligible and Taxonomy / N – No, Taxonomy-eligible but not Taxonomy / NEL – Not eligible

[2] Yes / No

the merger were also included (Note 8 of IFRS Financial Statements). For determining taxonomy-eligible capital expenditures, all ongoing investment projects were reviewed. All CAPEX were determined as eligible based on EU Taxonomy as they relate to production and eligible activities either directly or are directly driven by legislative requirements and changes and are related to main eligible activity.

OPERATING EXPENSES

The Company does not recognize any proportion of operating expenses associated with the aligned business activities as explained in Chapter 3 and section 2.1.1.

When calculating the eligible operating expenses, the indicator was defined as the ratio of operating expenditure related to aligned economic activities (numerator) to total operating expenditure as defined by the EU taxonomy (denominator). However, the Company does not report any portion of operating expenditures related to the aligned economic activities as explained in Chapter 3 and section 2.1.1. Hence, we only calculated the eligibility ratio using the similar methodological approach as described above.

Among operating costs according to the EU taxonomy, we considered costs related to maintenance and repair of buildings, plant and equipment, research and development, and short-term leases and rentals. As regards to USSK, these operating costs mainly consist of costs related to maintenance and repairs and all other costs related to day-to-day maintenance.

CELEBRATING INNOVATION

CELEBRATING INNOVATION

PROCESS INNOVATION

COLLABORATING WITH CUSTOMERS TOWARD SHARED SUCCESS

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

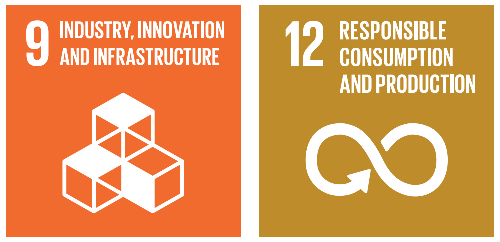
These collaborations have been extraordinarily successful, in large part because of the high level of trust we've built with our customers over time through our strong business relationships. There's a mutual respect for each other's knowledge and expertise, a comprehensive understanding of each other's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

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

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

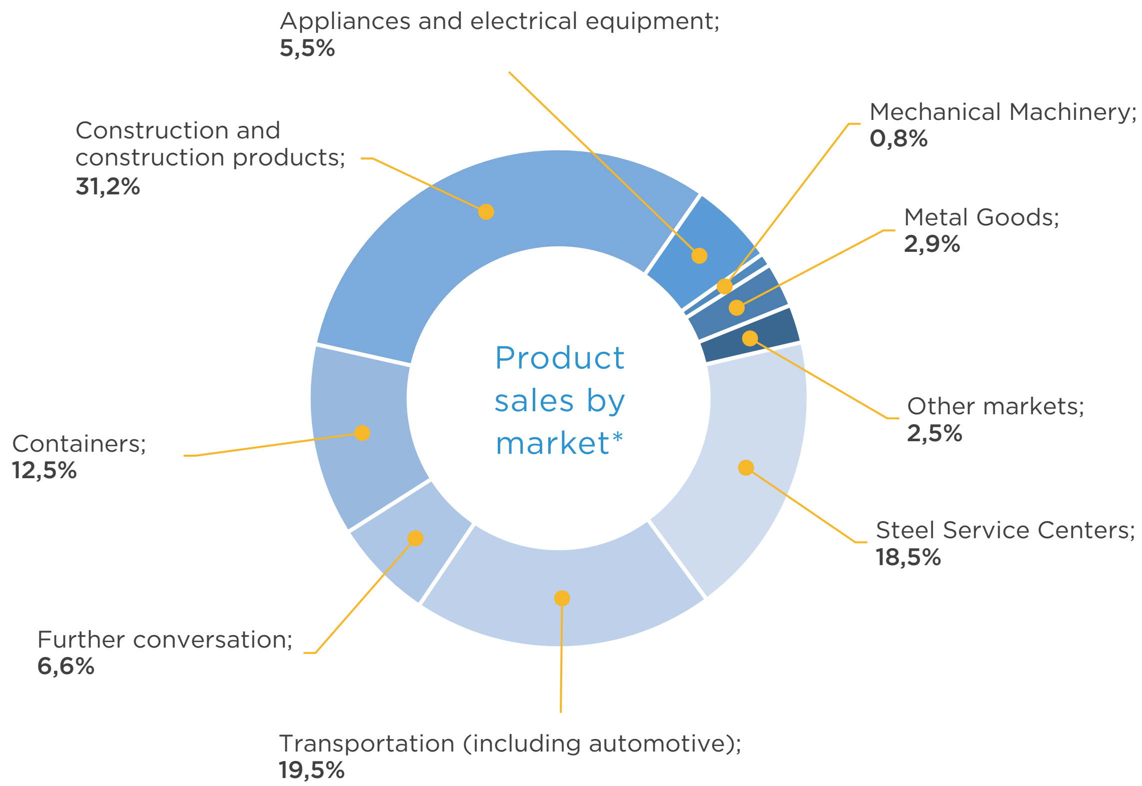
CELEBRATING INNOVATION

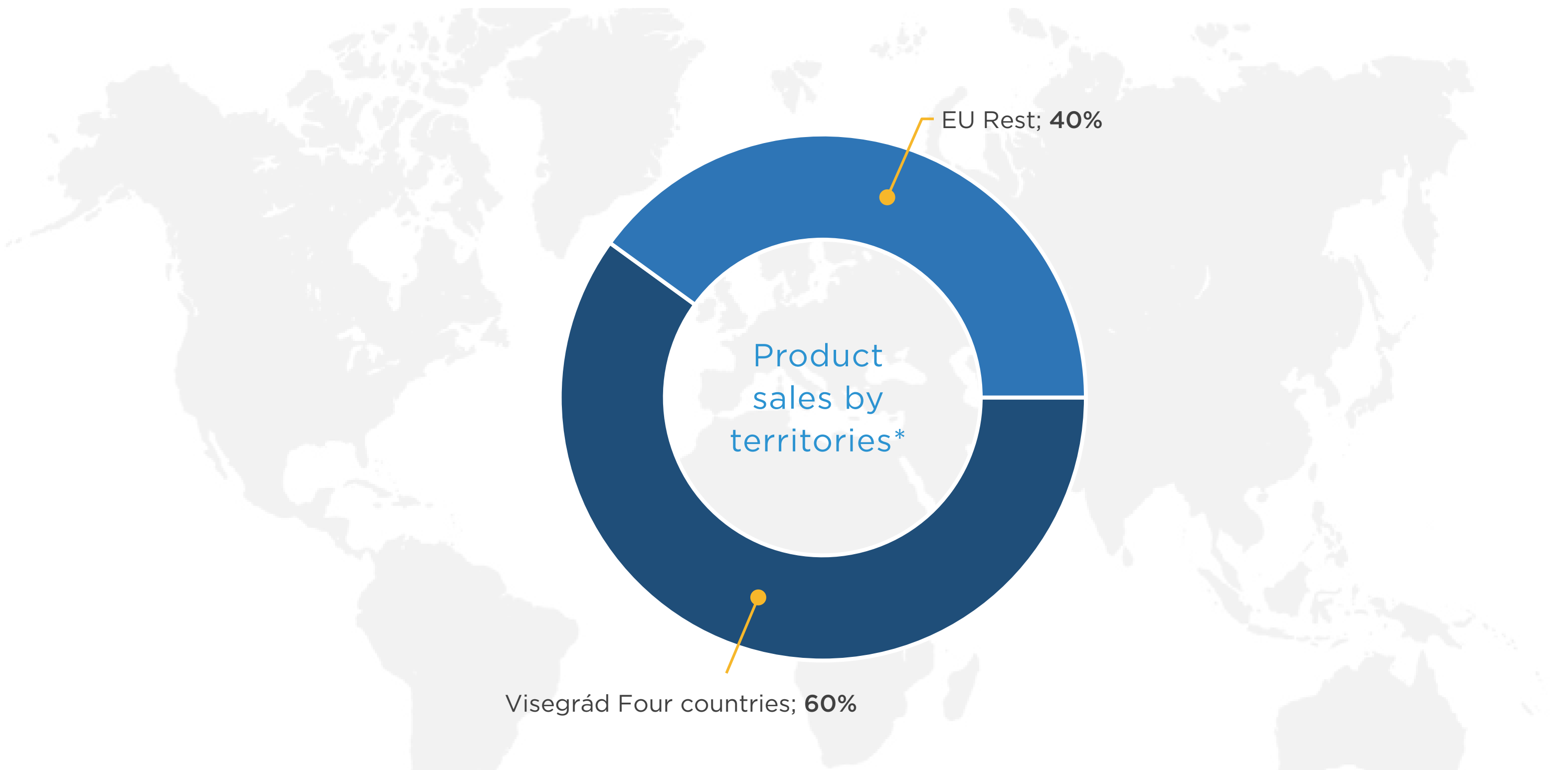
PRODUCTS AND INDUSTRIAL SOLUTIONS



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

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





Main territories

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

* Of the total shipped volume

CELEBRATING INNOVATION

QUALITY AND CUSTOMER TECHNICAL SUPPORT (CTS)

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

In 2023, the Company successfully completed a **surveillance audit according to EN ISO 9001:2015 and IATF 16949:2016,** thus confirming suitability and the efficiency of established processes. As part of USSK's transformation processes, several activities were streamlined and developed in this area, in order to accumulate activities connected with meeting the requirements of USSK's certified management systems in the area of environment, energy efficiency, safety (a combined audit of these systems was carried out) and maintenance of railway transport (ECM) with the vision of introducing an integrated management system.

In the field of **internal quality**, when defining demanding internal goals, the quality of deliveries in 2023 was evaluated positively by USSK customers.

✓ **The target of 1.67 %** for the category Reclassified material (Divert) was at the level of **1.26 %**

✓ **The target of 1.44 %** for the category Repaired material (Retreat) was at the level of **0.93 %**

As for external quality, in 2023 a positive trend in customer claims was recorded. Compared to 2022, number of received claims decreased by 2 %.

As to cooperation with customers, the **Customer Satisfaction Survey** is a significant **external quality parameter of supplied products and services**. The response rate in 2023, reached the same record level as in previous year, **99 %,** whereby the customer satisfaction rating reached a **value of 1.69** (on a scale of 1 – excellent down to 5 – poor). **This result belongs to 3 best customer satisfaction survey ratings since U. S. Steel acquired Košice plant.** Customer Satisfaction Survey having clearly showed stable and consistent quality level of supplied products proved the leading position of USSK in the area of delivery performance, sales service and mainly in customer technical service.

CELEBRATING INNOVATION

RESEARCH & DEVELOPMENT

WE CONTRIBUTE TO INCREASING EFFICIENCY AND SUSTAINABILITY

Research and development in 2023 responded to the current state of the steel market, the energy crisis as well as the general situation caused by the war in Ukraine. Therefore, the aim of the research and development activities was, on the one hand, the improvement and optimization of production processes and, on the other hand, the satisfaction of customer requests. To speed up and make project development more efficient, the established agile project management has proven itself.

FOCUS OF RESEARCH AND DEVELOPMENT ACTIVITIES

- By using of analytical methods and optimization we have substantially improved purchasing of strategic materials and supply chain with minimization of their negative effect on product quality.
- Increasing the productivity and efficiency of production brought a reduction in CO_2 emissions as well as a reduction in the production energy intensity and production costs.
- In the area of primary production, the processes of deoxidation, alloying and casting of steels were optimized. The use of advanced analytical methods and artificial intelligence continued in the modeling of metallurgical processes.
- Implementation of the process automation decreased energy consumption and steel losses.
- The group of products in which the implementation of models for the prediction of mechanical properties has replaced the implementation of a mechanical test has significantly expanded. In addition to saving material and time for sampling and sample processing, the risk of injuries associated with these activities was eliminated.
- Increasing the quality of products was an integral part of research and development. Projects aimed at improving the internal cleanliness, surface quality and mechanical properties of steels were implemented.
- The development of new grades of steels tailored to the specific customers' needs and requirements continued. The mechanical properties of several products were modified

according to their specific requirements. In addition to the development of new grades of steel, our production portfolio was also expanded to include new thicknesses and widths.
- Products with the highest added value were produced for strategic industries – the automotive, packaging, electrical engineering, and the construction industry.

AUTOMOTIVE INDUSTRY

- Research and development of high-strength grades with improved elongation continued in the field of sheets intended for the automotive industry. These steel grades enable our customers to use thinner sheets for the car production, thereby reducing their weight and emissions while maintaining passenger safety.
- We have optimized the mechanical properties of selected galvanized grades (drawing, microalloyed,...) according to customer requirements to ensure optimal workability when pressing specific car parts.
- The expansion of the portfolio of galvanized sheets grades with controlled surface microgeometry continued.
- As part of improving the environment and occupational hygiene in the metallurgical industry, cooperation with chemical companies has been initiated in the field of chromium-free passivation, suitable for surface treatment of galvanized sheets.
- In the group of hot rolled and pickled microalloyed grades, an expansion of the production program and offer of qualities in accordance with the VDA automotive industry standard was implemented with a guarantee of reduced variability of strength characteristics and improved plastic characteristics (High Formability grades).
- With the help of sophisticated 3D automated optical systems, R&D continued with the expansion of the material card database by adding new grades, dimensions and surface treatments. These cards are used by customers in the automotive industry for numerical simulations of the stamping process in AutoForm software even in the pre-production stage of product development.
- Using AutoForm software, numerical stamping simulations and technical support for USSK sheet metal processing/stamping problems were performed for customers. Numerical stamping simulations help to maintain existing orders and verify the suitability of USSK material for future customer projects.

PACKAGING INDUSTRY

- A new continuously annealed steel grade for tinned sheets has been developed, which allows replacement of similar quality produced by hatch annealing. In this way, the energy intensity of production and production costs are reduced. The project to extend the production dimensions of standard continuously annealed grades with a similar goal also continued successfully.
- Started a project to develop a new steel grade of tinned sheets with high final strength, intended for the production of aerosol can bottoms.
- We have started research and development of new continuously annealed steel grades with low guaranteed earing values with the final use of the material, especially for the production of so-called Twist-Off closures.
- In the field of development of chromium-free passivation of packaging sheets, which takes place under the auspices of the international association APEAL (association of all European manufacturers of tinned sheets), we have also successfully continued in cooperation with external partners (paint manufacturers and customers). An important milestone for the chromium-free passivation project for packaging sheets was the approval of the second wave of authorization in 12/2023, which authorizes USSK to use chromium-based compounds based on 6-valent chromium by the end of 2027. After this date, the production of packaging material will have to be exclusively with chrome-free passivation.

ELECTROTECHNICAL INDUSTRY

- In the field of electrical steels, the development of new qualities with low specific losses and high polarization continued, which enable the production of electric motors with higher efficiency. Attention was also paid to the development of new types of electric steels for generators used in the production of electricity from renewable sources.

- Tests have been successfully carried out with a new type of insulation, which has many advantages in joining rotor blades and stators in the manufacture of electric motors – among other things, improving mechanical stability and magnetic properties.

CONSTRUCTION

- In the construction industry, we have implemented new combinations of colors and their applied thickness on sheets with organic coatings. By using 4-coating systems and textured as well as metallic varnishes, we have achieved an increase in their service life and aesthetic function.

In 2023, the costs to operate Research and Development department amounted to EUR 1.88 million (2022: EUR 2.91 million). Certain portion of these costs, if eligible, were included in the total costs of projects, which were identified to comply with R&D tax credit requirements. Total amount of the costs eligible for 2023 R&D tax credit, after adding operating trial costs, was estimated at EUR 10.7 million (2022: EUR 12.4 million).

CELEBRATING INNOVATION

CAPITAL INVESTMENTS

INFRASTRUCTURE PROJECTS

In 2023, our Blast Furnace Stoves renewal program continued with the upgrade of Stove 23 at Blast Furnace 2. This is the second of three stoves subject to the upgrade on this furnace, which in addition to extending their useful life, also restores their efficiency. The restored efficiency will prevent an increase in CO_2 emissions.

Other successful infrastructure projects included the Haniska Rail Bridge No. 1 Upgrade and the Coal Belts M51/61 Replacement, which increased the reliability of transport and handling of raw materials.

On the Safety side, the Slab Tongs project and the Railway Crossings Safety Improvements project were completed. Other projects, such as the Fire Water Tank Replacement and the Air Emission Monitoring Vehicle Upgrade improved the overall technical condition of USSK facilities.

ENVIRONMENTAL PROJECT – USSK WASTEWATER QUALITY – SOLUBLE MATTERS REDUCTION

The scope of the project is to replace the existing Chemical Water Treatment Plant Krásna technology with modern clarifier reactors and filtration, and at CHWTP Power Plant to replace the existing 5 process lines and add 4 new demi water production units using a membrane technology, significantly reducing the consumption of chemicals. By implementing this project, compliance with the applicable legislative and technical requirements will be achieved. Equipment related to CHWTP Krásna was put in operation at the end of 2023.

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

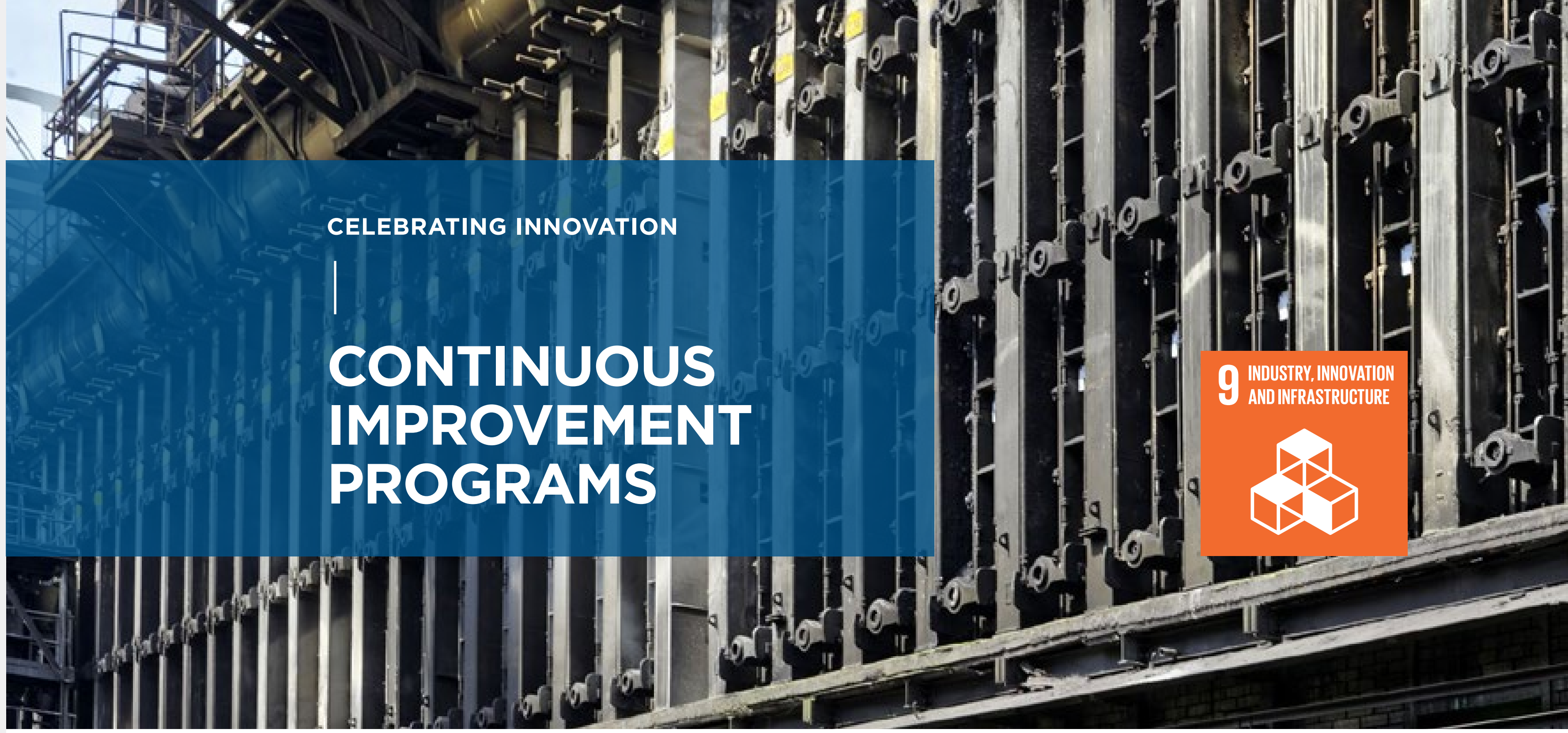
Successful cost reduction projects in 2023 included the Continuous Galvanizing Line 2 New HNX Supply, Coal Sampling Station Upgrade, Color Coating Line Paint Mixer, Automatic Wood Pallet Line, Cutting Line 15 Automatic Sorting, Automatic Roll Cladding Machine, Hot Strip Mill Surface Inspection System, LECO Analyzers, Electrolytic Tinning Line 2 Sludge Filtration, Continuous Annealing Line 1 Entry Section Automation, Byproducts Radioactivity Measurement, Switch Towers ST2 & ST3 Connection and Tin Mill Warehouse Digitalization.

IT PROJECT – 2-STAND MILL L2 SYSTEM UPGRADE

The 2-STAND Mill Level 2 System Upgrade is an example of a significant IT project. This was an upgrade of Level 2 processes and mathematical model to the Windows platform. The old system was running on the unsupported Itanium server and the OpenVMS system. This project ensures Cybersecurity for our critical production systems.

OTHER SUCCESSFUL IT PROJECTS

The projects Critical Equipment Remediation, DKEN Upgrade, GBCO2 Upgrade, Telecom PBX Upgrade, Continuous Galvanizing Line 3 Warehouses Digitalization and USSK Internal Firewalls Replacement enhanced the reliability and security of USSK IT infrastructure.



CELEBRATING INNOVATION

CONTINUOUS IMPROVEMENT PROGRAMS

Within USSK, we have implemented a continuous improvement program aimed at optimizing processes, increasing efficiency, productivity and reducing costs using the principles of LEAN and Six Sigma.

Continuous improvement programs represent a systematic and structured approach, whereby each program defines specific rules.

- ✓ As part of the BESTx program, USSK successfully implemented 464 projects in the 2022-2023 timeframe.

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

However, the focus of the improvement was on **energy projects** aimed at energy saving, mainly technical gases, electricity as well as process steam. Regular monthly meetings dedicated to this topic have significantly contributed to mitigating the severe energy prices increases of the past year. The best energy project was the **Repair of boost turbocompressors**, thanks to which we will achieve the reduction of energy intensity of compressed air production.

In 2024, USSK is launching a new continuous improvement program titled **MetriX**, which focuses on critical key indicators such as fuel consumption, production line yield and costs.

CELEBRATING INNOVATION

TECHNOLOGIES

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

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

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

DATA AND ANALYTICS

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

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

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

DIGITAL STUDIO

WE TRANSFORM PRODUCTION USING DATA

Advanced analytics and artificial intelligence help us save millions of euros and reduce the impact on the environment.

- We have implemented solutions thus far with the run rate savings EUR 30 million annually. Solutions span, for example:

  - Procurement of raw materials (e.g., value in use models for iron ore and scrap)
  - Process control, process parameters prediction in various steps of steel making (desulphurization, blowing, alloying, vacuum degasser)
  - Visual quality control (e.g., side trim inspection at pickling lines)
  - Automated drone image processing for maintenance inspections
  - Warehouse digitization and digital twin
  - Energy usage prediction and optimization

- We use agile approach and are Python house for digital projects
- We have more than 200 employees in the IT department, including the team of 11 data engineers and data scientists.
- We leverage expertise in the region by partnering with universities and business to solve business problems.

Project highlights:

- **Value In Use BF** – large scale optimizer for purchasing of raw materials for BF use.
- **Steelshop Desulph** – novel approach suing Physics Informed Neural Networks (PINNs) to solve problem of right dosing of Desulph agent to maximize efficiency and yield.
- **Value In Use SS** – using several ML models to optimize scrap composition and purchasing to decrease cost and increase yield of scrap in BOF vessel.
- **BOF parameters real time prediction** – set of ML (Machine learning) models prediction chemical composition and temperature in the vessel during SS BOF process.
- **SS Vacuum Degasser** – using ML and advanced scheduling tools to increase throughput of Vacuum Degasser.
- **Hot Rolling Mill Hot charge** – several optimizers and ML models to increase Hot Charge ration to reduce gas used for slab reheating significantly reducing CO_2 byproduct.
- **Value In Use energy** – Large scale optimizer for the whole plant effectively managing usage of energy media within the plant thus reducing energy footprint of operations.
- **Truck loading optimizer** – optimizer using cutting edge algorithms to load the trucks shipping our products to their legal limit reducing truck usage as much as 2000 rides a year.
- **Side trim visual inspections** – using ML model trained on small dataset to automatically detect wrong side trim of rolled material.

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

USSK ENTERPRISE RESOURCE PLANNING PROGRAM (ERP)

We pride ourselves in implementing state-of-the-art technology to optimize our processes, increase productivity and provide a higher level of service to our customers.

Project implementation started in 2022:

- Our F2000 platform will be replaced by an SAP Software as a Service platform.
- Business Planning, Order Dressing, and Tin MES software will be replaced by PSImetals software.
- The ERP Program will deliver our sustainable future with digital solutions, reliable processes and data, to bring value to our people, customers and society. We want to move to a digital environment that will enable us to innovate and grow, while simplifying and standardizing many of our business processes. Ultimately, we will become a faster and more flexible organization that can continue building success on the market.
- USSK has driven a number of improvement projects over the past several years, which enables us to cope with new challenges very effectively, as we can build on all that experience that our leaders and people have gained. In addition, we also build on the experience gained by our US Headquarters when implementing their ERP system, so that we can navigate our own ERP journey more successfully.

"New ERP will bring the best processes and enable us to be more effective and efficient, so we can be more productive and profitable in the near future." Eduard Grečner, General Manager PMO

Training / Cooperation with universities:

- Upskilling of internal employees in Digital area through internally provided trainings and external university courses developed jointly
  - **Analytics bootcamp** – internal training program for employees to grasp basics of data analytics and agile project delivery
  - **Analytics academy in collaboration with Pavol Jozef Šafarik University** – university-run curriculum for aspiring novice data analysts
- Contribution to university students' education through providing lectures, diploma thesis and student employment
  - We are constantly expanding our platform of educational courses in the IT field for our employees, which not only broadens their horizons in the IT field, but also teaches them how to protect themselves in the digital space, both at work and at home.
  - In this area, we also cooperate with universities through which we implement some of these courses.
  - We are also deepening cooperation with universities in the sphere of cooperation with students, for example in the form of mentoring in the process of writing their final, bachelor's or diploma theses.

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

Relocation (and collocation) of servers:

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

Follow data center best practices:

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

Shared printers:

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

Remote work:

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

CYBERSECURITY

The main goal of the Cybersecurity team is to implement the Information security management system (ISMS) in the entire corporation. Purpose of ISMS is to establish conception around which new principles, polices, standards and regulations can be developed. Cybersecurity team performs or assists with the information security risk analysis of new systems and business activity or evaluates threats and attacks against property and systems. The team provides services to register incident responses and knowledge gained from incidents, vulnerabilities, and attacks.

The team also provides reaction services based on the event or a request, like notification about compromised system, spreading malicious code, software vulnerability or something that was identified by intrusion detection or protocol system. Provided reaction services contain the warnings and the alerts, incident processing, incident analysis and vulnerability response, processing, analysis, and response to artefact in coordination with external governmental and non-governmental institutions.

Prevention services that provide Cybersecurity team are designed considering improvement of the infrastructure and security processes of property before any incident or event occurs.

Prevention services contain the announcements, security audits or assessments, the tools for security management and security information propagation.

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

The program is grounded in 4 major strategic priorities:

Cybersecurity

1. **Managing our risk**

   Gaining a better understanding of our risk posture, following an industry standard framework, and effectively prioritizing efforts to address vulnerabilities, threats, and consequences.

2. **Securing our assets**

   Taking action to reduce the threat landscape and protect our networks, systems, and data by implementing best practices.

3. **Developing our people and driving the cyber cultue**

   Ehancing cybersecurity response, awareness

   Education of both the cyber team and USS personnel through specialized training and development.

4. **Conrolling our budget**

   Ensuring the best results for investments made

LINKEDIN

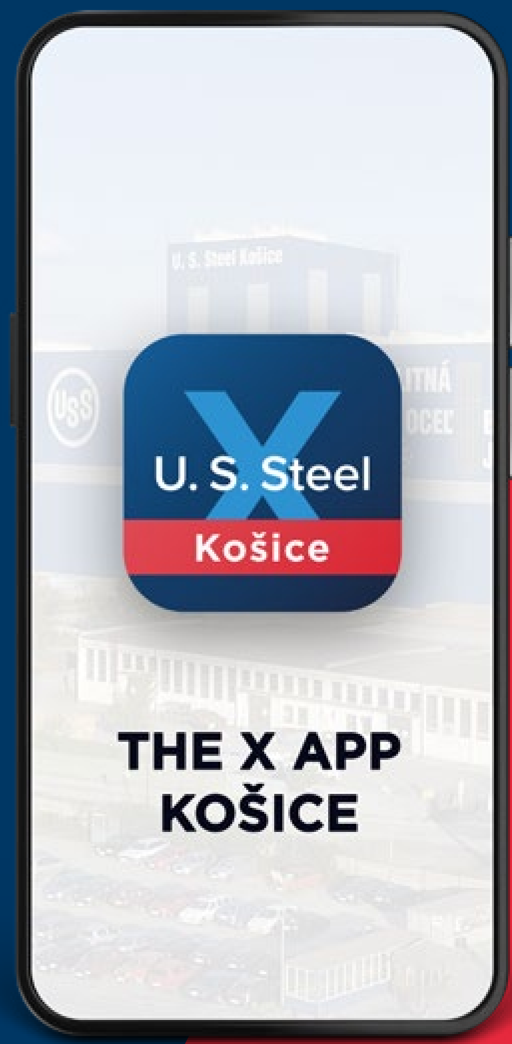
Digital communication channels such as the web, mail or social networks are a matter of course for everyone today. Regular informing of customers about news and interesting matters from the environment of our Company in a multimedia form is helping us increase the value of the U. S. Steel brand.

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

THE X APP KOŠICE

After the launch of the Slovak version of the communication application The X App Košice at the end of 2021, its user base has again expanded considerably in 2023. New functions were added, which facilitated communication and significantly simplified registration for company sports and volunteer events.

Since the launch of The X App Košice, over 2,800 articles have been published, for which we recorded 1,239,500 views.



Thousands of colleagues mainly read information about the happenings in the Company. They were also interested in company benefits, the amount of variable wages and the like.

In the course of 2023, they participated in dozens of different surveys and competitions, which were prepared mainly in cooperation with partners.

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

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

PROTECTING ENVIRONMENT

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

- Compliance with environmental laws and regulations;
- Continuous improvement in environmental and resource management;
- Minimalization of adverse environmental impacts of production activities.

PROTECTING ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

Environmental protection is one of principal strategic goals of the U. S. Steel Košice Group, and the main commitments in this area are enshrined in our **Quality, Environmental and Energy Policy**. On October 09–11, 2023, TÜV SÜD Slovakia s.r.o. carried out a combined EnMS recertification audit, SMS supervisory audit and supervisory audit of the USSK **Environmental Management System** (in compliance with the standard EN ISO 14001:2015), which confirmed the high performance of this system and continuous improvement of processes. Based on the results of the audit with positive aspects, the validity of the international environmental management certificate for USSK was extended.

Since 2000, USSK has invested more than USD 712 million in dozens of environmental projects.

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

PROTECTING ENVIRONMENT

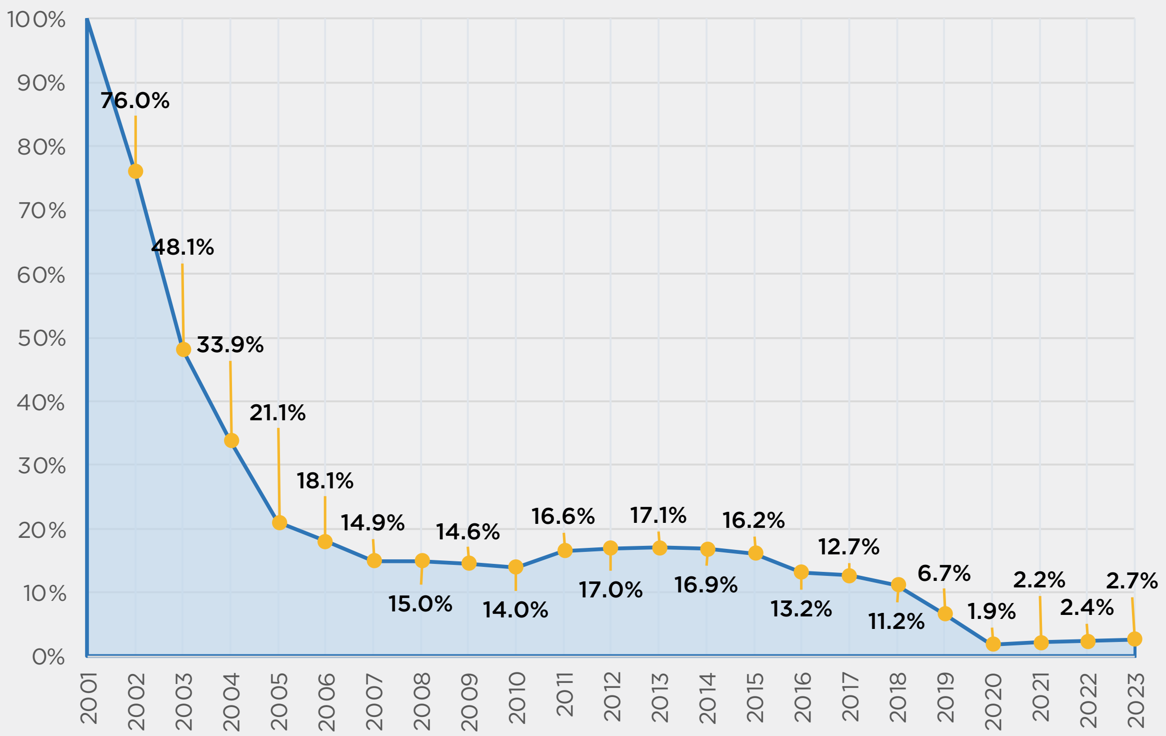
AIR

✓ We have achieved a 97 % reduction in **particulate matters** since 2001.

2001 → 2023: **-97%** particulate matters specific emissions

✓ Compared to 2001, the **specific amount of particulate matter emissions** decreased in 2023 by 97.3 %, in numerical terms to 0.119 ton per 1,000 tons of produced steel. Overall, since 2001 we have reduced yearly pollution of air by particulate matters in the vicinity of USSK by a total of 16,194 tons of dust.

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



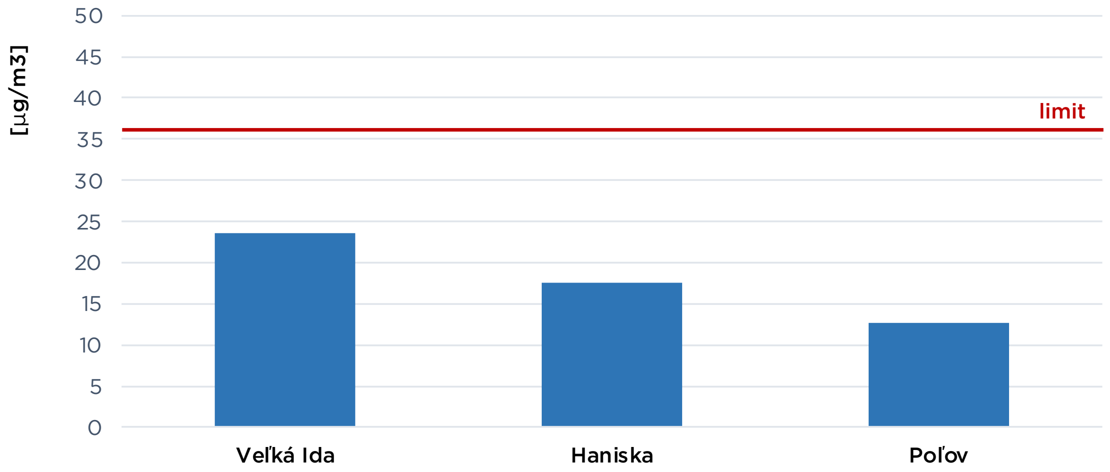
✓ In addition to particulate matter emissions, in the USSK we also reduced the **specific amount of emissions of sulfur oxides** by 68.22 % (from 2.97 t to 0.94 t per 1,000 t of steel produced) and nitrogen oxides by 44.30 % (from 2.74 t to 1.52 t per 1,000 t of produced steel) in 2023 compared to 2001. In numerical terms, this is a reduction of 7,296 tons of sulfur oxides and 4,055 tons of nitrogen oxides compared to 2001.

2001 → 2023: **-68,22%** emissions of sulfur oxides

2001 → 2023: **-44,30%** emissions of nitrogen oxides

✓ In addition to emissions monitoring (pollutants emitted into the air), USSK also **monitors imissions PM10** (pollutants contained and transferred in air) in the vicinity of USSK premises. Data from three stabile automatic monitoring systems of air quality in nearby villages are sent to the Slovak Hydrometeorological Institute. Average annual PM10 values for year 2023 are shown in the graph.

Imissions monitoring PM10 [μg/m³] in neighboring municipalities



PROTECTING ENVIRONMENT

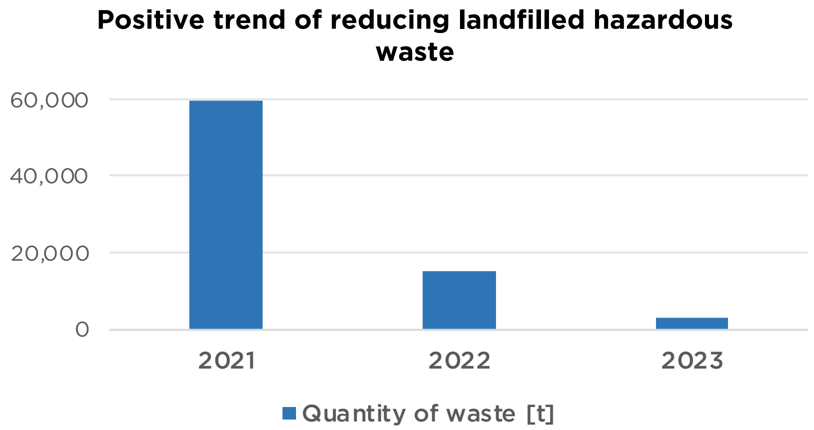
WASTE MANAGEMENT AND RECYCLING

As part of the circular economy, U. S. Steel Košice achieved (according to the ISO 14021 standard) the Recycled content of steel scrap in its product at the level of 11.68% and the Recycled content of materials at the level of 15.3 %.

In 2023, the Company operated several waste recovery facilities and two waste landfills for permanent waste disposal.

In the waste recovery facility at Blast Furnaces - the "Production Preparation" operation, USSK recovered 1,018.55 t of (metal-bearing) waste from external sources, at Steelworks, 810,760 tons of steel scrap from internal and external sources, and DP Expedition (plastic waste shredder) almost 14 tons of plastic waste from own production.

In the waste disposal facility - "New hazardous waste dump at the premises of U. S. Steel Košice, s.r.o." USSK disposed of a total of 2,982 tons of hazardous waste from own production and in the waste disposal facility - "Non-hazardous waste dump U.S. Steel Košice, s.r.o." the total of of 513,032 t of other waste from internal production and from the production of contractual partners.

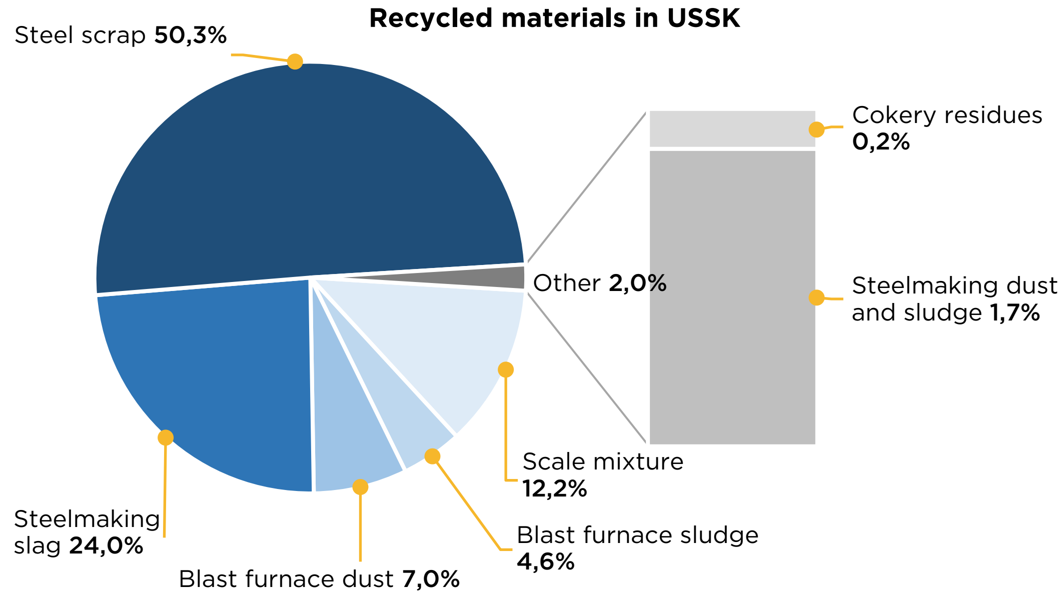


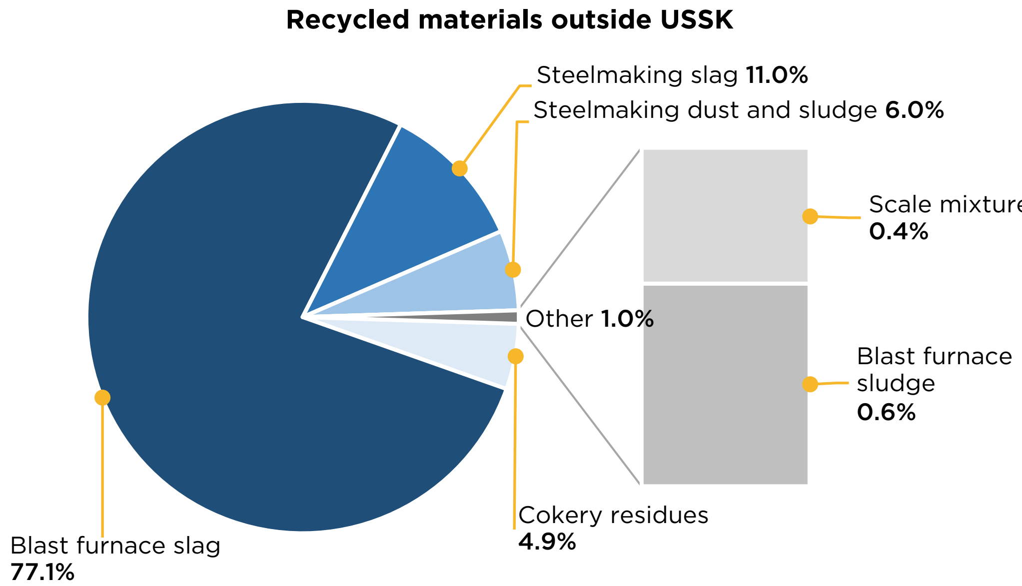
In the course of 2023, USSK in cooperation with ENVIRONCENTRUM, s.r.o. (operator of its own stable stabilization line) ensured the disposal of 43,022 t of mainly hazardous waste (other waste of which only 2,052 t) from the production of USSK. At the same time, it recovered 30.52 t of hazardous waste from the production of USSK. After treatment, these wastes were disposed of as other category waste at the USSK non-hazardous waste dump.

In terms of by-product management, by the end of 2023 the U. S. Steel Košice Group had 35 approved by-products.

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

Due to increased production compared to 2022, internal and also external recycling of materials increased by approx. 4%. A total of 2,089,816 tons of residues were recycled within USSK and by an external processor outside USSK, specifically 705,774 tons of residues inside and 1,384,042 tons of residues outside, produced by USSK.





- ✓ In the area of municipal waste management, continued USSK also in 2023 a system for the collection of deposited plastic and metal beverage containers was and a system of separate collection of municipal waste components (collection of paper, collection of glass, collection of plastics and metals).
- ✓ As part of the sorted collection of municipal waste components, USSK through an external company submitted for recovery:
  - 18.4 t of sorted plastic waste from packaging
  - 1.9 t of sorted waste from glass packaging
  - and 5.2 t of sorted paper waste from packaging

Heap Management

Our activities also continued **in the field of body modification of the Dry Heap**.

- Since the start of the sludge recovery process from the wastewater treatment plant, we have recovered more than 310,989 tons of material suitable for reclamation purposes. The use of this material in the Dry heap area resulted in a reduction of dust, as well as the greening of the heap surface over an area of approximately 82,500 m2 (year-on-year increase of 22 %).

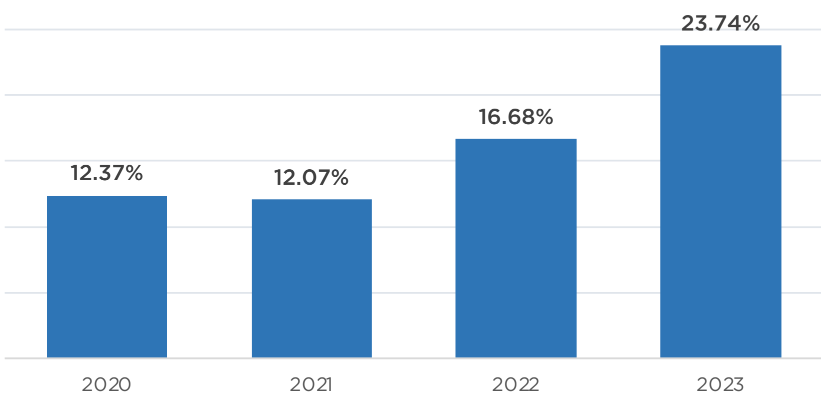
PROTECTING ENVIRONMENT

WATER

Significant results **in the field of water protection** include the reuse of returned water from the Sokoľany WWTP.

- ✓ The amount of treated wastewater returned to U. S. Steel Košice was **23.74% of the total amount of treated wastewater** last year. We achieved this by modernizing the return water supply system to the company, which made interannually possible to leave almost 3 million m³ of water in the natural environment of the Hornad River. By doing so, the Company saved natural resources.

Reuse of purified wastewater



PROTECTING ENVIRONMENT

BIODIVERSITY

Nature and Landscape Protection

- ✓ In 2023 we oversaw the care of **205,191 m²** of forestry land, **545,593 m²** of other woodland and **28,432 m²** of other land in the vicinity of USSK premises. As part of taking care of these lands, we planted trees on the occasion of the Earth Day, which the Company demonstrated our commitment to the environment.

As part of the care for these lands, in 2023 we planted 105 tree seedlings, provided full-area mowing of grasslands and elimination of invasive plant species.

The idea of sustainability and building a pleasant working environment was also transferred by the Company to the realization of the water biotope - a pond with natural elements, which was realized in front of the main administrative building. It is also the object of the scientific environmental project **Water pond - water and greenery in the industrial area**, on which the UPJŠ Botanical Garden in Košice is working. They will study the water biotope, collect scientific data and compare it with biotopes in the city.

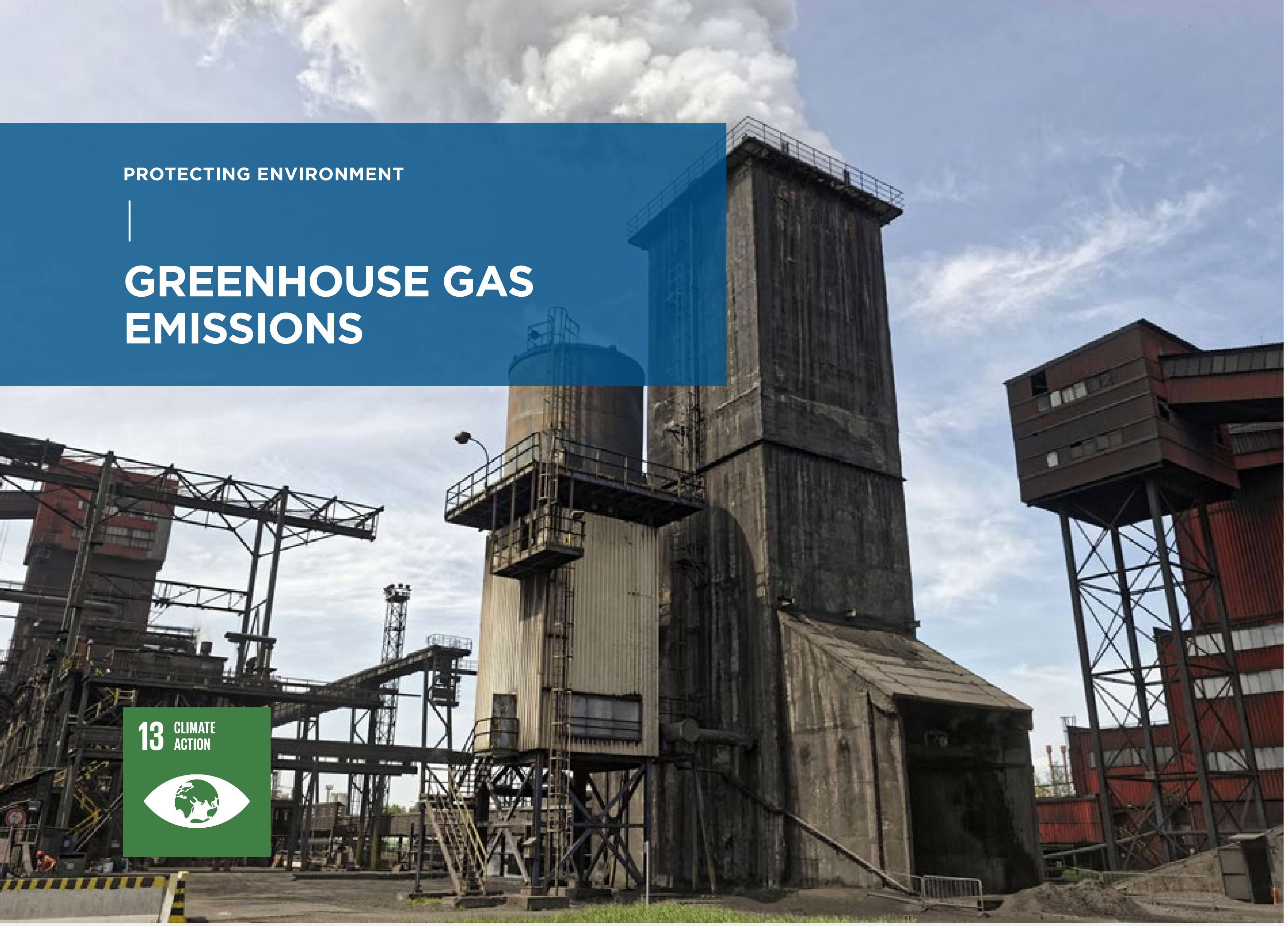
We reuse of wastewater, recycle metallurgical residues, wastes as well as other materials. Additionally, in 2023 we planted 105 new trees and saved 3,874 thanks to separate collection of paper.

ENVIRONMENTAL EXCELLENCE
KAŽDÝ | VŠADE | KAŽDÝ DEŇ

- **Sustainability**
- **Energy Efficiency**
- **Environmental behavior and operation of facilities**
- **Waste Management**
- **Protection of all components of Environment**

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

As part of the Environmental Excellence campaign, with the aim of increasing the environmental awareness of employees, the Company published a total of 23 environmental articles and 16 environmental videos during the year 2023, which focused on various environmental topics, in the work and private spheres of employees' lives. At the same time, a total of 19 environmental flash articles were issued during the year 2023, which guide employees to comply with environmental obligations when performing work activities.



PROTECTING ENVIRONMENT

GREENHOUSE GAS EMISSIONS

PATH OF THE CORPORATION TO NET-ZERO GREENHOUSE GAS EMISSIONS

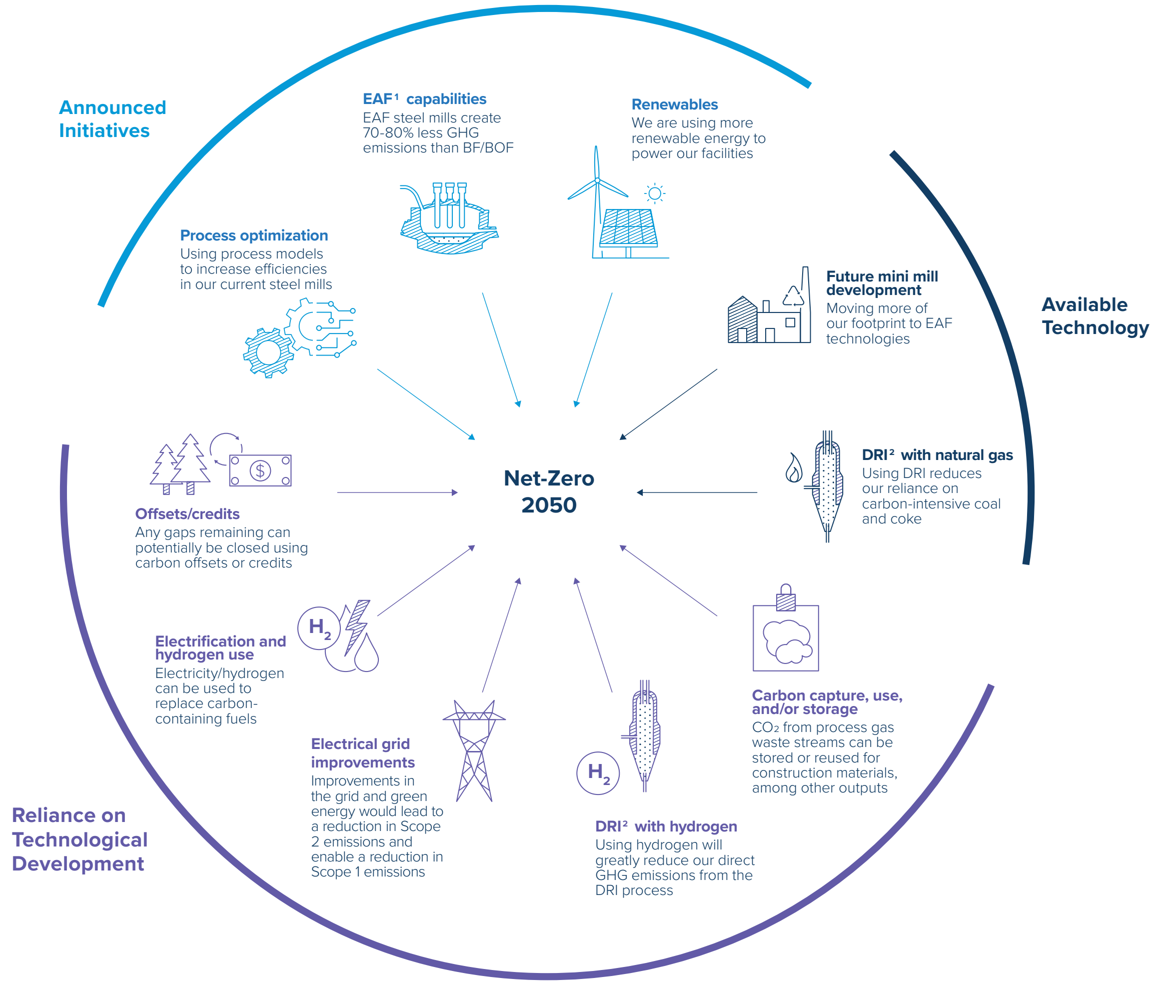
- Although producing steel is carbon-intensive, we, at U. S. Steel, have a roadmap get to **net-zero** Scope 1 and Scope 2 **emissions by 2050**. This builds on the commitment to achieve a **20% reduction in GHG emissions intensity** (Scope 1 plus Scope 2) **by 2030**, against our 2018 baseline, which was 2.31 metric tons CO_2 e/metric ton raw steel for Scope 1 plus Scope 2.
- U. S. Steel has always strived to be on the leading edge of the most energy-efficient production of steel using blast furnaces. In 2021, U. S. Steel published a Climate Strategy Report to publicly demonstrate our path toward net-zero.
- The Corporation had declared a 14 % progress towards the 2030 target when it released, in 2023, its 2022 ESG Report.

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

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

Technologies to help achieve "Net Zero"

1. Electric Arc Furnace (EAF)
2. Direct Reduced Iron (DRI)



Source: USS ESG REPORT 2022

The more future-focused technologies will require partnerships and supplier development, as well as supportive governmental policies, to implement.

USSK

USSK is an integrated manufacturer of high quality, value-added steel that serves as a building block for a sustainable future. Through differentiated products and constant progress towards reduction of the environmental impact of production, the Company is making significant progress to contribute to a lower carbon, and more circular economy.

USSK 2023 GHG INTENSITY

Unit	Scope 1 intensity	Scope 2* intensity	Total intensity
Tons CO_2/ tons liquid steel	1.954	0.031	1.985

(Note: Using the CO_2 emission factor of the energy mix of sources from the supplier – 2022: 0.157 tCO_2 / MWh)*

EU EMISSIONS TRADING SYSTEM

Greenhouse gas emissions are regulated by **EU Directive 2003/87/ES establishing the Emissions Trading System (ETS)**, which was transposed into the Slovak legal system via Law 414/2012 Coll.

Since 2019, new implementation rules for the trading period **2021-2030 (fourth trading period)** have been gradually refined. **Decision on free allocation was published in June 2021** in the form of the National Allocation Table. For the period **2021-2025**, the baseline is **average production for 2014-2018**, and for the years 2026-2030 the baseline will be average production for 2019-2023. Another new element used in the fourth trading period is the so-called dynamic allocation that flexibly responds to changes in production compared to the basic equivalent. To determine the free allocation it takes into account the rolling average of the two preceding years and compares this with the baseline production of 2014-2018. In cases where the actual production is 15 % higher, the allocation will increase. Equally, actual production that is 15 % lower will result in a lower allocation. This process was applied for the first time in 2021. We again received an allocated volume for 2023 at the level of the historical production average from 2014-2018.

THE EUROPEAN GREEN DEAL

The European Green Deal sets new ambitious goals. Among other features, it calls for greater emissions reduction efforts, namely **55-60 % by 2030** and a goal of **carbon neutrality by 2050.**

Steelmaking sector is among first industrial sectors in EU to apply **Carbon-Border Adjustment Mechanism (CBAM)** measures for imported goods from countries with lower environmental and climate standards. On the other hand, implementation will mean gradual phase out of free allocation from 2026 until no free allocation in 2034. CBAM also translates into higher administrative burden for importers including steal producers. Years 2024 and 2025 are set as transitional with no financial impact. However, reports are set to be submitted on quarterly bases starting in January 2024 for Q4 2023.

The EU also launched an initiative to set reduction targets for 2040. We are following those discussions.

We are constantly working to promote new solutions while minimizing the impact of operations on human health and the environment.

CO_2 REDUCTIONS TILL DATE

CO_2

In the last 5 years, we have implemented 20 CO_2 projects with cumulative runrate savings of -200 kt CO_2

ENERGY AND COAL

A number of projects focused on energy efficiency and coal consumption reduction

**see the section on Energy Efficiency*

USSK POTENTIAL DECARBONIZATION PLAN

In 2023, the Company continued efforts to develop **decarbonization plan**, encompassing technologies such as Electric Arc Furnaces (EAFs) and innovative Direct Casting and Rolling (DCR). We have obtained initial permits including Environmental Impact Assessment (EIA).

Cooperation between the public and private sectors is essential to achieve decarbonization targets, hence:

- ✓ In May 2022, the Company signed **a memorandum of understanding with the City of Košice** to **support our intended decarbonization projects**.
- ✓ A **non-binding memorandum of cooperation** to establish a **strategic partnership with ČEZ** was also signed in 2022 on analysis of the future energy needs and cooperation in supplying the mill with emission-free electricity from renewable and nuclear sources, as well as implementation of energy saving measures.
- ✓ In 2023, the Company became a **member of the Slovak Small Modular Reactors Consortium**.

ENERGY EFFICIENCY

7 AFFORDABLE AND CLEAN ENERGY

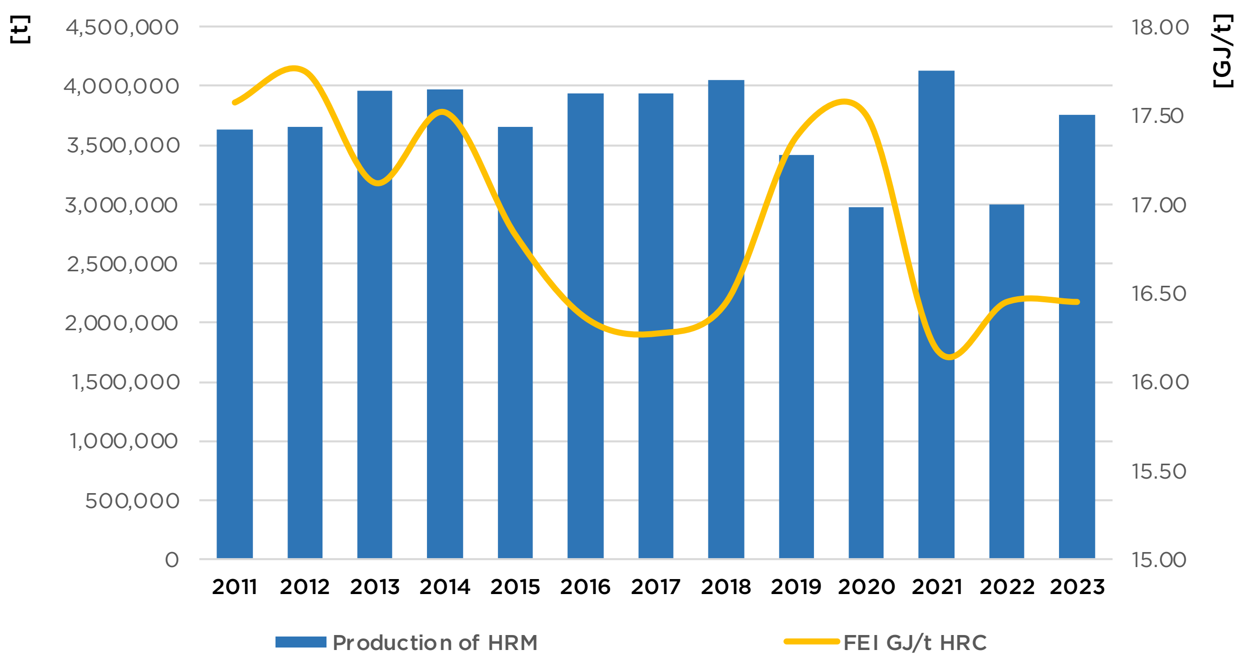
Energy efficiency 2023:

As part of the effort for continuous improvement, energy consumption at USSK plants is one of the top priorities. We pay particular attention to purchased energy.

USSK is an integrated plant which, in addition to primary fuels, also uses by-products in the form of metallurgical gases as energy sources, and fuel to produce other energy media. It is therefore our endeavor to use these resources efficiently, taking into account the pursuit of sustainability and responsible resource management and the price of primary fuels. This also corresponds to a long-established standard: **ISO 50001 - Energy Management System.**

The Fuel Energy Demand for 2023 for hot coil production was **16.747 GJ/t**, producing 3,749,387 tons of hot coils. Throughout the year, regular meetings were held with representatives of the manufacturing plants to discuss energy projects and challenges related to energy consumption. Afterwards, effective measures were taken to reduce the energy intensity of respective production processes. From August until the end of the year, production of operating facilities was regulated in such a way that the production was adapted to the reduced customer demand, which has resulted in a reduction in energy consumption. The deviation was due to higher fuel consumption in the blast furnace process, which was passed on to downstream production processes.

FEI USSK - GJ/t of hot coil production HRM: 2011 - 2023



In 2023, changes in the energy media market had a major impact on our Company. For this year, we made purchases of baseload bands of electricity and natural gas at more favorable prices than we did for 2022. By doing so, we managed to mitigate the impacts of the increase in overall prices.

However, we had to react flexibly to a change in the supplier of steam coal and, in particular, to a significant change in the price of steam coal. In 2023, we switched to a new way of providing ancillary services by keeping the output of the turbine generators to a minimum and providing ancillary services only towards the plus side, thus saving fuel costs. We have continued our efforts to save energy costs in all areas where possible.

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

OUR BIGGEST ENERGY SAVINGS IN 2023 WERE ACHIEVED THROUGH THE FOLLOWING PROJECTS:

Regulation of industrial water supply to USSK

- The regulation of the industrial water supply from the Krásna chemical treatment plant is carried out by means of variable-speed drives. This significantly reduces the energy consumption of water pumps.
- In addition, the adjusted water pressure ratios in the pipeline system allow USSK to increase the volume of backwash water treated from the Sokoľany WWTP.
- This allows USSK to reduce the amount of surface water withdrawn from the Hornád River, thereby reducing fees and chemical costs.

✓ Electricity savings: 1,640 MWh annually
✓ Surface water savings: 2,955,000 m^3

New Hot Blast Stove #23 at BF #2

- Replacement of the complete shell and refractory material of Hot Blast Stove #23, installation of a new mushroom-shaped dome and control system.

✓ By implementing this project, it is estimated that USSK will avoid an increase in CO_2 production by 89,633 tons per year.

Ongoing project of gradual replacement of older lamps with LED illumination

- USSK continued its program of replacing fluorescent lamps with LED lamps in order to reduce the electricity consumption and environmental burden of its operations.
- In 2022, LED lights were installed in four (4) USSK facilities.

✓ Electricity savings in 2023: 2,414 MWh

Optimization of metallurgical gas consumption

- Optimizing metallurgical gas consumption is a key element of cost savings in USSK.

✓ Thanks to better cooperation between the Power Plant and Hot Rolling Mill, USSK replaced a large part of its natural gas consumption with coke oven gas and saved more than 32,237 GJ of natural gas and thus more than 1,792 tons of CO_2

Small projects aimed at coal consumption reduction

- Elimination of heat losses in piping
- Repair of damaged pipelines
- Elimination of industrial gas leaks
- Reducing steam consumption in the plant

led (in combination with other factors) to a reduction in steam coal consumption by 1.9 million GJ in 2023, and thus to a reduction in CO_2 emissions by 180,000 tons of CO_2 (compared to 2022)

EnMS – Energy Management System

The evaluation of the suitability, adequacy and effectiveness of the Energy Management System is also part of the reports from external audits carried out annually by TÜV SÜD Slovakia, s.r.o. Audit results:

- **The supervisory audit of the USSK Energy Management System** according to the amended ISO 50001:2018 Standard was conducted by the inspection company TÜV SÜD Slovakia, s.r.o. between 12 April 2023 and 14 April 2023. The auditors did not find any shortcomings. On the basis of this audit the validity of the international certificate was acknowledged for U. S. Steel Košice, s.r.o. until March 16, 2025.

  Among the strengths, the auditors ranked:

  ✓A company-wide program aimed at improving the energy efficiency of steam.

  ✓Effective continuation of programs aimed at reducing energy consumption and achieving savings (Best X meetings, Gemba walk, monthly energy meetings).

  ✓High level of awareness of the management and executives about energy management at production facilities with a focus on finding potential savings.

  ✓Ongoing renewal of infrastructure aimed at reducing energy losses and improving energy efficiency (e.g., renewal of power distribution lines, installation of variable speed drivers, installation of energy measurements, ...)

  ✓The evaluation report on the results achieved, the comprehensiveness of the report and its informative value.

- Due to the postponement of the certification cycle, **the re-certification audit of the USSK Energy Management System** was also carried out by the inspection company TÜV SÜD Slovakia, s.r.o. between 09 October 2023 and 12 October 2023.

  Among the strengths, the auditors ranked:

  ✓High professional level of staff supported by diligence through HR tools – proven continuous maintaining of knowledge.

  ✓Achieved high awareness of management staff to improve energy management at respective production facilities. Searching for new ideas and for expanding collaboration, creating and using new tools to achieve goals.

  ✓Improvement of data collection and quality of records, gradually adding more measurements.

  ✓Gradual application of the new requirement for "sustainability," implementation in decision making especially for investments.

The year 2023 brought many challenges and obstacles. We have not stopped and continue to build an energy responsible society in 2024.

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

We also want to continue moving towards a cleaner and healthier future. We will work with governments, academia, and other companies to reduce our environmental footprint and advocate for supportive government policies.

EMPOWERING PEOPLE

Number of employees

7,712

% of women in the Company

14.5%

Proportion of women among the Company's statutory representatives

25%

U. S. Steel Košice s.r.o. 31 December 2023

Average age:

47.8 years

Validity period of the Collective Labor Agreement

September 01, 2020 - March 31, 2024

Number of completed trainings

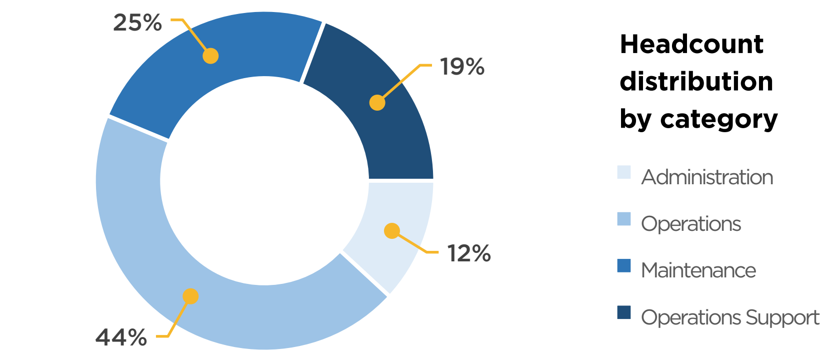
53,140

Number of hours of completed trainings

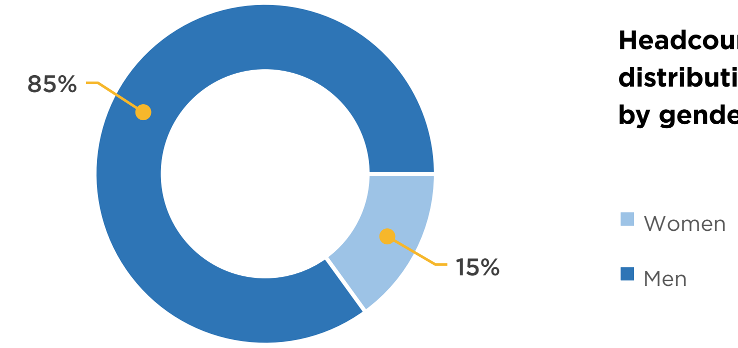
194,841

WORKFORCE CHARACTERISTICS

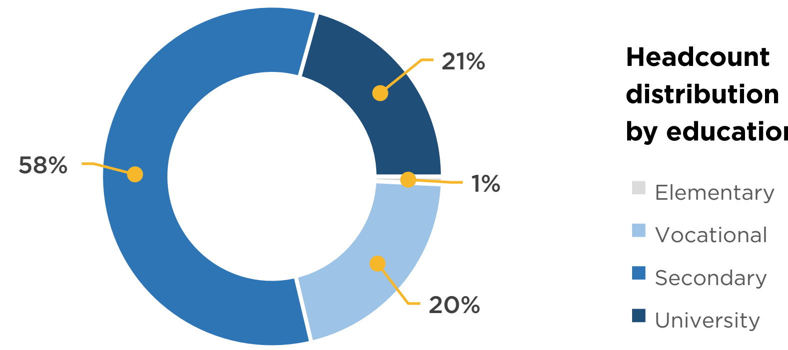
Headcount distribution by category



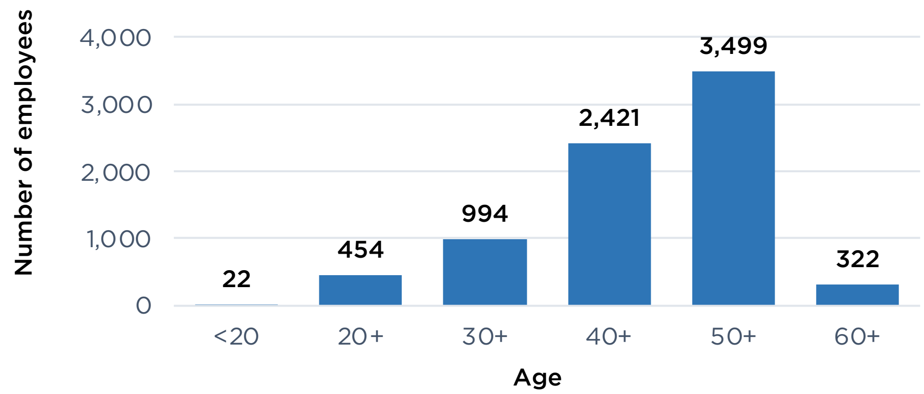
Headcount distribution by gender



Headcount distribution by education



Headcount distribution by age



EMPOWERING PEOPLE

TALENT AND SKILLS DEVELOPMENT

The Company supports **the education and development of its employees** within the framework of internal and external programs focused on various areas: managerial, professional, IT, language, security, professional and management systems.

Educational activities in numbers

	All USSK employees	"R category" (blue collar) employees	"T category" (white collar) employees
Employee Training Hours	194,841	134,346	60,495
Number of hours per 1 employee	24.47	23.03	28.40
Number of completed trainings	53,140	35,433	17,707
Number of trainings per 1 employee	6.7	6.1	8.3

DEVELOPMENT PROGRAMS / ACTIVITIES:

Mentoring of newly appointed managers and newly hired employees

The aim of mentoring is to help newly appointed managers or newly hired employees develop their professional skills and better use their own potential by learning thanks to sharing the unique experiences of their mentors.

Enhancement of leadership skills of line managers (management employees)

Newly appointed senior foremen are gradually retrained to develop their skills in effective communication, understanding best work practices, giving constructive feedback, building favorable working relationships, and developing their subordinates. For this program we also used various e-learning modules and "on the job" development.

The group interactive workshops "How to build good relationships at the workplace for senior foremen" and "How to manage difficult situations at the workplace (crisis situations, injuries, conflicts, etc.)" led by an experienced psychologist were also highly rated.

Internal coaching

Employees have the opportunity to participate in individual or team coaching sessions with one of our internal coaches. In this way, we provide space for finding solutions to problems and ways to grasp and implement ideas. Team coaching allows for the creation of an opportunity to address a specific situation and leads to a common solution, as well as personal motivation for all team members.

Production flow academy

It is designed to ensure up-to-date professional knowledge of the metallurgical process for our employees, as well as students in the framework of a summer internship or year-round practice. It is led by our internal R&D experts. An e-learning version is also available now.

Advanced Analytics Academy

In cooperation with the Institute of Informatics of the Pavel Jozef Šafárik University (UPJŠ) in Košice, a selected group of employees is participating in a 3-month program dedicated to providing experience in the development and application of various methods for data collection, analysis, and interpretation, e.g., in the optimization of dynamic or repetitive one-time processes, using graph structures and modeling of real processes.

The support of employees in improving their qualifications by studying at university or high school

In the case of selected fields of study that are directly in line with their job, we support them to study alongside their employment (study leave or compensation for costs related to improving their qualifications).

Development of digital literacy

For employees in different target groups (DSE team, digital agents, ERP SMEs, managers, other T category employees), we have prepared an offer of training and information on the development of computer and data literacy.

Internal or external **online learning** has become a routine part of our working lives. We have focused on updating and expanding the offer of **internal e-learning courses**. We also made the **SEDUO** online education platform available to selected employees with a wide range of interesting and up-to-date e-learning courses and training programs. As part of the corporation's contract, we were also able to provide selected employees with access to the **worldwide Udemy Business platform**, which offers thousands of valuable courses on various topics.

Talent management

The long-term used process of regular evaluation of the performance and potential of the company employees, which begins with setting performance goals at the beginning of the year, continues with quarterly performance reviews, potential evaluation, identification of high potential employees, preparation of succession plans and establishment of development plans, is completed with a year-round evaluation of performance and competencies.

Succession plans define successors for managerial and key positions with graduations of readiness of individual successors - Ready immediately; Ready in 1-3 years; Ready in 3-5 years.

Employees have development plans with specific development goals for the current or future position, according to the current need and opportunities for personal development.

Development activities can be implemented in various forms – standard educational activities (provided internally or externally; online or face-to-face), self-study individually directed by the employee, participation in projects, shadowing the employee in the future target position, mentoring from an experienced colleague, on the job activities – so that they develop the knowledge and/or skills of employees, their productivity at work and contribute to the development of the entire company.

4 QUALITY EDUCATION

COOPERATION WITH SCHOOLS

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

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

Cooperation with high schools

- **Active recruitment promotion**

  Promotion of fields of study of metallurgy, mechanical engineering, and electrical engineering for elementary school students in the Košice and Prešov regions.

  In total, in 2023, **123 students** entered the first year of our contractual secondary schools.

- **Dual system of education**

  The cooperation with the Secondary Vocational School of Industrial Technologies in Košice – Šaca and the Secondary Vocational School of Railways is primarily aimed at providing professional experience to students in selected production facilities of our Company, support in the creation of school educational programs and support in the recruitment of primary school students.

  In the 2022/2023 school year, **431 students studied at contractual secondary vocational schools in the dual education system and the state education system.**

Cooperation with universities

We are intensively developing cooperation mainly with the Technical University in Košice (TUKE), the University of Pavel Jozef Šafárik (UPJŠ) in Košice, and Slovak University of Technology in Bratislava.

- **Projects aimed at popularizing technical fields**

  A technology experience day - Secondary Vocational School of Industrial Technologies, Učňovská 5, Košice

- **Training on bachelor's, diploma, and dissertation theses**

  Professional support of university students under the consulting guidance of the Company's employees, experienced consultants, to solve USSK's problems and projects, which are published and updated on the Company's website. In the academic year 2022/2023, three (3) bachelor's theses, 27 diploma theses and one (1) dissertation paper were completed.

- **Summer Internship Program**

  Selected university students expand not only their theoretical knowledge, but also their practical experience.

  We focus on the development of their key competences, such as active listening, presentation, effective debate and advocacy, communication in foreign languages, basic competences in science and technology, mathematics, digital skills, problem solving, decision-making and teamwork.

  In 2023 **38 fourth year students from three universities** took part in our summer program (Technical University of Košice, Pavol Jozef Šafárik University in Košice, Slovak University of Technology in Bratislava).

- **USSTÁŽ - internship for university students**

  Program for students in the 3rd year of full-time university studies with a focus on metallurgy, mechanical engineering, electrical engineering, power engineering, environment, economics, information technology, cybernetics, civil engineering, chemistry, and other technical fields.

  In the first half of 2023, **78** students were enrolled in the program and since September it was **63** students. These students are involved in work on projects and activities of individual production plants and departments in the administration.

- **AI4STEEL lab**

  Program in cooperation with the Technical University of Košice, Faculty of Materials, Metallurgy and Recycling.

  The goal of the joint experimental workplace is research and development activities focused on the use of artificial intelligence tools in solving current industrial challenges to enhance quality and environmental protection while maintaining economic efficiency and competitiveness of production.

Number of students who completed Dual Education, Summer Internship, and USSTÁŽ in 2023:

High schools (1st – 4th year)	Universities (3rd – 5th year)
431 students	**63** students

The active approach of working with students has worked well for us. High school and university students have the opportunity to engage in practical activities of USSK to gain experience and skills that will provide them a competitive advantage in the labor market. This approach also allows us to search for and develop talents from among high school students and university students to ensure our future needs.

EMPOWERING PEOPLE

SOCIAL PROGRAM FOR EMPLOYEES AND UNION RELATIONS

FINANCIAL AND NON-FINANCIAL EMPLOYEE BENEFITS

Financial benefits

- Variable salary payment on a monthly basis according to the Company's economic result
- Merit based on employee assessment
- 13th and 14th salary in May and November
- Annual bonus for a selected group of employees based on the fulfillment of the Company's economic indicators and evaluation of the fulfillment of the set goals of the employees
- Reward for work and life anniversaries
- Contribution to supplementary pension savings (3rd pension pillar)

Education support

- Opportunity for continuing education and professional skills development
- Carrier growth opportunity within the entire Company

Job opportunities

- Flexible working hours
- Work leaves with wage compensation for single parents taking care of children up to 15 years of age
- Leave of absence in excess of LC for the birth of a child, wedding, etc.

Social policy and benefits

- Organizing summer and winter sports events for employees (including the President's Cup football and hockey tournaments)
- Social assistance in difficult life situations, long-term sick leave
- Social assistance for family members in the event of the death of an employee
- Support of free blood donation with contributions for the regeneration and relaxation of employees for blood donation and for the Jansky and Kňazovicky Plaque award
- Employee competitions
- Employee discounts provided by different partners
- Recreation stays (specific form of medical rehabilitation)

✓ **Additional benefits**

- Allowance for recreational stays
- *Up benefia* contribution to Up payment cards for the regeneration and relaxation of employees
- Reconditioning stays and discounted accommodation prices for family members
- Awards and allowance for regeneration at work anniversaries
- Reward to OSH employee representatives for their activity within their competence and for the most active ones, an award in the form of an *Up benefia* contribution for regeneration and relaxation
- Employee meal allowance (also during vacation)

COOPERATION WITH TRADE UNIONS

Cooperation with trade unions is an integral part of the USSK's social program for employees. In compliance with the **Collective Labor Agreement for the years 2020-2024**, concerning U. S. Steel Košice, s.r.o. and U.S. Steel Košice - SBS, s.r.o., the annual collective bargaining continued as far as working hours and salary development.

✓ In June 2023 Amendment No. 6 to the Collective Labor Agreement was signed, in which the contracting parties agreed to increase the monthly collective wage with effect from June 1, 2023, and to pay a one-time remuneration for the work.

✓ At the same time, Amendment No. 7 was signed this year, which enabled a one-time severance pay for long-term performance of work to employees terminating their employment relationship in accordance with the rules established by the given Amendment.

USSK fully respects the role of a social partner in every aspect of its operation in accordance with legislative requirements and considers social harmony to be a necessary condition for effective business. Cooperation is implemented at all levels of management in the fulfillment of obligations arising from the collective agreement and the resolution of labor law matters in accordance with legal provisions. Company, with the participation of the social partner, resolves matters concerning employees in the field of work safety, remuneration, social policy, catering, and transport through parity commissions. Representatives of trade unions meet regularly with management and are informed about the production and economic situation.

USSK continuously informs employees, professionals, and the public about its business on its website, Intranet page, and the latest communication tool with employees is its own application based on social networks The X App Košice.

AWARDS IN BANSKÁ ŠTIAVNICA

In 2023, the members of our Company participated in the Day of Miners, Metallurgists, Geologists and Oil Workers, which is regularly celebrated in Banská Štiavnica. At the celebration in St. Catherine's Church, nine metallurgists from U. S. Steel Košice received the highest industrial awards.

The celebration traditionally belongs to the **Salamander Days**. The historic Salamander procession was preceded by a traditional procession in which entrepreneurs, students, mining and metallurgical associations, guilds and fraternities were represented. Our awarded employees, vice presidents, general managers, and directors of plants where these employees work were also present.

EMPOWERING PEOPLE

DIVERSITY AND EQUAL OPPORTUNITIES

DIVERSITY AND INCLUSION

Our Company's focus on diversity and promoting an inclusive work environment leads to many benefits that have a positive impact on both the Company and our employees. Diversity and inclusion are necessary for a large company like ours to drive innovation, stay competitive, attract and retain talent, and foster positive workplace dynamics. Embracing diversity is not only a moral imperative, but also a strategic business decision with far-reaching benefits.

USSK **guarantees every employee's rights under their employment contract without restriction, prohibits direct or indirect discrimination in compliance with the applicable laws,** including those covering personal data protection. All employees are treated **equally and without discrimination on the basis of age or gender.**

- ✓ Although the **proportion of women** in the total Company's workforce is only 14.5 %, women form an important part of USSK management and **hold several top positions**.
- ✓ In 2023, the **proportion of women among the Company's statutory representatives** was **25 %**, with responsibilities for energy, legal and finance management.

Since 2010, they have been able to derive support from **the USSK Women's Network, part of the U. S. Steel Corporation's Women's Inclusion Network**, the mission of which is to cultivate an inclusive environment enabling women to maximize their professional success through networking, education, leadership opportunities and community involvement. Since 2021, NextGen has also been actively operating within USSK.

WE ARE BUILDING INCLUSIVE CULTURE

CEO ACTION FOR DIVERSITY & INCLUSION

To create a more diverse, inclusive and fair workplace, U. S. Steel has joined more than 2,000 corporate leaders who have pledged to:

- To create an environment that supports open dialogue on complex and often challenging topics of diversity, equality and inclusion.
- Implement and expand stimulating education and training on the given topics.
- ✓ We realized the fulfillment of the mentioned obligation also in 2023 via the so-called **Days of Understanding**, when the Company provides leaders with a collective opportunity to conduct a dialogue and inspire employees to change.
- ✓ The main theme in 2023 was **"Psychological Safety and Belonging,"** in which we involved managers at all levels of Company management.

What could our vision of fellowship be?

Raising the level of belonging and psychological safety to the level of physical safety as our greatest value.

PSYCHOLOGICAL SAFETY FIRST!

INCLUSION OF COLLEAGUES WITH DISABILITIES

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

- ✓ In 2023, we continued to **provide work for 26 employees whose health conditions** had rendered them unable to carry out their previous responsibilities (so-called protected shop).
- ✓ We employ a total of **212 employees with some kind of health limitation** (partial or full disability or severe disability). These employees work in various administrative and production organizational units, where they are allowed to perform work in accordance with their health limitations.

SUPPORT OF MARGINALIZED ROMA COMMUNITY

A chance to work and be educated

The social enterprise GOMBIDA was founded by the municipality of Veľká Ida in 2021 and is the follow-up of our project Equality of opportunities in the field of employment of Roma living in the village of Veľká Ida. The aim of the cooperation is to give a chance to unemployed Roma who expressed interest in working and learning.

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

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

Selection of employees

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

- The project solves a real local problem. It not only helps to solve specific problems in the region with high unemployment - it improves the economic situation and the living standard of people dealing with the generational poverty, but also enables the integration of Roma into society.
- Long-term unemployed people have received a regular income, they can ensure better housing and living conditions for their families.
- The education of employees is supported by several activities of the social enterprise.
- Encouraging and motivating them to obtain education and qualifications will ensure higher chances of employment on the labor market.

EMPLOYEE RESOURCE GROUPS (ERGs)

WIN		NextGen
2008	**Est.**	2021
To harness the potential of women in growing the Company and improving its performance and to support women in their professional growth by training and developing their communication and management skills	**Goal and area of interest**	Supporting a stronger future for USSK by empowering the next generation of the Company, through teambuilding activities and initiatives of various nature, including involvement in community programs, supporting their onboarding process and providing opportunities for further self-development
• To continue with events on current topics related to the USSK • Include more events in the field of health and a healthy lifestyle • Actively involve and support women in the professional growth of education and the development of their communication and management skills • Close cooperation with NextGen	**Plans and Ambitions**	• Continue successful, well-established initiatives • Organization of online events with external speakers who share inspiring and educational ideas • Promotion of learning and development of hard and soft skills • Support of further projects within the Hackathon initiative focused on ESG/sustainability • Close cooperation with WIN
usskwin@sk.uss.com	**Contact**	ussknextgen@sk.uss.com

Women's inclusion network (WIN)

Employee resource group, Women Inclusion Network U. S. Steel Košice continued its activities also in 2023.

- ✓ It organized **7 events** during which interesting and important information related to USSK was shared, such as Change Management, Safety and Health at Work, Environment. They addressed current topics such as decarbonization, ERP, artificial intelligence and cyber security.
- ✓ Topics related to everyday life were very popular, for example investing. WIN actively participated in the charity event Volunteer Days at the shelter for abandoned animals near Haniská" also in 2023.
- ✓ WIN in USSK closely cooperates with WIN in the United States, not only by actively participating in their events, but also by organizing events with the participation of top American managers who are actively involved in the events.
- ✓ All these events enjoy great interest, as evidenced by the participation of approximately 200-330 people and many positive responses.

NextGen

The USSK NextGen community of young employees was created as part of the corporate NextGen platform in 2021.

In 2023, under the leadership of its organizational team which reflects the diversity in the workplace, as two women and three men are represented, they organized a number of events, open to all employees.

- ✓ A number of **plant visits** was organized focused on production processes and related Advanced Analytics projects.
- ✓ They hosted **lunches with members of USSK management**, which provided NextGen members with space for an informal discussion.
- ✓ They also further worked on **"USSK ESG HACKATHON – NextGen on Search for Fresh Sustainable Ideas,"** focused on the current highly important topic of ESG and sustainability.

Creative and passionate employees joined the initiative already in 2022 and since its inception, came up with a number of interesting projects.

- ✓ **„How to Recycle Mobile Phones"**
  - The first successful project within this initiative, a research course led in a cooperation with the Technical University of Košice, Faculty of Materials, Metallurgy and Recycling came to life in April 2023.
  - The aim of this project intended for pupils of the second grade of elementary schools and pupils of secondary schools, was to show the young generation the composition and potential of mobile phones and to bring them closer to the recycling process, not only theoretically, but especially practically.
- ✓ **Exercising with NextGen**
  - As part of the S - social pillar, a healthy lifestyle was selected among the areas we identified as key for the benefit of our employees
  - Therefore, at the beginning of summer 2023, NextGen launched a new initiative: "SUMMER 2023 AT USSK WITH MOTION."
  - As part of the summer program, 10 exercises took place, under the guidance of the trainer, USSK employee, Sylvia Hušková, when the employees devoted their time after completing their work duties to their health.
  - Thanks to its success, employees' interest, as well as the trainer's willingness, this initiative continues in a regular weekly format.

- ✓ At the end of September, USSK employees participated in the donation march, the **Carpathian Wander**, thanks to the support of USSK and the organizational support of USSK NextGen and Win (Women's Network).

- It is a donor tourist march, which offers a 50 or 25 kilometer route along forest roads along the ridge of the Volovské vrchy has been organized by the Carpathian Foundation since 2010. It is a unique activity aimed at supporting the development of Eastern Slovakia.

- ✓ NextGen was also active during **USSK Volunteer Days**, as they took the lead at the Center for Children and Families on Hurbanova Street, where volunteers worked on mowing the area, trimming bushes, trimming the orchard, taking out unnecessary property to the container, adjusting the rock garden and train by the playground, collecting and carrying away branches from sawed trees.
- ✓ NextGen also actively participated at the **Summer Sports Games**, during which they took the organizational role of the beach volleyball match. The Games not only motivated our employees to stay physically active but also provided a chance for socializing and thus contributed to work-life balance of our employees.
- ✓ Last but not least, a **pre-Christmas event** was held at USSK premises, with a special Guest, USSK General Manager Program Management Office, during which NextGen members had a chance to discuss more in depth one of USSK's current strategic projects, ERP.

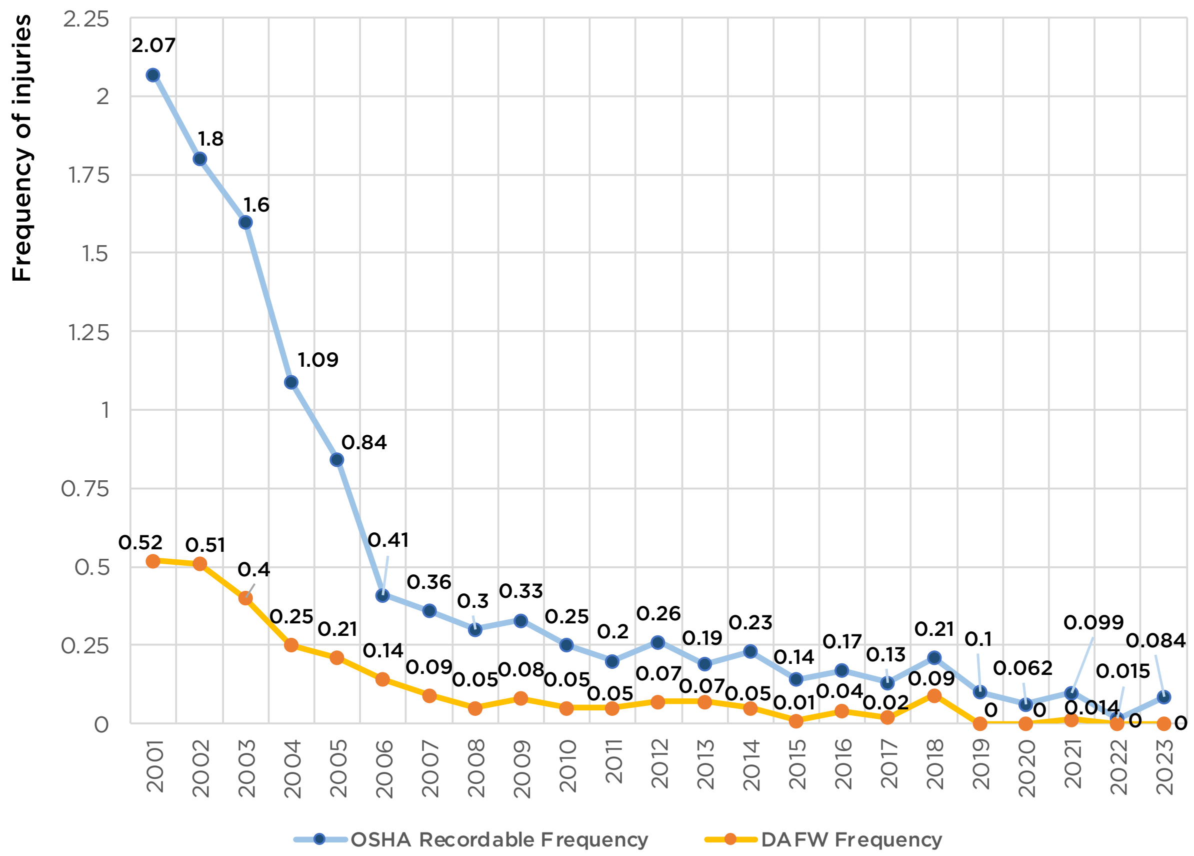
EMPOWERING PEOPLE

SAFETY AND HEALTH PROTECTION AT WORK

At U. S. Steel Košice, **SAFETY FIRST** remains our primary and the most important value in protecting life and health at work of our employees and suppliers who work daily basis at the premises of the Company.

FREQUENCY OF INJURIES

In 2023, the Company achieved (according to the methodology of the Occupational Safety and Health Administration (OSHA)) the frequency of all OSHA injuries **0.084** and the frequency of DAFW **0.000**.



- ✓ Compared to 2022, we recorded an increase of all OSHA injuries frequencies from 0.015 to 0.084, which is still below goal value of 0.096 The target frequency goals were not exceeded and are within the range that is significantly lower than the values achieved on average by steel-making industry.

SAFETY MANAGEMENT SYSTEM (SMS)

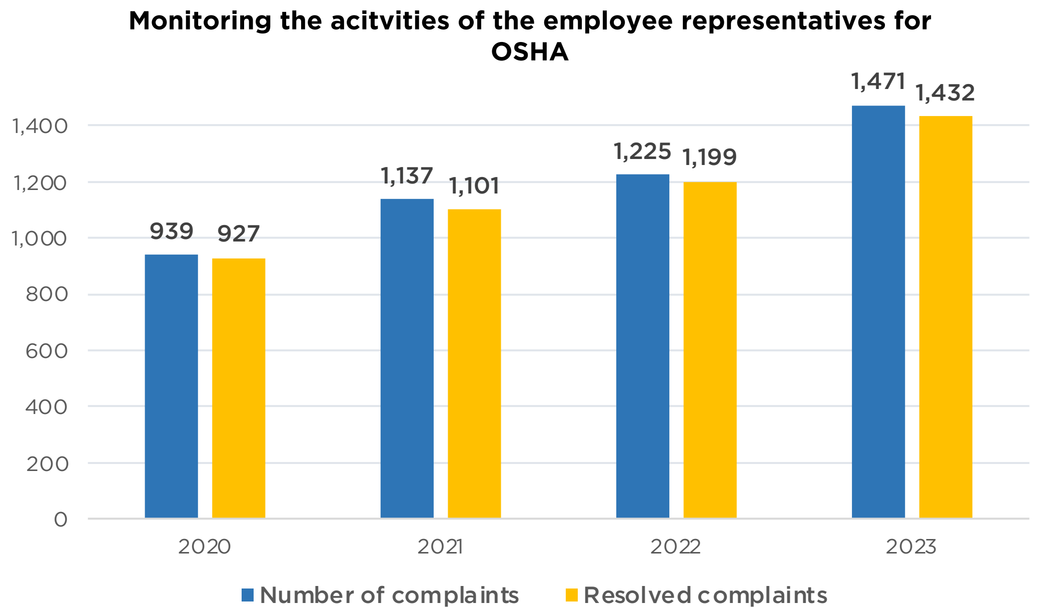
We also continued with the **activities aimed at making the Safety and Occupational Health at Work more efficient**. In cooperation with experts from various fields and Manager for quality management system we continued with improvement of **Safety Management System**.

- ✓ In the course of 2023, Internal Safety Management Systems Audits were carried out at all organizational units.
- ✓ In October 2023 we **vindicated the certificate** according to **Standard STN ISO 45001:2019**. ISO 45001 specifies occupational health and safety standards to help reduce accidents in the workplace and provides tools to continuously improve OSHA performance.

EMPLOYEES' REPRESENTATIVES FOR OSHA

The Employees' Representatives for OSHA, who contribute with their work to hazard identification and risk assessments and propose their elimination, also played a key role in the results we achieved.

- ✓ From overall number of **1,471 initiatives for improvement** identified we managed to solve 1,432 out of them what introduces **almost 97 %** by the end of the year.
- ✓ **Compared to years 2020-2022 the engagement of Employees' Representatives for OSHA increased significantly**:



SAFETY OF CONTRACTORS

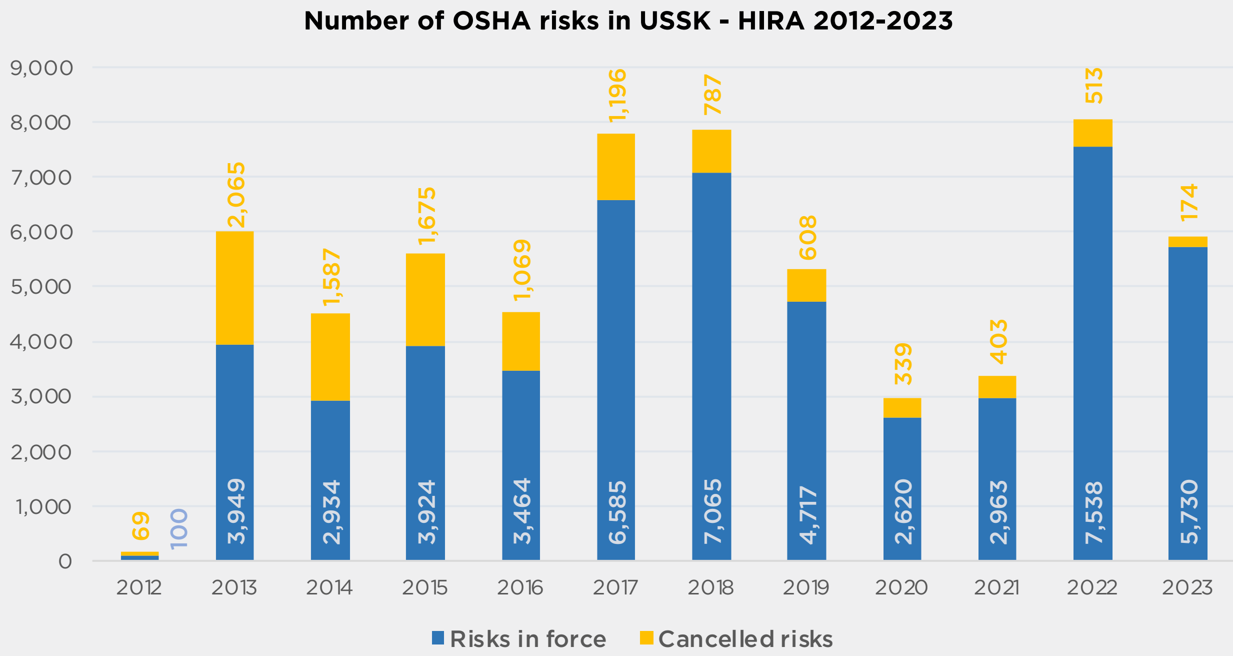
Also in 2023, the Company further continued to pay a significant attention to the issues related to **contractors' Safety**.

- ✓ Professionals for OSHA executed **398 in-depth controls** with focus on compliance with preventive Life-Threatening Programs Requirements. Activities in the project Mentoring of contractors and cooperation with the company ISN, dealing with the safety of contractors, also continued. In the interest of positive motivation of contractors to prevent injuries, USSK continued with assessment of the contractor employees in the area of compliance with Safety principals and in awarding of contractors for safety.

SAFETY CULTURE

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

In the HIRA (Hazard Identification and Risk Assessment) project, between 2012 and 2023 we identified and addressed risks:



WORKED HOURS WITHOUT INJURY

- ✓ Also in 2023, our plants managed to achieve significant milestones of hours worked without injury.

Significant milestones	2020	2021	2022	2023
Man-hours without OSHA Injury	907,883	4,243,463	12,807,883	1,652,036
Man-hours without DAFW Injury	32,134,167	12,021,004	25,038,436	**36,831,147**

- ✓ On December 26, 2023 the Power Engineering **reached 6,000,000 hours without a single OSHA injury**. They thus joined the Transportation DP who were the first to reach this goal in January 2020.

What does the U. S. Steel Košice Vice President Energy and General Counsel Elena Petrášková see behind this success?

"Great managerial work of our GM Energy Laco Horváth, Director of Division Plant Power Engineering Pavol Oszágh, all area managers in Power Engineering plant, coordinators, foremen and every single employee in this area. I am talking about managerial work, personal approach of each member of power engineering team. We must become aware that in the past two years we have had to deal with serious operational problems with the change of coal supplies, what also created new safety hazards. Our team handled many emergencies and repair on ASU equipment. Despite these problems we solved this situation safely, with no injuries and reliably delivered steam, technical gasses and all utilities including water and its purification for the production of iron and steel. Behind this success it is necessary to see a responsible approach of each member of our team to work safety. In this context, I also would like to thank General manager Safety & Security Robert Meitner and his team for their support in these endeavors."

Safe steel - new Family Safety days

The popular corporate event Family Safety Day changed its format and continued in 2023 under the new name **Safe steel - new Family Safety days**.

The event was transformed into a competition in which employees and their families were educated in the field of occupational safety. During the 5 competition rounds in the months of May, June, September, October and November, an average of around 2,000 people participated in the competitions. In total, we received 9,900 correct answers from 3,073 employees. They focused on ecology, energy and the operation of primary production, rolling mills and finishing.

143 drawn colleagues with family members over 12 years old had the opportunity to look behind the gates of our company.

EMPOWERING PEOPLE

CHEMICALS

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

- ✓ As a manufacturer and importer of chemicals, we had previously registered **16 substances in the European Chemicals Agency under the REACH regulation, and we are Lead Registrant for two substances.**

  - Within the consortia and associations of manufacturers and importers of chemicals we keep our registrations up to date and prepare their updates. We regularly communicate with the European Chemicals Agency, public authorities as well as nongovernmental organizations and private companies focused on fulfilling the requirements of REACH and related chemical legislation.

- ✓ As a manufacturer of products, we provide the information enabling their **safe use** and we check their content for substances of very high concern based on the so-called Candidate List. We also prepare **declarations for our customers about the content of substances of very high concern**.
- ✓ We **regularly review our portfolio** of chemicals and **look for safer alternatives**. For substances subject to authorization, the presence of which is necessary in our production cycle, we have participated in the preparation of authorization applications and subsequently monitor compliance with the conditions resulting from the authorization decision we received for the use of chromium oxide and sodium dichromate in our tin production process plates granted in December 2023. EU suppliers of hexavalent chromium substances have applied for their continued use until a suitable alternative is found. **We further continue in our efforts to identify, test and verify the suitability of substitutes for substances that are subject to authorizatio**n.
- ✓ As a downstream user of chemical substances and mixtures, we identify and apply the appropriate risk management measures set out in the Safety Data Sheets and actively communicate with our suppliers. We ensure that **Safety Data Sheets** from our suppliers are easily accessible to all employees in our Company who follow their instructions during the performance of their work activities. We update Safety Data Sheets for our products. We communicate information about chemicals with our customers and answer their questions and fill out their questionnaires focused on classified chemicals.
- ✓ We apply the REACH provisions on restrictions to the **manufacture, placing on the market and use of chemicals** that pose a risk to human health and the environment.

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

EMPOWERING PEOPLE

CRISIS MANAGEMENT

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

- ✓ In the month of February, the Košice District Office, Department of Environmental Care, issued an approval until 31 December 2024 for the updated **USSK Safety Report,** which is the most important document in the field of preventing serious industrial accidents.
- ✓ In the months of June to October, **a coordinated inspection** was carried out at USSK **under the leadership of the Slovak Environmental Inspectorate**, which was aimed at fulfilling the tasks arising from Act no. 128/2015 Coll. on the prevention of serious industrial accidents and on the amendment and supplementation of certain laws with a focus on equipment and activities with the presence of a hazardous substance at the Cold rolling Mill Division Plant (Annealing Shop, HNX atmosphere production center, Ammonia Plant).

As a result of the energy crisis and tense international relations, the fields of **civil protection, critical infrastructure protection and economic mobilization** came to the forefront of public interest and gained importance last year. In addition, there was more intensive communication and exchange of information between the company USSK as an element of critical infrastructure and the subject of economic mobilization with the Ministry of Economy of the Slovak Republic, which is responsible for our company in the mentioned areas. The Ministry of Economy of the Slovak Republic is preparing an amendment to Act 45/2011 Coll. on critical infrastructure, in which the Crisis Management unit participated in the review process at the end of last year. There was also intensive communication with District Office Košice - crisis management department for the field of civil protection. USSK Crisis Management Unit ensured this communication and provided state authorities with full cooperation in accordance with the applicable legislation.

SUPPORTING PEOPLE

COMMUNITY ENGAGEMENT

COMPANY SUPPORT FOR THE COMMUNITY AND THE REGION

In our relationship with the community, we act in accordance with our principles of equal opportunity and the promotion of diversity.

- U. S. Steel Košice has long been interested in the needs of the region and is committed to addressing them in accordance with its core values and business principles, either directly or through its U. S. Steel Košice Foundation.
- Priority in the area of donation and sponsorship is given to public benefit projects for children, support of health care, science and education, culture and sports.
- The Company is a partner of many non-profit organizations that are active in solving problems and coming up with innovative ideas for the benefit of community development, social assistance solutions for disabled citizens and seniors.

USSK contributed	+	U. S. Steel Košice Foundation	=	In total for the year 2023
1,454,407.29 EUR	+	**260,402.36** EUR	=	**1,714,809.65** EUR

SUPPORT FOR EDUCATION

U. S. Steel Košice actively cooperates with selected technical secondary schools and universities, especially in connection with **targeted recruitment of employees**. For students, cooperation with our Company is an opportunity to get acquainted with the "real world" of an industrial enterprise. With good academic results, high school students can get a job offer even before graduation. Financial support for university students is aimed at profiling future computer scientists, electrical engineers, environmentalists, mechanical engineers or technologists.

Collaboration with academics has been most prominent in machine learning to improve processes, streamline steel production to put the least burden on the environment and reduce production costs. We have been developing and deploying solutions using machine learning and other forms of artificial intelligence in the Company for several years. Such solutions are helping us to improve our processes and reduce our carbon footprint. We achieve excellent results by bringing together experts from manufacturing practice and academics from the field of metallurgy. Our Digital Studio Europe is dedicated to artificial intelligence and machine learning, all of which deal with steel production through data. Machine learning has its limitations (data quality, data size and data variability) that can be complemented by the expert knowledge of metallurgy professionals. One of the processes being improved is the pig iron desulphurization process where we have collaborated with the Faculty of Materials, Metallurgy and Recycling at the Technical University of Košice to develop a desulphurization model. The faculty supplied expert knowledge and a thermodynamic model of desulphurization, we combined this with data from real operations and calculated the kinetics of the process. This joint model can be used to make the process more efficient, reduce material consumption and therefore reduce the footprint left on the environment. This model combines the best of the University's expertise and practical knowledge from production in the form of data.

Technical University of Košice, Faculty of Materials, Metallurgy and Recycling, Department of Safety and Production Quality, Faculty of Mechanical Engineering

In 2023, we supported the improvement of education, research and marketing, as well as the promotion of studies with EUR 50,000. The USSK Foundation supported the establishment of the ESLA ergonomics laboratory.

Foundation | The ESLA laboratory was inaugurated in December 2023

Scholarship Program

U. S. Steel Košice supports talented students in their studies at domestic and foreign colleges and universities as part of its Scholarship Program. They include not only young, talented people from socially disadvantaged backgrounds, but also children of Kosice steel mill employees.

Scholarship recipients participate in the Company's volunteer events, including Metallurgists for Košice and the Christmas Charity Booth.

Foundation | 22 scholarships were awarded in the academic year 2022/2023 and a further 28 scholarships in 2023/2024

So far, 490 students have received the scholarship.

Dual education

USSK, in cooperation with the Secondary Vocational School of Industrial Technologies in Košice - Šaca and the Secondary Vocational School of Railways in Košice, supports dual education, which is based on the acquisition of practice and professional practical skills, targeted preparation for the future profession and the opportunity to integrate into work processes; the students are motivated by rewards for productive work.

431 students in 2023

Summer internship

The summer internship is an opportunity for college students to learn about operational and administrative activities to gain new knowledge and skills beyond the university curriculum under the guidance of experienced mentors.

USSTÁŽ

HEALTH CARE

U. S. Steel Košice focuses on supporting specialized medical facilities in the region. It has made financial contributions to the L. Pasteur University Hospital in Košice, the Košice Children's University Hospital and the St. Luke's Institute of Geriatrics in Košice for the purchase of new examination instruments and equipment and the modernization of workplaces. In 2023, these hospitals and specialized medical facilities purchased new examination equipment and devices.

Children's University Hospital Košice

Thanks to the financial support, several new examination devices and equipment were added to this medical facility with a regional scope – among others, instruments for measuring hearing disorders, comprehensive ORL unit, a tympanometer, a device for controlled whole-body hypothermia or a monitor for monitoring brain activity – electroencephalogram. Košice steelworkers also contributed to the purchase of these donations with their 2 and 3 percent of income tax paid.

Foundation

St. Luke's Institute of Geriatrics Košice

The USSK Foundation helped to equip the renovated fifth floor of the institute with electric reclining beds, beside tables, physiotherapy equipment and a wireless patient-nurse call system.

Foundation

SOCIAL CARE

The assistance is mainly oriented towards centers for children and families in eastern Slovakia. We focus on supporting two orphanages, a civic association and charity work. Our aim is to make life easier and more pleasant for the younger generation, our retired employees, and people in social need. In addition to USSK and the USSK Foundation, our employees also try to help vulnerable groups, which multiplies the positive results and feedback.

Supported institution

Orphanages

Centre for Children and Families Košice - Uralská Street and St. Klement Hofbauer Children's Home in Podolínec

In 2023, the USSK Foundation supported two orphanages by organizing sporting events and cultural activities for children's recreation and by purchasing interior furnishings, flooring, and electronics. Children from both institutions took part in an event on Košice City Day - Košice Venice and a sports day at the beginning of the summer. In the competition of non-traditional vessels Košice Venice, they won the first and second place.

Foundation

Civic Association

Jeseň života

Thanks to the support of U. S. Steel Košice, our retired former employees have an opportunity to meet and participate in various activities.

USSK

Charitable activities

Archdiocesan Charity in Košice

By supporting the charity, we try to make life easier for people in difficult social situations, especially mothers with children and lonely seniors.

USSK

Red Cross

Regional Association Košice-City

The amount of EUR 10,000 was used for public service activities related to raising awareness, especially among pupils and students, about first aid, as well as to improve the conditions and material equipment of volunteers.

USSK Foundation

Projects

We are with you at the right time

The foundation focuses, among other things, on helping the families of steelworkers who find themselves in a difficult life situation. Each family receives a one-off financial support of EUR 2,000. Families are invited to various events throughout the year. As of 2013, 128 families participated in the project.

Foundation | 11 steelworkers' families | As of 2013, 128 families participated in the project

The tree of wishes

USSK employees are also regularly involved in helping, and this year they presented gifts to more than 140 children from two orphanages and eleven families of Košice steelworkers (St. Klement Hofbauer Children's Home in Podolínec and the Centre for Children and Families Uralská - Košice).

USSK employees	143 children from two orphanages and eleven families

The charity stand

The charity stand supports non-profit organizations that have the opportunity to spread awareness during the Christmas markets in Košice and also to raise funds for their functioning. In 2023, the Košice Archdiocese Charity, the Union of Mutual Aid of People and Dogs and the non-profit organization ETP Slovakia were represented at the stand, which were also assisted by scholarship recpients.

USSK

Donate a lunch

Also in 2023, before Easter and before the Christmas holidays, the Company's employees were able to participate in the Donate a lunch project.

USSK employees	Almost 400 employees for almost 2,700 lunches for the home-less.

Peter Gombita from the OAZA center was very pleased with the number of donated lunches, *"It is a very nice gesture. Donating not only makes the recipients, in this case poor people, happy, but it also changes the donors. We all need to change. We all need joy, peace, family, people close to us and that one can't buy. Without that, the good doesn't work. Giving is beautiful. Thank God."*

Staff collections in 2023

USSK employees	2 collections	Over 13 000 EUR raised

SUPPORT FOR THE MARGINALIZED ROMA COMMUNITY

The Company has been supporting marginalized Roma communities for a long time. In addition to assistance to orphanages, where mainly children from Roma families live, USSK develops special projects to provide jobs for people from Roma settlements with high unemployment rate. In 2023, we secured work for the social enterprise Gombida from the neighboring village of Veľká Ida, tying-in to another successful project, Equal Opportunities - Work for Roma, which has served as a model for other employers for many years. In addition, in 2023 we also donated waste firewood for Roma communities, which helped them especially in the winter months.

SUPPORT IN CONNECTION WITH THE WAR IN UKRAINE

After the outbreak of war in Ukraine in 2022, we all came together as one community to help thousands of refugees at the Slovak border and in our city. We were cooperating with charities, civic associations, local government, as well as state administration and other businesses to overcome this difficult time together. We have continued with this activity.

- ✓ From 16 March 2022 to 20 December 2023, we provided accommodation at our Training Centre in Medzev for **888 Ukrainian refugees** - worth EUR 235,895; of which, for 2023, we assisted 429 Ukrainian refugees and provided financial assistance of EUR 125,323.
- ✓ In addition, the U. S. Steel Košice Foundation contributed more than EUR 16,500 to the Adventist Relief and Development Agency (ADRA) - Bratislava Civic Association for the purchase of two emergency generators, their transport and installation. The generators are located in two medical facilities in Ukraine.

- ✓ Our help was, in 2023, awarded by the Pontis Foundation, which included USSK among the finalists of ViaBona Slovakia in the category of Good Community Partner thanks to the project **Steelworkers Together Helping Refugees from Ukraine.**

SUPPORT FOR SPORTS

Our support for sports could be divided into two parts, namely support for sports events with a long tradition in the Košice region and support for the development of young sports talents amongst Košice steelworkers and young talents from socially disadvantaged backgrounds.

Košice Peace Marathon and Minimarathon U. S. Steel Family Run

U. S. Steel Košice has been the main partner of Košice Peace Marathon, which is the oldest marathon in Europe and is very popular among our employees and business partners, for many years. One of the accompanying disciplines is the U. S. Steel Family Run mini-marathon – one tenth of the marathon course. Volunteers from among our employees also participated in the organization of the marathon.

USSK

HC Košice ice-hockey team

USSK is a long-term partner of the HC Košice hockey club, which has won the Slovak National League several times. Most recently in 2023.

USSK

Your Chance to Play program

The USSK Foundation strives to create equal opportunities to play ice hockey, tennis, or football for the athletically gifted children of steelworkers and children from socially disadvantaged families.

Foundation | Supported 8 children in 2023.

Since 2006, USSK has contributed EUR 220,427 to club membership fees and equipment for 588 young athletes.

Summer hockey camp

U. S. Steel Košice has been supporting the development of young hockey talents with a financial donation for the organization of the Summer Hockey Camp continuously since 2010.

USSK | Hundreds of children have participated since 2010.

Summer sports games

During September 2023, USSK organized the 33rd edition of the Summer Sports Games for its current and former employees, during which competitions in badminton, bowling, tennis, football and beach volleyball were held at individual sports venues.

Winter Sports Games

In 2023, the 26th edition of the Winter Sports Games took place, in which employees and former Košice steelworkers competed in several disciplines such as cross-country skiing, giant slalom and snowboarding. For the children of the employees, there were competitions on skis, sledges, and bobsleighs, which ended with a winter carnival.

CULTURAL SUPPORT

The Company has long supported major cultural institutions and events. It is a traditional partner of the State Philharmonic Košice and the National Theatre Košice. It also supports the international theatre festival Visegrad Days and the international film festival Art Film Fest. U. S. Steel has been a long-time supporter of Košice Christmas and the City Day events. One of Košice's most distinctive landmarks, the Singing Fountain, was built nearly 40 years ago, thanks to the cooperation of the city and the steelworks. After decades, the cooperation was renewed for the technical modernization of the fountain. In November 2023, the reconstruction of the Košice landmark was completed, to which the Company contributed EUR 1 million in 2022.

Partner of the Slovak State Philharmonic Košice – advertising partner of the Košice Music Spring Festival

USSK | Foundation

Partner of the National Theatre Košice

USSK | Foundation

Support for the Visegrad Days Theatre Festival

USSK

Fountain

Foundation

VOLUNTEERING AND COMMUNITY PROGRAMS

Volunteer days - Metallurgists for Košice

Volunteer programs are part of our community support. The largest corporate volunteer event is the **Volunteer Days - Metallurgists for Košice**, which was held for the 17th time on 16-17 June 2023. U. S. Steel Košice employees helped seven organizations with community service activities. During the two days, they participated in the Metallurgical blood drop donation and a collection of clothes and other useful items for the Archdiocese Charity, Kosice, which manages 34 charity and community facilities in 16 towns of the region. They also beautified the Centre for Children and Families at Hurbanova street, helped at the Botanical and Zoological Gardens, the Children's Historical Railway, and the Animal Shelter. In total, 300 volunteers took part in this corporate event.

Staff | 17th year | 300 volunteers who worked a total of 1,250 hours

Metallurgical blood drop donation

Košice steelworkers regularly donate the most precious fluid needed to save human life, blood. **In 2023, we managed to collectively donate almost 30 liters of blood from 69 donors.**

Of course, many employees donate blood individually several times a year, even outside of volunteer days. This is demonstrated by the impressive figure of 4,502 free blood donations. In 2023, 34 employees were awarded the silver Jansky plaque, 35 employees the golden plaque and 31 employees the diamond plaque. 16 metallurgists were awarded The Kňazovicky Medal.

Collection of clothes and useful items for the Archdiocese Charity, Kosice

One of the sustainable activities we do to help people and the planet is to recycle clothes and other useful items that can find a second home with people who need them.

Beautification of the Centre for Children and Families at Hurbanova Street

USSK volunteers have been helping beautify the Center for Children and Families on Hurbanova Street for nearly a decade.

Help in the botanical and zoological gardens

The beautification of the botanical and zoological gardens is one of the so-called permanent volunteer activities of the metallurgists. In 2023, work was carried out at two sites to make the **environment and the variety of vegetation** more attractive.

In Košice Zoo, volunteers painted the fence and built a tent city, which is used in the summer in the Night at the Zoo program.

"Volunteers always work quickly, with high quality and the result of their work visibly contributes to the beautification of the garden." Erich Kočner, Director of Košice Zoo.

Help at the Children's Historical Railway

The Children's Railway has become a traditional and popular place to help our steelworkers. As a result of volunteering, the playground at Alpinka has been refurbished and new information boards have been installed.

Help at the animal shelter

During the volunteer day, the metallurgists helped to contribute to the happy life of abandoned dogs in the dog shelter in Haniska near Košice.

USSK volunteers received an award.

A collective of volunteers from U. S. Steel Košice received the Honorary Award of the President of the Košice Self-governing Region. They were awarded for the selfless help they have been providing for many years to non-profit organizations in the region during the Volunteer Days, for their involvement in their communities, for blood donations and financial collections to help medical facilities, as well as for the immediate and targeted assistance they provided to refugees after the outbreak of war in Ukraine.

Tgether for the region 2023

For many years, U. S. Steel Košice has been implementing the **Together for the Region** grant program, which focuses on community projects that support meaningful leisure activities for children and teenagers, environmental protection, and safety in everyday life. A specific feature of the program is the active involvement of USSK employees in these community activities.

✓ Since its inception in 2008, Together for the Region has supported 140 projects for a total of EUR 351,400.

Thanks to the support from the program in 2023, the restoration of the Tibava Castle was started, the surroundings of the swamp near Vyšná Myšľa were revitalized, and an exercise set was added to the sports ground in the village of Poľov. Children explored the region with Tino the Searcher and tried traditional crafts in creative workshops. In the ski resorts of Jahodná and Ski Jasná, the grant contributed to improving safety on the slopes.

USSK	10 grants for 2023, supported by a total amount of EUR 27,000

Košice-Poľov Municipal District

Workout set

Municipality Podhorod'

Let's start the restoration of Tibava Castle

Municipality Vyšná Myšľa

Detention basin at Swamp

OZ We are not alone, Prešov

Creative workshops of our ancestors

OZ Jakasport Academy, Košice

Safe and happy on ski slopes

OZ Pimpollo, Košice

Discoveries of Tino the Searcher

OZ Topľanská Lúčka, Lúčka

Healthy and wise children - our future

OZR pri ZŠ, Trstené pri Hornáde

For the love of movement

SRRZ-RZ at the Cottbuská Kindergarten, Košice

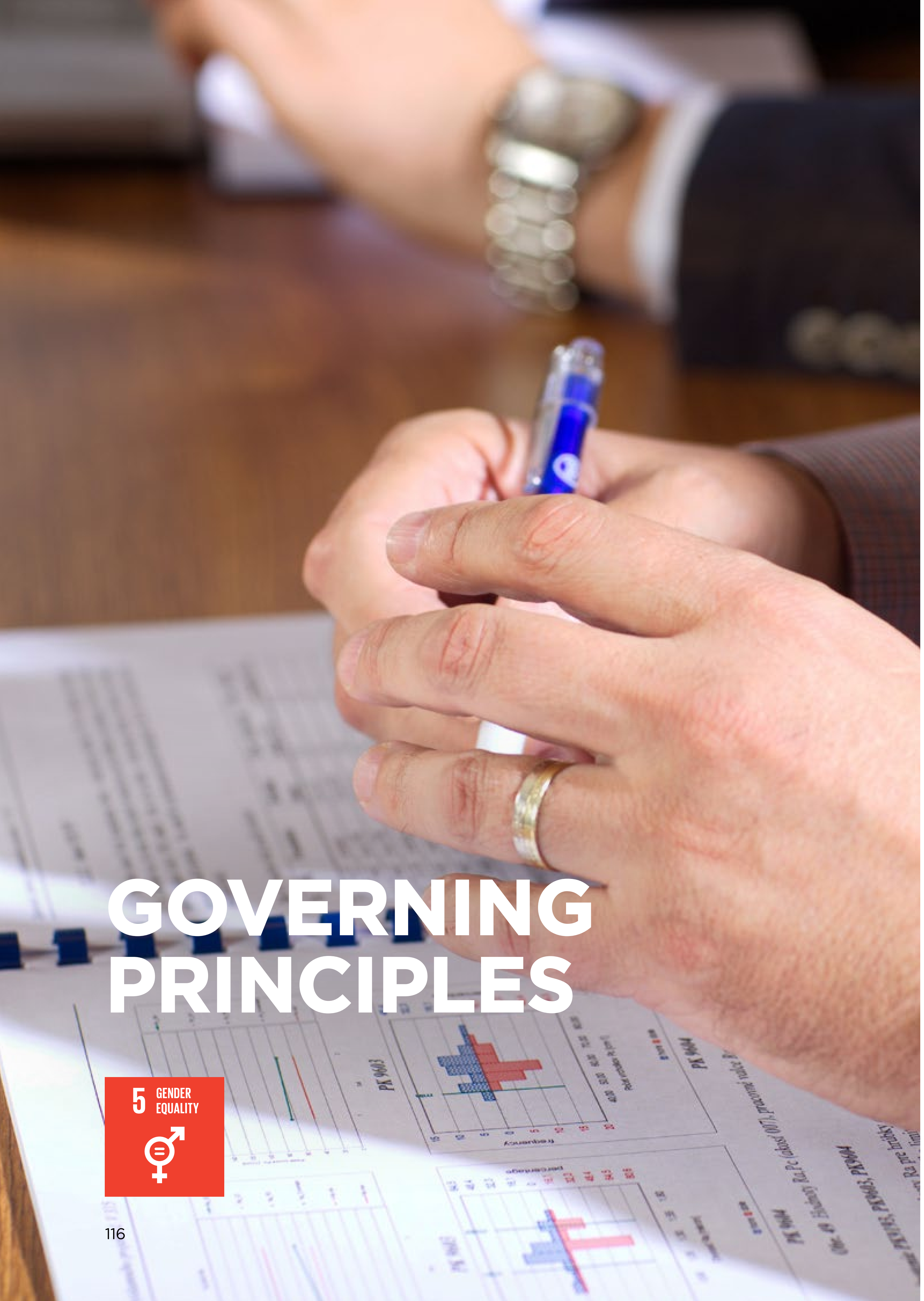
Sport for a healthy lifestyle

OZ V plus

Košice steelworkers cooperated in the revitalization of the playground in the kindergarten in Cestice. Thanks to the grant, the construction of a three-zone playground, aptly named 3 Zones, was successful.

Although the more than 100 community outreach projects in 2023 were primarily managed by the Public Relations Department, they could not have had such a tremendous scope and impact without the involvement of the Women's Network (WIN), NextGen, Human Resources, Unions, Security, IT, and other departments from Administration and Production. We are also engaging our scholarship students, retired colleagues, and cross-sector partners to help. We systematically seek to multiply our community support through synergies.

HELPING IS IN OUR DNA



GOVERNING PRINCIPLES

5 GENDER EQUALITY

ETHICS AND GOVERNING PRINCIPLES

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

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

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

THE CODE OF ETHICAL BUSINESS CONDUCT

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

It is also specially aimed at respecting the human rights of employees by prohibiting slavery, child labor and emphasis on the battle against corruption and bribery. The commitment to act in an ethical manner has helped to ensure that USSK confirms its reputation as a company respecting its employees, shareholders, business partners and the communities which it operates in.

Policies

- Supplier Code of Conduct
- USSK Code of Ethical Business Conduct
- Anticorruption policy
- Conflict of Interest
- Sexual and Discriminatory Harassment
- Gifts and Entertainment
- Anti-corruption guidelines for third parties
- Safety & Industrial Hygiene Policy

EMPLOYEE TRAININGS AND COMMUNICATION

U. S. Steel Košice, s.r.o. is **one of the leading companies enforcing business ethics and anti-corruption** practices in Slovakia.

✓ Employees are regularly informed about news in the ethics & compliance area and other ethics related issues through USSK's intranet site (Ethics & Compliance section), the quarterly online newsletter named "Ethically Speaking", Compliance Tips or short **compliance** videos.

✓ In 2023 employees could also expand their knowledge through several **online trainings** focused on Economic Sanctions, Human Rights or training for managers Tone in the middle.

✓ As every year, also in 2023 our Company together with other plants within the United States Steel Corporation joined the 13th year of the **Ethics and Compliance week**. From November 6 to November 10, employees through short pulse survey, short compliance video focused on Conflict of Interest and Code of Ethical Business Online Training recalled our shared commitment: "**Do What's Right.**"

✓ Also, during the Ethics and Compliance Week, our **Annual Policy Certification** process was kicked off for all employees to review and certify their ongoing compliance with the Code of Ethical Business Conduct and key compliance policies.

ETHICS LINE

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

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

1. Report Intake

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

Immediate safety issues and threats escalated to Safety & Security

Corporate Internal Audit has access to all reports

2. Review and Assignment

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

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

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

3. Investigation

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

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

Confidentiality maintained to the extent possible

4. Case Closure

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

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

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

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

5. Reporting Out

Employees receive overview of Ethics Line activity and sample cases

Corporate Audit Committee receives detailed quarterly reports:

Updates regarding significant reports and investigations

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

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

"World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.

U. S. STEEL HAS BEEN NAMED ONE OF THE WORLD'S MOST ETHICAL COMPANIES FOR 2023.

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

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

GOVERNING PRINCIPLES

OUR SUPPLY CHAIN

Our **Best for All®** strategy extends beyond our operations to improving sustainability throughout our supply chain. We focus on **resilience, supplier diversity** and ongoing s**upply chain management** to ensure the long-term success of our business, while minimizing risks and uncovering opportunities.

We are looking for the most efficient ways of purchasing, in order to help achieving economic benefits and increasing the competitiveness of our Company. All these activities are carried out via the transparent procurement process, and with a centralized responsibility for selection of supplier, negotiations and contract management. Issues of sustainability are increasingly moving to the center of our communication with suppliers. Besides common supply chain management issues such as quality, costs, availability, and delivery dates, the discussions increasingly focus on climate protection, energy, source efficiency or compliance with human rights.

We promote sustainable and responsible approach when purchasing various commodities. Cooperation with all organizational units, such as Production, Environment, Research, but also with suppliers, allows us to bring new trends and innovations, which often require systemic and long term solutions.

A resilient and reliable supply chain is essential to our customer-centric approach of providing steel products that are innovative and energy- and cost-efficient.

- ✓ **Transport of products** - changing to eco-friendly, **multimodal method of material delivery to customers**, through distribution warehouses in Germany (CO_2 savings in 2021 - 3,692 tons, CO_2 savings in 2022 – 4,013 tons, CO_2 savings in 2023 – 2,595 tons).

Our processes have helped us overcome multiple various challenges in the past starting with the pandemic and followed by supply chain disruptions and inflationary pressures.

A SUSTAINABLE SUPPLY CHAIN

We strive to achieve the highest standards of supply chain sustainability for environmental and social criteria, while ensuring the reliable delivery of our products.

Beyond our employees, we expect our business partners to share our values and act in accordance with the **S.T.E.E.L. Principles**. **Our standard contractual terms and conditions, Code of Ethical Business Conduct, and Anti-Corruption Guidelines for Third Parties** detail our expectations. In addition to this, in the course of 2023 we implemented **the Supplier Code of Conduct**.

The Supplier Code of Conduct, which is published on our website, specifies supplier standards and establishes our minimum requirements for ethical and lawful business practices, human rights and working conditions, and last but not least environmental stewardship throughout the supply chain. Priorities also include the fight against corruption, the elimination of conflicts of interest, the protection of competition and fair trade.

CONFLICT MINERALS

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

Based on USSK's reasonable due diligence, to the best of its knowledge, throughout 2023, USSK **did not manufacture any products that used Conflict Minerals sourced from the Democratic Republic of the Congo (DRC)** or its adjoining countries that financed or benefitted armed groups in that region or other conflict-affected and high-risk areas.

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

ECOVADIS

✓ To secure the most accurate data on our sustainability journey, in 2023 USSK took a similar path as the parent company by starting to implement **the EcoVadis platform** to collect data on our suppliers' ESG policies, practices, performance and measurement.

A data collection/screening program using an online tool will ensure the provision of data from our suppliers on a broad range of non-financial ESG issues and management systems, including Environmental, Labor & Human Rights, Ethics and Sustainable Procurement.

We expect the full implementation in 2024 with its eventual embedding into our procurement supplier selection process.

The EcoVadis platform integrates ESG criteria into our supply chain strategy through supply chain sustainability assessments grounded in strong data collection and analysis.

ecovadis

ISN

USSK has been paying attention to the protection and respect for compliance with safety requirement and criteria not only for our employees but also for contractors and their employees who work for companies in our supply chain. In addition to our **internal safety regulations and activities**, which we check on an ongoing basis, **we externally require our suppliers to meet the requirements and provide data within the ISN**, which ensures contractor and supplier risk is assessed and monitored.

ISN. Collect. Verify. Connect.

2024 OUTLOOK

The severe consequences of the war in Ukraine and the deteriorating overall economic outlook continued to affect the steel market development throughout whole year 2023.

After a significant decline of steel consumption by 8.3 % in 2022, persistent downside factors such as ongoing conflicts, uncertainty surrounding energy prices and high inflation, albeit slowing down, combined with a worsened economic outlook, have negatively impacted again apparent steel consumption in 2023, for which the latest forecast indicates a contraction by 6.3 % y-o-y. This would mark the fourth annual recession in the steel sector in the last five years.

The downward trend in real end-use demand will slow the rebound of steel sector which is anticipated for 2024. Steel demand will remain subject to very high uncertainty as none of the factors contributed to the decline in steel demand and production in 2023 have improved, nor are they expected to improve in the foreseeable future.

Based on currently projected development of the EU economy and industry, apparent steel consumption is projected to recover at 5.6 % in 2024.

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

SELECTED FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION

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

U. S. Steel Košice	Statement of Financial Position In EUR (millions)	
	Dec 31, 2023	Dec 31, 2022
Property, plant and equipment, incl. investment property	903	807
Intangible assets	694	520
Long-term receivables	6	9
Other non-current assets	-	133
Inventories	658	764
Short-term receivables	438	369
Cash and cash equivalents	279	377
Other current assets	13	14
Total Assets	**2,991**	**2,993**
Equity	1,613	1,922
Long-term trade and other payables	8	7
Other long-term liabilities	115	138
Short-term trade and other payables	625	443
Other short-term liabilities	630	483
Total Equity and Liabilities	**2,991**	**2,993**

Compared to the previous accounting period, the carried amount of Company's property, plant and equipment including investment property increased by EUR 96 million primarily due to the merger of the Company with its subsidiaries Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. In 2023, the Company's capital expenditure amounted to EUR 64 million compared to EUR 71 million in 2022. The carried amount of Company's intangible assets, mainly represented by CO_2 emission allowances, increased in 2023 by EUR 174 million compared to 2022 due to the merger of the Company with the listed subsidiaries.

As of December 31, 2023, the Company had purchased EUA emission allowances totaling EUR 111 million, compared to purchased allowances worth EUR 37 million as of December 31, 2022. Emission allowances allocated by the Slovak Government in 2023 were measured at EUR 557 million compared to EUR 514 million in 2022.

By merging the Company with its subsidiaries Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. financial investments in other non-current assets were eliminated by EUR 133 million.

Elevated inventory volumes from 2022, driven by higher raw material purchased due to uncertainty and fluctuations in world markets, was reduced to more optimal volumes in 2023 and together with lower prices of raw materials contributed to significant decrease in inventory value.

Dividends totaling EUR 250 million were declared to be paid upon the demand of U. S. Steel Global Holdings VI B.V. Dividends totaling EUR 160 million were paid to U. S. Steel Global Holdings VI B.V. in October 2023. The remaining declared but unpaid dividends in the amount of EUR 90 million increase the value of short-term trade and other payables.

Increase in provision for CO_2 emissions reflected in the increase of other liabilities.

On September 28, 2023, the Company elected to reduce the size of the 300 million revolving credit facility ("Credit Agreement"), from EUR 300 million to EUR 150 million. The Credit Agreement with multiple banks has a maturity date of September 29, 2026 and also contains sustainability targets related to carbon reduction, safety performance and facility certification by ResponsibleSteel™. The reduced credit facility size supports USSK's liquidity needs and is consistent with efforts to optimize costs and the global liquidity position. In 2023 and 2022 there were no borrowings against the Credit Agreement.

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

On May 17, 2023, the Company ("Lender") entered into a EUR 200 million Revolving Credit Agreement with United States Steel Corporation ("Borrower"). Funds may be made available in either USD or EUR. This agreement will mature on May 17, 2025. There were no borrowings under this agreement in 2023.

Detailed information on long-term loans and borrowings of the Company a is disclosed in Note 15 to the Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

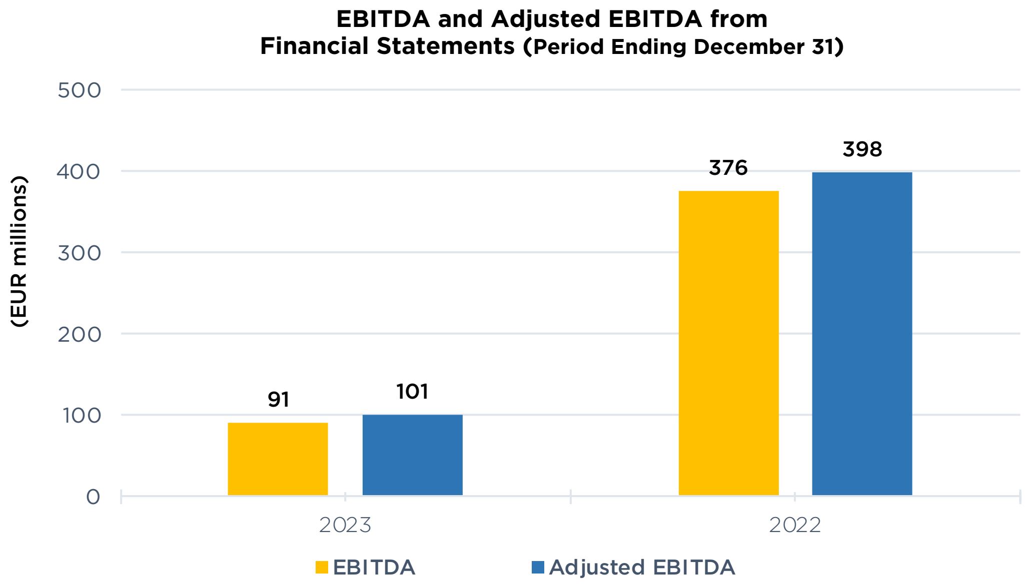
U. S. Steel Košice	Statement of Profit or Loss and Other Comprehensive Income in EUR (millions)	
	2023	2022
Revenues and other income	3,756	4,585
Operating (Loss) / Profit	(50)	420
Net (Loss) / Profit for the Year	**(31)**	**332**
Total Comprehensive (Loss) / Income	**(39)**	**334**

The Company incurred a **net loss of EUR 31 million** in 2023 compared to a net profit of EUR 332 million in 2022. The 2023 loss resulted mainly from unfavorable business conditions, the lower average realized prices across all products and inflationary impacts. These negative impacts were partially offset by decreased raw material costs, lower operating and energy costs, lower other costs, primarily variable compensation and strengthening of the euro against the U.S. dollar.

STATEMENT OF FINANCIAL PERFORMANCE

Key financial performance indicators for the last two years are:

U. S. Steel Košice	Key financial performance indicators in EUR (millions)	
	2023	2022
EBITDA	**91**	**376**
Adjusted EBITDA	**101**	**398**



The Company's EBITDA decreased in 2023 compared to 2022 mainly due to the lower average realized prices across all products partially offset by decreased raw material costs, lower operating and energy costs, lower other costs, primarily variable compensation and strengthening of the euro against the U.S. dollar.

Detailed information on key indicators of financial performance of the Company are disclosed in Note 29 to the Financial Statements.

PROPOSAL FOR 2023 LOSS SETTLEMENT

U. S. Steel Košice	in EUR (millions)
Loss for the Year 2023	(31)
Usage of / (Contribution to) Legal Reserve Fund	-
Transfer to Retained Losses	**(31)**
Retained Earnings - Undistributed Profit Total	**744**
Settlement of 2023 Retained Loss with Retained Earnings – Undistributed 2021 Profit	(31)
Retained Earnings – Other 2023 Changes Directly Accounted for in Retained Earnings	(20)
Retained Earnings as of December 31, 2023 Total	**693**

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

ANNUAL REPORT 2023

SUSTAINABLE SOLUTIONS FOR PEOPLE AND THE PLANET

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

U. S. Steel Košice, s.r.o.

Financial statements
for the year ended December 31, 2023

prepared in accordance with
IFRS® Accounting Standards as adopted by the
European Union

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

pwc

Independent Auditor's Report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of U. S. Steel Košice, s.r.o. (the "Company") as at 31 December 2023, and the Company's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information 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 financial statements section of our report.

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

Independence

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

Reporting on other information including the Annual Report

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

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

pwc

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

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

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

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

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

Ing. Martin Čelinák, FCCA
Licencia UDVA č. 1250

22 March 2024
Bratislava, Slovak Republic

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

U. S. Steel Košice, s.r.o.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

The financial statements for the year ended December 31, 2023, were prepared in accordance with IFRS Accounting Standards as adopted by the European Union on March 20, 2024, and will be submitted to the General Meeting of U. S. Steel Košice, s.r.o. ("the Company" or "USSK") for approval. Neither the Company's shareholder nor the executives have the power to amend the financial statements after issue.

Košice, March 20, 2024

Ing. Marcel Novosad
Vice President Operations
(statutory representative)

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

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

Ing. Matúš Harakaľ, PhD.
Director Accounting Services and Financial Reporting
(responsible for financial statements preparation)

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

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2023	December 31, 2022
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**900,072**	802,863
Investment property	6	**2,827**	3,739
Intangible assets	7	**693,537**	520,023
Investments	8	**-**	133,147
Unquoted financial instruments	26	**111**	111
Long-term receivables	11	**6,395**	8,622
Other long-term asset		**562**	-
Total non-current assets		**1,603,504**	**1,468,505**
Current Assets			
Inventories	10	**658,346**	763,698
Trade and other receivables	11	**437,613**	369,004
Derivative financial instruments	12	**760**	11,224
Restricted cash		**4,461**	453
Current income tax receivables		**4,500**	-
Prepaid expense		**2,362**	2,504
Cash and cash equivalents	13	**279,282**	377,215
Total current assets		**1,387,324**	**1,524,098**
TOTAL ASSETS		**2,990,828**	**2,992,603**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**839,357**	839,357
Legal reserves	14	**84,910**	74,804
Other reserves	14	**(3,825)**	4,519
Retained earnings		**693,228**	1,003,260
Total Equity		**1,613,670**	**1,921,940**
Liabilities			
Non-Current Liabilities			
Long-term provisions for liabilities and charges	16	**11,138**	8,054
Long-term deferred income - environmental projects	5	**61,114**	65,771
Long-term employee benefits payables	17	**21,814**	21,103
Deferred income tax liability	9	**19,920**	42,265
Long-term trade and other payables	18	**8,082**	7,315
Total non-current liabilities		**122,068**	**144,508**
Current Liabilities			
Trade and other payables	18	**535,322**	443,430
Dividends payable	18	**90,000**	-
Current income tax liability		**-**	41,080
Derivative financial instruments	12	**6,168**	5,186
Short-term borrowings from related parties	28	**64**	33,695
Short term provision for CO_2 emissions	16	**615,275**	395,232
Short-term provisions for liabilities	16	**4,848**	2,505
Short-term employee benefits payables	17	**3,413**	5,027
Total current liabilities		**1,255,090**	**926,155**
TOTAL EQUITY AND LIABILITIES		**2,990,828**	**2,992,603**

The accompanying notes on pages F-11 to F-64 are an integral part of these financial statements.

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2023	2022
Revenue from contracts with customers	19	**3,175,875**	4,023,333
Other income	19	**579,636**	561,808
Materials and energy consumed	20	**(2,359,471)**	(2,998,352)
Salaries and other employees benefits	21	**(325,995)**	(365,364)
Depreciation and amortization	5, 6, 7	**(87,485)**	(74,942)
Repairs and maintenance		**(90,926)**	(90,834)
Transportation services		**(93,840)**	(91,476)
Advisory services		**(8,096)**	(10,191)
Foreign exchange gains / (losses)		**640**	(8,437)
Loss from changes in fair value of emission allowances	7	**(90,098)**	(3,693)
Charge for provision for CO_2 emissions	16	**(615,275)**	(395,502)
Other operating expenses	22	**(135,190)**	(126,569)
(Loss) / profit from operations		**(50,225)**	**419,781**
Dividend income		**100**	230
Interest income		**5,601**	562
Interest expense		**(2,611)**	(1,954)
(Loss) / profit before tax		**(47,135)**	**418,619**
Income tax benefits / (expense)	23	**15,730**	(85,896)
(Loss) / profit after tax		**(31,405)**	**332,723**
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	23	**913**	7,059
Items that may be subsequently reclassified to profit or loss			
Changes in fair value of hedging derivative hedging instruments	23	**(8,344)**	(6,089)
Other Comprehensive Income, net of tax		**(7,431)**	**970**
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(38,836)**	**333,693**

The accompanying notes on pages F-11 to F-64 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

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

	Share capital	Legal reserves	Other reserves	Retained earnings / (accumulated losses)	Total
Balance as of January 1, 2023	**839,357**	**74,804**	**4,519**	**1,003,260**	**1,921,940**
Effect of merger (Note 8)	-	975	20,400	(40,809)	**(19,434)**
Balance as of January 1, 2023 - after the merger	**839,357**	**75,779**	**24,919**	**962,451**	**1,902,506**
Loss for 2023	-	-	-	(31,405)	**(31,405)**
Other comprehensive loss	-	-	(8,344)	913	**(7,431)**
Total comprehensive (loss) / income for the year	-	-	**(8,344)**	**(30,492)**	**(38,836)**
Adjustments:					
Release of revaluation reserve - CO_2 emission allowances	-	-	(20,400)	20,400	-
Total adjustments	-	-	**(20,400)**	**20,400**	-
Transactions with owners:					
Dividends	-	-	-	(250,000)	**(250,000)**
Contribution to legal reserve fund	-	9,131	-	(9,131)	**-**
Total transactions with owners	-	**9,131**	-	**(259,131)**	**(250,000)**
Balance as of December 31, 2023	**839,357**	**84,910**	**(3,825)**	**693,228**	**1,613,670**

The accompanying notes on pages F-11 to F-64 are an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS

	Note	Total	
		2023	2022
(Loss) / profit before tax		**(47,135)**	**418,619**
Non-cash adjustments for			
Depreciation of property, plant and equipment and investment property	5, 6	**76,992**	65,658
Depreciation of right-of-use assets	5	**8,123**	7,184
Amortization of intangible assets	7	**2,360**	2,100
Amortization of deferred income - CO_2 emission allowances	7, 19, 29	**(556,881)**	(514,004)
Amortization of deferred income - environmental projects	5, 19	**(4,657)**	(4,675)
Change in provision for CO_2 emissions	16, 29	**615,275**	395,232
Impairment of investments		**137**	115
Loss from liquidation of financial investments - subsidiaries		**-**	5,037
Gains on disposal of property, plant and equipment, intangible assets and investment property	19, 22	**(21)**	(3,100)
Gain on sale of financial investment	8, 22	**-**	(785)
Gains from changes in fair value of derivative financial instruments	19	**(1,065)**	(34,484)
Loss from changes in fair value of CO_2 emission allowances		**90,098**	3,693
Dividend income and distribution of profit		**(100)**	(230)
Interest income		**(5,601)**	(562)
Interest expense		**2,611**	1,954
Change in landfill receivable	11	**(2,169)**	(992)
Changes in working capital			
Decrease / (Increase) in inventories	10	**105,352**	(89,909)
(Increase) / decrease in trade and other receivables and other current assets	11	**(35,186)**	153,545
Increase / (decrease) in trade and other payables and other current liabilities	18	**70,697**	(191,856)
Cash generated from operating activities		**318,830**	**212,540**
Interest paid		**(755)**	(1,724)
Income taxes paid		**(47,135)**	(180,469)
Lease payments not included in the measurement of the lease liabilities	5, 22	**(1,292)**	(1,189)
Net receipts from derivative financial instruments		**1,065**	34,484
Net cash generated from operating activities		**270,713**	**63,642**
Cash flows (used in) / generated from investing activities			
Short-term loans provided to related parties	28	**(1,434)**	(65,529)
Short-term loans repaid by related parties	28	**1,434**	127,852
Purchases of property, plant and equipment	5	**(67,667)**	(46,365)
Proceeds from sale of property, plant and equipment		**23**	1,779
Proceeds from sale of CO_2 emissions	7	**-**	26,634
Loss on disposal of financial investments		**-**	(2,692)
Purchases of intangible assets	7	**(133,999)**	(39,325)
Proceeds from sale of unquoted financial instruments		**-**	933
Change in restricted cash, net		**(4,008)**	(74)
Interest received		**5,699**	681
Dividends received and distribution of profit		**100**	262
Net cash (used in) / generated from investing activities		**(199,852)**	**4,156**
Cash flows (used in) / generated from financing activities			
Proceeds from borrowings	15, 25, 28	**2,028**	64,565
Repayment of borrowings	15, 25, 28	**(2,081)**	(32,796)
Payments for the principal portion of the lease liabilities	5, 15	**(8,741)**	(7,624)
Dividends paid	14, 28	**(160,000)**	-
Net cash (used in) / generated from financing activities		**(168,794)**	**24,145**
Net (decrease) / increase in cash and cash equivalents		**(97,933)**	**91,943**
Cash and cash equivalents at beginning of year	13, 26	**377,215**	285,272
Cash and cash equivalents at end of year	13, 26	**279,282**	**377,215**

The accompanying notes on pages F-11 to F-64 are an integral part of these financial statements.

Note 1 General Information

The Company U. S. Steel Košice, s.r.o. was established as a limited liability company on June 7, 2000 and entered in the Commercial Register of the Municipal Court Košice, Section Sro, Insert no. 11711/V on June 20, 2000.

The Company's registered office is:

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

Business activities of the Company

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

Liability in other business entities

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

Average number of staff

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

The Company's management

Statutory representatives as of December 31, 2023 were as follows:

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

Emoluments of statutory representatives are disclosed in Note 28.

Effective June 2, 2022, the Company established Supervisory Board, which also acts as an audit committee in compliance with Act No. 423/2015 Coll. on statutory audit as amended. As members of the supervisory board were elected Duane Douglas Holloway (chairman), Manpreet Singh Grewal and Mgr. Eva Durzóová. In 2023, there were no changes in the composition of the Supervisory Board.

Shareholder of the Company

As of December 31, 2023 and 2022, the only shareholder of the Company was U. S. Steel Global Holdings VI B.V., Basisweg 10, 1043 AP, Amsterdam, Netherlands. The shareholder owns a 100 percent share of the share capital, representing 100 percent of the voting rights.

On April 13, 2023, the General Meeting approved the Company's financial statements prepared in accordance with the IFRS Accounting Standards ("IFRS") as adopted by the European Union ("EU") for the previous accounting period.

Merger agreement with Nippon Steel Corporation

Nippon Steel Corporation ("NSC") and United States Steel Corporation ("U.S. Steel") entered into an agreement in December 2023 under which NSC will acquire U. S. Steel. The transaction is expected to close in the third quarter of 2024.

Consolidated Group

According to the Law No. 431/2002 Coll. on Accounting the parent company is not obliged to prepare consolidated financial statements if the preparation solely of separate financial statements of the parent accounting entity has no substantial impact on the view of the financial situation, costs, revenues and profit/loss for the consolidated group. Management considers that the conditions of the exemption under Law No. 431/2002 Coll. on Accounting are met and therefore the subsidiaries have not been consolidated, but are carried at cost less impairment in these financial statements for U. S. Steel Košice, s.r.o. for the year ended December 31, 2023.

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

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

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

Note 2 Material Accounting Policy Information

This note provides a list of potentially material accounting policies applied in the preparation of these financial statements (hereinafter "the financial statements") to the extent they have not already been disclosed in the other notes.

2.1 *Statement of Compliance*

These financial statements have been prepared in compliance with IFRS as adopted by the EU, issued as of December 31, 2023 and effective for annual periods then ended.

2.2 Basis of Preparation

The Slovak Accounting Law requires the Company to prepare financial statements for the year ended December 31, 2023 in compliance with IFRS as adopted by the EU.

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

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

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

Adjustments in comparative information

The Company hedges cash flows related to purchases of raw materials. In 2022 the Company recognized effective cashflow hedge realized gain as a gain on derivative financial instrument within Other income (Note 19) instead of Materials and energy consumed (Note 20). In these 2023 financial statements the Company adjusted the classification of 2022 comparative to show this cashflow hedge realized gain in Materials and energy consumed. This reclassification had no material impact on the 2022 comparative financial information.

2.3 Changes in Accounting Policies

The accounting policies have been consistently applied to all periods presented, unless otherwise stated.

2.4 Foreign Currency Translations

Functional and presentation currency

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

Transactions and balances

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

2.5 Property, Plant and Equipment

According to the *IAS 16 Property, Plant and Equipment,* the Company has chosen to apply cost model for measurement of all its property, plant and equipment.

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

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

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

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

The weighted average of useful lives including technical evaluation of the Company's machinery, equipment and motor vehicles is 14.7 years. Useful lives of landfills are determined based on their capacity.

2.6 Investment Properties

According to the *IAS 40 Investment property,* the Company has chosen to apply cost model for measurement of all its investment properties.

Investment properties (excluding land) are depreciated on a straight-line basis over their estimated useful lives (35 years). The depreciation period and method are reviewed at the end of each reporting period. Where the Company uses only an insignificant part of a property it owns, the whole property is classified as investment property.

Fair values are obtained from discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of existing lease contracts and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The valuation falls within Level 3 of the fair value hierarchy (Note 6, 2.23).

2.7 Intangible Assets

According to the *IAS 38 Intangible assets,* the Company has chosen to apply cost model for measurement of all its intangible assets other than emission allowances.

Intangible assets are amortized on a straight-line basis over their estimated useful lives (2 - 15 years). The amortization period and method are reviewed at the end of each reporting period. The conditions for an intangible asset item (other than emission allowances and intangible assets not yet available for use) to be recognized in intangible asset category are minimum value of EUR 2,400 per individual item and utilization more than one year.

Software

Software is amortized on a straight-line basis over its estimated useful life (2 – 5 years). Expenditures to enhance or extend the software performance beyond its original specification are capitalized and added to the original cost of the software.

Costs associated with maintaining computer software are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company which will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets. Computer software development costs recognized as assets are amortized using the straight-line method over their estimated useful lives (2 – 5 years).

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

Emission allowances

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

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

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

At the end of reporting period the intangible asset representing the emission allowances either granted or purchased is carried at fair value with any revaluation surplus recorded in other comprehensive income. Revaluation decreases are recorded as an impairment loss in the profit or loss to the extent they exceed the revaluation surplus previously recorded in other comprehensive income and accumulated in equity. Revaluations are based on market prices published by European Climate Exchange. The above-mentioned fair value valuation falls within Level 1 of the fair value hierarchy (Notes 2.23 and 7). This revaluation reserve is transferred to retained earnings as the surplus is realized. Realization of the entire surplus may occur when the emission allowances are returned or sold.

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

2.8 Impairment of Non-Financial Assets

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

2.9 Accounting for Leases

Initial recognition and measurement

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

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

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

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

The lease liability of the Company is discounted using the incremental borrowing rate. The incremental borrowing rate of the Company is calculated for groups of lease agreements depending on their maturity. Incremental borrowing rate calculation is based on the evaluation of the risk of bank loans provided to the Company by bank partners and outlook of EURIBOR trend for respective maturity.

Some vehicle leases contain variable payment terms that are linked to mileage and some leases of washing tables contain variable payment terms that are linked to count of service interventions. Variable lease payments are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

Lease terms, extension and termination options

Lease terms in the contracts are negotiated on an individual basis and may contain different terms and conditions. When determining the lease term, the Company (lessee) considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The option is reassessed if a significant event or a significant change in circumstances occurs that are within the control of the lessee.

As the exercise of an extension option in the existing contracts depend on the mutual lessee and lessor approval, the Company did not include extension option in the lease term calculation. The extension option was also not included in the lease term calculation based on the fact that neither of the parties have legally enforceable right to prolong the contracts and the Company does not have economic incentive, which would lead to application of extension option.

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

Subsequent measurement

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

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

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

2.10 Financial Assets

Recognition and initial measurement

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

Classification and subsequent measurement

The classification of financial assets depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

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

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

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

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

For accounting policy related to derivative financial instruments refer to Note 2.22.

Impairment

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

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

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

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

Derecognition

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

2.11 Inventories

The cost of raw material inventories is determined by using the first-in, first-out (FIFO) cost method. Work in progress, semi-finished production and finished products are valued at standard cost throughout the accounting period and revalued to actual costs at the end of quarter.

2.12 Cash and Cash Equivalents

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

2.13 Equity and Reserves

Equity and liabilities

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

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

Reserve funds

a) Legal Reserve Fund

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

b) Other Reserve Funds

Other reserve funds include the cumulative net change in fair value of derivative instruments, which meet criteria for application of hedge accounting and the cumulative net change in fair value of intangible assets carried at revalued amounts. Upon disposal of the financial derivative instruments (Note 2.22), the cumulative revaluation reserves are released through profit or loss of the current period. Upon disposal of the intangible assets, the cumulative revaluation reserves are transferred to retained earnings. The transfer is not made through profit or loss of the current period.

2.14 Financial Liabilities

Recognition and initial measurement

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

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

Classification and subsequent measurement

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

For accounting policy related to derivative financial instruments refer to Note 2.22.

Derecognition of financial liabilities

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

2.15 Dividends and Profit Distribution

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

2.16 Government Grants

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

2.17 Provisions for liabilities

The Company recognizes provisions for liabilities according to the *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.

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

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

2.18 Current and Deferred Income Tax

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

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

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

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

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

2.19 Employee Benefits

Defined contribution pension plan

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

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

Employee retirement obligation

According to the slovak legislation and the Collective Labor Agreement the Company is committed to make payments to the employees upon retirement, upon the termination of labor contract and subsequent granting of an old-age retirement, disability retirement, if the employee's long-term health condition results in a reduced ability to perform earning activity by more than 40 percent compared to healthy individuals, or an early old-age pension in accordance with the specified conditions.

In addition, according to the Collective Labor Agreement, the Company also pays retirement benefit, one-time wage or and termination benefit upon fulfillment of agreed conditions.

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

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

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

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

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds in the European market which have terms to maturity approximating the terms of the related liability and subsequently attributing such present value to employees’ years of service.

Work and life jubilee benefits

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

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds in the European market which have terms to maturity approximating the terms of the related liability and subsequently attributing such present value to employees’ years of service.

Termination benefits

Termination benefits are payable upon termination of employment by the Company or by agreement as a result of specific organizational reasons or employee health reasons, in accordance with legislation and the Collective Labor Agreement.

One-time wage for long-term work performance

One-time wage for long-term work performance is paid whenever an employee accepts voluntary redundancy under the conditions under which this benefit is provided. The Company recognizes these benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing benefit in connection with the employee's voluntary decision to terminate the employment relationship. The measurement of this benefit is determined based on the number of employees who are expected to accept these conditions. Benefits due more than 12 months after the end of the reporting period are discounted to present value.

Profit sharing and bonus plans

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

2.20 Revenue Recognition

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

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

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

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

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

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

Interest income

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

2.21 Contingent Liabilities and Contingent Assets

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

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

2.22 Accounting for Derivative Financial Instruments

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

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

Hedge accounting

The Company utilizes derivative financial instruments to hedge its foreign currency and commodity price risk exposures.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the

Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the hedge effectiveness requirements.

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

Cash flow hedges

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

As of December 31, 2023 and December 31, 2022, the Company classified all its hedging relationships as cash flow hedges.

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

Discontinuing of the hedge accounting

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

Current versus non-current classification

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

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

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

The Company utilizes forward physical purchase contracts for certain commodities and CO_2 emission allowances. These contracts are entered into and continue to be held for the purpose of the receipt or delivery of commodities in accordance with Company's expected usage contracts requirements. These contracts do not meet the definition of financial instruments and are accounted for as normal purchase contracts following the conditions set in IFRS 9.

2.23 Fair Value Estimation

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

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by

discounting the future contractual cash flows at the current market interest rate being used by the Company for similar financial instruments.

The Company measures or discloses a number of items at fair value:

- emission allowances (Notes 2.7 and 7),
- derivative financial instruments (Notes 2.22, 12 and 26),
- receivables subject to factoring arrangements (Notes 2.10, 11 and 26),
- fair value disclosures for investment properties measured using the cost model (Notes 2.6 and 6),
- fair value disclosures for financial instruments measured at amortized cost (Note 26),
- impairment of property, plant and equipment, intangible assets and investment properties (Notes 2.5, 2.6, 2.7, 2.8, 5, 6 and 7).

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

2.24 Events After the Reporting Period

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

Note 3 Significant Accounting Estimates and Judgments

The preparation of the financial statements includes an assessment of certain accounting matters which require the Company to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the year. Assumptions made by the Company are continually evaluated using all available information including consideration of forecasted financial information in context with other information reasonably available under the circumstances. They are based on historical experience and other factors, including consideration of the unknown future impacts of the war in Ukraine (Note 27).

The resulting accounting estimates will, by definition, rarely equal the related actual results. All such adjustments are of a normal recurring nature unless disclosed otherwise.

The significant estimates and assumptions as well as certain significant judgments made by the Company in applying its accounting policies are outlined below.

<u>Estimated useful life of property, plant and equipment and investment property</u>

The average useful life of depreciable property, plant and equipment and investment property as of December 31, 2023 is approximately 15 years (as of December 31, 2022: 15 years). If estimated average useful life of these assets would increase by 1 year, the annual depreciation charge would have been lower by EUR 8.6 million (2022: EUR 7.7 million). If estimated average useful life of these assets would decrease by 1 year, the annual depreciation charge would have been higher by EUR 9.8 million (2022: EUR 8.7 million).

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

As noted in Note 2.8, the Company evaluates impairment of its property, plant and equipment, intangible assets, and investment properties whenever circumstances indicate that the carrying value may not be recoverable at the cash-generating unit level. The Company has evaluated various Company-specific factors and macro-economic factors, giving consideration to both positive and adverse factors and weighting them relative to importance. The most significant matters considered by the Company in its assessment of impairment indicators included the cyclical nature of the steel industry, recent financial results, expected raw materials, energy, and CO_2 prices, capital expenditures required to contribute to the U. S. Steel Corporation net-zero emissions goal by 2050 as well as EU carbon border adjustment regulations. Management also considered whether implementing the new production technology would indicate the obsolescence of the existing blast furnaces and related assets. After carefully considering all relevant factors, management concluded that there were no triggering events that required an impairment evaluation of the Company's long-lived asset groups at the end of the reporting period.

Income taxes

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

Employee benefits

The present value of employee benefit obligations depends on several factors that are determined on an actuarial basis using a number of assumptions. The assumptions used for employee benefits include the discount rate, annual wage and salary increases and staff turnover. The appropriate assumptions are determined by U. S. Steel at the end of each year. Any changes in these assumptions will impact the carrying amount of employee benefits obligations (Notes 2.19 and 17).

As of December 31, 2023, if the discount rate developed on high quality European corporate bonds had been 1 percent higher / lower with all other variables held constant, it would have resulted to EUR 1,485 thousand lower / EUR 1,726 thousand higher net present value of estimated future employee benefits obligations. As of December 31, 2022, if the stated discount rate had been 1 percent higher / lower with all other variables held constant, it would have resulted to EUR 1,500 thousand lower / EUR 1,751 thousand higher net present value of estimated future employee benefits obligations.

Landfill provision

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

As of December 31, 2023, if the average interest rate on borrowings drawn against revolving credit facilities had been 1 percent higher / lower, with all other variables held constant, it would have resulted to EUR 464 thousand lower / EUR 540 thousand higher net present value of the estimated future landfill restoration expenditures. As of December 31, 2022, if the average interest rate on borrowings drawn against revolving credit facilities had been 1 percent higher / lower, with all other variables held constant, it would have resulted to EUR 331 thousand lower / EUR 352 thousand higher net present value of the estimated future landfill restoration expenditures.

Leases

At inception of a contract, the Company applied judgement when assessing whether a contract is or conveys a lease (Note 5).

Lease terms in the contracts are negotiated on an individual basis and may contain different terms and conditions. Management of the Company uses its own judgment when determining the lease term. The lease term is reassessed if a significant event or a significant change in circumstances occurs that are within the control of the Company (lessee).

Revenue from contracts with customers

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

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

The Company applied judgement when assessing the indicators to determine it is a principal or an agent. It determined that it is a principal in majority of its revenue arrangements covering sales of own production and rendering of service, because it controls goods or services before transferring them to a customer. The judgment was also applied for arranging of transportation service as a separate performance obligation related to sales of own production. The Company concluded that it acts as a principal, except for the sales with the "C" delivery terms, where it acts as an agent because the Company negotiates the transportation arrangements on behalf of a customer, has no discretion of establishing transportation prices for the transportation service and all risks related to the transportation service (quality, delivery, damages, lost)

are borne by the transportation provider. Therefore, the Company merely arranges the transportation service on behalf of its customers and does not control the transportation service.

Allowance for expected credit losses of trade receivables

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

Note 4 New Accounting Pronouncements

4.1 Standards, amendments and interpretations to published standards effective for the first time for periods on or after January 1, 2023

IFRS 17 Insurance Contracts (issued on May 18, 2017 and effective for annual reporting periods beginning on or after January 1, 2023). IFRS 17 was issued as replacement for *IFRS 4 Insurance Contracts* and provides the first comprehensive guidance to accounting for insurance contracts under IFRS Standards. It aims to increase transparency and to reduce diversity in the accounting for insurance contracts. There is no material impact of the implementation of the standard to the financial statements.

Insurance Contracts - Amendments to IFRS 17 and IFRS 4 (issued on June 25, 2020 and effective for annual reporting periods beginning on or after January 1, 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments are not intended to change the fundamental principles of the standard. There is no material impact of the implementation of the amendments to the financial statements.

Initial Application of IFRS 17 and IFRS 9 – Amendments to IFRS 17 Insurance contracts – (issued on December 9, 2021 and effective for annual periods beginning on or after 1 January 2023). It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time. There is no material impact of the implementation of the amendments to the financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 (issued on February 12, 2021 and effective for annual reporting periods beginning on or after January 1, 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. To support this amendment, *IFRS Practice Statement 2, 'Making Materiality Judgements'* was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Company reviewed its financial statements according to the IAS 1 Amendments and IFRS Practice Statement 2 - Making Materiality Judgements. Accounting policy information evaluated as immaterial according to the decision tree in the IFRS Practice Statement 2 were not disclosed in the financial statements.

Definition of Accounting Estimates – Amendments to IAS 8 (issued on February 12, 2021 and effective for annual reporting periods beginning on or after January 1, 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. There is no material impact of the implementation of the amendments to the financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on May 7, 2021 and effective for annual reporting periods beginning on or after January 1, 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company reviewed its financial statements according to IAS 12 amendments that resulted in separate recognition of both a deferred tax asset and a deferred tax liability on the initial recognition of leases and landfills disclosed in Note 9.

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

International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12 Income taxes (issued on May 23, 2023, effective immediately). In May 2023, the IASB issued amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organization for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. In accordance with IASB effective date, the companies may apply the exception immediately. Large multinational enterprises within the scope of the Pillar Two Model Rules are required to calculate their GloBE effective tax rate for each jurisdiction where they operate. They will be liable to pay a top-up tax for the difference between their GloBE effective tax rate for each jurisdiction and the 15 percent minimum rate. If the GloBE effective tax rate domestically is 15 percent or more, no GloBE top-up tax will be payable. Pillar Two applies if a jurisdiction in which the group operates has passed the rules into national legislation. The Law on minimum Slovak top-up tax for multinational enterprise groups and large-scale domestic groups was approved by the parliament on December 8, 2023 with effective date as of 31 December 2023, i.e. for all accounting periods starting after this date. The Company is in the process of assessing the full impact of this Amendment, However, no material impact on the Company is expected.

4.2 Standards, amendments and interpretations of standards issued but not effective until the financial year beginning January 1, 2024 or later and not early adopted by the Company

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (issued on January 23, 2020 and effective for annual reporting periods beginning on or after January 1, 2022 but on July 15, 2020 delayed to January 1, 2023 due to COVID-19 pandemic). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The Company is currently assessing the impact of the amendments on its financial statements.

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

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

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on May 25, 2023 and effective for annual reporting periods beginning on or after January 1, 2024, not yet endorsed by the EU)**.** These amendments require the disclosures of qualitative and quantitative information about supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The Company is currently assessing the impact of the amendments on its financial statements.

Lack of Exchangeability - Amendments to IAS 21 (issued on August 15, 2023 and effective for annual reporting periods beginning on or after January 1, 2025, not yet endorsed by the EU). Amendments to IAS 21 were issued to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. The Company is currently assessing the impact of the amendments on its financial statements.

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

Note 5 Property, Plant and Equipment

Movements in property, plant and equipment during 2023 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other tangible assets	Construction in progress	Right-of-use assets	Total
Cost						
January 1, 2023	**506,965**	**1,388,648**	**19,477**	**64,177**	**35,891**	**2,015,158**
Additions - effect of merger (Note 8)	32,322	163,417	-	3,343	20	**199,102**
Additions	-	-	5,266	64,016	10,285	**79,567**
Disposals	(109)	(20,985)	(2)	(4)	(13,354)	**(34,454)**
Transfer from / (to) investment property	972	-	-	-	-	**972**
Transfers to base	6,225	40,972	-	(47,197)	-	-
December 31, 2023	**546,375**	**1,572,052**	**24,741**	**84,335**	**32,842**	**2,260,345**
Accumulated Depreciation						
January 1, 2023	**(218,483)**	**(954,336)**	**(16,726)**	-	**(22,750)**	**(1,212,295)**
Depreciation - effect of merger	(12,102)	(85,116)	-	-	-	**(97,218)**
Depreciation for the year	(14,757)	(59,605)	(2,543)	-	(8,123)	**(85,028)**
Disposals	99	20,985	-	-	13,331	**34,415**
Transfer (from) / to investment property	(147)	-	-	-	-	**(147)**
December 31, 2023	**(245,390)**	**(1,078,072)**	**(19,269)**	**-**	**(17,542)**	**(1,360,273)**
Carrying amount	**300,985**	**493,980**	**5,472**	**84,335**	**15,300**	**900,072**

Movements in property, plant and equipment during 2022 are as follows:

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

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

Movements in right-of-use assets during 2023 are as follows:

	Land and buildings	Machinery, equipment and motor vehicles	Other right-of-use assets	Total
Cost				
January 1, 2023	**364**	**31,451**	**4,076**	**35,891**
Additions	50	10,246	9	**10,305**
Disposals	-	(13,354)	-	**(13,354)**
December 31, 2023	**414**	**28,343**	**4,085**	**32,842**
Accumulated Depreciation				
January 1, 2023	**(171)**	**(20,928)**	**(1,651)**	**(22,750)**
Depreciation for the year	(102)	(6,839)	(1,182)	**(8,123)**
Disposals	-	13,331	-	**13,331**
December 31, 2023	**(273)**	**(14,436)**	**(2,833)**	**(17,542)**
Carrying amount	**141**	**13,907**	**1,252**	**15,300**

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

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

In 2023 and 2022 no borrowing costs were capitalized.

No property, plant and equipment of the Company were pledged in favor of a creditor or restricted in its use as of December 31, 2023 or December 31, 2022.

Purchases of property, plant and equipment in the Statement of Cash Flows excludes an acquisition of assets directly related to leasing totaling EUR 10.3 million (for the year ended December 31, 2022: EUR 4.5 million) and unpaid capital expenditures in the amount of EUR 24 million for the year ended December 31, 2023 (for the year ended December 31, 2022: EUR 25 million).

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

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

<u>Insurance</u>

Property, plant and equipment are insured by KOOPERATIVA poisťovňa, a.s. Vienna Insurance Group. The insurance covers damage caused by theft, disaster and other causes of machinery and equipment failure while maximum insurance compensation for one insurance claim is USD 150 million, i.e. EUR 136 million (2022: USD 150 million, i.e. EUR 141 million) using the exchange rate at the end of the reporting period. Compensation sublimits for individual risks are specified in the insurance contract. Self-insurance is USD 75 million, i.e. EUR 68 million (2022: USD 75 million, i.e. EUR 70 million) using the exchange rate at the end of the reporting period, per claim. All Risk Property Damage Insurance and Business Interruption Insurance including Machinery Breakdown excess of USD 150 million, i.e. EUR 136 million (2022: USD 150 million, i.e. EUR 141 million) is covered by the insurance policy of Grant

Assurance Corporation held by United States Steel Corporation, where the limit of coverage is USD 300 million, i.e. EUR 271 million (2022: USD 300 million, i.e. EUR 281 million), i.e. the maximum Policy limit of liability is USD 450 million, i.e. EUR 407 million (2022: USD 450 million, i.e. EUR 422 million).

<u>Environmental Projects</u>

In the years 2016 – 2017, the Ministry of Environment of the Slovak Republic approved the Company's applications to participate in Operational Program Environment Quality for fifteen projects, which included Dedusting of Ladle Metallurgy of Steel Shop No. 1 and Steel Shop No. 2, Emission Control for Ore Bridges of Blast Furnaces No. 1, 2 and 3, Sinter Strand No. 1, 2, 3 and 4 Exit Emission Control, Dedusting of Sinter Strand No. 1 – 2 and 3 – 4, Steel Shop No. 2 Dedusting – Hot Metal Desulphurization, Coal Preparation Emission Control and Coke Handling Dedusting at Coke Batteries No. 1 and 3. Capital expenditures will remain mitigated if the Company complies with certain financial covenants, which are assessed annually (Note 11). USSK complied with these covenants as of December 31, 2023, and December 31, 2022 and no additional collateral will be required by the end of June 30, 2024. By this next assessment date, the Company expects that two projects (Dedusting of Ladle Metallurgy of Steel Shop No. 1, Dedusting of Ladle Metallurgy of Steel Shop No. 2) of the total fifteen will pass the sustainability monitoring and will be excluded from further assessment to provide additional collateral if the covenants are not met. The last assessment of financial covenants will be performed as of June 30, 2026.

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

The deferred income amortized to Other income in 2023 totaled EUR 4,657 thousand (2022: EUR 4,675 thousand). The Company believes that it complied with all relevant conditions. The Company did not recognize any additional deferred income in 2023 and 2022 (Notes 11 and 27).

Movements in deferred income relating to Environmental projects during 2023 and 2022 are as follows:

	2023	2022
Opening balance as of January 1	**65,771**	**70,447**
Net change in contracts relating to environmental projects	-	(1)
Amortization to Other income	**(4,657)**	(4,675)
Closing balance as of December 31	**61,114**	**65,771**

<u>Lease</u>

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

	December 31, 2023	December 31, 2022
Right-of-use assets *		
Land and buildings	**141**	193
Machinery, equipment and motor vehicles	**13,907**	10,523
Other right-of-use assets	**1,252**	2,425
Total right-of-use assets	**15,300**	**13,141**
Lease liabilities **		
Current	**9,907**	8,353
Non-current	**7,833**	6,954
Total lease liabilities	**17,740**	**15,307**

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

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

The Company leases various warehouses, motor vehicles, railroad cars and equipment. Information about lease measurement is disclosed in Note 2.9.

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

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

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

	2023	2022
Depreciation charge of right-of-use assets ***		
Land and buildings	**102**	101
Machinery, equipment and motor vehicles	**6,839**	6,149
Other right-of-use assets	**1,182**	934
Total depreciation charge of right-of-use assets	**8,123**	**7,184**
Interest expense ****	**(665)**	**(410)**
Expense relating to short-term leases (included in other operating expenses in Note 22)	**(455)**	**(295)**
Expense relating to leases of low-value assets that are not short-term leases (included in other operating expenses in Note 22)	**(15)**	**(30)**
Expense relating to variable lease payments not included in lease liabilities (included in other operating expenses in Note 22)	**(822)**	**(864)**
Expense relating to variable lease payments for energy consumed not included in lease liabilities (Note 20: EUR 397.5 million million included in energy consumed in 2022 and EUR 3.7 million included in cost of merchandise in 2022)	**-**	**(401,207)**

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

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

The total cash outflow for leases in 2023 was EUR 10,033 thousand (2022: EUR 8,812 thousand). The decrease in the expense relating to variable lease payments for energy consumed not included in lease liabilities to zero was caused by the merger of subsidiary Ferroenergy s.r.o. with the Company and termination of the Contract on delivery of energy media, classified as a contract which contains a lease.

Lease liability maturities are as follows:

	December 31, 2023	December 31, 2022
Not later than 1 year	**9,907**	8,353
Later than 1 year and not later than 5 years	**7,824**	6,942
Later than 5 years	**9**	12
Present value of lease liability **	**17,740**	**15,307**

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

Note 6 Investment Properties

Movements in investment properties during 2023 and 2022 are as follows:

	2023	2022
Cost		
Opening balance as of January 1	**5,689**	**4,556**
Transfers to property, plant and equipment	**(1,073)**	(295)
Transfers from property, plant and equipment	**101**	1,428
Closing balance as of December 31	**4,717**	**5,689**
Accumulated Depreciation and Impairment Losses		
Opening balance as of January 1	**(1,950)**	**(1,938)**
Depreciation for the year	**(87)**	(95)
Transfers to property, plant and equipment	**148**	83
Transfers from property, plant and equipment	**(1)**	-
Closing balance as of December 31	**(1,890)**	**(1,950)**
Carrying amount	**2,827**	**3,739**

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

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

The fair value of the investment properties totaled EUR 8,109 thousand as of December 31, 2023 (December 31, 2022: EUR 10,368 thousand).

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

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

Note 7 Intangible Assets

Movements in intangible assets during 2023 are as follows:

	Software	Emission allowances	Other intangible assets	Intangible assets not yet available for use	Total
Cost					
January 1, 2023	**43,395**	**511,220**	**358**	**1,764**	**556,737**
Additions - effect of merger (Note 8)	507	165,885	-	-	**166,392**
Additions	-	667,546	-	23,335	**690,881**
Disposals	(57)	(591,048)	-	-	**(591,105)**
Change in fair value of CO_2 emission allowances	-	(90,098)	-	-	**(90,098)**
Transfers to base	3,058	-	11	(3,069)	**-**
December 31, 2023	**46,903**	**663,505**	**369**	**22,030**	**732,807**
Accumulated Amortization					
January 1, 2023	**(36,436)**	**-**	**(278)**	**-**	**(36,714)**
Amortization - effect of merger	(253)	-	-	-	**(253)**
Amortization for the year	(2,345)	-	(15)	-	**(2,360)**
Disposals	57	-	-	-	**57**
December 31, 2023	**(38,977)**	**-**	**(293)**	**-**	**(39,270)**
Carrying amount	**7,926**	**663,505**	**76**	**22,030**	**693,537**

Movements in intangible assets during 2022 are as follows:

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

In 2023 and 2022 no borrowing costs were capitalized.

No intangible assets of the Company were pledged in favor of a creditor or restricted in their use as of December 31, 2023 or December 31, 2022.

Insurance

Intangible assets are not insured.

Emission allowances

In 2023, the Company received allocations of CO_2 emission allowances from the Slovak Government. The emission allowances were initially measured at fair value as of the allocation date at EUR 89.50 per ton (2022: in the 1st allocation EUR 81.81 per ton and in the 2nd allocation EUR 83.06 per ton). Emission allowances allocated by the Slovak Government in 2023 totaled EUR 557 million (2022: EUR 514 million).

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Emission allowances were recognized in deferred income on the acquisition date and subsequently recognized as income in the period for which the emission allowances have been allocated. The emission allowances are revalued to fair value at the end of each reporting period. The European Climate Exchange is used to obtain the fair value of the emission allowances. The liability for the obligation to deliver the emission allowances is settled within a few months after the end of the reporting period in accordance with applicable legislation.

The Company purchased 1.3 million tons of European Union Emission Allowances (EUAs) totaling EUR 110.7 million in 2023 based on the projected future production levels. In 2022 the Company purchased 500 thousand tons EUAs totaling EUR 36.5 million. The Company sold 300 thousand tons EUAs totaling EUR 26.6 million to its subsidiary Ferroenergy s.r.o. in August 2022.

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

	December 31, 2023	December 31, 2022
CO_2 emission allowances (intangible asset valued at fair value)	**663,505**	511,220
Liability from the obligation to deliver allowances (provision) (Note 16)	**615,275**	395,232

The price of CO_2 emission allowances was 77.25 euro per metric ton as of December 31, 2023.

Fair value of intangible assets

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

December 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
CO_2 emission allowances	663,505	-	-	**663,505**
Total	**663,505**	**-**	**-**	**663,505**

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
CO_2 emission allowances	511,220	-	-	**511,220**
Total	**511,220**	**-**	**-**	**511,220**

During 2023 and 2022, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 of fair value measurements.

If a cost model had been used, the carrying amount of emissions allowances net of impairment would have totaled EUR 751 million as of December 31, 2023 (December 31, 2022: EUR 515 million).

Note 8 Investments

On November 23, 2022 General meeting of U. S. Steel Košice, s.r.o. approved merger of the Company with its subsidiaries Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. At the same time General meetings of Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. approved cease of these companies without liquidation by merger with parent company U. S. Steel Košice, s.r.o. as of January 1, 2023.

USSK became universal legal successor of the companies Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. and continues with all the business activities of Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. after the merger.

The merger transaction was treated prospectively as a transaction of the year 2023. Assets and liabilities of merged companies were recorded by the USSK at their carrying amounts as included in the 2022 consolidated financial statements of the Company and no goodwill was recognized. Individual 2022 IFRS financial statements of USSK were used as comparative information in 2023 IFRS financial statements. The comparatives were not changed. Carrying amounts of assets and liabilities of merged companies were included in the financial statements of the Company.

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

Balances acquired as part of the merger are as follows:

	Ferroenergy s.r.o.	U. S. Steel Košice – Labortest, s.r.o.	Total
Property, plant and equipment	100,037	1,827	**101,864**
Right-of-use assets	3	17	**20**
Intangible assets:			
Software	246	8	**254**
CO2 emission allowances	165,885	-	**165,885**
Trade and other receivables	28,588	491	**29,079**
Short term loans to related parties - cashpooling	31,611	1,967	**33,578**
Cash and cash equivalent	1	2	**3**
Deferred tax liabilities	3,268	73	**3,341**
Trade and other payables	(23,303)	(573)	**(23,876)**
Short-term provision for CO_2 emission allowances	(195,816)	-	**(195,816)**
Employee benefits	(590)	(451)	**(1,041)**
Net identifiable assets acquired	**109,930**	**3,361**	**113,291**
Goodwill arising on acquisition	-	-	-
Net assets acquired	**109,930**	**3,361**	**113,291**

Upon merger, the Company derecognized investments in the carrying amount EUR 133 million and the difference between the carrying amount and net assets acquired was recognized in Equity. There was no cash outflow related to the merger.

Note 9 Deferred Income Tax

Differences between IFRS as adopted by the EU and Slovak tax laws give rise to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is recorded at the rate of 21 percent as of December 31, 2023 (December 31, 2022: 21 percent).

The tax effect of the movements in the temporary differences during 2023 is as follows:

	January 1, 2023	Deferred income tax - effect of merger (Note 8)	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2023
Property, plant and equipment	**(49,290)**	770	(1,808)	-	**(50,328)**
Leases - asset	**(2,759)**	-	(454)	-	**(3,213)**
Leases - liability	**3,447**	-	510	-	**3,957**
Inventories	**13,694**	-	(1,393)	-	**12,301**
Employee benefits	**4,681**	146	279	(243)	**4,863**
Tax loss	**1,071**	2,425	(1,071)	-	**2,425**
Research and development 2023	**-**	-	2,240	-	**2,240**
CO_2 Emission allowances transactions - asset	**1,601**	-	15,095	-	**16,696**
CO_2 Emission allowances transactions - liabilities	**(17,477)**	-	878	-	**(16,599)**
Derivative financial instruments	**(1,187)**	-	(3)	2,216	**1,026**
Landfill - assets	**(562)**	-	(572)	-	**(1,134)**
Landfill - liability	**(169)**	-	767	-	**598**
Provisions - other	**6,179**	-	4,278	-	**10,457**
Other temporary differences	**(1,494)**	-	(1,715)	-	**(3,209)**
Total	**(42,265)**	**3,341**	**17,031**	**1,973**	**(19,920)**
Deferred tax liability	**(42,265)**				**(19,920)**

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

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

The Company has unrecognized potential deferred tax asset of EUR 666 thousand related to subsidiaries as of December 31, 2023 (December 31, 2022: deferred tax liability of EUR 964 thousand).

<u>Tax loss carry forward</u>

Deferred tax asset recognized by the Company by the end of the 2023, consists of a deferred tax asset for the 2019 Company's tax loss and deferred tax asset for the 2022 tax loss reported in the merged subsidiary Ferroenergy s.r.o. in accordance with *IAS 12 Income taxes*.

The Company reported taxable base of EUR 5,103 thousand in 2023 and 2019 Company's tax loss amounted to EUR 20,412 thousand. The Company utilized the remaining quarter of the tax loss available in amount of EUR 5.1 million, in line with valid tax regulation in 2023.

2022 tax loss reported in the merged subsidiary Ferroenergy s.r.o. was in amount of EUR 11.5 million. The Company plans to utilize this tax loss from 2024 to 2027 in line with tax regulations.

Note 10 Inventories

	December 31, 2023	December 31, 2022
Raw materials	**307,407**	402,606
Work-in-progress	**80,010**	62,269
Semi-finished production	**106,429**	160,770
Finished goods	**173,613**	136,744
Merchandise	**-**	41,198
Inventory allowance	**(9,113)**	(39,889)
Total	**658,346**	**763,698**

No inventories were pledged in favor of a creditor or restricted in their use as of December 31, 2023 and 2022.

Inventory as of December 31, 2023 is shown net of write-down allowances resulting from lower net realizable values totaling EUR 9,113 thousand (December 31, 2022: EUR 39,889 thousand). Gross value of inventories written down were EUR 31 million as of December 31, 2023 (December 31, 2022: EUR 523 million).

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

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

	Raw materials	Work in progress	Semi-finished production	Finished products	Total
January 1, 2023	**13,941**	**9,977**	**10,570**	**5,401**	**39,889**
Allowance made	1,840	1,425	3,409	2,442	**9,116**
Allowance used	(551)	(5,401)	(5,135)	(293)	**(11,380)**
Allowance reversed	(13,393)	(4,576)	(5,435)	(5,108)	**(28,512)**
December 31, 2023	**1,837**	**1,425**	**3,409**	**2,442**	**9,113**

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

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

Note 11 Trade and Other Receivables

	December 31, 2023	December 31, 2022
Trade receivables	**323,444**	264,665
Trade receivables that are subject of factoring arrangements	**23,450**	30,051
Related party trade receivable (Note 28)	**12,756**	21,122
Total trade receivables	**359,650**	**315,838**
Other receivables - funds for landfill restoration	**10,827**	8,622
Other receivables from related parties (Note 28)	**-**	2
Other receivables	**7,387**	4,076
Trade and other receivables - financial (gross)	**377,864**	**328,538**
Loss allowance for trade receivables	**(13,780)**	(13,530)
Loss allowance for other receivables	**(10)**	(2)
Trade and other receivables - financial (net)	**364,074**	**315,006**
VAT receivable	**49,187**	55,174
Advance payments made - related party (Note 28)	**14,852**	-
Advance payments made	**15,895**	7,446
Other receivables - non-financial	**79,934**	**62,620**
Trade and other receivables (net)	**444,008**	**377,626**
Long-term receivables (financial)	**6,395**	8,622
Short-term receivables (financial and non-financial)	**437,613**	369,004

No receivables of the Company were pledged in favor of a bank or other entities as of December 31, 2023 and 2022. Company has non recourse sales of receivables without any credit risk involved. Company can sell trade receivables in the value of EUR 23,450 thousand that meet the conditions of factoring contracts. As of December 31, 2023 and 2022, none of these receivables were sold.

Information about collateral or other credit enhancements and the overall credit risk of the Company is disclosed in Note 25. The valuation falls within Level 3 of the fair value hierarchy. There was no movement between fair value measurement categories during 2023. Additional information about measurement of the trade receivables is disclosed in Note 26.

Trade receivables and other receivables

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

	December 31, 2023	December 31, 2022
Counterparties with no or low risk of trade receivables collection	**197,954**	144,789
Counterparties with increased risk of trade receivables collection	**138,246**	140,998
Trade receivables at amortized costs	**336,200**	**285,787**
Counterparties with no or low risk of trade receivables collection	**11,696**	30,051
Counterparties with increased risk of trade receivables collection	**11,754**	-
Trade receivables at FV through other comprehensive income	**23,450**	**30,051**
Total	**359,650**	**315,838**

Counterparties with no or low risk of trade receivables collection are customers with prompt payment discipline supported by requested credit enhancement endorsement. Counterparties with increased risk of trade receivables collection are customers in higher risk locations, with inconsistent payment discipline and limited credit enhancement endorsement.

The Company recognized an allowance for expected credit losses to trade receivables and other receivables in amount of EUR 13,790 thousand as of December 31, 2023 (December 31, 2022: EUR 13,532 thousand).

The movements of loss allowances were as follows:

	Trade receivables	Other receivables	Total
January 1, 2023	**13,530**	**2**	**13,532**
Increase in loss allowance	306	8	**314**
Receivables written-off	(21)	-	**(21)**
Unused amount reversed	(35)	-	**(35)**
December 31, 2023	**13,780**	**10**	**13,790**

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

A part of recognized loss allowance in amount of EUR 13,431 thousand (December 31, 2022: EUR 13,228 thousand) relates to individually impaired receivables. For the rest of the trade receivables and the other receivables, which almost all are falling within due (or few days overdue) category, the Company estimated general expected credit losses allowance using a credit enhancement matrix. The general expected credit loss allowance calculated by the Company is EUR 359 thousand as of December 31, 2023 (December 31, 2022: EUR 304 thousand).

The matrix specifies loss rates depending on shared credit risk characteristics represented by internal rating of customers and the days past due. Oscillation of portion receivables after due date was significantly improved compared to the last ten years. Ten years median of past due trade receivables to total trade receivables ratio is 2.5 percent (2022: 3.05 percent), median for the year 2023 is 1,1 percent (2022: 1.4 percent). The expected credit loss rate was determined based on risk analysis of assessed trade receivables currently after due date.

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

Trade receivables assessed for expected credit losses and their structure were as follows:

December 31, 2023 Category	% of expected credit loss	Gross book value	Gross book value - overdue over 30 days	Expected credit loss	Net book value
No or remote risk customers	-	140,268	-	-	**140,268**
Insured / Partially insured customers	0.21%	170,589	(65)	359	**170,295**
Related parties	-	167	-	-	**167**
Other	-	11,719	452	-	**11,267**
Non-active customers	-	13,309	13,309	-	-
December 31, 2023		**336,052**	**13,696**	**359**	**321,997**

December 31, 2022 Category	% of expected credit loss	Gross book value	Gross book value - overdue over 30 days	Expected credit loss	Net book value
No or remote risk customers	-	98,314	-	-	**98,314**
Insured / Partially insured customers	0.19%	161,421	(104)	304	**161,221**
Related parties	-	9,602	-	-	**9,602**
Other	-	3,956	16	-	**3,940**
Non-active customers	-	13,207	13,207	-	-
December 31, 2022		**286,500**	**13,119**	**304**	**273,077**

The Company performed regular review of customers' internal rating and considered historical, current, and forward-looking information on its and the industry development. Had the Company had created an expected credit losses for accounts receivable where the deem percentage of the expected credit loss is zero would be considered immaterial from the point of expected credit losses. The Company also mitigates credit risk by utilizing a credit insurance with credible insurance institutions (rating not lower than A2 according to Moody's). Credit insurance is an integral part of credit enhancement matrix because it occurs from the initial recognition of trade receivable. No or remote risk customers for whom 0 percent of ECL is calculated are represented by State owned companies and First class companies, which according to the internal rating are included in a no risk category and the Company do not expect credit losses related to these customers.

<u>Other Receivables – Funds for landfill restoration</u>

As required by legislation the Company deposited funds to cover closing and clean-up costs at the end of a landfill site's useful life into the State Treasury account. The Company will receive funds based on request once approved landfill expenditures occur. Funds for landfill restoration are receivables due from Slovak Republic with the credit rating A2 according to Moody's, that represents low credit risk. The Company therefore considers expected credit loss to be immaterial as of December 31, 2023 (December 31, 2022: immaterial).

Note 12 Derivative Financial Instruments

The Company has entered into forward foreign exchange contracts (FX forwards) which are not traded and are agreed with the banks on specific contractual terms and conditions. The Company is also exposed to a fluctuation of raw materials purchase prices. In order to eliminate the Company's exposure to tin and iron ore prices fluctuation, the Company entered into tin and iron ore swaps to protect its profit margin.These derivative instruments have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market foreign exchange rates or market commodity indexes.

Unrealized gains and losses on forward foreign exchange contracts and tin and iron ore swap contracts are recognized in other comprehensive income and accumulated in revaluation reserves in equity (Note 14) as of December 31, 2023.

On initial recognition of a hedged item (inventory), gains or losses accumulated in equity are removed from the separate component of equity and included in the initial cost of inventory. The accumulated gains or losses are reclassified from Inventory to the profit or loss in the period(s) during which the hedged forecast transaction affects the profit or loss. This is generally within 2 months for foreign exchange forwards, 3 months for tin swaps and 4 months for iron ore swaps after the contract maturity date.

The table below shows the actual amount recognized in Other operating income during 2023:

	FX forwards	Tin swaps	Iron ore swaps	Total
Derivative contracts commenced in prior years and recognized in fair value within revaluation reserve or inventory as of December 31, 2022	(854)	(3,225)	3,392	**(687)**
Derivative contracts commenced in 2023	1,566	186	**-**	**1,752**
Balance recognized in Profit or Loss	**712**	**(3,039)**	**3,392**	**1,065**

The table below shows the actual amount recognized in Other operating income during 2022:

	FX forwards	Tin swaps	Iron ore swaps	Total*
Derivative contracts commenced in prior years and recognized in fair value within revaluation reserve or inventory as of December 31, 2021	(10,564)	**-**	**-**	**(10,564)**
Derivative contracts commenced in 2022	54,834	(10,490)	703	**45,047**
Balance recognized in Profit or Loss	**44,270**	**(10,490)**	**703**	**34,483**

* for better understanding 2022 values were split into separate categories of derivatives.

The table below contains an overview of commenced contracts at the end of the reporting period:

	Contract maturity	Recognized in profit or loss
Contract commenced in 2023		
FX Forwards	2023	2023, 2024
Tin Swaps	2023	2023, 2024
Contract commenced in 2022		
FX Forwards	2022	2022, 2023
Irons Ore Swaps	2023	2023, 2024
Tin Swaps	2022	2022, 2023

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

The table below sets out fair values of the Company's financial derivatives at the end of the reporting period:

	December 31, 2023		December 31, 2022	
	Assets	Liabilities	Assets	Liabilities
FX forwards - cash flow hedges	**760**	**6,168**	2,928	5,186
Commodity swaps - cash flow hedges	**-**	**-**	8,296	-
Total	**760**	**6,168**	**11,224**	**5,186**

Balances as of December 31, 2023 and December 31, 2022 were not past due. In 2023 ineffective portion of derivatives was immaterial. The risk of concentration of counterparty credit risk is mitigated by purchasing forward foreign exchange contracts from several counterparties. The Company has entered into forward foreign exchange contracts with ING Bank N.V., Citibank Europe plc, Goldman Sachs Bank USA, Komerční banka, a.s. and Fifth Third Bank as of December 31, 2023 and December 31, 2022. As of December 31, 2023, the financial derivatives with ING Bank N.V. and Komerční banka, a.s. represent more than 64 percent of value of total financial derivatives. The ratings of the banks are A- and better (according to Standard & Poor's) as of December 31, 2023 (December 31, 2022: BBB+ and better). Information about the fair value hierarchy as of December 31, 2023 is disclosed in Note 26.

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

	December 31, 2023	December 31, 2022
Payables on gross settlement of FX forwards in EUR thousand	**(451,711)**	(266,089)
Receivables on gross settlement of FX forwards in EUR thousand *	**449,140**	265,798

* receivables nominated in USD, converted to EUR in 2023 at the rate of USD/EUR 1.105 (2022, USD/EUR 1.066)

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

	December 31, 2023	December 31, 2022
Payables on gross settlement of swap contracts in EUR thousand *	**-**	(29,894)
Receivables on gross settlement of swaps contracts in EUR thousand *	**-**	33,189

* payables and receivables nominated in USD, converted to EUR in 2022 at the rate of USD/EUR 1,066

Note 13 Cash and Cash Equivalents

	December 31, 2023	December 31, 2022
Cash at bank	**279,282**	377,215
Total (Note 26)	**279,282**	**377,215**

Interest rates on bank accounts were approximately 2.68 percent per annum for EUR deposits, 1.75 percent per annum for USD deposits and 0.30 percent per annum for CZK deposits as of December 31, 2023 (December 31, 2022: 0.45 percent per annum for EUR deposits, 1.00 percent per annum for USD deposits and 0.30 percent per annum for CZK deposits). Interest rates at bank accounts denominated in other currencies are not disclosed as the balances in these accounts are not material. Based on the 2023 and 2022 business conditions the Company considered impact of the expected credit losses on cash and cash equivalents to be immaterial. Further information on the credit risk of cash and cash equivalents is disclosed in Note 25.

Note 14 Equity

Share capital

The Company's registered and fully paid in capital is EUR 839,357 thousand. The Company does not have unregistered increased share capital as of December 31, 2023.

Legal reserve fund and Other reserves

The movements in reserve funds are as follows:

	Legal reserve fund	Other capital funds	Derivative hedging instruments	CO_2 emission allowances	Total
January 1, 2023	**74,804**	**44**	**4,475**	-	**79,323**
Equity - effect of merger (Note 8)	975	-	-	20,400	**21,375**
Changes in fair value of derivative hedging instruments	-	-	(7,340)	-	**(7,340)**
Changes in fair value of CO_2 emission allowances	-	-	-	(20,400)	**(20,400)**
Release of fair value of derivative hedging instruments	-	-	(1,004)	-	**(1,004)**
Contribution to legal reserve fund	9,131	-	-	-	**9,131**
December 31, 2023	**84,910**	**44**	**(3,869)**	**-**	**81,085**

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

The change in the fair value of derivative financial instruments is recognized after taking into account the deferred tax asset in the amount of EUR 2,216 thousand (2022: liability EUR 1,618 thousand) (Note 9).

Dividends

Dividends totaling EUR 250 million were declared to be paid upon the demand of U. S. Steel Global Holdings VI B.V. Dividends totaling EUR 160 million were paid to U. S. Steel Global Holdings VI B.V. in October 2023 (2022: no dividends were paid). The amount of declared but unpaid dividends was EUR 90 million as of December 31, 2023 (December 31, 2022: EUR 0).

Note 15 Loans and Borrowings

The movement in liabilities from financing activities is as follows:

	Related parties (Note 28)	Lease liabilities (Note 5, 18)	Total
January 1, 2023	**33,695**	**15,307**	**49,002**
Loans and borrowings - effect of merger (Note 8)	(33,578)	20	**(33,558)**
Proceeds	2,028	-	**2,028**
Repayments	(2,081)	-	**(2,081)**
Lease additions	-	11,154	**11,154**
Lease payments	-	(8,741)	**(8,741)**
December 31, 2023	**64**	**17,740**	**17,804**
Long-term	-	7,833	**7,833**
Short-term	64	9,907	**9,971**
December 31, 2023	**64**	**17,740**	**17,804**

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

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

Credit facilities available to the Company:

Lender	Agreed amount	Currency	Interest rate	Date of maturity	Unpaid principal as of December 31, 2023	Unpaid principal as of December 31, 2022
Group of Banks *	150,000,000	EUR	IBOR + 2.00 or 2.35% p.a.	September 29, 2026	-	-
ING Bank N.V.	30,000,000	EUR	EURIBOR + 1.70% p.a	December 3, 2024	-	-
		USD	LIBOR + 1.70% p.a		-	-
		CZK	PRIBOR + 1.70% p.a		-	-

* ING Bank N.V, Slovenská sporiteľňa a.s., Komerční banka, a.s, UniCredit Bank Czech Republic and Slovakia a.s., Československá obchodná banka, a.s. and Citibank Europe plc.

On December 15, 2022 the Company entered into a supplemental agreement No. 1 to its unsecured EUR 300 million revolving credit facility ("the Credit Agreement") with ING Bank N.V., Slovenská sporiteľňa a.s., Komerční banka, a.s., UniCredit Bank Czech Republic and Slovakia a.s., Československá obchodná banka, a.s. and Citibank Europe plc, where Ferroenergy s.r.o., originally subsidiary of U. S. Steel Košice, s.r.o., was deleted as a Guarantor to the Credit Agreement based on the approved merger of the U. S. Steel Košice, s.r.o., Ferroenergy s.r.o. and U. S. Steel Košice – Labortest, s.r.o. with the effective date on January 1, 2023.

On September 28, 2023 the Company elected to reduce the size of the Credit Agreement from EUR 300 million to EUR 150 million. The reduced credit facility size supports USSK's liquidity needs and is consistent with efforts to optimize costs and the global liquidity position.

The Credit Agreement contains sustainability targets related to greenhouse gas emissions intensity reduction, safety performance and facility certification by ResponsibleSteel™. The Credit Agreement contains certain financial covenants calculated from consolidated financial statements prepared in accordance with US GAAP. The Credit Agreement requires Company to maintain a net debt to EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization, hereinafter as "EBITDA") ratio of less than 3.50 : 1.00, as measured on a rolling twelve month basis on June 30th and December 31st of each year. In April 2023, after determining that Company may not be able to comply with the EBITDA Ratio Covenant at June 30, 2023, based on forecasted EBITDA at the time, the Company requested waiver of the EBITDA Ratio Covenant from its lenders for the period ending June 30, 2023. The waiver was approved unanimously by Company's lender group. As of December 31, 2023 USSK was in compliance with the EBITDA Ratio Covenant. USSK Credit Agreement was undrawn and fully available as of December 31, 2023 (December 31, 2022: Company complied with financial covenants specified the Credit Agreement and the credit facility has not been used).

On March 27, 2023, the Company entered into a Supplemental Amendment No. 10 to the EUR 20 million Bilateral Loan Agreement between the Company and ING Bank N.V that increased the size of the existing credit facility to EUR 30 million. This credit facility may be used for working capital financing, drawing bank overdraft, and issuing of bank guarantees and letters of credit. As of December 31, 2023, the credit facility has been used in the amount of EUR 16,297 thousand for bank guarantees (December 31, 2022: the credit facility has been used in the amount of EUR 15,412 thousand for bank guarantees).

Within available credit facilities, the Company can draw loans with terms of not more than six months with interest fixed for each particular loan. Each of these facilities bear interest at the applicable inter-bank offer rate plus a margin. The Company is the sole obligor on each of these credit facilities and is obliged to pay a commitment fee on the undrawn portion of the facilities. The Company complied with all covenants specified in the loan agreements as of December 31, 2023 and 2022.

Management of capital is disclosed in Note 24 and information about credit facilities available to the Company and interest rate risk exposure is disclosed in Note 25. Loans and Borrowings within the Group's cash pooling strategy are disclosed in Note 28.

Note 16 Provisions for Liabilities

Movements in provisions for liabilities were as follows:

	Landfill	Litigation	CO_2 emissions	Other	Total
January 1, 2023	**9,630**	**574**	**395,232**	**355**	**405,791**
Provisions - effect of merger (Note 8)	-	-	195,816	-	**195,816**
Provision made	5,654	46	615,275	426	**621,401**
Provision used / reversed	(36)	(367)	(591,048)	(296)	**(591,747)**
December 31, 2023	**15,248**	**253**	**615,275**	**485**	**631,261**
Long-term provisions	10,885	253	-	-	**11,138**
Short-term provisions	4,363	-	615,275	485	**620,123**

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

The movement of provisions caused by the passage of time (i.e., accretion expense) in 2023 and 2022 was immaterial.

Provision reversals for the year 2023 and 2022 were immaterial.

Landfill

The provision for closing, reclamation and after-close monitoring of landfills is recognized based on the Law No. 79/2015 Coll. on Waste, as amended. In 2023, the Company had four landfills: two for non-hazardous waste and two for hazardous waste. Reclamation of one hazardous and one non-hazardous landfill was completed, and those landfills were closed in 2011 and 2013. During 2023, the loading of waste at the 3rd stage of second non-hazardous landfill was completed. The cost related to the reclamation will be charged against the created provision. The short-term portion of the provision represents expenditures that are expected to be settled within 12 months.

Litigation

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

Emission allowances

A provision was recognized for CO_2 emissions emitted in 2023 in order to settle obligation by granted CO_2 emission allowances in amount of EUR 524,331 thousand (2022: EUR 395,232 thousand) and by purchased CO_2 emission allowances in amount of EUR 90,944 thousand (2022: EUR 0 thousand). The provision was calculated as a multiple of the final volume of CO_2 emitted for the calendar year and the fair value of CO_2 emission allowances on the European Climate Exchange as of the date of the financial statements. The provision was charged to Operating expenses. Amortization of related deferred income from allocated CO_2 emission allowances is recognized in Other income (Note 19).

Other

Other provisions include provisions for warranty.

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

Note 17 Employee Benefits Liabilities

Employee retirement liability

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

Work and life jubilee benefits

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

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

	2023	2022
Employee benefits payable - pension		
Opening balance as of January 1	**15,109**	**22,990**
Employee benefits liabilities - effect of merger (Note 8)	**521**	-
Total expense charged in profit or loss – pension	**1,498**	1,624
Actuarial gains	**(1,156)**	(8,934)
Benefits paid	**(538)**	(571)
Closing balance as of December 31	**15,434**	**15,109**
Employee benefits payable - other		
Opening balance as of January 1	**11,021**	**9,556**
Employee benefits liabilities - effect of merger (Note 8)	**520**	-
Total expense charged in profit or loss – jubilee	**537**	408
Total expense charged in profit or loss – termination	**9,005**	20,565
Actuarial losses / (gains) - jubilee	**444**	(1,889)
Benefits paid	**(11,734)**	(17,619)
Closing balance as of December 31	**9,793**	**11,021**
Long-term employee benefits payable - pension	**14,805**	14,634
Long-term employee benefits payable - other	**7,009**	6,469
Short-term employee benefits payable	**3,413**	5,027

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

	December 31, 2023	December 31, 2022
Present value of the liability – pension	**26,453**	24,719
Present value of the liability – jubilee	**7,729**	7,186
Present value of the liability – termination	**2,063**	3,836
Actuarial gains	**(11,018)**	(9,611)
Total liability in the statement of financial position	**25,227**	**26,130**

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

	2023	2022
Current service costs – pension	**954**	1,451
Current service costs – jubilee	**277**	371
Current service costs – termination	**9,005**	20,565
Interest costs	**804**	210
Actuarial gains - pension	**(1,156)**	(8,934)
Actuarial losses / (gains) - jubilee	**444**	(1,889)
Total	**10,328**	**11,774**

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

An addendum No. 7 to the valid Collective Labor Agreement for 2020–2024 (the CLA Addendum No. 7) became effective on September 6, 2023 and enabled employees to receive one-time wage for long-standing work performance if the length of his/her uninterrupted labor contract with the Company calculated until December 31, 2023 is at least 5 years. In case the CLA Addendum No. 7 was used, an employee terminated his/her labor contract no later than on September 30, 2023 (in exceptional cases no later than December 31, 2023). Costs related to one-time wage for long-standing work are considered as restructuring costs (Note 29).

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

	2023	2022
Discount rate - pension	**3.20%**	3.50%
Discount rate - jubilee	**3.10%**	3.60%
Annual wage and salary increases	**5.00%**	5.00%
Staff turnover (1)	**5.00%**	5.00%

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

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

Profit sharing and bonus plans

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

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

Defined contribution pension plan

Throughout the year, the Company made contributions to the mandatory government and private defined contribution plans representing 24.4 percent (2022: 24.4 percent) of total salaries and other employee benefits up to a monthly salary limit of EUR 8,477 (2022: EUR 7,931).

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

In addition, with respect to employees who have chosen to participate in a supplementary pension scheme, the Company made contributions to the supplementary scheme amounting to 1.5 percent of the monthly accounted wage in 2023 (2022: 1.5 percent).

Information for pension plans with an accumulated employee benefits liabilities:

	December 31, 2023	December 31, 2022
Accumulated employee benefits liabilities	**16,382**	14,712
Effects of future compensation	**6,782**	7,582
Projected employee benefits liabilities	**23,164**	**22,294**
Termination	**2,063**	3,836
Total liability in the statement of financial position	**25,227**	**26,130**

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

Note 18 Trade and Other Payables

	December 31, 2023	December 31, 2022
Trade payables	256,967	195,685
Related party accounts payables (Note 28)	27,270	45,391
Assigned trade payables (1)	108,537	61,671
Accrued discounts and rebates	18,815	15,603
Uninvoiced deliveries and other accrued expenses	62,127	57,104
Trade payables and accruals (Note 25)	**473,716**	**375,454**
Lease liabilities	17,740	15,307
Dividend liabilities (Note 14)	90,000	-
Other payables	4,243	4,818
Financial liabilities	**111,983**	**20,125**
Liability to employees and social security institutions	36,896	29,682
Advance payments received (Contract liability)	5,478	15,574
VAT and other taxes and fees	5,331	9,910
Non-financial liabilities	**47,705**	**55,166**
Total	**633,404**	**450,745**

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

The Company provided or will provide discounts and rebates to the customers which fulfilled all requirements stated in sale contracts as of December 31, 2023.

	December 31, 2023	December 31, 2022
Short-term trade, dividend payables and other payables	625,322	443,430
Long-term trade and other payables	8,082	7,315
Total	**633,404**	**450,745**

Long-term trade and other payables represent lease liabilities (as of December 31, 2023: EUR 7,833 thousand and as of December 31, 2022: EUR 6,954 thousand) and the retention portion of capital expenditures for which different due dates were agreed upon in trade contracts, longer than 12 months.

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

	December 31, 2023	December 31, 2022
Trade and other payables not yet due	617,732	448,368
Trade and other payables past due	15,672	2,377
Total	**633,404**	**450,745**

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

	December 31, 2023	December 31, 2022
EUR	347,599	295,851
USD	118,879	76,137
Other	7,238	3,466
Total	**473,716**	**375,454**

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

	2023	2022
Opening balance as of January 1	1,035	**645**
Company contribution (company costs)	1,645	1,796
Withdrawals	(1,845)	(1,406)
Closing balance as of December 31	835	**1,035**

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

Note 19 Revenue from Contracts with Customers and Other Income

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

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

Revenue from contracts with customers consists of the following:

	2023	2022
Sales of own production	3,149,486	4,004,058
Sales of merchandise	1,742	1,035
Rendering of services	24,647	18,240
Total	**3,175,875**	**4,023,333**

In 2023 sales of merchandise represented net sales of natural gas to the external parties. In 2022 sales of merchandise represented net sales of electricity, heat and steam to the external parties.

In 2023 rendering of services comprised of distribution of media (natural gas, electricity, water) and arranging transportation services to customers. In 2022, rendering of services in addition comprised of technology consulting services, repairs, and administration services provided to the Company's subsidiaries or external customers.

Timing of revenue recognition

	2023	2022
Performance obligation satisfied at a point in time	3,151,228	4,005,093
Performance obligation satisfied over time	24,647	18,240
Total	**3,175,875**	**4,023,333**

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

Segments and Products	2023	2022
Hot-rolled sheets and plates	1,492,842	1,790,310
Cold-rolled sheets	245,339	356,997
Coated sheets	765,774	891,932
Tin mill products	400,031	625,751
Standard and line pipe	47,273	64,500
Slabs	153,387	97,845
Tar - nonsteel products	26,701	37,392
Gasses	16	121,807
By products and other	18,123	17,524
Total	**3,149,486**	**4,004,058**

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

Market	2023	2022
Steel Service Centers	**583,159**	775,011
Transportation (including automotive)	**615,126**	661,481
Further conversion - trade customers	**206,535**	271,980
Containers	**393,560**	630,405
Construction and construction products	**982,421**	1,046,934
Appliances and electrical equipment	**173,492**	271,366
Oil, gas and petrochemicals	**-**	4,017
Mechanical Machinery	**26,514**	29,913
Metal Goods	**91,033**	111,785
Utilities	**16**	121,807
Other markets	**77,630**	79,359
Total	**3,149,486**	**4,004,058**

Other income

Other income consists of the following:

	2023	2022
Amortization of deferred income - CO_2 emission allowances (Note 7)	**556,881**	514,004
Amortization of deferred income - environmental projects (Note 5)	**4,657**	4,675
Gain on disposal of property, plant and equipment, investment property and intangible assets	**21**	3,100
Gain on derivative financial instruments (Note 12)	**372**	-
Rental income	**1,578**	1,849
Income from contractual penalties	**353**	618
Energy compensation from Ministry of Economy	**1,773**	12,449
Energy sales	**-**	4,896
Trade mark and Intellectual Property License	**12,708**	16,056
Other income	**1,293**	4,161
Total	**579,636**	**561,808**

Note 20 Materials and Energy Consumed

Materials and energy consumed is comprised of the following:

	2023	2022
Materials consumed	**(2,140,352)**	(2,240,348)
Energy consumed *	**(251,097)**	(652,129)
Costs of merchandise sold	**(13)**	(11)
Changes in internally produced inventory	**12,595**	(66,041)
Reversal of impairment / (impairment) of inventory allowance (Note 10)	**19,396**	(39,823)
Total	**(2,359,471)**	**(2,998,352)**

* 2022 energy consumed includes a variable lease payment expense and services related to operating of leased asset totaling EUR (397.5) million. (Note 5).

Note 21 Salaries and Other Employee Benefits

Salaries and other employee benefits are comprised of the following:

	2023	2022
Wages and salaries	**(222,239)**	(242,130)
Termination benefits (Note 17)	**(9,005)**	(20,565)
Mandatory social and health insurance to insurance funds - defined contribution plans	**(42,882)**	(47,425)
Mandatory retirement insurance to insurance funds - defined contribution plans	**(36,744)**	(41,531)
Other social expenses - defined contribution plans	**(13,450)**	(13,780)
Pension (expenses) / income – retirement and work and life jubilees - defined benefit plans (Note 17)	**(1,675)**	67
Total	**(325,995)**	**(365,364)**

The number of active employees of the Company as of December 31, 2023 was 7,712 (December 31, 2022: 7,833). The average number of the Company's employees for 2023 was 7,966 (2022: 8,251).

Note 22 Other Operating Expenses

Other operating expenses during 2023 and 2022 are as follows:

	2023	2022
External processing	**(22,740)**	(18,423)
Low value intangible assets, licences, trade marks, licence support	**(12,942)**	(14,282)
Service activities	**(10,665)**	(8,247)
Cleaning and waste disposal [(3)]	**(9,953)**	(7,912)
Real estate tax and other taxes	**(7,767)**	(7,418)
Insurance Costs	**(6,236)**	(6,561)
Costs of processing of steel slag, sludge and dust	**(5,960)**	(5,255)
Packaging	**(5,574)**	(4,713)
Warehousing and handling of finished products	**(5,252)**	(4,015)
Crane operation	**(4,458)**	(3,990)
Environmental fees [(3)]	**(4,032)**	(3,147)
Waste storage charges	**(4,001)**	(3,595)
Telephone, fax, telex, postage, data processing	**(3,451)**	(3,518)
Commitment fee, bank fee	**(3,005)**	(2,857)
Security services - premises	**(2,806)**	(3,559)
Scarfing of conti-slabs	**(2,792)**	(2,611)
Energy advisory services	**(2,705)**	-
Advertising and promotion	**(1,810)**	(1,787)
Intermediary fees	**(1,620)**	(1,121)
Costs of employee intracompany transportation	**(1,388)**	(1,366)
Services of heavy machines	**(1,238)**	(1,324)
Inventory shortages and damages - over the claimed value	**(1,188)**	-
Chromium plating of rolls	**(1,149)**	(1,240)
Chemical treatment of water circuits [(2)]	**(961)**	(627)
Laboratory and heat tests [(4)]	**(920)**	(7,136)
Other operating costs - related parties [(2)]	**(914)**	(620)
Reimbursments for damages caused by the Company	**(850)**	-
Variable lease payments (Note 5)	**(822)**	(864)
Traveling Costs [(2)]	**(737)**	(715)
Inventory shortages and damages - up to claimed value	**(646)**	-
Cost of nickeling of copper plates [(2)]	**(567)**	(483)
Short-term leases (Note 5)	**(455)**	(295)
Addition and transportation costs related to claims	**(375)**	(1,381)
Audit of the financial statements	**(256)**	(603)
Low value leases (Note 5)	**(15)**	(30)
Other services provided by the auditor	**-**	(7)
Loss on liquidation of Financial investment (CF)	**-**	(1,560)
Other operating expenses [(1), (3)]	**(4,940)**	(5,307)
Total	**(135,190)**	**(126,569)**

[(1)] other operating expenses include various types of services not exceeding EUR 1 million individually.
[(2)] for better understanding 2022 values were separated from Other operating expenses to separate lines.
[(3)] value includes portion of environmental expenses disclosed in Note 27.
[(4)] value decreased in 2023 due to the merger of the Company with its subsidiary Labortest, s.r.o.

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

Note 23 Income Tax

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

	2023	2022
Current tax	(1,301)	(68,850)
Deferred tax (Note 9)	17,031	(17,046)
Total current year tax	15,730	(85,896)
Total	15,730	(85,896)

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

	2023	2022
(Loss) / Profit before tax	(47,135)	418,619
Tax calculated at 21 percent tax rate	9,898	(87,910)
Permanent differences:		
Research & Development deduction	2,240	2,646
Other	3,592	(632)
Tax credit / (charge)	15,730	(85,896)

The effective tax rate was 33 percent in 2023 (2022: 21 percent).

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

	2023			2022		
	Before tax	Tax credit / (charge)	After tax	Before tax	Tax (charge) / credit	After tax
Changes in fair value of derivative hedging instruments	(10,560)	2,216	(8,344)	(7,707)	1,618	(6,089)
Changes in actuarial gains and losses	1,156	(243)	913	8,934	(1,877)	7,059
Other comprehensive income	(9,404)	1,973	(7,431)	1,227	(259)	970

The change in the fair value of derivative financial instruments after taking into account the deferred tax asset in the amount of EUR 2,216 thousand (2022: liability EUR 1,618 thousand) (Note 9).

Note 24 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and to pay obligations as they come due. The Company's overall strategy did not change compared to 2022.

The capital structure of the Company consists of debt (Note 15) totaling EUR 17,804 thousand as of December 31, 2023 (December 31, 2022: EUR 49,002 thousand) and equity (Note 14) totaling EUR 1,613,670 thousand as of December 31, 2023 (December 31, 2022: EUR 1,921,940 thousand) that includes share capital, reserve funds and retained earnings.

The externally imposed capital requirements for a limited liability company established in the Slovak Republic include a minimum level of share capital totaling EUR 5 thousand. The Company complied with the regulatory capital requirements as of December 31, 2023 and December 31, 2022.

Note 25 Financial Risk Management

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

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

Credit risk

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

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

The Company mitigates credit risk for approximately 83 percent (2022: 76 percent) of revenue from contracts with customers by requiring credit insurance, letters of credit, bank guarantees, prepayments or other collateral. The acceptable ratings of the banks are BBB- and better (according to Standard & Poor's or equivalent of it per other rating agencies). The ratings of banks are monitored monthly or if circumstances change. Information about collateral or other credit enhancements is as follows:

	2023	2022
Credit insurance	69%	63%
Letters of credit and documentary collection	1%	2%
Bank guarantees	2%	2%
Other credit enhancements	11%	9%
Credit enhanced sales	83%	76%
Unsecured sales	17%	24%
Total	100%	100%

The majority of the Company's customers are located in Central and Western Europe. No single customer accounts for more than 5 percent of gross annual revenues in either of the years presented.

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

The cash has been deposited to banks with the rating Prime-2 and better according to Moody's, that represents high ability to repay short-term debt. The Company therefore considers expected credit loss to be immaterial.

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

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

December 31, 2023	Derivative financial instruments measured at FV through profit or loss	Financial assets measured at amortized cost	Financial assets measured at FV through other comprehensive income
Trade and other receivables (Note 11)			
Trade receivables (net)	-	309,664	23,450
Related party accounts receivables (net)	-	12,756	-
Other receivables (net)	-	18,204	-
Derivative financial instruments (Note 12)			
FX Forwards	760	-	-
Cash and cash equivalents and restricted cash (Note 13)			
Cash and cash equivalents and restricted cash	-	283,743	-
Total	**760**	**624,367**	**23,450**

December 31, 2023	Cash and cash equivalents and restricted cash at amortized cost
ING Bank N.V.	40,218
COMMERZBANK Aktiengesellschaft	26,828
Citibank Europe plc	78,814
Slovenská sporiteľňa, a.s.	47,510
Komerční Banka, a.s.	17,696
Československá obchodná banka, a.s.	57,356
Všeobecná úverová banka, a.s.	7,834
Other banks	3,026
Cash and cash equivalents (Note 13)	**279,282**
Slovenská sporiteľňa, a.s.	14
Všeobecná úverová banka, a.s.	10
Citibank Europe plc	4,180
Bank Handlowy w Warszawie SA	257
Cash restricted in its use	**4,461**
Total	**283,743**

December 31, 2022	Derivative financial instruments measured at FV through profit or loss	Financial assets measured at amortized cost	Financial assets measured at FV through other comprehensive income
Trade and other receivables (Note 11)			
Trade receivables (net)	-	251,135	30,051
Related party accounts receivables (net)	-	21,122	-
Other receivables (net)	-	12,698	-
Derivative financial instruments (Note 12)			
FX Forwards	2,928	-	-
Commodity swaps - iron ore	8,296	-	-
Cash and cash equivalents and restricted cash (Note 13)			
Cash and cash equivalents and restricted cash	-	377,668	-
Total	**11,224**	**662,623**	**30,051**

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

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

Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of credit facilities to cover the liquidity risk in accordance with its financing strategy. Company management monitors expected and actual cash flows and the cash position of the Company on a daily basis in accordance with approved internal policies and procedures. The exposure by country is also closely monitored.

During 2023, the Company drew short-term borrowings as a part of the Group's cash pooling strategy of EUR 2,028 thousand and repaid EUR 2,081 thousand and provided to its subsidiaries the amount of EUR 1,434 thousand and received EUR 1,434 thousand. During 2022, the Company drew short-term borrowings as a part of the Group's cash pooling strategy of EUR 64,565 thousand and repaid EUR 32,796 thousand and provided to its subsidiaries the amount of EUR 65,529 thousand and received EUR 127,852 thousand. Contracts concluded as a part of the Group's cash pooling strategy between the merged companies Ferroenergy s.r.o., U. S. Steel Košice - Labortest, s.r.o. and the successor company U. S. Steel Košice, s.r.o. ceased as of the date of the merger, January 1, 2023. The merger did not have any impact on the repayment of the cash pooling balances presented based on the fact that these cash pooling loans provided and drawn have been netted during merger procedures (Note 28).

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

Borrowing contract with U.S. Steel Košice - SBS, s.r.o. is valid until February 28, 2025 with the option to be prolonged. Borrowings drawn within the U.S. Steel Košice - SBS, s.r.o. cash pooling strategy bear interest rate spread over 1-month EURIBOR plus margin 1.7 percent per annum (Note 28).

Other borrowings are disclosed in Note 15.

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

December 31, 2023

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	279,282	-	-	**279,282**
Restricted cash	4,461	-	-	**4,461**
Trade receivables (net)	345,870	-	-	**345,870**
Other receivables (net)	18,204	-	-	**18,204**
Gross settled FX forwards (Note 12)	449,140	-	-	**449,140**
Total	**1,096,957**	**-**	**-**	**1,096,957**
Liabilities				
Trade payables and accruals	465,634	8,082	-	**473,716**
Other financial liabilities	4,243	-	-	**4,243**
Gross settled FX forwards (Note 12)	451,711	-	-	**451,711**
Lease liability	8,849	10,147	10	**19,006**
Loans and borrowings (Note15)	64	-	-	**64**
Total	**930,501**	**18,229**	**10**	**948,740**

December 31, 2022

	0 – 1 year	1 – 5 years	over 5 years	Total
Assets				
Cash and cash equivalents	377,215	-	-	**377,215**
Restricted cash	453	-	-	**453**
Trade receivables (net)	302,308	-	-	**302,308**
Other receivables (net)	12,698	-	-	**12,698**
Gross settled FX forwards (Note 12)	265,798	-	-	**265,798**
Net settled swaps (Note 12)	8,296	-	-	**8,296**
Total	**966,768**	**-**	**-**	**966,768**
Liabilities				
Trade payables and accruals	368,139	7,315	-	**375,454**
Other financial liabilities	4,818	-	-	**4,818**
Gross settled FX forwards (Note 12)	266,089	-	-	**266,089**
Lease liability	7,327	8,449	12	**15,788**
Loans and borrowings (Note15)	33,695	-	-	**33,695**
Total	**680,068**	**15,764**	**12**	**695,844**

Market risk

a) Interest rate risk

The Company was not subjected to the effects of interest rate fluctuations on borrowings drawn against revolving credit facilities(Note 15) as of December 31, 2023, since no borrowings have been drawn as of December 31, 2023 and December 31, 2022.

The Company's income is substantially independent of changes in market interest rates. The Company had accrued interest income from intercompany loan (Note 28) and had other minor interest income from short term bank deposits and cash at bank accounts as of December 31, 2023 and December 31, 2022.

b) Currency risk

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

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

December 31, 2023

	Cash and cash equivalents	Cash restricted in its use
EUR	213,950	24
USD	57,094	4,180
CZK	7,518	-
other	720	257
Total	**279,282**	**4,461**

December 31, 2022

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

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

As of December 31, 2023, the Company had open USD forward purchase contracts for Euros in total notional value of approximately EUR 452 million (December 31, 2022: EUR 266 million).

As of December 31, 2023, if the EUR had weakened / strengthened by 7 percent against the U.S. dollar with all other variables held constant, this movement would have resulted in a EUR 4,111 thousand charge / EUR 3,573 thousand credit to Profit, mainly as a result of gains/losses from the fair value change of forward foreign exchange contracts.

As of December 31, 2023, if the EUR had weakened / strengthened by 7 percent against the U.S. dollar with all other variables held constant, this movement would have resulted in a EUR 354 thousand charge / EUR 407 thousand credit to Other comprehensive income, mainly as a result of gains/losses from the fair value change of forward foreign exchange contracts.

As of December 31, 2022, if the EUR had weakened / strengthened by 7 percent against the U.S. dollar with all other variables held constant, this movement would have resulted in a EUR 5,416 thousand charge / EUR 4,708 thousand credit to Profit, mainly as a result of gains/losses from the fair value change of forward foreign exchange contracts.

As of December 31, 2022, if the EUR had weakened / strengthened by 7 percent against the U.S. dollar with all other variables held constant, this movement would have resulted in a EUR 148 thousand charge / EUR 170 thousand credit to Other comprehensive income, mainly as a result of gains/losses from the fair value change of forward foreign exchange contracts.

On May 17, 2023, the Company (Lender) entered into a EUR 200 million Revolving Credit Agreement ("Agreement") with United States Steel Corporation (Borrower). Funds may be made available in either USD or EUR. As of December 31, 2023, full amount of loan was available to lend under this Agreement.

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

c) Other price risk

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

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

The Company is exposed to a fluctuation of raw materials prices. An increase in these commodity prices would have an adverse impact on the Company's profitability. In order to mitigate the Company's exposure to iron ore and tin price fluctuation, the Company entered into commodity swaps to protect its profit margin. By participating in this hedging program, the Company fixed the price for the portion of the Company's iron ore and tin requirements, which helped the Company's profitability objectives. All commodity swaps for tin commenced in 2023 matured in 2023. All commodity swaps for tin commenced in 2022 matured in 2022. All commodity swaps for iron ore commenced in 2022 for 2023 matured in 2023.

In 2023 and 2022, the Company did not carry out any other material derivative transaction mitigating commodity price risk and had open commodity derivatives for iron ore as of December 31, 2022.

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

Note 26 Financial Instruments by Category

The following table provides a reconciliation of classes of financial assets and liabilities with the measurement categories as determined by *IFRS 9 Financial Instruments and IFRS 16 Leases:*

December 31, 2023

	Amortized cost	FV through profit or loss	FV through other comprehensive income	Total
Assets				
Unquoted financial instruments	-	111	-	**111**
Trade receivables (net)	309,664	-	23,450	**333,114**
Related party accounts receivables (net)	12,756	-	-	**12,756**
Other receivables (net)	18,204	-	-	**18,204**
Cash and cash equivalents	279,282	-	-	**279,282**
Restricted cash	4,461	-	-	**4,461**
Derivative financial instruments	-	760	-	**760**
Total	**624,367**	**871**	**23,450**	**648,688**

	Amortized cost	FV through profit or loss	Total
Liabilities			
Trade payables and accruals	473,716	-	**473,716**
Other financial liabilities (Note 18)	4,243	-	**4,243**
Dividends (Note 14, 18)	90,000	-	**90,000**
Derivative financial instruments	-	6,168	**6,168**
Short-term borrowings			
Related parties (Note 28)	(39)	-	**(39)**
Leases (Note 5, 18)	9,907	-	**9,907**
Long-term borrowings			
Leases (Note 5, 18)	7,833	-	**7,833**
Total	**585,660**	**6,168**	**591,828**

December 31, 2022

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

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

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

December 31, 2023

	Level 1	Level 2	Level 3	Total
Assets				
Trade receivables that are subject of factoring arrangements (Note 11)	-	-	23,450	**23,450**
Unquoted financial instruments	-	111	-	**111**
Hedging derivatives	-	760	-	**760**
Total	**-**	**871**	**23,450**	**24,321**
Liabilities				
Hedging derivatives	-	6,168	-	**6,168**
Total	**-**	**6,168**	**-**	**6,168**

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

December 31, 2022

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

During 2023 and 2022, there were no transfers between Level 1 and Level 2 of fair value measurements and no transfers into and out of Level 3 of fair value measurements.

All other financial instruments, with the exception of hedging derivatives and trade receivables that are subject of factoring arrangements, are measured at amortized cost as of December 31, 2023 and December 31, 2022. Fair values of these instruments as of December 31, 2023 and December 31, 2022 approximate their carrying amounts.

Note 27 Contingent Liabilities and Contingent Assets

Capital Commitments

Capital expenditures of EUR 44 million had been committed under contractual arrangements as of December 31, 2023 (December 31, 2022: EUR 32 million).

Environmental Commitments

The Company is in compliance with environmental legislation. In 2023, the environmental expenses represented mainly by air, water pollution and solid waste handling fees totaled approximately EUR 9.8 million (2022: EUR 9.2 million). There are no material legal proceedings pending against the Company involving environmental matters.

The Company is subject to the laws of Slovakia and the European Union (EU). An EU Regulation commonly known as Registration, Evaluation, Authorization and Restriction of Chemicals, Regulation 1907/2006 (REACH) requires the registration of certain substances produced in or imported into the EU, and application for authorization to continue use where replacement of certain substances is not possible or feasible. In some cases, replacements for substances currently used in our operations were implemented. Suppliers in EU have filled the Application for Authorization to be permitted to continue using hexavalent chromium substances also in our production until suitable alternatives can be identified. European Commission approved Authorization for the Company suppliers to use sodium dichromate for packaging steel until April 14, 2024 and chromium trioxide for packaging steel until September 21, 2024. On September 14, 2023 the Company's Application for Authorization to be permitted to continue using sodium dichromate and chromium trioxide for packaging steel until 2027 was approved. The Company can still use hexavalent chromium substances in the selected processes until the suitable alternative is qualified for use.

Efforts are ongoing to identify, test and prove the feasibility of replacement substances. Membership contributions to consortiums for update of registration and authorization documentation were EUR 22 thousand in 2023 (2022: EUR 15 thousand). The Company cannot reliably estimate the potential additional registration costs of produced and purchased substances.

Effective from January 1, 2020, the Company transferred, within the framework of fulfilling the obligations of a packaging manufacturer, from the collective system to the individual system of fulfillment of obligations, resulting in reduction of the total costs relating to the subsequent collection, sorting and recovery of the packaging waste. Due to the impact of the change as well as the optimization of record keeping procedure for the packaging placed on the Slovak market, the 2023 costs were EUR 124 thousand (2022: EUR 108 thousand).

Carbon Dioxide (CO_2) Emissions

The European Union has established CO_2 reduction targets of 40 percent by 2030, against a 1990 baseline and full carbon neutrality by 2050. As part of the European Green Deal the Commission proposed in September 2020 to raise the 2030 reduction target to at least 55 percent compared to 1990. The new target has been endorsed by the European Parliament.

In order to achieve the EU goal of carbon emissions neutrality by 2050, on July 14, 2021, the European Commission released a package of legislative proposal called Fit for 55. The proposals contain significant changes to current EU ETS functions and requirements, including: a new carbon border adjustment mechanism (CBAM) to impose carbon fees on EU imports, further reduction of free CO_2 allowance allocation to heavy industry and measures to strengthen the supply of carbon allowances. The initial phase started on October 1, 2023 imposing only a reporting obligation without financial impact. The full scale of CBAM will commence on January 1, 2026 and will have an impact on Company's free allocation starting in 2026 where initial reduction to 97.5 percent starts until 2035 with no free allocation. Another implication of CBAM is the customs duty that will require the Company to cover all its imports from third parties with CBAM Certificates representing embedded emissions in goods imported. The legislative process is being impacted by the ongoing Russia-Ukraine crisis. The proposals are subject to the EU legislative process, and we cannot predict their future impact.

An emission trading system (ETS) was established to encourage compliance with set emissions reduction targets and starting in 2013, the ETS discontinued allocation based on national allocation plans (NAP) and began to employ centralized allocation which is more stringent than the previous requirements.

Phase IV of the EU Emissions Trading System (EU ETS) commenced on January 1, 2021 and will finish on December 31, 2030. The Phase IV is divided into two sub periods (2021-2025 and 2026-2030). The European Commission issued final approval of the updated 2021-2025 Slovak National Allocation table in February 2022. The Slovak Ministry of Environment allocated free allowances totaling 6.2 million tons of EUA to the Company in April 2023. As of December 31, 2023, the Company pre-purchased and settled approximately 1.2 million tons EUAs totaling EUR 95 million to cover the expected 2023 shortfall of emission allowances and 0.6 million tons EUAs totaling EUR 52 million to cover portion of the expected 2024 shortfall. In September and October 2023 the Company also entered into forward agreements to purchase and settle EUAs in total amount of EUR 56.5 million in January and February 2024 for the anticipated 2024 shortfall.

In 2019, the U. S. Steel Corporation announced its commitment to reduce greenhouse gas emissions intensity across its global footprint by 20 percent, as measured by the rate of CO_2 equivalents emitted per ton of finished steel shipped, by 2030 based on 2018 baseline levels. Then, in 2021, the U. S. Steel Corporation announced its goal to achieve net-zero emissions by 2050 as measured by the rate of CO_2 equivalents emitted per ton of finished steel shipped. These targets will apply to U. S. Steel's global operations.

The carbon reduction targets reflect Company's continued commitment to improvement in production efficiency and the manufacture of products that are environmentally friendly. The transition to Electric Arc Furnace (EAF) technology as well as incremental gains in energy reduction, use of renewable energy, hydrogen-based steelmaking and continued asset and process improvements are expected to reduce the greenhouse gas footprint of the Company. However, the development of breakthrough technologies is likely required to continue the path of low to no carbon footprint in the steel industry. Implementation of new technologies will most likely require significant amounts of capital and an abundant source of low-cost hydrogen and/or green power, most likely leading to an increase in the cost of future steelmaking. In addition, the cost of emission allowances is forecast to increase, along with the number of allowances decreasing in the next several years.

Best Available Techniques (BAT's)

The EU's Industrial Emissions Directive requires implementation of EU determined BAT's for Iron and Steel production to reduce environmental impacts as well as compliance with BAT associated emission levels. Total capital expenditures for projects to go beyond the BAT requirements were EUR 138 million. These costs were partially offset by the EU funding received and may be mitigated over the next measurement periods if the Company complies with certain financial covenants, which are assessed annually. If the Company is unable to meet these covenants in the future, the Company might be required to provide additional collateral (e.g., bank guarantee) to secure 50 percent of the EU funding received. The Company complied with these covenants as of December 31, 2023 and December 31, 2022, and no additional collateral will be required by the end of June 30, 2024. By this next assessment date, the Company expects that two projects of the total fifteen will pass the sustainability monitoring and will be excluded from further assessment to provide additional collateral if the covenants are not met. The last assessment of financial covenants will be performed as of June 30, 2026.

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

War in Ukraine

In February 2022, Russia invaded Ukraine and active conflict continues in the country. The war in Ukraine has caused disruption and instability in Russia, Ukraine, as well as in the markets in which the Company operates. The Company is constantly monitoring the situation for impacts and risks to the Company.

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

Since the onset of the war, and before, the Company has been procuring iron ore and coal through alternate sources. With the EU prohibiting purchases of coal from suppliers in Russia, new purchases of coal originating from Russia have stopped. The Company has built up sufficient inventory on site or in-transit to meet current customer demand and alternate supply chains have been fully implemented.

Russian supply of natural gas to Europe has decreased significantly in response to enacted sanctions. However, Slovakia has natural gas storage and access to additional supply from countries including Norway, the United States and Africa. Together, these sources are enough to support the country's expected consumption through the 2024 winter season, which includes demand for natural gas for Company's operations.

Company's management considered the potential impact of this situation on its activities and business and concluded that they did not have a significant impact on its 2023 financial statements or going concern assumption in 2024 and further. However, if current situation turns into negative development, it might have a material adverse effect on the Company, its business, financial condition, results, cash flows and prospects in general.

The Company does not expect an impact on its ability to continue to operate as a going concern.

Note 28 Related Party Transactions

Transactions with related parties

The following table provides amounts of transactions with related parties recognized in the profit or loss of the relevant financial year and outstanding balances resulting from transactions with related parties included in the statement of financial position as of December 31 of the relevant financial year:

Transaction	Related party	2023	2022
Rendering of services	United States Steel Corporation, Ultimate parent company	**13,999**	17,471
	Big River Steel, Company under common control of U.S. Steel	**102**	-
	Subsidiaries under control of the Company	**75**	8,021
Sales of materials and own production	Subsidiaries under control of the Company	**19**	130,926
Sales of merchandise	Subsidiaries under control of the Company	**2**	240
Disposal of property, plant and equipment and intangible assets	Subsidiaries under control of the Company	**-**	2,091
Other income	Subsidiaries under control of the Company	**129**	754
Revenues total		**14,326**	**159,503**
Services received	United States Steel Corporation, Ultimate parent company	**11,016**	12,844
	USS International Services, LLC, Company under common control of U. S. Steel	**2,810**	2,772
	U. S. Steel International Inc, Company under common control of U. S. Steel	**14**	-
	Subsidiaries under control of the Company	**75**	10,287
Purchases of raw material	United States Steel Corporation, Ultimate parent company	**205,035**	128,114
Purchase of slabs	USS International, Inc., Company under common control of U. S. Steel	**7,123**	13,324
Purchase of other materials, products and goods	Subsidiaries under control of the Company	**9**	648
Purchase of energies	Subsidiaries under control of the Company	**16**	401,207
Cost of sales of material and own products	United States Steel Corporation, Ultimate parent company	**4,052**	5,217
	Subsidiaries under control of the Company	**-**	8,990
Other expense	Subsidiaries under control of the Company	**1**	1,461
Expenses total		**230,151**	**584,864**

Transaction	Related party	2023	2022
Receivables	United States Steel Corporation, Ultimate parent company - trade receivables	**12,706**	1,256
	United States Steel Corporation, Ultimate parent company - advanced payment	**14,852**	-
	USS International Services, LLC, Company under common control of U. S. Steel	**41**	40
	Subsidiaries under control of the Company	**9**	19,828
Receivables total		**27,608**	**21,124**
Payables	United States Steel Corporation, Ultimate parent company	**26,032**	16,285
	USS International Services, LLC, Company under common control of U. S. Steel	**879**	948
	Subsidiaries under control of the Company	**359**	28,158
Payables total		**27,270**	**45,391**
Borrowings received including interest (Note 15)	Subsidiaries under control of the Company	**64**	33,695
Borrowings received including interest		**64**	**33,695**

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

Dividends totaling EUR 250 million were declared to be paid upon the demand of U. S. Steel Global Holdings VI B.V. Dividends totaling EUR 160 million were paid to U. S. Steel Global Holdings VI B.V. in October 2023 (2022: no dividends were paid). The amount of declared but unpaid dividends was EUR 90 million as of December 31, 2023 (December 31, 2022: 0 EUR). (Note 14).

All related party transactions were realized on arm's length basis.

On May 17, 2023, the Company (Lender) entered into a EUR 200 million Revolving Credit Agreement ("Agreement") with United States Steel Corporation (Borrower). Funds may be made available in either USD or EUR. This agreement will mature on May 17, 2025. Amounts outstanding under the Agreement shall bear interest at a rate equal to SOFR plus margin 1.80 percent per annum for loans denominated in USD or at a rate equal to 3M EURIBOR plus 2.35 percent per annum for loans denominated in EUR. As of December 31, 2023, full amount of loan was available to lend under this Agreement.

In 2023 and 2022 the Company drew and provided short-term borrowings as a part of the Group's cash pooling strategy.

<u>Short-term loans borrowed by the Company (Note 15):</u>

Lender	Agreed amount	Currency	Interest rate	Date of Maturity	Transaction	2023	2022
Ferroenergy s.r.o.	20,000,000	EUR	1M EURIBOR + 2.00% p.a.	January 1, 2023	Drawings	**-**	55,030
					Repayments	**-**	23,516
U. S. Steel Košice - Labortest s.r.o.	3,500,000	EUR	1M EURIBOR + 1.7% p.a.	January 1, 2023	Drawings	**-**	7,424
					Repayments	**-**	7,232
U. S. Steel Košice - SBS s.r.o.	2,700,000	EUR	1M EURIBOR + 1.7% p.a.	February 28, 2025	Drawings	**2,028**	2,111
					Repayments	**2,081**	2,048
Total					**Drawings**	**2,028**	**64,565**
					Repayments	**2,081**	**32,796**

<u>Short-term loans provided by the Company:</u>

Borrower	Agreed amount	Currency	Interest rate	Date of Maturity	Transaction	2023	2022
Ferroenergy s.r.o.	80,000,000	EUR	1M EURIBOR + 2.00% p.a.	January 1, 2023	Drawings	**-**	63,455
					Repayments	**-**	125,779
U. S. Steel Košice - SBS s.r.o.	500,000	EUR	1M EURIBOR + 1.7% p.a.	February 28, 2025	Drawings	**1,434**	2,074
					Repayments	**1,434**	2,073
Total					**Drawings**	**1,434**	**65,529**
					Repayments	**1,434**	**127,852**

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

<u>Employments of the statutory representatives and key management employees</u>

a) Slovak and foreign statutory representatives of the Company did not receive any cash or non-cash benefits from the Company in 2023 and 2022 that arise from their positions as statutory representatives. Foreign statutory representatives of the Company were employed and paid based on their employment contracts with USS International Services, LLC and their compensation was included in charges for managerial services provided to the Company.

Salaries and other employee benefits of the Company's key management employees shown in the following table comprise also a compensation of Slovak statutory representatives:

	2023	2022
Wages and salaries	**13,345**	14,698
Mandatory social and health insurance to all insurance funds	**4,336**	4,352
Total	**17,681**	**19,050**

b) Shares of U. S. Steel granted to the Company's executives do not represent a material amount in these financial statements.

c) No loans or advance payments were provided to statutory representatives by the Company.

Note 29 Financial Performance Indicators

USSK management believes that EBITDA considered along with the net earnings (loss), Earnings Before Interest and Taxes (EBIT) and Earnings Before Taxes (EBT) are relevant indicators of trends relating to Company's financial performance and cash generating activity. These performance indicators provide management and investors with additional information for comparison of our operating results to the operating results of other companies. These measures are not intended to evaluate the Company's liquidity position.

EBITDA is determined from net earnings (loss) as adjusted for income taxes, net interest income (loss), dividend income and significant non-cash items which do not affect cash generating activity. Adjustments include depreciation, amortization, asset impairment charge or reversal and non-cash charges recorded in line with emission allowances accounting policy. Earnings Before Interest and Taxes (EBIT) is a measure of a Company's profitability determined from EBITDA adding back depreciation, amortization and asset impairment charge or reversal. Earnings Before Tax (EBT) is further adjusted adding back net financial income (expense) and dividend income.

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

	2023	2022
Net (loss) / profit	**(31,405)**	332,723
Income tax	**(15,730)**	85,896
Interest expense and other financial costs	**2,611**	1,954
Interest income	**(5,601)**	(562)
Dividend income	**(100)**	(230)
Depreciation and amortization	**87,485**	74,942
Non cash portion of CO_2 emission allowances transactions	**610,345**	395,232
Amortization of deferred income - CO_2 emission allowances (Note 19)	**(556,881)**	(514,004)
EBITDA	**90,724**	**375,951**
Depreciation & Amortization	**(87,485)**	(74,942)
EBIT	**3,239**	**301,009**
Interest expense and other financial costs	**(2,611)**	(1,954)
Interest income	**5,601**	562
Dividend income	**100**	230
EBT	**6,329**	**299,847**

Adjusted EBITDA provides additional information by excluding the effects of non-recurring adjusting items or one-off events that can obscure underlying trends, e.g. restructuring and other charges, or income/gains or expenses/losses from any items unusual because of their nature, size or incidence or other nonrecurring items.

The reconciliation of adjusted EBITDA is as follows:

	2023	2022
EBITDA	**90,724**	**375,951**
Restructuring and other charges (Note 17)	**9,804**	22,153
Adjusted EBITDA	**100,528**	**398,104**

EBITDA and Adjusted EBITDA amounts are derived from net profit shown on page F-8. The decrease in EBITDA and Adjusted EBITDA in 2023 from the prior year primarily resulted from the lower average realized prices across all products partially offset by decreased raw material costs, lower operating and energy costs, lower other costs, primarily variable compensation and strengthening of the euro against the U.S. dollar.

Note 30 Events after the Reporting Period

In the 1st quarter 2024, forward agreements to purchase 670 thousand tons EUAs were settled and assigned to USSK account in the amount of EUR 56.5 million.

On March 15, 2024 the CO_2 emission allowances were allocated to the Company accounts in the volume of 6,162,823 tons totaling EUR 354.7 million, as allocation for year 2024.

After December 31, 2023, no other significant events have occurred that would require recognition or disclosure in the 2023 financial statements.