Open Joint Stock Company Magnitogorsk Iron & Steel Works and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

For the Nine Months Ended 30 September 2011

OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' review report on the unaudited condensed consolidated interim financial statements set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the unaudited condensed consolidated interim financial statements of Open Joint Stock Company Magnitogorsk Iron & Steel Works and its subsidiaries (the "Group").

Management is responsible for the preparation of the unaudited condensed consolidated interim financial statements that present fairly the financial position of the Group at 30 September 2011, the results of its operations for the three months and the nine months then ended and changes in equity and cash flows for the nine months then ended, in compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

In preparing the unaudited condensed consolidated interim financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the 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 unaudited condensed consolidated interim financial statements as at 30 September 2011 and for the nine months then ended were approved on 25 November 2011 by:

B. A. Dubrovsky
General Director

M. A. Zhemchueva
Chief Accountant

25 November 2011
Magnitogorsk, Russia

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

To the shareholders of OJSC Magnitogorsk Iron & Steel Works

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Open Joint Stock Company Magnitogorsk Iron & Steel Works and its subsidiaries (the "Group") as at 30 September 2011 and the related condensed consolidated interim statements of comprehensive income for the three- and nine-month periods ended 30 September 2011 and the related condensed consolidated interim statements of changes in equity and cash flows for the nine-month period ended 30 September 2011 (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 September 2011 and for the three- and nine-month periods ended 30 September is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Other matter

The consolidated statement of financial position as at 31 December 2010 was audited, condensed consolidated interim statements of comprehensive income for the three-month and for the nine-month period ended 30 September 2010 and changes in equity and cash flows for the nine-month period ended 30 September 2010 were reviewed by another auditor who issued unmodified reports dated 31 March 2011 and 30 November 2010 on these statements.

ZAO KPMG

ZAO KPMG
25 November 2011

OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(In millions of U.S. Dollars, except per share data)

		Three months ended 30 September		Nine months ended 30 September	
	Notes	**2011**	**2010**	**2011**	**2010**
REVENUE	5	2,430	2,055	7,063	5,775
COST OF SALES		(2,023)	(1,624)	(5,769)	(4,360)
GROSS PROFIT		**407**	**431**	**1,294**	**1,415**
General and administrative expenses		(149)	(119)	(433)	(360)
Selling and distribution expenses		(111)	(146)	(372)	(449)
Other operating expenses, net		(53)	(16)	(77)	(103)
OPERATING PROFIT		**94**	**150**	**412**	**503**
Share of results of associates		2	3	10	11
Finance income		4	2	10	6
Finance costs		(41)	(39)	(114)	(102)
Foreign exchange loss, net		(252)	(30)	(203)	(38)
Impairment losses on property, plant and equipment and other non-current assets	10	(12)	-	(32)	-
Change in net assets attributable to non-controlling interest		1	(1)	5	(4)
Other income		3	3	8	5
Other expenses		(52)	(35)	(158)	(132)
(LOSS)/PROFIT BEFORE INCOME TAX		**(253)**	**53**	**(62)**	**249**
INCOME TAX		48	(10)	4	(59)
(LOSS)/PROFIT FOR THE PERIOD		**(205)**	**43**	**(58)**	**190**
OTHER COMPREHENSIVE (LOSSES)/INCOME					
(Decrease)/increase in fair value of available-for-sale investments		(273)	222	(349)	176
Income tax related to decrease/(increase) in fair value of available-for sale investments		55	(44)	70	(35)
Translation of foreign operations		(233)	(42)	(109)	(36)
Effect of translation to presentation currency		(1,274)	263	(376)	(60)
OTHER COMPREHENSIVE (LOSSES)/INCOME FOR THE PERIOD, NET OF TAX		**(1,725)**	**399**	**(764)**	**45**
TOTAL COMPREHENSIVE (LOSSES)/INCOME FOR THE PERIOD		**(1,930)**	**442**	**(822)**	**235**
(Loss)/profit attributable to:					
Shareholders of the Parent Company		(205)	48	(51)	195
Non-controlling interests		-	(5)	(7)	(5)
		(205)	**43**	**(58)**	**190**
Total comprehensive (losses)/income attributable to:					
Shareholders of the Parent Company		(1,909)	457	(860)	261
Non-controlling interests		(21)	(15)	38	(26)
		(1,930)	**442**	**(822)**	**235**
BASIC AND DILUTED (LOSSES)/ EARNINGS PER SHARE (U.S. Dollars)		(0.019)	0.004	(0.005)	0.018
Weighted average number of ordinary shares outstanding (in thousands)		11,006,414	11,158,047	11,007,429	11,130,401

The notes on pages 8 to 19 are an integral part of these unaudited condensed consolidated interim financial statements.

OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AT 30 SEPTEMBER 2011 *(In millions of U.S. Dollars)*

	Notes	30 September 2011	31 December 2010
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	7	11,721	12,226
Goodwill		277	290
Other intangible assets		29	34
Investments in securities and other financial assets	8	788	1,051
Investments in associates		28	29
Deferred tax assets		137	106
Other non-current assets		30	17
Total non-current assets		13,010	13,753
CURRENT ASSETS:			
Inventories		1,699	1,236
Trade and other receivables		754	791
Investments in securities and other financial assets	8	128	193
Income tax receivable		48	37
Value added tax recoverable		247	213
Cash and cash equivalents	9	418	515
Assets classified as held for sale	10	23	-
Total current assets		3,317	2,985
TOTAL ASSETS		**16,327**	**16,738**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital		386	386
Treasury shares		(175)	(176)
Share premium		1,109	1,109
Investments revaluation reserve		401	680
Translation reserve		(2,824)	(2,294)
Retained earnings		10,233	10,552
Equity attributable to shareholders of the Parent Company		9,130	10,257
Non-controlling interests		157	429
Total equity		9,287	10,686
NON-CURRENT LIABILITIES:			
Long-term borrowings	11	2,877	2,454
Obligations under finance leases		2	7
Retirement benefit obligations		23	25
Site restoration provision		19	18
Deferred tax liabilities		1,305	1,464
Total non-current liabilities		4,226	3,968
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	12	1,505	1,074
Current portion of obligations under finance leases		7	13
Current portion of retirement benefit obligations		3	3
Trade and other payables		1,282	971
Net assets attributable to minority participants		17	23
Total current liabilities		2,814	2,084
TOTAL EQUITY AND LIABILITIES		**16,327**	**16,738**

The notes on pages 8 to 19 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(In millions of U.S. Dollars)

	Attributable to shareholders of the Parent Company								
	Share capital	Treasury shares	Share premium	Investments revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
BALANCE AT 1 JANUARY 2010	**386**	**(67)**	**1,103**	**341**	**(2,230)**	**10,424**	**9,957**	**368**	**10,325**
Profit for the period	-	-	-	-	-	195	**195**	(5)	**190**
Other comprehensive income for the period, net of tax	-	-	-	141	(75)	-	**66**	(21)	**45**
Total comprehensive income for the year	-	-	-	141	(75)	195	**261**	(26)	**235**
Purchase of treasury shares	-	(21)	-	-	-	-	**(21)**	-	**(21)**
Issuance of ordinary shares from treasury shares	-	60	2	-	-	-	**62**	-	**62**
Decrease in non-controlling interests due to increase of Group's share in subsidiaries	-	-	-	-	-	2	**2**	(2)	**-**
Increase in non-controlling interests due to additional share issue by subsidiary	-	-	-	-	-	-	-	81	**81**
Dividends	-	-	-	-	-	(133)	**(133)**	-	**(133)**
BALANCE AT 30 SEPTEMBER 2010	**386**	**(28)**	**1,105**	**482**	**(2,305)**	**10,488**	**10,128**	**421**	**10,549**
BALANCE AT 1 JANUARY 2011	**386**	**(176)**	**1,109**	**680**	**(2,294)**	**10,552**	**10,257**	**429**	**10,686**
Loss for the period	-	-	-	-	-	(51)	**(51)**	(7)	**(58)**
Other comprehensive income for the period, net of tax	-	-	-	(279)	(530)	-	**(809)**	45	**(764)**
Total comprehensive income for the period	-	-	-	(279)	(530)	(51)	**(860)**	38	**(822)**
Purchase of treasury shares	-	(19)	-	-	-	-	**(19)**	-	**(19)**
Issuance of ordinary shares from treasury shares	-	20	-	-	-	-	**20**	-	**20**
Increase in non-controlling interests due to decrease of Group's share in subsidiaries	-	-	-	-	-	(1)	**(1)**	1	-
Increase in non-controlling interests due to additional share issue by subsidiary	-	-	-	-	-	-	-	28	**28**
Dividends	-	-	-	-	-	(130)	**(130)**	(1)	**(131)**
Acquisition of non-controlling interest (Note 4)	-	-	-	-	-	(137)	**(137)**	(338)	**(475)**
BALANCE AT 30 SEPTEMBER 2011	**386**	**(175)**	**1,109**	**401**	**(2,824)**	**10,233**	**9,130**	**157**	**9,287**

The notes on pages 8 to 19 are an integral part of these unaudited condensed consolidated interim financial statements.

OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011
(In millions of U.S. Dollars)

	Nine months ended 30 September	
	2011	**2010**
OPERATING ACTIVITIES:		
(Loss)/Profit for the period	(58)	190
Adjustments to profit for the period:		
Income tax	(4)	59
Depreciation and amortization	664	602
Impairment losses on property, plant and equipment and other non-current assets	32	-
Finance costs	114	102
Loss on disposal of property, plant and equipment	47	83
Change in allowance for doubtful accounts receivable	22	48
Recovery of bad debts acquired as a part of business combination	-	(16)
Loss/(gain) on revaluation and sale of trading securities	24	(21)
Inventory allowance and impairment	9	(8)
Finance income	(10)	(6)
Foreign exchange loss, net	203	38
Share of results of associates	(10)	(11)
Change in net assets attributable to non-controlling interest	(5)	4
	1,028	1,064
Movements in working capital		
Increase in trade and other receivables	(16)	(246)
(Increase)/decrease in value added tax recoverable	(71)	43
Increase in inventories	(582)	(185)
(Increase)/decrease in investments classified as trading securities	(2)	29
Increase in trade and other payables	306	178
Cash generated from operations	663	883
Interest paid	(153)	(49)
Income tax paid	(85)	(74)
Net cash from operating activities	425	760
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(973)	(1,666)
Purchase of intangible assets	(6)	(7)
Proceeds from sale of property, plant and equipment	10	18
Proceeds from sale of subsidiary	7	-
Interest received	10	6
Purchase of securities and other financial assets	(69)	(38)
Proceeds from sale of securities and other financial assets	6	-
Dividends received from associate	6	1
Net cash used in investing activities	(1,009)	(1,686)

The notes on pages 8 to 19 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011 (CONTINUED)
(In millions of U.S. Dollars)

	Nine months ended 30 September	
	2011	**2010**
FINANCING ACTIVITIES:		
Proceeds from borrowings	2,375	2,917
Repayments of borrowings	(1,440)	(1,676)
Purchase of treasury shares	(19)	(21)
Proceeds from issuance of ordinary shares from treasury shares	20	62
Acquisition of non-controlling interest	(475)	-
Principal repayments of obligations under finance leases	(12)	(25)
Dividends paid to:		
- equity holders of the Parent Company	(95)	(64)
- non-controlling interests	(1)	(2)
Proceeds from capital transactions of subsidiaries	28	49
Net decrease in bank overdrafts	(1)	-
Net cash from financing activities	380	1,240
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(204)	314
CASH AND CASH EQUIVALENTS, beginning of period	515	165
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies	107	(19)
CASH AND CASH EQUIVALENTS, end of period	**418**	**460**

The notes on pages 8 to 19 are an integral part of these unaudited condensed consolidated interim financial statements.

1. GENERAL INFORMATION

OJSC Magnitogorsk Iron & Steel Works ("the Parent Company") is an open joint stock company as defined by the Civil Code of the Russian Federation. The Parent Company was established as a state owned enterprise in 1932. It was incorporated as an open joint stock company on 17 October 1992 as part of and in accordance with the Russian Federation privatization program.

The Parent Company, together with its subsidiaries ("the Group"), is a producer of ferrous metal products. The Group's products are sold in the Russian Federation and internationally. The subsidiaries of the Parent Company are mainly involved in the various sub-processes within the production cycle of ferrous metal products or in the distribution of those products. Following the acquisition of a controlling share in Belon Group in October 2009, the Group is also engaged in coal mining and sale thereof.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These unaudited condensed consolidated interim financial statements for the three months and for the nine months ended 30 September 2011 have been prepared in accordance with IAS 34 "Interim financial reporting" ("IAS 34"). The statement of financial position at 31 December 2010 has been derived from the statement of financial position included in the Group's financial statements at 31 December 2010. These condensed consolidated interim financial statements do not include all of the information and disclosure required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The same accounting policies and methods of computation have been followed in these condensed consolidated interim financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2010.

Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2010.

Basis of preparation

The condensed consolidated interim financial statements of the Group are prepared on the historical cost basis except for the revaluation of property, plant and equipment in accordance with IAS 16 "Property, plant and equipment" and market-to-market valuation of certain financial instruments which are reported in accordance with IAS 39 "Financial instruments: recognition and measurement".

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

3. SEASONAL OPERATIONS

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

4. ACQUISITION OF NON-CONTROLLING INTEREST

In September 2011 the Group finalized the acquisition of a non-controlling interest of 50% minus 1 share of MMK Atakas Metalurji for a consideration of USD 475 million, increasing the Group's ownership interest to 100%. Thereafter the company was renamed to MMK Metalurji.

5. REVENUE

	Three months ended 30 September		Nine months ended 30 September	
By product	**2011**	**2010**	**2011**	**2010**
Rolled steel	1,406	1,195	4,283	3,588
Assorted rolled products	259	138	606	307
Galvanised steel with polymeric coating	164	116	344	235
Galvanised steel	125	134	459	333
Formed section	94	27	208	94
Wire, sling, bracing	64	64	157	151
Hardware products	50	48	129	102
Coking production	47	34	148	96
Tin plated steel	44	39	142	179
Coal	42	48	103	193
Band	20	24	75	70
Slabs	-	82	21	108
Tubes	12	16	33	35
Scrap	13	13	47	27
Others	90	77	308	257
Total	**2,430**	**2,055**	**7,063**	**5,775**

	Three months ended 30 September		Nine months ended 30 September	
By customer destination	**2011**	**2010**	**2011**	**2010**
Russian Federation and the CIS	75%	71%	75%	68%
Iran	10%	7%	8%	8%
Italy	2%	2%	3%	4%
Turkey	6%	4%	5%	4%
India	-	-	-	1%
Vietnam	1%	2%	1%	1%
Others (countries each representing less than 1% of total net revenue)	6%	14%	8%	14%
Total	**100%**	**100%**	**100%**	**100%**

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

6. 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.

In May 2011, the Group changed its management structure and internal organization, which resulted in a revision of its reportable segments. The Group has identified the General Director of the Parent Company as its CODM.

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

- *Steel segment (Russia)*, which includes Parent Company and its subsidiaries involved in production of steel, wire and hardware products. All significant assets, production and management and administrative facilities of this segment are located in the city of Magnitogorsk, the 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).
- *Coal mining segment*, which includes OJSC Belon and its subsidiaries ("Belon Group") 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, the Russian Federation.

Prior to the changes in management structure the Group reported two operating segments: steel and coal mining.

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.

The following table presents measures of segment results for the three months ended 30 September 2011 and 30 September 2010:

	For three months ended 30 September									
	Steel (Russia)		Steel (Turkey)		Coal mining		Eliminations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue										
Sales to external customers	2,239	1,985	147	51	44	19	-	-	2,430	2,055
Inter-segment sales	87	-	22	-	129	87	(238)	(87)	-	-
Total revenue	**2,326**	**1,985**	**169**	**51**	**173**	**106**	**(238)**	**(87)**	**2,430**	**2,055**
Segment EBITDA	**264**	**357**	**28**	**(7)**	**62**	**38**	**(4)**	**-**	**350**	**388**
Depreciation and amortisation	(193)	(174)	(24)	(6)	(18)	(20)	-	-	(235)	(200)
Loss on disposal of property, plant and equipment	(20)	(30)	1	-	-	(5)	-	-	(19)	(35)
Share of results of associates	(2)	(3)	-	-	-	-	-	-	(2)	(3)
Operating profit per IFRS financial statements	**49**	**150**	**5**	**(13)**	**44**	**13**	**(4)**	**-**	**94**	**150**

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

The following table presents measures of segment results for the nine months ended 30 September 2011 and 30 September 2010:

	For nine months ended 30 September									
	Steel (Russia)		Steel (Turkey)		Coal Mining		Eliminations		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue										
Sales to external customers	6,695	5,562	261	102	107	111	-	-	7,063	5,775
Inter-segment sales	188	-	33	-	383	285	(604)	(285)	-	-
Total revenue	**6,883**	**5,562**	**294**	**102**	**490**	**396**	**(604)**	**(285)**	**7,063**	**5,775**
Segment EBITDA	**960**	**1,044**	**1**	**(10)**	**176**	**165**	**(4)**	**-**	**1,133**	**1,199**
Depreciation and amortisation	(567)	(526)	(44)	(13)	(53)	(63)	-	-	(664)	(602)
Loss on disposal of property, plant and equipment	(43)	(66)	1	-	(5)	(17)	-	-	(47)	(83)
Share of results of associates	(10)	(11)	-	-	-	-	-	-	(10)	(11)
Operating profit per IFRS financial statements	**340**	**441**	**(42)**	**(23)**	**118**	**85**	**(4)**	**-**	**412**	**503**

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

At 30 September 2011 and 31 December 2010, the segments' total assets and liabilities were reconciled to total assets and liabilities as follows:

	30 September 2011				
	Steel (Russia)	Steel (Turkey)	Coal mining	Eliminations	Total
Total assets	14,887	1,886	925	(1,371)	16,327
Total liabilities	5,861	1,540	350	(711)	7,040

	31 December 2010				
	Steel (Russia)	Steel (Turkey)	Coal mining	Eliminations	Total
Total assets	14,781	1,475	1,008	(526)	16,738
Total liabilities	5,078	932	473	(431)	6,052

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

7. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Trans-portation equipment	Fixtures and fittings	Mining assets	Construction -in-progress	Total
Gross book value							
At 1 January 2010	**3,333**	**7,406**	**248**	**173**	**260**	**1,899**	**13,319**
Additions	109	164	13	6	21	1,389	1,702
Transfers	295	506	20	28	43	(892)	-
Disposals	(14)	(75)	(10)	(3)	-	(15)	(117)
Effect of translation to presentation currency	(18)	(38)	(5)	(2)	(1)	(11)	(75)
At 30 September 2010	**3,705**	**7,963**	**266**	**202**	**323**	**2,370**	**14,829**
Depreciation							
At 1 January 2010	**(521)**	**(1,388)**	**(76)**	**(39)**	**(3)**	**-**	**(2,027)**
Charge for the period	(121)	(434)	(21)	(13)	(5)	-	(594)
Disposals	4	22	5	1	-	-	32
Effect of translation to presentation currency	3	9	1	-	(2)	-	11
At 30 September 2010	**(635)**	**(1,791)**	**(91)**	**(51)**	**(10)**	**-**	**(2,578)**
Carrying amount							
At 30 September 2010	**3,070**	**6,172**	**175**	**151**	**313**	**2,370**	**12,251**
Gross book value							
At 1 January 2011	**3,775**	**8,121**	**266**	**206**	**308**	**2,309**	**14,985**
Additions	40	221	9	4	-	817	1,091
Transfers	450	862	12	6	-	(1,330)	-
Disposals	(15)	(81)	(3)	(2)	-	(9)	(110)
Disposals of subsidiaries	-	(1)	-	-	(8)	(1)	(10)
Reclassification to assets held for sale	-	-	-	-	-	(27)	(27)
Effect of translation to presentation currency	(263)	(519)	(17)	(11)	(13)	(140)	(963)
At 30 September 2011	**3,987**	**8,603**	**267**	**203**	**287**	**1,619**	**14,966**
Depreciation and Impairment losses							
At 1 January 2011	**(672)**	**(1,909)**	**(97)**	**(56)**	**(25)**	**-**	**(2,759)**
Charge for the period	(106)	(504)	(22)	(16)	(15)	-	(663)
Impairment loss	-	-	-	-	-	(20)	(20)
Disposals	5	(3)	2	1	-	-	5
Effect of translation to presentation currency	41	136	6	4	3	2	192
At 30 September 2011	**(732)**	**(2,280)**	**(111)**	**(67)**	**(37)**	**(18)**	**(3,245)**
Carrying amount							
At 30 September 2011	**3,255**	**6,323**	**156**	**136**	**250**	**1,601**	**11,721**

At 30 September 2011 construction-in-progress includes capitalised expenditure relating to the implementation of large investment projects including the construction of a cold rolling mill intended for production of high quality cold rolled metal products.

During the nine months ended 30 September 2011 the Group capitalized borrowing costs of USD 37 million (30 September 2010: USD 11 million).

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

At 30 September 2011 and 31 December 2010, property, plant and equipment with carrying amounts of USD 1,354 million and USD 1,400 million, respectively, were pledged as security for certain long-term and short-term borrowings (Notes 11 and 12).

Capital commitments are disclosed in Note 14.

8. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	30 September 2011	31 December 2010
Non-current		
Available-for-sale investments, at fair value		
Listed equity securities	674	1,034
Unlisted securities	9	10
Loans and receivables, at amortized cost		
Promissory notes receivable	102	-
Long-term loans	3	7
Total non-current	**788**	**1,051**
Current		
Held-to-maturity investments, at amortized cost		
Promissory notes receivable	1	1
Loans and receivables, at amortized cost		
Short-term loans	-	39
Financial assets, at fair value through profit or loss		
Trading equity securities	115	128
Trading debt securities	8	20
Share in mutual investment fund	4	5
Total current	**128**	**193**

Non-current listed equity securities classified as available for sale represent investments in equity securities of a foreign entity, where the Group has less than a 20% equity interest and is unable to exercise significant influence. At 30 September 2011 and 31 December 2010, the revaluation reserve arising from unrealized holding gains on these securities was USD 401 million and USD 680 million, respectively, net of related income tax effect of USD 100 million and USD 170 million, respectively.

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

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

Net (loss)/gain on revaluation and sale of trading securities for the nine months ended 30 September 2011 and 30 September 2010 was USD (24) million and USD 21 million, respectively. These results are included in other operating (expenses)/income in the unaudited condensed consolidated interim statement of comprehensive income.

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

9. CASH AND CASH EQUIVALENTS

	30 September 2011	31 December 2010
Cash in banks, USD	40	36
Cash in banks, RUB	158	246
Cash in banks, EUR	120	40
Cash in banks, CHF	3	4
Cash in banks, TRY	3	-
Bank deposits, USD	49	8
Bank deposits, EUR	44	1
Bank deposits, TRY	-	7
Bank deposits, RUB	1	166
Bank promissory notes, RUB	-	7
Total	**418**	**515**

10. NON-CURRENT ASSETS HELD FOR SALE

Part of non-current assets within the Coal mining segment is presented as a disposal group held for sale following the commitment of the Group's management to a plan to sell part of the non-core assets. Efforts to sell the disposal group have commenced and a sale is expected within a year. At 30 September 2011 the disposal group comprised of construction-in-progress of USD 23 million.

An impairment loss of USD 20 million on the remeasurement of the construction-in-progress to the lower of its carrying amount and its fair value less costs to sell has been recognized in the condensed consolidated statement of comprehensive income.

11. LONG-TERM BORROWINGS

		Annual interest rate, actual at			
	Type of interest rate	30 September 2011	31 December 2010	30 September 2011	31 December 2010
Unsecured listed bonds, RUB	Fixed	8%	8%	830	611
Secured loans, USD	Floating	5%	6%	346	424
Secured loans, EUR	Fixed	7%	6%	350	367
Unsecured loans, USD	Floating	2%	1%	566	406
Unsecured loans, USD	Fixed	5%	5%	282	280
Unsecured loans, EUR	Fixed	4%	4%	9	10
Unsecured loans, EUR	Floating	3%	3%	361	346
Unsecured loans, RUB	Fixed	7%	-	128	-
Secured letter of credit, EUR	Floating	3%	2%	5	10
Total				**2,877**	**2,454**

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

The information provided below refers to total long-term borrowings, including current portion, identified in Note 12.

Bonds

In March 2011, the Parent Company of the Group issued RUB 5,000 million of bonds on the Moscow Interbank Stock Exchange (USD 175 million at the date of issuance), bearing a semi-annual coupon rate of 7.65 % per annum, repayable in February 2014.

In July 2011, the Parent Company of the Group issued RUB 5,000 million of bonds on the Moscow Interbank Stock Exchange (USD 177 million at the date of issuance), bearing a semi-annual coupon rate of 7.20 % per annum, repayable in July 2014.

In July 2011, the Parent Company of the Group issued RUB 5,000 million of bonds on the Moscow Interbank Stock Exchange (USD 180 million at the date of issuance), bearing a semi-annual coupon rate of 7.25 % per annum, repayable in July 2014.

Loans

The Group has various borrowing arrangements in RUB, USD and EUR denominations with various lenders. Those borrowings consist of unsecured and secured loans and credit facilities. At 30 September 2011 and 31 December 2010, the total unused element of all credit facilities was USD 560 million and USD 993 million, respectively.

At 30 September 2011 and 31 December 2010, long-term loans were secured by the Group's property, plant and equipment with a net carrying amount of USD 1,352 million and USD 1,399 million, respectively, and shares in a subsidiary of USD 737 million and USD 279 million, respectively.

Debt repayment schedule

Year ended 30 September,	
2012 (presented as current portion of long-term borrowings, Note 12)	1,128
2013	1,033
2014	879
2015	309
2016 and thereafter	656
Total	**4,005**

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

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

		Annual interest rate, actual at			
	Type of interest rate	30 September 2011	31 December 2010	30 September 2011	31 December 2010
Short-term borrowings:					
Secured loans, USD	Floating	2%	2%	167	150
Secured loans, EUR	Floating	3%	1%	60	20
Unsecured loans, USD	Floating	2%	-	150	-
				377	170
Current portion of long-term borrowings:					
Unsecured listed bonds, RUB	Fixed	9%	10%	544	372
Secured loans, USD	Floating	5%	6%	145	117
Secured loans, EUR	Fixed	7%	6%	48	18
Unsecured loans, USD	Floating	2%	2%	193	262
Unsecured loans, EUR	Floating	3%	3%	80	33
Unsecured loans, USD	Fixed	5%	5%	96	86
Unsecured loans, EUR	Fixed	4%	4%	3	3
Unsecured loans, RUB	Fixed	7%	-	9	-
Secured letter of credit, USD	Floating	-	1%	-	1
Secured letter of credit, EUR	Floating	3%	2%	10	12
				1,128	904
Total				**1,505**	**1,074**

The weighted average interest rates of short-term borrowings at 30 September 2011 and 31 December 2010 were as follows:

	30 September 2011	31 December 2010
RUB-denominated	9%	10%
USD-denominated	3%	3%
EUR-denominated	4%	3%

At 30 September 2011 and 31 December 2010, short-term borrowings were secured by property, plant and equipment with a net carrying amount of USD 2 million and USD 1 million, respectively, inventory of USD nil million and USD 2 million, respectively, and certain future revenue streams.

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

	30 September 2011	31 December 2010
Due in:		
1 month	115	63
1-3 months	667	225
3 months to 1 year	723	786
Total	**1,505**	**1,074**

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

13. 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 Group entities. Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties.

The following companies are considered to be related parties to the Group:

LLC MEK

LLC MEK, a company affiliated with the Group's controlling shareholders, sells electric power to the Group.

OJSC CUB

The Group holds certain deposits and current accounts in OJSC CUB, a commercial bank affiliated with the Group's management. The Group receives financing from OJSC CUB in the form of loans for the Group's operating activities on arm's length basis.

LLC MMK Trans

LLC MMK Trans, the Group's affiliate, provides transportation and forwarding services to the Group.

CJSC Kazankovskaya Mine

CJSC Kazankovskaya Mine, the Group's affiliate, holds a license to explore and mine coal deposits located in Kemerovo region, Russian Federation. The Group provides loans to CJSC Kazankovskaya Mine.

Details of transactions with and balances between the Group and related parties at 30 September 2011 and 31 December 2010 and for the three months and the nine months ended 30 September 2011 and 30 September 2010 are disclosed below.

	Three months ended 30 September		Nine months ended 30 September	
Transactions	**2011**	**2010**	**2011**	**2010**
Revenue				
LLC MEK	-	-	-	1
Total	-	-	-	1
Purchases				
LLC MEK	50	51	135	132
LLC MMK Trans	51	27	147	66
Total	101	78	282	198
Bank charges				
OJSC CUB	2	1	7	3
Bank loans and overdrafts obtained				
OJSC CUB	1	-	2	1

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

	Three months ended 30 September		Nine months ended 30 September	
Transactions	**2011**	**2010**	**2011**	**2010**
Bank loans and overdrafts repaid				
OJSC CUB	1	-	3	19
Dividend income				
LLC MMK Trans	-	-	9	4

Balances	**30 September 2011**	**31 December 2010**
Cash and cash equivalents		
OJSC CUB	79	70
Accounts receivable		
LLC MMK Trans	10	8
Accounts payable		
LLC MEK	12	4
LLC MMK Trans	10	6
Total	22	10

All amounts outstanding are unsecured and expected to be settled in cash.

Remuneration of the Group's key management personnel

Key management personnel of the Group receive only short-term employment benefits. For the nine months ended 30 September 2011 and 30 September 2010, key management personnel received as compensation USD 20 million and USD 10 million, respectively.

14. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 September 2011, the Group executed non-binding purchase agreements of approximately USD 860 million to acquire property, plant and equipment (31 December 2010 – USD 1,280 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.

Issued guarantees

At 30 September 2011 and 31 December 2010, amounts related to financial guarantees given by the Group to third parties were as follows:

	30 September 2011	**31 December 2010**
Non-current	1	3
Total	**1**	**3**

Contingencies

Taxation contingencies in the Russian Federation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. The consolidated interim financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

15. EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

On 25 November 2011 the Parent Company of the Group executed a scheme implementation agreement with Flinders Mines Limited (Australia) to effect the acquisition of 100% of the issued shares in Flinders by the Parent Company. The acquisition price is approximately AUD 554 million (or USD 540 million).

The Flinders' Board of Directors unanimously recommends that all shareholders vote in favour of the acquisition in the absence of a superior proposal.

The transaction is subject to regulatory approvals in Australia and is expected to close in March 2012.

16. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements for the three months and for the nine months ended 30 September 2011 were approved by the Group's management and authorized for issue on 25 November 2011.