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 2017

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MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

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The following statement, which should be read in conjunction with the auditor's responsibilities stated in the report on review of the unaudited condensed consolidated interim financial statements 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 30 September 2017 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 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 and nine months ended 30 September 2017 were approved on 7 November 2017 by:

P.V. Shilyaev
General Director

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

7 November 2017
Magnitogorsk, Russia

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

Report on Review of Interim Financial Information

To the Shareholders and Board of Directors of PJSC Magnitogorsk Iron & Steel Works:

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC Magnitogorsk Iron & Steel Works and its subsidiaries (the "Group") as of 30 September 2017 and the related condensed consolidated statements of comprehensive income for the three-month and nine-month periods then ended, and changes in equity and cash flows for the nine-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 November 2017

Moscow, Russian Federation

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

Audited entity: PJSC 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

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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 2017
(In millions of U.S. Dollars, except per share data)

	Notes	Three months ended 30 September 2017	Three months ended 30 September 2016	Nine months ended 30 September 2017	Nine months ended 30 September 2016
REVENUE	4	2,012	1,478	5,598	4,080
COST OF SALES		(1,410)	(964)	(3,970)	(2,778)
GROSS PROFIT		**602**	**514**	**1,628**	**1,302**
General and administrative expenses	6	(53)	(50)	(176)	(151)
Selling and distribution expenses		(150)	(111)	(419)	(312)
Other operating income/(expenses), net	7	1	164	(15)	302
OPERATING PROFIT		**400**	**517**	**1,018**	**1,141**
Share of results of associates		(2)	-	-	-
Finance income		3	3	6	11
Finance costs		(16)	(21)	(33)	(100)
(Accrual)/Reversal of impairment and provision for site restoration		(12)	4	137	13
Foreign exchange (loss)/gain, net		(13)	(4)	(30)	50
Other expenses		(16)	(15)	(56)	(50)
PROFIT BEFORE INCOME TAX		**344**	**484**	**1,042**	**1,065**
INCOME TAX		(68)	(67)	(228)	(162)
PROFIT FOR THE PERIOD		**276**	**417**	**814**	**903**
OTHER COMPREHENSIVE INCOME/ (LOSSES)					
Items, that will be reclassified subsequently to profit or loss					
Net change in fair value of available-for-sale investments		-	(125)	-	(121)
Translation of foreign operations		(19)	(15)	(36)	(158)
Items, that will not be reclassified subsequently to profit or loss					
Actuarial losses		-	(1)	-	(1)
Effect of translation to presentation currency		105	82	226	589
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD, NET OF TAX		**86**	**(59)**	**190**	**309**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**362**	**358**	**1,004**	**1,212**
Profit attributable to:					
Shareholders of the Parent Company		275	417	811	903
Non-controlling interests		1	-	3	-
		276	**417**	**814**	**903**
Total comprehensive income attributable to:					
Shareholders of the Parent Company		362	358	1,002	1,209
Non-controlling interests		-	-	2	3
		362	**358**	**1,004**	**1,212**
BASIC AND DILUTED EARNINGS PER SHARE (U.S. Dollars)		0.025	0.037	0.073	0.081
Weighted average number of ordinary shares outstanding (in thousands)		11,174,330	11,174,150	11,174,330	11,173,769

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 2017

(In millions of U.S. Dollars)

	Notes	30 September 2017	31 December 2016
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	8	4,684	4,345
Intangible assets		25	22
Investments in securities and other financial assets	9	3	3
Investments in associates		7	6
Deferred tax assets		68	75
Other non-current assets		10	11
Total non-current assets		**4,797**	**4,462**
CURRENT ASSETS:			
Inventories		1,112	1,067
Trade and other receivables		828	558
Investments in securities and other financial assets	9	8	50
Income tax receivable		2	1
Value added tax recoverable		112	97
Cash and cash equivalents	10	618	266
Total current assets		**2,680**	**2,039**
TOTAL ASSETS		**7,477**	**6,501**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	11	386	386
Share premium		969	969
Translation reserve		(5,174)	(5,365)
Retained earnings		9,097	8,703
Equity attributable to shareholders of the Parent Company		5,278	4,693
Non-controlling interests		23	18
Total equity		**5,301**	**4,711**
NON-CURRENT LIABILITIES:			
Long-term borrowings	12	305	178
Obligations under finance leases		1	1
Retirement benefit obligations		18	16
Long-term other payables		13	-
Site restoration provision		157	155
Deferred tax liabilities		389	373
Total non-current liabilities		**883**	**723**
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	13	192	320
Current portion of obligations under finance leases		1	1
Current portion of retirement benefit obligations		3	3
Trade and other payables		1,049	710
Current portion of site restoration provision		11	10
Income tax payables		37	23
Total current liabilities		**1,293**	**1,067**
TOTAL EQUITY AND LIABILITIES		**7,477**	**6,501**

Approved on 7 November 2017 by:

P.V. Shilyaev
General Director

Российская Федерация
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O.Y. Samoylova
Director of OOO MMK-ACCOUNTING CENTER, a specialized organization, which performs the accounting function for PJSC Magnitogorsk Iron & Steel Works

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

(In millions of U.S. Dollars)

	Notes	Attributable to shareholders of the Parent Company								
		Share capital	Treasury shares	Share premium	Invest-ments revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
BALANCE AT 1 JANUARY 2016		**386**	**(1)**	**969**	**121**	**(5,940)**	**7,772**	**3,307**	**13**	**3,320**
Profit for the period		-	-	-	-	-	903	**903**	-	**903**
Other comprehensive income/(loss) for the period, net of tax		-	-	-	(121)	428	(1)	**306**	3	**309**
Total comprehensive income for the period		-	-	-	(121)	428	902	**1,209**	3	**1,212**
Acquisition of treasury shares		-	(204)	-	-	-	-	**(204)**	-	**(204)**
Disposal of treasury shares		-	205	(1)	-	-	-	**204**	-	**204**
Dividends	11	-	-	-	-	-	(180)	**(180)**	-	**(180)**
BALANCE AT 30 SEPTEMBER 2016		**386**	**-**	**968**	**-**	**(5,512)**	**8,494**	**4,336**	**16**	**4,352**
BALANCE AT 1 JANUARY 2017		**386**	**-**	**969**	**-**	**(5,365)**	**8,703**	**4,693**	**18**	**4,711**
Profit for the period		-	-	-	-	-	811	**811**	3	**814**
Other comprehensive income/(loss) for the period, net of tax		-	-	-	-	191	-	**191**	(1)	**190**
Total comprehensive income for the period		-	-	-	-	191	811	**1,002**	2	**1,004**
Changes in non-controlling interest in subsidiaries		-	-	-	-	-	(3)	**(3)**	3	**-**
Dividends	11	-	-	-	-	-	(414)	**(414)**	-	**(414)**
BALANCE AT 30 SEPTEMBER 2017		**386**	**-**	**969**	**-**	**(5,174)**	**9,097**	**5,278**	**23**	**5,301**

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

PUBLIC JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

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

		Nine months ended 30 September	
	Notes	**2017**	**2016**
OPERATING ACTIVITIES:			
Profit for the period		814	903
Adjustments to profit for the period:			
Income tax		228	162
Depreciation and amortization		399	347
Reversal of impairment losses and provision for site restoration		(137)	(13)
Finance costs		33	100
Loss on disposal of property, plant and equipment	7	23	12
Change in allowance for doubtful accounts receivable	7	1	3
Change in inventory allowance		(2)	(26)
Finance income		(6)	(11)
Foreign exchange loss /(income), net		30	(50)
Income from available-for-sale investments	7	-	(3)
Gain on sale of available-for-sale investments	7	-	(315)
Gain on disposal of subsidiaries	7	(3)	-
Operating cashflow before working capital changes		**1,380**	**1,109**
Movements in working capital			
Increase in trade and other receivables		(246)	(203)
(Increase)/decrease in value added tax recoverable		(10)	7
Decrease in inventories		4	128
Increase in trade and other payables		103	61
Cash generated from operations		**1,231**	**1,102**
Interest paid		(19)	(80)
Income tax paid		(207)	(140)
Net cash from operating activities		**1,005**	**882**
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(427)	(278)
Purchase of intangible assets		(5)	(6)
Proceeds from sale of property, plant and equipment		-	3
Interest received		6	13
Purchase available-for-sale investments		(4)	-
Proceeds from sale available-for-sale investments		3	410
Dividends received from available-for-sale investments		-	3
Placement of short-term bank deposits		(110)	(650)
Withdrawal of short-term bank deposits		153	865
Net cash (used)/from in investing activities		**(384)**	**360**
FINANCING ACTIVITIES:			
Proceeds from borrowings		686	258
Repayments of borrowings		(728)	(1,637)
Purchase of treasury shares		-	(204)
Proceeds from issuance of ordinary shares from treasury shares		-	204
Dividends paid		(243)	(53)
Net cash used in financing activities		**(285)**	**(1,432)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		336	(190)
CASH AND CASH EQUIVALENTS, beginning of period	10	266	369
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies		16	13
CASH AND CASH EQUIVALENTS, end of period	10	**618**	**192**

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

1. GENERAL INFORMATION

PJSC Magnitogorsk Iron & Steel Works («the Parent Company») is an 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 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 2017 the Parent Company's major shareholders were Mintha Holding Limited with a 84.3% ownership interest (31 December 2016: 87.3%).

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 2017 did not change materially from 31 December 2016.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These unaudited condensed consolidated interim financial statements for the three and nine months ended 30 September 2017 have been prepared in accordance with IAS 34 "Interim financial reporting" ("IAS 34"). The consolidated statement of financial position at 31 December 2016 has been derived from the consolidated statement of financial position included in the Group's consolidated financial statements at 31 December 2016. 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 2016, 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 2016, except for changes made due to adoption of new Standards and Interpretations becoming effective from 1 January 2017. 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 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).

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

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 30 September 2017, and have not been early adopted by the Group:

- IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018).
- IFRS 15, "Revenue from Contracts with Customers" (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018).
- IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).
- 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 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).

The Group is currently assessing the impact of new standards on its unaudited condensed consolidated interim financial statements.

Estimates

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 2016.

Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group are prepared on the historical cost basis except for the certain financial instruments which are reported in accordance with IAS 39 "Financial instruments: recognition and measurement" at fair value.

Functional and presentation currency

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

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

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

At 30 September 2017, the official exchange rates were: US$ 1 = RUB 58.0169 (31 December 2016: US$ 1 = RUB 60.6569). Exchange rates for the nine months ended 30 September 2017 were used as: US$ 1 = RUB 58.3392 (nine months ended 30 September 2016: US$ 1 = RUB 67.8011).

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

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 30 September		Nine months ended 30 September	
By product	**2017**	**2016**	**2017**	**2016**
Hot rolled steel	814	569	2,326	1,694
Galvanised steel	343	258	914	665
Cold rolled steel	214	164	587	432
Long steel products	194	144	523	370
Galvanised steel with polymeric coating	168	119	428	323
Hardware products	40	29	115	80
Wire, sling, bracing	38	28	103	74
Tin plated steel	24	29	81	86
Coking production	27	22	84	57
Band	21	14	62	47
Scrap	17	15	48	28
Formed section	17	12	60	16
Tubes	12	10	35	26
Slabs	1	2	1	24
Coal	-	4	1	6
Others	82	59	230	152
Total	**2,012**	**1,478**	**5,598**	**4,080**

	Three months ended 30 September		Nine months ended 30 September	
By customer destination	**2017**	**2016**	**2017**	**2016**
Russian Federation and the CIS	79%	79%	78%	77%
Middle East	14%	13%	13%	14%
Africa	4%	2%	3%	1%
Europe	2%	5%	4%	5%
Asia	1%	1%	2%	3%
Total	**100%**	**100%**	**100%**	**100%**

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:

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

5. SEGMENT INFORMATION (CONTINUED)

- *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 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 months ended 30 September 2017 and 2016:

	Three months ended 30 September									
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Steel		Steel (Turkey)		Coal mining		Eliminations		Total	
Revenue										
Sales to external customers	1,822	1,349	190	125	-	4	-	-	**2,012**	**1,478**
Inter-segment sales	86	78	-	-	67	43	(153)	(121)	**-**	**-**
Total revenue	**1,908**	**1,427**	**190**	**125**	**67**	**47**	**(153)**	**(121)**	**2,012**	**1,478**
Segment EBITDA	**497**	**639**	**16**	**1**	**19**	**13**	**1**	**-**	**533**	**653**
Depreciation and amortisation	(110)	(111)	(15)	(16)	(6)	(3)	-	-	**(131)**	**(130)**
Loss on disposal of property, plant and equipment	(5)	(5)	-	-	1	(1)	-	-	**(4)**	**(6)**
Share of results of associates	2	-	-	-	-	-	-	-	**2**	**-**
Operating profit/(loss) per IFRS financial statements	**384**	**523**	**1**	**(15)**	**14**	**9**	**1**	**-**	**400**	**517**

The following table presents measures of segment results for the nine months ended 30 September 2017 and 2016:

	Nine months ended 30 September									
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Steel		Steel (Turkey)		Coal mining		Eliminations		Total	
Revenue										
Sales to external customers	5,069	3,701	527	373	2	6	-	-	**5,598**	**4,080**
Inter-segment sales	248	173	-	-	228	125	(476)	(298)	**-**	**-**
Total revenue	**5,317**	**3,874**	**527**	**373**	**230**	**131**	**(476)**	**(298)**	**5,598**	**4,080**
Segment EBITDA	**1,336**	**1,429**	**36**	**35**	**69**	**36**	**(1)**	**-**	**1,440**	**1,500**
Depreciation and amortisation	(333)	(289)	(46)	(49)	(20)	(9)	-	-	**(399)**	**(347)**
Loss on disposal of property, plant and equipment	(23)	(11)	-	-	-	(1)	-	-	**(23)**	**(12)**
Share of results of associates	-	-	-	-	-	-	-	-	**-**	**-**
Operating profit/(loss) per IFRS financial statements	**980**	**1,129**	**(10)**	**(14)**	**49**	**26**	**(1)**	**-**	**1,018**	**1,141**

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

5. SEGMENT INFORMATION (CONTINUED)

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 2017 and 31 December 2016, the segments' total assets and liabilities were reconciled to total assets and liabilities as follows:

	30 September 2017				
	Steel	Steel (Turkey)	Coal mining	Eliminations	Total
Total assets	8,172	917	366	(1,978)	**7,477**
Total liabilities	2,015	119	78	(36)	**2,176**

	31 December 2016				
	Steel	Steel (Turkey)	Coal mining	Eliminations	Total
Total assets	8,000	903	310	(2,712)	**6,501**
Total liabilities	1,687	92	69	(58)	**1,790**

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
Payroll and social taxes	28	28	85	80
Taxes other than income tax	7	7	42	31
Professional services	3	4	11	11
Depreciation and amortisation	5	4	16	11
Insurance	1	1	2	2
Materials	1	1	2	2
Research and development costs	1	1	3	2
Other	7	4	15	12
Total	**53**	**50**	**176**	**151**

7. OTHER OPERATING (INCOME)/EXPENSES, NET

	Three months ended 30 September		Nine months ended 30 September	
	2017	2016	2017	2016
Loss on disposal of property, plant and equipment, net	3	6	23	12
Change in provision for doubtful debtors	1	1	1	3
Income from available-for-sale investments	-	-	-	(3)
Net gains on sale available-for-sale investments	-	(170)	-	(315)
Net gains on sale of other assets	(3)	(2)	(9)	(4)
Gain on disposal of subsidiaries	-	-	(3)	-
Other operating losses, net	(2)	1	3	5
Total	**(1)**	**(164)**	**15**	**(302)**

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

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Transportation equipment	Fixtures and fittings	Mining assets	Construction-in-progress	Total
Gross book value							
At 1 January 2016	**2,405**	**4,954**	**141**	**129**	**87**	**382**	**8,098**
Additions	-	100	1	-	-	192	293
Transfers	18	77	3	-	-	(98)	-
Site restoration provision	-	-	-	-	7	-	7
Disposals	(12)	(92)	(3)	(1)	(1)	(3)	(112)
Effect of translation to presentation currency	276	623	19	20	15	65	1,018
At 30 September 2016	**2,687**	**5,662**	**161**	**148**	**108**	**538**	**9,304**
Depreciation							
At 1 January 2016	**(1,036)**	**(2,905)**	**(100)**	**(82)**	**(64)**	**(147)**	**(4,334)**
Charge for the period	(44)	(286)	(8)	(9)	(2)	-	(349)
Reversal of impairment	-	-	-	-	-	6	6
Disposals	5	80	2	1	1	-	89
Effect of translation to presentation currency	(119)	(358)	(13)	(13)	(9)	(22)	(534)
At 30 September 2016	**(1,194)**	**(3,469)**	**(119)**	**(103)**	**(74)**	**(163)**	**(5,122)**
Carrying amount							
At 1 January 2016	**1,369**	**2,049**	**41**	**47**	**23**	**235**	**3,764**
At 30 September 2016	**1,493**	**2,193**	**42**	**45**	**34**	**375**	**4,182**
Carrying amount had no impairment taken place							
At 1 January 2016	**1,784**	**2,522**	**48**	**54**	**45**	**382**	**4,835**
At 30 September 2016	**1,925**	**2,660**	**50**	**51**	**56**	**537**	**5,279**
Gross book value							
At 1 January 2017	**2,818**	**5,851**	**166**	**156**	**99**	**601**	**9,691**
Additions	2	111	11	7	-	339	470
Transfers	85	145	5	7	-	(242)	-
Site restoration provision	-	-	-	-	(1)	-	(1)
Disposals	(2)	(193)	(3)	(1)	-	(6)	(205)
Disposals of subsidiaries	(10)	-	-	-	-	-	(10)
Effect of translation to presentation currency	100	225	7	7	4	29	372
At 30 September 2017	**2,993**	**6,139**	**186**	**176**	**102**	**721**	**10,317**
Depreciation							
At 1 January 2017	**(1,256)**	**(3,611)**	**(123)**	**(109)**	**(69)**	**(178)**	**(5,346)**
Charge for the period	(56)	(314)	(9)	(16)	(2)	-	(397)
Reversal of impairment	-	-	-	-	-	132	132
Disposals	1	163	3	1	-	-	168
Disposals of subsidiaries	10	-	-	-	-	-	10
Effect of translation to presentation currency	(44)	(134)	(5)	(5)	(3)	(9)	(200)
At 30 September 2017	**(1,345)**	**(3,896)**	**(134)**	**(129)**	**(74)**	**(55)**	**(5,633)**
Carrying amount							
At 1 January 2017	**1,562**	**2,240**	**43**	**47**	**30**	**423**	**4,345**
At 30 September 2017	**1,648**	**2,243**	**52**	**47**	**28**	**666**	**4,684**
Carrying amount had no impairment taken place							
At 1 January 2017	**2,005**	**2,660**	**51**	**52**	**53**	**601**	**5,422**
At 30 September 2017	**2,062**	**2,624**	**58**	**50**	**51**	**721**	**5,566**

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

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

During the nine months ended 30 September 2017 and 30 September 2016 the Group did not capitalized borrowing costs.

At 30 September 2017 carrying amount of the construction in progress included impairment provision of USD 55 million (31 December 2016: USD 178 million). At 31 December 2016 provision of USD 140 million related to the construction in progress, which had not yet been put into operation under a modernisation project. During the nine months ended 30 September 2017 management approved the decision to restart the modernisation project and reversed previously recognised provision on amount of USD 148 million (including the effect of translation to presentation currency). During the three months ended 30 September 2017 provision related to the construction in progress was made in the amount of USD 16 million.

Capital commitments are disclosed in Note 15.

9. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	30 September 2017	31 December 2016
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	6	6
Share in mutual investment fund	2	2
Bank deposits, USD	-	5
Bank deposits, EUR	-	37
Total current	**8**	**50**

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

10. CASH AND CASH EQUIVALENTS

	30 September 2017	31 December 2016
Cash in banks, USD	50	55
Cash in banks, EUR	45	52
Cash in banks, RUB	27	23
Bank deposits, USD	376	77
Bank deposits, RUB	119	57
Bank deposits, TRY	1	2
Total	**618**	**266**

11. SHARE CAPITAL

Common stock

	30 September 2017	**31 December 2016**
Issued and fully paid common shares with a par value of RUB 1 each (in thousands)	11,174,330	11,174,330

Issued and net outstanding shares comprised the following:

Number of ordinary shares in thousands	**Issued**	**Treasury shares**	**Net outstanding**
Balance at 1 January 2017	**11,174,330**	**-**	**11,174,330**
Acquisition of treasury shares	-	-	-
Re-issuance of treasury shares	-	-	-
Balance at 30 September 2017	**11,174,330**	**-**	**11,174,330**

Number of ordinary shares in thousands	**Issued**	**Treasury shares**	**Net outstanding**
Balance at 1 January 2016	**11,174,330**	**(1,836)**	**11,172,494**
Acquisition of treasury shares	-	(589,633)	(589,633)
Re-issuance of treasury shares	-	591,389	591,389
Balance at 30 September 2016	**11,174,330**	**(80)**	**11,174,250**

Treasury stock

At 30 September 2017 and 31 December 2016, the Group did not hold issued common shares of the Parent Company as treasury stock.

Dividends

On 26 May 2017, the Parent Company declared a dividend of RUB 1.242 (USD 0.022) per ordinary share representing a total dividend of USD 248 million. On 29 September 2017, the Parent Company declared a dividend of RUB 0.869 (USD 0.015) per ordinary share representing a total dividend of USD 166 million.

12. LONG-TERM BORROWINGS

	30 September 2017	**31 December 2016**
Unsecured loans, EUR	202	36
Unsecured loans, RUB	103	140
Unsecured loans, USD	-	2
Total	**305**	**178**

At 30 September 2017 the amount of long-term borrowings of the Group provided at fixed and floating rates were of USD 289 million and USD 16 million (31 December 2016: USD 140 million and USD 38 million), respectively.

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

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

12. LONG-TERM BORROWINGS (CONTINUED)

Loans

The Group has various borrowing arrangements in RUB and EUR denominations with various lenders. Those borrowings consist of unsecured and secured loans and credit facilities. At 30 September 2017 and 31 December 2016, the total unused element of all credit facilities was USD 1,718 million and USD 1,415 million, respectively.

Debt repayment schedule

	30 September 2017
Periods of twelve months ending on 30 September	
2018 (presented as current portion of long-term borrowings, Note 13)	115
2019	109
2020	188
2021	4
2022 and thereafter	4
Total	**420**

Debt repayment schedule

	31 December 2016
Periods of twelve months ending on 31 December	
2017 (presented as current portion of long-term borrowings, Note 13)	295
2018	108
2019	67
2020	1
2021 and thereafter	2
Total	**473**

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

	30 September 2017	**31 December 2016**
Short-term borrowings:		
Unsecured loans, EUR	62	24
Secured loans, EUR	12	-
Secured loans, USD	3	1
	77	**25**
Current portion of long-term borrowings:		
Unsecured loans, EUR	42	63
Unsecured loans, RUB	70	25
Unsecured loans, USD	3	207
	115	**295**
Total	**192**	**320**

At 30 September 2017 the amount of short-term borrowings and current portion of long-term borrowings of the Group provided at fixed and floating rates were USD 134 million and USD 58 million (31 December 2016: USD 49 million and USD 271 million), respectively.

At 30 September 2017 and 31 December 2016, short-term borrowings were secured by inventories of USD 15 million and USD 1 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:

	30 September 2017	31 December 2016
Due in:		
1 month	2	3
1-3 months	61	72
3 months to 1 year	129	245
Total	**192**	**320**

14. RELATED PARTIES

Transactions and balances outstanding with related parties

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

The Group enters into transactions with related parties in the ordinary course of business for the purchase and sale of goods and services and in relation to the provision of financing agreements to and from the Group entities. Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties.

Details of transactions with and balances between the Group and related parties at 30 September 2017 and 31 December 2016 and for the three and nine months ended 30 September 2017 and 2016 are disclosed below.

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

a) Transactions with associates of the Group

	Three months ended 30 September		Nine months ended 30 September	
	2017	**2016**	**2017**	**2016**
Purchases	44	28	117	74

Balances outstanding	**30 September 2017**	**31 December 2016**
Trade and other payables	5	3

b) Transactions with other related parties

	Three months ended 30 September		Nine months ended 30 September	
	2017	**2016**	**2017**	**2016**
Revenue	98	88	264	262
Purchases	5	3	12	9
Bank charges	-	-	1	1

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

14. RELATED PARTIES

Balances outstanding	30 September 2017	31 December 2016
Cash and cash equivalents	27	48
Bank deposits	-	16
Trade and other receivables	39	18
Trade and other payables	-	1

Remuneration of the Group's key management personnel

Key management personnel include key management of the Group and members of the Board of Directors and receive only short-term employment benefits. For the nine months ended 30 September 2017 and 2016, total key management personnel compensation included in general and administrative expenses amounted to USD 8 million and USD 7 million, respectively, including social taxes.

15. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 September 2017, the Group executed purchase agreements of approximately USD 203 million to acquire property, plant and equipment (31 December 2016: USD 136 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.

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.

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.

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.

15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Russian business environment

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. During 2016 and nine month ended 30 September 2017 the Russian economy was negatively impacted by low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals, all of which contributed to the country's economic recession characterised by a decline in gross domestic product. The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. Russia's credit rating was downgraded to below investment grade. 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 long-term borrowings fixed and floating rate, trade and other payables are reasonable approximation their fair values as at 30 September 2017 and 31 December 2016 (Level 3 of fair value hierarchy).

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
30 September 2017				
Available for sale investments, unlisted equity securities	-	-	3	3
Trading debt securities	6	-	-	6
Share in mutual investment fund	2	-	-	2
Total assets	**8**	**-**	**3**	**11**
31 December 2016				
Available for sale investments, unlisted equity securities	-	-	3	3
Trading debt securities	6	-	-	6
Share in mutual investment fund	2	-	-	2
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 and nine months ended 30 September 2017 were approved by the Group's management and authorized for issue on 7 November 2017.