

# **Public Joint Stock Company Magnitogorsk Iron & Steel Works and Subsidiaries**

**Unaudited Condensed Consolidated Interim  
Financial Statements**

For the Three Months Ended 31 March 2021

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AND APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2021

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**PUBLIC JOINT STOCK COMPANY  
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND  
APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2021**

The following statement, which should be read in conjunction with the auditor's responsibilities stated in the report on review of unaudited condensed consolidated interim financial statements, is made with a view to distinguishing the respective responsibilities of management and those of the auditor in relation to the unaudited condensed consolidated interim financial statements of Public Joint Stock Company Magnitogorsk Iron & Steel Works and its subsidiaries (the "Group").

Management is responsible for the preparation of the unaudited condensed consolidated interim financial statements as at 31 March 2021 and for the three months period then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting".


In preparing the unaudited condensed consolidated interim financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

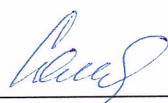
Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the unaudited condensed consolidated interim financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with statutory legislation and accounting standards;
- taking such steps that are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The unaudited condensed consolidated interim financial statements for the three months ended 31 March 2021 were approved on 21 April 2021 by:

  
**P. V. Shilyaev**  
General Director



  
**O. Y. Samoylova**  
Director of OOO MMK-ACCOUNTING CENTER,  
a specialized organization, which performs the  
accounting function for Public Joint Stock  
Company Magnitogorsk Iron & Steel Works

21 April 2021  
Magnitogorsk, Russia



## Report on Review of Unaudited Condensed Consolidated Interim Financial Statements

To the Shareholders and Board of Directors of Public Joint Stock Company Magnitogorsk Iron & Steel Works:

### Introduction

We have reviewed the accompanying unaudited condensed consolidated statement of financial position of Public Joint Stock Company Magnitogorsk Iron & Steel Works and its subsidiaries (together – the “Group”) as at 31 March 2021 and the related unaudited condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these unaudited condensed consolidated interim financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on these unaudited condensed consolidated interim financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of unaudited condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

*AO PricewaterhouseCoopers Audit*

21 April 2021  
Moscow, Russian Federation



M.I. Matsiborko, certified auditor (licence No 01-000203), AO PricewaterhouseCoopers Audit

Audited entity: Public Joint Stock Company Magnitogorsk Iron & Steel Works

Record made in the Unified State Register of Legal Entities on 12 August 2002 under State Registration Number 1027402166835

Taxpayer Identification Number 7414003633

Kirova, 93, Magnitogorsk, Chelyabinsk region, Russia, 455000

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

**PUBLIC JOINT STOCK COMPANY  
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE MONTHS ENDED 31 MARCH 2021**

*(In millions of U.S. Dollars, except per share data)*

	Notes	Three months ended 31 March	
		2021	2020
REVENUE	4	2,185	1,710
COST OF SALES		(1,371)	(1,233)
<b>GROSS PROFIT</b>		<b>814</b>	<b>477</b>
General and administrative expenses	6	(51)	(50)
Selling and distribution expenses		(160)	(121)
Change in expected credit loss, net		-	(5)
Other operating expenses, net	7	(3)	(18)
<b>OPERATING PROFIT</b>	5	<b>600</b>	<b>283</b>
Finance income		4	6
Finance costs	8	(8)	(9)
Impairment and provision for site restoration		2	3
Foreign exchange gain/(loss), net		13	(91)
Other expenses		(11)	(27)
<b>PROFIT BEFORE INCOME TAX</b>		<b>600</b>	<b>165</b>
INCOME TAX		(123)	(34)
<b>PROFIT FOR THE PERIOD</b>		<b>477</b>	<b>131</b>
<b>OTHER COMPREHENSIVE LOSS</b>			
<i>Items, that may be reclassified subsequently to profit or loss</i>			
Translation of foreign operations		16	291
<i>Items, that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of post-employment benefit obligations		1	-
Effect of translation to presentation currency		(126)	(1,359)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>		<b>(109)</b>	<b>(1,068)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>368</b>	<b>(937)</b>
Profit attributable to:			
Shareholders of the Parent Company		477	131
		<b>477</b>	<b>131</b>
Total comprehensive income/(loss) attributable to:			
Shareholders of the Parent Company		368	(933)
Non-controlling interests		-	(4)
		<b>368</b>	<b>(937)</b>
BASIC AND DILUTED EARNINGS PER SHARE (U.S. Dollars)		0.043	0.012
Weighted average number of ordinary shares outstanding (in thousands)		11,174,330	11,174,330

The notes on pages 5 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.

**PUBLIC JOINT STOCK COMPANY  
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT  
31 MARCH 2021**

(In millions of U.S. Dollars)

	Notes	31 March 2021	31 December 2020
<b>ASSETS</b>			
NON-CURRENT ASSETS:			
Property, plant and equipment	9	4,443	4,541
Right-of-use assets		8	8
Intangible assets		37	40
Investments in securities and other financial assets	10	2	2
Investments in associates		1	1
Deferred tax assets		66	49
<b>Total non-current assets</b>		<b>4,557</b>	<b>4,641</b>
CURRENT ASSETS:			
Inventories		1,205	1,128
Trade and other receivables		777	606
Investments in securities and other financial assets	10	427	207
Income tax receivable		2	5
Value added tax recoverable		68	47
Cash and cash equivalents	11	390	858
<b>Total current assets</b>		<b>2,869</b>	<b>2,851</b>
<b>TOTAL ASSETS</b>		<b>7,426</b>	<b>7,492</b>
<b>EQUITY AND LIABILITIES</b>			
EQUITY:			
Share capital	12	386	386
Share premium		969	969
Translation reserve		(6,405)	(6,295)
Retained earnings		10,000	9,522
Equity attributable to shareholders of the Parent Company		4,950	4,582
Non-controlling interests		19	19
<b>Total equity</b>		<b>4,969</b>	<b>4,601</b>
NON-CURRENT LIABILITIES:			
Long-term borrowings	13	546	548
Obligations under leases		6	8
Retirement benefit obligations		17	18
Long-term other payables		1	2
Site restoration provision		115	125
Deferred tax liabilities		359	365
<b>Total non-current liabilities</b>		<b>1,044</b>	<b>1,066</b>
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	14	400	411
Current portion of obligations under leases		3	3
Current portion of retirement benefit obligations		1	2
Trade and other payables		939	1,380
Current portion of site restoration provision		11	11
Income tax payables		59	18
<b>Total current liabilities</b>		<b>1,413</b>	<b>1,825</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,426</b>	<b>7,492</b>

**P. V. Shilyaev**  
General Director

21 April 2021  
Magnitogorsk, Russia



**O. Y. Samoylova**

Director of OOO MMK-ACCOUNTING CENTER,  
a specialized organization, which performs the  
accounting function for Public Joint Stock  
Company Magnitogorsk Iron & Steel Works

The notes on pages 5 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.

**PUBLIC JOINT STOCK COMPANY  
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2021**

*(In millions of U.S. Dollars)*

	Attributable to shareholders of the Parent Company				Total	Non-controlling interest	Total equity
	Share capital	Share premium	Translation reserve	Retained earnings			
<b>BALANCE AT 1 JANUARY 2020</b>	<b>386</b>	<b>969</b>	<b>(5,458)</b>	<b>9,600</b>	<b>5,497</b>	<b>22</b>	<b>5,519</b>
Profit for the period	-	-	-	131	131	-	131
Other comprehensive loss for the period, net of tax	-	-	(1,064)	-	(1,064)	(4)	(1,068)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(1,064)</b>	<b>131</b>	<b>(933)</b>	<b>(4)</b>	<b>(937)</b>
Dividends	-	-	-	1	1	-	1
<b>BALANCE AT 31 MARCH 2020</b>	<b>386</b>	<b>969</b>	<b>(6,522)</b>	<b>9,732</b>	<b>4,565</b>	<b>18</b>	<b>4,583</b>
<b>BALANCE AT 1 JANUARY 2021</b>	<b>386</b>	<b>969</b>	<b>(6,295)</b>	<b>9,522</b>	<b>4,582</b>	<b>19</b>	<b>4,601</b>
Profit for the period	-	-	-	477	477	-	477
Other comprehensive loss for the period, net of tax	-	-	(110)	1	(109)	-	(109)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(110)</b>	<b>478</b>	<b>368</b>	<b>-</b>	<b>368</b>
<b>BALANCE AT 31 MARCH 2021</b>	<b>386</b>	<b>969</b>	<b>(6,405)</b>	<b>10,000</b>	<b>4,950</b>	<b>19</b>	<b>4,969</b>

The notes on pages 5 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.



**PUBLIC JOINT STOCK COMPANY  
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS  
ENDED 31 MARCH 2021**

*(In millions of U.S. Dollars)*

	Notes	Three months ended	
		31 March	
		2021	2020
<b>OPERATING ACTIVITIES:</b>			
Profit for the period		477	131
Adjustments to profit for the period:			
Income tax		123	34
Depreciation and amortization	5	120	135
Impairment and provision for site restoration		(2)	(3)
Finance costs	8	8	9
Loss on disposal of property, plant and equipment	7	6	24
Change in expected credit loss		-	5
Change in provision for legal claims	7	3	-
Change in allowance for obsolete and slow-moving inventory		(2)	-
Finance income		(4)	(6)
Foreign exchange (gain)/loss, net		(13)	91
<b>Operating cashflow before working capital changes</b>		<b>716</b>	<b>420</b>
Movements in working capital			
Increase in trade and other receivables		(186)	(95)
Increase in value added tax recoverable		(22)	(9)
(Increase)/decrease in inventories		(96)	31
Decrease in trade and other payables		(56)	(68)
<b>Cash generated from operations</b>		<b>356</b>	<b>279</b>
Interest paid		-	(1)
Income tax paid		(93)	(39)
<b>Net cash from operating activities</b>		<b>263</b>	<b>239</b>
<b>INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(141)	(129)
Purchase of intangible assets		(1)	(1)
Interest received		4	6
Proceeds from sale of securities and other financial assets		1	1
Purchase of securities and other financial assets		(1)	(1)
Placement of short-term bank deposits		(420)	(240)
Withdrawal of short-term bank deposits		200	-
<b>Net cash used in investing activities</b>		<b>(358)</b>	<b>(364)</b>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from borrowings		264	237
Repayments of borrowings		(266)	(208)
Repayment of the principal amount of the lease obligation		(1)	(1)
Dividends paid to equity holders of the Parent Company		(357)	(297)
<b>Net cash used in financing activities</b>		<b>(360)</b>	<b>(269)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(455)</b>	<b>(394)</b>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	11	858	1,105
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies		(13)	(82)
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>11</b>	<b>390</b>	<b>629</b>

The notes on pages 5 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.

**PUBLIC JOINT STOCK COMPANY  
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2021**

*(In millions of U.S. Dollars, unless otherwise stated)*

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**1. GENERAL INFORMATION**

Public Joint Stock Company Magnitogorsk Iron & Steel Works (the "Parent Company") is a public joint stock company as defined by the Civil Code of the Russian Federation. The Parent Company was established as a state owned enterprise in 1932. It was incorporated as a public joint stock company on 17 October 1992 as part of and in accordance with the Russian Federation privatization program.

The Parent Company, together with its subsidiaries (the "Group"), is a producer of ferrous metal products. The Group's products are sold in the Russian Federation and internationally. The subsidiaries of the Parent Company are mainly involved in various sub-processes within the production cycle of ferrous metal products or in the distribution of those products. The Group is also engaged in coal mining and sale thereof.

The Parent Company's registered office is 93, Kirova street, Magnitogorsk, Chelyabinsk region, Russia, 455000.

As at 31 March 2021 the Parent Company's major shareholder was Mintha Holding Limited with a 84.3% ownership interest (31 December 2020: 84.3%).

The ultimate beneficiary of the Parent Company is Mr. Viktor F. Rashnikov, the Chairman of its Board of Directors.

The effective and nominal ownership holdings of the Group's principal subsidiaries at 31 March 2021 did not change from 31 December 2020.

**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

These unaudited condensed consolidated interim financial statements for the three months ended 31 March 2021 have been prepared in accordance with IAS 34 "Interim financial reporting" ("IAS 34"). The consolidated statement of financial position at 31 December 2020 has been derived from the consolidated statement of financial position included in the Group's consolidated financial statements at 31 December 2020. These unaudited condensed consolidated interim financial statements do not include all of the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The same accounting policies and methods of computation have been followed in these unaudited condensed consolidated interim financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, except for changes made due to adoption of new Standards and Interpretations becoming effective from 1 January 2021 and for the estimation of income tax. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

**Adoption of new or revised standards and interpretations**

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2021:

- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021);
- Covid-19-Related Rent Concessions - Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

Unless otherwise stated these standards, amendments to standards and interpretations did not have a material impact on these unaudited condensed consolidated interim financial statements.

**New Accounting Pronouncements**

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 March 2021, and have not been early adopted by the Group:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2021**

*(In millions of U.S. Dollars, unless otherwise stated)*

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**2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

Unless otherwise described above, the new standards, amendments to standards and interpretations are expected to have no impact or to have a non-material impact on the Group's unaudited condensed consolidated interim financial statements.

**Estimates and assumptions**

The preparation of unaudited condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020, considering recent development of Russian business environment (Note 16).

**Functional and presentation currency**

The individual financial statements of each Group's entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

The functional currency of the Group's entities except for MMK Metalurji and MMK Steel Trade AG is the Russian Rouble. The functional currency of MMK Metalurji and MMK Steel Trade AG is the US Dollar.

The presentation currency of the Group is the US dollar since the management considers the US dollar to be more appropriate for the understanding and comparability of consolidated financial statements. The results and financial position of each of the Group's subsidiaries were translated to the presentation currency as required by IAS 21, "The Effects of Changes in Foreign Exchange Rates".

At 31 March 2021, the official exchange rate was: US\$ 1 = RUB 75.7023 (31 December 2020 US\$ 1 = RUB 73.8757). Exchange rate for the three months ended 31 March 2021 was used as US\$ 1 = RUB 74.3491 (the three months ended 31 March 2020: US\$ 1 = RUB 66.1475).

**3. SEASONAL OPERATIONS**

The Group's operations are not affected significantly by seasonal or cyclical factors during the financial year.

**PUBLIC JOINT STOCK COMPANY  
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2021**

*(In millions of U.S. Dollars, unless otherwise stated)*

**4. REVENUE**

<b>By product (including transportation services)</b>	<b>Three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
Hot rolled steel	1,019	711
Galvanised steel	374	286
Long steel products	170	175
Cold rolled steel	135	145
Galvanised steel with polymeric coating	168	115
Hardware products	37	36
Wire, sling, bracing	43	34
Formed section	22	33
Coking production	22	24
Band	28	21
Tin plated steel	32	32
Coal	4	4
Tubes	9	7
Scrap	19	9
Slabs	30	-
Others	73	78
<b>Total</b>	<b>2,185</b>	<b>1,710</b>

<b>By customer destination</b>	<b>Three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
Russian Federation and the CIS	77 %	89 %
Middle East	12 %	6 %
Asia	2 %	2 %
Europe	5 %	2 %
Africa	3 %	1 %
South America	1 %	- %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

<b>By type of performance obligation</b>	<b>Three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
Revenue from sales of products - at point in time	2,079	1,636
Revenue from transportation services - over time	106	74
<b>Total</b>	<b>2,185</b>	<b>1,710</b>

**5. SEGMENT INFORMATION**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. IFRS 8 "Operating segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segments and to assess their performance, and for which discrete financial information is available.

The Group has identified the General Director of the Parent Company as its CODM.

Based on the current management structure and internal reporting the Group has identified the following segments:

- *Steel segment (Russia)*, which includes the Parent Company and its subsidiaries involved in production of steel, wire and hardware products. All significant assets, production and management and administrative facilities of this segment are located in the city of Magnitogorsk and Lysva (Russian Federation);

**PUBLIC JOINT STOCK COMPANY  
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED 31 MARCH 2021**

*(In millions of U.S. Dollars, unless otherwise stated)*

**5. SEGMENT INFORMATION (CONTINUED)**

- *Steel segment (Turkey)*, which includes MMK Metalurji involved in production of steel. The two sites of this segment are located in Iskenderun and Istanbul (Turkey); and
- *Coal mining segment*, which includes OJSC Belon and LLC MMK Ugol involved in mining and refining of coal. All significant assets, production and management and administrative facilities of this segment are located in the city of Belovo (Russian Federation).

The profitability of the three operating segments is primarily measured by CODM based on Segment EBITDA. Segment EBITDA is determined as segment's operating profit adjusted to exclude depreciation and amortisation expense and loss on disposal of property, plant and equipment, and to include the share of result of associates, including the impairment of investments in associates. Since this term is not a standard measure in IFRS the Group's definition of EBITDA may differ from that of other companies.

Inter-segment pricing is determined on a consistent basis using market benchmarks.

The following table presents measures of segment results for the three months ended 31 March 2021 and 2020:

	<b>Three months ended 31 March</b>									
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>Steel (Russia)</b>		<b>Steel (Turkey)</b>		<b>Coal mining</b>		<b>Eliminations</b>		<b>Total</b>	
<b>Revenue (including transportation revenue)</b>										
Sales to external customers	2,014	1,593	166	113	5	4	-	-	<b>2,185</b>	<b>1,710</b>
Inter-segment sales	91	9	-	-	55	50	(146)	(59)	-	-
<b>Total revenue</b>	<b>2,105</b>	<b>1,602</b>	<b>166</b>	<b>113</b>	<b>60</b>	<b>54</b>	<b>(146)</b>	<b>(59)</b>	<b>2,185</b>	<b>1,710</b>
<b>Segment EBITDA</b>	<b>707</b>	<b>421</b>	<b>27</b>	<b>3</b>	<b>25</b>	<b>16</b>	<b>(33)</b>	<b>2</b>	<b>726</b>	<b>442</b>
Depreciation and amortisation	(109)	(122)	(3)	(5)	(8)	(8)	-	-	<b>(120)</b>	<b>(135)</b>
Loss on disposal of property, plant and equipment	(6)	(24)	-	-	-	-	-	-	<b>(6)</b>	<b>(24)</b>
<b>Operating profit/(loss) per IFRS financial statements</b>	<b>592</b>	<b>275</b>	<b>24</b>	<b>(2)</b>	<b>17</b>	<b>8</b>	<b>(33)</b>	<b>2</b>	<b>600</b>	<b>283</b>

A reconciliation from operating profit per IFRS financial statements to profit before taxation is included in the unaudited condensed consolidated statement of comprehensive income.

At 31 March 2021 and 31 December 2020, the segments' total assets and liabilities were reconciled to total assets and liabilities as follows:

	<b>31 March 2021</b>				
	<b>Steel (Russia)</b>	<b>Steel (Turkey)</b>	<b>Coal mining</b>	<b>Eliminations</b>	<b>Total</b>
Total assets	8,172	539	410	(1,695)	7,426
Total liabilities	2,340	115	104	(102)	2,457
	<b>31 December 2020</b>				
	<b>Steel (Russia)</b>	<b>Steel (Turkey)</b>	<b>Coal mining</b>	<b>Eliminations</b>	<b>Total</b>
Total assets	8,266	499	400	(1,673)	7,492
Total liabilities	2,757	95	99	(60)	2,891

The Group's management closely monitors operating results of its segments and assess whether impairment indicators exist at each reporting date.

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**6. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
Payroll and social taxes	28	29
Taxes other than income tax	6	5
Depreciation and amortisation	6	7
Professional services	5	5
Insurance	1	1
Materials	1	-
Other	4	3
<b>Total</b>	<b>51</b>	<b>50</b>

**7. OTHER OPERATING EXPENSES/(INCOME), NET**

	<b>Three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
Loss on disposal of property, plant and equipment	6	24
Provision for legal claims	3	-
Gain on disposal of other assets	(6)	(3)
Other operating gain, net	-	(3)
<b>Total</b>	<b>3</b>	<b>18</b>

**8. FINANCE COSTS**

	<b>Three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
Interest expense on borrowings	2	-
Interest expense on provisions	1	4
Interest expense on bonds	5	5
<b>Total</b>	<b>8</b>	<b>9</b>

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**9. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings	Machinery and equip- ment	Trans- portation equip- ment	Fixtures and fittings	Mining assets	Construc- tion in progress	Total
<b>Cost</b>							
<b>At 1 January 2021</b>	<b>2,913</b>	<b>5,875</b>	<b>178</b>	<b>165</b>	<b>77</b>	<b>840</b>	<b>10,048</b>
Additions	1	37	-	-	-	96	134
Transfers	21	52	3	6	-	(82)	-
Site restoration provision	-	-	-	-	(2)	-	(2)
Disposals	(4)	(42)	(1)	-	-	(2)	(49)
Effect of translation to presentation currency	(56)	(119)	(4)	(4)	(2)	(20)	(205)
<b>At 31 March 2021</b>	<b>2,875</b>	<b>5,803</b>	<b>176</b>	<b>167</b>	<b>73</b>	<b>832</b>	<b>9,926</b>
<b>Depreciation</b>							
<b>At 1 January 2021</b>	<b>(1,392)</b>	<b>(3,771)</b>	<b>(133)</b>	<b>(137)</b>	<b>(52)</b>	<b>(22)</b>	<b>(5,507)</b>
Charge for the period	(22)	(89)	(3)	(2)	(1)	-	(117)
Disposals	2	37	1	-	-	-	40
Effect of translation to presentation currency	23	70	3	3	1	1	101
<b>At 31 March 2021</b>	<b>(1,389)</b>	<b>(3,753)</b>	<b>(132)</b>	<b>(136)</b>	<b>(52)</b>	<b>(21)</b>	<b>(5,483)</b>
<b>Carrying amount</b>							
<b>At 1 January 2021</b>	<b>1,521</b>	<b>2,104</b>	<b>45</b>	<b>28</b>	<b>25</b>	<b>818</b>	<b>4,541</b>
<b>At 31 March 2021</b>	<b>1,486</b>	<b>2,050</b>	<b>44</b>	<b>31</b>	<b>21</b>	<b>811</b>	<b>4,443</b>
<b>Carrying amount had no impairment taken place</b>							
<b>At 1 January 2021</b>	<b>1,895</b>	<b>2,188</b>	<b>46</b>	<b>28</b>	<b>37</b>	<b>840</b>	<b>5,034</b>
<b>At 31 March 2021</b>	<b>1,856</b>	<b>2,116</b>	<b>44</b>	<b>32</b>	<b>33</b>	<b>832</b>	<b>4,913</b>

During the three months ended 31 March 2021 and 2020 the Group did not capitalise borrowing costs.

At 31 March 2021 carrying amount of the construction in progress included impairment provision of USD 21 million (31 December 2020: USD 22 million).

Capital commitments are disclosed in Note 16.

**10. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS**

	31 March 2021	31 December 2020
<b>Non-current financial assets</b>		
Unlisted securities	2	2
<b>Total non-current</b>	<b>2</b>	<b>2</b>
<b>Current financial assets</b>		
Trading debt securities	7	7
Bank deposits, USD	420	200
<b>Total current</b>	<b>427</b>	<b>207</b>

Trading debt securities are liquid publicly traded bonds of Russian companies and notes of Russian companies and banks. They are reflected at period-end market value based on trade prices obtained from investment brokers.

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**11. CASH AND CASH EQUIVALENTS**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Cash, RUB	1	-
Cash in banks, USD	222	255
Cash in banks, EUR	16	8
Cash in banks, RUB	61	44
Cash in banks, other	1	1
Cash in transit, USD	-	1
Bank deposits, USD	14	85
Bank deposits, RUB	72	461
Bank deposits, EUR	3	1
Bank deposits, TRY	-	2
<b>Total</b>	<b>390</b>	<b>858</b>

**12. SHARE CAPITAL**

**Common stock**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Authorised, issued and fully paid common shares with a par value of RUB 1 each (in thousands)	11,174,330	11,174,330

During the three months ended 31 March 2021 and 31 March 2020 the Group did not acquire or sell common shares of the Parent Company (treasury shares).

**Dividends**

On 25 December 2020, the Parent Company declared dividends of RUB 2.391 (USD 0.032) per ordinary share representing total dividends of USD 357 million. In January and February 2021 dividends were paid out.

**13. LONG-TERM BORROWINGS AND LOANS**

	<b>31 March 2021</b>	<b>31 December 2020</b>
Unsecured listed bonds, USD	483	478
Unsecured borrowings, RUR	6	-
Unsecured loans, EUR	57	70
<b>Total</b>	<b>546</b>	<b>548</b>

The information provided below refers to total long-term borrowings, including current portion, identified in Note 14.

**Loans**

The Group has various borrowing arrangements denominated in RUB, USD and EUR with various lenders. Those borrowings consist of unsecured and secured loans and credit facilities. At 31 March 2021 and 31 December 2020, the total unused element of all credit facilities was USD 1,357 million and USD 1,494 million, respectively.

At 31 March 2021 and 31 December 2020, the Group was in compliance with its debt covenants.



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**13. LONG-TERM BORROWINGS (CONTINUED)**

**Debt repayment schedule**

**31 March  
2021**

Periods of twelve months ending on 31 March	
2022 (presented as current portion of long-term borrowings and loans, Note 14)	59
2023	52
2024	29
2025	457
2026 and thereafter	8
<b>Total</b>	<b>605</b>

**Debt repayment schedule**

**31 December  
2020**

Periods of twelve months ending on 31 December	
2021 (presented as current portion of long-term borrowings and loans, Note 14)	60
2022	56
2023	30
2024	451
2025 and thereafter	11
<b>Total</b>	<b>608</b>

**Eurobonds**

On 13 June 2019, the Group issued 5-year USD 500 million eurobonds with an annual coupon rate of 4.375% payable semi-annually to finance its general corporate purposes. The bonds are repayable on 13 June 2024.

**Net Debt Reconciliation**

The table below sets out an analysis of net debt. Net debt reconciliation is a reconciliation of the movements in the Group's liabilities from financing activities net of cash and cash equivalents and bank deposits for the current period.

	<b>Borrowings and loans (Note 13, 14)</b>	<b>Leases</b>	<b>Cash and cash equivalents (Note 11)</b>	<b>Bank deposits (Note 10)/ Interest income)</b>	<b>Total</b>
<b>At 1 January 2021</b>	<b>(959)</b>	<b>(11)</b>	<b>858</b>	<b>200</b>	<b>88</b>
Cash flows, net	3	1	(455)	216	(235)
Effect of translation to presentation currency and exchange rate changes	16	1	(13)	1	5
Interest (charge)/income	(7)	-	-	3	(4)
Other	1	-	-	-	1
<b>At 31 March 2021</b>	<b>(946)</b>	<b>(9)</b>	<b>390</b>	<b>420</b>	<b>(145)</b>

For the purposes of this disclosure interest income amounts include interest accrued on all bank deposits (Note 10 and 11).

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**14. SHORT-TERM BORROWINGS AND LOANS AND CURRENT PORTION OF LONG-TERM  
BORROWINGS AND LOANS**

	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>Short-term loans:</b>		
Unsecured loans, RUB	39	40
Unsecured loans, EUR	235	246
Unsecured borrowings, RUB	4	2
Unsecured loans, USD	63	63
	<b>341</b>	<b>351</b>
<b>Current portion of long-term loans:</b>		
Unsecured listed bonds, USD	21	21
Unsecured loans, EUR	38	39
	<b>59</b>	<b>60</b>
<b>Total</b>	<b>400</b>	<b>411</b>

Short-term borrowings and loans and current portion of long-term borrowings and loans are repayable as follows:

	<b>31 March 2021</b>	<b>31 December 2020</b>
Due in:		
1 month	-	9
1-3 months	46	262
3 months to 1 year	354	140
<b>Total</b>	<b>400</b>	<b>411</b>

**15. RELATED PARTIES**

**Transactions and balances outstanding with related parties**

Transactions between the Parent Company and its subsidiaries, which are related parties of the Parent Company, have been eliminated on consolidation and are not disclosed in this note.

The Group enters into transactions with related parties in the ordinary course of business for the purchase and sale of goods and services and in relation to the provision of financing agreements to and from the Group entities. Transactions with related parties are generally performed on arm's length basis.

Details of transactions with and balances between the Group and related parties at 31 March 2021 and 31 December 2020 and for the three months ended 31 March 2021 and 31 March 2020 are disclosed below.

Other related parties include entities under common control with the Group and companies controlled by key management personnel of the Group. The amounts outstanding are unsecured and will be settled in cash.

**a) Transactions with associates of the Group**

	<b>Three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
Revenue	1	1
Purchases	-	1
Other expenses	1	-
	<b>31 March 2021</b>	<b>31 December 2020</b>
<b>Balances outstanding</b>		
Borrowings	4	-
Trade and other receivables	1	-

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**15. RELATED PARTIES (CONTINUED)**

**b) Transactions with other related parties**

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2021</b>	<b>2020</b>
Revenue	219	30
Purchases	-	1

	<b>31 March</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
<b>Balances outstanding</b>		
Cash and cash equivalents	90	35
Borrowings	-	1
Trade and other receivables	101	106

**Remuneration of the Group's key management personnel**

Key management personnel include key management of the Group and members of the Board of Directors and receive only short-term employment benefits. For the three months ended 31 March 2021 and 2020, total key management personnel compensation included in general and administrative expenses amounted to USD 3 million and USD 2 million, respectively, including social taxes.

**16. COMMITMENTS AND CONTINGENCIES**

**Capital commitments**

At 31 March 2021, the Group had purchase agreements of approximately USD 650 million to acquire property, plant and equipment (31 December 2020: USD 678 million). Penalties are payable or receivable under these agreements in certain circumstances and where supply terms are not adhered to. Management does not expect such conditions to result in a loss to the Group.

**Contingencies**

**Taxation contingencies in the Russian Federation**

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

The Russian transfer pricing (TP) legislation is generally aligned with the international TP principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. The TP legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis. The Management has implemented internal controls to comply with current TP legislation.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of TP rules, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Group's operations.

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**16. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate. As a result, management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes for temporary differences that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

**Russian business environment**

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

**Impact of COVID-19**

In Q1 2021, launching a high-scale programme of public vaccination across the country laid the necessary foundation for further relief of the epidemiological stress. At this background, MMK Group initiated its staff vaccination programme which, coupled with an improvement of the epidemiological situation, allowed to return to on-site operations in the Russian Federation starting from the beginning of April 2021. In MMK Group, the headquarters managed by CEO continued its operations aimed to prevent the spread of the coronavirus infection. Protection of health of the Group's employees, along with ensuring smooth operation of all business processes, is still our key priority.

In Q1 2021, global recovery of business activity continued. An increased demand for metal products against the backdrop of limited supply was observed at the world markets. As a result, the prices for metal products were steadily growing at the main global markets during the entire quarter. The start of the construction season in Russia and positive trends at the global markets will have a positive impact on the results of MMK Group's operation in Q2 2021.

The Group's management continues to closely monitor the pandemic development, taking measures to mitigate the risks for its employees and business as a whole.

**17. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates. Accordingly, the estimates applied are not necessarily indicative of the amounts that the Group could realise in a current market exchange. The use of different assumptions and estimation methodologies may have a material impact on the estimated fair values.

Where it was available, management of the Group determined fair value of unlisted shares using a valuation technique that was supported by publicly available market information.

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**17. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The carrying amounts of financial instruments such as cash (Level 1) and cash equivalents (Level 2), bank deposits, trade and other receivables, lease obligations, short-term and long-term borrowings (except for listed bonds), trade and other payables are reasonable approximation of their fair values as at 31 March 2021 and 31 December 2020 (Level 3 of fair value hierarchy). Fair value of the financial assets at amortized cost is valued at the net present value of estimated future cash flows. The Group also considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

The fair value of floating rate instruments is normally approximation of their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

The fair value of eurobonds is determined on the basis of market value and relates to level 1 of the fair value hierarchy.

The following table presents the fair value of financial instruments carried at FVTPL and eurobonds at the end of reporting period across the three levels of the fair value hierarchy defined in IFRS 13 Fair Value Measurement, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value management. The levels are defined as follows:

Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	Level 1	Level 2	Level 3	Total
<b>31 March 2021</b>				
Unlisted equity securities	-	-	2	2
Trading debt securities	7	-	-	7
<b>Total assets</b>	<b>7</b>	<b>-</b>	<b>2</b>	<b>9</b>
Eurobonds	536	-	-	536
<b>Total liabilities</b>	<b>536</b>	<b>-</b>	<b>-</b>	<b>536</b>
<b>31 December 2020</b>				
Unlisted equity securities	-	-	2	2
Trading debt securities	7	-	-	7
<b>Total assets</b>	<b>7</b>	<b>-</b>	<b>2</b>	<b>9</b>
Eurobonds	540	-	-	540
<b>Total liabilities</b>	<b>540</b>	<b>-</b>	<b>-</b>	<b>540</b>

**18. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The unaudited condensed consolidated interim financial statements for the three months ended 31 March 2021 were approved by the Group's management and authorized for issue on 21 April 2021.