

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 2019

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 2019

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2019:

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 (INCOME)/EXPENSES, NET.....	9
8. PROPERTY, PLANT AND EQUIPMENT.....	10
9. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS.....	10
10. CASH AND CASH EQUIVALENTS.....	11
11. SHARE CAPITAL.....	11
12. LONG-TERM BORROWINGS AND LOANS.....	11
13. SHORT-TERM BORROWINGS AND LOANS AND CURRENT PORTION OF LONG-TERM BORROWINGS AND LOANS.....	13
14. RELATED PARTIES.....	13
15. COMMITMENTS AND CONTINGENCIES.....	14
16. FAIR VALUE OF FINANCIAL INSTRUMENTS.....	15
17. EVENTS AFTER THE DATE OF UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	16
18. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS.....	16

**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 2019**

The following statement, which should be read in conjunction with the auditor's responsibilities stated in the report on review of interim financial information, 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 2019 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:

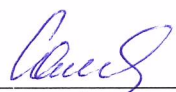
- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the 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 2019 were approved on 31 July 2019 by:


O. P. Shiryaev
Acting General Director



31 July 2019
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 and Subsidiaries:

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 2019 and the related unaudited condensed consolidated statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, unaudited condensed consolidated statements of 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 condensed consolidated interim financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on these 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 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 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

31 July 2019

Moscow, Russian Federation

A. B. Fomin, certified auditor (licence no. 01-000059), 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

Kirova, 93, Magnitogorsk, 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

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

AO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
T: +7 (495) 967-6000, F: +7 (495) 967-6001, www.pwc.ru

**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 2019**

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

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
REVENUE	4	1,999	2,106	3,835	4,161
COST OF SALES		(1,451)	(1,384)	(2,772)	(2,806)
GROSS PROFIT		548	722	1,063	1,355
General and administrative expenses	6	(52)	(59)	(103)	(120)
Selling and distribution expenses		(120)	(149)	(261)	(302)
Change in expected credit loss, net		(4)	(5)	(10)	(10)
Other operating income/(expenses), net	7	4	(2)	7	(2)
OPERATING PROFIT	5	376	507	696	921
Finance income		6	4	11	6
Finance costs		(8)	(8)	(15)	(15)
Impairment and provision for site restoration		(5)	6	(7)	3
Foreign exchange (loss)/gain, net		(6)	16	(20)	(1)
Other expenses		(25)	(22)	(47)	(52)
PROFIT BEFORE INCOME TAX		338	503	618	862
INCOME TAX		(66)	(111)	(121)	(191)
PROFIT FOR THE PERIOD		272	392	497	671
OTHER COMPREHENSIVE INCOME/(LOSS)					
<i>Items, that may be reclassified subsequently to profit or loss</i>					
Translation of foreign operations		(32)	120	(132)	120
<i>Items, that will not be reclassified subsequently to profit or loss</i>					
Remeasurements of post-employment benefit obligations		-	-	-	1
Effect of translation to presentation currency		158	(563)	597	(538)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD , NET OF TAX		126	(443)	465	(417)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		398	(51)	962	254
Profit attributable to:					
Shareholders of the Parent Company		271	393	495	671
Non-controlling interests		1	(1)	2	-
		272	392	497	671
Total comprehensive income/(loss) attributable to:					
Shareholders of the Parent Company		397	(48)	958	256
Non-controlling interests		1	(3)	4	(2)
		398	(51)	962	254
BASIC AND DILUTED EARNINGS PER SHARE (U.S. Dollars)		0.024	0.035	0.044	0.060
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 JUNE 2019**

(In millions of U.S. Dollars)

	Notes	30 June 2019	31 December 2018
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	8	4,961	4,370
Right-of-use assets		10	18
Intangible assets		34	24
Investments in securities and other financial assets	9	2	2
Investments in associates		2	1
Deferred tax assets		53	50
Total non-current assets		5,062	4,465
CURRENT ASSETS:			
Inventories		1,242	1,217
Trade and other receivables		845	697
Investments in securities and other financial assets	9	8	7
Income tax receivable		8	-
Value added tax recoverable		68	80
Cash and cash equivalents	10	907	739
Total current assets		3,078	2,740
TOTAL ASSETS		8,140	7,205
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	11	386	386
Share premium		969	969
Translation reserve		(5,566)	(6,029)
Retained earnings		9,667	9,662
Equity attributable to shareholders of the Parent Company		5,456	4,988
Non-controlling interests		17	21
Total equity		5,473	5,009
NON-CURRENT LIABILITIES:			
Long-term borrowings	12	537	246
Obligations under leases		12	11
Retirement benefit obligations		16	15
Long-term other payables		7	9
Site restoration provision		157	132
Deferred tax liabilities		402	381
Total non-current liabilities		1,131	794
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	13	330	269
Current portion of obligations under leases		1	10
Current portion of retirement benefit obligations		3	3
Trade and other payables		1,181	1,095
Current portion of site restoration provision		9	8
Income tax payables		12	17
Total current liabilities		1,536	1,402
TOTAL EQUITY AND LIABILITIES		8,140	7,205

O. P. Shiryaev
Acting General Director

31 July 2019
Magnitogorsk, Russia



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

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

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2019

(In millions of U.S. Dollars)

	Attributable to shareholders of the Parent Company					Total	Non-controlling interest	Total equity
	Notes	Share capital	Share premium	Translation reserve	Retained earnings			
BALANCE AT 1 JANUARY 2018		386	969	(5,141)	9,259	5,473	24	5,497
Profit for the period		-	-	-	671	671	-	671
Other comprehensive loss for the period, net of tax		-	-	(416)	1	(415)	(2)	(417)
Total comprehensive income for the period		-	-	(416)	672	256	(2)	254
Dividends		-	-	-	(289)	(289)	-	(289)
BALANCE AT 30 JUNE 2018		386	969	(5,557)	9,642	5,440	22	5,462
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	11	-	-	-	(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

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 SIX MONTHS
ENDED 30 JUNE 2019**

(In millions of U.S. Dollars)

	Notes	Six months ended 30 June	
		2019	2018
OPERATING ACTIVITIES:			
Profit for the period		497	671
Adjustments to profit for the period:			
Income tax		121	191
Depreciation and amortization	5	240	285
Impairment losses and provision for site restoration		7	(3)
Finance costs		15	15
Loss on disposal of property, plant and equipment	7	1	4
Change in expected credit loss		10	10
Change in allowance for advances issued	7	(1)	-
Change in provision for impairment investments in securities and other financial assets		-	1
Change in allowance for obsolete and slow-moving items		6	2
Finance income		(11)	(6)
Foreign exchange loss, net		20	1
Operating cashflow before working capital changes		905	1,171
Movements in working capital			
Increase in trade and other receivables		(108)	(110)
Decrease in value added tax recoverable		16	22
Decrease in inventories		77	164
Decrease in trade and other payables		(5)	(133)
Cash generated from operations		885	1,114
Interest paid		(10)	(7)
Income tax paid		(150)	(187)
Net cash from operating activities		725	920
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(404)	(494)
Purchase of intangible assets		(8)	(3)
Proceeds from sale of property, plant and equipment		1	1
Interest received		11	6
Proceeds from sale of securities and other financial assets		2	4
Purchase of securities and other financial assets		(2)	(4)
Placement of short-term bank deposits		-	(1)
Net cash used in investing activities		(400)	(491)
FINANCING ACTIVITIES:			
Proceeds from borrowings		890	574
Repayments of borrowings		(549)	(576)
Repayment of the principal amount of the lease debt		(2)	-
Acquisition of non-controlling interest		(2)	-
Dividends paid to equity holders of the Parent Company		(522)	(357)
Net cash used in financing activities		(185)	(359)
NET INCREASE IN CASH AND CASH EQUIVALENTS		140	70
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	10	739	556
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies		28	(26)
CASH AND CASH EQUIVALENTS, END OF PERIOD	10	907	600

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 SIX MONTHS ENDED 30 JUNE 2019**

(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 2019 the Parent Company's major shareholder was Mintha Holding Limited with a 84.3% ownership interest (31 December 2018: 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 2019 did not change from 31 December 2018.

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 2019 have been prepared in accordance with IAS 34 "Interim financial reporting" ("IAS 34"). The consolidated statement of financial position at 31 December 2018 has been derived from the consolidated statement of financial position included in the Group's consolidated financial statements at 31 December 2018. 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 2018, 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 2018, except for changes made due to adoption of new Standards and Interpretations becoming effective from 1 January 2019 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 2019:

- IFRIC 23 "Uncertainty over Income Tax Treatments" (Issued on 7 June 2017 and Effective for Annual Periods Beginning on or After 1 January 2019).
- Prepayment Features with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

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

The Group has elected to early adopt IFRS 16 "Leases" from 1 January 2018.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2019**

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

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

New Accounting Pronouncements

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 June 2019, 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).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- 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 periods beginning on or after 1 January 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 2018.

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 2019, the official exchange rates were: US\$ 1 = RUB 63.0756 (31 December 2018: US\$ 1 = RUB 69.4706). Exchange rates for the six months ended 30 June 2019 were used as: US\$ 1 = RUB 65.3214 (the six months ended 30 June 2018: US\$ 1 = RUB 59.4022).

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 2019**

(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	
	2019	2018	2019	2018
Hot rolled steel	809	829	1,600	1,704
Galvanised steel	364	353	665	685
Long steel products	203	218	375	391
Cold rolled steel	156	180	310	396
Galvanised steel with polymeric coating	166	198	302	342
Hardware products	42	45	81	82
Wire, sling, bracing	39	41	71	79
Formed section	31	33	62	63
Coking production	30	30	64	62
Band	21	26	41	52
Tin plated steel	35	30	60	61
Coal	1	13	8	19
Tubes	6	12	13	20
Scrap	19	9	29	23
Others	77	89	154	182
Total	1,999	2,106	3,835	4,161

By customer destination	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Russian Federation and the CIS	88 %	83 %	88 %	79 %
Middle East	7 %	9 %	7 %	11 %
Asia	2 %	3 %	1 %	4 %
Europe	2 %	3 %	3 %	4 %
Africa	1 %	2 %	1 %	2 %
Total	100 %	100 %	100 %	100 %

By type of performance obligation	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Revenue from sales of products - at point in time	1,920	2,028	3,676	4,008
Revenue from transportation services - over time	79	78	159	153
Total	1,999	2,106	3,835	4,161

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 (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 2019**

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

5. SEGMENT INFORMATION (ПРОДОЛЖЕНИЕ)

- *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 2019 and 2018:

	Three months ended 30 June									
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Steel (Russia)		Steel (Turkey)		Coal mining		Eliminations		Total	
Revenue (including transportation revenue)										
Sales to external customers	1,854	1,930	144	162	1	14	-	-	1,999	2,106
Inter-segment sales	12	119	-	-	47	71	(59)	(190)	-	-
Total revenue	1,866	2,049	144	162	48	85	(59)	(190)	1,999	2,106
Segment EBITDA	481	617	(1)	1	12	33	5	(1)	497	650
Depreciation and amortisation	(109)	(117)	(5)	(16)	(7)	(8)	-	-	(121)	(141)
Loss on disposal of property, plant and equipment	-	(2)	-	-	-	-	-	-	-	(2)
Operating profit/(loss) per IFRS financial statements	372	498	(6)	(15)	5	25	5	(1)	376	507

The following table presents measures of segment results for the six months ended 30 June 2019 and 2018:

	Six months ended 30 June									
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	Steel (Russia)		Steel (Turkey)		Coal mining		Eliminations		Total	
Revenue (including transportation revenue)										
Sales to external customers	3,553	3,790	274	351	8	20	-	-	3,835	4,161
Inter-segment sales	96	162	-	-	120	150	(216)	(312)	-	-
Total revenue	3,649	3,952	274	351	128	170	(216)	(312)	3,835	4,161
Segment EBITDA	899	1,138	(8)	6	44	62	2	4	937	1,210
Depreciation and amortisation	(217)	(237)	(9)	(31)	(14)	(17)	-	-	(240)	(285)
Loss on disposal of property, plant and equipment	(1)	(4)	-	-	-	-	-	-	(1)	(4)
Operating profit/(loss) per IFRS financial statements	681	897	(17)	(25)	30	45	2	4	696	921

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 2019 and 31 December 2018, the segments' total assets and liabilities were reconciled to total assets and liabilities as follows:

	30 June 2019				
	Steel (Russia)	Steel (Turkey)	Coal mining	Eliminations	Total
Total assets	9,085	516	471	(1,932)	8,140
Total liabilities	2,607	106	83	(129)	2,667

**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 2019**

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

5. SEGMENT INFORMATION (ПРОДОЛЖЕНИЕ)

	31 December 2018				Total
	Steel (Russia)	Steel (Turkey)	Coal mining	Eliminations	
Total assets	8,052	533	410	(1,790)	7,205
Total liabilities	2,136	102	79	(121)	2,196

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Payroll and social taxes	29	29	57	60
Taxes other than income tax	8	14	16	27
Depreciation and amortisation	5	6	11	11
Professional services	4	4	8	8
Insurance	-	-	1	1
Materials	1	-	1	1
Research and development costs	-	-	-	1
Other	5	6	9	11
Total	52	59	103	120

7. OTHER OPERATING (INCOME)/EXPENSES, NET

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Loss on disposal of property, plant and equipment	-	2	1	4
Provision for advances issued	-	-	(1)	-
Gain on disposal of other assets	(5)	(3)	(7)	(5)
Other operating loss, net	1	3	-	3
Total	(4)	2	(7)	2

**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 2019**

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

8. 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 2019	2,731	5,612	164	160	85	927	9,679
Additions	1	88	5	1	-	319	414
Transfers	168	119	9	3	-	(300)	(1)
Site restoration provision	-	-	-	-	5	-	5
Disposals	(2)	(78)	(2)	(1)	-	(7)	(90)
Effect of translation to presentation currency	218	475	15	15	9	97	829
At 30 June 2019	3,116	6,216	191	178	99	1,036	10,836
Depreciation							
At 1 January 2019	(1,306)	(3,663)	(121)	(126)	(64)	(29)	(5,309)
Charge for the period	(42)	(175)	(7)	(10)	(1)	-	(235)
Disposals	1	69	1	1	-	-	72
Effect of translation to presentation currency	(88)	(282)	(11)	(12)	(7)	(3)	(403)
At 30 June 2019	(1,435)	(4,051)	(138)	(147)	(72)	(32)	(5,875)
Carrying amount							
At 1 January 2019	1,425	1,949	43	34	21	898	4,370
At 30 June 2019	1,681	2,165	53	31	27	1,004	4,961
Carrying amount had no impairment taken place							
At 1 January 2019	1,831	2,182	45	35	36	927	5,056
At 30 June 2019	2,085	2,363	55	32	43	1,036	5,614

As at the 1 January 2019 the estimated total useful lives of certain items of machinery and equipment were revised. The net effect of the changes in the current period was a decrease in depreciation expense of USD 30 million. Assuming the assets are held at least until 31 December 2019, depreciation in the year ended 31 December 2019 in relation to these assets will be decreased by USD 60 million.

During the six months ended 30 June 2019 and 30 June 2018 the Group did not capitalize borrowing costs.

Capital commitments are disclosed in Note 15.

9. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	30 June 2019	31 December 2018
Non-current financial assets		
Unlisted securities	2	2
Total non-current	2	2
Current financial assets		
Trading debt securities	7	6
Share in mutual investment fund	1	1
Total current	8	7

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 2019**

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

10. CASH AND CASH EQUIVALENTS

	30 June 2019	31 December 2018
Cash in banks, USD	153	114
Cash in banks, EUR	21	27
Cash in banks, RUB	45	83
Cash in banks, other	-	1
Bank deposits, USD	651	466
Bank deposits, RUB	36	22
Bank deposits, EUR	-	25
Bank deposits, TRY	1	1
Total	907	739

11. SHARE CAPITAL

Common stock

	30 June 2019	31 December 2018
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 2019 and 30 June 2018 the Group did not acquire or sell common shares of the Parent Company (treasury shares).

Dividends

On 31 May 2019, the Parent Company declared dividends of RUB 1.398 (USD 0.021) for the year ended 31 December 2018 and RUB 1.488 (USD 0.023) for the period ended 31 March 2019 per ordinary share representing total dividends of USD 240 million and USD 256 million, respectively. Dividends were paid in the amount of USD 240 million in June 2019 and in the amount of USD 261 million in July 2019 (Note 17). The difference with the declared amount is caused by the change in the exchange rates.

On 7 December 2018, the Parent Company declared dividends of RUB 2.114 (USD 0.032) per ordinary share representing total dividends of USD 354 million. In December 2018 and January 2019 dividends were paid out.

12. LONG-TERM BORROWINGS AND LOANS

	30 June 2019	31 December 2018
Unsecured listed bonds, USD	477	-
Unsecured loans, EUR	60	246
Total	537	246

The information provided below refers to total long-term borrowings, including current portion, identified in Note 13.

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 2019 and 31 December 2018, the total unused element of all credit facilities was USD 1,537 million and USD 1,307 million, respectively.

At 30 June 2019 and 31 December 2018, the Group was in compliance with its debt covenants.

**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 2019**

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

12. LONG-TERM BORROWINGS (ПРОДОЛЖЕНИЕ)

Debt repayment schedule

	30 June 2019
Periods of twelve months ending on 30 June	
2020 (presented as current portion of long-term borrowings and loans, Note 13)	216
2021	46
2022	43
2023	28
2024 and thereafter	420
Total	753

Debt repayment schedule

	31 December 2018
Periods of twelve months ending on 31 December	
2019 (presented as current portion of long-term borrowings and loans, Note 13)	8
2020	201
2021	24
2022	21
Total	254

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 the 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 12, 13)	Leases	Cash and cash equivalents (Note 10)	Total
At 1 January 2019	(515)	(21)	739	203
Cash flows, net	(332)	2	140	(190)
Effect of translation to presentation currency and exchange rate changes	(11)	(1)	28	16
Interest charge	(9)	(1)	-	(10)
Change in lease	-	7	-	7
Other	-	1	-	1
At 30 June 2019	(867)	(13)	907	27

**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 2019**

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

13. SHORT-TERM BORROWINGS AND LOANS AND CURRENT PORTION OF LONG-TERM BORROWINGS AND LOANS

	30 June 2019	31 December 2018
Short-term loans:		
Unsecured loans, RUB	-	146
Unsecured loans, EUR	91	100
Unsecured loans, USD	23	15
	114	261
Current portion of long-term loans:		
Unsecured listed bonds, USD	23	-
Unsecured loans, EUR	193	8
	216	8
Total	330	269

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

	30 June 2019	31 December 2018
Due in:		
1 month	3	84
1-3 months	31	31
3 months to 1 year	296	154
Total	330	269

14. 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 performed on terms that would not necessarily be available to unrelated parties.

Details of transactions with and balances between the Group and related parties at 30 June 2019 and 31 December 2018 and for the three and six months ended 30 June 2019 and 30 June 2018 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	
	2019	2018	2019	2018
Revenue	1	-	2	-
Purchases	4	2	6	5

	30 June 2019	31 December 2018
Balances outstanding		
Trade and other receivables	1	1

**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 2019**

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

14. RELATED PARTIES (ПРОДОЛЖЕНИЕ)

b) Transactions with other related parties

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Revenue	75	106	121	253
Purchases	4	5	10	9
Bank charges	1	1	1	1

Balances outstanding	30 June 2019	31 December 2018
Cash and cash equivalents	43	24
Trade and other receivables	61	108
Trade and other payables	-	1

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 2019 and 2018, total key management personnel compensation included in general and administrative expenses amounted to USD 5 million and USD 6 million, respectively, including social taxes.

15. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 June 2019, the Group had purchase agreements of approximately USD 786 million to acquire property, plant and equipment (31 December 2018: USD 203 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.

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2019**

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

15. COMMITMENTS AND CONTINGENCIES (ПРОДОЛЖЕНИЕ)

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. In 2014, 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). Starting from 2015, CFC income is subject to a 20% tax rate.

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

Russian business environment

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

16. 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 2019 and 31 December 2018 (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 following table presents the fair value of financial instruments carried at FVTPL 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.

**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 2019**

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

16. FAIR VALUE OF FINANCIAL INSTRUMENTS (ПРОДОЛЖЕНИЕ)

	Level 1	Level 2	Level 3	Total
30 June				
2019				
Unlisted equity securities	-	-	2	2
Trading debt securities	7	-	-	7
Share in mutual investment fund	1	-	-	1
Total assets	8	-	2	10
Eurobonds	500	-	-	500
Total liabilities	500	-	-	500
31 December				
2018				
Unlisted equity securities	-	-	2	2
Trading debt securities	6	-	-	6
Share in mutual investment fund	1	-	-	1
Total assets	7	-	2	9

17. EVENTS AFTER THE DATE OF UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In July 2019, dividends were paid in the amount of USD 261 million. The difference with the declared amount is caused by the change in the exchange rates.

18. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the three and six months ended 30 June 2019 were approved by the Group's management and authorized for issue on 31 July 2019.