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 2020

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 2020

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

Management is responsible for the preparation of the unaudited condensed consolidated interim financial statements as at 30 September 2020 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 2020 were approved on 21 October 2020 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

21 October 2020
Magnitogorsk, Russia

Report on Review of Unaudited Condensed Consolidated Interim Financial Statements

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

Introduction

We have reviewed the accompanying unaudited condensed consolidated statement of financial position of Public Joint Stock Company Magnitogorsk Iron & Steel Works and its subsidiaries (together – the “Group”) as at 30 September 2020 and the related unaudited condensed consolidated statements of comprehensive income for the three-month and nine-month periods then ended, unaudited condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these unaudited condensed consolidated interim financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on these unaudited condensed consolidated interim financial statements based on our review.

Scope of Review

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

Conclusion

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

AO "PricewaterhouseCoopers Audit"

21 October 2020
Moscow, Russian Federation

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

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

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

Taxpayer Identification Number 7414003633

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

Independent auditor: AO PricewaterhouseCoopers Audit

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

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

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association “Sodruzhestvo”

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

PUBLIC JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020
(In millions of U.S. Dollars, except per share data)

		Three months ended 30 September		Nine months ended 30 September	
	Notes	**2020**	**2019**	**2020**	**2019**
REVENUE	4	1,565	2,009	4,543	5,844
COST OF SALES		(1,165)	(1,418)	(3,388)	(4,190)
GROSS PROFIT		**400**	**591**	**1,155**	**1,654**
General and administrative expenses	6	(52)	(52)	(156)	(155)
Selling and distribution expenses		(120)	(141)	(335)	(402)
Change in expected credit loss, net		4	-	(4)	(10)
Other operating expenses, net	7	(14)	(12)	(69)	(5)
OPERATING PROFIT	5	**218**	**386**	**591**	**1,082**
Finance income		5	6	17	17
Finance costs	8	(1)	(11)	(33)	(26)
Impairment and provision for site restoration		2	(30)	(3)	(37)
Foreign exchange (loss)/gain, net		(82)	10	(140)	(10)
Other expenses		(17)	(20)	(59)	(67)
PROFIT BEFORE INCOME TAX		**125**	**341**	**373**	**959**
INCOME TAX		(23)	(70)	(82)	(191)
PROFIT FOR THE PERIOD		**102**	**271**	**291**	**768**
OTHER COMPREHENSIVE (LOSS)/INCOME					
Items, that may be reclassified subsequently to profit or loss					
Translation of foreign operations		167	18	335	(114)
Items, that will not be reclassified subsequently to profit or loss					
Effect of translation to presentation currency		(715)	(122)	(1,486)	475
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		**(548)**	**(104)**	**(1,151)**	**361**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(446)**	**167**	**(860)**	**1,129**
Profit attributable to:					
Shareholders of the Parent Company		102	268	290	763
Non-controlling interests		-	3	1	5
		102	**271**	**291**	**768**
Total comprehensive (loss)/income attributable to:					
Shareholders of the Parent Company		(444)	164	(857)	1,122
Non-controlling interests		(2)	3	(3)	7
		(446)	**167**	**(860)**	**1,129**
BASIC AND DILUTED EARNINGS PER SHARE (U.S. Dollars)		0.009	0.024	0.026	0.069
Weighted average number of ordinary shares outstanding (in thousands)		11,174,330	11,174,330	11,174,330	11,174,330

The notes on pages 5 to 17 are an integral part of these unaudited condensed consolidated interim financial statements.

PUBLIC JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2020

(In millions of U.S. Dollars)

	Notes	30 September 2020	31 December 2019
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	9	4,127	5,180
Right-of-use assets		7	7
Intangible assets		33	47
Investments in securities and other financial assets	10	2	2
Investments in associates		1	2
Deferred tax assets		46	55
Total non-current assets		4,216	5,293
CURRENT ASSETS:			
Inventories		923	1,216
Trade and other receivables		517	594
Investments in securities and other financial assets	10	257	8
Income tax receivable		4	5
Value added tax recoverable		48	58
Cash and cash equivalents	11	730	1,105
Assets classified as held for sale		-	5
Total current assets		2,479	2,991
TOTAL ASSETS		**6,695**	**8,284**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	12	386	386
Share premium		969	969
Translation reserve		(6,605)	(5,458)
Retained earnings		9,565	9,600
Equity attributable to shareholders of the Parent Company		4,315	5,497
Non-controlling interests		18	22
Total equity		4,333	5,519
NON-CURRENT LIABILITIES:			
Long-term borrowings	13	562	527
Obligations under leases		7	9
Retirement benefit obligations		17	21
Long-term other payables		3	5
Site restoration provision		177	228
Deferred tax liabilities		306	410
Total non-current liabilities		1,072	1,200
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	14	375	333
Current portion of obligations under leases		2	1
Current portion of retirement benefit obligations		1	2
Trade and other payables		902	1,210
Current portion of site restoration provision		10	9
Income tax payables		-	6
Liabilities of disposal groups classified as held for sale		-	4
Total current liabilities		1,290	1,565
TOTAL EQUITY AND LIABILITIES		**6,695**	**8,284**

P. V. Shilyaev
General Director

21 October 2020
Magnitogorsk, Russia

Российская Федерация * Магнитогорский металлургический комбинат * Публичное акционерное общество
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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 17 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 2020

(In millions of U.S. Dollars)

	Attributable to shareholders of the Parent Company						
	Share capital	**Share premium**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
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	-	-	-	(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**
BALANCE AT 1 JANUARY 2020	**386**	**969**	**(5,458)**	**9,600**	**5,497**	**22**	**5,519**
Profit for the period	-	-	-	290	290	1	**291**
Other comprehensive loss for the period, net of tax	-	-	(1,147)	-	(1,147)	(4)	**(1,151)**
Total comprehensive loss for the period	**-**	**-**	**(1,147)**	**290**	**(857)**	**(3)**	**(860)**
Dividends	-	-	-	(326)	(326)	-	**(326)**
Decrease in non-controlling interests due to changes of Group's share in subsidiaries	-	-	-	1	1	(1)	**-**
BALANCE AT 30 SEPTEMBER 2020	**386**	**969**	**(6,605)**	**9,565**	**4,315**	**18**	**4,333**

The notes on pages 5 to 17 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020
(In millions of U.S. Dollars)

	Notes	Nine months ended 30 September 2020	2019
OPERATING ACTIVITIES:			
Profit for the period		291	768
Adjustments to profit for the period:			
Income tax		82	191
Depreciation and amortization	5	368	371
Impairment losses and provision for site restoration		3	37
Finance costs	8	33	26
Loss on disposal of property, plant and equipment	7	59	9
Change in expected credit loss		4	10
Change in allowance for advances issued	7	-	(1)
Change in provision for legal claims	7	17	9
Change in allowance for obsolete and slow-moving inventory		(3)	10
Finance income		(17)	(17)
Foreign exchange loss, net		140	10
Loss on disposal of subsidiaries	7	4	-
Operating cashflow before working capital changes		981	1,423
Movements in working capital			
(Increase)/decrease in trade and other receivables		(58)	40
Decrease in value added tax recoverable		1	12
Decrease in inventories		92	46
Decrease in trade and other payables		(19)	(76)
Cash generated from operations		997	1,445
Interest paid		(14)	(13)
Income tax paid		(104)	(230)
Net cash from operating activities		879	1,202
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(457)	(592)
Purchase of intangible assets		(8)	(11)
Proceeds from sale of property, plant and equipment		1	1
Interest received		17	17
Proceeds from sale of securities and other financial assets		2	2
Purchase of securities and other financial assets		(2)	(3)
Placement of short-term bank deposits		(620)	-
Withdrawal of short-term bank deposits		370	-
Net cash used in investing activities		(697)	(586)
FINANCING ACTIVITIES:			
Proceeds from borrowings		602	931
Repayments of borrowings		(540)	(589)
Repayment of the principal amount of the lease obligation		(2)	(2)
Dividends paid to equity holders of the Parent Company		(536)	(786)
Net cash used in financing activities		(476)	(446)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(294)	170
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	11	1,105	739
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies		(81)	27
CASH AND CASH EQUIVALENTS, END OF PERIOD	11	**730**	**936**

The notes on pages 5 to 17 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 2020 the Parent Company's major shareholder was Mintha Holding Limited with a 84.3% ownership interest (31 December 2019: 84.3%).

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

The effective and nominal ownership holdings of the Group's principal subsidiaries at 30 September 2020 did not change from 31 December 2019.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These unaudited condensed consolidated interim financial statements for the three and nine months ended 30 September 2020 have been prepared in accordance with IAS 34 "Interim financial reporting" ("IAS 34"). The consolidated statement of financial position at 31 December 2019 has been derived from the consolidated statement of financial position included in the Group's consolidated financial statements at 31 December 2019. These unaudited condensed consolidated interim financial statements do not include all of the information and disclosure required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The same accounting policies and methods of computation have been followed in these unaudited condensed consolidated interim financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for changes made due to adoption of new Standards and Interpretations becoming effective from 1 January 2020 and for the estimation of income tax. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Adoption of new or revised standards and interpretations

The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2020:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business - Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality - Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual reporting periods beginning on or after 1 January 2020).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual reporting periods beginning on or after 1 January 2020).

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

New Accounting Pronouncements

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 September 2020, and have not been early adopted by the Group:

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

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- Classification of Liabilities as Current or Non-Current - Amendments to IAS 1 (issued on 23 January 2020 and effective for annual reporting periods beginning on or after 1 January 2022).
- Proceeds before intended use, Onerous contracts - cost of fulfilling a contract, Reference to the Conceptual Framework - narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 - amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Covid-19-Related Rent Concessions - Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

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

Estimates and assumptions

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

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019, considering recent development of Russian business environment (Note 16).

Functional and presentation currency

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

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

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

At 30 September 2020 , the official exchange rates were: US$ 1 = RUB 79.6845 (31 December 2019: US$ 1 = RUB 61.9057). Exchange rates for the nine months ended 30 September 2020 were used as: US$ 1 = RUB 70.5968 (nine months ended 30 September 2019: US$ 1 = RUB 65.0692).

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)	**2020**	**2019**	**2020**	**2019**
Hot rolled steel	568	829	1,724	2,429
Galvanised steel	308	362	834	1,027
Long steel products	158	185	454	560
Cold rolled steel	117	163	367	473
Galvanised steel with polymeric coating	166	170	406	472
Hardware products	32	36	102	117
Wire, sling, bracing	33	37	92	108
Formed section	12	39	59	101
Coking production	16	28	52	92
Band	17	19	54	60
Tin plated steel	31	30	94	90
Coal	4	3	15	11
Tubes	14	11	31	24
Scrap	20	16	50	45
Slabs	-	-	5	-
Others	69	81	204	235
Total	**1,565**	**2,009**	**4,543**	**5,844**

	Three months ended 30 September		Nine months ended 30 September	
By customer destination	**2020**	**2019**	**2020**	**2019**
Russian Federation and the CIS	86 %	89 %	85 %	88 %
Middle East	7 %	7 %	7 %	7 %
Asia	3 %	1 %	3 %	1 %
Europe	3 %	2 %	3 %	3 %
Africa	1 %	1 %	2 %	1 %
Total	**100 %**	**100 %**	**100 %**	**100 %**

	Three months ended 30 September		Nine months ended 30 September	
By type of performance obligation	**2020**	**2019**	**2020**	**2019**
Revenue from sales of products - at point in time	1,484	1,922	4,328	5,598
Revenue from transportation services - over time	81	87	215	246
Total	**1,565**	**2,009**	**4,543**	**5,844**

5. SEGMENT INFORMATION

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

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

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

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

(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 2020 and 2019:

	Three months ended 30 September									
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	Steel (Russia)		**Steel (Turkey)**		**Coal mining**		**Eliminations**		**Total**	
Revenue (including transportation revenue)										
Sales to external customers	1,425	1,869	137	136	3	4	-	-	**1,565**	**2,009**
Inter-segment sales	31	48	-	-	33	55	(64)	(103)	**-**	**-**
Total revenue	**1,456**	**1,917**	**137**	**136**	**36**	**59**	**(64)**	**(103)**	**1,565**	**2,009**
Segment EBITDA	**336**	**518**	**11**	**(5)**	**-**	**14**	**3**	**(2)**	**350**	**525**
Depreciation and amortisation	(105)	(118)	(5)	(5)	(7)	(8)	-	-	**(117)**	**(131)**
Loss on disposal of property, plant and equipment	(15)	(7)	-	-	-	(1)	-	-	**(15)**	**(8)**
Operating profit/(loss) per IFRS financial statements	**216**	**393**	**6**	**(10)**	**(7)**	**5**	**3**	**(2)**	**218**	**386**

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

	Nine months ended 30 September									
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	Steel (Russia)		**Steel (Turkey)**		**Coal mining**		**Eliminations**		**Total**	
Revenue (including transportation revenue)										
Sales to external customers	4,175	5,422	353	410	15	12	-	-	**4,543**	**5,844**
Inter-segment sales	63	144	-	-	118	175	(181)	(319)	**-**	**-**
Total revenue	**4,238**	**5,566**	**353**	**410**	**133**	**187**	**(181)**	**(319)**	**4,543**	**5,844**
Segment EBITDA	**993**	**1,417**	**13**	**(13)**	**6**	**58**	**6**	**-**	**1,018**	**1,462**
Depreciation and amortisation	(331)	(335)	(14)	(14)	(23)	(22)	-	-	**(368)**	**(371)**
Loss on disposal of property, plant and equipment	(59)	(8)	-	-	-	(1)	-	-	**(59)**	**(9)**
Operating profit/(loss) per IFRS financial statements	**603**	**1,074**	**(1)**	**(27)**	**(17)**	**35**	**6**	**-**	**591**	**1,082**

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

	30 September 2020				
	Steel (Russia)	**Steel (Turkey)**	**Coal mining**	**Eliminations**	**Total**
Total assets	7,408	488	370	(1,571)	6,695
Total liabilities	2,248	102	81	(69)	2,362

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

5. SEGMENT INFORMATION (CONTINUED)

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

The Group's management closely monitors operating results of it's segments and assess whether impairment indicators exist at each reporting date. After decline in economic activity in the second quarter of 2020, the Group's business environment demonstrated a recovery signs (Note 16), supported by expectations over product prices growth in the fourth quarter of 2020 and further. The Group's management will continue to monitor this situation in a future and will assess the necessity of impairment test at the year end in case optimistic market anticipations would not occur.

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Payroll and social taxes	25	27	79	84
Taxes other than income tax	9	8	27	24
Depreciation and amortisation	6	6	18	17
Professional services	7	6	16	14
Insurance	1	1	2	2
Materials	1	1	3	2
Research and development costs	-	1	-	1
Other	3	2	11	11
Total	**52**	**52**	**156**	**155**

7. OTHER OPERATING EXPENSES/(INCOME), NET

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Loss on disposal of property, plant and equipment	15	8	59	9
Provision for advances issued	-	-	-	(1)
Provision for legal claims	-	6	17	7
Gain on disposal of other assets	(4)	(3)	(10)	(10)
Loss on disposal of subsidiaries	4	-	4	-
Other operating (gain)/loss, net	(1)	1	(1)	-
Total	**14**	**12**	**69**	**5**

8. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Interest expense on borrowings	-	1	-	9
Interest expense on provisions	1	5	9	10
Interest expense on bonds	6	5	17	6
Expenses related to withholding tax in respect to dividends paid in prior periods and related compensation, net (Note 15)	(7)	-	6	-
Other	1	-	1	1
Total	**1**	**11**	**33**	**26**

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

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equip-ment	Trans-portation equip-ment	Fixtures and fittings	Mining assets	Construc-tion in progress	Total
Cost							
At 1 January 2020	**3,219**	**6,574**	**205**	**185**	**109**	**994**	**11,286**
Additions	-	129	2	2	-	367	**500**
Transfers	109	223	1	11	-	(344)	**-**
Disposals	(37)	(266)	(3)	(6)	-	(11)	**(323)**
Effect of translation to presentation currency	(589)	(1,262)	(39)	(41)	(25)	(226)	**(2,182)**
At 30 September 2020	**2,702**	**5,398**	**166**	**151**	**84**	**780**	**9,281**
Depreciation							
At 1 January 2020	**(1,493)**	**(4,210)**	**(142)**	**(158)**	**(74)**	**(29)**	**(6,106)**
Charge for the period	(63)	(279)	(10)	(8)	(2)	-	**(362)**
Disposals	15	226	2	6	-	-	**249**
Effect of translation to presentation currency	235	745	28	35	16	6	**1,065**
At 30 September 2020	**(1,306)**	**(3,518)**	**(122)**	**(125)**	**(60)**	**(23)**	**(5,154)**
Carrying amount							
At 1 January 2020	**1,726**	**2,364**	**63**	**27**	**35**	**965**	**5,180**
At 30 September 2020	**1,396**	**1,880**	**44**	**26**	**24**	**757**	**4,127**
Carrying amount had no impairment taken place							
At 1 January 2020	**2,123**	**2,525**	**63**	**29**	**51**	**994**	**5,785**
At 30 September 2020	**1,770**	**1,979**	**45**	**27**	**36**	**780**	**4,637**

During the nine months ended 30 September 2020 and 2019 the Group capitalised borrowing costs USD 1 million and USD 1 million to property, plant and equipment, respectively.

At 30 September 2020 carrying amount of the construction in progress included impairment provision of USD 23 million (31 December 2019: USD 29 million).

Capital commitments are disclosed in Note 16.

10. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	30 September 2020	31 December 2019
Non-current financial assets		
Unlisted securities	2	2
Total non-current	**2**	**2**
Current financial assets		
Trading debt securities	7	8
Bank deposits,USD	250	-
Total current	**257**	**8**

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

11. CASH AND CASH EQUIVALENTS

	30 September 2020	31 December 2019
Cash, RUB	1	-
Cash in banks, USD	184	57
Cash in banks, EUR	15	10
Cash in banks, RUB	35	35
Bank deposits, USD	27	626
Bank deposits, RUB	465	375
Bank deposits, EUR	2	1
Bank deposits, TRY	1	1
Total	**730**	**1,105**

12. SHARE CAPITAL

Common stock

	30 September 2020	31 December 2019
Authorised, issued and fully paid common shares with a par value of RUB 1 each (in thousands)	11,174,330	11,174,330

During the three and nine months ended 30 September 2020 and 30 September 2019 the Group did not acquire or sell common shares of the Parent Company (treasury shares).

Dividends

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

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

On 11 September 2020, the Parent Company declared dividends of RUB 0.607 (USD 0.008) per ordinary share representing total dividends of USD 90 million. In October 2020 dividends were partially paid out (Note 18).

13. LONG-TERM BORROWINGS AND LOANS

	30 September 2020	31 December 2019
Unsecured listed bonds, USD	483	478
Unsecured loans, EUR	79	49
Total	**562**	**527**

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

Loans

The Group has various loans arrangements in RUB, USD and EUR denominations with various lenders. Those loans consist of unsecured and secured loans and credit facilities. At 30 September 2020 and 31 December 2019, the total unused element of all credit facilities was USD 1,396 million and USD 1,437 million, respectively.

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

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

13. LONG-TERM BORROWINGS (CONTINUED)

Debt repayment schedule

	30 September 2020
Periods of twelve months ending on 30 September	
2021 (presented as current portion of long-term borrowings and loans, Note 14)	48
2022	57
2023	34
2024	453
2025 and thereafter	18
Total	**610**

Debt repayment schedule

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

Eurobonds

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

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

Net Debt Reconciliation

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

	Borrowings and loans (Note 13, 14)	Leases	Cash and cash equivalents (Note 11)	Bank deposits/ Interest income (Note 10)	Total
At 1 January 2020	**(860)**	**(10)**	**1,105**	**-**	**235**
Cash flows, net	(48)	2	(294)	250	**(90)**
Effect of translation to presentation currency and exchange rate changes	(12)	2	(81)	-	**(91)**
Interest charge	(17)	(1)	-	-	**(18)**
Change in lease, net	-	(2)	-	-	**(2)**
At 30 September 2020	**(937)**	**(9)**	**730**	**250**	**34**

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

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

	30 September 2020	31 December 2019
Short-term loans:		
Unsecured loans, RUB	31	-
Unsecured loans, EUR	233	45
Unsecured loans, USD	63	67
	327	**112**
Current portion of long-term loans:		
Unsecured listed bonds, USD	21	21
Unsecured loans, EUR	27	200
	48	**221**
Total	**375**	**333**

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

	30 September 2020	31 December 2019
Due in:		
1 month	16	7
1-3 months	42	203
3 months to 1 year	317	123
Total	**375**	**333**

15. RELATED PARTIES

Transactions and balances outstanding with related parties

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

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

Details of transactions with and balances between the Group and related parties at 30 September 2020 and 31 December 2019 and for the three and nine months ended 30 September 2020 and 30 September 2019 are disclosed below.

During the three months ended 30 September 2020 the Group received monetary reimbursement of expenses incurred in June 2020 related to withholding tax in respect to dividends paid in prior periods in the amount of USD 7 million from the Parent company's major shareholder (Note 8).

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	
	2020	**2019**	**2020**	**2019**
Revenue	-	1	2	3
Purchases	1	4	2	10

Balances outstanding	30 September 2020	31 December 2019
Trade and other receivables	-	1

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

15. RELATED PARTIES (CONTINUED)

b) Transactions with other related parties

	Three months ended 30 September		Nine months ended 30 September	
	2020	**2019**	**2020**	**2019**
Revenue	58	51	202	172
Purchases	-	5	2	15
Bank charges	-	-	1	1

Balances outstanding	**30 September 2020**	**31 December 2019**
Cash and cash equivalents	56	30
Trade and other receivables	26	36

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 2020 and 2019, total key management personnel compensation included in general and administrative expenses amounted to USD 6 million and USD 7 million, respectively, including social taxes.

16. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 September 2020, the Group had purchase agreements of approximately USD 733 million to acquire property, plant and equipment (31 December 2019 : USD 705 million). Penalties are payable or receivable under these agreements in certain circumstances and where supply terms are not adhered to. Management does not expect such conditions to result in a loss to the Group.

Contingencies

Taxation contingencies in the Russian Federation

Russian tax legislation, which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax 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.

16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

Russian business environment

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

Impact of COVID-19

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

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

According to the decision of the Chairman of the Board of Directors, Victor F. Rashnikov, PJSC MMK donated USD 8 mln for anti-pandemic and social support measures at Magnitogorsk.

The global pandemic and the introduction of quarantine measures to combat coronavirus in Russia have had a significant impact on economic activity in Q2 2020.

The market conditions in Q3 were characterized by economy recovery in Russia and in a number of countries and regions of the world, an increase in demand for steel and the subsequent increase in market quotations for steel products.

The Group's management is closely monitoring the development of the situation on global markets.

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

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

16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Group has a sufficient liquidity level and one of the lowest debt-load indicators in the industry. As of 30 September 2020, the Group's debt amounted to USD 946 million, including Eurobonds maturing in 2024 (Notes 13, 14). At the same time, the total unused element of all credit facilities is USD 1,396 million, which allows the Group to fully refinance its current debt portion. The Group's cash, cash equivalents and short-term bank deposits balance amounts to USD 980 million, resulting in a net debt/EBITDA ratio of 0.03x at the end of Q3 2020. The current values of financial covenants are significantly lower than the normative ones.

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

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

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

In accordance with Decrees of the Russian Government published in April-May 2020, the Group's three subsidiaries raise preferential rate loans as part of the state support programs aimed at maintaining employment. The total amount of the debt under concluded loan agreements as of 30.09.2020 is USD 31 million, the available limit is USD 8 million.

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

The Group's management continues to closely monitor the development of the pandemic, taking active measures to minimise risks to employees and to the business as a whole.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The carrying amounts of financial instruments such as cash (Level 1) and cash equivalents (Level 2), bank deposits, trade and other receivables, lease obligations, short-term and long-term borrowings (except for listed bonds), trade and other payables are reasonable approximation of their fair values as at 30 September 2020 and 31 December 2019 (Level 3 of fair value hierarchy). Fair value of the financial assets at amortized cost is valued at the net present value of estimated future cash flows. The Group also considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

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

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

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

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

17. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

	Level 1	Level 2	Level 3	Total
30 September 2020				
Unlisted equity securities	-	-	2	2
Trading debt securities	7	-	-	7
Total assets	**7**	**-**	**2**	**9**
Eurobonds	536	-	-	536
Total liabilities	**536**	**-**	**-**	**536**
31 December 2019				
Unlisted equity securities	-	-	2	2
Trading debt securities	8	-	-	8
Total assets	**8**	**-**	**2**	**10**
Eurobonds	529	-	-	529
Total liabilities	**529**	**-**	**-**	**529**

18 EVENTS AFTER THE DATE OF UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In October 2020, dividends were partially paid in the amount of USD 85 million.

19. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the nine months ended 30 September 2020 were approved by the Group's management and authorized for issue on 21 October 2020.