

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

**Unaudited Condensed Consolidated Interim  
Financial Statements**

For the Three and Nine Months Ended 30 September 2021

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

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FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2021

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FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 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 AND NINE MONTHS ENDED 30 SEPTEMBER 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 30 September 2021 and for the three and nine 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 and nine months ended 30 September 2021 were approved on 25 October 2021 by:

  
**P. V. Shilyaev**  
Chief Executive Officer



  
**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

25 October 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 30 September 2021 and the related unaudited condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, unaudited condensed consolidated statements of changes in equity and cash flows for the nine-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*

25 October 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 AND NINE MONTHS ENDED 30 SEPTEMBER 2021**

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

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021	2020	2021	2020
REVENUE	4	3,031	1,565	8,471	4,543
COST OF SALES		(1,691)	(1,165)	(4,825)	(3,388)
<b>GROSS PROFIT</b>		<b>1,340</b>	<b>400</b>	<b>3,646</b>	<b>1,155</b>
General and administrative expenses	6	(58)	(52)	(163)	(156)
Selling and distribution expenses		(264)	(120)	(573)	(335)
Change in expected credit loss, net		(2)	4	(1)	(4)
Other operating income/(expenses), net	7	7	(14)	20	(69)
<b>OPERATING PROFIT</b>	5	<b>1,023</b>	<b>218</b>	<b>2,929</b>	<b>591</b>
Finance income		10	5	21	17
Finance costs	8	(11)	(1)	(27)	(33)
Impairment and provision for site restoration		10	2	14	(3)
Foreign exchange loss, net		(4)	(82)	-	(140)
Other expenses		(15)	(17)	(45)	(59)
<b>PROFIT BEFORE INCOME TAX</b>		<b>1,013</b>	<b>125</b>	<b>2,892</b>	<b>373</b>
INCOME TAX		(194)	(23)	(565)	(82)
<b>PROFIT FOR THE PERIOD</b>		<b>819</b>	<b>102</b>	<b>2,327</b>	<b>291</b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>					
<i>Items, that may be reclassified subsequently to profit or loss</i>					
Translation of foreign operations		-	167	(34)	335
<i>Items, that will not be reclassified subsequently to profit or loss</i>					
Remeasurements of post-employment benefit obligations		1	-	1	-
Effect of translation to presentation currency		(22)	(715)	125	(1,486)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX</b>		<b>(21)</b>	<b>(548)</b>	<b>92</b>	<b>(1,151)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>798</b>	<b>(446)</b>	<b>2,419</b>	<b>(860)</b>
Profit attributable to:					
Shareholders of the Parent Company		818	102	2,325	290
Non-controlling interests		1	-	2	1
		<b>819</b>	<b>102</b>	<b>2,327</b>	<b>291</b>
Total comprehensive income/(loss) attributable to:					
Shareholders of the Parent Company		797	(444)	2,417	(857)
Non-controlling interests		1	(2)	2	(3)
		<b>798</b>	<b>(446)</b>	<b>2,419</b>	<b>(860)</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (U.S. Dollars)</b>		<b>0.073</b>	<b>0.009</b>	<b>0.208</b>	<b>0.026</b>
Weighted average number of ordinary shares outstanding (in thousands)		11,174,330	11,174,330	11,174,330	11,174,330

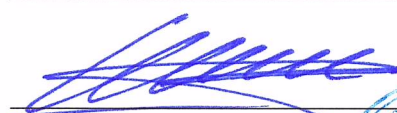
The notes on pages 5 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT  
30 SEPTEMBER 2021**

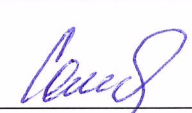
(In millions of U.S. Dollars)

	Notes	30 September 2021	31 December 2020
<b>ASSETS</b>			
NON-CURRENT ASSETS:			
Property, plant and equipment	9	4,911	4,541
Right-of-use assets		11	8
Intangible assets		37	40
Investments in securities and other financial assets	10	6	2
Investments in associates		1	1
Deferred tax assets		101	49
<b>Total non-current assets</b>		<b>5,067</b>	<b>4,641</b>
CURRENT ASSETS:			
Inventories		1,709	1,128
Trade and other receivables		1,116	606
Investments in securities and other financial assets	10	328	207
Income tax receivable		-	5
Value added tax recoverable		89	47
Cash and cash equivalents	11	579	858
<b>Total current assets</b>		<b>3,821</b>	<b>2,851</b>
<b>TOTAL ASSETS</b>		<b>8,888</b>	<b>7,492</b>
<b>EQUITY AND LIABILITIES</b>			
EQUITY:			
Share capital	12	386	386
Share premium		969	969
Translation reserve		(6,204)	(6,295)
Retained earnings		10,892	9,522
Equity attributable to shareholders of the Parent Company		6,043	4,582
Non-controlling interests		21	19
<b>Total equity</b>		<b>6,064</b>	<b>4,601</b>
NON-CURRENT LIABILITIES:			
Long-term borrowings	13	540	548
Obligations under leases		8	8
Retirement benefit obligations		17	18
Long-term other payables		-	2
Site restoration provision		107	125
Deferred tax liabilities		376	365
<b>Total non-current liabilities</b>		<b>1,048</b>	<b>1,066</b>
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	14	488	411
Current portion of obligations under leases		4	3
Current portion of retirement benefit obligations		1	2
Trade and other payables		1,242	1,380
Current portion of site restoration provision		11	11
Income tax payables		30	18
<b>Total current liabilities</b>		<b>1,776</b>	<b>1,825</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,888</b>	<b>7,492</b>

  
**P. V. Shilyaev**  
Chief Executive Officer

25 October 2021  
Magnitogorsk, Russia



  
**O. Y. Samoylova**  
Director of ООО 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 NINE MONTHS ENDED 30 SEPTEMBER 2021**

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

	Attributable to shareholders of the Parent Company				Total	Non-controlling interest	
	Share capital	Share premium	Translation reserve	Retained earnings		interest	Total equity
<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	-	-	-	290	290	1	291
Other comprehensive loss for the period, net of tax	-	-	(1,147)	-	(1,147)	(4)	(1,151)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(1,147)</b>	<b>290</b>	<b>(857)</b>	<b>(3)</b>	<b>(860)</b>
Dividends	-	-	-	(326)	(326)	-	(326)
Decrease in non-controlling interests due to changes of Group's share in subsidiaries	-	-	-	1	1	(1)	-
<b>BALANCE AT 30 SEPTEMBER 2020</b>	<b>386</b>	<b>969</b>	<b>(6,605)</b>	<b>9,565</b>	<b>4,315</b>	<b>18</b>	<b>4,333</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	-	-	-	2,325	2,325	2	2,327
Other comprehensive income for the period, net of tax	-	-	91	1	92	-	92
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>91</b>	<b>2,326</b>	<b>2,417</b>	<b>2</b>	<b>2,419</b>
Dividends	-	-	-	(956)	(956)	-	(956)
<b>BALANCE AT 30 SEPTEMBER 2021</b>	<b>386</b>	<b>969</b>	<b>(6,204)</b>	<b>10,892</b>	<b>6,043</b>	<b>21</b>	<b>6,064</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 NINE MONTHS  
ENDED 30 SEPTEMBER 2021**

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

	Notes	<b>Nine months ended 30 September</b>	
		<b>2021</b>	<b>2020</b>
<b>OPERATING ACTIVITIES:</b>			
Profit for the period		2,327	291
Adjustments to profit for the period:			
Income tax		565	82
Depreciation and amortization	5	375	368
Impairment and provision for site restoration		(14)	3
Finance costs	8	27	33
Loss on disposal of property, plant and equipment	7	14	59
Change in expected credit loss		1	4
Change in allowance for advances issued	7	1	-
Change in provision for legal claims	7	1	17
Change in allowance for obsolete and slow-moving inventory		(3)	(3)
Finance income		(21)	(17)
Foreign exchange loss, net		-	140
(Gain)/loss on disposal of subsidiaries	7	(2)	4
<b>Operating cashflow before working capital changes</b>		<b>3,271</b>	<b>981</b>
Movements in working capital			
Increase in trade and other receivables		(500)	(58)
(Increase)/decrease in value added tax recoverable		(46)	1
(Increase)/decrease in inventories		(552)	92
Increase/(decrease) in trade and other payables		205	(19)
<b>Cash generated from operations</b>		<b>2,378</b>	<b>997</b>
Interest paid		(13)	(14)
Income tax paid		(593)	(104)
<b>Net cash from operating activities</b>		<b>1,772</b>	<b>879</b>
<b>INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		(706)	(457)
Purchase of intangible assets		(8)	(8)
Proceeds from sale of property, plant and equipment		1	1
Interest received		20	17
Proceeds from sale of securities and other financial assets		3	2
Purchase of securities and other financial assets		(3)	(2)
Placement of short-term bank deposits		(840)	(620)
Withdrawal of short-term bank deposits		720	370
<b>Net cash used in investing activities</b>		<b>(813)</b>	<b>(697)</b>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from borrowings		497	602
Repayments of borrowings		(416)	(540)
Repayment of the principal amount of the lease obligation		(3)	(2)
Dividends paid to equity holders of the Parent Company		(1,321)	(536)
<b>Net cash used in financing activities</b>		<b>(1,243)</b>	<b>(476)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(284)</b>	<b>(294)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	11	<b>858</b>	<b>1,105</b>
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies		5	(81)
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	11	<b>579</b>	<b>730</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 AND NINE MONTHS ENDED 30 SEPTEMBER 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 30 September 2021 the Parent Company's major shareholder was Mintha Holding Limited with a 79.8% 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 30 September 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 and nine months ended 30 September 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 30 September 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 AND NINE MONTHS ENDED 30 SEPTEMBER 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);
- Covid-19-Related Rent Concessions - Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021);
- Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

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 30 September 2021, the official exchange rate was: US\$ 1 = RUB 72.7608 (31 December 2020 US\$ 1 = RUB 73.8757). Exchange rate for the nine months ended 30 September 2021 was used as US\$ 1 = RUB 73.9355 (nine months ended 30 September 2020: US\$ 1 = RUB 70.5968).

**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 AND NINE MONTHS ENDED 30 SEPTEMBER 2021**

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

**4. REVENUE**

<b>By product (including transportation services)</b>	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Hot rolled steel	1,313	568	3,866	1,724
Galvanised steel	697	308	1,715	834
Long steel products	210	158	621	454
Galvanised steel with polymeric coating	210	166	613	406
Cold rolled steel	202	117	537	367
Wire, sling, bracing	66	33	169	92
Hardware products	49	32	131	102
Tin plated steel	47	31	115	94
Slabs	27	-	104	5
Band	36	17	100	54
Coking production	29	16	79	52
Formed section	25	12	67	59
Scrap	19	20	62	50
Tubes	15	14	47	31
Coal	13	4	25	15
Others	73	69	220	204
<b>Total</b>	<b>3,031</b>	<b>1,565</b>	<b>8,471</b>	<b>4,543</b>

<b>By customer destination</b>	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Russian Federation and the CIS	71 %	86 %	77 %	85 %
Middle East	9 %	7 %	10 %	7 %
Europe	10 %	3 %	7 %	3 %
Asia	7 %	3 %	3 %	3 %
Africa	1 %	1 %	2 %	2 %
North America	2 %	- %	1 %	- %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

<b>By type of performance obligation</b>	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Revenue from sales of products - at point in time	2,918	1,484	8,131	4,328
Revenue from transportation services - over time	113	81	340	215
<b>Total</b>	<b>3,031</b>	<b>1,565</b>	<b>8,471</b>	<b>4,543</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);

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**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 30 September 2021 and 2020:

	<b>Three months ended 30 September</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	2,688	1,425	330	137	13	3	-	-	3,031	1,565
Inter-segment sales	172	31	-	-	103	33	(275)	(64)	-	-
<b>Total revenue</b>	<b>2,860</b>	<b>1,456</b>	<b>330</b>	<b>137</b>	<b>116</b>	<b>36</b>	<b>(275)</b>	<b>(64)</b>	<b>3,031</b>	<b>1,565</b>
<b>Segment EBITDA</b>	<b>1,050</b>	<b>336</b>	<b>67</b>	<b>11</b>	<b>62</b>	<b>-</b>	<b>(22)</b>	<b>3</b>	<b>1,157</b>	<b>350</b>
Depreciation and amortisation	(119)	(105)	(4)	(5)	(8)	(7)	-	-	(131)	(117)
Loss on disposal of property, plant and equipment	(3)	(15)	-	-	-	-	-	-	(3)	(15)
<b>Operating profit/(loss) per IFRS financial statements</b>	<b>928</b>	<b>216</b>	<b>63</b>	<b>6</b>	<b>54</b>	<b>(7)</b>	<b>(22)</b>	<b>3</b>	<b>1,023</b>	<b>218</b>

The following table presents measures of segment results for the nine months ended 30 September 2021 and 2020:

	<b>Nine months ended 30 September</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	7,713	4,175	732	353	26	15	-	-	8,471	4,543
Inter-segment sales	431	63	-	-	227	118	(658)	(181)	-	-
<b>Total revenue</b>	<b>8,144</b>	<b>4,238</b>	<b>732</b>	<b>353</b>	<b>253</b>	<b>133</b>	<b>(658)</b>	<b>(181)</b>	<b>8,471</b>	<b>4,543</b>
<b>Segment EBITDA</b>	<b>3,160</b>	<b>993</b>	<b>144</b>	<b>13</b>	<b>117</b>	<b>6</b>	<b>(103)</b>	<b>6</b>	<b>3,318</b>	<b>1,018</b>
Depreciation and amortisation	(340)	(331)	(11)	(14)	(24)	(23)	-	-	(375)	(368)
Loss on disposal of property, plant and equipment	(14)	(59)	-	-	-	-	-	-	(14)	(59)
<b>Operating profit/(loss) per IFRS financial statements</b>	<b>2,806</b>	<b>603</b>	<b>133</b>	<b>(1)</b>	<b>93</b>	<b>(17)</b>	<b>(103)</b>	<b>6</b>	<b>2,929</b>	<b>591</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 30 September 2021 and 31 December 2020, the segments' total assets and liabilities were reconciled to total assets and liabilities as follows:

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**5. SEGMENT INFORMATION (CONTINUED)**

	30 September 2021				
	Steel (Russia)	Steel (Turkey)	Coal mining	Eliminations	Total
Total assets	9,427	867	505	(1,911)	8,888
Total liabilities	2,573	337	128	(214)	2,824

	31 December 2020				
	Steel (Russia)	Steel (Turkey)	Coal mining	Eliminations	Total
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.

**6. GENERAL AND ADMINISTRATIVE EXPENSES**

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Payroll and social taxes	28	25	84	79
Taxes other than income tax	10	9	23	27
Depreciation and amortisation	7	6	18	18
Professional services	6	7	17	16
Insurance	1	1	2	2
Materials	1	1	2	3
Other	5	3	17	11
<b>Total</b>	<b>58</b>	<b>52</b>	<b>163</b>	<b>156</b>

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

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Loss on disposal of property, plant and equipment	3	15	14	59
Provision for advances issued	-	-	1	-
Provision for legal claims	-	-	1	17
Gain on disposal of other assets	(6)	(4)	(17)	(10)
Loss/(gain) on disposal of subsidiaries	-	4	(2)	4
Insurance compensation of damage	(4)	-	(16)	-
Other operating gain, net	-	(1)	(1)	(1)
<b>Total</b>	<b>(7)</b>	<b>14</b>	<b>(20)</b>	<b>69</b>

**8. FINANCE COSTS**

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Interest expense on bonds	6	6	17	17
Interest expense on borrowings	-	-	3	-
Interest expense on provisions	4	1	6	9
Expenses related to withholding tax in respect to dividends paid in prior periods and related compensation, net	-	(7)	-	6
Other	1	1	1	1
<b>Total</b>	<b>11</b>	<b>1</b>	<b>27</b>	<b>33</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	114	3	-	-	581	699
Transfers	60	204	11	15	-	(290)	-
Site restoration provision	-	-	-	-	(3)	-	(3)
Disposals	(7)	(126)	(1)	(2)	-	(6)	(142)
Utilised allowance for impairment losses	-	-	-	-	-	(3)	(3)
Effect of translation to presentation currency	37	78	3	3	-	14	135
<b>At 30 September 2021</b>	<b>3,004</b>	<b>6,145</b>	<b>194</b>	<b>181</b>	<b>74</b>	<b>1,136</b>	<b>10,734</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	(66)	(279)	(10)	(8)	(2)	-	(365)
Utilised allowance for impairment losses	-	-	-	-	-	3	3
Disposals	4	107	1	1	-	-	113
Effect of translation to presentation currency	(16)	(47)	(2)	(1)	(1)	-	(67)
<b>At 30 September 2021</b>	<b>(1,470)</b>	<b>(3,990)</b>	<b>(144)</b>	<b>(145)</b>	<b>(55)</b>	<b>(19)</b>	<b>(5,823)</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 30 September 2021</b>	<b>1,534</b>	<b>2,155</b>	<b>50</b>	<b>36</b>	<b>19</b>	<b>1,117</b>	<b>4,911</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 30 September 2021</b>	<b>1,899</b>	<b>2,200</b>	<b>51</b>	<b>37</b>	<b>31</b>	<b>1,136</b>	<b>5,354</b>

During the nine months ended 30 September 2021 the Group did not capitalise borrowing costs. During the nine months ended 30 September 2020 the Group capitalised borrowing costs USD 1 million to property, plant and equipment.

At 30 September 2021 carrying amount of the construction in progress included impairment provision of USD 19 million (31 December 2020: USD 22 million).

Capital commitments are disclosed in Note 16.

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

	30 September 2021	31 December 2020
<b>Non-current financial assets</b>		
Unlisted securities	6	2
<b>Total non-current</b>	<b>6</b>	<b>2</b>
<b>Current financial assets</b>		
Trading debt securities	8	7
Bank deposits, USD	320	200
<b>Total current</b>	<b>328</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>30 September 2021</b>	<b>31 December 2020</b>
Cash, RUB	1	-
Cash in banks, USD	213	255
Cash in banks, RUB	81	44
Cash in banks, EUR	58	8
Cash in banks, other	1	1
Cash in transit, USD	5	1
Bank deposits, RUB	133	461
Bank deposits, USD	65	85
Bank deposits, EUR	20	1
Bank deposits, TRY	2	2
<b>Total</b>	<b>579</b>	<b>858</b>

**12. SHARE CAPITAL**

**Common stock**

	<b>30 September 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 and nine months ended 30 September 2021 and 30 September 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.

On 28 May 2021, the Parent Company declared dividends of RUB 0.945 (USD 0.013) for the year ended 31 December 2020 and RUB 1.795 (USD 0.024) for the period ended 31 March 2021 per ordinary share representing total dividends of USD 144 million and USD 273 million. In June and July 2021 dividends were paid out.

On 10 September 2021, the Parent Company declared dividends of RUB 3.530 (USD 0.048) per ordinary share representing total dividends of USD 539 million. In September 2021 dividends were paid out.

**13. LONG-TERM BORROWINGS**

	<b>30 September 2021</b>	<b>31 December 2020</b>
Unsecured listed bonds, USD	484	478
Unsecured loans, EUR	50	70
Unsecured borrowings, RUR	6	-
<b>Total</b>	<b>540</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 30 September 2021 and 31 December 2020, the total unused element of all credit facilities was USD 1,268 million and USD 1,494 million, respectively.

At 30 September 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**

**30 September  
2021**

Periods of twelve months ending on 30 September	
2022 (presented as current portion of long-term borrowings and loans, Note 14)	62
2023	40
2024	480
2025	17
2026 and thereafter	3
<b>Total</b>	<b>602</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	(68)	3	(284)	100	(249)
Effect of translation to presentation currency and exchange rate changes	19	1	5	1	26
Interest (charge)/income	(20)	(1)	-	19	(2)
Change in lease, net	-	(4)	-	-	(4)
<b>At 30 September 2021</b>	<b>(1,028)</b>	<b>(12)</b>	<b>579</b>	<b>320</b>	<b>(141)</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 CURRENT PORTION OF LONG-TERM BORROWINGS**

	<b>30 September 2021</b>	<b>31 December 2020</b>
<b>Short-term loans:</b>		
Unsecured loans, USD	211	63
Unsecured loans, EUR	210	246
Unsecured loans, RUB	-	40
Unsecured borrowings, RUB	5	2
	<b>426</b>	<b>351</b>
<b>Current portion of long-term loans:</b>		
Unsecured loans, EUR	41	39
Unsecured listed bonds, USD	21	21
	<b>62</b>	<b>60</b>
<b>Total</b>	<b>488</b>	<b>411</b>

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

	<b>30 September 2021</b>	<b>31 December 2020</b>
Due in:		
1 month	19	9
1-3 months	47	262
3 months to 1 year	422	140
<b>Total</b>	<b>488</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 30 September 2021 and 31 December 2020 and for the three and nine months ended 30 September 2021 and 30 September 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 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Revenue	3	-	7	2
Purchases	-	1	-	2
Other expenses	1	-	2	-
			<b>30 September 2021</b>	<b>31 December 2020</b>
<b>Balances outstanding</b>				
Borrowings			5	-
Trade and other receivables			2	-

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**15. RELATED PARTIES (CONTINUED)**

**b) Transactions with other related parties**

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Revenue	488	58	935	202
Purchases	1	-	3	2
Bank charges	-	-	1	1

<b>Balances outstanding</b>	30 September 2021	31 December 2020
Cash and cash equivalents	40	35
Borrowings	-	1
Trade and other receivables	271	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 nine months ended 30 September 2021 and 2020, total key management personnel compensation included in general and administrative expenses amounted to USD 8 million and USD 6 million, respectively, including social taxes.

**16. COMMITMENTS AND CONTINGENCIES**

**Capital commitments**

At 30 September 2021, the Group had purchase agreements of approximately USD 954 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.

In June 2021, the Russian Government approved the introduction of temporary combined duties on the export of ferrous and non-ferrous metals from August 1 to December 31, 2021. The amount of duties charged in August and September 2021 amounted to USD 104 million. The amount of the fee was included in selling expenses in the consolidated financial statements for the three and nine months ended September 30, 2021.

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**

The saturation of market with steel products and the beginning of a slowdown in business activity of end-consumers in Q3 2021 were reflected in the cooldown of steel demand and the price adjustments in global market. During Q3 2021, the key raw material indexes demonstrated a variety of trends. At the same time, MMK Group has a stable financial position and the lowest debt burden among global steelmakers.

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.

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 30 September 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.

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

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

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.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 September 2021</b>				
Unlisted equity securities	-	-	6	6
Trading debt securities	8	-	-	8
<b>Total assets</b>	<b>8</b>	<b>-</b>	<b>6</b>	<b>14</b>
Eurobonds	534	-	-	534
<b>Total liabilities</b>	<b>534</b>	<b>-</b>	<b>-</b>	<b>534</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 and nine months ended 30 September 2021 were approved by the Group's management and authorized for issue on 25 October 2021.