Public Joint Stock Company Magnitogorsk Iron & Steel Works and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

For the Three Months Ended 31 March 2018

PUBLIC JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

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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 MONTHS ENDED 31 MARCH 2018

The following statement, which should be read in conjunction with the auditor's responsibilities stated in the report on review of interim financial information set out on page 2, 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 31 March 2018 and for the three 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 as 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 months ended 31 March 2018 were approved on 7 May 2018 by:

P. V. Shilyaev
General Director

7 May 2018
Magnitogorsk, Russia

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

Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Public Joint Stock Company Magnitogorsk Iron & Steel Works and its subsidiaries (the "Group") as of 31 March 2018 and the related condensed consolidated statements of comprehensive income for the three-month periods then ended, and changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 interim financial information 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 information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

7 May 2018

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

State registration certificate № 186, issued by Administration of Magnitogorsk on 17 October 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 12 August 2002 under registration № 1027402166835

Kirova, 93. Magnitogorsk. Russia, 455000

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

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

ORNZ 11603050547 in the register of auditors and audit organizations

PUBLIC JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2018
(In millions of U.S. Dollars, except per share data)

	Notes	Three months ended 31 March 2018	Three months ended 31 March 2017
REVENUE	4	2,055	1,660
COST OF SALES		(1,422)	(1,171)
GROSS PROFIT		**633**	**489**
General and administrative expenses	6	(61)	(57)
Selling and distribution expenses		(153)	(115)
Other operating (expense)/income, net	7	(5)	2
OPERATING PROFIT		**414**	**319**
Share of results of associates		-	1
Finance income		2	1
Finance costs		(7)	(8)
Reversal of impairment losses and provision for site restoration		(3)	(1)
Foreign exchange loss, net		(17)	(3)
Other expenses		(30)	(21)
PROFIT BEFORE INCOME TAX		**359**	**288**
INCOME TAX		(80)	(47)
PROFIT FOR THE PERIOD		**279**	**241**
OTHER COMPREHENSIVE INCOME/(LOSSES)			
Items, that will be reclassified subsequently to profit or loss			
Translation of foreign operations		-	(107)
Items, that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations		1	1
Effect of translation to presentation currency		25	413
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**26**	**307**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**305**	**548**
Profit attributable to:			
Shareholders of the Parent Company		278	241
Non-controlling interests		1	-
		279	**241**
Total comprehensive income attributable to:			
Shareholders of the Parent Company		304	546
Non-controlling interests		1	2
		305	**548**
BASIC AND DILUTED EARNINGS PER SHARE (U.S. Dollars)		0.025	0.022
Weighted average number of ordinary shares outstanding (in thousands)		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 31 MARCH 2018
(In millions of U.S. Dollars)

	Notes	31 March 2018	31 December 2017
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	8	4,982	4,874
Intangible assets		26	27
Investments in securities and other financial assets	9	3	3
Investments in associates		2	2
Deferred tax assets		84	93
Other non-current assets		-	8
Total non-current assets		**5,097**	**5,007**
CURRENT ASSETS:			
Inventories		1,352	1,421
Trade and other receivables		829	782
Investments in securities and other financial assets	9	8	8
Income tax receivable		1	1
Value added tax recoverable		151	149
Cash and cash equivalents	10	441	556
Total current assets		**2,782**	**2,917**
TOTAL ASSETS		**7,879**	**7,924**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	11	386	386
Share premium		969	969
Translation reserve		(5,116)	(5,141)
Retained earnings		9,538	9,259
Equity attributable to shareholders of the Parent Company		5,777	5,473
Non-controlling interests		25	24
Total equity		**5,802**	**5,497**
NON-CURRENT LIABILITIES:			
Long-term borrowings	12	250	234
Obligations under finance leases		1	1
Retirement benefit obligations		18	19
Long-term other payables		13	16
Site restoration provision		164	158
Deferred tax liabilities		412	417
Total non-current liabilities		**858**	**845**
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	13	265	308
Current portion of obligations under finance leases		1	1
Current portion of retirement benefit obligations		3	3
Trade and other payables		916	1,236
Current portion of site restoration provision		11	11
Income tax payables		21	20
Net assets attributable to minority participants		2	3
Total current liabilities		**1,219**	**1,582**
TOTAL EQUITY AND LIABILITIES		**7,879**	**7,924**

P. V. Shilyaev
General Director

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

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

7 May 2018
Magnitogorsk, Russia

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

PUBLIC JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2018
(In millions of U.S. Dollars)

	Attributable to shareholders of the Parent Company								
	Share capital	**Treasury shares**	**Share premium**	**Investments revaluation reserve**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
BALANCE AT 1 JANUARY 2017	**386**	**-**	**969**	**-**	**(5,365)**	**8,703**	**4,693**	**18**	**4,711**
Profit for the period	-	-	-	-	-	241	**241**	-	**241**
Other comprehensive income for the period, net of tax	-	-	-	-	304	1	**305**	2	**307**
Total comprehensive income for the period	-	-	-	-	304	242	**546**	2	**548**
Changes in non-controlling interest in subsidiaries	-	-	-	-	-	(3)	**(3)**	3	**-**
BALANCE AT 31 MARCH 2017	**386**	**-**	**969**	**-**	**(5,061)**	**8,942**	**5,236**	**23**	**5,259**
BALANCE AT 1 JANUARY 2018	**386**	**-**	**969**	**-**	**(5,141)**	**9,259**	**5,473**	**24**	**5,497**
Profit for the period	-	-	-	-	-	278	**278**	1	**279**
Other comprehensive income for the period, net of tax	-	-	-	-	25	1	**26**	-	**26**
Total comprehensive income for the period	-	-	-	-	25	279	**304**	1	**305**
Changes in non-controlling interest in subsidiaries	-	-	-	-	-	-	**-**	-	**-**
BALANCE AT 31 March 2018	**386**	**-**	**969**	**-**	**(5,116)**	**9,538**	**5,777**	**25**	**5,802**

PUBLIC JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2018
(In millions of U.S. Dollars)

	Notes	Three months ended 31 March 2018	2017
OPERATING ACTIVITIES:			
Profit for the period		279	241
Adjustments to profit for the period:			
Income tax		80	47
Depreciation and amortization		144	130
Impairment losses and provision for site restoration		3	1
Finance costs		7	8
Loss on disposal of property, plant and equipment	7	2	2
Change in allowance for doubtful accounts receivable	7	5	1
Change in inventory allowance		(1)	(3)
Finance income		(2)	(1)
Foreign exchange loss, net		17	3
Share of results of associates		-	(1)
Gain on disposal of subsidiaries	7	-	(3)
Operating cashflow before working capital changes		534	425
Movements in working capital			
Increase in trade and other receivables		(44)	(126)
Decrease/(increase) in value added tax recoverable		7	(36)
Decrease/(increase) in inventories		82	(135)
(Decrease)/increase in trade and other payables		(131)	86
Cash generated from operations		448	214
Interest paid		(4)	(7)
Income tax paid		(78)	(71)
Net cash generated by operating activities		**366**	**136**
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(221)	(121)
Purchase of intangible assets		(1)	(1)
Interest received		2	1
Purchase of investments available-for-sale		(2)	-
Proceeds from sale of securities and other financial assets		2	1
Purchase of securities and other financial assets		-	(1)
Placement of short-term bank deposits		-	(110)
Withdrawal of short-term bank deposits		-	42
Net cash used in investing activities		**(220)**	**(189)**
FINANCING ACTIVITIES:			
Proceeds from borrowings		301	454
Repayments of borrowings		(340)	(399)
Dividends paid to equity holders of the Parent Company		(215)	-
Net cash received (used in)/from financing activities		**(254)**	**55**
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(108)	2
CASH AND CASH EQUIVALENTS, beginning of period	10	556	266
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies		(7)	6
CASH AND CASH EQUIVALENTS, end of period	10	**441**	**274**

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 an open 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 31 March 2018 the Parent Company's major shareholders were Mintha Holding Limited with a 84.3% ownership interest (31 December 2017: 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 31 March 2018 did not change from 31 December 2017.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These unaudited condensed consolidated interim financial statements for the three months ended 31 March 2018 have been prepared in accordance with IAS 34 "Interim financial reporting" ("IAS 34"). The consolidated statement of financial position at 31 December 2017 has been derived from the consolidated statement of financial position included in the Group's consolidated financial statements at 31 December 2017. 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 2017, 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 2017, except for changes made due to adoption of new Standards and Interpretations becoming effective from 1 January 2018. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit and 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 2018:

- IFRS 9 "Financial Instruments" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018).

The adoption of IFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies of the Group. The main changes in accounting policies are set out in the Group's annual consolidated financial statements for the year ended 31 December 2017. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The adjustments arising from the new impairment rules under IFRS 9 do not have material impact on the financial position or financial performance of the Group for the year ended 31 December 2017, therefore comparative information and opening equity as at 1 January 2018 was not restated. The group has adopted the simplified expected credit loss model for its trade receivables, as required by IFRS 9.

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

- IFRS 15 "Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018).

The Group has adopted the simplified transition method to implementation of IFRS 15 where any transitional adjustment is recognised in retained earnings at 1 January 2018 without adjustment of comparatives and the new standard will only be applied to contracts that remain in force at that date.

Starting from 1 January 2018 the Group recognizes the revenue from sale of goods and services when a performance obligation under contract with customer is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer, at the transaction price. The Group has reviewed a representative sample of sales contracts at all of its operating segments to identify changes in timing of revenue recognition and note disclosure. A significant proportion of the Group's contracts with customers consists of two performance obligations: a) sale of its products and b) obligation to transport goods to specified location. Under IFRS 15, revenue from sale of products is recognised at a point of time, when control over the goods is transferred to the customer. In most cases transportation component is required to be accounted for as a separate performance obligation with revenue recognized over time as the service is rendered and consequently transportation component required to be disclosed as separate revenue stream based on different timing of revenue recognition.

Adoption of IFRS 15 does not have material impact on the financial position or financial performance of the Group for the year ended 31 December 2017, therefore comparative information and opening equity as at 1 January 2018 were not restated.

- Amendments to IFRS 15 "Revenue from Contracts with Customers" (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

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

New Accounting Pronouncements

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 March 2018, and have not been early adopted by the Group:

- IFRS 16 "Leases" (issued in January 2017 and effective for annual periods beginning on or after 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).
- Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 included in Annual Improvements to IFRSs 2015-2017 cycle (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

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 consolidated condensed interim financial statements.

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

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

Estimates and assumtions

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 unaudited consolidated financial statements as at and for the year ended 31 December 2017.

Basis of preparation

These unaudited condensed consolidated interim financial statements of the Group have been prepared on the historical cost basis except for the initial recognition of financial instruments based on fair value, and financial instruments categorised at fair value through profit or loss.

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 31 March 2018, the official exchange rates were: US$ 1 = RUB 57.2649 (31 December 2017: US$ 1 = RUB 57.6002). Exchange rates for the three months ended 31 March 2018 were used as: US$ 1 = RUB 56.8853 (three months ended 31 March 2017: US$ 1 = RUB 58.8013).

3. SEASONAL OPERATIONS

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

4. REVENUE

	Three months ended 31 March	
By product (including transportation services)	**2018**	**2017**
Hot rolled steel	875	701
Galvanized steel	332	257
Cold rolled steel	216	192
Galvanized steel with polymeric coating	144	103
Long steel products	173	160
Tin plated steel	31	32
Hardware products	37	32
Wire, sling, bracing	38	32
Coking production	32	27
Band	26	19
Formed section	30	16
Scrap	14	11
Tubes	8	11
Coal	6	1
Others	93	66
Total	**2,055**	**1,660**

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

4. REVENUE (CONTINUED)

	Three months ended 31 March	
By customer destination	**2018**	**2017**
Russian Federation and the CIS	75%	77%
Middle East	14%	13%
Asia	4%	4%
Europe	4%	3%
Africa	3%	2%
South America	-	1%
Total	**100%**	**100%**

	Three months ended 31 March	
By type of performance obligation	**2018**	**2017**
Revenue from sales of products	1,953	1,578
Revenue from transportation services	102	82
Total	**2,055**	**1,660**

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*, 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
- *Coal mining segment*, which includes PJSC Belon and LLC MMK Ugol involved in mining and refining of coal. All significant assets, production and management and administrative facilities of this segment are located in the city of Belovo (Russian Federation).

The profitability of the three operating segments is primarily measured by CODM based on Segment EBITDA. Segment EBITDA is determined as segment's operating profit adjusted to exclude depreciation and amortisation expense and loss on disposal of property, plant and equipment, and to include the share of result of associates, including the impairment of investments in associates. Since this term is not a standard measure in IFRS the Group's definition of EBITDA may differ from that of other companies.

Inter-segment pricing is determined on a consistent basis using market benchmarks.

The following table presents measures of segment results for the three months ended 31 March 2018 and 2017:

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

5. SEGMENT INFORMATION (CONTINUED)

	Three months ended 31 March									
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Steel		Steel (Turkey)		Coal mining		Eliminations		Total	
Revenue										
Sales to external customers	1,860	1,509	189	150	6	1	-	-	2,055	1,660
Inter-segment sales	43	78	-	-	79	84	(122)	(162)	-	-
Total revenue	**1,903**	**1,587**	**189**	**150**	**85**	**85**	**(122)**	**(162)**	**2,055**	**1,660**
Segment EBITDA	**521**	**423**	**5**	**11**	**29**	**24**	**5**	**(6)**	**560**	**452**
Depreciation and amortisation	(120)	(108)	(15)	(15)	(9)	(7)	-	-	(144)	(130)
Loss on disposal of property, plant and equipment	(2)	(1)	-	-	-	(1)	-	-	(2)	(2)
Share of results of associates	-	(1)	-	-	-	-	-	-	-	(1)
Operating profit per IFRS financial statements	**399**	**313**	**(10)**	**(4)**	**20**	**16**	**5**	**(6)**	**414**	**319**

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

At 31 March 2018 and 31 December 2017, the segments' total assets and liabilities were reconciled to total assets and liabilities as follows:

	31 March 2018				
	Steel	Steel (Turkey)	Coal mining	Eliminations	Total
Total assets	8,636	890	422	(2,069)	**7,879**
Total liabilities	1,949	122	93	(87)	**2,077**

	31 December 2017				
	Steel	Steel (Turkey)	Coal mining	Eliminations	Total
Total assets	8,593	931	411	(2,011)	**7,924**
Total liabilities	2,232	142	100	(47)	**2,427**

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 31 March	
	2018	2017
Payroll and social taxes	31	29
Taxes other than income tax	13	14
Depreciation and amortisation	5	5
Professional services	4	4
Insurance	1	1
Materials	1	1
Research and development costs	1	1
Other	5	2
Total	**61**	**57**

7. OTHER OPERATING INCOME, NET

	Three months ended 31 March	
	2018	2017
Provision for doubtful debtors	5	1
Loss on disposal of property, plant and equipment, net	2	2
Net gains on sale of other assets	(2)	(2)
Gain on disposal of subsidiaries	-	(3)
Total	**5**	**(2)**

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

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equip-ment	Trans-portation equip-ment	Fixtures and fittings	Mining assets	Construc-tion-in-progress	Total
Gross book value							
At 1 January 2017	**2,818**	**5,851**	**166**	**156**	**99**	**601**	**9,691**
Additions	-	32	4	4	-	103	143
Transfers	17	46	3	5	-	(71)	-
Site restoration provision	-	-	-	-	2	-	2
Disposals	-	(41)	(1)	-	-	(4)	(46)
Disposals of subsidiaries	(10)	-	-	-	-	-	(10)
Effect of translation to presentation currency	167	373	11	12	7	47	617
At 31 March 2017	**2,992**	**6,261**	**183**	**177**	**108**	**676**	**10,397**
Depreciation							
At 1 January 2017	**(1,256)**	**(3,611)**	**(123)**	**(109)**	**(69)**	**(178)**	**(5,346)**
Charge for the period	(15)	(102)	(3)	(7)	(1)	-	(128)
Disposals	-	35	1	-	-	-	36
Disposals of subsidiaries	10	-	-	-	-	-	10
Effect of translation to presentation currency	(74)	(224)	(8)	(8)	(5)	(13)	(332)
At 31 March 2017	**(1,335)**	**(3,902)**	**(133)**	**(124)**	**(75)**	**(191)**	**(5,760)**
Carrying amount							
At 1 January 2017	**1,562**	**2,240**	**43**	**47**	**30**	**423**	**4,345**
At 31 March 2017	**1,657**	**2,359**	**50**	**53**	**33**	**485**	**4,637**
Carrying amount had no impairment taken place							
At 1 January 2017	**2,005**	**2,660**	**51**	**52**	**53**	**601**	**5,422**
At 31 March 2017	**2,085**	**2,781**	**57**	**57**	**58**	**677**	**5,715**
Gross book value							
At 1 January 2018	**3,076**	**6,319**	**189**	**180**	**102**	**766**	**10,632**
Additions	-	46	1	1	-	182	230
Transfers	12	37	1	1	-	(51)	-
Site restoration provision	-	-	-	-	3	-	3
Disposals	(1)	(39)	(1)	-	-	(1)	(42)
Utilised allowance for impairment losses	-	-	-	-	-	(5)	(5)
Effect of translation to presentation currency	14	31	1	1	1	4	52
At 31 March 2018	**3,101**	**6,394**	**191**	**183**	**106**	**895**	**10,870**
Depreciation							
At 1 January 2018	**(1,372)**	**(3,996)**	**(137)**	**(133)**	**(75)**	**(45)**	**(5,758)**
Charge for the period	(21)	(113)	(3)	(5)	(1)	-	(143)
Disposals	-	35	1	-	-	-	36
Utilised allowance for impairment losses	-	-	-	-	-	5	5
Effect of translation to presentation currency	(6)	(19)	(1)	(1)	(1)	-	(28)
At 31 March 2018	**(1,399)**	**(4,093)**	**(140)**	**(139)**	**(77)**	**(40)**	**(5,888)**
Carrying amount							
At 1 January 2018	**1,704**	**2,323**	**52**	**47**	**27**	**721**	**4,874**
At 31 March 2018	**1,702**	**2,301**	**51**	**44**	**29**	**855**	**4,982**
Carrying amount had no impairment taken place							
At 1 January 2018	**2,113**	**2,691**	**58**	**50**	**48**	**767**	**5,727**
At 31 March 2018	**2,107**	**2,655**	**56**	**48**	**51**	**894**	**5,811**

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

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the three months ended 31 March 2018 and 31 March 2017 the Group did not capitalize borrowing costs.

At 31 March 2018 carrying amount of the construction in progress included impairment provision of USD 40 million (31 December 2017: USD 45 million).

Capital commitments are disclosed in Note 15.

9. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	31 March 2018	31 December 2017
Non-current		
Available-for-sale investments, at fair value		
Unlisted securities	3	3
Total non-current	**3**	**3**
Current		
Financial assets, at fair value through profit or loss		
Trading debt securities	7	7
Share in mutual investment fund	1	1
Total current	**8**	**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.

10. CASH AND CASH EQUIVALENTS

	31 March 2018	31 December 2017
Cash in banks, USD	88	130
Cash in banks, RUB	31	39
Cash in banks, EUR	42	53
Cash in banks, TRY	-	1
Bank deposits, USD	218	265
Bank deposits, RUB	53	63
Bank deposits, TRY	4	1
Bank deposits, EUR	1	-
Cash equivalents	4	4
Total	**441**	**556**

11. SHARE CAPITAL

Common stock

	31 March 2018	31 December 2017
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 months ended 31 March 2018 and 31 March 2017 the Group did not acquire or sell common shares of the Parent Company (treasury shares).

Dividends

On 8 December 2017, the Parent Company declared a dividend of RUB 1.111 (USD 0.019) per ordinary share representing a total dividend of USD 209 million. In January 2018, dividends were paid in the amount of USD 215 million. The difference with the declared amount is caused by the change in the exchange rates.

12. LONG-TERM BORROWINGS

	31 March 2018	31 December 2017
Unsecured loans, RUB	20	30
Unsecured loans, EUR	230	204
Total	**250**	**234**

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

Loans

The Group has various borrowing arrangements in RUB, USD and EUR denominations with various lenders. Those borrowings consist of unsecured and secured loans and credit facilities. At 31 March 2018 and 31 December 2017, the total unused element of all credit facilities was USD 1,615 million and USD 1,287 million, respectively.

Debt repayment schedule

	31 March 2018
Periods of twelve months ending on 31 March	
2019 (presented as current portion of long-term borrowings, Note 13)	54
2020	219
2021	12
2022	12
2023 and thereafter	7
Total	**304**

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

12. LONG-TERM BORROWINGS (CONTINUED)

Debt repayment schedule

	31 December 2017
Periods of twelve months ending on 31 December	
2018 (presented as current portion of long-term borrowings, Note 13)	92
2019	36
2020	191
2021	5
2022 and thereafter	2
Total	**326**

Net Debt Reconciliation

The table below sets out an analysis of net debt and the movements in the Group's liabilities from financing activities.

	Borrowings (Note 12,13)	Finance leases	Cash and cash equivalents (Note 10)	Bank deposits / Interest income	Total
At 31 December 2017	**(542)**	**(2)**	**556**	**-**	**12**
Cash flows	43	-	(108)	(2)	(67)
Effect of translation to presentation currency and exchange rate changes	(11)	-	(7)	-	(18)
Interest charge	(5)	-	-	2	(3)
At 31 March 2018	**(515)**	**(2)**	**441**	**-**	**(76)**

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

	31 March 2018	31 December 2017
Short-term borrowings:		
Secured loans, USD	2	-
Secured loans, EUR	4	6
Unsecured loans, RUB	111	100
Unsecured loans, EUR	94	110
	211	**216**
Current portion of long-term borrowings:		
Unsecured loans, USD	2	2
Unsecured loans, EUR	7	44
Unsecured loans, RUB	45	46
	54	**92**
Total	**265**	**308**

At 31 March 2018 and 31 December 2017, short-term borrowings were secured by inventories of USD 6 million and USD 6 million, respectively.

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

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

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

	31 March 2018	31 December 2017
Due in:		
1 month	14	24
1-3 months	181	151
3 months to 1 year	70	133
Total	**265**	**308**

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 31 March 2018 and 31 December 2017 and for the three months ended 31 March 2018 and 2017 are disclosed below.

Other related parties include entities under common control with the Group. At 31 March 2018 and 31 December 2017 there were no outstanding balances with associates.

a) Transactions with associates of the Group

	Three months ended 31 March	
	2018	2017
Purchases	3	30

b) Transactions with other related parties

	Three months ended 31 March	
	2018	2017
Revenue	147	80
Purchases	4	-

Balances outstanding	31 March 2018	31 December 2017
Cash and cash equivalents	41	75
Trade and other receivables	74	92

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 three months ended 31 March 2018 and 2017, key management personnel received as compensation USD 3 million and USD 2 million, respectively.

15. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 31 March 2018, the Group concluded purchase agreements of approximately USD 296 million to acquire property, plant and equipment (31 December 2017: USD 238 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 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 legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm’s length. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer 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 overall operations of the Group.

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 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

15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

develop and are subject to frequent changes and varying interpretations. The Russian economy was growing in 2017, after overcoming the economic recession of 2015 and 2016. The economy is negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. This 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 and cash equivalents, bank deposits, trade and other receivables, short-term and floating rate long-term borrowings (except for listed bonds), trade and other payables are reasonable approximation their fair values as at 31 March 2018 and 31 December 2017 (Level 3 of fair value hierarchy). The level three debt instruments are 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.

For assets and liabilities carried at amortised cost the fair value of floating rate instruments is normally 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 other than those carried at amortised cost 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
31 March 2018				
Available for sale investments, unlisted equity securities	-	-	3	3
Trading debt securities	7	-	-	7
Share in mutual investment fund	1	-	-	1
Total assets	**8**	**-**	**3**	**11**
31 December 2017				
Available for sale investments, unlisted equity securities	-	-	3	3
Trading debt securities	7	-	-	7
Share in mutual investment fund	1	-	-	1
Total assets	**8**	**-**	**3**	**11**

17. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the three months ended 31 March 2018 were approved by the Group’s management and authorized for issue on 7 May 2018.