Public Joint Stock Company Magnitogorsk Iron & Steel Works and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended 30 September 2019

TABLE OF CONTENTS

Page

PUBLIC JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 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 September 2019 and for the three and nine months period then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

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

Management is also responsible for:

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

The unaudited condensed consolidated interim financial statements for the three and nine months ended 30 September 2019 were approved on 30 October 2019 by:

P. V. Shilyaev
General Director

Российская Федерация * Магнитогорский металлургический комбинат * Публичное акционерное общество *
ПАО "ММК"
Для бухгалтерских документов

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

30 October 2019
Magnitogorsk, Russia

Report on Review of Unaudited Condensed Consolidated Interim Financial Statements

To the Shareholders and Board of Directors of Public Joint Stock Company Magnitogorsk Iron & Steel Works 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 September 2019 and the related unaudited condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, unaudited condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these 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

30 October 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 NINE MONTHS ENDED 30 SEPTEMBER 2019
(In millions of U.S. Dollars, except per share data)

		Three months ended 30 September		Nine months ended 30 September	
	Notes	**2019**	**2018**	**2019**	**2018**
REVENUE	4	2,009	2,091	5,844	6,252
COST OF SALES		(1,418)	(1,338)	(4,190)	(4,144)
GROSS PROFIT		**591**	**753**	**1,654**	**2,108**
General and administrative expenses	6	(52)	(63)	(155)	(183)
Selling and distribution expenses		(141)	(147)	(402)	(449)
Change in expected credit loss, net		-	(3)	(10)	(13)
Other operating expenses, net	7	(12)	(12)	(5)	(14)
OPERATING PROFIT	5	**386**	**528**	**1,082**	**1,449**
Finance income		6	5	17	11
Finance costs		(11)	(7)	(26)	(22)
Impairment and provision for site restoration		(30)	4	(37)	7
Foreign exchange gain/(loss), net		10	3	(10)	2
Other expenses		(20)	(17)	(67)	(69)
PROFIT BEFORE INCOME TAX		**341**	**516**	**959**	**1,378**
INCOME TAX		(70)	(115)	(191)	(306)
PROFIT FOR THE PERIOD		**271**	**401**	**768**	**1,072**
OTHER COMPREHENSIVE (LOSS)/INCOME					
Items, that may be reclassified subsequently to profit or loss					
Translation of foreign operations		18	62	(114)	182
Items, that will not be reclassified subsequently to profit or loss					
Remeasurements of post-employment benefit obligations		-	(1)	-	-
Effect of translation to presentation currency		(122)	(270)	475	(808)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD , NET OF TAX		**(104)**	**(209)**	**361**	**(626)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**167**	**192**	**1,129**	**446**
Profit attributable to:					
Shareholders of the Parent Company		268	400	763	1,071
Non-controlling interests		3	1	5	1
		271	**401**	**768**	**1,072**
Total comprehensive income attributable to:					
Shareholders of the Parent Company		164	192	1,122	448
Non-controlling interests		3	-	7	(2)
		167	**192**	**1,129**	**446**
BASIC AND DILUTED EARNINGS PER SHARE (U.S. Dollars)		0.024	0.036	0.069	0.096
Weighted average number of ordinary shares outstanding (in thousands)		11,174,330	11,174,330	11,174,330	11,174,330

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

PUBLIC JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2019
(In millions of U.S. Dollars)

	Notes	30 September 2019	31 December 2018
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	8	4,907	4,370
Right-of-use assets		7	18
Intangible assets		33	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		5,004	4,465
CURRENT ASSETS:			
Inventories		1,249	1,217
Trade and other receivables		685	697
Investments in securities and other financial assets	9	8	7
Income tax receivable		6	-
Value added tax recoverable		71	80
Cash and cash equivalents	10	936	739
Total current assets		2,955	2,740
TOTAL ASSETS		**7,959**	**7,205**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	11	386	386
Share premium		969	969
Translation reserve		(5,670)	(6,029)
Retained earnings		9,814	9,662
Equity attributable to shareholders of the Parent Company		5,499	4,988
Non-controlling interests		21	21
Total equity		5,520	5,009
NON-CURRENT LIABILITIES:			
Long-term borrowings	12	535	246
Obligations under leases		9	11
Retirement benefit obligations		16	15
Long-term other payables		6	9
Site restoration provision		185	132
Deferred tax liabilities		392	381
Total non-current liabilities		1,143	794
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	13	321	269
Current portion of obligations under leases		1	10
Current portion of retirement benefit obligations		3	3
Trade and other payables		957	1,095
Current portion of site restoration provision		11	8
Income tax payables		3	17
Total current liabilities		1,296	1,402
TOTAL EQUITY AND LIABILITIES		**7,959**	**7,205**

P. V. Shilyaev
General Director

30 October 2019
Magnitogorsk, Russia

Российская Федерация * Магнитогорский * Публичное акционерное общество * металлургический комбинат *
ПАО "ММК"
Для бухгалтерских документов

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(In millions of U.S. Dollars)

		Attributable to shareholders of the Parent Company						
	Notes	**Share capital**	**Share premium**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
BALANCE AT 1 JANUARY 2018		**386**	**969**	**(5,141)**	**9,259**	**5,473**	**24**	**5,497**
Profit for the period		-	-	-	1,071	1,071	1	**1,072**
Other comprehensive loss for the period, net of tax		-	-	(623)	-	(623)	(3)	**(626)**
Total comprehensive income for the period		**-**	**-**	**(623)**	**1,071**	**448**	**(2)**	**446**
Dividends		-	-	-	(558)	(558)	-	**(558)**
BALANCE AT 30 SEPTEMBER 2018		**386**	**969**	**(5,764)**	**9,772**	**5,363**	**22**	**5,385**
BALANCE AT 1 JANUARY 2019		**386**	**969**	**(6,029)**	**9,662**	**4,988**	**21**	**5,009**
Profit for the period		-	-	-	763	763	5	**768**
Other comprehensive income for the period, net of tax		-	-	359	-	359	2	**361**
Total comprehensive income for the period		**-**	**-**	**359**	**763**	**1,122**	**7**	**1,129**
Dividends	11	-	-	-	(616)	(616)	-	**(616)**
Decrease in non-controlling interests due to changes of Group's share in subsidiaries		-	-	-	5	5	(7)	**(2)**
BALANCE AT 30 SEPTEMBER 2019		**386**	**969**	**(5,670)**	**9,814**	**5,499**	**21**	**5,520**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019
(In millions of U.S. Dollars)

	Notes	Nine months ended 30 September 2019	Nine months ended 30 September 2018
OPERATING ACTIVITIES:			
Profit for the period		768	1,072
Adjustments to profit for the period:			
Income tax		191	306
Depreciation and amortization	5	371	419
Impairment losses and provision for site restoration		37	(7)
Finance costs		26	22
Loss on disposal of property, plant and equipment	7	9	13
Change in expected credit loss		10	13
Change in allowance for advances issued	7	(1)	6
Change in allowance for obsolete and slow-moving items		10	-
Finance income		(17)	(11)
Foreign exchange loss/(income), net		10	(2)
Operating cashflow before working capital changes		1,414	1,831
Movements in working capital			
Decrease/(increase) in trade and other receivables		40	(142)
Decrease in value added tax recoverable		12	58
Decrease in inventories		46	106
Decrease in trade and other payables		(67)	(95)
Cash generated from operations		1,445	1,758
Interest paid		(13)	(11)
Income tax paid		(230)	(303)
Net cash from operating activities		1,202	1,444
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(592)	(656)
Purchase of intangible assets		(11)	(6)
Proceeds from sale of property, plant and equipment		1	4
Interest received		17	11
Proceeds from sale of securities and other financial assets		2	5
Purchase of securities and other financial assets		(3)	(5)
Placement of short-term bank deposits		-	(1)
Withdrawal of short-term bank deposits		-	1
Net cash used in investing activities		(586)	(647)
FINANCING ACTIVITIES:			
Proceeds from borrowings		931	750
Repayments of borrowings		(589)	(742)
Repayment of the principal amount of the lease debt		(2)	(1)
Acquisition of non-controlling interest		-	(3)
Dividends paid to equity holders of the Parent Company		(786)	(499)
Net cash used in financing activities		(446)	(495)
NET INCREASE IN CASH AND CASH EQUIVALENTS		170	302
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		27	(26)
CASH AND CASH EQUIVALENTS, END OF PERIOD	10	**936**	**832**

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

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 September 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 September 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 nine months ended 30 September 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.

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

New Accounting Pronouncements

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 September 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).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 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 September 2019 , the official exchange rates were: US$ 1 = RUB 64.4156 (31 December 2018: US$ 1 = RUB 69.4706). Exchange rates for the nine months ended 30 September 2019 were used as: US$ 1 = RUB 65.0692 (the nine months ended 30 September 2018: US$ 1 = RUB 61.5951).

3. SEASONAL OPERATIONS

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

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

4. REVENUE

	Three months ended 30 September		Nine months ended 30 September	
By product (including transportation services)	**2019**	**2018**	**2019**	**2018**
Hot rolled steel	829	880	2,429	2,584
Galvanised steel	362	324	1,027	1,009
Long steel products	185	216	560	607
Cold rolled steel	163	190	473	586
Galvanised steel with polymeric coating	170	173	472	515
Hardware products	36	34	117	116
Wire, sling, bracing	37	37	108	116
Formed section	39	37	101	100
Coking production	28	34	92	96
Band	19	24	60	76
Tin plated steel	30	21	90	82
Coal	3	14	11	34
Tubes	11	11	24	31
Scrap	16	10	45	33
Others	81	86	235	267
Total	**2,009**	**2,091**	**5,844**	**6,252**

	Three months ended 30 September		Nine months ended 30 September	
By customer destination	**2019**	**2018**	**2019**	**2018**
Russian Federation and the CIS	89 %	80 %	88 %	79 %
Middle East	7 %	6 %	7 %	10 %
Asia	1 %	6 %	1 %	5 %
Europe	2 %	3 %	3 %	3 %
Africa	1 %	4 %	1 %	3 %
North America	- %	1 %	- %	- %
Total	**100 %**	**100 %**	**100 %**	**100 %**

	Three months ended 30 September		Nine months ended 30 September	
By type of performance obligation	**2019**	**2018**	**2019**	**2018**
Revenue from sales of products - at point in time	1,922	2,012	5,598	6,020
Revenue from transportation services - over time	87	79	246	232
Total	**2,009**	**2,091**	**5,844**	**6,252**

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

(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 nine months ended 30 September 2019 and 2018:

	Three months ended 30 September									
	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	1,869	1,966	136	111	4	14	-	-	**2,009**	**2,091**
Inter-segment sales	48	58	-	-	55	72	(103)	(130)	**-**	**-**
Total revenue	**1,917**	**2,024**	**136**	**111**	**59**	**86**	**(103)**	**(130)**	**2,009**	**2,091**
Segment EBITDA	**518**	**628**	**(5)**	**-**	**14**	**43**	**(2)**	**-**	**525**	**671**
Depreciation and amortisation	(118)	(111)	(5)	(15)	(8)	(8)	-	-	**(131)**	**(134)**
Loss on disposal of property, plant and equipment	(7)	(8)	-	-	(1)	(1)	-	-	**(8)**	**(9)**
Operating profit/(loss) per IFRS financial statements	**393**	**509**	**(10)**	**(15)**	**5**	**34**	**(2)**	**-**	**386**	**528**

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

	Nine months ended 30 September									
	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	5,422	5,756	410	462	12	34	-	-	**5,844**	**6,252**
Inter-segment sales	144	220	-	-	175	222	(319)	(442)	**-**	**-**
Total revenue	**5,566**	**5,976**	**410**	**462**	**187**	**256**	**(319)**	**(442)**	**5,844**	**6,252**
Segment EBITDA	**1,417**	**1,766**	**(13)**	**6**	**58**	**105**	**-**	**4**	**1,462**	**1,881**
Depreciation and amortisation	(335)	(348)	(14)	(46)	(22)	(25)	-	-	**(371)**	**(419)**
Loss on disposal of property, plant and equipment	(8)	(12)	-	-	(1)	(1)	-	-	**(9)**	**(13)**
Operating profit/(loss) per IFRS financial statements	**1,074**	**1,406**	**(27)**	**(40)**	**35**	**79**	**-**	**4**	**1,082**	**1,449**

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

At 30 September 2019 and 31 December 2018, the segments' total assets and liabilities were reconciled to total assets and liabilities as follows:

	30 September 2019				
	Steel (Russia)	**Steel (Turkey)**	**Coal mining**	**Eliminations**	**Total**
Total assets	8,865	502	467	(1,875)	7,959
Total liabilities	2,372	101	82	(116)	2,439

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

5. SEGMENT INFORMATION (CONTINUED)

	31 December 2018				
	Steel (Russia)	**Steel (Turkey)**	**Coal mining**	**Eliminations**	**Total**
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 September		Nine months ended 30 September	
	2019	**2018**	**2019**	**2018**
Payroll and social taxes	27	27	84	87
Taxes other than income tax	8	21	24	48
Depreciation and amortisation	6	5	17	16
Professional services	6	4	14	12
Insurance	1	1	2	2
Materials	1	1	2	2
Research and development costs	1	-	1	1
Other	2	4	11	15
Total	**52**	**63**	**155**	**183**

7. OTHER OPERATING (INCOME)/EXPENSES, NET

	Three months ended 30 September		Nine months ended 30 September	
	2019	**2018**	**2019**	**2018**
Loss on disposal of property, plant and equipment	8	9	9	13
Provision for advances issued	-	6	(1)	6
Provision for legal claims	7	-	7	-
Gain on disposal of other assets	(3)	(3)	(10)	(8)
Other operating loss, net	-	-	-	3
Total	**12**	**12**	**5**	**14**

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

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Transportation equipment	Fixtures and fittings	Mining assets	Construction in progress	Total
Cost							
At 1 January 2019	**2,731**	**5,612**	**164**	**160**	**85**	**927**	**9,679**
Additions	1	157	6	1	-	426	**591**
Transfers	199	228	12	5	-	(444)	**-**
Site restoration provision	-	-	-	-	7	-	**7**
Disposals	(3)	(122)	(3)	(1)	-	(11)	**(140)**
Effect of translation to presentation currency	165	368	12	12	7	73	**637**
At 30 September 2019	**3,093**	**6,243**	**191**	**177**	**99**	**971**	**10,774**
Depreciation							
At 1 January 2019	**(1,306)**	**(3,663)**	**(121)**	**(126)**	**(64)**	**(29)**	**(5,309)**
Charge for the period	(65)	(272)	(10)	(13)	(2)	-	**(362)**
Disposals	1	108	3	1	-	-	**113**
Effect of translation to presentation currency	(67)	(218)	(8)	(9)	(5)	(2)	**(309)**
At 30 September 2019	**(1,437)**	**(4,045)**	**(136)**	**(147)**	**(71)**	**(31)**	**(5,867)**
Carrying amount							
At 1 January 2019	**1,425**	**1,949**	**43**	**34**	**21**	**898**	**4,370**
At 30 September 2019	**1,656**	**2,198**	**55**	**30**	**28**	**940**	**4,907**
Carrying amount had no impairment taken place							
At 1 January 2019	**1,831**	**2,182**	**45**	**35**	**36**	**927**	**5,056**
At 30 September 2019	**2,055**	**2,377**	**56**	**31**	**43**	**971**	**5,533**

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 43 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 56 million.

During the nine months ended 30 September 2019 Group capitalize borrowing costs USD 1 million and 30 September 2018 the Group did not capitalize borrowing costs.

Capital commitments are disclosed in Note 15.

9. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	30 September 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.

10. CASH AND CASH EQUIVALENTS

	30 September 2019	31 December 2018
Cash in banks, USD	123	114
Cash in banks, EUR	5	27
Cash in banks, RUB	44	83
Cash in banks, other	-	1
Cash in transit, USD	20	-
Bank deposits, USD	515	466
Bank deposits, RUB	229	22
Bank deposits, EUR	-	25
Bank deposits, TRY	-	1
Total	**936**	**739**

11. SHARE CAPITAL

Common stock

	30 September 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 nine months ended 30 September 2019 and 30 September 2018 the Group did not acquire or sell common shares of the Parent Company (treasury shares).

Dividends

On 27 September 2019, the Parent Company declared dividends of RUB 0.690 (USD 0.011) per ordinary share representing total dividends of USD 120 million. Dividends were paid out in October 2019 (Note 17).

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. 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 September 2019	31 December 2018
Unsecured listed bonds, USD	483	-
Unsecured loans, EUR	52	246
Total	**535**	**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 September 2019 and 31 December 2018, the total unused element of all credit facilities was USD 1,506 million and USD 1,307 million, respectively.

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

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

12. LONG-TERM BORROWINGS (CONTINUED)

Debt repayment schedule

	30 September 2019
Periods of twelve months ending on 30 September	
2020 (presented as current portion of long-term borrowings and loans, Note 13)	211
2021	45
2022	42
2023	23
2024 and thereafter	425
Total	**746**

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 though 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	(329)	2	170	**(157)**
Effect of translation to presentation currency and exchange rate changes	4	(1)	27	**30**
Interest charge	(15)	(1)	-	**(16)**
Change in lease	-	10	-	**10**
Other	(1)	1	-	**-**
At 30 September 2019	**(856)**	**(10)**	**936**	**70**

(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 September 2019	31 December 2018
Short-term loans:		
Unsecured loans, RUB	-	146
Unsecured loans, EUR	72	100
Unsecured loans, USD	38	15
	110	**261**
Current portion of long-term loans:		
Unsecured listed bonds, USD	21	-
Unsecured loans, EUR	190	8
	211	**8**
Total	**321**	**269**

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

	30 September 2019	31 December 2018
Due in:		
1 month	8	84
1-3 months	42	31
3 months to 1 year	271	154
Total	**321**	**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 September 2019 and 31 December 2018 and for the three and nine months ended 30 September 2019 and 30 September 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 September		Nine months ended 30 September	
	2019	**2018**	**2019**	**2018**
Revenue	1	1	3	1
Purchases	4	8	10	13

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

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

14. RELATED PARTIES (CONTINUED)

b) Transactions with other related parties

	Three months ended 30 September		Nine months ended 30 September	
	2019	**2018**	**2019**	**2018**
Revenue	51	184	172	437
Purchases	5	5	15	14
Bank charges	-	-	1	1

Balances outstanding	**30 September 2019**	**31 December 2018**
Cash and cash equivalents	29	24
Trade and other receivables	28	108
Trade and other payables	1	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 nine months ended 30 September 2019 and 2018, total key management personnel compensation included in general and administrative expenses amounted to USD 7 million and USD 8 million, respectively, including social taxes.

15. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 September 2019, the Group had purchase agreements of approximately USD 736 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 incompliant 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.

15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. 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 September 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.

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

16. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1	Level 2	Level 3	Total
30 September 2019				
Unlisted equity securities	-	-	2	2
Trading debt securities	7	-	-	7
Share in mutual investment fund	1	-	-	1
Total assets	**8**	**-**	**2**	**10**
Eurobonds	524	-	-	524
Total liabilities	**524**	**-**	**-**	**524**
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 October 2019, dividends were paid in the amount of USD 120 million.

18. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the three and nine months ended 30 September 2019 were approved by the Group's management and authorized for issue on 30 October 2019.