PAO Severstal
and subsidiaries

Consolidated interim condensed financial statements
for the nine months ended 30 September 2018 and 2017

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Contents

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Independent Auditors' Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and Board of Directors

PAO Severstal

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PAO Severstal (the "Company") and its subsidiaries (the "Group") as at 30 September 2018, and the related consolidated interim condensed income statements and consolidated interim condensed statements of comprehensive income for the three- and nine-month periods ended 30 September 2018 and 2017, and the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month periods ended 30 September 2018 and 2017, and notes to the consolidated interim condensed financial statements (the "consolidated interim condensed financial statements"). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our reviews.

Scope of Reviews

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 30 September 2018, and for the three- and nine-month periods ended 30 September 2018 and 2017 are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Larisa Kiseleva

JSC "KPMG"

Moscow, Russia

18 October 2018

PAO Severstal and subsidiaries

Consolidated interim condensed income statements
Nine months ended 30 September 2018 and 2017

(Amounts expressed in millions of US dollars, except as otherwise stated)

		Nine months ended 30 September		Three months ended 30 September	
	Note	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Revenue					
Revenue - third parties		6,386	5,583	2,026	1,943
Revenue - related parties	4	109	87	37	29
	2	6,495	5,670	2,063	1,972
Cost of sales		(3,739)	(3,459)	(1,160)	(1,243)
Gross profit		2,756	2,211	903	729
General and administrative expenses		(241)	(212)	(84)	(67)
Distribution expenses		(440)	(438)	(136)	(142)
Other taxes and contributions		(48)	(54)	(15)	(17)
Share of associates' and joint ventures' gain		10	5	2	2
Loss on disposal of property, plant and equipment and intangible assets		(19)	(3)	-	(2)
Net other operating income/(expenses)		4	(3)	1	(1)
Profit from operations		2,022	1,506	671	502
Reversal of impairment of non-current assets		13	-	11	-
Net other non-operating expenses	7,8	(36)	(377)	(14)	(10)
Profit before financing and taxation		1,999	1,129	668	492
Finance income		12	40	-	11
Finance costs		(86)	(123)	(25)	(40)
Loss on remeasurement and disposal of financial instruments		(13)	(5)	(27)	(31)
Foreign exchange (loss)/gain	3	(85)	27	(41)	(23)
Profit before income tax		1,827	1,068	575	409
Income tax expense		(354)	(276)	(120)	(112)
Profit for the period		1,473	792	455	297
Attributable to:					
shareholders of PAO Severstal		1,473	793	455	297
non-controlling interests		-	(1)	-	-
Basic weighted average number of shares outstanding during the period (millions of shares)		815.7	810.9	818.6	811.4
Basic earnings per share (US dollars)		1.81	0.98	0.56	0.37
Diluted weighted average number of shares outstanding during the period (millions of shares)		847.0	840.9	847.6	844.6
Diluted earnings per share (US dollars)		1.81	0.96	0.56	0.37

These consolidated interim condensed financial statements were approved by the Board of Directors on 18 October 2018.

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

PAO Severstal and subsidiaries

Consolidated interim condensed statements of comprehensive income
Nine months ended 30 September 2018 and 2017
(Amounts expressed in millions of US dollars, except as otherwise stated)

		Nine months ended 30 September		Three months ended 30 September	
	Note	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Profit for the period		1,473	792	455	297
Other comprehensive (loss)/income:					
Items that will not be reclassified to profit or loss					
Actuarial losses		(2)	(3)	-	-
Translation to presentation currency		(500)	180	(176)	101
Total items that will not be reclassified to profit or loss		(502)	177	(176)	101
Items that may be reclassified subsequently to profit or loss					
Translation to presentation currency - foreign operations		(2)	9	1	3
Changes in fair value of financial assets measured through other comprehensive income		-	3	-	1
Total items that may be reclassified subsequently to profit or loss		(2)	12	1	4
Items that were reclassified to profit or loss					
Changes in fair value of financial assets measured through other comprehensive income		(4)	-	-	-
Accumulated translation reserves - foreign operations	7,8	-	343	-	-
Total items that were reclassified to profit or loss		(4)	343	-	-
Other comprehensive (loss)/income for the period		(508)	532	(175)	105
Total comprehensive income for the period		965	1,324	280	402
Attributable to:					
shareholders of PAO Severstal		965	1,325	280	402
non-controlling interests		-	(1)	-	-

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

PAO Severstal and subsidiaries

Consolidated interim condensed statements of financial position
30 September 2018 and 31 December 2017

(Amounts expressed in millions of US dollars, except as otherwise stated)

	Note	30 September 2018 (unaudited)	31 December 2017
Assets			
Current assets:			
Cash and cash equivalents		1,054	1,031
Short-term financial investments	6	17	12
Trade accounts receivable		519	598
Accounts receivable from related parties	5	21	16
Restricted financial assets		-	1
Inventories		1,008	1,058
VAT recoverable		41	124
Income tax recoverable		6	7
Other current assets		115	105
Total current assets		2,781	2,952
Non-current assets:			
Long-term financial investments	6	9	217
Investments in associates and joint ventures		70	65
Property, plant and equipment		3,381	3,701
Intangible assets		219	241
Deferred tax assets		29	24
Other non-current assets		12	9
Total non-current assets		3,720	4,257
Total assets		6,501	7,209
Liabilities and shareholders' equity			
Current liabilities:			
Trade accounts payable		493	549
Accounts payable to related parties	5	13	18
Short-term debt finance	6	149	586
Income taxes payable		30	40
Other taxes and social security payable		111	113
Dividends payable		480	6
Other current liabilities	6	393	358
Total current liabilities		1,669	1,670
Non-current liabilities:			
Long-term debt finance	6	1,343	1,507
Deferred tax liabilities		286	311
Retirement benefit liabilities		70	78
Other non-current liabilities	6	138	245
Total non-current liabilities		1,837	2,141
Equity:			
Share capital		2,753	2,753
Treasury shares		(151)	(206)
Additional capital		308	308
Translation reserve		(2,181)	(1,679)
Retained earnings		2,243	2,195
Other reserves		9	12
Total equity attributable to shareholders of PAO Severstal		2,981	3,383
Non-controlling interests		14	15
Total equity		2,995	3,398
Total equity and liabilities		6,501	7,209

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

PAO Severstal and subsidiaries

Consolidated interim condensed statements of cash flows
Nine months ended 30 September 2018 and 2017
(Amounts expressed in millions of US dollars, except as otherwise stated)

	Note	Nine months ended 30 September 2018 (unaudited)	Nine months ended 30 September 2017 (unaudited)
Operating activities:			
Profit before financing and taxation		1,999	1,129
Adjustments to reconcile profit to cash generated from operations:			
Depreciation and amortisation		301	309
Reversal of impairment of non-current assets		(13)	-
Movements in provision for inventories, receivables and other provisions		14	7
Loss on disposal of property, plant and equipment and intangible assets		19	3
Loss on disposal of subsidiaries	8	-	40
Accumulated translation reserves - foreign operations	7	-	307
Share of associates' and joint ventures' results less dividends from associates and joint ventures		(10)	(2)
Changes in operating assets and liabilities:			
Trade accounts receivable		24	(81)
Accounts receivable from related parties		(9)	3
VAT recoverable		62	(21)
Inventories		(76)	(132)
Trade accounts payable		(3)	6
Accounts payable to related parties		(7)	8
Other taxes and social security payable		12	31
Other non-current liabilities		(5)	(7)
Assets held for sale		-	2
Net other changes in operating assets and liabilities		(71)	(41)
Cash generated from operations		2,237	1,561
Interest paid		(77)	(92)
Income tax paid		(358)	(141)
Net cash from operating activities		1,802	1,328
Investing activities:			
Additions to property, plant and equipment		(439)	(401)
Additions to intangible assets		(25)	(20)
Additions to financial investments		(23)	(122)
Net cash inflow from disposal of subsidiary	8	-	36
Proceeds from disposal of property, plant and equipment		12	8
Proceeds from disposal of financial investments		201	28
Interest received		16	44
Dividends received		2	-
Net cash used in investing activities		(256)	(427)
Financing activities:			
Proceeds from debt finance		7	1,294
Acquisition of non-controlling interests		(2)	-
Repayments of debt finance		(562)	(589)
Net proceeds/(repayments) of other financing activities		1	(72)
Dividends paid		(956)	(723)
Net cash used in financing activities		(1,512)	(90)
Effect of exchange rates on cash and cash equivalents		(11)	25
Net increase in cash and cash equivalents		23	836
Cash and cash equivalents at beginning of the period		1,031	1,154
Cash and cash equivalents at end of the period		1,054	1,990

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

PAO Severstal and subsidiaries

Consolidated interim condensed statements of changes in equity
Nine months ended 30 September 2018 and 2017

(Amounts expressed in millions of US dollars, except as otherwise stated)

	Attributable to shareholders of PAO Severstal							Non-controlling interests	Total
	Share capital	Treasury shares	Additional capital	Translation reserve	Retained earnings	Other reserves	Total		
Balances at 31 December 2016	2,753	(236)	296	(2,246)	2,450	9	3,026	15	3,041
Profit/(loss) for the period (unaudited)	-	-	-	-	793	-	793	(1)	792
Translation to presentation currency (unaudited)	-	-	-	189	-	-	189	-	189
Other comprehensive income/(loss) (unaudited)	-	-	-	343	(3)	3	343	-	343
Total comprehensive income/(loss) for the period (unaudited)				532	790	3	1,325	(1)	1,324
Dividends (unaudited)	-	-	-	-	(1,057)	-	(1,057)	-	(1,057)
Conversion of bonds (unaudited)	-	30	12	-	-	-	42	-	42
Other (unaudited)	-	-	-	-	(53)	-	(53)	-	(53)
Balances at 30 September 2017 (unaudited)	2,753	(206)	308	(1,714)	2,130	12	3,283	14	3,297
Balances at 31 December 2017	2,753	(206)	308	(1,679)	2,195	12	3,383	15	3,398
Profit for the period (unaudited)	-	-	-	-	1,473	-	1,473	-	1,473
Translation to presentation currency (unaudited)	-	-	-	(502)	-	-	(502)	-	(502)
Other comprehensive loss (unaudited)	-	-	-	-	(6)	-	(6)	-	(6)
Total comprehensive (loss)/income for the period (unaudited)				(502)	1,467	-	965	-	965
Dividends (unaudited)	-	-	-	-	(1,420)	-	(1,420)	-	(1,420)
Conversion of bonds (unaudited)	-	55	-	-	-	-	55	-	55
Other (unaudited)	-	-	-	-	1	(3)	(2)	(1)	(3)
Balances at 30 September 2018 (unaudited)	2,753	(151)	308	(2,181)	2,243	9	2,981	14	2,995

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

(Amounts expressed in millions of US dollars, except as otherwise stated)

1. Accounting policies and estimates

These consolidated interim condensed financial statements of PAO Severstal and subsidiaries (‘the Group’) have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) and IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

The following exchange rates were used in the consolidated interim condensed financial statements:

	30 September 2018	Nine months ended 30 September 2018	Three months ended 30 September 2018	31 December 2017	30 September 2017	Nine months ended 30 September 2017	Three months ended 30 September 2017
USD/RUB	65.59	61.43	65.52	57.60	58.02	58.33	59.02
EUR/USD	1.16	1.19	1.16	1.20	1.18	1.11	1.17

Adoption of new Standards

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2017, except that the Group has adopted those new Standards that are mandatory for financial annual periods beginning on 1 January 2018.

IFRS 9 Financial Instruments has replaced *IAS 39 Financial instruments*: *Recognition and Measurement*. The standard provides amended guidance on the classification, recognition and measurement of financial assets and liabilities and hedge accounting. The major impact from the transition is related to the classification of financial assets and introduced an expected credit loss model which results in the earlier recognition of credit losses and is more forward looking than the previous incurred loss model.

The Group analysed the classification of all material financial assets and liabilities and implemented an expected credit loss model under the new standard, which did not result in any significant effect on the Group’s consolidated interim condensed financial statements.

IFRS 15 Revenue from contracts with customers has replaced *IAS 11 Construction Contracts*, *IAS 18 Revenue* and related *IFRIC*. The standard provides amended guidance on revenue recognition. To assess the effect of IFRS 15 on the consolidated interim condensed financial statements the Group analysed all major contracts with customers. The adoption of the new standard did not have a significant effect on the Group’s consolidated interim condensed financial statements.

New accounting pronouncements

A number of new Standards and amendments to Standards were not yet effective for the nine months ended 30 September 2018 and have not been applied in these consolidated interim condensed financial statements.

The adoption of the pronouncements is not expected to have a significant impact on the Group’s consolidated financial statements in future periods except for those discussed below.

IFRS 16 Leases is intended to replace the current *IAS 17 Leases*. The mandatory effective date is 1 January 2019, with earlier application allowed. The standard provides amended guidance on recognition, measurement, presentation and disclosure of leases. It includes a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less. The Group recognises that the new standard introduces many changes to the accounting for leases. The Group is currently assessing the effect of IFRS 16.

(Amounts expressed in millions of US dollars, except as otherwise stated)

2. Revenue

Revenue by product was as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Hot-rolled strip and plate	2,078	1,802	664	585
Cold-rolled sheet	621	596	173	199
Long products	541	433	179	164
Galvanized and other metallic coated sheet	477	342	161	149
Pellets and iron ore	435	351	130	100
Shipping and handling *	416	394	121	126
Metalware products	411	425	138	146
Large diameter pipes	371	352	128	163
Other tubes and pipes, formed shapes	361	359	113	124
Colour-coated sheet	277	277	117	112
Semi-finished products	252	117	48	29
Coal and coking coal concentrate	58	40	23	15
Scrap	5	4	2	1
Others	192	178	66	59
	6,495	5,670	2,063	1,972

* Shipping and handling do not represent a separate performance obligation under IFRS 15 "Revenue from contracts with customers" and is disclosed only for presentation purposes.

Revenue by delivery destination was as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Russian Federation	3,861	3,484	1,321	1,259
Europe	1,664	922	450	335
CIS	366	341	125	116
The Middle East	251	426	69	146
North America	123	188	8	72
Africa	106	103	23	20
Central and South America	74	106	43	-
China and Central Asia	26	45	-	-
South-East Asia	24	55	24	24
	6,495	5,670	2,063	1,972

3. Foreign exchange (loss)/gain

	Nine months ended 30 September		Three months ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Foreign exchange (loss)/gain on cash and cash equivalents and debt finance	(104)	82	(41)	24
Foreign exchange gain/(loss) on other assets and liabilities	19	(55)	-	(47)
	(85)	27	(41)	(23)

(Amounts expressed in millions of US dollars, except as otherwise stated)

4. Related party transactions

	Nine months ended 30 September		Three months ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Revenue - related parties:				
Revenue - associates	23	24	7	8
Revenue - joint ventures	62	47	22	15
Revenue - other related parties	24	16	8	6
Income from services to other related parties	8	10	3	4
Interest income from joint ventures	1	2	-	-
	118	99	40	33
Purchases from related parties:				
Purchases from associates:				
Non-capital expenditures	48	49	15	16
Purchases from joint ventures:				
Non-capital expenditures	5	4	2	1
Purchases from other related parties:				
Non-capital expenditures	28	22	8	8
Capital expenditures	3	5	1	2
	84	80	26	27

5. Related party balances

	30 September 2018 (unaudited)	31 December 2017
Joint ventures' balances		
Short-term trade accounts receivable	9	5
Short-term loans	9	4
Long-term loans	5	20
Associates' balances		
Short-term trade accounts receivable	3	3
Short-term trade accounts payable	6	7
Other related party balances		
Accounts receivable from other related parties:		
Short-term trade accounts receivable	6	6
Advances paid	2	-
Short-term other receivables	1	2
Long-term other receivables	2	-
	11	8
Accounts payable to other related parties:		
Short-term trade accounts payable	3	3
Advances received	-	3
Short-term other accounts payable	4	5
Short-term debt financing	2	2
Long-term other accounts payable	3	7
	12	20

The amounts outstanding are expected to be settled in cash. The Group did not hold any collateral for amounts owed by related parties.

6. Carrying amounts and fair values

In April 2016, the Group issued US$ 200 million senior unsecured guaranteed convertible bonds maturing in 2021. The conversion rights may be exercised at any time on or after 9 June 2016. The initial conversion price was set at US$ 13.80 per GDR. If the conversion rights are exercised, it is at the Group's discretion to determine whether to convert bonds into GDRs or to pay a cash amount as defined in the terms of the issue. This settlement option causes the conversion feature of the bond to be classified separately and measured at fair value through profit and loss, while the host liability is accounted for at amortised cost using market interest rate of 5.1% per annum at the date of the issue. The bonds bear an interest rate of 0.5% per annum, which is payable semi-annually in April and October each year, beginning in October 2016. Holders of the bonds have an option to require an early redemption of their bonds on 29 April 2019 at the principal amount plus accrued interest. The Group also has an option for early redemption, exercisable starting from 20 May 2019 provided the value of the GDRs deliverable on conversion of the bonds exceeds 130 per cent of the principal amount of the bonds for a specified period of time. The proceeds from the bonds' issuance were mainly used for general corporate purposes. During 9 months 2018 some of holders of the bonds exercised their conversion rights. As a result as at 30 September 2018 US$ 65 million of bonds at nominal value were redeemed and converted into GDRs.

As at 30 September 2018, the value of conversion option of convertible bonds maturing in 2021 was US$ 109 million and was determined with reference to the quoted market price (level 2 of the fair value hierarchy) and included in other current liabilities (31 December 2017: US$ 109 million was included in other non-current liabilities).

In February 2017, the Group issued US$ 250 million senior unsecured guaranteed convertible zero-coupon bonds maturing in 2022. The conversion rights may be exercised at any time on or after 29 March 2017. The initial conversion price was set at US$ 20.33 per GDR. If the conversion rights are exercised, it is at the Group's discretion to determine whether to convert bonds into GDRs or to pay a cash amount as defined in the terms of the issue. This settlement option causes the conversion feature of the bond to be classified separately and measured at fair value through profit and loss, whilst the host liability is accounted for at amortised cost using market interest rate at 3.9% per annum at the date of the issue. Holders of the bonds have an option to require an early redemption of their bonds on 16 February 2020 at the principal amount. The Group also has an option for early redemption, exercisable starting from 9 March 2020 provided the value of the GDRs deliverable on conversion of the bonds exceeds 130 per cent of the principal amount of the bonds for a specified period of time. The proceeds from the bonds' issuance were mainly used for general corporate purposes.

As at 30 September 2018, the value of the conversion option of convertible bonds maturing in 2022 was US$ 59 million and was determined with reference to the quoted market price (level 2 of the fair value hierarchy) and included in other non-current liabilities (31 December 2017: US$ 48 million).

In February 2017, the Group issued US$ 500 million bonds denominated in US dollars maturing in 2021. These bonds bear an interest rate of 3.85% per annum, which is payable semi-annually in February and August each year, beginning in August 2017. The proceeds from the bonds' issuance were used for general corporate purposes, including refinancing of debt maturing in 2018.

The fair value of the Group's other financial liabilities was greater than their carrying amount by approximately US$ 5 million (31 December 2017: US$ 81 million).

As at 30 September 2018, short-term financial investments included financial assets measured at fair value through other comprehensive income (FVOCI) of US$ 8 million, the value was determined based on quoted market prices (level 1 of the fair value hierarchy) (31 December 2017: US$ 8 million).

(Amounts expressed in millions of US dollars, except as otherwise stated)

As at 30 September 2018, long-term financial investments included financial assets measured at fair value through other comprehensive income (FVOCI) of US$ nil (31 December 2017: US$ 194 million, the value was determined based on quoted market prices (level 1 of the fair value hierarchy)).

The carrying value of other Group's financial assets does not differ significantly from their fair value.

7. Accumulated translation reserves - foreign operations

In the three months ended 30 June 2017, following the sale of its 100% stake in Redaelli Tecna S.p.A. and an internal reorganisation of a number of foreign holding entities, the Group recycled the related non-cash translation reserves accumulated in Equity through the Income Statement.

As a result, US$ 307 million of translation reserves, arising from operations which had been liquidated or are in the process of being liquidated, were recognised in non-operating expenses and US$ 36 million of translation reserve was recognised in non-operating expenses as part of the loss on disposal related to the disposal of Redaelli Tecna S.p.A. (Note 8).

8. Disposal of subsidiary

Redaelli Tecna S.p.A.

In April 2017, the Group sold its 100% stake in Redaelli Tecna S.p.A. to a third party for a preliminary consideration of EUR 40 million, of which EUR 3 million is receivable during the next two years under the respective sale agreements (US$ 43 million and US$ 3 million, correspondingly, at the transaction date exchange rate).

The loss on the disposal of US$ 40 million was recognised in these consolidated interim condensed financial statements as part of net other non-operating expenses and mostly comprised Redaelli Tecna S.p.A.'s accumulated foreign exchange translation reserves as at the disposal date.

A summary of the assets and liabilities disposed during the nine months ended 30 September 2018 and 2017 was as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2018 (unaudited)	2017 (unaudited)	2018 (unaudited)	2017 (unaudited)
Assets held for sale	-	(89)	-	-
Liabilities related to assets held for sale	-	44	-	-
Net identifiable assets	-	(45)	-	-
Accumulated translation reserve - foreign operation (Note 7)	-	(36)	-	-
Consideration in cash	-	40	-	-
Deferred consideration recognised in accounts receivable	-	3	-	-
Selling costs paid in cash	-	(2)	-	-
Net loss on disposal	-	(40)	-	-
Less cash of disposed entity	-	(2)	-	-
Net change in cash and cash equivalents	-	36	-	-

(Amounts expressed in millions of US dollars, except as otherwise stated)

9. Segment information

As at 30 September 2018, the Group had two reportable segments: Severstal Resources and Severstal Russian Steel.

Severstal Resources has its extraction facilities in the Russian Federation producing iron ore and coal.

Severstal Russian Steel produces a wide range of products, including hot-rolled sheets, profiles, large-diameter pipes and cold-rolled coated sheets encompassing sheets for the automotive industry, hot-rolled plates, metalware and long products in steel production facilities located in the Russian Federation. It sells steel products to the domestic Russian market, serving the needs of the Russian automotive, construction and service processing, machinery, oil and gas and other industries, as well as the international market.

The following is an analysis of the Group's total assets and liabilities by segment:

	Severstal Resources	Severstal Russian Steel	Inter - segment balances	Conso- lidated
Balances as at 30 September 2018 (unaudited)				
Total assets	3,208	6,544	(3,251)	6,501
Total liabilities	912	3,972	(1,378)	3,506
Balances as at 31 December 2017				
Total assets	3,755	7,342	(3,888)	7,209
Total liabilities	1,094	4,770	(2,053)	3,811

The following is an analysis of the Group's revenue and a reconciliation of profit from operations to EBITDA by segment:

Nine months ended 30 September 2018 (unaudited):

	Severstal Resources	Severstal Russian Steel	Inter - segment transactions	Conso- lidated
Revenue	1,345	5,958	(808)	6,495
Profit from operations	565	1,500	(43)	2,022
Adjustments to reconcile profit from operations to EBITDA:				
Depreciation and amortisation of productive assets	102	198	-	300
Loss on disposal of property, plant and equipment and intangible assets	6	13	-	19
Share of associates' and joint ventures' depreciation and amortisation and non-operating (income)/expenses	-	7	-	7
EBITDA	673	1,718	(43)	2,348
Additional information:				
intersegment revenue	754	54	(808)	-

Nine months ended 30 September 2017 (unaudited):

	Severstal Resources	Severstal Russian Steel	Inter - segment transactions	Conso- lidated
Revenue	1,253	5,226	(809)	5,670
Profit from operations	501	1,017	(12)	1,506
Adjustments to reconcile profit from operations to EBITDA:				
Depreciation and amortisation of productive assets	106	201	-	307
Loss on disposal of property, plant and equipment and intangible assets	-	3	-	3
Share of associates' and joint ventures' depreciation and amortisation and non-operating (income)/expenses	-	7	-	7
EBITDA	607	1,228	(12)	1,823
Additional information:				
intersegment revenue	758	51	(809)	-

(Amounts expressed in millions of US dollars, except as otherwise stated)

Three months ended 30 September 2018 (unaudited):

	Severstal Resources	Severstal Russian Steel	Inter - segment transactions	Conso-lidated
Revenue	468	1,897	(302)	2,063
Profit from operations	220	487	(36)	671
Adjustments to reconcile profit from operations to EBITDA:				
Depreciation and amortisation of productive assets	32	63	-	95
Loss/(gain) on disposal of property, plant and equipment and intangible assets	1	(1)	-	-
Share of associates' and joint ventures' depreciation and amortisation and non-operating (income)/expenses	-	4	(2)	2
EBITDA	253	553	(38)	768
Additional information:				
intersegment revenue	286	16	(302)	-

Three months ended 30 September 2017 (unaudited):

	Severstal Resources	Severstal Russian Steel	Inter - segment transactions	Conso-lidated
Revenue	358	1,847	(233)	1,972
Profit from operations	113	377	12	502
Adjustments to reconcile profit from operations to EBITDA:				
Depreciation and amortisation of productive assets	42	67	-	109
Loss on disposal of property, plant and equipment and intangible assets	-	2	-	2
Share of associates' and joint ventures' depreciation and amortisation and non-operating (income)/expenses	-	3	-	3
EBITDA	155	449	12	616
Additional information:				
intersegment revenue	213	20	(233)	-

Reconciliation between profit from operations to profit before income tax is presented in the consolidated interim condensed income statements.

10. Contingencies for litigation, tax and other liabilities

The taxation system and regulatory environment of the Russian Federation are characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to varying interpretations between the differing regulatory authorities and jurisdictions, who are empowered to impose significant fines, penalties and interest charges. Events during recent years suggest that the regulatory authorities within this country are adopting a more assertive stance regarding the interpretation and enforcement of legislation. This situation creates substantial tax and regulatory risks. At the reporting date the amounts of the actual and potential contingent claims for taxes, fines and penalties made by the Russian tax authorities to certain Group's entities amounted to approximately US$ 1 million (31 December 2017: US$ 2 million) and management believes it has made adequate provisions for other probable tax claims. Management does not agree with the tax authorities' claims and believes that the Group has complied in all material respects with all existing, relevant legislation. Management is unable to assess the ultimate outcome of the claims and the outflow of financial resources to settle such claims, if any.

In 2015 a claw-back claim had been made by Lucchini S.p.A's ('Lucchini') extraordinary commissioner against the Group's subsidiary amounting to approximately US$ 142 million.

The judge of the first instance court reduced the amount of the claw-back claim to US$ 86 million in its decision of 25 May 2018. Management did not agree both with this claim and the judgement of the first instance court and appealed against the court decision on 18 July 2018. The hearing is scheduled on 20 April 2020. The Group and its legal advisors believe that there are strong grounds in support of the Group's position.

The bankruptcy claw-back action is a remedy offered by the Italian Bankruptcy Act to allow commissioners to declare ineffective, vis-à-vis all creditors of a bankrupt company, certain payments and transactions executed in the period preceding the insolvency declaration that altered the equal treatment of all the unsecured creditors of an insolvent debtor. Lucchini was previously the Group's subsidiary and was deconsolidated in 2011 and currently is under the bankruptcy procedure. This claim relates to cash received by the Group's subsidiary for supplies of raw materials to Lucchini primarily during the period when Lucchini was already not part of the Group.

Management is unable to assess the ultimate outcome of the claim, including the outflow of the financial resources to settle the claim, if any, because it depends on multiple circumstances concerning the facts and the applicability and interpretation of the relevant statutes. In case the Group has to make any payment, the relevant amount paid will be included in Lucchini's creditors' list and will be settled in the course of the bankruptcy procedure.

11. Capital commitments

As at 30 September 2018, the Group had contractual capital commitments of US$ 175 million (31 December 2017: US$ 271 million).

12. Dividends

On 1 February 2017, the Board of Directors recommended an annual dividend of RUB 27.73 per share and per GDR for the year ended 31 December 2016 subject to approval at the Annual General Meeting of Shareholders in June 2017.

On 9 June 2017, the Meeting of Shareholders approved an annual dividend of RUB 27.73 (US$ 0.49 at 9 June 2017 exchange rate) per share and per GDR for the year ended 31 December 2016 and an interim dividend of RUB 24.44 (US$ 0.43 at 9 June 2017 exchange rate) per share and per GDR for the first quarter of the year ended 31 December 2017.

On 15 September 2017, an Extraordinary Meeting of Shareholders approved an interim dividend of RUB 22.28 (US$ 0.39 at 15 September 2017 exchange rate) per share and per GDR for the first six months of the year ended 31 December 2017.

On 1 February 2018, the Board of Directors recommended an annual dividend of RUB 27.72 per share and per GDR for the year ended 31 December 2017 subject to approval at the Annual General Meeting of Shareholders in June 2018.

On 8 June 2018, the Meeting of Shareholders approved an annual dividend of RUB 27.72 (US$ 0.45 at 8 June 2018 exchange rate) per share and per GDR for the year ended 31 December 2017 and an interim dividend of RUB 38.32 (US$ 0.62 at 8 June 2018 exchange rate) per share and per GDR for the first quarter of the year ended 31 December 2018.

On 14 September 2018, an Extraordinary Meeting of Shareholders approved an interim dividend of RUB 45.94 (US$ 0.67 at 14 September 2018 exchange rate) per share and per GDR for the first six months of the year ended 31 December 2018.