PAO Severstal
and subsidiaries

Consolidated financial statements
for the years ended 31 December 2021, 2020 and 2019

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Years ended 31 December 2021, 2020 and 2019

Contents

Independent Auditors' Report

To the Shareholders of PAO Severstal and Board of Directors

Opinion

We have audited the consolidated financial statements of PAO Severstal (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2021, 2020 and 2019, the consolidated income statements, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Transition to SAP S4/HANA	
The key audit matter	**How the matter was addressed in our audit**
On 1 November 2021 the Group transitioned to SAP S4/HANA, which replaced the previous SAP ERP platform used for initiating, authorising and recording business transactions across the Group. The SAP ERP system was integrated with certain other applications used in the financial reporting process, which had to be re-connected to SAP S4/HANA. Certain data were re-organised in SAP S4/HANA requiring a revision to the approach for computation of relevant consolidation entries. Given the magnitude of the project, the increased data integrity risks inherent to migration of financial information as at 1 November 2021 and risks of material misstatements that may arise in case of the new system malfunction, we consider the transition to SAP S4/HANA in relation to the financial reporting process to be a key audit matter.	We obtained an understanding and evaluated the SAP S4/HANA implementation project governance and data migration plan. We involved KPMG IT specialists to assist us in evaluating the design, implementation and operating effectiveness of relevant IT general controls over system implementation and data migration as at 1 November 2021. In addition, we tested substantively completeness and accuracy of migrated data as at 1 November 2021 by comparing to respective information as at 31 October 2021 in the SAP ERP system. These substantive procedures covered balances of general ledgers and certain sub-ledgers, their mapping to the captions in the consolidated financial statements and certain selected key data elements. In relation to the period under operation of the new SAP S4/HANA platform, we tested system access, change management, backup process and certain other general IT controls; we re-performed walkthrough analysis for significant financial accounting processes; and tested the design, implementation and operating effectiveness of the relevant process level controls. For the purposes of our substantive testing after SAP S4/HANA was implemented: we increased the extent of our procedures in relation to certain movements of significant accounts starting from 1 November 2021 to 31 December 2021; performed analytical procedures to check whether financial data produced by the new system is consistent with those produced by the previous system; re-calculated certain entries made at the consolidated level.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report but does not include the consolidated financial statements and our auditors' report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is:

Акционерное общество * Москва * ОГРН 1027700125628
КПМГ
KPMG

Pataraya G.E.

Principal registration number of the entry in the Register of Auditors and Audit organizations 21906100631, acts on behalf of the audit organization based on the power of attorney No. 108/21 as of 25 May 2021

JSC "KPMG"

Principal registration number of the entry in the Register of Auditors and Audit Organizations No. 12006020351

Moscow, Russia

17 February 2022

PAO Severstal and subsidiaries

Consolidated income statements
Years ended 31 December 2021, 2020 and 2019
(Amounts expressed in millions of US dollars, except as otherwise stated)

		Year ended 31 December		
	Note	**2021**	**2020***	**2019***
Revenue				
Revenue - third parties		11,364	6,744	8,002
Revenue - related parties	10	274	126	155
	4	11,638	6,870	8,157
Cost of sales		(4,920)	(3,952)	(4,908)
Gross profit		6,718	2,918	3,249
General and administrative expenses		(348)	(314)	(323)
Distribution expenses		(694)	(658)	(566)
Taxes, other than income tax, and contributions		(309)	(28)	(56)
Share of associates' and joint ventures' profits		41	17	20
Loss on disposal of property, plant and equipment and intangible assets		(22)	(21)	(12)
Net other operating income		5	16	15
Profit from operations		5,391	1,930	2,327
(Impairment)/reversal of impairment of non-current assets	7	(20)	(11)	5
Net other non-operating expenses	8	(52)	(50)	(74)
Profit before financing and taxation		5,319	1,869	2,258
Finance income		8	13	5
Finance costs		(139)	(135)	(137)
Loss on remeasurement and disposal of financial instruments		(101)	(77)	(19)
Foreign exchange (loss)/gain	6	(60)	(361)	125
Profit before income tax		5,027	1,309	2,232
Income tax expense	9	(952)	(293)	(465)
Profit for the period		4,075	1,016	1,767
Attributable to:				
shareholders of PAO Severstal		4,074	1,016	1,766
non-controlling interests		1	-	1
Basic weighted average number of shares outstanding during the period (millions of shares)	22	834	825	825
Basic earnings per share (US dollars)		4.88	1.23	2.14
Diluted weighted average number of shares outstanding during the period (millions of shares)	22	840	850	849
Diluted earnings per share (US dollars)		4.88	1.23	2.08

* These amounts include adjustments made in connection with the change in presentation described in Note 2 of these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on 17 February 2022.

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

PAO Severstal and subsidiaries

Consolidated statements of comprehensive income
Years ended 31 December 2021, 2020 and 2019
(Amounts expressed in millions of US dollars, except as otherwise stated)

		Year ended 31 December		
	Note	**2021**	**2020**	**2019**
Profit for the period		4,075	1,016	1,767
Other comprehensive (loss)/income:				
Items that will not be reclassified to profit or loss				
Actuarial gains/(losses)	20	8	-	(12)
Translation to presentation currency		(29)	(542)	364
Total items that will not be reclassified to profit or loss		(21)	(542)	352
Items that may be reclassified subsequently to profit or loss				
Translation to presentation currency - foreign operations		(4)	8	(1)
Total items that may be reclassified subsequently to profit or loss		(4)	8	(1)
Other comprehensive (loss)/income for the period		(25)	(534)	351
Total comprehensive income for the period		4,050	482	2,118
Attributable to:				
shareholders of PAO Severstal		4,049	482	2,117
non-controlling interests		1	-	1

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

PAO Severstal and subsidiaries

Consolidated statements of financial position
31 December 2021, 2020 and 2019
(Amounts expressed in millions of US dollars, except as otherwise stated)

	Note	2021	2020	2019
			31 December	
Assets				
Current assets:				
Cash and cash equivalents	12	418	583	1,081
Short-term financial investments		8	6	6
Trade accounts receivable	13	493	529	582
Accounts receivable from related parties	11	61	18	21
Advances paid and prepayments		244	49	52
Other receivables		129	37	86
Inventories	14	1,412	888	1,137
VAT recoverable		44	97	97
Income tax recoverable		-	-	5
Assets held for sale	23	361	-	-
Other current assets		19	21	28
Total current assets		3,189	2,228	3,095
Non-current assets:				
Long-term financial investments	15	44	33	26
Investments in associates and joint ventures		142	116	120
Property, plant and equipment	16	4,956	4,746	4,670
Intangible assets	17	267	252	279
Deferred tax assets	9	60	12	15
Other non-current assets		10	9	17
Total non-current assets		5,479	5,168	5,127
Total assets		8,668	7,396	8,222
Liabilities and shareholders' equity				
Current liabilities:				
Trade accounts payable		858	648	709
Accounts payable to related parties	11	16	9	17
Advances received		373	134	148
Short-term debt finance	18	681	610	290
Income taxes payable		35	15	19
Other taxes and social security payable		136	146	126
Dividends payable	18	11	8	7
Liabilities related to assets held for sale	23	203	-	-
Other current liabilities	19	308	200	270
Total current liabilities		2,621	1,770	1,586
Non-current liabilities:				
Long-term debt finance	18	1,135	2,002	2,361
Deferred tax liabilities	9	454	372	365
Retirement benefit liabilities	20	46	61	74
Other non-current liabilities	21	203	447	358
Total non-current liabilities		1,838	2,882	3,158
Equity:				
Share capital	22	2,753	2,753	2,753
Treasury shares		-	(104)	(107)
Additional capital		308	308	308
Translation reserve		(2,549)	(2,516)	(1,982)
Retained earnings		3,673	2,280	2,483
Other reserves		8	8	8
Total equity attributable to shareholders of PAO Severstal		4,193	2,729	3,463
Non-controlling interests		16	15	15
Total equity		4,209	2,744	3,478
Total equity and liabilities		8,668	7,396	8,222

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

PAO Severstal and subsidiaries

Consolidated statements of cash flows
Years ended 31 December 2021, 2020 and 2019
(Amounts expressed in millions of US dollars, except as otherwise stated)

		Year ended 31 December		
	Note	2021	2020	2019
Operating activities:				
Profit before financing and taxation		5,319	1,869	2,258
Adjustments to reconcile profit to cash generated from operations:				
Depreciation and amortisation		553	460	464
Impairment/(reversal of impairment) of non-current assets	7	20	11	(5)
Movements in provision for inventories, receivables and other provisions		22	97	(4)
Loss on disposal of property, plant and equipment and intangible assets		22	21	12
Loss on disposal of subsidiary	24	-	-	21
Share of associates' and joint ventures' profits		(41)	(17)	(20)
Changes in operating assets and liabilities:				
Trade accounts receivable		(41)	(80)	17
Accounts receivable from related parties		19	(1)	1
VAT recoverable		54	(12)	(24)
Inventories		(576)	57	59
Trade accounts payable		231	42	8
Accounts payable to related parties		3	(3)	(1)
Other taxes and social security payable		37	42	12
Other non-current liabilities		3	-	(7)
Assets held for sale		-	-	(10)
Net other changes in operating assets and liabilities		81	20	26
Cash generated from operations		5,706	2,506	2,807
Interest paid		(145)	(133)	(114)
Income tax paid		(885)	(229)	(401)
Net cash from operating activities		4,676	2,144	2,292
Investing activities:				
Additions to property, plant and equipment		(1,068)	(1,256)	(1,157)
Additions to intangible assets		(89)	(71)	(61)
Additions to financial investments		(17)	(20)	(55)
Net cash outflow on acquisition of subsidiary	24	-	(19)	-
Net cash inflow from disposal of subsidiary	24	-	-	215
Proceeds from disposal of property, plant and equipment and intangible assets		6	5	15
Proceeds from disposal of financial investments		9	7	21
Interest received		5	10	4
Dividends received		9	6	6
Net cash used in investing activities		(1,145)	(1,338)	(1,012)
Financing activities:				
Proceeds from debt finance		10	38	1,205
Repurchase of issued shares		(22)	-	-
Repayments of debt finance *		(747)	(48)	(58)
Repayments of lease liabilities		(9)	(15)	(16)
Dividends paid		(2,912)	(1,228)	(1,574)
Net cash used in financing activities		(3,680)	(1,253)	(443)
Effect of exchange rates on cash and cash equivalents		(16)	(51)	16
Net (decrease)/increase in cash and cash equivalents		(165)	(498)	853
Cash and cash equivalents at beginning of the period		583	1,081	228
Cash and cash equivalents at end of the period		418	583	1,081

* These amounts include exercise of bonds' conversion rights of US$ 200 million for the year ended 31 December 2021 (2020: US$ 43 million, 2019: US$ 50 million).

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

Consolidated statements of changes in equity
Years ended 31 December 2021, 2020 and 2019
(Amounts expressed in millions of US dollars, except as otherwise stated)

	Attributable to the shareholders of PAO Severstal							Non-controlling interests	Total
	Share capital	Treasury shares	Additional capital	Translation reserve	Retained earnings	Other reserves	Total		
Balances as at 31 December 2018	2,753	(133)	308	(2,345)	2,274	8	2,865	14	2,879
Profit for the period	-	-	-	-	1,766	-	1,766	1	1,767
Translation to presentation currency	-	-	-	363	-	-	363	-	363
Other comprehensive loss	-	-	-	-	(12)	-	(12)	-	(12)
Total comprehensive income for the period				363	1,754	-	2,117	1	2,118
Dividends	-	-	-	-	(1,545)	-	(1,545)	-	(1,545)
Conversion of bonds (Note 18)	-	26	-	-	-	-	26	-	26
Balances as at 31 December 2019	2,753	(107)	308	(1,982)	2,483	8	3,463	15	3,478
Profit for the period	-	-	-	-	1,016	-	1,016	-	1,016
Translation to presentation currency	-	-	-	(534)	-	-	(534)	-	(534)
Total comprehensive (loss)/income for the period				(534)	1,016	-	482	-	482
Dividends	-	-	-	-	(1,219)	-	(1,219)	-	(1,219)
Conversion of bonds (Note 18)	-	3	-	-	-	-	3	-	3
Balances as at 31 December 2020	2,753	(104)	308	(2,516)	2,280	8	2,729	15	2,744
Profit for the period	-	-	-	-	4,074	-	4,074	1	4,075
Translation to presentation currency	-	-	-	(33)	-	-	(33)	-	(33)
Other comprehensive income	-	-	-	-	8	-	8	-	8
Total comprehensive (loss)/income for the period				(33)	4,082	-	4,049	1	4,050
Dividends	-	-	-	-	(2,871)	-	(2,871)	-	(2,871)
Repurchase of issued shares	-	(22)	-	-	-	-	(22)	-	(22)
Conversion of bonds (Note 18)	-	126	-	-	182	-	308	-	308
Balances as at 31 December 2021	2,753	-	308	(2,549)	3,673	8	4,193	16	4,209

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

1. Operations

These consolidated financial statements of PAO Severstal and subsidiaries comprise the parent company, PAO Severstal ('Severstal' or 'the Parent Company') and its subsidiaries (collectively 'the Group') as listed in Note 24.

Severstal began operations on 24 August 1955 and completed the development of an integrated iron and steel mill in Cherepovets during February 1959 when the first steel was rolled. On 24 September 1993, as part of the Russian privatisation programme, Severstal was registered as an Open Joint Stock Company ('OAO') and privatised. Through participating in Severstal's privatisation auctions and other purchases, Alexey Mordashov (the 'Majority Shareholder') purchased shares in Severstal such that as at 31 December 2021, 2020 and 2019 he controlled indirectly 77.03% of Severstal's share capital. In November 2014, Severstal changed its legal form from OAO to PAO (Public Joint Stock Company) following the requirements of the amended Russian Civil Code.

Severstal's global depositary receipts (GDRs) have been quoted on the London Stock Exchange since November 2006. Severstal's shares are quoted on the Moscow Exchange ('MOEX'). Severstal's registered office is located at Ul. Mira 30, Cherepovets, Russia.

The Group comprises the following segments:

- *Severstal Resources* – this segment comprises three iron ore mining complexes, JSC Karelsky Okatysh, JSC Olcon in northwest Russia, Yakovlevsky GOK LTD in southwest Russia and a coal mining complex, JSC Vorkutaugol in northwest Russia, which was classified as a disposal group held for sale as at 31 December 2021 (Note 23).

- *Severstal Russian Steel* – this segment consists primarily of the Group's steel production and high-grade automotive galvanizing facilities in Cherepovets; rolling mill 5000 and a large-diameter pipe mill in Kolpino, all in northwest Russia; a metalware plant located in Russia; a ferrous scrap metal recycling business operating in northwest and central Russia, as well as various supporting functions for trading, maintenance and transportation, located in Europe.

Economic environment

In June 2021, the Government of the Russian Federation announced the imposition of combined duties on export sales of iron and steel products outside the Eurasian Economic Union effective from 1 August 2021 and running through to 31 December 2021. This combined export duties were fixed at 15 percent and a specific rate was established as a minimum per tonne on the sales of exported steel products. Export customs duty expenses incurred during the year ended 31 December 2021 are included in the line 'Taxes, other than income tax, and contributions' in the consolidated income statements.

International sales of rolled steel from the Group's Russian operations have been the subject of several anti-dumping and safeguard investigations. The Group has taken steps to address the concerns of such investigations and participates actively in their resolution.

In 2021 the Federal Antimonopoly Service initiated an investigation into allegations that Severstal and other Russian steel producers sold hot-rolled flat products at monopolistically high prices, which was completed in February 2022 and an adverse decision was issued. Severstal strongly denies these allegations and will contest all adverse decisions by the Federal Antimonopoly Service in the courts. As of the date of these financial statements no penalty claim has been made by the Federal Antimonopoly Service against Severstal. Consequently, management is unable to assess the final outcome of this case as of the date of these financial statements, accordingly no provision against possible outcomes has been made.

The major part of the Group is based in the Russian Federation and is consequently exposed to the economic and political effects of the policies adopted by the Russian government. Recent elevated tensions related to the situation in the Ukraine have further increased the economic uncertainty and the risk of the imposition of sanctions. These conditions and future policy changes could affect the operations of the Group and the realisation and settlement of its assets and liabilities.

Management has assessed the possible impact of COVID-19 on these consolidated financial statements and concluded that there is no significant effect on these consolidated financial statements. Management continues to monitor the development of the economic conditions.

2. Basis for preparation of the consolidated financial statements

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

The Group additionally prepared IFRS consolidated financial statements presented in Russian roubles and in the Russian language in accordance with the Federal Law No. 208 – FZ 'On consolidated financial reporting'.

Basis of measurement

The consolidated financial statements are prepared on the historic cost basis except for financial assets and liabilities at fair value through profit and loss (FVTPL), financial assets at fair value through other comprehensive income (FVTOCI) and assets held for sale at fair value less costs to sell.

The material accounting policies information is disclosed in Note 3.

Critical accounting judgments, estimates and assumptions

Areas of judgement that have the most significant effect on the amounts recognised or disclosed in the consolidated financial statements are:

Useful lives of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period.

Impairment of assets

The Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Subsequent changes to the cash-generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

Taxation

The taxation system and regulatory environment of the Russian Federation are characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to varying interpretations between the differing regulatory authorities and jurisdictions, who can impose significant fines, penalties and interest charges. In recent years the regulatory authorities have adopted a more assertive stance regarding the interpretation and enforcement of legislation, which has resulted in greater tax and regulatory risk. Also, a number of new laws introducing tax legislation changes have been recently adopted; their application in practice might influence the tax treatment of transactions related to foreign companies and their activities, which could potentially impact the Group's tax position and possibly create additional tax risks in the future.

Accordingly, management has to apply considerable judgement in determining the appropriate amounts of tax payable. Management believes that the Group has complied in all material respects with all existing, relevant legislation and has made appropriate provision for tax payable.

Allowance for expected credit losses

The Group makes allowance for expected credit losses of trade receivables using an allowance matrix. Loss rates are based on actual credit loss experience over the past three years. When evaluating the adequacy of an allowance for expected credit losses, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms.

Decommissioning liabilities

The Group recognises its decommissioning liabilities provision using the best estimate of the expenditures required to settle the present obligation based on the requirements of the current legislation of the country where the respective operating assets are located. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision when there is sufficient objective evidence that they will occur.

Retirement benefit liabilities

The Group uses an actuarial valuation method for measurement of the present value of post-employment benefit obligations and related current service cost. This involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate, future salary and benefit levels, etc.).

Litigation

The Group exercises judgment in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. Revisions to the estimates may significantly affect future operating results.

Functional and presentation currency

The presentation currency of these consolidated financial statements is the US dollar.

The functional currency is determined separately for each of the Group's entities. The functional currency of the major part of the Group's entities is the Russian rouble, except for entities located in Latvia and Poland; other entities and currencies are not material to the Group.

Adoption of amendments to IFRS

The Group has early adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021. The amendment requires to disclose the material accounting policies information rather than the significant accounting policies; clarifies that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed and that not all accounting policies that relate to material transactions, other events or conditions are themselves material. The amendment did not have a significant effect on these consolidated financial statements.

Restatements

In the current year the Group changed the classification of certain commercial expenses to reflect more appropriately their nature.

Accordingly the following reclassifications to the prior period were made:

	Year ended 31 December	
	2020	2019
General and administrative expenses	114	34
Distribution expenses	(114)	(34)

3. Summary of the material accounting policies information

The following accounting policies have been consistently applied in the preparation of these consolidated financial statements throughout the Group.

a. Property, plant and equipment

Depreciation is calculated using the straight-line basis, except for depreciation on vehicles and certain metal-rolling equipment, which is calculated on the basis of mileage and units of production, respectively. The estimated useful lives of assets are reviewed regularly and revised when necessary.

(Amounts expressed in millions of US dollars, except as otherwise stated)

The principal periods over which assets are depreciated are as follows:

Buildings	20 – 50 years
Plant and machinery	10 – 20 years
Other assets	5 – 20 years

b. Leases

The Group's right-of-use assets include land and buildings, plant and machinery, vehicles and other productive assets. Short-term and low value leases are accounted as leases; lease and non-lease components are treated as a single lease item for all leased assets.

The lease liability is discounted using the Group's incremental borrowing rates varying between 1% and 10% depending on the lease agreement's currency. For some specific lease agreements, the discount rate is determined by the interest rate implicit in these lease agreements.

c. Intangible assets (excluding goodwill)

Intangible assets are amortised over their estimated useful lives using the straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The table below presents the useful lives of intangible assets:

Mineral rights	12 - 25 years
Software	3 - 10 years
Other intangible assets	3 - 50 years

The major component of the software category is the SAP business system. Amortisation of intangible assets is included in the captions 'Cost of sales' and 'General and administrative expenses' in the consolidated income statement.

d. Inventories

The cost of inventories is based on the weighted average principle.

e. Repurchase of issued shares

When share capital recognised as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, net of any tax effects is recognised as a deduction from equity and classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

f. Revenue recognition

Most of the Group's revenue is revenue from contracts with customers.

Revenue from the sale of hot rolled strip and plate, other steel products, pellets and iron ore and most other revenue (see Note 4) is recognised in the income statement primarily at the point in time when control over the promised goods passes to the customer.

The amount of revenue recognised reflects the consideration to which the Group is or expects to be entitled in exchange for those goods and is reduced for estimated customer returns, rebates and other similar allowances.

In most instances, control passes, and sales revenue is recognised when the product is delivered to the vessel or vehicle on which it will be transported once loaded to the destination port or the customer's premises.

The Group's products are sold to customers under contracts which vary in tenure, but are generally less than one year in duration (therefore, no significant effect of any financing component exists) and pricing mechanisms, including some volumes sold in the spot market. Revenue is generally recognised at the contracted price as this reflects the stand-alone selling price.

(Amounts expressed in millions of US dollars, except as otherwise stated)

g. Segment reporting

An operating segment's results are reviewed regularly by key management to make decisions about resources to allocated to the segment and assess its performance, and for which discrete financial information is available and is prepared on the same basis as these consolidated financial statements.

4. Revenue

Revenue by product was as follows:

	Year ended 31 December		
	2021	2020	2019
Hot-rolled strip and plate	4,062	2,394	2,780
Galvanized and other metallic coated sheet	1,192	595	667
Cold-rolled sheet	1,050	493	604
Semi-finished products	856	183	194
Pellets and iron ore	823	569	688
Metalware products	755	502	539
Other tubes and pipes, formed shapes	657	500	447
Colour-coated sheet	546	377	397
Shipping and handling *	541	499	501
Long products	446	281	575
Large diameter pipes	274	150	376
Coal and coking coal concentrate	45	57	95
Others	391	270	294
	11,638	6,870	8,157

* For the year ended 31 December 2021 shipping and handling related to Severstal Resources and Severstal Russian Steel Divisions amounted to US$ 52 million and US$ 502 million, respectively (2020: US$ 10 million and US$ 489 million; 2019: US$ 24 million and US$ 477 million, respectively).

Revenue by delivery destination was as follows:

	Year ended 31 December		
	2021	2020	2019
Russian Federation	6,121	4,233	5,451
Europe	3,977	1,761	1,812
CIS	569	451	475
North America	349	15	52
The Middle East	324	171	141
Central and South America	170	63	80
Africa	62	86	128
China and Central Asia	34	30	18
South-East Asia	32	60	-
	11,638	6,870	8,157

5. Staff costs

Employment costs were as follows:

	Year ended 31 December		
	2021	2020	2019
Wages and salaries	(840)	(770)	(794)
Social security costs	(265)	(241)	(254)
Retirement benefit service costs (Note 20)	(1)	(1)	(1)
	(1,106)	(1,012)	(1,049)

Key management personnel include the following positions within the Group:

- CEO and Deputy Directors;
- Members of the Board of Directors.

(Amounts expressed in millions of US dollars, except as otherwise stated)

Key management's remuneration for the year ended 31 December 2021, consisting of salaries and bonuses, totalled US$ 12 million (2020: US$ 9 million; 2019: US$ 9 million).

Additionally, in 2021, a provision for their long-term cash-settled share-based incentive programmes of US$ 3 million was accrued (2020: US$ 3 million; 2019: US$ 3 million). This provision is subject to further adjustments, depending on a range of the Group's financial and non-financial indicators.

Social security costs are included in cost of sales, distribution expenses and general and administrative expenses in accordance with the nature of related wages and salaries.

6. Foreign exchange (loss)/gain

	Year ended 31 December		
	2021	2020	2019
Foreign exchange (loss)/gain on cash and cash equivalents and debt finance	(51)	(303)	126
Foreign exchange gain/(loss) on derivatives	27	(64)	7
Foreign exchange (loss)/gain on other assets and liabilities	(36)	6	(8)
	(60)	(361)	125

7. (Impairment)/reversal of impairment of non-current assets

	Year ended 31 December		
	2021	2020	2019
(Impairment)/reversal of impairment of property, plant and equipment	(19)	(11)	5
Impairment of intangible assets	(1)	-	-
	(20)	(11)	5

Key assumptions that management used in their value in use calculations are as follows:

- For all cash-generating units, apart from those included in the Severstal Resources segment, cash flow projections cover a period of five years. Cash flows beyond the five-year period have been extrapolated taking into account business cycles. Cash flow projections for cash-generating units of the Severstal Resources segment cover a period which corresponds to the contractual time remaining of the respective mining licenses.
- Cash flow projections were prepared in nominal terms.
- Cash flow projections during the forecast period are based on long-term price trends for both sales prices and material costs specific for each segment and geographic region and operating cost inflation is in line with consumer price inflation for each country. Consumer price inflation expectations (in local currency) during the forecast period are as follows in percentage terms:

	Year ended 31 December		
	2021	2020	2019
Russia	n/a	2.4 - 3.9	n/a

- Discount rates for each cash-generating unit were estimated in nominal terms based on the weighted average cost of capital. These rates, presented by segment, are as follows in percentage terms:

	Year ended 31 December		
	2021	2020	2019
Severstal Resources:			
Russia (US$ rate)	n/a	9.9 - 11.8	n/a
Severstal Russian Steel:			
Russia (US$ rate)	n/a	8.5 - 8.7	n/a

Values assigned to key assumptions and estimates used to measure the unit's recoverable amount are consistent with external sources of information and historic data for each cash-generating unit. Management believes that the values assigned to the key assumptions and estimates represent the most realistic assessment of future trends.

(Amounts expressed in millions of US dollars, except as otherwise stated)

Severstal Resources segment

2021

The recoverable amount of JSC Vorkutaugol in 2021 has been determined based on its fair value less costs to sell. The Group recognised an impairment loss of US$ 20 million in relation to the non-current assets of JSC Vorkutaugol based on its fair value less costs to sell. US$ 19 million of the loss was allocated to property, plant and equipment and US$ 1 million to intangible assets (Note 23).

2020

An impairment loss of US$ 11 million was recognised in 2020 in relation to specific items of property, plant and equipment.

Severstal Russian Steel segment

2019

A reversal of impairment of US$ 5 million was recognised in 2019 in relation to specific items of property, plant and equipment.

8. Net other non-operating expenses

	Year ended 31 December		
	2021	2020	2019
Charitable donations	(32)	(23)	(31)
Social expenditure	(12)	(10)	(14)
Final settlement of legal claim against disposed subsidiary (Note 28)	-	(16)	-
Net loss on disposal of subsidiary (Note 24)	-	-	(21)
Other	(8)	(1)	(8)
	(52)	(50)	(74)

9. Taxation

The following is an analysis of the income tax expense:

	Year ended 31 December		
	2021	2020	2019
Current tax charge	(913)	(243)	(410)
Corrections to prior year's current tax charge	3	13	9
Deferred tax expenses	(42)	(63)	(64)
Income tax expense	(952)	(293)	(465)

The following table is a reconciliation of the reported net income tax expense and the amount calculated by applying the Russian statutory tax rate of 20% to reported profit before income tax.

	Year ended 31 December		
	2021	2020	2019
Profit before income tax	5,027	1,309	2,232
Tax charge at Russian statutory rate	(1,005)	(262)	(446)
Profit taxed at different rates	114	1	10
Corrections to prior years' current tax charge	3	4	9
Non-tax deductible expenses, net	(60)	(19)	(40)
Reassessment of deferred tax assets and liabilities	(4)	(17)	2
Income tax expense	(952)	(293)	(465)

In 2021, the main effect on profit taxed at different rates is caused by local tax benefits from operating in the Vologodskaya region.

(Amounts expressed in millions of US dollars, except as otherwise stated)

The following table sets out the composition of the net deferred tax liability and movements based on temporary differences arising between the fiscal and reporting balance sheets:

	31 December 2021	Recognised in income statements	Reclassified to liabilities related to assets held for sale	Translation to presentation currency	31 December 2020
Deferred tax assets:					
Tax loss carry forwards	6	1	-	-	5
Property, plant and equipment	3	-	-	-	3
Inventory	64	37	-	-	27
Accounts receivable	12	1	-	-	11
Provisions	25	14	(23)	-	34
Financial investments	24	1	-	-	23
Other	4	2	(1)	(2)	5
Gross deferred tax assets	138	56	(24)	(2)	108
Less offsetting deferred tax liabilities	(78)	(8)	24	2	(96)
Recognised deferred tax assets	60	48	-	-	12
Deferred tax liabilities:					
Property, plant and equipment	(453)	(73)	26	3	(409)
Intangible assets	(32)	(3)	2	-	(31)
Inventory	(15)	(6)	-	-	(9)
Accounts receivable	(1)	2	-	-	(3)
Other	(31)	(18)	-	3	(16)
Gross deferred tax liabilities	(532)	(98)	28	6	(468)
Less offsetting deferred tax assets	78	8	(24)	(2)	96
Recognised deferred tax liabilities	(454)	(90)	4	4	(372)
Net deferred tax liability	(394)	(42)	4	4	(360)

	31 December 2020	Recognised in income statements	Business combination	Translation to presentation currency	31 December 2019
Deferred tax assets:					
Tax loss carry forwards	5	(4)	-	(1)	10
Property, plant and equipment	3	-	-	-	3
Inventory	27	11	-	-	16
Accounts receivable	11	(3)	-	(2)	16
Provisions	34	(10)	-	(8)	52
Financial investments	23	(2)	-	(6)	31
Other	5	(8)	-	(6)	19
Gross deferred tax assets	108	(16)	-	(23)	147
Less offsetting deferred tax liabilities	(96)	16	-	20	(132)
Recognised deferred tax assets	12	-	-	(3)	15
Deferred tax liabilities:					
Property, plant and equipment	(409)	(55)	(3)	68	(419)
Intangible assets	(31)	(1)	-	6	(36)
Inventory	(9)	8	-	1	(18)
Accounts receivable	(3)	(3)	-	1	(1)
Other	(16)	4	-	3	(23)
Gross deferred tax liabilities	(468)	(47)	(3)	79	(497)
Less offsetting deferred tax assets	96	(16)	-	(20)	132
Recognised deferred tax liabilities	(372)	(63)	(3)	59	(365)
Net deferred tax liability	(360)	(63)	(3)	56	(350)

(Amounts expressed in millions of US dollars, except as otherwise stated)

	31 December 2019	Recognised in income statements	Business de-combination	Translation to presentation currency	31 December 2018
Deferred tax assets:					
Tax loss carry forwards	10	-	-	1	9
Property, plant and equipment	3	(4)	-	3	4
Inventory	16	(10)	(1)	1	26
Accounts receivable	16	10	-	-	6
Provisions	52	20	-	4	28
Financial investments	31	(9)	-	5	35
Other	19	4	-	1	14
Gross deferred tax assets	147	11	(1)	15	122
Less offsetting deferred tax liabilities	(132)	(26)	1	(12)	(95)
Recognised deferred tax assets	15	(15)	-	3	27
Deferred tax liabilities:					
Property, plant and equipment	(419)	(67)	17	(44)	(325)
Intangible assets	(36)	(2)	-	(3)	(31)
Inventory	(18)	4	-	(2)	(20)
Accounts receivable	(1)	4	-	(1)	(4)
Other	(23)	(14)	-	1	(10)
Gross deferred tax liabilities	(497)	(75)	17	(49)	(390)
Less offsetting deferred tax assets	132	26	(1)	12	95
Recognised deferred tax liabilities	(365)	(49)	16	(37)	(295)
Net deferred tax liability	(350)	(64)	16	(34)	(268)

The Group has not recognised cumulative tax loss carry forwards in the following amounts and with the following expiry dates:

	31 December		
	2021	2020	2019
Between one and five years	18	19	18
No expiry	410	258	423
	428	277	441

Taxable differences, related to investments in subsidiaries where the Group is able to control the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future, amounted to US$ 178 million as at 31 December 2021 (31 December 2020: US$ 116 million; 31 December 2019: US$ 271 million).

10. Related party transactions

	Year ended 31 December		
	2021	2020	2019
Revenue from:			
Associates	138	27	29
Joint ventures	91	70	86
Other related parties	45	29	40
	274	126	155
Purchases from:			
Associates	61	60	63
Joint ventures	6	4	6
Other related parties	58	39	62
	125	103	131
Other income from other related parties	19	12	13

(Amounts expressed in millions of US dollars, except as otherwise stated)

11. Related party balances

	31 December		
	2021	2020	2019
Short-term accounts receivable:			
Associates	36	3	4
Joint ventures	12	7	9
Other related parties	13	8	8
	61	18	21
Short-term accounts payable:			
Associates	8	5	6
Other related parties	8	4	11
	16	9	17
Short-term loans - Joint ventures	5	2	4
Long-term loans - Joint ventures	7	6	6

The amounts outstanding are expected to be settled in cash. The Group does not hold any collateral for amounts owed by related parties.

12. Cash and cash equivalents

	31 December		
	2021	2020	2019
Cash at bank	297	140	875
Bank deposits	121	443	206
	418	583	1,081

13. Trade accounts receivable

	31 December		
	2021	2020	2019
Customers	594	633	653
Allowance for expected credit losses	(101)	(104)	(71)
	493	529	582

14. Inventories

	31 December		
	2021	2020	2019
Raw materials and supplies	499	325	472
Finished goods	487	288	323
Work-in-progress	426	275	342
	1,412	888	1,137

Of the above amounts US$ 7 million (31 December 2020: US$ 5 million; 31 December 2019: US$ 2 million) were stated at net realisable value.

During the year ended 31 December 2021, the Group recognised a US$ 16 million release and a US$ 37 million allowance for obsolete and slow-moving inventories and reduced the carrying amount to net realisable value (2020: US$ 21 million and US$ 37 million, respectively; 2019: US$ 19 million and US$ 16 million, respectively).

15. Long-term financial investments

	31 December		
	2021	2020	2019
Financial assets at FVTOCI	36	26	19
Loans	8	7	7
	44	33	26

(Amounts expressed in millions of US dollars, except as otherwise stated)

16. Property, plant and equipment

	Land and buildings	Plant and machinery	Other assets	Construction-in-progress	Total
Cost:					
31 December 2018	1,362	3,947	373	904	6,586
Recognition of right-of-use assets on initial application of IFRS 16	26	21	-	-	47
Reclassifications	105	71	(176)	-	-
Additions	14	30	-	1,281	1,325
Disposals	(12)	(97)	-	(49)	(158)
Business de-combinations	(166)	(226)	-	(2)	(394)
Transfers from other assets	33	26	-	-	59
Transfers	85	608	205	(898)	-
Translation to presentation currency	170	509	34	119	832
31 December 2019	1,617	4,889	436	1,355	8,297
Reclassifications	(55)	-	55	-	-
Additions	6	10	-	1,279	1,295
Disposals	(7)	(104)	-	(9)	(120)
Business combinations	6	13	-	-	19
Transfers to other assets	(9)	(7)	-	-	(16)
Transfers	385	707	154	(1,246)	-
Translation to presentation currency	(253)	(777)	(86)	(232)	(1,348)
31 December 2020	1,690	4,731	559	1,147	8,127
Additions	11	8	1	1,116	1,136
Disposals	(5)	(108)	(2)	(27)	(142)
Reclassified to assets held for sale	(254)	(458)	-	(80)	(792)
Transfers to other assets	(8)	(6)	-	-	(14)
Transfers	182	720	99	(1,001)	-
Translation to presentation currency	(11)	(38)	(2)	(8)	(59)
31 December 2021	1,605	4,849	655	1,147	8,256
Depreciation and impairment:					
31 December 2018	536	2,362	141	78	3,117
Reclassifications	56	45	(101)	-	-
Depreciation expense	63	337	26	-	426
Disposals	(7)	(87)	-	(46)	(140)
Business de-combinations	(47)	(101)	-	-	(148)
Reversal of impairment	-	-	-	(5)	(5)
Translation to presentation currency	64	302	6	5	377
31 December 2019	665	2,858	72	32	3,627
Depreciation expense	56	333	26	-	415
Disposals	(5)	(85)	-	(8)	(98)
Impairment	-	-	-	11	11
Translation to presentation currency	(105)	(456)	(13)	-	(574)
31 December 2020	611	2,650	85	35	3,381
Depreciation expense	73	393	38	-	504
Disposals	(3)	(95)	(1)	(13)	(112)
Impairment	7	8	-	4	19
Reclassified to assets held for sale	(134)	(326)	-	(5)	(465)
Translation to presentation currency	(3)	(21)	-	(3)	(27)
31 December 2021	551	2,609	122	18	3,300
Net book values:					
31 December 2019	952	2,031	364	1,323	4,670
31 December 2020	1,079	2,081	474	1,112	4,746
31 December 2021	1,054	2,240	533	1,129	4,956

Other assets mainly include stripping asset, mine ceiling and tools.

(Amounts expressed in millions of US dollars, except as otherwise stated)

As at 31 December 2021, property, plant and equipment included right-of-use assets of US$ 121 million related to leased assets (31 December 2020: US$ 129 million; 31 December 2019: US$ 162 million).

Of the above amounts of additions to construction-in-progress, US$ 39 million (2020: US$ 38 million, 2019: US$ 18 million) is capitalised interest.

The Group applied a weighted average capitalisation rate of 6% to determine the amount of borrowing costs eligible for capitalisation for the year ended 31 December 2021 (2020: 5%; 2019: 6%).

17. Intangible assets

	Goodwill	Mineral rights	Software	Evaluation and exploration	Other intangible assets	Total
Cost:						
31 December 2018	28	46	221	259	39	593
Reclassifications	-	2	-	(2)	-	-
Additions	-	2	71	9	4	86
Disposals	-	-	(10)	(1)	(1)	(12)
Business de-combinations	-	-	(2)	-	-	(2)
Translation to presentation currency	2	4	31	6	6	49
31 December 2019	30	54	311	271	48	714
Reclassifications	-	5	-	(6)	1	-
Additions	-	1	53	11	-	65
Disposals	-	-	(8)	(1)	-	(9)
Business combinations	2	-	-	-	2	4
Translation to presentation currency	(4)	(9)	(50)	(7)	(8)	(78)
31 December 2020	28	51	306	268	43	696
Reclassifications	-	2	-	(4)	2	-
Additions	-	2	72	11	3	88
Disposals	-	-	(6)	(7)	-	(13)
Reclassified to assets held for sale	-	(29)	(1)	(16)	(1)	(47)
Translation to presentation currency	-	1	(2)	(1)	(1)	(3)
31 December 2021	28	27	369	251	46	721
Amortisation and impairment:						
31 December 2018	20	30	88	222	21	381
Amortisation expense	-	1	34	2	1	38
Disposals	-	-	(3)	(1)	(1)	(5)
Business de-combinations	-	-	(1)	-	-	(1)
Translation to presentation currency	2	4	11	1	4	22
31 December 2019	22	35	129	224	25	435
Amortisation expense	-	1	40	2	2	45
Disposals	-	-	(1)	-	-	(1)
Translation to presentation currency	(3)	(6)	(21)	(1)	(4)	(35)
31 December 2020	19	30	147	225	23	444
Amortisation expense	-	2	45	4	2	53
Disposals	-	-	(6)	(5)	-	(11)
Impairment	-	1	-	-	-	1
Reclassified to assets held for sale	-	(28)	-	(5)	(1)	(34)
Translation to presentation currency	-	1	(2)	2	-	1
31 December 2021	19	6	184	221	24	454
Net book values:						
31 December 2019	8	19	182	47	23	279
31 December 2020	9	21	159	43	20	252
31 December 2021	9	21	185	30	22	267

(Amounts expressed in millions of US dollars, except as otherwise stated)

18. Debt finance

	Currency	Maturity	Interest rate	31 December 2021	2020	2019
Eurobonds 2021	US dollars	August	3.85%	-	505	505
Eurobonds 2022	US dollars	October	5.9%	635	635	633
Eurobonds 2024	US dollars	September	3.15%	803	802	799
Rouble bonds 2024	Roubles	March	8.65%	137	139	165
Rouble bonds 2026	Roubles	March	8.65%	206	206	247
Convertible bonds 2021	US dollars	April	0.5%	-	16	36
Convertible bonds 2022	US dollars	February	0.0%	-	240	231
Bank financing	Roubles			28	65	31
Other financing	Roubles			7	4	4
				1,816	2,612	2,651

Total debt is contractually repayable after the reporting date as follows:

	31 December 2021	2020	2019
Less than one year	681	610	290
Between one and five years	1,135	1,799	2,119
After more than five years	-	203	242
	1,816	2,612	2,651

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Debt financing	Lease liabilities, net	Dividends payable	Derivative financial liabilities, net	Repurchase of issued shares	Total
Balance as at 31 December 2018	1,455	73	6	85	-	1,619
Initial application of IFRS 16	-	47	-	-	-	47
Net cash flow changes	1,082	(23)	(1,574)	(19)	-	(534)
Equity changes	(24)	-	1,545	(2)	-	1,519
Interest accrued and other finance costs	117	3	-	-	-	120
Changes in fair value and gain on disposal of financial instruments	-	-	-	22	-	22
Changes in lease liabilities, net	-	30	-	-	-	30
Foreign currency translation loss	21	13	30	-	-	64
Balance as at 31 December 2019	2,651	143	7	86	-	2,887
Net cash flow changes	(106)	(21)	(1,228)	(13)	-	(1,368)
Equity changes	(3)	-	1,219	-	-	1,216
Interest accrued and other finance costs	136	6	-	-	-	142
Changes in fair value and loss on disposal of financial instruments	-	-	-	141	-	141
Changes in lease liabilities, net	-	13	-	-	-	13
Business combinations	3	-	-	-		3
Foreign currency translation (gain)/loss	(69)	(23)	10	-	-	(82)
Balance as at 31 December 2020	2,612	118	8	214	-	2,952
Net cash flow changes	(770)	(16)	(2,912)	(75)	(22)	(3,795)
Other equity related changes	(156)	-	2,871	(152)	22	2,585
Interest accrued and other finance costs	131	7	-	-	-	138
Changes in fair value and loss on disposal of financial instruments	-	-	-	69	-	69
Changes in lease liabilities, net	-	9	-	-	-	9
Reclassified to liabilities related to assets held for sale	-	(2)	-	-	-	(2)
Foreign currency translation (gain)/loss	(1)	(1)	44	3	-	45
Balance as at 31 December 2021	1,816	115	11	59	-	2,001

(Amounts expressed in millions of US dollars, except as otherwise stated)

In April 2016, the Group issued US$ 200 million senior unsecured guaranteed convertible bonds maturing in 2021. The conversion rights could be exercised at any time on or after 9 June 2016. The initial conversion price was set at US$ 13.80 per GDR. The Group decided at its discretion whether to convert the bonds into GDRs or pay the cash amount as defined in the terms of the issue. This settlement option causes the conversion feature of the bond to be classified separately and measured at fair value through profit and loss, while the host liability is accounted for at amortised cost using market interest rate of 5.1% per annum at the date of the issue. The bonds bear an interest rate of 0.5% per annum, which is payable semi-annually in April and October each year, beginning in October 2016. Holders of the bonds had an option to require an early redemption of their bonds on 29 April 2019 at the principal amount plus accrued interest. The Group also has an option for early redemption, exercisable starting from 20 May 2019 provided the value of the GDRs deliverable on conversion of the bonds exceeds 130 per cent of the principal amount of the bonds for a specified period of time. The proceeds from the bonds' issuance were mainly used for general corporate purposes. During 2018-2021 conversion rights were fully exercised. As a result, as at 31 December 2021 US$ 200 million of bonds at nominal value were redeemed (31 December 2020: US$ 183 million; 31 December 2019: US$ 161 million).

As at 31 December 2021, the value of the conversion option of the convertible bonds maturing in 2021 was nil (31 December 2020: US$ 24 million was included in other current liabilities; 31 December 2019: US$ 34 million was included in other non-current liabilities).

In February 2017, the Group issued US$ 250 million senior unsecured guaranteed convertible zero-coupon bonds maturing in 2022. The conversion rights could be exercised at any time on or after 29 March 2017. The initial conversion price was set at US$ 20.33 per GDR. The Group decided at its discretion whether to convert the bonds into GDRs or pay the cash amount as defined in the terms of the issue. This settlement option causes the conversion feature of the bond to be classified separately and measured at fair value through profit and loss, whilst the host liability is accounted for at amortised cost using market interest rate at 3.9% per annum at the date of the issue. Holders of the bonds have an option to require an early redemption of their bonds on 16 February 2020 at the principal amount. The Group also has an option for early redemption, exercisable starting from 9 March 2020 provided the value of the GDRs deliverable on conversion of the bonds exceeds 130 per cent of the principal amount of the bonds for a specified period of time. The proceeds from the bonds' issuance were mainly used for general corporate purposes. In 2021 outstanding balance of US$ 250 million senior unsecured guaranteed convertible zero-coupon bonds maturing in 2022 was settled ahead of schedule, in cash for US$ 159 million and by conversion into the Group's shares amounting to US$ 308 million.

As at 31 December 2021, the value of the conversion option of the convertible bonds maturing in 2022 was nil (31 December 2020: US$ 123 million and was included in other non-current liabilities; 31 December 2019: US$ 59 million was included in other current liabilities).

In April 2019, the Group issued two rouble denominated bonds amounting to US$ 230 million and US$ 153 million with put-options in 2026 and 2024, respectively, both due in 2029. The bonds bear an interest rate of 8.65% per annum, which is payable every 182 days, beginning in October 2019. The proceeds from the bonds' issuance were used mainly for general corporate purposes.

In September 2019, the Group issued US$ 800 million bonds denominated in US dollars maturing in 2024. These bonds bear an interest rate of 3.15% per annum, which is payable semi-annually in September and March each year, beginning in March 2020. The proceeds from the bonds' issuance were mainly used for general corporate purposes.

In August 2021, the outstanding balance of US$ 500 million Eurobonds 2021 was fully repaid in accordance with the bonds maturity schedule.

At the reporting date the Group had US$ 1,129 million (31 December 2020: US$ 1,096 million; 31 December 2019: US$ 1,250 million) of committed unused long-term credit lines and overdraft facilities.

19. Other current liabilities

	31 December		
	2021	2020	2019
Amounts payable to employees	149	73	136
Factoring arrangements	75	26	-
Provisions	30	16	16
Lease liabilities	12	14	15
Retirement benefit liabilities (Note 20)	5	5	6
Derivative financial liabilities (Note 18)	-	24	59
Other liabilities	37	42	38
	308	200	270

(Amounts expressed in millions of US dollars, except as otherwise stated)

20. Retirement benefit liabilities

The Group provides for its employees the following retirement benefits, which are actuarially calculated as defined benefit obligations: lump sums payable to employees on retirement, monthly pensions, jubilee benefits, invalidity and death lump sums, burial expenses compensation, healthcare benefits, life insurance and other benefits.

The current portion of retirement benefit liabilities is included in caption 'Other current liabilities'. The total amount of the retirement benefit liabilities is presented in the table below:

	31 December		
	2021	2020	2019
Current portion	5	5	6
Non-current portion	46	61	74
	51	66	80

The following assumptions were used to calculate the retirement benefit liabilities:

	31 December		
	2021	2020	2019
Discount rates:			
Russia	8.4%	6.3%	6.5%
Future rates of benefit increase:			
Russia	3.8%	3.6%	4.0%

The Group's weighted average remaining life of the pensioners and employees, receiving the retirement benefits equalled to 16 years as at 31 December 2021 (31 December 2020: 16 years; 31 December 2019: 17 years).

The movements in the defined benefit obligation were as follows:

	Year ended 31 December		
	2021	2020	2019
Opening balance	66	80	62
Benefits paid	(7)	(6)	(8)
Interest cost	4	4	5
Service cost (Note 5)	1	1	1
Actuarial (gains)/losses*	(8)	-	12
Reclassified to liabilities related to assets held for sale	(5)	-	-
Translation to presentation currency	-	(13)	8
Closing balance	51	66	80

*Actuarial (gains)/losses arise primarily from changes in financial assumptions.

The defined benefit obligations were wholly unfunded at the years ended 31 December 2021, 2020 and 2019.

21. Other non-current liabilities

	31 December		
	2021	2020	2019
Lease liabilities	107	110	137
Derivative financial liabilities	59	191	34
Amounts payable to employees	16	9	7
Decommissioning liabilities	9	121	155
Deferred income	-	-	1
Other liabilities	12	16	24
	203	447	358

Decommissioning liabilities

The Group has environmental liabilities related to restoration of soil and other related works, which are due upon the closures of its mines and production facilities. These costs are expected to be incurred between 2023 – 2069. The present value of expected cash outflows was estimated using existing technology, and discounted using a real discount rate. These rates are as follows:

(Amounts expressed in millions of US dollars, except as otherwise stated)

	Discount rates, %		
Severstal Resources:	**2021**	**2020**	**2019**
Russia	3.0 - 5.1	1.0 - 3.8	1.8 - 3.2

The movements in the decommissioning liabilities were as follows:

	Year ended 31 December		
	2021	**2020**	**2019**
Opening balance	121	155	62
Change in assumptions	(16)	(17)	75
Interest cost	10	9	7
Reclassified to liabilities related to assets held for sale	(104)	-	-
Translation to presentation currency	(2)	(26)	11
Closing balance	9	121	155

The change in assumptions mainly related to changes in the discount rate of JSC Vorkutaugol and JSC Olcon in 2021, 2020, 2019 and re-scheduling of the decommissioning of JSC Vorkutaugol in 2020 and 2019 and JSC Olcon in 2019.

22. Shareholders' equity

Share Capital

The Parent Company's share capital consists of ordinary shares with a nominal value of RUB 0.01 each. The authorised share capital of Severstal as at 31 December 2021, 2020 and 2019 comprised 837,718,660 issued and fully paid shares and amounted to US$ 2,753 million.

The nominal amount of initial share capital was converted into US dollars using exchange rates during the Soviet period, when the Government contributed the original capital funds to the enterprise. These capital funds were converted into ordinary shares on 24 September 1993 and sold by the Government at privatisation auctions.

All shares carry equal voting and distribution rights.

Reconciliation between weighted average number of shares in issue and weighted average number of shares outstanding during the period (millions of shares):

	Year ended 31 December		
	2021	**2020**	**2019**
Weighted average number of shares in issue	838	838	838
Weighted average number of treasury shares	(4)	(13)	(13)
Weighted average number of shares outstanding during the period	834	825	825

(Amounts expressed in millions of US dollars, except as otherwise stated)

Earnings per share

In 2017 the Group issued US$ 250 million convertible bonds and in 2016 issued US$ 200 million convertible bonds (Note 18), which had an effect on earnings per share as demonstrated below:

	Year ended 31 December		
	2021	**2020**	**2019**
Profit for the period attributable to shareholders of PAO Severstal	4,074	1,016	1,766
Adjustments related to convertible bonds, net of tax	106	142	(3)
Adjusted profit for the period attributable to shareholders of PAO Severstal	4,180	1,158	1,763
Basic weighted average number of shares outstanding during the period (millions of shares)	834	825	825
Effect on conversion of convertible bonds (millions of shares)	6	25	24
Adjusted/diluted weighted average number of shares outstanding during the period (millions of shares)	840	850	849
Basic earnings per share (US dollars)	4.88	1.23	2.14
Adjusted/diluted earnings per share (US dollars)	4.98	1.36	2.08

Dividends

The maximum dividend payable is restricted to the total accumulated retained earnings of the Parent Company determined according to Russian law.

On 26 April 2019, the Meeting of Shareholders approved an annual dividend of RUB 32.08 (US$ 0.50 at 26 April 2019 exchange rate) per share and per GDR for the year ended 31 December 2018.

On 7 June 2019, the Extraordinary Meeting of Shareholders approved an interim dividend of RUB 35.43 (US$ 0.54 at 7 June 2019 exchange rate) per share and per GDR for the first quarter of the year ended 31 December 2019.

On 6 September 2019, the Extraordinary Meeting of Shareholders approved an interim dividend of RUB 26.72 (US$ 0.40 at 6 September 2019 exchange rate) per share and per GDR for the first six months of the year ended 31 December 2019.

On 22 November 2019, the Extraordinary Meeting of Shareholders approved an interim dividend of RUB 27.47 (US$ 0.43 at 22 November 2019 exchange rate) per share and per GDR for the first nine months of the year ended 31 December 2019.

On 5 June 2020, the Meeting of Shareholders approved an annual dividend of RUB 26.26 (US$ 0.38 at 5 June 2020 exchange rate) per share and per GDR for the year ended 31 December 2019 and an interim dividend of RUB 27.35 (US$ 0.40 at 5 June 2020 exchange rate) per share and per GDR for the first quarter of the year ended 31 December 2020.

On 28 August 2020, the Extraordinary Meeting of Shareholders approved an interim dividend of RUB 15.44 (US$ 0.21 at 28 August 2020 exchange rate) per share and per GDR for the first six months of the year ended 31 December 2020.

On 27 November 2020, the Extraordinary Meeting of Shareholders approved an interim dividend of RUB 37.34 (US$ 0.49 at 27 November 2020 exchange rate) per share and per GDR for the first nine months of the year ended 31 December 2020.

On 21 May 2021, the Meeting of Shareholders approved an annual dividend of RUB 36.27 (US$ 0.49 at 21 May 2021 exchange rate) per share and per GDR for the year ended 31 December 2020 and an interim dividend of RUB 46.77 (US$ 0.64 at 21 May 2021 exchange rate) per share and per GDR for the first quarter of the year ended 31 December 2021.

On 20 August 2021, the Extraordinary Meeting of Shareholders approved an interim dividend of RUB 84.45 (US$ 1.14 at 20 August 2021 exchange rate) per share and per GDR for the first six months of the year ended 31 December 2021.

On 3 December 2021, the Extraordinary Meeting of Shareholders approved an interim dividend of RUB 85.93 (US$ 1.16 at 3 December 2021 exchange rate) per share and per GDR for the first nine months of the year ended 31 December 2021.

(Amounts expressed in millions of US dollars, except as otherwise stated)

23. Disposal group held for sale

In December 2021 the Group entered into an agreement to sell its subsidiary JSC Vorkutaugol to a third party. Management has considered the nature of the transaction and concluded that the disposal group should be classified as held for sale and does not represent a separate major line of business and should not be classified as a discontinued operation. In accordance with the agreement the disposal is contingent upon a number of conditions including the conclusion of a coal supply contract between the Group and JSC Vorkutaugol. The conclusion of the supply agreement and disposal of JSC Vorkutaugol are expected to take place during 2022.

Impairment loss of US$ 20 million for write-downs of the disposal group to the lower of its carrying amount and its fair value less cost to sell have been included in the line '(Impairment)/reversal of impairment of non-current assets'. The impairment loss have been applied to reduce the carrying amount of property, plant and equipment and intangible assets within the disposal group by US$ 19 million and US$ 1 million, respectively.

At 31 December 2021, the disposal group was stated at fair value less cost to sell determined based on price offer available as at 31 December 2021 and comprised the following assets and liabilities:

	31 December 2021
Current assets:	
Trade accounts receivable	4
Inventories	13
VAT recoverable	1
Other current assets	3
Total current assets	21
Non-current assets:	
Property, plant and equipment	327
Intangible assets	13
Total non-current assets	340
Assets held for sale	361
Current liabilities:	
Trade accounts payable	22
Other taxes and social security payable	47
Other current liabilities	18
Total current liabilities	87
Non-current liabilities:	
Deferred tax liabilities	4
Other non-current liabilities	112
Total non-current liabilities	116
Liabilities held for sale	203

The cumulative loss recognised in other comprehensive income and accumulated in equity that will not be reclassified to profit or loss relating to the disposal group held for sale amounted to US$ 459 million as at 31 December 2021.

(Amounts expressed in millions of US dollars, except as otherwise stated)

24. Subsidiaries, associates and joint ventures

The following is a list of the Group's significant subsidiaries, associates and joint ventures and the effective ownership holdings therein:

	31 December				
Company	**2021**	**2020**	**2019**	**Location**	**Activity**
Severstal Russian Steel segment:					
Subsidiaries:					
LLC Severstal Digital Solutions	100.0%	100.0%	100.0%	Russia	Steel sales
JSC Domnaremont	100.0%	100.0%	100.0%	Russia	Repairs & Construction
Severstal-Project LLC	100.0%	100.0%	100.0%	Russia	Repairs & Construction
Aircompany Severstal Ltd	100.0%	100.0%	100.0%	Russia	Air transport
Severstal Export GmbH	100.0%	100.0%	100.0%	Switzerland [2]	Steel sales
SIA Severstal Distribution	100.0%	100.0%	100.0%	Latvia [2]	Steel sales
AO Severstal Distribution	100.0%	100.0%	100.0%	Russia	Metal sales
AO Izhora Pipe Mill	100.0%	100.0%	100.0%	Russia	Wide pipes
JSC Severstal-Metiz	100.0%	100.0%	100.0%	Russia	Steel machining
Associates:					
JSC Air Liquide Severstal	25.0%	25.0%	25.0%	Russia	Production of liquid oxygen
LLC PO NVTZ	20.0%	n/a	n/a	Russia	Steel pipes
Joint ventures:					
Rutgers Severtar LLC	34.7%	34.7%	34.7%	Russia	Production of vacuum pitch
Severstal-Gonvarri-Kaluga LLC	50.0%	50.0%	50.0%	Russia	Iron & steel mill
Gestamp-Severstal-Kaluga LLC	25.0%	25.0%	25.0%	Russia	Production of car body components
LLC TenarisSeverstal	51.0%	51.0%	51.0%	Russia	Production of pipes for the oil industry
WindarSeverstal LLC	49.0%	24.5%	24.5%	Russia	Engine and turbine production
Severstal Resources segment:					
Subsidiaries:					
JSC Karelsky Okatysh	100.0%	100.0%	100.0%	Russia	Iron ore pellets
JSC Olcon	100.0%	100.0%	100.0%	Russia	Iron ore concentrate
JSC Vorkutaugol	100.0%	100.0%	100.0%	Russia	Coking coal concentrate
Mining Holding Company LLC	100.0%	100.0%	100.0%	Russia	Holding company
Yakovlevsky GOK LTD [1]	100.0%	100.0%	100.0%	Russia	Iron ore

[1] – The entity was renamed from OOO Korpanga.
[2] – Severstal Russian Steel segment contains foreign trading companies, which sell products primarily produced in Russia.

Acquisition of subsidiary

In March 2020, the Group acquired a 100% stake in the Sintez group of companies from a third party for a total consideration of 1.4 billion Russian roubles (US$ 20 million at the transaction date exchange rate). Sintez is located in Dzerzhinsk and produces a wide range of unique carbonyl iron powders. In the third quarter of 2020, the Group completed its estimation of the fair values of the acquired assets, the revaluation mainly related to property plant and equipment.

(Amounts expressed in millions of US dollars, except as otherwise stated)

A summary of assets acquired and liabilities assumed at the date of acquisition is presented below:

	Year ended 31 December 2020
Cash and cash equivalents	1
Inventories	2
Property, plant and equipment	19
Other	3
Total assets	25
Debt finance	(3)
Deferred tax liabilities	(3)
Other	(1)
Total liabilities	(7)
Net identifiable assets acquired	18
Consideration in cash	(20)
Goodwill on acquisition of subsidiary	(2)
Net change in cash and cash equivalents	(19)

Investments in associate and joint venture

Investment in 2021

In September 2021, the Group acquired a 24.5% stake in WRS Towers LLC (from November 2021 WindarSeverstal LLC) for a total consideration of US$ 1 million, resulting in a 49% share in the joint venture.

Investment in 2020

In July 2020, the Group acquired a 24% stake in Linde Severstal LLC for a total consideration of US$ 2 million, resulting in a 50% share in the associate.

Investments in 2019

In March 2019, the Group acquired a 51% stake in TenarisSeverstal PTE. Ltd for a nominal total consideration close to nil. TenarisSeverstal PTE. Ltd is the sole participant of LLC TenarisSeverstal that will produce pipes for the oil industry in the Surgut area, West Siberia, Russian Federation. In 2019, the Group made additional contributions to the capital amounting to US$ 20 million.

In July 2019, the Group acquired a 26% stake in Linde Severstal LLC for a total consideration of US$ 1 million. Linde Severstal LLC produces coil-wound heat exchangers for use at medium-scale and large-scale liquefied natural gas plants.

Disposal of subsidiary

AO Severstal LPM Balakovo

In May 2019 Severstal entered into a definitive agreement to sell its subsidiary AO Severstal LPM Balakovo.

In July 2019, the Group sold its 100% stake in AO Severstal LPM Balakovo to a third party for a total consideration of US$ 215 million, of which US$ 205 million related to intercompany loan redemption. The fair value measurement for the disposal subsidiary has been categorised as Level 3 of the fair value hierarchy.

The loss on disposal of US$ 21 million was recognised in these consolidated financial statements as part of net other non-operating expenses.

(Amounts expressed in millions of US dollars, except as otherwise stated)

A summary of assets and liabilities disposed during 2019 is presented below:

	Year ended 31 December 2019
Property, plant and equipment	(246)
Inventories	(21)
Other	(8)
Total assets	(275)
Short-term debt finance	205
Trade accounts payable	22
Deferred tax liabilities	16
Other taxes and social security payable	3
Other	1
Total liabilities	247
Net identifiable assets	(28)
Consideration in cash	215
including intercompany loan redemption	(205)
Selling costs paid in cash	(3)
Net loss on disposal (Note 8)	(21)
Net change in cash and cash equivalents	215

25. Segmental analysis

The following is an analysis of the Group's revenue and profit from operations by segment:

	Severstal Resources	Severstal Russian Steel	Inter - segment transactions	Conso-lidated
Twelve months 2021				
Revenue	3,526	11,206	(3,094)	11,638
Profit from operations	2,296	3,300	(205)	5,391
Intersegment revenue	2,947	147	(3,094)	-
Twelve months 2020				
Revenue	1,825	6,845	(1,800)	6,870
Profit from operations	785	1,209	(64)	1,930
Intersegment revenue	1,710	90	(1,800)	-
Twelve months 2019				
Revenue	2,169	8,025	(2,037)	8,157
Profit from operations	1,080	1,218	29	2,327
Intersegment revenue	1,954	83	(2,037)	-

26. Alternative performance measures

In order to assess the Group's performance the Group's management constantly monitors the following set of alternative performance measures presented in the table below:

	Year ended 31 December		
	2021	2020	2019
EBITDA	5,978	2,422	2,805
EBITDA margin[1], %	51.4	35.3	34.4
Free Cash Flow	3,539	838	1,099
Low Debt (NetDebt[2]/EBITDA), x	0.2	0.8	0.6

[1] EBITDA margin is equal to EBITDA divided by Revenue;
[2] Net Debt is equal to the total debt finance less cash and cash equivalents.

(Amounts expressed in millions of US dollars, except as otherwise stated)

The following is a reconciliation of profit from operations to EBITDA, in total and analysed by segment:

Twelve months ended 31 December 2021:

	Severstal Resources	Severstal Russian Steel	Inter - segment transactions	Conso- lidated
Profit from operations	2,296	3,300	(205)	5,391
Adjustments to reconcile profit from operations to EBITDA:				
Depreciation and amortisation of productive assets	202	350	-	552
Loss on disposal of property, plant and equipment and intangible assets	9	13	-	22
Share of associates' and joint ventures' depreciation and amortisation, non-operating (income)/expenses	-	13	-	13
EBITDA	2,507	3,676	(205)	5,978

Twelve months ended 31 December 2020:

	Severstal Resources	Severstal Russian Steel	Inter - segment transactions	Conso- lidated
Profit from operations	785	1,209	(64)	1,930
Adjustments to reconcile profit from operations to EBITDA:				
Depreciation and amortisation of productive assets	170	290	-	460
Loss on disposal of property, plant and equipment and intangible assets	3	18	-	21
Share of associates' and joint ventures' depreciation and amortisation, non-operating (income)/expenses	-	11	-	11
EBITDA	958	1,528	(64)	2,422

Twelve months ended 31 December 2019:

	Severstal Resources	Severstal Russian Steel	Inter - segment transactions	Conso- lidated
Profit from operations	1,080	1,218	29	2,327
Adjustments to reconcile profit from operations to EBITDA:				
Depreciation and amortisation of productive assets	165	299	-	464
Loss on disposal of property, plant and equipment and intangible assets	3	9	-	12
Share of associates' and joint ventures' depreciation and amortisation, non-operating (income)/expenses	-	2	-	2
EBITDA	1,248	1,528	29	2,805

The following is a reconciliation of net cash from operating activities to Free Cash Flow, in total and analysed by segment:

Twelve months ended 31 December 2021:

	Severstal Resources	Severstal Russian Steel	Inter - segment transactions	Conso- lidated
Net cash from operating activities	2,043	2,566	67	4,676
Additions to property, plant and equipment	(413)	(656)	1	(1,068)
Additions to intangible assets	(10)	(79)	-	(89)
Proceeds from disposal of property, plant and equipment and intangible assets	1	5	-	6
Interest received	52	21	(68)	5
Dividends received	1	8	-	9
Free Cash Flow	1,674	1,865	-	3,539

(Amounts expressed in millions of US dollars, except as otherwise stated)

Twelve months ended 31 December 2020:

	Severstal Resources	Severstal Russian Steel	Inter - segment transactions	Conso- lidated
Net cash from operating activities	786	1,311	47	2,144
Additions to property, plant and equipment	(380)	(875)	(1)	(1,256)
Additions to intangible assets	(11)	(60)	-	(71)
Proceeds from disposal of property, plant and equipment and intangible assets	-	4	1	5
Interest received	38	20	(48)	10
Dividends received	-	6	-	6
Free Cash Flow	433	406	(1)	838

Twelve months ended 31 December 2019:

	Severstal Resources	Severstal Russian Steel	Inter - segment transactions	Conso- lidated
Net cash from operating activities	1,202	1,040	50	2,292
Additions to property, plant and equipment	(394)	(781)	18	(1,157)
Additions to intangible assets	(13)	(48)	-	(61)
Proceeds from disposal of property, plant and equipment and intangible assets	-	33	(18)	15
Interest received	55	15	(66)	4
Dividends received	-	6	-	6
Free Cash Flow	850	265	(16)	1,099

27. Financial instruments

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities.

The Group’s Board of Directors oversees how management monitors compliance with the Group’s risk management policies and procedures. The Group’s Audit Committee reviews the adequacy of the risk management framework in relation to the risks faced by the Group on a quarterly basis.

Exposure to credit, liquidity, interest rate and currency risk arises in the normal course of the Group's business. The Severstal Resources segment of the Group has not used derivative financial instruments to reduce exposure to fluctuations in foreign exchange rates and interest rates. If required, the Severstal Russian Steel segment uses derivatives to hedge their interest rates and foreign exchange rate exposures.

Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts except for the following borrowings:

	31 December								
	2021			2020			2019		
	Fair Value	Book value	Difference	Fair Value	Book value	Difference	Fair Value	Book value	Difference
Eurobonds 2021	-	-	-	515	505	10	517	505	12
Eurobonds 2022	658	635	23	686	635	51	687	633	54
Eurobonds 2024	821	803	18	840	802	38	804	799	5
Rouble bonds 2024	138	137	1	152	139	13	177	165	12
Rouble bonds 2026	206	206	-	206	206	-	247	247	-
Convertible bonds 2021	-	-	-	40	40	-	71	70	1
Convertible bonds 2022	-	-	-	370	363	7	296	290	6
	1,823	1,781	42	2,809	2,690	119	2,799	2,709	90

(Amounts expressed in millions of US dollars, except as otherwise stated)

The above amounts include accrued interest. The fair value of the Group's Eurobonds was determined based on London Stock Exchange quotations (level 1 of the fair value hierarchy); the fair value of the Group's rouble bonds was based on MOEX.

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position and guarantees.

Part of the Group's sales are made on terms of letters of credit. In addition, the Group requires prepayments from certain customers. The Group also holds bank and other guarantees, credit insurance policies provided as collateral for certain financial assets. The amount of collateral held does not fully cover the Group's exposure to credit risk.

The Group allocates each exposure to credit risk based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements and publicly available information about customers) and applying experienced credit judgement.

Expected credit losses rate is calculated for accounts receivable based on delinquency status and actual credit losses experience over the past three years.

The Group has developed policies and procedures for the management of credit exposure, including the establishment of a credit committee that actively monitors credit risk.

Additionally, in order to minimise credit risk of the counterparty banks, the analysis is carried out in respect of banks' financial stability, and a quarterly review of the risk limits for banks with subsequent review of the Group's operations within those established limits.

The maximum exposure to credit risk for financial instruments, including accounts receivable from related parties, was:

	31 December		
	2021	**2020**	**2019**
Loans and receivables	640	588	681
Cash and cash equivalents	418	583	1,081
Financial assets at FVTOCI	36	26	19
	1,094	1,197	1,781

The maximum exposure to credit risk for trade receivables, including trade receivables from related parties by geographic region, was:

	31 December		
	2021	**2020**	**2019**
Russian Federation	299	355	432
Europe	161	154	88
The Middle East	36	11	9
CIS	26	11	17
North America	19	3	9
Central and South America	12	-	-
Africa	1	11	37
China and Central Asia	-	-	8
	554	545	600

Concentration of credit risk

The Group held cash and cash equivalents of US$ 418 million as at 31 December 2021 (31 December 2020: US$ 583 million; 31 December 2019: US$ 1,081 million). The cash and cash equivalents are mostly held with banks, which are rated Baa3, based on Moody's ratings.

(Amounts expressed in millions of US dollars, except as otherwise stated)

Allowance for expected credit losses

The ageing of trade receivables from customers, including related parties, was:

	31 December					
	2021		2020		2019	
	Gross	Allowance	Gross	Allowance	Gross	Allowance
Not past due	464	-	510	-	492	-
Past due less than 30 days	67	-	23	-	84	-
Past due 31-90 days	7	(1)	8	(1)	21	(1)
Past due 91-180 days	10	(2)	13	(8)	3	(1)
Past due 181-365 days	9	(3)	58	(58)	2	(1)
More than one year	98	(95)	37	(37)	69	(68)
	655	(101)	649	(104)	671	(71)

The movement in the allowance in respect of trade receivables, including those from related parties, during the years was as follows:

	Year ended 31 December		
	2021	2020	2019
Opening balance	(104)	(71)	(70)
Allowance recognised	(6)	(81)	(3)
Allowance reversed	8	2	6
Allowance written off	1	39	-
Translation to presentation currency	-	7	(4)
Closing balance	(101)	(104)	(71)

The allowance account for expected credit losses in respect of trade receivables, including those from related parties, is used to record losses, unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

The allowance for expected credit losses contains primarily individually impaired trade receivables from debtors placed under liquidation or companies which are in breach of contract terms.

The Group's allowance for expected credit losses is recognised in the consolidated income statement as part of "General and administrative expenses" and "Distribution expenses".

Liquidity risk

Liquidity risk arises when the Group encounters difficulties to meet commitments associated with liabilities and other settlements.

The Group manages liquidity risk with the objective of ensuring that funds will be available at all times to honour all cash obligations as they become due, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group also maintains committed credit lines and overdraft facilities that can be drawn down to meet both short-term and long-term financing needs. This enables the Group to maintain an appropriate level of liquidity and financial capacity and to minimise borrowing costs and achieve an optimal debt profile.

(Amounts expressed in millions of US dollars, except as otherwise stated)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements (contractual cash flows in foreign currency were converted using the spot rate at the reporting date):

31 December 2021

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Debt finance	1,816	(2,021)	(754)	(55)	(1,212)	-
Trade and other payables	1,009	(1,009)	(997)	(10)	(2)	-
Lease liabilities	119	(171)	(16)	(15)	(36)	(104)
Derivative financial assets and liabilities						
Outflow	59	(413)	(14)	(12)	(387)	-
Inflow	-	447	32	29	386	-
		(3,167)	(1,749)	(63)	(1,251)	(104)

31 December 2020

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Debt finance	2,612	(2,934)	(695)	(970)	(1,057)	(212)
Trade and other payables	750	(750)	(737)	(5)	(8)	-
Lease liabilities	124	(170)	(13)	(15)	(35)	(107)
Derivative financial assets and liabilities						
Outflow	68	(478)	(37)	(12)	(202)	(227)
Inflow	1	500	54	29	205	212
		(3,832)	(1,428)	(973)	(1,097)	(334)

31 December 2019

	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Debt finance	2,651	(3,133)	(401)	(656)	(1,802)	(274)
Trade and other payables	793	(793)	(771)	(8)	(14)	-
Lease liabilities	152	(223)	(19)	(13)	(45)	(146)
Derivative financial assets						
Outflow	-	(275)	(6)	(6)	(175)	(88)
Inflow	7	357	20	21	219	97
		(4,067)	(1,177)	(662)	(1,817)	(411)

As at 31 December 2021, 2020 and 2019, the Group had no significant bank financing.

Currency risk

Currency risk arises when a Group entity enters into transactions and has balances denominated in a currency other than its functional currency. The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

In order to reduce the sensitivity to a currency risk the Group makes best effort to match cash inflows and outflows in the same currency.

(Amounts expressed in millions of US dollars, except as otherwise stated)

The Group's exposure to foreign currency risk was as follows:

	31 December					
	2021		2020		2019	
	EUR	USD	EUR	USD	EUR	USD
Cash and cash equivalents	157	179	155	403	856	-
Loans and receivables	543	371	278	296	813	393
Derivative financial assets	-	-	-	26	-	-
Trade and other payables	(266)	(387)	(223)	(29)	(296)	(38)
Debt finance	(43)	(1,456)	(36)	(2,468)	(621)	(2,561)
Derivative financial liabilities	(365)	-	(396)	(147)	(241)	(93)
Net exposure	26	(1,293)	(222)	(1,919)	511	(2,299)

Sensitivity analysis

A 10 percent strengthening of the following currencies against the functional currency as at 31 December 2021 would have increased/(decreased) profit and equity by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant and no translation difference into the presentation currency is included. The analysis is performed on the same basis for 2020 and 2019.

	Year ended 31 December		
	2021	2020	2019
Net profit			
EUR	1	(18)	43
USD	(108)	(155)	(186)

A 10 percent weakening of these currencies against the functional currency as at 31 December 2021 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Commodity price risk

Commodity price risk is a risk arising from possible changes in price of raw materials and metal products, and it has impact on the Group's operational results.

The Group has a high degree of vertical integration which allows it to control and effectively manage the entire production process: from mining of raw materials to production, processing and distribution of metal products. This reduces the Group's exposure to commodity price risk.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would not have a significant effect on profit and equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020 and 2019.

(Amounts expressed in millions of US dollars, except as otherwise stated)

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The levels in the fair value hierarchy into which the fair value measurements are categorised were disclosed in accordance with IFRS.

		31 December		
	Note	**2021**	**2020**	**2019**
Level 2				
Derivative financial assets		-	1	7
Derivative financial liabilities	18	(59)	(215)	(93)
		(59)	(214)	(86)
Level 3				
Financial assets at FVTOCI	15	36	26	19
		36	26	19

The description of the levels is presented below:

Level 1 – quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3 – inputs for the asset or liability that are not based on observable market data.

28. Commitments and contingencies

a. For litigation and liabilities

In 2015 a claw-back claim was filed by Lucchini S.p.A’s (‘Lucchini’) extraordinary commissioner against the Group’s subsidiary amounting to approximately US$ 142 million.

Lucchini was the Group’s subsidiary and was deconsolidated in 2011. Currently it is under a bankruptcy procedure. This claim related to cash received by the Group’s subsidiary for supplies of raw materials to Lucchini primarily during the period when Lucchini was already not part of the Group.

On 4 September 2020, the Group and Lucchini’s extraordinary commissioner agreed to cancel the claim against the Group in full, with a final settlement payment by the Group of EUR 14 million (US$ 16 million).

b. Capital commitments

At the reporting date the Group had contractual capital commitments of US$ 351 million (31 December 2020: US$ 349 million; 31 December 2019: US$ 664 million).