

Public Joint Stock Company Magnitogorsk Iron & Steel Works and Subsidiaries

**Unaudited Condensed Consolidated Interim
Financial Statements**

For the Three and Six Months Ended 30 June 2020

TABLE OF CONTENTS

Page

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION
AND APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020

REPORT ON REVIEW OF UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020:

Unaudited condensed consolidated statement of comprehensive income.....	1
Unaudited condensed consolidated statement of financial position	2
Unaudited condensed consolidated statement of changes in equity.....	3
Unaudited condensed consolidated statement of cash flows.....	4

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION.....	5
2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES.....	5
3. SEASONAL OPERATIONS.....	6
4. REVENUE.....	7
5. SEGMENT INFORMATION.....	7
6. GENERAL AND ADMINISTRATIVE EXPENSES.....	9
7. OTHER OPERATING EXPENSES/(INCOME), NET.....	9
8. FINANCE COSTS.....	9
9. PROPERTY, PLANT AND EQUIPMENT.....	10
10. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS.....	10
11. CASH AND CASH EQUIVALENTS.....	11
12. SHARE CAPITAL.....	11
13. LONG-TERM BORROWINGS AND LOANS.....	11
14. SHORT-TERM BORROWINGS AND LOANS AND CURRENT PORTION OF LONG-TERM BORROWINGS AND LOANS.....	12
15. RELATED PARTIES.....	13
16. COMMITMENTS AND CONTINGENCIES.....	14
17. FAIR VALUE OF FINANCIAL INSTRUMENTS.....	16
18. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS.....	17

**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 SIX MONTHS ENDED 30 JUNE 2020**

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 June 2020 and for the three and six 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 six months ended 30 June 2020 were approved on 28 July 2020 by:

S. Y. Unru
Acting General Director



28 July 2020
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



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 June 2020 and the related unaudited condensed consolidated statements of comprehensive income for the three-month and six-month periods then ended, changes in equity and cash flows for the six-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

28 July 2020
Moscow, Russian Federation

M.I. Maisiboriko, 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 SIX MONTHS ENDED 30 JUNE 2020**

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

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
REVENUE	4	1,268	1,999	2,978	3,835
COST OF SALES		(990)	(1,451)	(2,223)	(2,772)
GROSS PROFIT		278	548	755	1,063
General and administrative expenses	6	(54)	(52)	(104)	(103)
Selling and distribution expenses		(94)	(120)	(215)	(261)
Change in expected credit loss, net		(3)	(4)	(8)	(10)
Other operating (expenses)/income, net	7	(37)	4	(55)	7
OPERATING PROFIT	5	90	376	373	696
Finance income		6	6	12	11
Finance costs	8	(23)	(8)	(32)	(15)
Impairment and provision for site restoration		(8)	(5)	(5)	(7)
Foreign exchange gain/(loss), net		33	(6)	(58)	(20)
Other expenses		(15)	(25)	(42)	(47)
PROFIT BEFORE INCOME TAX		83	338	248	618
INCOME TAX		(25)	(66)	(59)	(121)
PROFIT FOR THE PERIOD		58	272	189	497
OTHER COMPREHENSIVE INCOME/(LOSS)					
<i>Items, that may be reclassified subsequently to profit or loss</i>					
Translation of foreign operations		(123)	(32)	168	(132)
<i>Items, that will not be reclassified subsequently to profit or loss</i>					
Effect of translation to presentation currency		588	158	(771)	597
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		465	126	(603)	465
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		523	398	(414)	962
Profit attributable to:					
Shareholders of the Parent Company		57	271	188	495
Non-controlling interests		1	1	1	2
		58	272	189	497
Total comprehensive income/(loss) attributable to:					
Shareholders of the Parent Company		520	397	(413)	958
Non-controlling interests		3	1	(1)	4
		523	398	(414)	962
BASIC AND DILUTED EARNINGS PER SHARE (U.S. Dollars)		0.005	0.024	0.017	0.044
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 17 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 JUNE 2020**

(In millions of U.S. Dollars)

	Notes	30 June 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	9	4,645	5,180
Right-of-use assets		8	7
Intangible assets		39	47
Investments in securities and other financial assets	10	2	2
Investments in associates		1	2
Deferred tax assets		51	55
Total non-current assets		4,746	5,293
CURRENT ASSETS:			
Inventories		1,048	1,216
Trade and other receivables		604	594
Investments in securities and other financial assets	10	187	8
Income tax receivable		9	5
Value added tax recoverable		66	58
Cash and cash equivalents	11	477	1,105
Assets classified as held for sale		4	5
Total current assets		2,395	2,991
TOTAL ASSETS		7,141	8,284
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	12	386	386
Share premium		969	969
Translation reserve		(6,059)	(5,458)
Retained earnings		9,553	9,600
Equity attributable to shareholders of the Parent Company		4,849	5,497
Non-controlling interests		20	22
Total equity		4,869	5,519
NON-CURRENT LIABILITIES:			
Long-term borrowings	13	549	527
Obligations under leases		8	9
Retirement benefit obligations		19	21
Long-term other payables		3	5
Site restoration provision		208	228
Deferred tax liabilities		359	410
Total non-current liabilities		1,146	1,200
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	14	334	333
Current portion of obligations under leases		3	1
Current portion of retirement benefit obligations		2	2
Trade and other payables		772	1,210
Current portion of site restoration provision		12	9
Income tax payables		-	6
Liabilities of disposal groups classified as held for sale		3	4
Total current liabilities		1,126	1,565
TOTAL EQUITY AND LIABILITIES		7,141	8,284

S. Y. Unru
Acting General Director

28 July 2020
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 17 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 AND SIX MONTHS ENDED 30 JUNE 2020

(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
BALANCE AT 1 JANUARY 2019	386	969	(6,029)	9,662	4,988	21	5,009
Profit for the period	-	-	-	495	495	2	497
Other comprehensive income for the period, net of tax	-	-	463	-	463	2	465
Total comprehensive income for the period	-	-	463	495	958	4	962
Dividends	-	-	-	(496)	(496)	-	(496)
Decrease in non-controlling interests due to changes of Group's share in subsidiaries	-	-	-	6	6	(8)	(2)
BALANCE AT 30 JUNE 2019	386	969	(5,566)	9,667	5,456	17	5,473
BALANCE AT 1 JANUARY 2020	386	969	(5,458)	9,600	5,497	22	5,519
Profit for the period	-	-	-	188	188	1	189
Other comprehensive loss for the period, net of tax	-	-	(601)	-	(601)	(2)	(603)
Total comprehensive loss for the period	-	-	(601)	188	(413)	(1)	(414)
Dividends	-	-	-	(236)	(236)	-	(236)
Decrease in non-controlling interests due to changes of Group's share in subsidiaries	-	-	-	1	1	(1)	-
BALANCE AT 30 JUNE 2020	386	969	(6,059)	9,553	4,849	20	4,869

The notes on pages 5 to 17 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 AND SIX MONTHS ENDED 30 JUNE 2020**

(In millions of U.S. Dollars)

	Notes	Six months ended 30 June	
		2020	2019
OPERATING ACTIVITIES:			
Profit for the period		189	497
Adjustments to profit for the period:			
Income tax		59	121
Depreciation and amortization	5	251	240
Impairment losses and provision for site restoration		5	7
Finance costs	8	32	15
Loss on disposal of property, plant and equipment	7	44	1
Change in expected credit loss		8	10
Change in allowance for advances issued	7	-	(1)
Change in provision for legal claims	7	17	1
Change in allowance for obsolete and slow-moving inventory		3	6
Finance income		(12)	(11)
Foreign exchange loss, net		58	20
Operating cashflow before working capital changes		654	906
Movements in working capital			
Increase in trade and other receivables		(92)	(108)
(Increase)/decrease in value added tax recoverable		(13)	16
Decrease in inventories		61	77
Decrease in trade and other payables		(130)	(6)
Cash generated from operations		480	885
Interest paid		(13)	(10)
Income tax paid		(76)	(150)
Net cash from operating activities		391	725
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(302)	(404)
Purchase of intangible assets		(4)	(8)
Proceeds from sale of property, plant and equipment		-	1
Interest received		12	11
Proceeds from sale of securities and other financial assets		2	2
Purchase of securities and other financial assets		(2)	(2)
Placement of short-term bank deposits		(420)	-
Withdrawal of short-term bank deposits		240	-
Net cash used in investing activities		(474)	(400)
FINANCING ACTIVITIES:			
Proceeds from borrowings		323	890
Repayments of borrowings		(300)	(549)
Repayment of the principal amount of the lease obligation		(2)	(2)
Acquisition of non-controlling interest		-	(2)
Dividends paid to equity holders of the Parent Company		(535)	(522)
Net cash used in financing activities		(514)	(185)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(597)	140
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	11	1,105	739
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies		(31)	28
CASH AND CASH EQUIVALENTS, END OF PERIOD	11	477	907

The notes on pages 5 to 17 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 SIX MONTHS ENDED 30 JUNE 2020**

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

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 the 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 June 2020 the Parent Company's major shareholder was Mintha Holding Limited with a 84.3% ownership interest (31 December 2019: 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 June 2020 did not change from 31 December 2019.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These unaudited condensed consolidated interim financial statements for the three and six months ended 30 June 2020 have been prepared in accordance with IAS 34 "Interim financial reporting" ("IAS 34"). The consolidated statement of financial position at 31 December 2019 has been derived from the consolidated statement of financial position included in the Group's consolidated financial statements at 31 December 2019. These unaudited condensed consolidated interim financial statements do not include all of the information and disclosure 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 2019, 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 2019, except for changes made due to adoption of new Standards and Interpretations becoming effective from 1 January 2020 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 2020:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business - Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality - Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual reporting periods beginning on or after 1 January 2020).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual reporting periods beginning on or after 1 January 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 June 2020, and have not been early adopted by the Group:

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020**

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

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

- 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).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- Classification of Liabilities as Current or Non-Current - Amendments to IAS 1 (issued on 23 January 2020 and effective for annual reporting periods beginning on or after 1 January 2022).
- Proceeds before intended use, Onerous contracts - cost of fulfilling a contract, Reference to the Conceptual Framework - narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 - amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Covid-19-Related Rent Concessions - Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

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 2019, considering recent development of Russian business environment (Note 16).

Functional and presentation currency

The individual financial statements of each Group 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 June 2020, the official exchange rates were: US\$ 1 = RUB 69.9513 (31 December 2019: US\$ 1 = RUB 61.9057). Exchange rates for the six months ended 30 June 2020 were used as: US\$ 1 = RUB 68.9023 (six months ended 30 June 2019: US\$ 1 = RUB 65.3214).

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 SIX MONTHS ENDED 30 JUNE 2020**

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

4. REVENUE

By product (including transportation services)	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Hot rolled steel	445	809	1,156	1,600
Galvanised steel	240	364	526	665
Long steel products	121	203	296	375
Cold rolled steel	105	156	250	310
Galvanised steel with polymeric coating	125	166	240	302
Hardware products	34	42	70	81
Wire, sling, bracing	25	39	59	71
Formed section	14	31	47	62
Coking production	12	30	36	64
Band	16	21	37	41
Tin plated steel	31	35	63	60
Coal	7	1	11	8
Tubes	10	6	17	13
Scrap	21	19	30	29
Slabs	5	-	5	-
Others	57	77	135	154
Total	1,268	1,999	2,978	3,835

By customer destination	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Russian Federation and the CIS	81 %	88 %	85 %	88 %
Middle East	6 %	7 %	6 %	7 %
Asia	6 %	2 %	4 %	1 %
Europe	4 %	2 %	3 %	3 %
Africa	3 %	1 %	2 %	1 %
Total	100 %	100 %	100 %	100 %

By type of performance obligation	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Revenue from sales of products - at point in time	1,208	1,920	2,844	3,676
Revenue from transportation services - over time	60	79	134	159
Total	1,268	1,999	2,978	3,835

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 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);
- *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

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

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020**

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

5. SEGMENT INFORMATION (CONTINUED)

- *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 and six months ended 30 June 2020 and 2019:

	Three months ended 30 June									
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Steel (Russia)		Steel (Turkey)		Coal mining		Eliminations		Total	
Revenue (including transportation revenue)										
Sales to external customers	1,157	1,854	103	144	8	1	-	-	1,268	1,999
Inter-segment sales	23	12	-	-	35	47	(58)	(59)	-	-
Total revenue	1,180	1,866	103	144	43	48	(58)	(59)	1,268	1,999
Segment EBITDA	236	481	(1)	(1)	(10)	12	1	5	226	497
Depreciation and amortisation	(104)	(109)	(4)	(5)	(8)	(7)	-	-	(116)	(121)
Loss on disposal of property, plant and equipment	(20)	-	-	-	-	-	-	-	(20)	-
Operating profit/(loss) per IFRS financial statements	112	372	(5)	(6)	(18)	5	1	5	90	376

The following table presents measures of segment results for the six months ended 30 June 2020 and 2019:

	Six months ended 30 June									
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Steel (Russia)		Steel (Turkey)		Coal mining		Eliminations		Total	
Revenue (including transportation revenue)										
Sales to external customers	2,750	3,553	216	274	12	8	-	-	2,978	3,835
Inter-segment sales	32	96	-	-	85	120	(117)	(216)	-	-
Total revenue	2,782	3,649	216	274	97	128	(117)	(216)	2,978	3,835
Segment EBITDA	657	899	2	(8)	6	44	3	2	668	937
Depreciation and amortisation	(226)	(217)	(9)	(9)	(16)	(14)	-	-	(251)	(240)
Loss on disposal of property, plant and equipment	(44)	(1)	-	-	-	-	-	-	(44)	(1)
Operating profit/(loss) per IFRS financial statements	387	681	(7)	(17)	(10)	30	3	2	373	696

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 June 2020 and 31 December 2019, the segments' total assets and liabilities were reconciled to total assets and liabilities as follows:

	30 June 2020				
	Steel (Russia)	Steel (Turkey)	Coal mining	Eliminations	Total
Total assets	7,949	500	441	(1,749)	7,141
Total liabilities	2,143	118	105	(94)	2,272

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

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020**

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

5. SEGMENT INFORMATION (CONTINUED)

	31 December 2019				Total
	Steel (Russia)	Steel (Turkey)	Coal mining	Eliminations	
Total assets	9,238	496	487	(1,937)	8,284
Total liabilities	2,685	100	89	(109)	2,765

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Payroll and social taxes	25	29	54	57
Taxes other than income tax	13	8	18	16
Depreciation and amortisation	5	5	12	11
Professional services	4	4	9	8
Insurance	-	-	1	1
Materials	2	1	2	1
Other	5	5	8	9
Total	54	52	104	103

7. OTHER OPERATING EXPENSES/(INCOME), NET

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Loss on disposal of property, plant and equipment	20	-	44	1
Provision for advances issued	-	-	-	(1)
Provision for legal claims	19	1	17	1
Gain on disposal of other assets	(3)	(5)	(6)	(7)
Other operating loss/(gain), net	1	-	-	(1)
Total	37	(4)	55	(7)

8. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Interest expense on borrowings	1	4	-	8
Interest expense on provisions	3	3	8	5
Interest expense on bonds	6	1	11	1
Expenses related to withholding tax in respect to dividends paid in prior periods	13	-	13	-
Other	-	-	-	1
Total	23	8	32	15

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

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020**

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

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
Cost							
At 1 January 2020	3,219	6,574	205	185	109	994	11,286
Additions	-	82	1	2	-	248	333
Transfers	89	76	-	4	-	(169)	-
Site restoration provision	-	-	-	-	4	-	4
Disposals	(35)	(134)	(2)	(1)	-	(8)	(180)
Effect of translation to presentation currency	(300)	(649)	(19)	(21)	(13)	(112)	(1,114)
At 30 June 2020	2,973	5,949	185	169	100	953	10,329
Depreciation							
At 1 January 2020	(1,493)	(4,210)	(142)	(158)	(74)	(29)	(6,106)
Charge for the period	(43)	(192)	(7)	(5)	(1)	-	(248)
Disposals	14	110	2	1	-	-	127
Effect of translation to presentation currency	119	382	14	18	7	3	543
At 30 June 2020	(1,403)	(3,910)	(133)	(144)	(68)	(26)	(5,684)
Carrying amount							
At 1 January 2020	1,726	2,364	63	27	35	965	5,180
At 30 June 2020	1,570	2,039	52	25	32	927	4,645
Carrying amount had no impairment taken place							
At 1 January 2020	2,123	2,525	63	29	51	994	5,785
At 30 June 2020	1,953	2,159	52	26	47	953	5,190

During the six months ended 30 June 2020 the Group capitalised borrowing costs USD 1 million to property, plant and equipment. During the six months ended 30 June 2019 no borrowing costs were capitalised to property, plant and equipment.

At 30 June 2020 carrying amount of the construction in progress included impairment provision of USD 26 million (31 December 2019: USD 29 million).

Capital commitments are disclosed in Note 16.

10. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	30 June 2020	31 December 2019
Non-current financial assets		
Unlisted securities	2	2
Total non-current	2	2
Current financial assets		
Trading debt securities	7	8
Bank deposits, USD	180	-
Total current	187	8

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.

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

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020**

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

11. CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019
Cash in banks, USD	123	57
Cash in banks, EUR	15	10
Cash in banks, RUB	47	35
Cash in banks, other	2	-
Bank deposits, USD	62	626
Bank deposits, RUB	225	375
Bank deposits, EUR	-	1
Bank deposits, TRY	3	1
Total	477	1,105

12. SHARE CAPITAL

Common stock

	30 June 2020	31 December 2019
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 six months ended 30 June 2020 and 30 June 2019 the Group did not acquire or sell common shares of the Parent Company (treasury shares).

Dividends

On 27 December 2019, the Parent Company declared dividends of RUB 1.650 (USD 0.027) per ordinary share representing total dividends of USD 298 million. In January 2020 dividends were paid out.

On 29 May 2020, the Parent Company declared dividends of RUB 1.507 (USD 0.021) per ordinary share representing total dividends of USD 237 million. In June and July 2020 dividends were paid out.

13. LONG-TERM BORROWINGS AND LOANS

	30 June 2020	31 December 2019
Unsecured listed bonds, USD	478	478
Unsecured loans, EUR	71	49
Total	549	527

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

Loans

The Group has various loans arrangements in RUB, USD and EUR denominations with various lenders. Those loans consist of unsecured and secured loans and credit facilities. At 30 June 2020 and 31 December 2019, the total unused element of all credit facilities was USD 1,375 million and USD 1,437 million, respectively.

At 30 June 2020 and 31 December 2019, the Group was in compliance with its debt covenants.

Debt repayment schedule

	30 June 2020
Periods of twelve months ending on 30 June	
2021 (presented as current portion of long-term borrowings and loans, Note 14)	47
2022	49
2023	37
2024	446
2025 and thereafter	17
Total	596

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

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020**

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

13. LONG-TERM BORROWINGS (CONTINUED)

Debt repayment schedule

	31 December 2019
Periods of twelve months ending on 31 December	
2020 (presented as current portion of long-term borrowings and loans, Note 14)	221
2021	46
2022	42
2023	18
2024 and thereafter	421
Total	748

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.

The Group issued bonds through a consolidated structured entity MMK International Capital DAC incorporated in Ireland. This entity was consolidated as it was specifically set up for the purposes of the Group, and the Group has exposure to substantially all the risks and rewards through outstanding guarantees of the entity's obligations. The Group guarantees all obligations of this entity represented by the bonds issued.

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 each of the periods presented.

	Borrowings and loans (Note 13, 14)	Leases	Cash and cash equivalents (Note 11)	Bank deposits/ Interest income (Note 10)	Total
At 1 January 2020	(860)	(10)	1,105	-	235
Cash flows, net	(10)	2	(597)	180	(425)
Effect of translation to presentation currency and exchange rate changes	(2)	-	(31)	-	(33)
Interest charge	(11)	(1)	-	-	(12)
Change in lease, net	-	(2)	-	-	(2)
At 30 June 2020	(883)	(11)	477	180	(237)

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

	30 June 2020	31 December 2019
Short-term loans:		
Unsecured loans, EUR	225	45
Unsecured loans, USD	62	67
	287	112
Current portion of long-term loans:		
Unsecured listed bonds, USD	21	21
Unsecured loans, EUR	26	200
	47	221
Total	334	333

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

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020**

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

**14. SHORT-TERM BORROWINGS AND CURRENT PORTION OF LONG-TERM BORROWINGS
(CONTINUED)**

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

	30 June 2020	31 December 2019
Due in:		
1 month	-	7
1-3 months	185	203
3 months to 1 year	149	123
Total	334	333

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 June 2020 and 31 December 2019 and for the three and six months ended 30 June 2020 and 30 June 2019 are disclosed below.

Other related parties include entities under common control with the Group. The amounts outstanding are unsecured and will be settled in cash.

a) Transactions with associates of the Group

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Revenue	1	1	2	2
Purchases	-	4	1	6

Balances outstanding

	30 June 2020	31 December 2019
Trade and other receivables	1	1

b) Transactions with other related parties

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
Revenue	114	75	144	121
Purchases	1	4	2	10
Bank charges	1	1	1	1

Balances outstanding

	30 June 2020	31 December 2019
Cash and cash equivalents	69	30
Trade and other receivables	86	36

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020**

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

15. RELATED PARTIES (CONTINUED)

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 six months ended 30 June 2020 and 2019, total key management personnel compensation included in general and administrative expenses amounted to USD 5 million and USD 5 million, respectively, including social taxes.

16. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 June 2020, the Group had purchase agreements of approximately USD 723 million to acquire property, plant and equipment (31 December 2019: USD 705 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.

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.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020**

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

16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 response to the spread of coronavirus in Russia, the Group has established a special committee under the leadership of the Parent Company's CEO and is promptly monitoring the situation. The Group's employees receive up-to-date information on a daily basis about the current epidemiological situation at the Group enterprises in Magnitogorsk, in the Chelyabinsk Region, in Russia and across the world.

The Group is taking active measures to prevent the spread and reduce the risk of coronavirus. Office employees have been shifted to work remotely, while the number of personnel at production sites has been reduced. Shifts are being separated by pauses in order to minimise contact between employees. All employees have been provided with personal protective equipment. Employees have their body temperature measured by contactless thermometers throughout the Group's divisions. Dispensers with antiseptic solution have been placed in administrative buildings and in public areas, while specialised disinfecting equipment has been put in place and sanitary treatments are being carried out regularly. In-person meetings, negotiations and business trips have been replaced by online communications using the appropriate technology.

The global pandemic and the introduction of quarantine measures to combat coronavirus in Russia have had a significant impact on economic activity. At the same time, market conditions in mid-to-late Q2 were characterized by growth of market indices, oil prices recovery and stabilisation of the Russian rouble. On the back of the easing of quarantine measures in Russia and a number of countries and regions of the world, there was a gradual recovery in business activity, which continued in Q3.

The Group's management is closely monitoring the development of the situation on global markets and assessing possible scenarios of its impact on the Group's performance.

During the peak of the pandemic, the Group intends to carry out planned repairs of the blast furnace, converter and rolling equipment, which will cause a partial reduction in production volumes.

The Group has considerable flexibility in implementing its CAPEX programme, giving priority to projects with the strongest economic and environmental performance.

The Group has a sufficient liquidity level and one of the lowest debt-load indicators in the industry. As of 30 June 2020, the Group's debt amounted to USD 894 million, including Eurobonds maturing in 2024 (Notes 13, 14). At the same time, the total unused element of all credit facilities is USD 1,375 million, which allows the Group to fully refinance its current debt portion. The Group's cash balance amounts to USD 657 million, resulting in a net debt/EBITDA ratio of 0.16x at the end of Q2 2020. The current values of financial covenants are significantly lower than the normative ones.

The Group regularly assesses the solvency of its contractors. A significant part of the Group's accounts receivable is secured by bank guarantees.

To date, the Group has not experienced any difficulties with the supply of basic raw materials, equipment or spare parts.

The Russian Government has announced large-scale measures to support the country's economy and population. A set of measures has been enacted for enterprises from the industries most affected by the spread of coronavirus. These measures include the deferral of certain categories of tax payments and the provision of subsidies and other forms of assistance. Additional measures are being worked out to support the automotive and construction industries as well as traditional metal-consuming industries. In particular, metal consumption in Russia should be positively affected by the programme to subsidise mortgage interest rates and speed up the implementation of the government's national projects in conjunction with other methods to support the construction industry.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020**

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

16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Significant estimates were made by the Group based on available data in the current macroeconomic environment and using the best industry expertise. Nevertheless, the Group's management current significant estimates may change depending on the uncertainty surrounding the duration of spread and the magnitude of the effects of coronavirus.

The Group's management continues to closely monitor the development of the pandemic, taking active measures to minimise risks to employees and to the 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 floating rate long-term borrowings (except for listed bonds), trade and other payables are reasonable approximation of their fair values as at 30 June 2020 and 31 December 2019 (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
30 June 2020				
Unlisted equity securities	-	-	2	2
Trading debt securities	7	-	-	7
Total assets	7	-	2	9
Eurobonds	533	-	-	533
Total liabilities	533	-	-	533
31 December 2019				
Unlisted equity securities	-	-	2	2
Trading debt securities	8	-	-	8
Total assets	8	-	2	10
Eurobonds	529	-	-	529
Total liabilities	529	-	-	529

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

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020**

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

18. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 were approved by the Group's management and authorized for issue on 28 July 2020.