



**ПРИЛОЖЕНИЯ К ГОДОВОМУ
ОТЧЕТУ ММК
ЗА 2018 ГОД**

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Перечень совершенных в отчетном году сделок, признаваемых в соответствии с ФЗ «Об акционерных обществах» крупными сделками

Сделки, признаваемые в соответствии с законодательством РФ крупными, в 2018 году не совершались.

Перечень совершенных в отчетном году сделок, признаваемых в соответствии с ФЗ «Об акционерных обществах» сделками, в совершении которых имелась заинтересованность

1 Взаимосвязанные сделки, в совершении которых имеется заинтересованность, по предоставлению ПАО «ММК» (ГАРАНТ) независимых гарантий (Гарантия 1 и Гарантия 2) в пользу банка Denizbank A.S. (БЕНЕФИЦИАР) по обязательствам компании ММК Metalurji A.S.».

Существенные условия:

1 Гарантия 1

- предмет Гарантии 1 – ГАРАНТ настоящим безотзывно и безусловно обязуется выплатить БЕНЕФИЦИАРУ в течение 5 (пяти) рабочих дней любую сумму или суммы, в совокупности, не превышающие сумму в размере до 50 000 000,00 (Пятидесяти миллионов) долларов США, после получения ГАРАНТОМ первого письменного требования БЕНЕФИЦИАРА об уплате денежной суммы по Гарантии 1 в связи с неисполнением/ненадлежащим исполнением компанией ММК Metalurji A.S. (Республика Турция) (ПРИНЦИПАЛ) любых платежных обязательств по Генеральному Кредитному Соглашению No. Ki2 000000351 от 31.10.2016 (Соглашение 1), заключенному на следующих условиях:

- предмет Соглашения 1 – БЕНЕФИЦИАР открывает ПРИНЦИПАЛУ возобновляемый лимит на проведение операций торгового финансирования;

- сумма лимита – 50 000 000 (Пятьдесят миллионов) долларов США;

- срок действия лимита – не ограничен;

- обязательства ПРИНЦИПАЛА, выполнение которых обеспечивается Гарантией 1 – процентные платежи, погашение основной суммы кредита, выплата штрафных процентов вследствие нарушения обязательств по уплате процентов и/или по погашению кредита в соответствии с требованиями условий Соглашения 1 и всех относящихся к нему дополнительных соглашений, любые другие платежные обязательства по Соглашению 1;

- срок действия Гарантии 1 – с 01.12.2018 до 01.12.2020 (включительно).

Гарантия 1 может быть изменена ГАРАНТОМ с согласия БЕНЕФИЦИАРА.

Гарантия 1 регламентируется законодательством Российской Федерации. Любые споры, разногласия или претензии в связи с Гарантией 1 подлежат урегулированию в Международном Коммерческом Арбитражном Суде при Торгово-Промышленной Палате Российской Федерации, Москва, в соответствии с ее регламентом.

Выгодоприобретатель по Гарантии 1 – ММК Metalurji A.S.

2 Гарантия 2

- предмет Гарантии 2 – ГАРАНТ настоящим безотзывно и безусловно обязуется выплатить БЕНЕФИЦИАРУ в течение 5 (пяти) рабочих дней любую сумму или суммы, в совокупности, не превышающие сумму в размере до 45 000 000,00 (Сорока пяти миллионов) Евро, после получения ГАРАНТОМ первого письменного требования БЕНЕФИЦИАРА об уплате денежной суммы по Гарантии 2 в связи с неисполнением/ненадлежащим исполнением компанией ММК Metalurji A.S. (Республика Турция) (ПРИНЦИПАЛ) любых платежных обязательств по Генеральному Кредитному Соглашению No. Ki2 000000436 от 01.11.2016 (Соглашение 2), заключенному на следующих условиях:

- предмет Соглашения 2 – БЕНЕФИЦИАР открывает ПРИНЦИПАЛУ возобновляемый лимит на проведение операций торгового финансирования;

- сумма лимита – 45 000 000 (Сорок пять миллионов) Евро;
- срок действия лимита – не ограничен;
- обязательства ПРИНЦИПАЛА, выполнение которых обеспечивается Гарантией 2 – процентные платежи, погашение основной суммы кредита, выплата штрафных процентов вследствие нарушения обязательств по уплате процентов и/или по погашению кредита в соответствии с требованиями условий Соглашения 2 и всех относящихся к нему дополнительных соглашений, любые другие платежные обязательства по Соглашению 2;
- срок действия Гарантии 2 – с 01.12.2018 до 01.12.2020 (включительно).

Гарантия 2 может быть изменена ГАРАНТОМ с согласия БЕНЕФИЦИАРА.

Гарантия 2 регламентируется законодательством Российской Федерации. Любые споры, разногласия или претензии в связи с Гарантией 1 подлежат урегулированию в Международном Коммерческом Арбитражном Суде при Торгово-Промышленной Палате Российской Федерации, Москва, в соответствии с ее регламентом.

Выгодоприобретатель по Гарантии 2 – ММК Metalurji A.S.

Определить цену указанных взаимосвязанных сделок в размере обязательств ПРИНЦИПАЛА, выполнение которых обеспечивается Гарантией 1 и Гарантией 2.

Заинтересованными в совершении ПАО «ММК» сделки признаются:

- члены Совета директоров ПАО «ММК» Рашников В.Ф. (акциями в указанных обществах не владеет)¹, Рашникова О.В. (акциями в указанных обществах не владеет).

Основания (оснований), по которому (по которым) лицо (лица) признано (признаны) заинтересованным (заинтересованными) в совершении сделки:

- компания Минта Холдинг Лимитед (Mintha Holding Limited), являющаяся контролирующим лицом ПАО «ММК», косвенно также является контролирующим лицом ММК Metalurji A.S., в обеспечение обязательств которого заключаются сделки.

(По имеющейся информации Председатель Совета директоров ПАО «ММК» В.Ф. Рашников является бенефициаром компании Минта Холдинг Лимитед (Mintha Holding Limited), а член Совета директоров ПАО «ММК» Рашникова О.В. является дочерью Рашникова В.Ф.).

Орган управления ПАО «ММК», принявший решение о согласии на ее совершение или ее последующем одобрении: Советом директоров ПАО «ММК» принято решение о согласии на совершение взаимосвязанных сделок (протокол заочного голосования Совета директоров ПАО «ММК» от 24.04.2018 №16).

¹ (указываются - Доли участия заинтересованного лица (заинтересованных лиц) в уставном капитале (доли принадлежавших заинтересованному лицу (заинтересованным лицам) акций) ПАО «ММК» и юридического лица, являвшегося стороной в сделке, на дату совершения сделки).

2 Сделка, в совершении которой имеется заинтересованность, по заключению договора займа между ПАО «ММК» (Займодавец) и ООО «РЕГИОН» (Заемщик).

Существенные условия:

- предмет договора – предоставление займа;
- сумма займа – 371 136 000,00 (Триста семьдесят один миллион сто тридцать шесть тысяч) рублей;
- целевое использование – финансирование программы лизинга ПАО «ММК» на 2018 год;
- процентная ставка – 7,5% (семь целых пять десятых процентов) годовых;
- срок действия договора – 31.12.2023;
- порядок предоставления займа – частями, на основании письменной заявки Заемщика;
- порядок погашения займа – ежемесячное погашение, с возможностью частичного/полного досрочного погашения.

Выгодоприобретатели в сделке отсутствуют.

Цена сделки определяется – сумма займа в размере 371 136 000,00 (Триста семьдесят один миллион сто тридцать шесть тысяч) рублей, а также проценты за пользование займом, исходя из ставки 7,5% годовых.

Заинтересованными в совершении ПАО «ММК» сделки признаются:

- члены Совета директоров ПАО «ММК» Рашников В.Ф. (акциями в указанных обществах не владеет), Рашникова О.В. (акциями в указанных обществах не владеет).

Основания (оснований), по которому (по которым) лицо (лица) признано (признаны) заинтересованным (заинтересованными) в совершении сделки:

- компания Минта Холдинг Лимитед (Mintha Holding Limited), являющаяся контролирующим лицом ПАО «ММК», косвенно также является контролирующим лицом ООО «РЕГИОН».

(По имеющейся информации Председатель Совета директоров ПАО «ММК» В.Ф. Рашников является бенефициаром компании Минта Холдинг Лимитед (Mintha Holding Limited), а член Совета директоров ПАО «ММК» Рашникова О.В. является дочерью Рашникова В.Ф.).

3 Сделка, в совершении которой имеется заинтересованность, по заключению контракта между ПАО «ММК» (Продавец) и компанией «ММК Стил Трейд АГ» (ММК Steel Trade AG), Швейцария (Покупатель).

Существенные условия:

- предмет контракта – поставка металлопродукции;

- наименование и количество металлопродукции – определяется в соответствии с подписываемыми сторонами спецификациями и ориентировочно составляет 4 640 000 тонн;

- цена сделки – 2 552 000 000 долл.США;

- порядок расчетов – в течение 60 календарных дней с даты поставки;

- срок действия контракта – по 31.12.2021.

Выгодоприобретатели в сделке отсутствуют.

Заинтересованными в совершении ПАО «ММК» сделки признаются:

- члены Совета директоров ПАО «ММК» Рашников В.Ф. (акциями в указанных обществах не владеет), Рашникова О.В. (акциями в указанных обществах не владеет).

Основания (оснований), по которому (по которым) лицо (лица) признано (признаны) заинтересованным (заинтересованными) в совершении сделки:

- компания Минта Холдинг Лимитед (Mintha Holding Limited), являющаяся контролирующим лицом ПАО «ММК», косвенно также является контролирующим лицом компании «ММК Стил Трейд АГ» (MMK Steel Trade AG), Швейцария.

(По имеющейся информации Председатель Совета директоров ПАО «ММК» В.Ф. Рашников является бенефициаром компании Минта Холдинг Лимитед (Mintha Holding Limited), а член Совета директоров ПАО «ММК» Рашникова О.В. является дочерью Рашникова В.Ф.).

4 Сделка, в совершении которой имеется заинтересованность, по заключению контракта между ПАО «ММК» (Продавец) и компанией «ММК Стил Трейд АГ» (MMK Steel Trade AG), Швейцария (Покупатель).

Существенные условия:

- предмет контракта – поставка металлопродукции;

- наименование и количество металлопродукции – определяется в соответствии с подписываемыми сторонами спецификациями и ориентировочно составляет 3 360 000 тонн;

- цена сделки – 1 848 000 000 долл.США;

- порядок расчетов – в течение 60 календарных дней с даты поставки;

- срок действия контракта – по 31.12.2021.

Выгодоприобретатели в сделке отсутствуют.

Заинтересованными в совершении ПАО «ММК» сделки признаются:

- члены Совета директоров ПАО «ММК» Рашников В.Ф. (акциями в указанных обществах не владеет), Рашникова О.В. (акциями в указанных обществах не владеет).

Основания (оснований), по которому (по которым) лицо (лица) признано (признаны) заинтересованным (заинтересованными) в совершении сделки:

- компания Минта Холдинг Лимитед (Mintha Holding Limited), являющаяся контролирующим лицом ПАО «ММК», косвенно также является контролирующим лицом компании «ММК Стил Трейд АГ» (MMK Steel Trade AG), Швейцария.

(По имеющейся информации Председатель Совета директоров ПАО «ММК» В.Ф. Рашников является бенефициаром компании Минта Холдинг Лимитед (Mintha Holding Limited), а член Совета директоров ПАО «ММК» Рашникова О.В. является дочерью Рашникова В.Ф.).

5 Сделка, в совершении которой имеется заинтересованность, по заключению контракта между ПАО «ММК» (Продавец) и компанией «ММК Стил Трейд АГ» (MMK Steel Trade AG), Швейцария (Покупатель).

Существенные условия:

- предмет контракта – поставка металлопродукции;
 - наименование и количество металлопродукции – определяется в соответствии с подписываемыми сторонами спецификациями и ориентировочно составляет 2 000 000 тонн;
 - цена сделки – 920 000 000 ЕВРО;
 - порядок расчетов – в течение 60 календарных дней с даты поставки;
 - срок действия контракта – по 31.12.2021.
- Выгодоприобретатели в сделке отсутствуют.

Заинтересованными в совершении ПАО «ММК» сделки признаются:

- члены Совета директоров ПАО «ММК» Рашников В.Ф. (акциями в указанных обществах не владеет), Рашникова О.В. (акциями в указанных обществах не владеет).

Основания (оснований), по которому (по которым) лицо (лица) признано (признаны) заинтересованным (заинтересованными) в совершении сделки:

- компания Минта Холдинг Лимитед (Mintha Holding Limited), являющаяся контролирующим лицом ПАО «ММК», косвенно также является контролирующим лицом компании «ММК Стил Трейд АГ» (MMK Steel Trade AG), Швейцария.

(По имеющейся информации Председатель Совета директоров ПАО «ММК» В.Ф. Рашников является бенефициаром компании Минта Холдинг Лимитед (Mintha Holding Limited), а член Совета директоров ПАО «ММК» Рашникова О.В. является дочерью Рашникова В.Ф.).

6 Сделка, в совершении которой имеется заинтересованность, по заключению контракта между ПАО «ММК» (Продавец) и компанией «ММК Стил Трейд АГ» (MMK Steel Trade AG), Швейцария (Покупатель).

Существенные условия:

- предмет контракта – поставка металлопродукции;

- наименование и количество металлопродукции – определяется в соответствии с подписываемыми сторонами спецификациями и ориентировочно составляет 2 000 000 тонн;

- цена сделки – 950 000 000 ЕВРО;

- порядок расчетов – в течение 60 календарных дней с даты поставки;

- срок действия контракта – по 31.12.2021.

Выгодоприобретатели в сделке отсутствуют.

Заинтересованными в совершении ПАО «ММК» сделки признаются:

- члены Совета директоров ПАО «ММК» Рашников В.Ф. (акциями в указанных обществах не владеет), Рашникова О.В. (акциями в указанных обществах не владеет).

Основания (оснований), по которому (по которым) лицо (лица) признано (признаны) заинтересованным (заинтересованными) в совершении сделки:

- компания Минта Холдинг Лимитед (Mintha Holding Limited), являющаяся контролирующим лицом ПАО «ММК», косвенно также является контролирующим лицом компании «ММК Стил Трейд АГ» (MMK Steel Trade AG), Швейцария.

(По имеющейся информации Председатель Совета директоров ПАО «ММК» В.Ф. Рашников является бенефициаром компании Минта Холдинг Лимитед (Mintha Holding Limited), а член Совета директоров ПАО «ММК» Рашникова О.В. является дочерью Рашникова В.Ф.).

7 Сделка, в совершении которой имеется заинтересованность, по заключению контракта между ПАО «ММК» (Продавец) и компанией «ММК Стил Трейд АГ» (MMK Steel Trade AG), Швейцария (Покупатель).

Существенные условия:

- предмет контракта – поставка металлопродукции;

- наименование и количество металлопродукции – определяется в соответствии с подписываемыми сторонами спецификациями и ориентировочно составляет 1 000 000 тонн;

- цена сделки – 500 000 000 ЕВРО;

- порядок расчетов – в течение 150 календарных дней с даты поставки;

- срок действия контракта – по 31.12.2021.

Выгодоприобретатели в сделке отсутствуют.

Заинтересованными в совершении ПАО «ММК» сделки признаются:

- члены Совета директоров ПАО «ММК» Рашников В.Ф. (акциями в указанных обществах не владеет), Рашникова О.В. (акциями в указанных обществах не владеет).

Основания (оснований), по которому (по которым) лицо (лица) признано (признаны) заинтересованным (заинтересованными) в совершении сделки:

- компания Минта Холдинг Лимитед (Mintha Holding Limited), являющаяся контролирующим лицом ПАО «ММК», косвенно также является контролирующим лицом компании «ММК Стил Трейд АГ» (ММК Steel Trade AG), Швейцария.

(По имеющейся информации Председатель Совета директоров ПАО «ММК» В.Ф. Рашников является бенефициаром компании Минта Холдинг Лимитед (Mintha Holding Limited), а член Совета директоров ПАО «ММК» Рашникова О.В. является дочерью Рашникова В.Ф.).

8 Сделка, в совершении которой имеется заинтересованность, по заключению договора поставки между ПАО «ММК» (Продавец) и ТОО «Торговый дом ММК-Казахстан» (Покупатель).

Существенные условия:

- предмет контракта – поставка металлопродукции;
 - наименование и количество металлопродукции – определяется в соответствии с подписываемыми сторонами спецификациями и ориентировочно составляет 540 000 тонн;
 - цена сделки – 300 000 000 долл.США;
 - порядок расчетов – в течение 90 календарных дней с даты отгрузки;
 - срок действия контракта – по 31.12.2020.
- Выгодоприобретатели в сделке отсутствуют.

Заинтересованными в совершении ПАО «ММК» сделки признаются:

- члены Совета директоров ПАО «ММК» Рашников В.Ф. (акциями в указанных обществах не владеет), Рашникова О.В. (акциями в указанных обществах не владеет).

Основания (оснований), по которому (по которым) лицо (лица) признано (признаны) заинтересованным (заинтересованными) в совершении сделки:

- компания Минта Холдинг Лимитед (Mintha Holding Limited), являющаяся контролирующим лицом ПАО «ММК», косвенно также является контролирующим лицом ТОО «Торговый дом ММК-Казахстан».

(По имеющейся информации Председатель Совета директоров ПАО «ММК» В.Ф. Рашников является бенефициаром компании Минта Холдинг Лимитед (Mintha Holding Limited), а член Совета директоров ПАО «ММК» Рашникова О.В. является дочерью Рашникова В.Ф.).

9 Сделка, в совершении которой имеется заинтересованность, по заключению договора поставки между ПАО «ММК» (Продавец) и ТОО «Торговый дом ММК-Казахстан» (Покупатель).

Существенные условия:

- предмет контракта – поставка металлопродукции;
- наименование и количество металлопродукции – определяется в соответствии с подписываемыми сторонами спецификациями и ориентировочно составляет 540 000 тонн;

- цена сделки – 20 000 000 000 рублей;
- порядок расчетов – в течение 90 календарных дней с даты отгрузки;
- срок действия контракта – по 31.12.2020.

Выгодоприобретатели в сделке отсутствуют.

Заинтересованными в совершении ПАО «ММК» сделки признаются:

- члены Совета директоров ПАО «ММК» Рашников В.Ф. (акциями в указанных обществах не владеет), Рашникова О.В. (акциями в указанных обществах не владеет).

Основания (оснований), по которому (по которым) лицо (лица) признано (признаны) заинтересованным (заинтересованными) в совершении сделки:

- компания Минта Холдинг Лимитед (Mintha Holding Limited), являющаяся контролирующим лицом ПАО «ММК», косвенно также является контролирующим лицом ТОО «Торговый дом ММК-Казахстан».

(По имеющейся информации Председатель Совета директоров ПАО «ММК» В.Ф. Рашников является бенефициаром компании Минта Холдинг Лимитед (Mintha Holding Limited), а член Совета директоров ПАО «ММК» Рашникова О.В. является дочерью Рашникова В.Ф.).

10 Сделка, в совершении которой имеется заинтересованность, по заключению договора займа между ПАО «ММК» (Займодавец) и ОАО «ММК-МЕТИЗ» (Заемщик).

Существенные условия:

- предмет договора – предоставление займа;
- сумма займа – 1 287 500 000,00 (Один миллиард двести восемьдесят семь миллионов пятьсот тысяч) рублей;
- целевое использование – исключительно для финансирования проекта Инвестиционная программа ОАО «ММК-МЕТИЗ» на 2017- 2020 годы;
- процентная ставка – 5,7% (пять целых семь десятых процента) годовых;
- срок действия договора – 29.12.2023;
- порядок предоставления займа – на основании письменной заявки Заемщика, возможно предоставление частями;
- порядок погашения займа – в конце срока действия договора, с возможностью частичного/полного досрочного погашения.

Выгодоприобретатели в сделке отсутствуют.

Цена сделки определяется – сумма займа в размере 1 287 500 000,00 (Один миллиард двести восемьдесят семь миллионов пятьсот тысяч) рублей, а также проценты за пользование займом.

Заинтересованными в совершении ПАО «ММК» сделки признаются:

- члены Совета директоров ПАО «ММК» Рашников В.Ф. (акциями в указанных обществах не владеет), Рашникова О.В. (акциями в указанных обществах не владеет).

Основания (оснований), по которому (по которым) лицо (лица) признано (признаны) заинтересованным (заинтересованными) в совершении сделки:

- компания Минта Холдинг Лимитед (Mintha Holding Limited), являющаяся контролирующим лицом ПАО «ММК», косвенно также является контролирующим лицом ОАО «ММК-МЕТИЗ».

(По имеющейся информации Председатель Совета директоров ПАО «ММК» В.Ф. Рашников является бенефициаром компании Минта Холдинг Лимитед (Mintha Holding Limited), а член Совета директоров ПАО «ММК» Рашникова О.В. является дочерью Рашникова В.Ф.).

Органы управления ПАО «ММК», принявшие решение о согласии на совершение или последующем одобрении вышеуказанных сделок (пункты 2-10 Отчета): Советом директоров ПАО «ММК» или общим собранием акционеров ПАО «ММК» решений о согласии на совершение сделок или их последующем одобрении не принималось (В порядке пункта 1.1 статьи 81 ФЗ «Об акционерных обществах» Извещения соответствующим лицам направлялись, но требований в порядке пункта 1 статьи 83 ФЗ «Об акционерных обществах», не поступало).

Отчёт о соблюдении ПАО «ММК» принципов и рекомендаций Кодекса корпоративного управления

(методология оценки основана на «Рекомендациях по составлению отчета о соблюдении принципов и рекомендаций Кодекса корпоративного управления» (приложение к письму Банка России от 17.02.2016 № ИН-06-52/8))

Настоящий отчет о соблюдении Обществом принципов и рекомендаций Кодекса корпоративного управления был рассмотрен Советом директоров Общества на заседании, состоявшемся 26.04.2019 (протокол № 13 от 26.04.2019).

Совет директоров подтверждает, что приведенные в настоящем отчете данные содержат полную и достоверную информацию о соблюдении Обществом принципов и рекомендаций Кодекса корпоративного управления за 2018 отчетный год.

N	Принципы корпоративного управления	Критерии оценки соблюдения принципа корпоративного управления	Статус <1> соответствия принципу корпоративного управления	Объяснения <2> отклонения от критериев оценки соблюдения принципа корпоративного управления
1.1				
1.1.1	Общество создает для акционеров максимально благоприятные условия для участия в общем собрании, условия для выработки обоснованной позиции по вопросам повестки дня собрания, координации своих действий, а также возможность высказать свое мнение по рассматриваемым вопросам.	1. В открытом доступе находится внутренний документ общества, утвержденный общим собранием акционеров и регламентирующий процедуры проведения общего собрания. 2. Общество предоставляет доступный способ коммуникации с обществом, такой как "горячая линия", электронная почта или форум в интернете, позволяющий акционерам высказать свое мнение и направить вопросы в отношении повестки дня в процессе подготовки к проведению общего собрания. Указанные действия предпринимались обществом накануне каждого общего собрания, прошедшего в отчетный период.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
1.1.2	Порядок сообщения о проведении общего собрания и предоставления материалов к общему собранию дает акционерам возможность надлежащим образом подготовиться к участию в нем.	1. Сообщение о проведении общего собрания акционеров размещено (опубликовано) на сайте в сети Интернет не менее, чем за 30 дней до даты проведения общего собрания. 2. В сообщении о проведении собрания указано место проведения собрания и документы, необходимые для допуска в помещение. 3. Акционерам был обеспечен доступ к информации о том, кем предложены вопросы повестки дня и кем выдвинуты кандидатуры в совет директоров и ревизионную комиссию общества.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
1.1.3	В ходе подготовки и проведения общего собрания акционеры имели возможность беспрепятственно и своевременно получать информацию о собрании и материалы к нему, задавать вопросы исполнительным органам и членам совета директоров общества, общаться друг с другом	1. В отчетном периоде, акционерам была предоставлена возможность задать вопросы членам исполнительных органов и членам совета директоров общества накануне и в ходе проведения годового общего собрания. 2. Позиция совета директоров (включая внесенные в протокол особые мнения), по каждому вопросу повестки общих собраний, проведенных в отчетных период, была включена в состав материалов к общему собранию акционеров. 3. Общество предоставляло акционерам, имеющим на это право, доступ к списку лиц, имеющих право на участие в общем собрании, начиная с даты получения его обществом, во всех случаях проведения общих собраний в отчетном периоде.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	

1.1.4	Реализация права акционера требовать созыва общего собрания, выдвигать кандидатов в органы управления и вносить предложения для включения в повестку дня общего собрания не была сопряжена с неоправданными сложностями.	<p>1. В отчетном периоде, акционеры имели возможность в течение не менее 60 дней после окончания соответствующего календарного года, вносить предложения для включения в повестку дня годового общего собрания.</p> <p>2. В отчетном периоде общество не отказывало в принятии предложений в повестку дня или кандидатур в органы общества по причине опечаток и иных несущественных недостатков в предложении акционера.</p>	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
1.1.5	Каждый акционер имел возможность беспрепятственно реализовать право голоса самым простым и удобным для него способом.	1. Внутренний документ (внутренняя политика) общества содержит положения, в соответствии с которыми каждый участник общего собрания может до завершения соответствующего собрания потребовать копию заполненного им бюллетеня, заверенного счетной комиссией.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
1.1.6	Установленный обществом порядок ведения общего собрания обеспечивает равную возможность всем лицам, присутствующим на собрании, высказать свое мнение и задать интересующие их вопросы.	<p>1. При проведении в отчетном периоде общих собраний акционеров в форме собрания (совместного присутствия акционеров) предусматривалось достаточное время для докладов по вопросам повестки дня и время для обсуждения этих вопросов.</p> <p>2. Кандидаты в органы управления и контроля общества были доступны для ответов на вопросы акционеров на собрании, на котором их кандидатуры были поставлены на голосование.</p> <p>3. Советом директоров при принятии решений, связанных с подготовкой и проведением общих собраний акционеров, рассматривался вопрос об использовании телекоммуникационных средств для предоставления акционерам удаленного доступа для участия в общих собраниях в отчетном периоде.</p>	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
1.2	Акционерам предоставлена равная и справедливая возможность участвовать в прибыли общества посредством получения дивидендов.			
1.2.1	Общество разработало и внедрило прозрачный и понятный механизм определения размера дивидендов и их выплаты.	<p>1. В обществе разработана, утверждена советом директоров и раскрыта дивидендная политика.</p> <p>2. Если дивидендная политика общества использует показатели отчетности общества для определения размера дивидендов, то соответствующие положения дивидендной политики учитывают консолидированные показатели финансовой отчетности.</p>	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
1.2.2	Общество не принимает решение о выплате дивидендов, если такое решение, формально не нарушая ограничений, установленных законодательством, является экономически необоснованным и может привести к	1. Дивидендная политика общества содержит четкие указания на финансовые/экономические обстоятельства, при которых обществу не следует выплачивать дивиденды.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	

	формированию ложных представлений о деятельности общества.			
1.2.3	Общество не допускает ухудшения дивидендных прав существующих акционеров.	1. В отчетном периоде общество не предпринимало действий, ведущих к ухудшению дивидендных прав существующих акционеров.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
1.2.4	Общество стремится к исключению использования акционерами иных способов получения прибыли (дохода) за счет общества, помимо дивидендов и ликвидационной стоимости.	1. В целях исключения акционерами иных способов получения прибыли (дохода) за счет общества, помимо дивидендов и ликвидационной стоимости, во внутренних документах общества установлены механизмы контроля, которые обеспечивают своевременное выявление и процедуру одобрения сделок с лицами, аффилированными (связанными) с существенными акционерами (лицами, имеющими право распоряжаться голосами, приходящимися на голосующие акции), в тех случаях, когда закон формально не признает такие сделки в качестве сделок с заинтересованностью.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
1.3	Система и практика корпоративного управления обеспечивают равенство условий для всех акционеров - владельцев акций одной категории (типа), включая миноритарных (мелких) акционеров и иностранных акционеров, и равное отношение к ним со стороны общества.			
1.3.1	Общество создало условия для справедливого отношения к каждому акционеру со стороны органов управления и контролирующих лиц общества, в том числе условия, обеспечивающие недопустимость злоупотреблений со стороны крупных акционеров по отношению к миноритарным акционерам.	1. В течение отчетного периода процедуры управления потенциальными конфликтами интересов у существенных акционеров являются эффективными, а конфликтам между акционерами, если таковые были, совет директоров уделит надлежащее внимание.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
1.3.2	Общество не предпринимает действий, которые приводят или могут привести к искусственному перераспределению корпоративного контроля.	1. Квазиказначейские акции отсутствуют или не участвовали в голосовании в течение отчетного периода.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
1.4	Акционерам обеспечены надежные и эффективные способы учета прав на акции, а также возможность свободного и			

	необременительного отчуждения принадлежащих им акций.		
1.4.1	Акционерам обеспечены надежные и эффективные способы учета прав на акции, а также возможность свободного и необременительного отчуждения принадлежащих им акций.	1. Качество и надежность осуществляемой регистратором общества деятельности по ведению реестра владельцев ценных бумаг соответствуют потребностям общества и его акционеров.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается
2.1	Совет директоров осуществляет стратегическое управление обществом, определяет основные принципы и подходы к организации в обществе системы управления рисками и внутреннего контроля, контролирует деятельность исполнительных органов общества, а также реализует иные ключевые функции.		
2.1.1	Совет директоров отвечает за принятие решений, связанных с назначением и освобождением от занимаемых должностей исполнительных органов, в том числе в связи с ненадлежащим исполнением ими своих обязанностей. Совет директоров также осуществляет контроль за тем, чтобы исполнительные органы общества действовали в соответствии с утвержденными стратегией развития и основными направлениями деятельности общества.	1. Совет директоров имеет закрепленные в уставе полномочия по назначению, освобождению от занимаемой должности и определению условий договоров в отношении членов исполнительных органов. 2. Советом директоров рассмотрен отчет (отчеты) единоличного исполнительного органа и членов коллегиального исполнительного органа о выполнении стратегии общества.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается
2.1.2	Совет директоров устанавливает основные ориентиры деятельности общества на долгосрочную перспективу, оценивает и утверждает ключевые показатели деятельности и основные бизнес-цели общества, оценивает и одобряет стратегию и бизнес-планы по основным видам деятельности общества.	1. В течение отчетного периода на заседаниях совета директоров были рассмотрены вопросы, связанные с ходом исполнения и актуализации стратегии, утверждением финансово-хозяйственного плана (бюджета) общества, а также рассмотрению критериев и показателей (в том числе промежуточных) реализации стратегии и бизнес-планов общества.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается
2.1.3	Совет директоров определяет принципы и подходы к организации системы управления рисками и внутреннего контроля в обществе.	1. Совет директоров определил принципы и подходы к организации системы управления рисками и внутреннего контроля в обществе. 2. Совет директоров провел оценку системы управления рисками и внутреннего контроля общества в течение отчетного периода.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается
2.1.4	Совет директоров	1. В обществе разработана и	<input checked="" type="checkbox"/> соблюдается

	определяет политику общества по вознаграждению и (или) возмещению расходов (компенсаций) членам совета директоров, исполнительным органам и иным ключевым руководящим работникам общества.	внедрена одобренная советом директоров политика (политики) по вознаграждению и возмещению расходов (компенсаций) членов совета директоров, исполнительных органов общества и иных ключевых руководящих работников общества. 2. В течение отчетного периода на заседаниях совета директоров были рассмотрены вопросы, связанные с указанной политикой (политиками).		
2.1.5	Совет директоров играет ключевую роль в предупреждении, выявлении и урегулировании внутренних конфликтов между органами общества, акционерами общества и работниками общества.	1. Совет директоров играет ключевую роль в предупреждении, выявлении и урегулировании внутренних конфликтов. 2. Общество создало систему идентификации сделок, связанных с конфликтом интересов, и систему мер, направленных на разрешение таких конфликтов	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.1.6	Совет директоров играет ключевую роль в обеспечении прозрачности общества, своевременности и полноты раскрытия обществом информации, необременительного доступа акционеров к документам общества.	1. Совет директоров утвердил положение об информационной политике. 2. В обществе определены лица, ответственные за реализацию информационной политики.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.1.7	Совет директоров осуществляет контроль за практикой корпоративного управления в обществе и играет ключевую роль в существенных корпоративных событиях общества.	1. В течение отчетного периода совет директоров рассмотрел вопрос о практике корпоративного управления в обществе.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.2	Совет директоров подотчетен акционерам общества.			
2.2.1	Информация о работе совета директоров раскрывается и предоставляется акционерам.	1. Годовой отчет общества за отчетный период включает в себя информацию о посещаемости заседаний совета директоров и комитетов отдельными директорами. 2. Годовой отчет содержит информацию об основных результатах оценки работы совета директоров, проведенной в отчетном периоде.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.2.2	Председатель совета директоров	1. В обществе существует прозрачная процедура,	<input checked="" type="checkbox"/> соблюдается	

частично соблюдается

	доступен для общения с акционерами общества.	обеспечивающая акционерам возможность направлять председателю совета директоров вопросы и свою позицию по ним.		
2.3	Совет директоров является эффективным и профессиональным органом управления общества, способным выносить объективные независимые суждения и принимать решения, отвечающие интересам общества и его акционеров.			
2.3.1	Только лица, имеющие безупречную деловую и личную репутацию и обладающие знаниями, навыками и опытом, необходимыми для принятия решений, относящихся к компетенции совета директоров, и требующимися для эффективного осуществления его функций, избираются членами совета директоров.	1. Принятая в обществе процедура оценки эффективности работы совета директоров включает в том числе оценку профессиональной квалификации членов совета директоров. 2. В отчетном периоде советом директоров (или его комитетом по номинациям) была проведена оценка кандидатов в совет директоров с точки зрения наличия у них необходимого опыта, знаний, деловой репутации, отсутствия конфликта интересов и т.д.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.3.2	Члены совета директоров общества избираются посредством прозрачной процедуры, позволяющей акционерам получить информацию о кандидатах, достаточную для формирования представления об их личных и профессиональных качествах.	1. Во всех случаях проведения общего собрания акционеров в отчетном периоде, повестка дня которого включала вопросы об избрании совета директоров, общество представило акционерам биографические данные всех кандидатов в члены совета директоров, результаты оценки таких кандидатов, проведенной советом директоров (или его комитетом по номинациям), а также информацию о соответствии кандидата критериям независимости, в соответствии с рекомендациями 102 - 107 Кодекса и письменное согласие кандидатов на избрание в состав совета директоров.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.3.3	Состав совета директоров сбалансирован, в том числе по квалификации его членов, их опыту, знаниям и деловым качествам, и пользуется доверием акционеров.	1. В рамках процедуры оценки работы совета директоров, проведенной в отчетном периоде, совет директоров проанализировал собственные потребности в области профессиональной квалификации, опыта и деловых навыков.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.3.4	Количественный состав совета директоров общества дает возможность организовать деятельность совета директоров наиболее эффективным образом, включая возможность формирования комитетов совета директоров, а также обеспечивает существенным миноритарным	1. В рамках процедуры оценки работы совета директоров, проведенной в отчетном периоде, совет директоров рассмотрел вопрос о соответствии количественного состава совета директоров потребностям общества и интересам акционеров.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	

	акционерам общества возможность избрания в состав совета директоров кандидата, за которого они голосуют.			
2.4	В состав совета директоров входит достаточное количество независимых директоров.			
2.4.1	Независимым директором признается лицо, которое обладает достаточными профессионализмом, опытом и самостоятельностью для формирования собственной позиции, способно выносить объективные и добросовестные суждения, независимые от влияния исполнительных органов общества, отдельных групп акционеров или иных заинтересованных сторон. При этом следует учитывать, что в обычных условиях не может считаться независимым кандидат (избранный член совета директоров), который связан с обществом, его существенным акционером, существенным контрагентом или конкурентом общества или связан с государством.	1. В течение отчетного периода все независимые члены совета директоров отвечали всем критериям независимости, указанным в рекомендациях 102 - 107 Кодекса, или были признаны независимыми по решению совета директоров.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.4.2	Проводится оценка соответствия кандидатов в члены совета директоров критериям независимости, а также осуществляется регулярный анализ соответствия независимых членов совета директоров критериям независимости. При проведении такой оценки содержание должно преобладать над формой.	1. В отчетном периоде, совет директоров (или комитет по номинациям совета директоров) составил мнение о независимости каждого кандидата в совет директоров и представил акционерам соответствующее заключение. 2. За отчетный период совет директоров (или комитет по номинациям совета директоров) по крайней мере один раз рассмотрел независимость действующих членов совета директоров, которых общество указывает в годовом отчете в качестве независимых директоров. 3. В обществе разработаны процедуры, определяющие необходимые действия члена совета директоров в том случае, если он перестает быть независимым, включая обязательства по своевременному информированию об этом совета директоров.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.4.3	Независимые директора составляют не	1. Независимые директора составляют не менее одной трети состава совета директоров.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается	

	менее одной трети избранного состава совета директоров.			
2.4.4	Независимые директора играют ключевую роль в предотвращении внутренних конфликтов в обществе и совершении обществом существенных корпоративных действий.	1. Независимые директора (у которых отсутствует конфликт интересов) предварительно оценивают существенные корпоративные действия, связанные с возможным конфликтом интересов, а результаты такой оценки предоставляются совету директоров.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.5	Председатель совета директоров способствует наиболее эффективному осуществлению функций, возложенных на совет директоров.			
2.5.1	Председателем совета директоров избран независимый директор, либо из числа избранных независимых директоров определен старший независимый директор, координирующий работу независимых директоров и осуществляющий взаимодействие с председателем совета директоров.	<p>1. Председатель совета директоров является независимым директором, или же среди независимых директоров определен старший независимый директор <3>.</p> <p>2. Роль, права и обязанности председателя совета директоров (и, если применимо, старшего независимого директора) должным образом определены во внутренних документах общества.</p>	<input type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input checked="" type="checkbox"/> не соблюдается	<p>1. Не соблюдается. Согласно сложившейся практике Председатель СД в полной мере обеспечивает эффективную организацию деятельности Совета и взаимодействие его с иными органами общества, конструктивную атмосферу проведения заседаний, свободное обсуждение вопросов, включенных в повестку дня заседания, контроль за исполнением решений, принятых Советом директоров.</p> <p>Для каждого независимого директора в полной мере обеспечена возможность личного общения с Председателем СД.</p> <p>Общество не исключает в будущем включение в Программу совершенствования корпоративного управления определения целесообразности назначения старшего независимого директора (при эффективности такой практики для Общества).</p> <p>2. В контексте указанного принципа не соблюдается (поскольку Председатель СД не является независимым директором, и старший независимый директор не определен).</p> <p>Функции Председателя СД определены в Уставе и Положении о Совете директоров. В случае определения старшего независимого директора, в Программу совершенствования корпоративного управления будет включено определение его роли, прав и обязанностей во внутренних документах Общества.</p>
2.5.2	Председатель совета директоров обеспечивает конструктивную атмосферу проведения заседаний, свободное обсуждение вопросов, включенных в повестку дня заседания, контроль за исполнением решений, принятых советом директоров.	1. Эффективность работы председателя совета директоров оценивалась в рамках процедуры оценки эффективности совета директоров в отчетном периоде.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.5.3	Председатель совета директоров принимает необходимые меры	1. Обязанность председателя совета директоров принимать меры по обеспечению своевременного предоставления	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается	

	для своевременного предоставления членам совета директоров информации, необходимой для принятия решений по вопросам повестки дня.	материалов членам совета директоров по вопросам повестки заседания совета директоров закреплена во внутренних документах общества.		
2.6	Члены совета директоров действуют добросовестно и разумно в интересах общества и его акционеров на основе достаточной информированности, с должной степенью заботливости и осмотрительности.			
2.6.1	Члены совета директоров принимают решения с учетом всей имеющейся информации, в отсутствие конфликта интересов, с учетом равного отношения к акционерам общества, в рамках обычного предпринимательского риска.	1. Внутренними документами общества установлено, что член совета директоров обязан уведомить совет директоров, если у него возникает конфликт интересов в отношении любого вопроса повестки дня заседания совета директоров или комитета совета директоров, до начала обсуждения соответствующего вопроса повестки. 2. Внутренние документы общества предусматривают, что член совета директоров должен воздержаться от голосования по любому вопросу, в котором у него есть конфликт интересов. 3. В обществе установлена процедура, которая позволяет совету директоров получать профессиональные консультации по вопросам, относящимся к его компетенции, за счет общества.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.6.2	Права и обязанности членов совета директоров четко сформулированы и закреплены во внутренних документах общества.	1. В обществе принят и опубликован внутренний документ, четко определяющий права и обязанности членов совета директоров.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.6.3	Члены совета директоров имеют достаточно времени для выполнения своих обязанностей.	1. Индивидуальная посещаемость заседаний совета и комитетов, а также время, уделяемое для подготовки к участию в заседаниях, учитывалась в рамках процедуры оценки совета директоров, в отчетном периоде. 2. В соответствии с внутренними документами общества члены совета директоров обязаны уведомлять совет директоров о своем намерении войти в состав органов управления других организаций (помимо подконтрольных и зависимых организаций общества), а также о факте такого назначения.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.6.4	Все члены совета директоров в равной степени имеют возможность доступа к документам и информации общества. Вновь избранным членам совета директоров в максимально возможный короткий срок предоставляется достаточная	1. В соответствии с внутренними документами общества члены совета директоров имеют право получать доступ к документам и делать запросы, касающиеся общества и подконтрольных ему организаций, а исполнительные органы общества обязаны предоставлять соответствующую информацию и документы. 2. В обществе существует формализованная программа ознакомительных мероприятий для вновь избранных членов совета директоров.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	

	информация об обществе и о работе совета директоров.			
2.7	Заседания совета директоров, подготовка к ним и участие в них членов совета директоров обеспечивают эффективную деятельность совета директоров.			
2.7.1	Заседания совета директоров проводятся по мере необходимости, с учетом масштабов деятельности и стоящих перед обществом в определенный период времени задач.	1. Совет директоров провел не менее шести заседаний за отчетный год.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.7.2	Во внутренних документах общества закреплен порядок подготовки и проведения заседаний совета директоров, обеспечивающий членам совета директоров возможность надлежащим образом подготовиться к его проведению.	1. В обществе утвержден внутренний документ, определяющий процедуру подготовки и проведения заседаний совета директоров, в котором в том числе установлено, что уведомление о проведении заседания должно быть сделано, как правило, не менее чем за 5 дней до даты его проведения.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.7.3	Форма проведения заседания совета директоров определяется с учетом важности вопросов повестки дня. Наиболее важные вопросы решаются на заседаниях, проводимых в очной форме.	1. Уставом или внутренним документом общества предусмотрено, что наиболее важные вопросы (согласно перечню, приведенному в рекомендации 168 Кодекса) должны рассматриваться на очных заседаниях совета.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.7.4	Решения по наиболее важным вопросам деятельности общества принимаются на заседании совета директоров квалифицированным большинством или большинством голосов всех избранных членов совета директоров.	1. Уставом общества предусмотрено, что решения по наиболее важным вопросам, изложенным в рекомендации 170 Кодекса, должны приниматься на заседании совета директоров квалифицированным большинством, не менее чем в три четверти голосов, или же большинством голосов всех избранных членов совета директоров.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.8	Совет директоров создает комитеты для предварительного рассмотрения наиболее важных вопросов деятельности общества.			
2.8.1	Для предварительного рассмотрения вопросов, связанных с контролем за финансово-хозяйственной деятельностью общества, создан комитет по аудиту, состоящий из независимых директоров.	1. Совет директоров сформировал комитет по аудиту, состоящий исключительно из независимых директоров. 2. Во внутренних документах общества определены задачи комитета по аудиту, включая в том числе задачи, содержащиеся в рекомендации 172 Кодекса. 3. По крайней мере один член комитета по аудиту, являющийся независимым директором, обладает опытом и знаниями в области подготовки, анализа, оценки и аудита бухгалтерской (финансовой) отчетности. 4. Заседания комитета по аудиту проводились не реже одного раза	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	

		в квартал в течение отчетного периода.		
2.8.2	Для предварительного рассмотрения вопросов, связанных с формированием эффективной и прозрачной практики вознаграждения, создан комитет по вознаграждениям, состоящий из независимых директоров и возглавляемый независимым директором, не являющимся председателем совета директоров.	1. Советом директоров создан комитет по вознаграждениям, который состоит только из независимых директоров. 2. Председателем комитета по вознаграждениям является независимый директор, который не является председателем совета директоров. 3. Во внутренних документах общества определены задачи комитета по вознаграждениям, включая в том числе задачи, содержащиеся в рекомендации 180 Кодекса.	<input type="checkbox"/> соблюдается <input checked="" type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	1. Частично соблюдается. В Обществе создан комитет по кадрам и вознаграждениям, который до 01.06.2018 состоял только из независимых директоров. С 01.06.2018 комитет состоит из большинства независимых директоров и одного неисполнительного директора (Рустамова З.Х. не соответствует формальному критерию независимости - сроку работы в качестве члена Совета директоров Общества). По мнению Совета директоров, действующий состав комитета полностью соответствует задачам, возложенным на него Кодексом корпоративного управления и Правилами листинга ПАО Московская Биржа. Рустамова З.Х. обладает необходимой высокой квалификацией, знаниями и опытом работы в комитете, и ее связанность с эмитентом (по сроку) не оказывает влияния на способность выносить независимые, объективные и добросовестные суждения по вопросам компетенции комитета. Действующий состав комитета по кадрам и вознаграждениям соответствует требованиям правил листинга ПАО Московская Биржа. В случае целесообразности, состав комитета может быть пересмотрен Советом директоров. 2. Соблюдается. 3. Соблюдается.
2.8.3	Для предварительного рассмотрения вопросов, связанных с осуществлением кадрового планирования (планирования преемственности), профессиональным составом и эффективностью работы совета директоров, создан комитет по номинациям (назначениям, кадрам), большинство членов которого являются независимыми директорами.	1. Советом директоров создан комитет по номинациям (или его задачи, указанные в рекомендации 186 Кодекса, реализуются в рамках иного комитета <4>), большинство членов которого являются независимыми директорами. 2. Во внутренних документах общества, определены задачи комитета по номинациям (или соответствующего комитета с совмещенным функционалом), включая в том числе задачи, содержащиеся в рекомендации 186 Кодекса.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.8.4	С учетом масштабов деятельности и уровня риска совет директоров общества удостоверился в том, что состав его комитетов полностью отвечает целям деятельности общества. Дополнительные комитеты либо были сформированы, либо не были признаны необходимыми (комитет по стратегии, комитет по корпоративному	1. В отчетном периоде совет директоров общества рассмотрел вопрос о соответствии состава его комитетов задачам совета директоров и целям деятельности общества. Дополнительные комитеты либо были сформированы, либо не были признаны необходимыми.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	

	управлению, комитет по этике, комитет по управлению рисками, комитет по бюджету, комитет по здоровью, безопасности и окружающей среде и др.).			
2.8.5	Состав комитетов определен таким образом, чтобы он позволял проводить всестороннее обсуждение предварительно рассматриваемых вопросов с учетом различных мнений.	1. Комитеты совета директоров возглавляются независимыми директорами. 2. Во внутренних документах (политиках) общества предусмотрены положения, в соответствии с которыми лица, не входящие в состав комитета по аудиту, комитета по номинациям и комитета по вознаграждениям, могут посещать заседания комитетов только по приглашению председателя соответствующего комитета.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.8.6	Председатели комитетов регулярно информируют совет директоров и его председателя о работе своих комитетов.	1. В течение отчетного периода председатели комитетов регулярно отчитывались о работе комитетов перед советом директоров.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.9	Совет директоров обеспечивает проведение оценки качества работы совета директоров, его комитетов и членов совета директоров.			
2.9.1	Проведение оценки качества работы совета директоров направлено на определение степени эффективности работы совета директоров, комитетов и членов совета директоров, соответствия их работы потребностям развития общества, активизацию работы совета директоров и выявление областей, в которых их деятельность может быть улучшена.	1. Самооценка или внешняя оценка работы совета директоров, проведенная в отчетном периоде, включала оценку работы комитетов, отдельных членов совета директоров и совета директоров в целом. 2. Результаты самооценки или внешней оценки совета директоров, проведенной в течение отчетного периода, были рассмотрены на очном заседании совета директоров.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
2.9.2	Оценка работы совета директоров, комитетов и членов совета директоров осуществляется на регулярной основе не реже одного	1. Для проведения независимой оценки качества работы совета директоров в течение трех последних отчетных периодов по меньшей мере один раз обществом привлекалась внешняя организация (консультант).	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	

	<p>раза в год. Для проведения независимой оценки качества работы совета директоров не реже одного раза в три года привлекается внешняя организация (консультант).</p>			
3.1	<p>Корпоративный секретарь общества осуществляет эффективное текущее взаимодействие с акционерами, координацию действий общества по защите прав и интересов акционеров, поддержку эффективной работы совета директоров.</p>			
3.1.1	<p>Корпоративный секретарь обладает знаниями, опытом и квалификацией, достаточными для исполнения возложенных на него обязанностей, безупречной репутацией и пользуется доверием акционеров.</p>	<p>1. В обществе принят и раскрыт внутренний документ - положение о корпоративном секретаре. 2. На сайте общества в сети Интернет и в годовом отчете представлена биографическая информация о корпоративном секретаре, с таким же уровнем детализации, как для членов совета директоров и исполнительного руководства общества.</p>	<p><input checked="" type="checkbox"/> соблюдается</p> <p><input type="checkbox"/> частично соблюдается</p> <p><input type="checkbox"/> не соблюдается</p>	
3.1.2	<p>Корпоративный секретарь обладает достаточной независимостью от исполнительных органов общества и имеет необходимые полномочия и ресурсы для выполнения поставленных перед ним задач.</p>	<p>1. Совет директоров одобряет назначение, отстранение от должности и дополнительное вознаграждение корпоративного секретаря.</p>	<p><input checked="" type="checkbox"/> соблюдается</p> <p><input type="checkbox"/> частично соблюдается</p> <p><input type="checkbox"/> не соблюдается</p>	
4.1	<p>Уровень выплачиваемого обществом вознаграждения достаточен для привлечения, мотивации и удержания лиц, обладающих необходимой для общества компетенцией и квалификацией. Выплата вознаграждения членам совета директоров, исполнительным органам и иным ключевым руководящим работникам общества осуществляется в соответствии с принятой в обществе политикой по вознаграждению.</p>			
4.1.1	<p>Уровень вознаграждения, предоставляемого обществом членам совета директоров, исполнительным органам и иным ключевым руководящим работникам, создает достаточную мотивацию для их эффективной работы, позволяя обществу привлекать и удерживать компетентных и квалифицированных специалистов. При этом общество избегает большего, чем это необходимо, уровня вознаграждения, а также неоправданно большого разрыва между уровнями вознаграждения указанных лиц и</p>	<p>1. В обществе принят внутренний документ (документы) - политика (политики) по вознаграждению членов совета директоров, исполнительных органов и иных ключевых руководящих работников, в котором четко определены подходы к вознаграждению указанных лиц.</p>	<p><input checked="" type="checkbox"/> соблюдается</p> <p><input type="checkbox"/> частично соблюдается</p> <p><input type="checkbox"/> не соблюдается</p>	

	работников общества.			
4.1.2	<p>Политика общества по вознаграждению разработана комитетом по вознаграждениям и утверждена советом директоров общества. Совет директоров при поддержке комитета по вознаграждениям обеспечивает контроль за внедрением и реализацией в обществе политики по вознаграждению, а при необходимости - пересматривает и вносит в нее коррективы.</p>	<p>1. В течение отчетного периода комитет по вознаграждениям рассмотрел политику (политики) по вознаграждениям и практику ее (их) внедрения и при необходимости представил соответствующие рекомендации совету директоров.</p>	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
4.1.3	<p>Политика общества по вознаграждению содержит прозрачные механизмы определения размера вознаграждения членов совета директоров, исполнительных органов и иных ключевых руководящих работников общества, а также регламентирует все виды выплат, льгот и привилегий, предоставляемых указанным лицам.</p>	<p>1. Политика (политики) общества по вознаграждению содержит (содержат) прозрачные механизмы определения размера вознаграждения членов совета директоров, исполнительных органов и иных ключевых руководящих работников общества, а также регламентирует (регламентируют) все виды выплат, льгот и привилегий, предоставляемых указанным лицам.</p>	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
4.1.4	<p>Общество определяет политику возмещения расходов (компенсаций), конкретизирующую перечень расходов, подлежащих возмещению, и уровень обслуживания, на который могут претендовать члены совета директоров, исполнительные органы и иные ключевые руководящие работники общества. Такая политика может быть составной частью политики общества по вознаграждению.</p>	<p>1. В политике (политиках) по вознаграждению или в иных внутренних документах общества установлены правила возмещения расходов членов совета директоров, исполнительных органов и иных ключевых руководящих работников общества.</p>	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
4.2	<p>Система вознаграждения членов совета директоров обеспечивает сближение финансовых интересов директоров с долгосрочными финансовыми интересами акционеров.</p>			

4.2.1	Общество выплачивает фиксированное годовое вознаграждение членам совета директоров. Общество не выплачивает вознаграждение за участие в отдельных заседаниях совета или комитетов совета директоров. Общество не применяет формы краткосрочной мотивации и дополнительного материального стимулирования в отношении членов совета директоров.	1. Фиксированное годовое вознаграждение являлось единственной денежной формой вознаграждения членов совета директоров за работу в совете директоров в течение отчетного периода.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
4.2.2	Долгосрочное владение акциями общества в наибольшей степени способствует сближению финансовых интересов членов совета директоров с долгосрочными интересами акционеров. При этом общество не обуславливает права реализации акций достижением определенных показателей деятельности, а члены совета директоров не участвуют в опционных программах.	1. Если внутренний документ (документы) - политика (политики) по вознаграждению общества предусматривают предоставление акций общества членам совета директоров, должны быть предусмотрены и раскрыты четкие правила владения акциями членами совета директоров, нацеленные на стимулирование долгосрочного владения такими акциями.	<input type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input checked="" type="checkbox"/> не соблюдается	<p>Внутренние документы не предусматривают предоставления акций Общества членам Совета директоров.</p> <p>В перспективе возможность предоставления акций Общества членам Совета директоров не исключается, если это будет признано целесообразным. В таком случае, в Программу совершенствования корпоративного управления может быть включено описание и раскрытие правил владения акциями членами Совета директоров.</p>
4.2.3	В обществе не предусмотрены какие-либо дополнительные выплаты или компенсации в случае досрочного прекращения полномочий членов совета директоров в связи с переходом контроля над обществом или иными обстоятельствами.	1. В обществе не предусмотрены какие-либо дополнительные выплаты или компенсации в случае досрочного прекращения полномочий членов совета директоров в связи с переходом контроля над обществом или иными обстоятельствами.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
4.3	Система вознаграждения членов исполнительных органов и иных ключевых руководящих работников общества предусматривает зависимость вознаграждения от результата работы общества и их личного вклада в достижение этого результата.			
4.3.1	Вознаграждение членов исполнительных органов и иных ключевых руководящих работников	1. В течение отчетного периода одобренные советом директоров годовые показатели эффективности использовались при определении размера переменного вознаграждения членов исполнительных органов и	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	

	общества определяется таким образом, чтобы обеспечивать разумное и обоснованное соотношение фиксированной части вознаграждения и переменной части вознаграждения, зависящей от результатов работы общества и личного (индивидуального) вклада работника в конечный результат.	иных ключевых руководящих работников общества. 2. В ходе последней проведенной оценки системы вознаграждения членов исполнительных органов и иных ключевых руководящих работников общества, совет директоров (комитет по вознаграждениям) удостоверился в том, что в обществе применяется эффективное соотношение фиксированной части вознаграждения и переменной части вознаграждения. 3. В обществе предусмотрена процедура, обеспечивающая возвращение обществу премиальных выплат, неправомерно полученных членами исполнительных органов и иных ключевых руководящих работников общества.		
4.3.2	Общество внедрило программу долгосрочной мотивации членов исполнительных органов и иных ключевых руководящих работников общества с использованием акций общества (финансовых инструментов, основанных на акциях общества).	1. Общество внедрило программу долгосрочной мотивации для членов исполнительных органов и иных ключевых руководящих работников общества с использованием акций общества (финансовых инструментов, основанных на акциях общества). 2. Программа долгосрочной мотивации предусматривает, что право реализации используемых в такой программе акций и иных финансовых инструментов наступает не ранее, чем через три года с момента их предоставления. При этом право их реализации обусловлено достижением определенных показателей деятельности общества.	<input type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input checked="" type="checkbox"/> не соблюдается	<p>1. Не соблюдается. Действующая система мотивации в достаточной степени обеспечивает зависимость вознаграждения членов исполнительных органов и иных ключевых руководящих работников Общества от результата работы Общества и их личного вклада в достижение этого результата. Возможность внедрения программы долгосрочной мотивации с использованием акций Общества может быть включена в программу по совершенствованию корпоративного управления, если это будет признано целесообразным.</p> <p>2. Не соблюдается, т.к. программа долгосрочной мотивации для членов исполнительных органов и иных ключевых руководящих работников с использованием акций Общества (финансовых инструментов, основанных на акциях Общества) не внедрена. В случае принятия решения о внедрении такой программы, будет рассмотрена возможность описания прав и условий реализации используемых в такой программе акций и иных финансовых инструментов.</p>
4.3.3	Сумма компенсации (золотой парашют), выплачиваемая обществом в случае досрочного прекращения полномочий членам исполнительных органов или ключевых руководящих работников по инициативе общества и при отсутствии с их стороны недобросовестных действий, не превышает двукратного размера фиксированной части годового вознаграждения.	1. Сумма компенсации (золотой парашют), выплачиваемая обществом в случае досрочного прекращения полномочий членам исполнительных органов или ключевых руководящих работников по инициативе общества и при отсутствии с их стороны недобросовестных действий, в отчетном периоде не превышала двукратного размера фиксированной части годового вознаграждения.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
5.1	В обществе создана эффективно функционирующая система управления рисками и внутреннего контроля, направленная на обеспечение разумной уверенности в достижении поставленных перед обществом целей.			
5.1.1	Советом директоров общества определены	1. Функции различных органов управления и подразделений общества в системе управления рисками и внутреннем контроле	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	

	принципы и подходы к организации системы управления рисками и внутреннего контроля в обществе.	четко определены во внутренних документах/соответствующей политике общества, одобренной советом директоров.		
5.1.2	Исполнительные органы общества обеспечивают создание и поддержание функционирования эффективной системы управления рисками и внутреннего контроля в обществе.	1. Исполнительные органы общества обеспечили распределение функций и полномочий в отношении управления рисками и внутреннего контроля между подотчетными ими руководителями (начальниками) подразделений и отделов.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
5.1.3	Система управления рисками и внутреннего контроля в обществе обеспечивает объективное, справедливое и ясное представление о текущем состоянии и перспективах общества, целостность и прозрачность отчетности общества, разумность и приемлемость принимаемых обществом рисков.	1. В обществе утверждена политика по противодействию коррупции. 2. В обществе организован доступный способ информирования совета директоров или комитета совета директоров по аудиту о фактах нарушения законодательства, внутренних процедур, кодекса этики общества.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
5.1.4	Совет директоров общества предпринимает необходимые меры для того, чтобы убедиться, что действующая в обществе система управления рисками и внутреннего контроля соответствует определенным советом директоров принципам и подходам к ее организации и эффективно функционирует.	1. В течение отчетного периода, совет директоров или комитет по аудиту совета директоров провел оценку эффективности системы управления рисками и внутреннего контроля общества. Сведения об основных результатах такой оценки включены в состав годового отчета общества.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
5.2	Для систематической независимой оценки надежности и эффективности системы управления рисками и внутреннего контроля, и практики корпоративного управления общество организует проведение внутреннего аудита.			
5.2.1	Для проведения внутреннего аудита в обществе создано отдельное структурное подразделение или привлечена независимая внешняя организация. Функциональная и	1. Для проведения внутреннего аудита в обществе создано отдельное структурное подразделение внутреннего аудита, функционально подотчетное совету директоров или комитету по аудиту, или привлечена независимая внешняя организация с тем же принципом подотчетности.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	

	административная подотчетность подразделения внутреннего аудита разграничены. Функционально подразделение внутреннего аудита подчиняется совету директоров.			
5.2.2	Подразделение внутреннего аудита проводит оценку эффективности системы внутреннего контроля, оценку эффективности системы управления рисками, а также системы корпоративного управления. Общество применяет общепринятые стандарты деятельности в области внутреннего аудита.	1. В течение отчетного периода в рамках проведения внутреннего аудита дана оценка эффективности системы внутреннего контроля и управления рисками. 2. В обществе используются общепринятые подходы к внутреннему контролю и управлению рисками.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
6.1	Общество и его деятельность являются прозрачными для акционеров, инвесторов и иных заинтересованных лиц.			
6.1.1	В обществе разработана и внедрена информационная политика, обеспечивающая эффективное информационное взаимодействие общества, акционеров, инвесторов и иных заинтересованных лиц.	1. Советом директоров общества утверждена информационная политика общества, разработанная с учетом рекомендаций Кодекса. 2. Совет директоров (или один из его комитетов) рассмотрел вопросы, связанные с соблюдением обществом его информационной политики как минимум один раз за отчетный период.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
6.1.2	Общество раскрывает информацию о системе и практике корпоративного управления, включая подробную информацию о соблюдении принципов и рекомендаций Кодекса.	1. Общество раскрывает информацию о системе корпоративного управления в обществе и общих принципах корпоративного управления, применяемых в обществе, в том числе на сайте общества в сети Интернет. 2. Общество раскрывает информацию о составе исполнительных органов и совета директоров, независимости членов совета и их членстве в комитетах совета директоров (в соответствии с определением Кодекса). 3. В случае наличия лица, контролирующего общество, общество публикует меморандум контролирующего лица относительно планов такого лица в отношении корпоративного управления в обществе.	<input type="checkbox"/> соблюдается <input checked="" type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	1. Соблюдается. 2. Соблюдается. 3. Не соблюдается. Согласно сложившейся в Обществе практике, в годовом отчете Общества публикуется обращение Председателя Совета директоров (контролирующего лица), в котором говорится о планах будущей деятельности, стратегии развития Общества, в том числе, в отношении корпоративного управления. В случае подготовки контролирующим лицом указанного меморандума, Общество опубликует его.
6.2	Общество своевременно раскрывает полную, актуальную и достоверную информацию об обществе для обеспечения возможности принятия обоснованных решений акционерами общества и инвесторами.			
6.2.1	Общество раскрывает информацию в соответствии с	1. В информационной политике общества определены подходы и критерии определения информации, способной оказать	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	

	<p>принципами регулярности, последовательности и оперативности, а также доступности, достоверности, полноты и сравнимости раскрываемых данных.</p>	<p>существенное влияние на оценку общества и стоимость его ценных бумаг и процедуры, обеспечивающие своевременное раскрытие такой информации.</p> <p>2. В случае если ценные бумаги общества обращаются на иностранных организованных рынках, раскрытие существенной информации в Российской Федерации и на таких рынках осуществляется синхронно и эквивалентно в течение отчетного года.</p> <p>3. Если иностранные акционеры владеют существенным количеством акций общества, то в течение отчетного года раскрытие информации осуществлялось не только на русском, но также и на одном из наиболее распространенных иностранных языков.</p>		
6.2.2	<p>Общество избегает формального подхода при раскрытии информации и раскрывает существенную информацию о своей деятельности, даже если раскрытие такой информации не предусмотрено законодательством</p>	<p>1. В течение отчетного периода общество раскрывало годовую и полугодовую финансовую отчетность, составленную по стандартам МСФО. В годовой отчет общества за отчетный период включена годовая финансовая отчетность, составленная по стандартам МСФО, вместе с аудиторским заключением.</p> <p>2. Общество раскрывает полную информацию о структуре капитала общества в соответствии Рекомендацией 290 Кодекса в годовом отчете и на сайте общества в сети Интернет.</p>	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
6.2.3	<p>Годовой отчет, являясь одним из наиболее важных инструментов информационного взаимодействия с акционерами и другими заинтересованными сторонами, содержит информацию, позволяющую оценить итоги деятельности общества за год.</p>	<p>1. Годовой отчет общества содержит информацию о ключевых аспектах операционной деятельности общества и его финансовых результатах</p> <p>2. Годовой отчет общества содержит информацию об экологических и социальных аспектах деятельности общества.</p>	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
6.3	<p>Общество предоставляет информацию и документы по запросам акционеров в соответствии с принципами равнодоступности и необременительности.</p>			
6.3.1	<p>Предоставление обществом информации и документов по запросам акционеров осуществляется в соответствии с принципами равнодоступности и необременительности.</p>	<p>1. Информационная политика общества определяет необременительный порядок предоставления акционерам доступа к информации, в том числе информации о подконтрольных обществу юридических лицах, по запросу акционеров.</p>	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
6.3.2	<p>При предоставлении обществом информации акционерам обеспечивается разумный баланс между интересами конкретных акционеров и интересами самого</p>	<p>1. В течение отчетного периода, общество не отказывало в удовлетворении запросов акционеров о предоставлении информации, либо такие отказы были обоснованными.</p> <p>2. В случаях, определенных информационной политикой общества, акционеры предупреждаются о конфиденциальном характере</p>	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	

	общества, заинтересованного в сохранении конфиденциальности важной коммерческой информации, которая может оказать существенное влияние на его конкурентоспособность.	информации и принимают на себя обязанность по сохранению ее конфиденциальности.		
7.1	Действия, которые в значительной степени влияют или могут повлиять на структуру акционерного капитала и финансовое состояние общества и, соответственно, на положение акционеров (существенные корпоративные действия), осуществляются на справедливых условиях, обеспечивающих соблюдение прав и интересов акционеров, а также иных заинтересованных сторон.			
7.1.1	Существенными корпоративными действиями признаются реорганизация общества, приобретение 30 и более процентов голосующих акций общества (поглощение), совершение обществом существенных сделок, увеличение или уменьшение уставного капитала общества, осуществление листинга и делистинга акций общества, а также иные действия, которые могут привести к существенному изменению прав акционеров или нарушению их интересов. Уставом общества определен перечень (критерии) сделок или иных действий, являющихся существенными корпоративными действиями, и такие действия отнесены к компетенции совета директоров общества.	1. Уставом общества определен перечень сделок или иных действий, являющихся существенными корпоративными действиями и критерии для их определения. Принятие решений в отношении существенных корпоративных действий отнесено к компетенции совета директоров. В тех случаях, когда осуществление данных корпоративных действий прямо отнесено законодательством к компетенции общего собрания акционеров, совет директоров предоставляет акционерам соответствующие рекомендации. 2. Уставом общества к существенным корпоративным действиям отнесены, как минимум: реорганизация общества, приобретение 30 и более процентов голосующих акций общества (поглощение), совершение обществом существенных сделок, увеличение или уменьшение уставного капитала общества, осуществление листинга и делистинга акций общества.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
7.1.2	Совет директоров играет ключевую роль в принятии решений или выработке рекомендаций в отношении существенных корпоративных действий, совет директоров опирается на позицию независимых директоров общества.	1. В обществе предусмотрена процедура, в соответствии с которой независимые директора заявляют о своей позиции по существенным корпоративным действиям до их одобрения.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	

7.1.3	При совершении существенных корпоративных действий, затрагивающих права и законные интересы акционеров, обеспечиваются равные условия для всех акционеров общества, а при недостаточности предусмотренных законодательством механизмов, направленных на защиту прав акционеров, - дополнительные меры, защищающие права и законные интересы акционеров общества. При этом общество руководствуется не только соблюдением формальных требований законодательства, но и принципами корпоративного управления, изложенными в Кодексе.	1. Уставом общества с учетом особенностей его деятельности установлены более низкие, чем предусмотренные законодательством минимальные критерии отнесения сделок общества к существенным корпоративным действиям. 2. В течение отчетного периода, все существенные корпоративные действия проходили процедуру одобрения до их осуществления.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
7.2	Общество обеспечивает такой порядок совершения существенных корпоративных действий, который позволяет акционерам своевременно получать полную информацию о таких действиях, обеспечивает им возможность влиять на совершение таких действий и гарантирует соблюдение и адекватный уровень защиты их прав при совершении таких действий.			
7.2.1	Информация о совершении существенных корпоративных действий раскрывается с объяснением причин, условий и последствий совершения таких действий.	1. В течение отчетного периода общество своевременно и детально раскрывало информацию о существенных корпоративных действиях общества, включая основания и сроки совершения таких действий.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	
7.2.2	Правила и процедуры, связанные с осуществлением обществом существенных корпоративных действий, закреплены во внутренних документах общества.	1. Внутренние документы общества предусматривают процедуру привлечения независимого оценщика для определения стоимости имущества, отчуждаемого или приобретаемого по крупной сделке или сделке с заинтересованностью. 2. Внутренние документы общества предусматривают процедуру привлечения независимого оценщика для оценки стоимости приобретения и выкупа акций общества. 3. Внутренние документы общества предусматривают расширенный перечень оснований по которым члены совета директоров общества и иные предусмотренные законодательством лица признаются заинтересованными в сделках общества.	<input checked="" type="checkbox"/> соблюдается <input type="checkbox"/> частично соблюдается <input type="checkbox"/> не соблюдается	

<1> Статус "соблюдается" указывается только в том случае, если общество отвечает всем критериям оценки соблюдения принципа корпоративного управления. В ином случае указывается статус "частично соблюдается" или "не соблюдается".

<2> Приводятся по каждому критерию оценки соблюдения принципа корпоративного управления в случае, если общество соответствует только части критериев или не соответствует ни одному критерию оценки соблюдения принципа. В случае если общество указало статус "соблюдается", приведение объяснений не требуется.

<3> Укажите какой из двух альтернативных подходов, допускаемых принципом, внедряется в обществе и поясните причины избранного подхода.

Бухгалтерская отчетность ПАО «ММК» по РСБУ за 2018 год

БУХГАЛТЕРСКИЙ БАЛАНС

на 31 декабря 2018 г.

				Коды
	Форма по ОКУД			0710001
	Дата (число, месяц, год)			31 12 2018
Организация: <u>ПАО "Магнитогорский металлургический комбинат"</u>	по ОКПО			00186424
Идентификационный номер налогоплательщика: <u>7414003633</u>	ИНН			7414003633
Вид экономической деятельности: <u>Производство металлургическое</u>	по ОКВЭД			24
Организационно-правовая форма/ форма собственности: <u>Публичное акционерное общество/ Частная собственность</u>	по ОКОПФ/ОКФС			1 22 47 16
Единица измерения: <u>тыс.руб./млн.руб.</u>	по ОКЕИ			384/385
Местонахождение (адрес): <u>455000, г. Магнитогорск, ул. Кирова, 93</u>				

Пояснение	Наименование показателя	Код	На 31 декабря 2018 года	На 31 декабря 2017 года	На 31 декабря 2016 года
	АКТИВ				
	I. ВНЕОБОРОТНЫЕ АКТИВЫ				
ТП 1.1	Нематериальные активы	1110	539	437	409
	в том числе:				
	приобретение нематериальных активов	1111	386	286	257
ТП 1.4	Результаты исследований и разработок	1120	189	230	125
	Нематериальные поисковые активы	1130	-	-	-
	Материальные поисковые активы	1140	-	-	-
	Основные средства, оборудование к установке, вложения во внеоборотные активы	1150	153 537	131 910	112 616
ТП 2.1	в том числе:				
	основные средства	1151	95 252	92 516	87 883
ТП 2.2	оборудование к установке	1152	14 387	12 119	7 213
ТП 2.2	вложения во внеоборотные активы	1153	39 504	23 623	14 099
	Доходные вложения в материальные ценности	1160	-	-	-
ТП 3.1	Финансовые вложения	1170	61 048	74 934	68 696
	Отложенные налоговые активы	1180	16 822	13 127	13 662
П 5	Прочие внеоборотные активы	1190	1 009	910	886
	ИТОГО по разделу I	1100	233 144	221 548	196 394
	II. ОБОРОТНЫЕ АКТИВЫ				
П 5	Запасы	1210	51 552	50 966	37 216
	в том числе:				
	сырье, материалы и другие аналогичные ценности	1211	35 004	33 878	23 726
	затраты в незавершенном производстве	1212	9 130	9 042	8 870
	готовая продукция и товары для перепродажи	1213	7 324	8 046	4 617
	товары отгруженные	1214	94	-	3
	прочие запасы и затраты	1215	-	-	-
	Налог на добавленную стоимость по приобретенным ценностям	1220	759	5 665	3 416
ТП 4.1	Дебиторская задолженность	1230	52 031	43 361	40 322
	в том числе:				
	покупатели и заказчики	1231	47 111	39 351	37 374
	авансы выданные	1232	1 939	2 113	2 108
ТП 3.1	Финансовые вложения (за исключением денежных эквивалентов)	1240	-	56	2 537
П 5	Денежные средства и денежные эквиваленты	1250	48 731	29 518	14 944
	Прочие оборотные активы	1260	806	454	366
	ИТОГО по разделу II	1200	153 879	130 020	98 801
	БАЛАНС (сумма строк 1100+1200)	1600	387 023	351 568	295 195

Пояснен ия	Наименование показателя	Код	На 31 декабря 2018 года	На 31 декабря 2017 года	На 31 декабря 2016 года
	ПАССИВ				
	III. КАПИТАЛ И РЕЗЕРВЫ				
	Уставный капитал (складочный капитал, уставный фонд, вклады товарищей)	1310	11 174	11 174	11 174
	Собственные акции, выкупленные у акционеров	1320	-	-	-
	Переоценка внеоборотных активов	1340	-	-	-
	Добавочный капитал (без переоценки)	1350	24 714	24 714	24 714
	Резервный капитал	1360	559	559	559
П 5	Нераспределенная прибыль (непокрытый убыток)	1370	210 136	195 753	164 475
	ИТОГО по разделу III	1300	246 583	232 200	200 872
	IV. ДОЛГОСРОЧНЫЕ ОБЯЗАТЕЛЬСТВА				
	Заемные средства	1410	17 370	13 846	11 967
	в том числе:				
ТП 4.3	кредиты банков, подлежащие погашению более чем через 12 месяцев после отчетной даты	1411	17 370	13 846	11 771
ТП 4.3	займы, подлежащие погашению более чем через 12 месяцев после отчетной даты	1412	-	-	191
	Отложенные налоговые обязательства	1420	24 833	20 872	18 918
ТП 6	Оценочные обязательства	1430	7 820	7 899	8 072
	Прочие обязательства	1450	-	-	-
	ИТОГО по разделу IV	1400	50 023	42 617	38 957
	V. КРАТКОСРОЧНЫЕ ОБЯЗАТЕЛЬСТВА				
	Заемные средства	1510	22 286	14 928	18 187
	в том числе:				
ТП 4.3	кредиты банков, подлежащие погашению в течение 12 месяцев после отчетной даты	1511	13 665	13 542	17 228
ТП 4.3	займы, подлежащие погашению в течение 12 месяцев после отчетной даты	1512	8 621	1 386	959
ТП 4.3	Кредиторская задолженность	1520	66 122	59 735	35 370
	в том числе:				
	поставщики и подрядчики	1521	37 900	36 712	25 453
	задолженность перед персоналом организации	1522	610	594	598
	задолженность перед государственными внебюджетными фондами	1523	307	303	296
	задолженность по налогам и сборам	1524	1 615	1 553	2 542
	авансы полученные	1525	6 156	7 346	5 858
	Доходы будущих периодов	1530	296	343	222
ТП 6	Оценочные обязательства	1540	1 713	1 745	1 582
	Прочие обязательства	1550	-	-	-
	ИТОГО по разделу V	1500	90 417	76 751	55 371
	БАЛАНС (сумма строк 1300+1400+1500)	1700	387 023	351 568	295 195

Руководитель

(подпись)

П. В. Шилев

Директор ООО "ММК-УЧЕТНЫЙ ЦЕНТР"

(по договору от 30.06.2014 № 2222/14)

22 февраля 2019 года



(подпись)

О. Ю. Самойлова

ОТЧЕТ О ФИНАНСОВЫХ РЕЗУЛЬТАТАХ

за 12 месяцев 2018 года

	Форма по ОКУД	коды
	Дата (число, месяц, год)	0710002
		31 12 2018
Организация: <u>ПАО "Магнитогорский металлургический комбинат"</u>	по ОКПО	00186424
Идентификационный номер налогоплательщика: <u>7414003633</u>	ИНН	7414003633
Вид экономической деятельности: <u>Производство металлургическое</u>	по ОКВЭД	24
Организационно-правовая форма/ форма собственности		
<u>Публичное акционерное общество/Частная собственность</u>	по ОКОПФ/ОКФС	1 22 47 16
Единица измерения: <u>тыс.руб./млн.руб.</u>	по ОКЕИ	384 /385

Пояснения	Наименование показателя	Код	За 12 месяцев 2018 года	За 12 месяцев 2017 года
П 5	Выручка	2110	458 218	392 782
ТП 6	Себестоимость продаж	2120	(309 701)	(279 131)
	Валовая прибыль (убыток)	2100	148 517	113 651
ТП 6	Коммерческие расходы	2210	(25 482)	(21 062)
ТП 6	Управленческие расходы	2220	(6 573)	(6 126)
	Прибыль (убыток) от продаж	2200	116 462	86 463
	Доходы от участия в других организациях	2310	698	915
	Проценты к получению	2320	1 303	594
	Проценты к уплате	2330	(1 006)	(1 330)
П 5	Прочие доходы	2340	88 705	73 620
П 5	Прочие расходы	2350	(109 557)	(76 005)
	Прибыль (убыток) до налогообложения	2300	96 605	84 257
П 6	Текущий налог на прибыль	2410	(22 641)	(14 353)
	в том числе постоянные налоговые обязательства (активы)	2421	3 302	(122)
П 6	Изменение отложенных налоговых обязательств	2430	(3 915)	(1 927)
П 6	Изменение отложенных налоговых активов	2450	4 053	(402)
	Прочее	2460	(413)	(275)
	в том числе:			
	штрафы, пени по налогам	2461	(92)	(10)
	налог на прибыль прошлых периодов	2462	83	(105)
	отложенные налоговые активы и обязательства прошлых периодов	2463	(404)	(160)
П 5	Чистая прибыль (убыток)	2400	73 689	67 300

Пояснения	Наименование показателя	Код	За 12 месяцев 2018 года	За 12 месяцев 2017 года
	Результат от переоценки внеоборотных активов, не включаемый в чистую прибыль (убыток) периода	2510	-	-
	Результат от прочих операций, не включаемый в чистую прибыль (убыток) периода	2520	-	-
	Совокупный финансовый результат периода	2500	73 689	67 300
П 10	СПРАВОЧНО: Базовая прибыль (убыток) на акцию, руб.	2900	6,59	6,02
	Разводненная прибыль (убыток) на акцию, руб.	2910	-	-

Руководитель

(подпись)

П. В. Шилев

Директор ООО "ММК-УЧЕТНЫЙ ЦЕНТР"

(по договору от 30.06.2014 № 222218)

22 февраля 2019 года



(подпись)

О. Ю. Самойлова

Public Joint Stock Company Magnitogorsk Iron & Steel Works and Subsidiaries

**Consolidated Financial Statements
For the Year Ended 31 December 2018**

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

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND
APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Management is responsible for the preparation of consolidated financial statements that present fairly the financial position of Public Joint Stock Company Magnitogorsk Iron & Steel Works and its subsidiaries (the "Group") at 31 December 2018, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").


In preparing the consolidated 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:

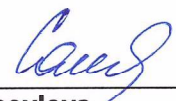
- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the consolidated 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 consolidated financial statements for the year ended 31 December 2018 were approved for issuance on 6 February 2019 by:


O. P. Shiryaev
Acting General Director

6 February 2019
Magnitogorsk, Russia




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



Independent Auditor's Report

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Public Joint Stock Company Magnitogorsk Iron & Steel Works (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview



- Overall Group materiality: United States Dollar (“USD”) 60.5 million, which represents 2.5% of adjusted earnings before interest, tax, depreciation and amortization (adjusted EBITDA).
- We conducted audit work at 4 reporting units in 3 countries;
- The Group engagement team visited the following locations – the Company (Russia), LLC Torgovy Dom MMK (Russia). The component engagement teams visited the following locations – MMK Metalurji (Turkey) and MMK Steel Trade AG (Switzerland);
- Our audit scope addressed 89% of the Group’s revenues and 94% of the Group’s absolute value of profit before tax.
- Impairment of property, plant and equipment at MMK Metalurji.
- Reversal of impairment of property, plant and equipment at the Company.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	USD 60.5 mln
How we determined it	2.5% of Group adjusted EBITDA
Rationale for the materiality benchmark applied	We chose adjusted EBITDA as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users. We chose 2.5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><i>Impairment of property, plant and equipment at MMK Metalurji</i></p> <p><i>Refer to note 16 to the consolidated financial statements for the related disclosure</i></p> <p>During 2018 Turkey went through currency and debt crisis, characterized by the Turkish lira plunging in value, high inflation, rising borrowing costs, and correspondingly rising loan defaults. As a consequence, the Group postponed decision to commence operation of hot-rolled mill.</p> <p>The Group performed impairment test in respect of steel segment in Turkey – MMK Metalurji. As at 31 December 2018 carrying value of property, plant and equipment at MMK Metalurji before impairment adjustment comprised 11 percent of total Group’s property, plant and equipment with aggregate value of USD 476 mln.</p> <p>Determining the recoverable amount of the assets requires a number of significant judgments and estimates, especially regarding amount of future cash flows and applied discount rate. The projected operating cash flows are significantly influenced by long-term assumptions concerning steel prices, as well as volume of sales and growth rates.</p> <p>Management has assessed recoverable amount of property plant and equipment of MMK Metalurji and concluded that it was less than the carrying value such that additional impairment adjustment was required. An impairment loss in the amount of USD 258 mln was recognised to the extent that the carrying amount is more than its recoverable amount.</p>	<p>We obtained, understood and evaluated impairment model for MMK Metalurji prepared by management.</p> <p>We tested the mathematical accuracy of the calculations derived from the model and assessed key inputs in the calculations such as volume of sales, steel sales price, discount rate and EBITDA margin, by reference to management’s forecasts, macroeconomic assumptions and our own valuation expertise.</p> <p>We focused on these key assumptions because reasonably possible changes can have a material impact on the value in use assessment and resulting additional impairment charge. We found, based on our audit work, that the key assumptions used by management were supportable and appropriate in light of the current environment.</p> <p>We evaluated management’s analysis of the sensitivity of the impairment test result and the adequacy of the sensitivity disclosure in particular in respect to the assumptions with the greatest potential effect on the test result, e.g. those relating to volume of sales, steel sales price, discount rate, and EBITDA margin.</p> <p>Based on available evidence we found management’s estimates applied in the value in use model to be supported. We concurred with management that as at 31 December 2018 the impairment provision in the amount of USD 258 mln is required. We found the disclosure in note 16 to be appropriate.</p>



Key audit matter	How our audit addressed the Key audit matter
<p><i>Reversal of impairment of property, plant and equipment at the Company</i></p> <p><i>Refer to note 16 to the consolidated financial statements for the related disclosure.</i></p> <p>Changes in global economic environment and developments in metals industry have resulted in, among others, recovery of growth in metal prices.</p> <p>As a consequence, the Group performed impairment test in respect of steel segment in Russia. As at 31 December 2018 property, plant and equipment at the Company before reversal of impairment adjustment comprised 89 percent of total Group's property plant and equipment with aggregate value of USD 3 889 mln.</p> <p>Determining the recoverable amount of the assets requires a number of significant judgments and estimates, especially regarding the amount of future cash flows and the applied discount rate. The projected operating cash flows are significantly influenced by long-term assumptions concerning steel prices, as well as volume of sales.</p> <p>Management has assessed recoverability of the carrying value of property plant and equipment and concluded that that the recoverable amount was higher than the carrying value such that a complete reversal of previously recognised impairment was required.</p>	<p>We obtained, understood and evaluated impairment model prepared by management.</p> <p>We tested the mathematical accuracy of the calculations derived from the model and assessed key inputs in the calculations such as revenue growth and discount rate, by reference to management's forecasts, macroeconomic assumptions and our own valuation expertise.</p> <p>We found, based on our audit work, that the key assumptions used by management were supportable and appropriate in light of the current environment.</p> <p>We evaluated management's analysis of the sensitivity of the impairment test result and the adequacy of the sensitivity disclosure in particular in respect to the assumptions with the greatest potential effect on the test result, e. g. those relating to discount rate, annual growth rate and sales volume in monetary terms.</p> <p>Based on available evidence we found management's estimates applied in the value in use model to be reasonable and the discounted cash flows to be in accordance with the approved plans. We concurred with management that reversal of the impairment provision recognised in 2013 in the amount of USD 256 mln is required. We found the disclosure in note 16 to be appropriate.</p>

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls and the industry in which the Group operates.

We identified that Public Joint Stock Company Magnitogorsk Iron & Steel Works, the parent company of the Group, required an audit as significant component due to the size and risk involved. As the Group has separate financial function for MMK Metalurji (Turkey) and MMK Steel Trade AG (Switzerland) they were also selected as components. For LLC Torgovy Dom MMK (Russia) we performed work over specific financial statements lines. In addition, we have performed analytical procedures over the remaining immaterial companies of the Group.

In establishing our overall approach to the audit of the Group, we considered the significance of these components to the financial statements, our assessment of risk within each component, the overall coverage across the Group achieved by our procedures, as well as the risk associated with less significant components not brought into the normal scope of our audit.



We determined the type of work for each component that needed to be performed by us in relation to the activity within the Russian Federation, or by other PwC network firms operating under our instruction in relation to the activity outside the Russian Federation. Where the work was performed by those other firms, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group's consolidated financial statements as a whole.

Taking together, the audit work performed addressed 89% of Group revenue and 94% of the Group's absolute value of profit before tax. This gave us the evidence we needed for our opinion on the Group's consolidated financial statements as a whole.

Other information

Management is responsible for the other information. The other information comprises the information in the Group's annual report and Issuer's Report for the first quarter of 2019 (but does not include the consolidated financial statements and our auditor's report thereon), which are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group's annual report and Issuer's Report for the first quarter of 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



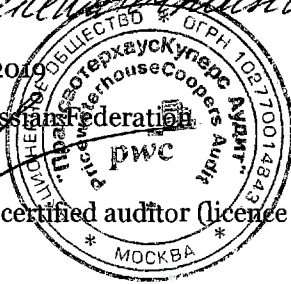
The certified auditor responsible for the audit resulting in this independent auditor's report is Alexei Fomin.

AO PricewaterhouseCoopers Audit

6 February 2010

Moscow, Russian Federation

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



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

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

Kirova, 93, Magnitogorsk, Russia, 455000

Independent auditor: AO PricewaterhouseCoopers Audit

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

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

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

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

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

		Years ended 31 December	
	Notes	2018	2017
REVENUE	7	8,214	7,546
COST OF SALES	9	(5,531)	(5,268)
GROSS PROFIT		2,683	2,278
General and administrative expenses	10	(238)	(238)
Selling and distribution expenses	11	(591)	(562)
Change in expected credit loss, net	18	(14)	-
Other operating expense, net	12	(7)	(23)
OPERATING PROFIT		1,833	1,455
Share of results of associates		-	5
Finance income		17	10
Finance costs	14	(31)	(44)
Foreign exchange gain/(loss), net		41	(39)
Impairment and provision for site restoration	16, 23	-	136
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition		-	36
Other expense		(85)	(64)
PROFIT BEFORE INCOME TAX		1,775	1,495
INCOME TAX	15	(458)	(306)
PROFIT FOR THE YEAR		1,317	1,189
OTHER COMPREHENSIVE (LOSS)/INCOME			
<i>Items, that may be reclassified subsequently to profit or loss</i>			
Translation of foreign operations		254	(43)
<i>Items, that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of post-employment benefit obligations		-	(2)
Effect of translation to presentation currency		(1,147)	265
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		(893)	220
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		424	1,409
Profit attributable to:			
Shareholders of the Parent Company		1,315	1,184
Non-controlling interests		2	5
		1,317	1,189
Total comprehensive income attributable to:			
Shareholders of the Parent Company		427	1,406
Non-controlling interests		(3)	3
		424	1,409
BASIC AND DILUTED EARNINGS PER SHARE (U.S. Dollars)		0.118	0.106
Weighted average number of ordinary shares outstanding (in thousands)		11,174,330	11,174,330

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018**

(In millions of U.S. Dollars)

	Notes	31 December 2018	2017
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	16	4,370	4,874
Right-of-use-assets	2	18	-
Intangible assets		24	27
Investments in securities and other financial assets	19	2	3
Investments in associates		1	2
Deferred tax assets	15	50	93
Other non-current assets		-	8
Total non-current assets		4,465	5,007
CURRENT ASSETS:			
Inventories	17	1,217	1,421
Trade and other receivables	18	697	782
Investments in securities and other financial assets	19	7	8
Income tax receivable		-	1
Value added tax recoverable		80	149
Cash and cash equivalents	20	739	556
Total current assets		2,740	2,917
TOTAL ASSETS		7,205	7,924
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	21	386	386
Share premium		969	969
Translation reserve		(6,029)	(5,141)
Retained earnings		9,662	9,259
Equity attributable to shareholders of the Parent Company		4,988	5,473
Non-controlling interests		21	24
Total equity		5,009	5,497
NON-CURRENT LIABILITIES:			
Long-term borrowings	22	246	234
Obligations under leases		11	-
Obligations under finance leases		-	1
Retirement benefit obligations		15	19
Long-term other payables		9	16
Site restoration provision	23	132	158
Deferred tax liabilities	15	381	417
Total non-current liabilities		794	845
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	26	269	308
Current portion of obligations under leases		10	-
Current portion of obligations under finance leases		-	1
Current portion of retirement benefit obligations		3	3
Trade and other payables	25	1,095	1,236
Current portion of site restoration provision	23	8	11
Income tax payables		17	20
Net assets attributable to minority participants		-	3
Total current liabilities		1,402	1,582
TOTAL EQUITY AND LIABILITIES		7,205	7,924

O. P. Shiryayev
Acting General Director

6 February 2019
Magnitogorsk, Russia



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

The notes on pages 6 to 59 are an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(In millions of U.S. Dollars)

	Attributable to shareholders of the Parent Company							Non- controlling interest	Total equity
	Notes	Share capital	Share premium	Translation reserve	Retained earnings	Total			
BALANCE AT 1 JANUARY 2017		386	969	(5,365)	8,703	4,693	18	4,711	
Profit for the year		-	-	-	1,184	1,184	5	1,189	
Other comprehensive income for the year, net of tax		-	-	224	(2)	222	(2)	220	
Total comprehensive income for the year		-	-	224	1,182	1,406	3	1,409	
Changes in non-controlling interest in subsidiaries		-	-	-	(3)	(3)	3	-	
Dividends	21	-	-	-	(623)	(623)	-	(623)	
BALANCE AT 31 DECEMBER 2017		386	969	(5,141)	9,259	5,473	24	5,497	
Profit for the year		-	-	-	1,315	1,315	2	1,317	
Other comprehensive loss for the year, net of tax		-	-	(888)	-	(888)	(5)	(893)	
Total comprehensive income for the year		-	-	(888)	1,315	427	(3)	424	
Dividends	21	-	-	-	(912)	(912)	-	(912)	
BALANCE AT 31 DECEMBER 2018		386	969	(6,029)	9,662	4,988	21	5,009	

The notes on pages 6 to 59 are an integral part of these consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**

(In millions of U.S. Dollars)

	Notes	Years ended 31 December	
		2018	2017
OPERATING ACTIVITIES:			
Profit for the year		1,317	1,189
Adjustments to profit for the year:			
Income tax		458	306
Depreciation and amortization	9, 10, 11	566	544
Impairment losses and provision for site restoration	16, 23	-	(136)
Revaluation of share in mutual investment fund		-	1
Finance costs	14	31	44
Loss on disposal of property, plant and equipment	12	19	28
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition		-	(36)
Change in expected credit loss	18	14	-
Change in allowance for advances issued	12	7	1
Change in allowance for doubtful accounts receivable	12	-	2
Change in provision for impairment investments in securities and other financial assets		1	-
Change in allowance for obsolete and slow-moving items	17	1	2
Finance income		(17)	(10)
Foreign exchange (gain)/loss, net		(41)	39
Gain on disposal of subsidiaries	12	-	(5)
Share of results of associates		-	(5)
Change in net assets attributable to minority participants		-	1
Operating cashflow before working capital changes		2,356	1,965
Movements in working capital			
Increase in trade and other receivables		(42)	(170)
Decrease/(increase) in value added tax recoverable		57	(44)
Decrease/(increase) in inventories		28	(269)
(Decrease)/increase in trade and other payables		(105)	189
Cash generated from operations		2,294	1,671
Interest paid		(15)	(25)
Income tax paid		(392)	(288)
Net cash from operating activities		1,887	1,358
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(860)	(664)
Purchase of intangible assets		(10)	(10)
Acquisition of subsidiaries, net of cash acquired		-	14
Proceeds from sale of property, plant and equipment		4	2
Interest received		17	10
Proceeds from sale of subsidiaries, net of disposed cash		-	3
Proceeds from sale of securities and other financial assets		6	5
Proceeds from sale of assets ready for sale		-	4
Purchase of securities and other financial assets		(5)	-
Purchase available-for-sale investments		-	(6)
Placement of short-term bank deposits		(1)	(110)
Withdrawal of short-term bank deposits		1	153
Net cash used in investing activities		(848)	(599)

The notes on pages 6 to 59 are an integral part of these consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

(In millions of U.S. Dollars)

	Notes	Years ended 31 December	
		2018	2017
FINANCING ACTIVITIES:			
Proceeds from borrowings		867	881
Repayments of borrowings		(850)	(947)
Repayment of the principal amount of the lease debt		(12)	(1)
Acquisition of minority interest		(3)	-
Dividends paid to equity holders of the Parent Company		(833)	(413)
Net cash used in financing activities		(831)	(480)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	20	556	266
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies		(25)	11
CASH AND CASH EQUIVALENTS, END OF PERIOD	20	739	556

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

1. GENERAL INFORMATION

PJSC 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 privatisation 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 December 2018 the Parent Company's major shareholder was 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.

At 31 December 2018 and 2017, the Group's principal subsidiaries were as follows:

Subsidiary by country of incorporation	Nature of business	Effective % held at 31 December	
		2018	2017
<i>Russian Federation</i>			
OJSC Metizno-Kalibrovchny Zavod "MMK-Metiz"	Production of metal hardware products	95.78	95.78
LLC MMK LMZ	Production of ferrous metal products	100.00	100.00
LLC IK MMK Finance	Investing activities	100.00	100.00
LLC Stroitelny Komplex	Construction	100.00	100.00
LLC Ogneupor	Production of refractory materials	100.00	100.00
LLC Mekhanoremontny Komplex	Maintenance of metallurgical equipment	100.00	100.00
LLC OSK	Production of machinery and equipment for metallurgy	100.00	100.00
LLC MTSOZ	Production of cement and refractory materials	100.00	100.00
LLC MMK Vtormet	Collection and processing of metal scrap	100.00	100.00
LLC Torgovy Dom MMK	Trading activities	100.00	100.00
OJSC Belon	Holding company, trading activities	95.39	95.39
LLC MMK Ugol	Coal mining	98.51	98.51
<i>Turkey</i>			
MMK Metalurji	Production of ferrous metal products	100.00	100.00
<i>Switzerland</i>			
MMK Steel Trade AG	Trading activities	100.00	100.00
<i>Luxemburg</i>			
MMK-Mining Assets Management S.A.	Holding company	100.00	100.00

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2. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The following amended standards that are relevant to the Group became effective from 1 January 2018.

The significant accounting policies applied in the current period are described in Note 4. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 33.

Adoption of IFRS 9 "Financial Instruments". The Group adopted IFRS 9 "Financial Instruments" from 1 January 2018. In accordance with the transitional provisions in IFRS 9, the Group elected not to restate comparative figures and recognised any adjustments to the carrying amount of financial assets and financial liabilities in the opening retained earnings as of the date of initial application of the standard, 1 January 2018. The management of the Group estimated that the effect of transition to expected loss model to the opening retained earnings as of the date of initial application of the standards, 1 January 2018, is immaterial. The revised requirements of the IFRS 7 "Financial Instruments": Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

The following table reconciles the carrying amounts of each class of financial assets as previously measured in accordance with IAS 39 and the new amounts determined upon adoption of IFRS 9 on 1 January 2018.

	Measurement category		Carrying value under IAS 39 - 31 December 2017	Effect of adopting IFRS 9				Carrying value under IFRS 9 - 1 January 2018
				Reclassification		Remeasurement		
				Mandatory	Voluntary	ECL	Other	
IAS 39	IFRS 9							
Cash and cash equivalents	L&R	AC	556	-	-	-	-	556
Investment securities AFS	AFS	Mandatory at FVTPL	11	-	-	-	-	11
Trade and other receivables	L&R	AC	677	-	-	-	-	677
Total financial assets			1,244	-	-	-	-	1,244

(a) Cash and cash equivalents

All classes of cash and cash equivalents as disclosed in Note 20 were reclassified from loans and receivables ("L&R") measurement category under IAS 39 to amortised cost ("AC") measurement category under IFRS 9 at the adoption date of the standard. The expected credit losses ("ECL") for cash and cash equivalents balances were insignificant.

(b) Investments in available-for-sale securities

Investments in available-for-sale ("AFS") securities included trading debt securities, shares in mutual investment fund and investments in unlisted securities. Investments in securities were reclassified from retired category available-for-sale to mandatory fair value through profit or loss ("FVTPL"). The change of measurement category does not have a material effect on consolidated financial statement of the Group.

(c) Other financial assets

Other financial assets included trade receivables and other receivables and were reclassified from loans and receivables ("L&R") measurement category under IAS 39 to AC measurement category under IFRS 9 at the adoption date of the standard. The ECLs for other financial assets balances were insignificant.

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2. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

Other financial assets included trade receivables and other receivables and were reclassified from loans and receivables ("L&R") measurement category under IAS 39 to AC measurement category under IFRS 9 at the adoption date of the standard. The ECLs for other financial assets balances were insignificant.

Reconciliation of provision for impairment at 31 December 2017 and credit loss allowance at 1 January 2018. The following table reconciles the prior period's closing provision for impairment measured in accordance with incurred loss model under IAS 39 to the new credit loss allowance measured in accordance with expected loss model under IFRS 9 at 1 January 2018:

	Provision under IAS 39 or IAS 37 at 31 December 2017	Effect Remeasurement from incurred to expected loss	Credit loss allowance under IFRS 9 at 1 January 2018
Trade and other receivables	(35)	-	(35)

At 31 December 2017, all of the Group's financial liabilities were carried at AC. The derivatives belonged to the FVTPL measurement category under IAS 39. There were no changes to the classification and measurement of financial liabilities.

Adoption of IFRS 15 "Revenue from Contracts with Customers". The Group applied simplified method of transition to IFRS 15, and elected to apply the practical expedient available for simplified transition method. The Group applies IFRS 15 retrospectively only to contracts that were not completed at the date of initial application (1 January 2018).

The adoption of IFRS 15 resulted in changes in accounting policies and adjustments to the consolidated financial statements. The main changes from the adoption of IFRS 15 is additional performance obligations identified for transportation services.

Starting from 1 January 2018 the Group recognizes 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. 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 after control is transferred to customer. 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 a control over product is transferred to the customer after delivery to the first carrier. 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.

The adoption of IFRS 15 did not have a material impact on the financial position or financial performance of the Group as of the date of initial application of the standards, 1 January 2018.

Early adoption of IFRS 16 "Leases". The Group has elected to early adopt IFRS 16 "Leases" from 1 January 2018. In accordance with the transition provisions in IFRS 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 January 2018. Comparatives for the 2017 financial year have not been restated.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

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2. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

The adoption of IFRS 16 resulted in changes in accounting policies and adjustments to the consolidated financial statements (Note 4). The Group is a lessee under lease contracts and the main changes from the adoption of IFRS 16 are recognition of: (a) assets and liabilities for all leases except for short-term and low-value contracts; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Management made the following adjustments to the amounts recognised in the consolidated statement of financial position as at 1 January 2018:

	Carrying amount at 31 December 2017	Adjustment on IFRS 16 adoption	Carrying amount at 1 January 2018
Right-of-use assets	-	23	23
Short-term lease obligations	-	(10)	(10)
Long-term lease obligations	-	(13)	(13)

A reconciliation of the operating lease commitments disclosed in Note 30 to the recognised liability is as follows:

	1 January 2018
Total future minimum lease payments for non-cancellable operating leases (Note 30)	100
Future variable lease payments that are not based on an index or a rate	(74)
Future variable lease payments that depend on an index or a rate	21
Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised	13
Effect of discounting to present value	(37)
Total lease liabilities	23

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group:

Amendments to IFRS 2 "Share-based Payment" (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).

Amendments to IFRS 4 - "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).

Annual Improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

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2. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

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)."

Amendments to IAS 40 "Transfers of Investment Property" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not early adopted.

IFRIC 23 "UNCERTAINTY OVER INCOME TAX TREATMENTS" (ISSUED ON 7 JUNE 2017 AND EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2019).

IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The new interpretation is not expected to affect significantly the Group's consolidated financial statements.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- Prepayment Features with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).
- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).

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2. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

- Definition of a business - Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality - Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

3. BASIS OF PREPARATION

Statement of compliance

International Financial Reporting Standards ("IFRS") include Standards and Interpretations issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements of the Group have been prepared in accordance with IFRS.

The Group additionally prepares IFRS consolidated financial statements presented in Russian roubles and in Russian language in accordance with the Federal Law No. 208 - FZ "On consolidated financial reporting".

Basis of preparation

The consolidated financial statements of the Group are prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, derivative financial instruments, which are accounted for at fair value, and other financial assets at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9, IFRS 16 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the periods presented, unless otherwise stated. The principal accounting policies in respect of financial instruments, leases and revenue recognition applied till 31 December 2017 are presented in Note 33.

Basis of consolidation

Subsidiaries

These consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and the carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Associates

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Functional and presentation currency

Different entities within the Group have different functional currencies, based on the underlying economic conditions of their operations.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The functional currency of the Group's entities except for MMK Metalurji and MMK Steel Trade AG is the Russian Rouble ("RUB"). The functional currency of MMK Metalurji and MMK Steel Trade AG is the United States Dollar ("USD").

These consolidated financial statements are presented in millions of USD. Using USD as a presentation currency is considered by management to be more relevant for users of the consolidated financial statements of the Group.

The translation into presentation currency is made as follows:

- all assets and liabilities, both monetary and non-monetary, are translated at closing exchange rates at the dates of each consolidated statement of financial position presented;
- all income and expenses in each consolidated statement of comprehensive income are translated at exchange rates in effect when the transactions occur. For those transactions that occur evenly over the year an average exchange rate is applied;
- all items included in the consolidated shareholders' equity, other than net income, are translated at historical exchange rates;
- resulting exchange differences are included in other comprehensive income as "Effect of translation to presentation currency"; and
- in the consolidated statement of cash flows, cash balances at the beginning and end of each year presented are translated at exchange rates at the respective dates of the beginning and end of each year. All cash flows are translated at exchange rates in effect when the cash flows occur. For those cash flows that occur evenly over the year an average exchange rate for the year is applied. Resulting exchange differences are presented separately from cash flows from operating, investing and financing activities as "Effect of translation to presentation currency".

Exchange rates used in preparation of the consolidated financial statements were as follows:

	31 December	
	2018	2017
<i>Russian Rouble/US Dollar</i>		
Year-end rates	69.47	57.60
Average for the period	62.80	58.35

Foreign currency transactions

Transactions in currencies other than the functional currencies of the Group's entities (foreign currencies) are recorded at the exchange rates prevailing at the dates of the transactions. At each statement of financial position date monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the date of statement of financial position. Exchange differences arising from changes in exchange rates are recognised in the consolidated statement of comprehensive income within "Foreign exchange gain/loss - net". Non-monetary items carried at historical cost are translated at the exchange rate prevailing on the date of transaction. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated at the exchange rate prevailing on the date on which the most recent fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values, other than equity-related contingent consideration, are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income taxes" and IAS 19 "Employee benefits" respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 "Share-based payment"; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of the net identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described above.

Revenue recognition

Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

Revenue is recognised net of discounts, returns and value added taxes, export duties, other similar mandatory payments.

Group's contracts with customers are fixed-price contracts and generally include both advance payment and deferred payment for the same contracts. Generally the sales are made with a credit term of 30-60 days, which is consistent with the market practice and consequently trade receivables are classified as current assets.

A receivable is recognised when the goods are delivered or dispatched based on delivery terms as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due (Note 18). Contract assets are immaterial and therefore not presented separately in the consolidated financial statements.

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration from the customer. Contract liabilities are included in trade and other payables line item as advances from customers (Note 25).

Sales of goods

Sales are recognised when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from the sales with discounts is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales of transportation services

The Group provides transportation services to the customer after control over goods has transferred, revenue from such services is considered to be a separate performance obligation and is recognised over the time of the service rendering because the customer receives and uses the benefits simultaneously.

The Group provides services under fixed-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on proportion the actual distance relative to the total expected distance.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset arise. If the payments exceed the services rendered, a contract liability is recognised.

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Income tax

Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current tax

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profit differs from profit for the year as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the date of consolidated statement of financial position.

Deferred income tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit when initially recorded.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the date of consolidated statement of financial position. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Deferred income tax on post-acquisition retained earnings of subsidiaries

Deferred income tax is provided on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Uncertain tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions other than interest and fines are recorded within the income tax charge. Adjustments for income tax related interest and fines are recorded within finance costs and other operating expenses respectively.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Manufacturing assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost of property, plant and equipment at 1 January 2007, the date of transition to IFRS, was determined by reference to its fair value at that date.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. Repair and maintenance expenses are charged to the consolidated statement of comprehensive income as incurred.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets is recorded on the same basis as for other property assets, and begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit and loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income within "Other operating income/expense, net".

Mineral rights

Mineral rights are presented as part of Mining assets and include rights for evaluation, exploration and production of mineral resources under the licences or agreements. Such assets are carried at cost, amortisation is charged on a straight line basis over the shorter of the valid period of the license or the agreement, or the expected life of mine, starting from the date when production activities commence. The costs directly attributable to acquisition of rights for evaluation, exploration and production are capitalised as a part of the mineral rights. If the reserves related to the mineral rights are not economically viable, the carrying amount of such mineral rights is written off.

Depreciation

Land is not depreciated. Depreciation of manufacturing assets is computed under the straight-line method utilising useful lives of the assets which are:

Buildings	10-50 years
Machinery and equipment	1-30 years
Transportation equipment	3-20 years
Fixtures and fittings	3-30 years

The estimated useful lives, residual values, and depreciation method are reviewed at each reporting date, with the effect of any changes in estimate accounted for on a prospective basis.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leased assets

The Group is a party to lease contracts as a lessee for, among others:

- a) land under buildings and constructions,
- b) building for office space, warehouses,
- c) motor vehicles and machinery.

Leases are recognized, measured and presented in line with IFRS 16 "Leases".

The Group implemented a single accounting model, requiring lessees to recognize assets and liabilities for all leases excluding exceptions listed in the standard (Note 2).

Based on the accounting policy applied the Group recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified asset for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right-of-use assets are initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives;
- any initial direct costs incurred by the lessee;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets or restoring the site on which the assets are located.

After the commencement date the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Lease payments included in measurement of lease liability of the Group generally include only fixed payments (including in-substance fixed payments), less any lease incentives receivable. The lease payments exclude variable elements which are dependent on external factors such as e.g. energy usage. Variable lease payments not included in the initial measurement of the lease liability are recognized directly in the profit and loss.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease term determined by the Group comprises:

- non-cancellable period of lease contracts;
- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option;

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

After the commencement date the Group measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect lease payments made;
- and re-measuring the carrying amount to reflect any reassessment or lease modifications.

Intangible assets, excluding goodwill

Intangible assets are recorded at cost less accumulated amortisation and impairment losses. Intangible assets primarily represent licenses and various purchased software costs. Amortisation is charged on a straight-line basis over their estimated useful lives which are:

Licenses	3-25 years
Purchased software	1-10 years
Other intangibles	1-10 years

Impairment of tangible and intangible assets, excluding goodwill

Tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined on the weighted average basis and includes all costs in bringing the inventory to its present location and condition.

Cost includes direct material, labour and an allocation of material and manufacturing overheads. Costs of production in process and finished goods include the purchase costs of raw materials and conversion costs such as direct labour and an allocation of fixed and variable production overheads. Raw materials are valued at purchase cost inclusive of freight and other shipping costs.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net realisable value represents the estimated selling price for inventories less estimated costs to completion and selling costs. Where appropriate, an allowance for obsolete and slow-moving inventory is recognised. The impairment charged to reduce the carrying amount of inventories to their net realisable value and an allowance for obsolete and slow-moving inventory are included in consolidated statement of comprehensive income as cost of sales.

Deferred drifting costs

The direct costs and attributable overheads of the preparation of underground coal reserves (drifting) for production using advanced mining machinery are included in inventory and recognised as cost of sales on the unit of production basis of each coal drift.

Value added taxes

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability.

Financial instruments - key measurement terms

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 31.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments - initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of currency swaps, loans to related parties that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are amortised on a straight line basis over the term of the currency swaps, loans to related parties. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

Financial assets - classification and subsequent measurement - measurement categories

The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. As of 31 December 2018 and 31 December 2017 the Group did not hold financial assets at FVOCI.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets - classification and subsequent measurement - business model

The business model reflects how the Group manages the assets in order to generate cash flows - whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Financial assets - classification and subsequent measurement - cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

The group holds the trade receivables with the objective to collect contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the expected credit loss measurement are provided in Note 18.

Financial assets - reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment - credit loss allowance for ECL

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets of the Group that are subject to IFRS 9's new expected credit loss model are represented by trade receivables and investments in securities. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables and contract assets. Investments in securities balance as of the date of consolidated financial statement and consequently impairment loss was immaterial. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. Indicators that there is no reasonable expectation of recovery include:

- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Derivative financial instruments

Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Group does not apply hedge accounting. As of 31 December 2018 and 31 December 2017 the Group did not hold derivative financial instruments.

Certain derivative instruments embedded in financial liabilities and other non-financial contracts are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Financial assets - derecognition

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets - modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities - measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments. As of 31 December 2018 and 31 December 2017 the Group did not have financial guarantee contracts and loan commitments or financial liabilities at HVTPL.

Financial liabilities - derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Employee benefit obligations

Remuneration to employees in respect of services rendered during the period is recognised as an expense in the consolidated statement of comprehensive income.

Defined contribution plans

The Group's Russian subsidiaries are legally obliged to make defined contributions to the Russian Federation State Pension Fund (a defined contribution plan financed on a pay-as-you-go basis). The Group's contributions to the Russian Federation State Pension Fund relating to defined contribution plans are charged to consolidated statement of comprehensive income in the period to which they relate.

In the Russian Federation all state social contributions, including contributions to the Russian Federation State Pension Fund, are collected through an insurance contributions calculated by the application of a regressive rate from 26% to 0% of the annual gross remuneration of each employee. This rate depends on the annual gross remuneration of each employee.

The Group's obligations for contributions to other defined contribution plans are recognised as expense as incurred.

Defined benefit plans

The Group accounts for the cost of defined benefit plans using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated statement of comprehensive income, so as to attribute the total pension cost over the service lives of employees in accordance with the benefit formula of the plan. The Group's obligation in respect of defined retirement benefit plans is calculated separately for each defined benefit plan by discounting the amounts of future benefits that employees have already earned through their service in the current and prior periods. The discount rate applied represents the yield on government bonds that have maturity dates approximating the terms of the Group's obligations.

The current service cost of the defined benefit plan, recognised in profit and loss in employee benefit expense reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past-service costs are recognised immediately in profit and loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the profit and loss in the consolidated statement of comprehensive income. Actuarial gains and losses are fully recognised in other comprehensive income in the period they occur.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the date of consolidated statement of financial position, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Site restoration provision

The Group provides for the costs of restoring a site where a legal or constructive obligation exists. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. The estimated future land restoration costs, discounted to net present value, are capitalised in respective items of property, plant and equipment and amortised over the useful life of the corresponding asset. In case at the date when the site restoration obligation arise no corresponding assets exist relative provision is included in the consolidated statement of comprehensive income as other expenses.

The Group reviews site restoration provisions at each reporting date and adjusts them to reflect the current best estimate. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Changes in the measurement of a provision that result from changes in the estimated timing or amount of cash outflow, or a change in the discount rate, are added to or deducted from the costs of the related assets as appropriate in the current period or when there is no relative asset are recognised in the consolidated statement of comprehensive income as other expenses.

Provisions are discounted to their present value based on the rates of government bonds adjusted for the specific risk which are consistent with the currency and estimated term of the liability. The unwinding of the obligation is included in the consolidated statement of comprehensive income as finance costs before revising the provision at year end.

Dividends

Dividends and related taxation thereon are recognised as a liability in the period in which they have been declared and become legally payable.

Accumulated profits legally distributable are based on the amounts available for distribution in accordance with the applicable legislation and as reflected in the statutory financial statements of the individual entities of the Group. These amounts may differ significantly from the amounts calculated on the basis of IFRS.

Segment information

Segment reporting is presented on the basis of management's perspective and relates to the parts of the Group that are defined as operating segments. Operating segments are identified on the basis of internal reports to the Group's chief operating decision maker ("CODM"). The Group has identified the General Director of the Parent Company as its CODM and the internal reports used by the top management team to oversee operations and make decisions on allocating the resources serve as the basis of information presented. These internal reports are prepared on the same basis as these consolidated financial statements.

Based on the current management structure, the Group has identified three reportable segments: steel (Russia), steel (Turkey) and coal mining.

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. As a result of the volatility in the global and Russian financial markets, management's estimates may change and result in a significant impact on the Group. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgments, including those involving estimations (see below), that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements and affect the amounts of assets and liabilities within the next financial year.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that affect the amounts recognised in the consolidated financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful economic life and residual value of property, plant and equipment

The Group's property, plant and equipment, other than mining assets, are depreciated using the straight-line method over their estimated useful lives which are based on management's business plans and operational estimates, related to those assets.

The factors that could affect the estimation of useful lives and residual values include the following:

- changes in asset utilisation rates;
- changes in maintenance technology;
- changes in regulations and legislation; and
- unforeseen operational issues.

Any of the above could affect prospective depreciation of property, plant and equipment and their carrying and residual values.

Management periodically reviews the appropriateness of assets' useful economic lives. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefits to the Group.

Site restoration provision

The Group estimates site restoration based on management's understanding of the current legal requirements and internally generated engineering estimates and represents management's best estimate of the present value of the future costs required.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Significant estimates and assumptions are made in determining the amount of restoration provisions. Those estimates and assumptions deal with uncertainties such as: requirements of the relevant legal and regulatory framework, the magnitude of possible contamination and the timing, extent and costs of required restoration activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

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**5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(CONTINUED)**

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the consolidated statement of financial position by adjusting both the restoration asset if it exists and provision. Such changes give rise to a change in future depreciation and financial charges. For closed sites, changes to estimated costs are recognised immediately in the consolidated statement of comprehensive income. Details are disclosed in Note 23.

Impairment of assets

The Group periodically evaluates the recoverability of the carrying amount of its assets. Whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable, the Group estimates the recoverable amount of the asset. This requires the Group to make judgments regarding long-term forecasts of future revenues and costs related to the assets subject to review. In turn, these forecasts are uncertain in that they require assumptions about demand for products and future market conditions. Significant and unanticipated changes to these assumptions and estimates included within the impairment reviews could result in significantly different results than those recorded in the consolidated financial statements. Details of the assumptions are disclosed in Note 16.

Initial recognition of related party transactions

In the normal course of business the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analyses. Terms and conditions of related party balances are disclosed in Note 27.

ECL measurement

Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 28. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Income tax and other taxes

The Group is subject to income tax and other taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income tax and other taxes due to the complexity of the tax legislation of the Russian Federation and of other countries, where the Group's entities operate. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax inspection issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of tax and tax provisions in the period in which such determination is made.

In addition, the Group records deferred tax assets at each date of the consolidated statement of financial position based on the amount that management believes will be utilised in future periods. This determination is based on estimates of future profitability. A change in these estimates could result in the write-off of deferred tax assets in future periods for assets that are currently recorded in the consolidated statement of financial position. In estimating levels of future profitability, the Group has considered historical results of operations in recent years and would, if necessary, consider the implementation of prudent and feasible tax planning strategies to generate future profitability.

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**5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY
(CONTINUED)**

Write-off policy

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Determining the cash flows for which there is no reasonable expectation of recovery requires judgement. Management considered the following indicators that there is no reasonable expectation of recovery: receivables being past due over 360 days, liquidation or bankruptcy proceedings, fair value of collateral is less than the costs to repossess it or enforcement activities were completed.

Measurement of right-of-use assets and liabilities

Extension and termination options are included in a number of property and equipment leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

6. ACQUISITION OF SUBSIDIARIES

On 19 December 2017, the Group acquired a 100% share in LLC LMC, a holding company of LMC Group (CJSC LMZ, LLC INSAYUR-AVTOTREID-TL) engaged in production of ferrous metal products, for a total cash consideration of USD 10 million. Entities of the acquired group are incorporated in the Russian Federation, with a holding company located in Lysva.

The acquisition of CJSC LMZ will strengthen the Group by expanding product range. In addition, the transaction helps to increase the Group's overall operational efficiency and competitiveness by increasing production volumes and sales of High Value Added (HVA) products. The transaction forms part of Group's strategy to integrate assets that produce highly refined products.

This acquisition was accounted for using the acquisition method.

As of 31 December 2017 the Group has determined the fair values of identifiable assets, liabilities and contingent liabilities of the acquired company at the date of acquisition on a provisional basis. As of 31 December 2018, the necessary fair value measurement of property, plant and equipment and other calculations have been finalised. Based on results of measurement no adjustment is required for purchase price allocation disclosed in the Group's consolidated financial statements as of 31 December 2017.

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6. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Details on final fair values of the assets and liabilities acquired arising are as follows:

	Fair value at the date of acquisition
ASSETS	
Property, plant and equipment	85
Deferred tax assets	11
Inventories	17
Trade and other receivables	9
Value added tax recoverable	3
Cash and cash equivalents	6
Total assets	131
LIABILITIES	
Borrowings	60
Trade and other payables	33
Total liabilities	93
Net assets at the date of acquisition	38
Fair value of consideration given for controlling interest	10
Total purchase consideration	10
Less: fair value of net assets of acquiree	(38)
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	(28)

7. REVENUE

By product (including transportation services)	2018	2017
Hot rolled steel	3,362	3,174
Galvanised steel	1,343	1,203
Long steel products	799	728
Cold rolled steel	765	776
Galvanised steel with polymeric coating	667	571
Hardware products	154	149
Wire, sling, bracing	158	141
Formed section	134	89
Coking production	133	115
Band	99	89
Tin plated steel	108	97
Coal	52	2
Tubes	40	41
Scrap	48	62
Slabs	-	2
Others	352	307
Total	8,214	7,546
By customer destination	2018	2017
Russian Federation and the CIS	79 %	77 %
Middle East	9 %	14 %
Asia	5 %	3 %
Europe	4 %	3 %
Africa	3 %	3 %
Total	100 %	100 %

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7. REVENUE (CONTINUED)

By type of performance obligation	2018
Revenue from sales of products – at point in time	7,899
Revenue from transportation services – over time	315
Total	8,214

8. 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 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.

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

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

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8. SEGMENT INFORMATION (CONTINUED)

The following table presents measures of segment results for the year ended 31 December 2018 and 2017:

	Steel (Russia)		Steel (Turkey)		Coal mining		Eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue (including transportation revenue)										
Sales to external customers	7,541	6,848	620	695	53	3	-	-	8,214	7,546
Inter-segment sales	285	368	-	-	287	317	(572)	(685)	-	-
Total revenue	7,826	7,216	620	695	340	320	(572)	(685)	8,214	7,546
Segment EBITDA	2,282	1,887	(9)	50	137	104	8	(9)	2,418	2,032
Depreciation and amortisation	(473)	(456)	(61)	(61)	(32)	(27)	-	-	(566)	(544)
Loss on disposal of property, plant and equipment	(18)	(26)	-	-	(1)	(2)	-	-	(19)	(28)
Share of results of associates	-	(5)	-	-	-	-	-	-	-	(5)
Operating profit per IFRS financial statements	1,791	1,400	(70)	(11)	104	75	8	(9)	1,833	1,455

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

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

	31 December 2018				
	Steel (Russia)	Steel (Turkey)	Coal mining	Eliminations	Total
Total assets	8,052	533	410	(1,790)	7,205
Total liabilities	2,136	102	79	(121)	2,196
	31 December 2017				
	Steel (Russia)	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

The segmental additions to property, plant and equipment and intangible assets for the years ended 31 December 2018 and 31 December 2017 were:

	2018	2017
Steel (Russia)	818	651
Steel (Turkey)	10	6
Coal mining	56	65
Total capital expenditure	884	722

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9. COST OF SALES

	2018	2017
Raw materials used	4,154	3,978
Depreciation of property, plant and equipment	542	520
Payroll and social taxes	641	643
Other expenses	206	242
	5,543	5,383
Changes in work in progress, finished goods and goods-in-transit	(12)	(115)
Total	5,531	5,268

10. GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Payroll and social taxes	114	116
Taxes other than income tax	59	55
Depreciation and amortisation	22	22
Professional services	17	17
Insurance	3	3
Materials	3	3
Research and development costs	-	3
Other	20	19
Total	238	238

11. SELLING AND DISTRIBUTION EXPENSES

	2018	2017
Transportation expenses	451	437
Packing costs	38	37
Materials	25	25
Payroll and social taxes	15	14
Advertising expenses	2	2
Depreciation	2	2
Other	58	45
Total	591	562

12. OTHER OPERATING EXPENSE/(INCOME), NET

	2018	2017
Loss on disposal of property, plant and equipment	19	28
Provision for advances issued	7	-
Provision for trade and other receivables	-	3
Gain on disposal of other assets	(23)	(8)
Gain on disposal of subsidiaries	-	(5)
Other operating loss, net	4	5
Total	7	23

13. OTHER EXPENSES

For the years ended 31 December 2018 and 2017, other expenses included USD 51 million and USD 44 million, respectively, related to social programs and maintenance of social assets.

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14. FINANCE COSTS

	2018	2017
Interest expense on borrowings	16	28
Interest expense on provisions	14	16
Other	1	-
Total	31	44

15. INCOME TAXES

The Group's income tax expense attributable to different tax jurisdictions for the years ended 31 December 2018 and 2017 was:

	2018	2017
Current provision for income tax	394	264
Adjustments recognised in current year relating to prior year current income tax	(4)	21
Deferred income tax expense, net	68	21
Total income tax expense	458	306

The income tax charge is different from that which would be obtained by applying the Russian Federation statutory income tax rate to profit before income tax. A reconciliation between the expected and the actual taxation charge is provided below.

	2018	2017
Profit before income tax	1,775	1,495
Theoretical income tax charge	355	299
Adjustments due to:		
Effect of different tax rates	(7)	4
Income not taxable	(5)	(21)
Expenses not deductible	16	12
Change in unrecognized deferred tax assets	65	(18)
Adjustments recognised in current year relating to prior year current tax	(4)	21
Unrecognized deferred tax assets as a result of difference between functional and tax accounting currency	33	15
Other	5	(6)
Income tax expense	458	306

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15. INCOME TAXES (CONTINUED)

Deferred income tax assets and liabilities comprise differences arising between the tax and accounting bases of the following assets and liabilities:

	31 December 2018	Charged/ (credited) to profit or loss	Business combi- nations	Effect of translation to presen- tation currency	31 December 2017
Property, plant and equipment	14	-	-	(2)	16
Investments	2	-	-	(1)	3
Unused tax losses	16	(29)	-	(5)	50
Investment tax credits	5	(2)	-	-	7
Inventories	15	-	-	(4)	19
Accounts receivable	3	1	-	-	2
Loans	1	1	-	-	-
Site restoration provision	28	-	-	(6)	34
Accounts payable	10	(4)	-	(2)	16
Deferred tax set off	(44)	-	-	10	(54)
Deferred income tax assets	50	(33)	-	(10)	93
Property, plant and equipment	(375)	(48)	-	70	(397)
Intangible assets	(1)	-	-	-	(1)
Inventories	(35)	19	-	8	(62)
Accounts receivable	(13)	(9)	-	3	(7)
Loans	(1)	(1)	-	-	-
Accounts payable	-	4	-	-	(4)
Deferred tax set off	44	-	-	(10)	54
Deferred income tax liabilities	(381)	(35)	-	71	(417)
Net deferred tax liability	(331)	(68)	-	61	(324)
	31 December 2017	Charged/ (credited) to profit or loss	Business combi- nations	Effect of translation to presen- tation currency	31 December 2016
Property, plant and equipment	16	(7)	6	1	16
Investments	3	-	-	-	3
Unused tax losses	50	4	5	1	40
Investment tax credits	7	(1)	-	-	8
Inventories	19	(3)	-	3	19
Accounts receivable	2	(9)	1	-	10
Site restoration provision	34	(3)	-	2	35
Accounts payable	16	15	-	-	1
Deferred tax set off	(54)	6	(1)	(2)	(57)
Deferred income tax assets	93	2	11	5	75
Property, plant and equipment	(397)	(2)	-	(20)	(375)
Intangible assets	(1)	(1)	-	-	-
Inventories	(62)	(18)	-	(2)	(42)
Accounts receivable	(7)	7	(1)	(1)	(12)
Loans	-	1	-	-	(1)
Accounts payable	(4)	(3)	-	(1)	-
Deferred tax set off	54	(6)	1	2	57
Deferred income tax liabilities	(417)	(22)	-	(22)	(373)
Net deferred tax liability	(324)	(20)	11	(17)	(298)

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15. INCOME TAXES (CONTINUED)

Recognised tax losses expire in the following years:

Year of expiry	31 December	
	2018	2017
Without expiry date	16	33
From 2 to 5 years	-	17
	16	50

At 31 December 2018 and 2017, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was USD 559 million and USD 567 million, respectively. No liabilities have been recognised in these consolidated financial statements in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Based upon historical taxable income and projections for future taxable income over the periods in which deferred income tax assets are deductible, management of the Group believes that the Group will realise the benefits of the deductible differences.

Deferred tax assets of USD 65 million have not been recognised in 2018 (of which USD 15 million related to tax losses) and USD 4 million have not been recognised in 2017 (of which USD 4 million related to tax losses) because it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom. Tax losses expire in the following years:

Year of expiry	31 December	
	2018	2017
From 2 to 5 years	65	4
	65	4

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). CFC income is subject to a 20% tax rate. This legislation had no material impact on remeasurement of Group's income tax assets and liabilities.

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16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Trans- portation equipment	Fixtures and fittings	Mining assets	Construc- tion-in- progress	Total
Cost							
At 1 January 2017	2,818	5,851	166	156	99	601	9,691
Additions	3	165	12	11	-	517	708
Acquisition of subsidiaries	24	53	1	1	-	25	104
Transfers	137	229	6	7	-	(379)	-
Site restoration provision	-	-	-	-	(2)	-	(2)
Disposals	(14)	(243)	(5)	(1)	-	(20)	(283)
Disposals of subsidiaries	(10)	-	-	(1)	-	-	(11)
Utilised allowance for impairment losses	-	-	-	-	-	(11)	(11)
Effect of translation to presentation currency	118	264	9	7	5	33	436
At 31 December 2017	3,076	6,319	189	180	102	766	10,632
Additions	2	186	5	3	-	677	873
Transfers	89	222	6	8	-	(325)	-
Site restoration provision	-	-	-	-	1	-	1
Disposals	(10)	(177)	(6)	(1)	-	(9)	(203)
Utilised allowance for impairment losses	-	-	-	-	-	(9)	(9)
Effect of translation to presentation currency	(426)	(938)	(30)	(30)	(18)	(173)	(1,615)
At 31 December 2018	2,731	5,612	164	160	85	927	9,679
Depreciation							
At 1 January 2017	(1,256)	(3,611)	(123)	(109)	(69)	(178)	(5,346)
Charge for the year	(79)	(432)	(12)	(20)	(3)	-	(546)
Reversal/(accrual) of impairment	(1)	-	-	-	-	132	131
Utilised allowance for impairment losses	-	-	-	-	-	11	11
Disposals	6	205	4	2	-	-	217
Disposals of subsidiaries	10	-	-	-	-	-	10
Effect of translation to presentation currency	(52)	(158)	(6)	(6)	(3)	(10)	(235)
31 December 2017	(1,372)	(3,996)	(137)	(133)	(75)	(45)	(5,758)
Charge for the year	(81)	(436)	(12)	(18)	(2)	-	(549)
Reversal/(accrual) of impairment	(46)	41	2	1	-	1	(1)
Utilised allowance for impairment losses	-	-	-	-	-	9	9
Disposals	4	156	4	1	-	-	165
Effect of translation to presentation currency	189	572	22	23	13	6	825
31 December 2018	(1,306)	(3,663)	(121)	(126)	(64)	(29)	(5,309)
Carrying amount							
At 31 December 2017	1,704	2,323	52	47	27	721	4,874
At 31 December 2018	1,425	1,949	43	34	21	898	4,370
Carrying amount had no impairment taken place							
At 31 December 2017	2,113	2,691	58	50	48	766	5,726
At 31 December 2018	1,831	2,182	45	35	36	927	5,056

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

For the year ended 31 December 2017 interest in the amount of USD 1 million was capitalised to property, plant and equipment. For the year ended 31 December 2018 no interest was capitalised to property, plant and equipment.

At 31 December 2018 and 2017 there is no property, plant and equipment pledged.

Capital commitments are disclosed in Note 30.

At 31 December 2018 carrying amount of the construction in progress included impairment provision of USD 29 million (31 December 2017: USD 45 million). During the year ended 31 December 2017 management approved the decision to restart the modernisation project and reversed previously recognised provision on amount of USD 150 million (including the effect of translation to presentation currency). During the year ended 31 December 2017 provision related to the construction in progress and other assets was made in the amount of USD 19 million.

For the purpose of impairment testing, MMK groups its assets into three cash generating units, which are equivalent to the operating segments: Steel (Russia), Steel (Turkey) and Coal. At 31 December 2018, management analysed changes in the economic environment and developments in the metals industry and the Group's operations since 31 December 2017 and considered it necessary to carry out impairment tests for two cash-generating units of the Group - Steel (Turkey) and Steel (Russia). No impairment indicators were identified in cash generating units Steel (Russia) and Coal. As at 31 December 2018 based on the result of impairment test reversal of previously recorded impairment for Steel (Russia) was recognised in amount of USD 256 million. For Steel (Turkey) impairment indicators were identified such as significant decrease of Turkish lira to US dollar, increase of inflation and borrowing costs. Based on the test performed impairment for Steel (Turkey) was recognised in amount of USD 258 million.

The reasonably possible change of assumptions in the impairment test for cash generating unit Steel (Russia) does not lead to impairment.

In performing the impairment test, the following specific assumptions were used for cash generating unit Steel (Turkey):

- volume of sales are expected to increase by 10% in 2019 to the level of 2018, by 18% in 2020 to the level of 2018, without changes in 2021, 2022 and 2023;
- steel sales prices in 2019 year are expected to increase on average by 1% to the level of 2018, increase by 2% in 2020 and 2021 to the level of previous year, increase by 1% in 2022, without changes in 2023;
- a pre-tax discount rate was estimated in USD terms based on the weighted average cost of capital basis and was 13.5% (post-tax rate was 13%);
- EBITDA margin in the terminal period is 9.2%.

The estimates of future discounted cash flows and the results of the impairment test are particularly sensitive in the following areas:

- a 10% decrease in future planned volume of sales would lead to additional impairment losses of USD 41 million;
- a decrease in sales price for 5% would result in additional impairment in amount of USD 49 million;
- a 1% increase in the discount rate would result in additional impairment in amount of USD 38 million;
- a 1% decrease in EBITDA margin in the post-forecast period would result in additional impairment in amount of USD 36 million.

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17. INVENTORIES

	31 December	
	2018	2017
Raw materials	665	768
Work in progress	149	171
Finished goods and goods for resale	363	411
Goods in transit	3	4
Deferred drifting costs	57	92
Total	1,237	1,446
Allowance for obsolete and slow-moving items and write down to net realisable value	(20)	(25)
Total inventories, net	1,217	1,421

The movement in the allowance for obsolete and slow-moving items and write down to net realisable value was as follows:

	2018	2017
Balance at the beginning of the year	25	21
Change in allowance	1	2
Effect from acquisition of subsidiaries	-	2
Provision utilised	(3)	-
Effect of translation to presentation currency	(3)	-
Balance at the end of the year	20	25

18. TRADE AND OTHER RECEIVABLES

	31 December	
	2018	2017
Trade receivables	642	702
Other receivables	10	10
Credit loss allowance	(31)	-
Allowance for doubtful receivables	-	(35)
Total financial assets within trade and other receivables	621	677
Advances paid	39	60
Prepaid expenses	10	8
Other receivables	27	37
Total trade and other receivables	697	782

Guarantee letters received in relation to trade receivables that are not impaired amounted to USD 193 million (31 December 2017: USD 152 million).

As at 31 December 2017 financial assets are presented by:

	Trade and other receivables
Neither past due nor impaired	621
Past due but not impaired	56
Individually determined to be impaired	35
Less impairment provision	(35)
Total financial assets	677

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18. TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of past due but not impaired trade receivables from past due date is:

	31 December 2017
Less than 30 days	30
30-60 days	12
60-90 days	1
90-120 days	1
Over 120 days	12
Total	56

The management believes that receivables past due will be recovered in full. For the analysis of credit quality of trade receivables refer to Note 28.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are not adjusted to current and macroeconomic information on macroeconomic factors because performance obligations are short-term in nature and affect from adjustments is immaterial.

The credit loss allowance for trade and other receivables is determined according to provision matrix presented in the table below. The provision matrix is based on the number of days that an asset is past due.

	Gross carrying amount	Lifetime ECL
current	578	2
less than 30 days overdue	27	-
30 to 90 days overdue	6	-
91 to 180 days overdue	6	3
181 to 360 days overdue	35	26
Total financial assets within trade and other receivables	652	-
Credit loss allowance	-	31
Total financial assets within trade and other receivables (carrying amount)	621	-

The following table explains the changes in the credit loss allowance for trade and other receivables under simplified ECL model between the beginning and the end of the annual period:

	2018
Balance at the beginning of the year	35
Changes in estimates and assumptions	14
Total credit loss allowance charge in profit or loss for the period	14
Provision utilised	(16)
Effect of translation to presentation currency	(2)
Balance at the end of the year	31

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18. TRADE AND OTHER RECEIVABLES (CONTINUED)

The movement in the allowance for doubtful trade and other receivables was as follows:

	2017
Balance at the beginning of the year	28
Increase in allowance	2
Effect from acquisition of subsidiaries	7
Provision utilised	(1)
Effect of translation to presentation currency	(1)
Balance at the end of the year	35

19. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	31 December	
	2018	2017
Non-current financial assets		
Unlisted securities	2	3
Total non-current	2	3
Current financial assets		
Trading debt securities	6	7
Share in mutual investment fund	1	1
Total current	7	8

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

20. CASH AND CASH EQUIVALENTS

	31 December	
	2018	2017
Cash in banks, USD	114	130
Cash in banks, EUR	27	53
Cash in banks, RUB	83	39
Cash in banks, TRY	-	1
Cash in banks, others	1	-
Bank deposits, USD	466	265
Bank deposits, RUB	22	63
Bank deposits, EUR	25	-
Bank deposits, TRY	1	1
Cash equivalents	-	4
Total	739	556

No bank balances and deposits are past due or impaired. The analysis of the credit quality of bank balances and deposits are as follows:

	31 December	
	2018	2017
A-to AA+ rated	11	1
BBB- до BBB+ rated	395	291
BB-to BB+ rated	326	251
B-to B+ rated	3	-
Other	4	13
Total	739	556

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20. CASH AND CASH EQUIVALENTS (CONTINUED)

Based on the credit ratings of independent rating agencies Standard&Poors and Fitch ratings.

21. SHARE CAPITAL

Common stock

	31 December	
	2018	2017
Authorised, issued and fully paid common shares with a par value of RUB 1 each (in thousands)	11,174,330	11,174,330

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

Treasury stock

At 31 December 2018 and 31 December 2017, the Group did not hold issued common shares of the Parent Company as treasury stock.

Currency translation reserve

The currency translation reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations and translation to presentation currency. The reserve is dealt with in accordance with the accounting policies set out in Note 4.

Shareholders' voting rights

The shareholders of fully paid common stock are entitled to one vote per share at the annual general shareholders' meeting of the Parent Company.

Dividends

On 7 December 2018, the Parent Company declared dividends of RUB 2.114 (USD 0.032) per ordinary share representing total dividends of USD 354 million. Dividends were paid out in December 2018 and January 2019 (Note 32).

On 28 September 2018, the Parent Company declared dividends of RUB 1.589 (USD 0.024) per ordinary share representing total dividends of USD 269 million. Dividends were paid out in October 2018.

On 13 June 2018, the Parent Company declared dividends of RUB 0.801 (USD 0.013) per ordinary share representing total dividends of USD 144 million. Dividends were paid out in July 2018.

On 1 June 2018, the Parent Company declared dividends of RUB 0.806 (USD 0.013) per ordinary share representing total dividends of USD 145 million. In June 2018, dividends were paid in the amount of USD 142 million. The difference with the declared amount is caused by the change in the exchange rates.

On 8 December 2017, the Parent Company declared dividends of RUB 1.111 (USD 0.019) per ordinary share representing total dividends 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.

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22. LONG-TERM BORROWINGS

	31 December	
	2018	2017
Unsecured loans, RUB	-	30
Unsecured loans, EUR	246	204
Total	246	234

Borrowings

The company 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 December 2018 and 2017, the total unused element of all credit facilities was USD 1,307 million and USD 1,287 million, respectively.

The bank loans are subject to certain restrictive covenants, including, but not limited to:

- the ratio of consolidated debt to consolidated EBITDA should not exceed 3.5:1;
- the ratio of consolidated debt to consolidated equity should not exceed 1:1.

At 31 December 2018 and 2017, the Group was in compliance with its debt covenants.

Debt repayment schedule

Year ended	31 December 2018
2019 (presented as current portion of long-term borrowings, Note 26)	8
2020	201
2021	24
2022	21
Total	254

Year ended	31 December 2017
2018 (presented as current portion of long-term borrowings, Note 26)	92
2019	36
2020	191
2021	5
2022 and thereafter	2
Total	326

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22. LONG-TERM BORROWINGS (CONTINUED)

Net Debt Reconciliation

The table below sets out an analysis of net debt. Net debt reconciliation is a reconciliation of the movements in the Group's liabilities from financing activities net of cash and cash equivalents and bank deposits for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

	Borrowings (Notes 22, 26)	Leases	Cash and cash equivalents (Note 20)	Bank deposits/ Interest income	Total
At 1 January 2017	(498)	(2)	266	42	(192)
Cash flows, net	91	1	279	(52)	319
Business combinations	(60)	(1)	-	-	(61)
Effect of translation to presentation currency and exchange rate changes	(47)	-	11	1	(35)
Interest charge	(28)	-	-	9	(19)
At 31 December 2017	(542)	(2)	556	-	12
Adjustment on IFRS 16 adoption	-	(23)	-	-	(23)
Adjusted balance at 1 January 2018	(542)	(25)	556	-	(11)
Cash flows, net	(2)	12	208	(15)	203
Effect of translation to presentation currency and exchange rate changes	46	1	(25)	-	22
Interest charge	(16)	(1)	-	15	(2)
Change in lease	-	(8)	-	-	(8)
Other	(1)	-	-	-	(1)
At 31 December 2018	(515)	(21)	739	-	203

23. SITE RESTORATION PROVISION

	31 December	
	2018	2017
Balance at the beginning of the year	169	165
Unwinding of discount rate	12	14
Change in estimates	-	(7)
Provision utilised	(11)	(12)
Effect of translation to presentation currency	(30)	9
Balance at the end of the year	140	169
Included in the consolidated statement of financial position as:		
Long-term portion of site restoration provision	132	158
Current portion of site restoration provision	8	11
Total	140	169

According to environmental regulation and Ecological program approved by the management in 2013 the Group recognised a provision for restoration of land and open pit in Magnitogorsk up to 2040. At the moment of provision recognition there were no assets in the consolidated statement of financial position related to this provision due the open pit was depleted long years ago.

In 2018 changes in discount rate and capacity of open pit did not lead to a significant change in provision. In 2017 the management reassessed the cost of restoration of open pit due to changes in discount rate and capacity of open pit and decreased relative provision by USD 5 million accordingly and recognized it as part of other expenses. Provision for restoration and closing mine of mine shaft was decreased by USD 2 million and recognised in the costs of related assets.

The Group used discount rate of 8.7% (2017: 7.7%) to calculate provision.

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24. DEFINED CONTRIBUTION PLANS

Contributions to the Russian Federation State Pension Fund amounted to USD 120 million and USD 117 million for the years ended 31 December 2018 and 2017, respectively.

25. TRADE AND OTHER PAYABLES

	31 December	
	2018	2017
Trade accounts payable	553	669
Dividends payable	278	218
Total financial payables within trade and other payables	831	887
Advances from customers	116	182
Other taxes payable	71	71
Salaries payable	54	63
Other current liabilities	23	33
Total trade and other payables	1,095	1,236

Performance obligations of the Group are short-term in nature. Consequently all advances to customers as of 1 January 2018 were recognised in revenue during the year ended 31 December 2018.

Change in advances from customers mainly relates to the effect of translation to presentation currency. Payment and delivery terms did not changed significantly during the year ended 31 December 2018 compared to year ended 31 December 2017.

The maturity profile of the Group's financial payables within trade and other payables was as follows:

	31 December	
	2018	2017
Due in:		
1 month	753	796
1-3 months	52	69
3 months to 1 year	26	22
Total	831	887

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

	31 December	
	2018	2017
Short-term borrowings:		
Unsecured loans, RUB	146	100
Unsecured loans, EUR	100	110
Secured loans, EUR	-	6
Unsecured loans, USD	15	-
	261	216
Current portion of long-term borrowings:		
Unsecured loans, RUB	-	46
Unsecured loans, USD	-	2
Unsecured loans, EUR	8	44
	8	92
Total	269	308

At 31 December 2018 short-term loans were not secured and 31 December 2017 short-term borrowings were secured by inventories USD 6 million.

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**26. 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 December	
	2018	2017
Due in:		
1 month	84	24
1-3 months	31	151
3 months to 1 year	154	133
Total	269	308

27. 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 arm's length basis.

Details of transactions with and balances between the Group and related parties at 31 December 2018 and 2017 and for the years ended 31 December 2018 and 2017 are disclosed below.

a) Transactions with associates of the Group

	2018	2017
Revenue	2	-
Purchases	18	135

	31 December	
Balances outstanding	2018	2017
Trade and other receivables	1	-

b) Transactions with other related parties

	2018	2017
Revenue	636	401
Purchases	20	17
Bank charges	1	1

	31 December	
Balances outstanding	2018	2017
Cash and cash equivalents	24	75
Trade and other receivables	108	92
Trade and other payables	1	-

Other related parties include entities under common control with the Group.

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27. RELATED PARTIES (CONTINUED)

The amounts outstanding are unsecured and will be settled in cash.

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 years ended 31 December 2018 and 2017, total key management personnel received as compensation USD 10 million and USD 10 million, respectively.

28. RISK MANAGEMENT ACTIVITIES

The main risks inherent to the Group's operations are those related to liquidity risk, credit risk exposures, market movements in interest rates, equity investment prices and fluctuations in foreign exchange rates. A description of the Group's risks and associated management policies in relation to these risks are detailed below.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due.

The Group's liquidity position is carefully monitored and managed. The Group has in place a detailed budgeting and cash forecasting process to help ensure that it has adequate cash available to meet its payment obligations.

Presented below is the maturity profile of the Group's borrowings (the maturity profiles for financial liabilities within trade and other payables are presented in Notes 25) based on contractual undiscounted payments, including interest:

		Due within one month	Due from one to three months	Due from three to twelve months	Due in one year to later
2018	Total				
Fixed rate borrowings					
Principal	444	83	30	148	183
Interest	6	2	1	2	1
	450	85	31	150	184
Floating rate borrowings					
Principal	71	-	-	5	66
Interest	3	-	-	1	2
	74	-	-	6	68
Total fixed and floating rate borrowings	524	85	31	156	252
		Due within one month	Due from one to three months	Due from three to twelve months	Due in one year to later
2017	Total				
Fixed rate borrowings					
Principal	477	17	113	123	224
Interest	10	1	2	5	2
	487	18	115	128	226
Floating rate borrowings					
Principal	66	6	38	6	16
Interest	1	-	1	-	-
	67	6	39	6	16
Total fixed and floating rate borrowings	554	24	154	134	242

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28. RISK MANAGEMENT ACTIVITIES (CONTINUED)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents and deposits with banks as well as credit exposures to customers, including outstanding uncollateralised trade and other receivables.

Prior to acceptance of a new customer, the Group assesses the customer's credit quality and defines credit limits. Credit limits attributable to customers are regularly reviewed, at a minimum annually.

The Group's maximum exposure to credit risk is represented by the carrying amount of financial assets recorded in the consolidated financial statements, net of any impairment losses.

At 31 December 2018 and 2017, the Group assessed credit quality for trade and other receivables including trade and other receivables from related parties by type of customers as follows:

	31 December	
	2018	2017
Automobile producers	93	77
Traders	191	159
Tube plants	110	142
Other industries	227	299
Total	621	677

Expected credit loss (ECL) measurement

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The expected loss rates for trade receivables are disclosed in Note 18.

For purposes of measuring probability of default, the group defines default as a situation when the exposure meets one or more of the following criteria:

- the customer is more than 90 days past due on its contractual payments;
- international rating agencies have classified the customer in the default rating class;
- the customer meets the unlikeliness-to-pay criteria listed below:
 - the customer is insolvent;
 - the customer is in breach of financial covenants; and
 - it is becoming likely that the customer will enter bankruptcy.

Foreign currency risk

Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed.

The objective of the Group's foreign exchange risk management is to minimise the volatility of the Group's cash flows arising from fluctuations in foreign exchange rates. Management focuses on assessing the Group's future cash flows in foreign currencies and managing the gaps arising between inflows and outflows. Currently, the Group does not use hedging instruments to manage exchange rate exposures.

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28. RISK MANAGEMENT ACTIVITIES (CONTINUED)

At 31 December 2018 and 2017, the carrying amounts of the Group's monetary assets and liabilities denominated in foreign currencies other than its functional currency were as follows:

	31 December 2018		31 December 2017	
	EUR	USD	EUR	USD
Assets				
Cash and cash equivalents	51	572	52	384
Trade receivables	28	163	38	165
Total assets	79	735	90	549
Liabilities				
Trade and other payables	(46)	(73)	(62)	(86)
Borrowings	(358)	-	(369)	(2)
Total liabilities	(404)	(73)	(431)	(88)
Total net position	(325)	662	(341)	461

The table below details the Group's sensitivity to devaluation of the RUB against USD and EUR by 10% (2017: 10%), which management believes is an appropriate measure in the current market conditions and which would impact its operations.

	EUR impact		USD impact	
	2018	2017	2018	2017
Loss or profit	(33)	(34)	66	46
Capital	(33)	(34)	66	46

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments.

The table below details the Group's annualised sensitivity to change of floating rates (LIBOR, EURIBOR, Mosprime) by 2% (31 December 2017: 2%), which management believes is an appropriate measure in the current market conditions and which would impact its operations. The analysis was applied to borrowings based on the assumptions that amount of liability outstanding at the date of statement of financial position was outstanding for the whole annual period.

	31 December	
	2018	2017
Profit	1	1
Capital	1	1

Equity and debt investment price risk

Investment price risk arising from holding equity and debt investments is not material for the Group.

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of debt and equity.

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29. CAPITAL MANAGEMENT (CONTINUED)

As at 31 December 2018 the capital structure of the Group consists of debt in the amount of USD 536 million (31 December 2017: USD 544 million), share capital of USD 386 million (31 December 2017: USD 386 million) and retained earnings of USD 9,662 million (31 December 2017: USD 9,259 million).

The management of the Group reviews the Group's capital structure on an annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on their recommendations, the Group balances its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt. Additionally the Group monitors the adequacy of its debt levels using the debt to EBITDA ratio and debt to equity. Details of ratios are disclosed in Note 22.

There were no significant changes in the Group's approach to capital management during the year ended 31 December 2018 in comparison to the prior period.

30. COMMITMENTS AND CONTINGENCIES

Commitments for expenditure

In the course of carrying out its operations and other activities the Group enters into various agreements which require the Group to invest in or provide financing to specific projects or undertakings.

In the opinion of the Group's management, these commitments are entered into under standard terms, which are representative of each project's feasibility and should not result in unreasonable losses to the Group.

At 31 December 2018, the Group had purchase agreements of approximately USD 203 million to acquire property, plant and equipment (31 December 2017: USD 238 million).

At 31 December 2018, the Group had purchase agreements of approximately USD 2,835 million to acquire in future periods through 2015-2022 coking coal, zinc, iron ore and natural gas (31 December 2017: USD 4,827 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.

In the past, the Group transferred social assets to local municipal authorities. The Group's management expects that the Group will continue to partly fund these social operations for the foreseeable future. These costs are recognised in the consolidated statement of comprehensive income as incurred (Note 13).

Operating leases

The land in the Russian Federation on which the Group's production facilities are located is owned by the State. The Group pays land tax based on the total area and the location of the land occupied. The amount of land tax for the years ended 31 December 2017 was approximately USD 8 million, respectively.

The Group leases land through operating lease agreements, which expire in various years minimum lease payments due under non-cancellable operating lease agreements at 31 December were as follows:

	2017
Due in one year	9
Due in the second year	6
Due thereafter	85
	100

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30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Letters of guarantee

At 31 December 2018 the Group had letters of guarantee obtained from banks and given to suppliers amounted to USD 231 million (31 December 2017: USD 204 million).

Russian business environment

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2018. The operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

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 non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing (TP) legislation is generally aligned with the international TP principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. The TP legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. The Management has implemented internal controls to comply with current TP legislation.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of TP rules, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Group's operations.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate. As a result, management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes for temporary differences that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes. Refer to Note 15.

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30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

31. 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, trade and other payables are reasonable approximation their fair values as at 31 December 2018 and 31 December 2017 (Level 3 of fair value hierarchy). Fair value of the financial assets at amortized cost is valued at the net present value of estimated future cash flows. The Group also considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

The fair value of floating rate instruments is normally 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.

	Level 1	Level 2	Level 3	Total
31 December 2018				
Unlisted equity securities	-	-	2	2
Trading debt securities	6	-	-	6
Share in mutual investment fund	1	-	-	1
Total assets	7	-	2	9
31 December 2017				
Unlisted equity securities	-	-	3	3
Trading debt securities	7	-	-	7
Share in mutual investment fund	1	-	-	1
Total assets	8	-	3	11

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32. EVENTS AFTER THE DATE OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In January 2019, dividends were paid in the amount of USD 284 million. The difference with the declared amount is caused by the change in the exchange rates.

33. ACCOUNTING POLICIES BEFORE 1 JANUARY 2018

Revenue recognition

Revenue is measured at fair value of consideration received net of discounts, allowances, associated value-added taxes and export duties.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is recognised on a time-proportion basis using the effective interest method.

Financial instruments - key measurement terms

Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

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33. ACCOUNTING POLICIES BEFORE 1 JANUARY 2018 (CONTINUED)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets

Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

Held-to-maturity assets include quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period.

Held-for-trading investments are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists.

Other financial assets at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category. Management designates financial assets into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel. Recognition and measurement of this category of financial assets is consistent with the accounting policy for trading investments.

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33. ACCOUNTING POLICIES BEFORE 1 JANUARY 2018 (CONTINUED)

All other financial assets are included in the available-for-sale category, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The Group may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

Initial recognition of financial instruments

Trading investments and derivatives are initially recorded at their fair value. All other financial assets and liabilities are initially recorded at their fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and the transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at their trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Available-for-sale investments

Available-for-sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

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33. ACCOUNTING POLICIES BEFORE 1 JANUARY 2018 (CONTINUED)

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss - is reclassified from other comprehensive income to finance costs in profit or loss for the year.

Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

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33. ACCOUNTING POLICIES BEFORE 1 JANUARY 2018 (CONTINUED)

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

Classification of financial liabilities

Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Financial guarantee contracts

Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance leases are capitalised as property, plant and equipment at the lower of fair value of the leased asset or present value of future minimum lease payments at the date of acquisition, with the related lease obligation recognised at the same value. Assets held under finance leases are depreciated over their estimated economic useful lives or over the term of the lease, if shorter. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is useful life of the asset.

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33. ACCOUNTING POLICIES BEFORE 1 JANUARY 2018 (CONTINUED)

Finance lease payments are allocated using the effective interest rate method, between the finance cost and the capital repayment, which reduces the related lease obligation to the lessor. The Group doesn't have material finance lease agreements.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2018 were approved by the Group's management and authorised for issue on 6 February 2019.