Open Joint Stock Company Magnitogorsk Iron & Steel Works and Subsidiaries

Independent Auditors' Review Report

Unaudited Condensed Consolidated Interim Financial Statements

For the Three Months Ended 31 March 2009

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 THREE MONTHS ENDED 31 MARCH 2009

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 consolidated financial position of the Group at 31 March 2009 and the results of its operations, changes in equity and cash flows for the three months then ended, in compliance with International Accounting Standard 34 "Interim Financial Reporting".

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

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the condensed consolidated interim financial statements; and
- Preparing the condensed consolidated interim financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management, within its competencies, is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking steps to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The unaudited condensed consolidated interim financial statements for the three months ended 31 March 2009 were approved on 3 June 2009 by:

O. V. Fedonin	**M. A. Zhemchueva**
Vice-President Finance	Chief Accountant

3 June 2009
Magnitogorsk, Russia

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REPORT ON THE REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of OJSC Magnitogorsk Iron & Steel Works:

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Open Joint Stock Company Magnitogorsk Iron & Steel Works and its subsidiaries (the "Group"), which comprise the condensed consolidated interim statement of financial position at 31 March 2009 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and the explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements 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 accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Deloitte + Touche

3 June 2009
Moscow, Russia

OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2009
(In millions of U.S. Dollars, except per share data)

	Notes	Three months ended 31 March 2009	Three months ended 31 March 2008
PROFIT OR LOSS			
REVENUE	3	965	2,169
COST OF SALES		(853)	(1,614)
GROSS PROFIT		**112**	**555**
General and administrative expenses		(64)	(119)
Selling and distribution expenses		(94)	(162)
Other operating income/(expenses), net		1	(42)
OPERATING (LOSS)/PROFIT		**(45)**	**232**
Share of results of associates		(20)	1
Finance income		6	36
Finance costs		(25)	(15)
Foreign exchange (loss)/gain, net		(8)	41
Change in net assets attributable to minority participants		2	-
Other income		1	22
Other expenses		(22)	(23)
(LOSS)/PROFIT BEFORE INCOME TAX		**(111)**	**294**
INCOME TAX		1	(111)
(LOSS)/PROFIT FOR THE PERIOD		**(110)**	**183**
OTHER COMPREHENSIVE (LOSSES)/INCOME			
Gain/(loss) on available-for-sale investments (net of tax (expense)/benefit of (18) and 31 for the three months ended 31 March 2009 and 2008, respectively)		71	(96)
Translation of foreign operations		-	(4)
Effect of translation to presentation currency		(1,344)	519
OTHER COMPREHENSIVE (LOSSES)/INCOME FOR THE PERIOD, NET OF TAX		**(1,273)**	**419**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(1,383)**	**602**
(Loss)/profit attributable to:			
Shareholders of the Parent Company		(108)	186
Minority interest		(2)	(3)
		(110)	**183**
Total comprehensive (losses)/income attributable to:			
Shareholders of the Parent Company		(1,355)	599
Minority interest		(28)	3
		(1,383)	**602**
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE (U.S. Dollars)		(0.010)	0.017
Weighted average number of ordinary shares outstanding (in thousands)		11,095,336	11,169,625

The notes on pages 8 to 20 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 STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2009
(In millions of U.S. Dollars)

	Notes	31 March 2009	31 December 2008
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	4	8,656	9,751
Goodwill		38	45
Other intangible assets		31	36
Investments in associates		177	228
Deferred tax assets		120	137
Investments in securities and other financial assets	5	399	358
Other assets		3	14
Total non-current assets		9,424	10,569
CURRENT ASSETS:			
Inventories		699	996
Trade and other receivables		855	991
Investments in securities and other financial assets	5	113	138
Income tax receivable		61	133
Value added tax recoverable		120	264
Cash and cash equivalents	6	907	1,106
Total current assets		2,755	3,628
TOTAL ASSETS		**12,179**	**14,197**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital		386	386
Treasury shares		(72)	(72)
Share premium		1,104	1,104
Investments revaluation reserve		94	23
Translation reserve		(3,288)	(1,970)
Retained earnings		10,084	10,192
Equity attributable to shareholders of the Parent Company		8,308	9,663
Minority interest		161	189
Total equity		8,469	9,852
NON-CURRENT LIABILITIES:			
Long-term borrowings	7	555	405
Obligations under finance leases		13	26
Retirement benefit obligations		18	31
Deferred tax liabilities		1,093	1,243
Total non-current liabilities		1,679	1,705
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	8	1,103	1,276
Current portion of obligations under finance leases		23	19
Current portion of retirement benefit obligations		2	3
Trade and other payables		887	1,321
Net assets attributable to minority participants		16	21
Total current liabilities		2,031	2,640
TOTAL EQUITY AND LIABILITIES		**12,179**	**14,197**

The notes on pages 8 to 20 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 STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2009
(In millions of U.S. Dollars)

	Attributable to share-holders of the parent company								
	Share capital	**Treasury shares**	**Share premium**	**Investments revaluation reserve**	**Translation reserve**	**Retained earnings**	**Total**	**Minority interest**	**Total**
BALANCE AT 1 JANUARY 2009	**386**	**(72)**	**1,104**	**23**	**(1,970)**	**10,192**	**9,663**	**189**	**9,852**
Total comprehensive loss for the period	-	-	-	71	(1,318)	(108)	**(1,355)**	(28)	**(1,383)**
BALANCE AT 31 MARCH 2009	**386**	**(72)**	**1,104**	**94**	**(3,288)**	**10,084**	**8,308**	**161**	**8,469**
BALANCE AT 1 JANUARY 2008	**386**	**(1)**	**1,105**	**614**	**-**	**9,530**	**11,634**	**152**	**11,786**
Total comprehensive income for the period	-	-	-	(96)	509	186	**599**	3	**602**
Purchase of treasury shares	-	(3)	-	-	-	-	**(3)**	-	**(3)**
Issuance of ordinary shares from treasury shares	-	1	1	-	-	-	**2**	-	**2**
Net increase in minority interest due to additional share issue by subsidiary and acquisition of subsidiary	-	-	-	-	-	-	**-**	41	**41**
BALANCE AT 31 MARCH 2008	**386**	**(3)**	**1,106**	**518**	**509**	**9,716**	**12,232**	**196**	**12,428**

The notes on pages 8 to 20 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 STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2009
(In millions of U.S. Dollars)

	Notes	Three months ended 31 March 2009	Three months ended 31 March 2008
OPERATING ACTIVITIES:			
(Loss)/profit for the period		(110)	183
Adjustments to profit for the period:			
Income tax		(1)	111
Depreciation and amortization		160	270
Finance costs		25	15
Loss on disposal of property, plant and equipment		4	20
Change in allowance for doubtful accounts receivable		(1)	-
(Gain)/loss on revaluation and sale of trading securities		(1)	24
Inventory allowance and impairment		2	-
Finance income		(6)	(36)
Foreign exchange loss/(gain), net		8	(41)
Share of results of associates		20	(1)
Change in net assets attributable to minority participants		(2)	-
		98	545
Movements in working capital			
Decrease in trade and other receivables		9	77
Decrease/(increase) in value added tax recoverable		107	(40)
Decrease/(increase) in inventories		157	(80)
Decrease in investments classified as trading securities		6	28
(Decrease)/increase in trade and other payables		(290)	86
Cash generated from operations		87	616
Interest paid		(32)	(9)
Income tax refund/(paid)		56	(110)
Net cash generated by operating activities		111	497
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(358)	(554)
Purchase of intangible assets		(3)	(2)
Proceeds from sale of property, plant and equipment		8	11
Acquisition of subsidiaries, net of cash acquired		-	(3)
Acquisition of associate		-	(234)
Interest received		3	62
Loans provided to related parties	9	-	(58)
Purchase of securities and other financial assets		(4)	(11)
Proceeds from sale of securities and other financial assets		10	-
Net change in bank deposits		3	1
Net cash used in investing activities		(341)	(788)

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2009 (CONTINUED)

(In millions of U.S. Dollars)

	Notes	Three months ended 31 March 2009	Three months ended 31 March 2008
FINANCING ACTIVITIES:			
Proceeds from borrowings		580	970
Repayments of borrowings		(408)	(574)
Net increase in bank overdrafts		-	3
Proceeds from capital transactions of subsidiaries		-	41
Purchase of treasury shares		-	(3)
Proceeds from issuance of ordinary shares from treasury shares		-	2
Principal repayments of obligations under finance leases		(5)	(12)
Dividends paid		(16)	(6)
Net cash generated by financing activities		151	421
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(79)	130
CASH AND CASH EQUIVALENTS, beginning of period		1,106	256
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies		(120)	16
CASH AND CASH EQUIVALENTS, end of period		**907**	**402**

The notes on pages 8 to 20 are an integral part of these unaudited condensed consolidated interim financial statements.

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

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.

The Group operates in a single business segment, which is composed of the manufacturing of semi-finished and finished steel products. The revenues from the sale of these products constitute more than 95 percent of total revenues. All significant assets, production and management and administrative facilities are located in the city of Magnitogorsk, the Russian Federation.

During 2009, the Group has been significantly impacted by the dramatic fall in prices and demand for commodities, including steel. This decline began in the latter part of 2008 and is directly associated with the worldwide economic slowdown.

The ultimate beneficiary of the Parent Company is Mr. Viktor F. Rashnikov, the Chairman of its Board of Directors, who owned 86.6% of the Parent Company's shares at 31 March 2009 and 31 December 2008.

At 31 March 2009 and 31 December 2008, the Group's principal subsidiaries were as follows:

		Effective and nominal % held at	
Subsidiary by country of incorporation	**Nature of business**	**31 March 2009**	**31 December 2008**
Russian Federation			
OJSC Metizno-Kalibrovochny Zavod "MMK-Metiz"	Production of metal hardware products	90.23	90.21
LLC IK RFC	Investing activities	100.00	100.00
CJSC Stroitelny Fond	Renting services	100.00	100.00
CJSC Stroitelny Komplex	Construction	100.00	100.00
CJSC Ogneupor	Production of refractory materials	100.00	100.00
CJSC Mekhanoremontny Komplex	Maintenance of metallurgical equipment	100.00	100.00
CJSC Mechanoremont	Renting services	98.93	98.93
OJSC MTSOZ	Production of cement and refractory materials	100.00	100.00
LLC Bakalskoe Rudoupravlenie	Mining	51.00	51.00
LLC Uralsibtrade	Trading activities	100.00	100.00
LLC MAGMA trade	Trading activities	100.00	100.00
Switzerland			
MMK Steel Trade AG	Trading activities	100.00	100.00
MMK Trading AG	Trading activities	99.60	99.60
MMK Finance SA	Financing activities	96.77	96.77
Turkey			
MMK Atakas Metalurji	Construction of metal plant	50.00	50.00

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These unaudited condensed consolidated interim financial statements for the three months ended 31 March 2009 have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34"). The balance sheet at 31 December 2008 has been derived from the balance sheet included in the Group's financial statements at 31 December 2008. 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 2008, 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 2008, except for the impact of the adoption of the Standards and Interpretations described below.

Adoption of new and revised standards and interpretations

The following new standards, amendments to standards or interpretations are adopted by the Group and effective for the financial year started on 1 January 2009:

- IFRS 8 "Operating Segments"
- IAS 1 "Presentation of Financial Statements" – amendment;
- IAS 16 "Property, Plant and Equipment" – amendment;
- IAS 19 "Employee Benefits" – amendment;
- IAS 20 "Government Grants and Disclosure of Government Assistance" – amendment;
- IAS 23 "Borrowing Costs" – amendment;
- IAS 36 "Impairment of Assets" – amendment;
- IAS 38 "Intangible Assets" – amendment;
- IAS 39 "Financial Instruments: Recognition and Measurement" – amendment.

The first time application of the aforementioned amendments to standards from 1 January 2009 had no material effect on the financial statements of the Group except for IAS 1 (revised 2007) "Presentation of Financial Statements". The revised Standard has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group.

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

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 mark-to-market valuation of certain financial instruments which are reported in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

3. REVENUE

	Three months ended 31 March	
By product	**2009**	**2008**
Rolled steel	590	1,135
Assorted rolled products	105	252
Galvanized steel	50	90
Tin plated steel	30	47
Galvanized steel with polymeric coating	28	46
Wire, sling, bracing	22	85
Band	20	65
Hardware products	12	53
Formed section	9	31
Tubes	7	13
Slabs	6	185
Coking production	5	32
Scrap	-	30
Others	81	105
Total	**965**	**2,169**

	Three months ended 31 March	
By customer destination	**2009**	**2008**
Russian Federation and the CIS	65%	71%
China	6%	-
Italy	4%	5%
India	4%	2%
Iran	4%	1%
Turkey	3%	9%
Vietnam	2%	-
Others (countries each representing less than 2% of total net revenue)	12%	12%
Total	**100%**	**100%**

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

4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Mineral licenses	Machinery and equipment	Transpor-tation equipment	Fixtures and fittings	Construction -in-progress	Total
Cost							
At 1 January 2008	**2,650**	**30**	**7,030**	**240**	**131**	**1,160**	**11,241**
Additions	66	-	360	32	16	1,892	2,366
Transfers	252	-	511	3	47	(813)	-
Disposals	(16)	-	(167)	(14)	(5)	(27)	(229)
Effect of translation to presentation currency	(486)	(5)	(1,276)	(46)	(31)	(371)	(2,215)
At 31 December 2008	**2,466**	**25**	**6,458**	**215**	**158**	**1,841**	**11,163**
Additions	9	-	27	3	-	362	401
Transfers	8	-	45	-	3	(56)	-
Disposals	(1)	-	(34)	(2)	-	(3)	(40)
Effect of translation to presentation currency	(335)	(3)	(880)	(28)	(21)	(248)	(1,515)
At 31 March 2009	**2,147**	**22**	**5,616**	**188**	**140**	**1,896**	**10,009**
Depreciation							
At 1 January 2008	**(196)**	**(1)**	**(586)**	**(34)**	**(15)**	**-**	**(832)**
Charge for the year	(214)	(1)	(654)	(35)	(17)	-	(921)
Disposals	4	-	42	4	2	-	52
Effect of translation to presentation currency	69	1	203	11	5	-	289
At 31 December 2008	**(337)**	**(1)**	**(995)**	**(54)**	**(25)**	**-**	**(1,412)**
Charge for the period	(41)	-	(106)	(6)	(4)	-	(157)
Disposals	-	-	26	1	-	-	27
Effect of translation to presentation currency	46	-	134	7	2	-	189
At 31 March 2009	**(332)**	**(1)**	**(941)**	**(52)**	**(27)**	**-**	**(1,353)**
Carrying amount							
At 31 December 2008	**2,129**	**24**	**5,463**	**161**	**133**	**1,841**	**9,751**
At 31 March 2009	**1,815**	**21**	**4,675**	**136**	**113**	**1,896**	**8,656**

At 31 March 2009 and 31 December 2008, property, plant and equipment with carrying amount of USD 1,582 million and USD 637 million, respectively, were pledged as security for certain long-term and short-term borrowings (Notes 7 and 8).

No impairment of property, plant and equipment was recognized in the three months ended 31 March 2009 and 2008 or in the year ended 31 December 2008.

Capital commitments are disclosed in Note 10.

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

5. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	31 March 2009	31 December 2008
Non-current		
Available-for-sale investments, at fair value		
Listed equity securities	269	208
Unlisted securities	4	4
Loans and receivables, at amortized cost		
Long-term loans	3	4
Long-term deposits	123	142
Total non-current	**399**	**358**
Current		
Held-to-maturity investments, at amortized cost		
Promissory notes receivable	3	7
Loans and receivables, at amortized cost		
Short-term deposits	12	17
Short-term loans	3	6
Financial assets, at fair value through profit or loss		
Trading equity securities	73	83
Trading debt securities	14	21
Share in mutual investment fund	8	4
Total current	**113**	**138**

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 no significant influence. At 31 March 2009 and 31 December 2008, investments revaluation reserve resulting from unrealized holding gains on these securities was USD 94 million and USD 23 million, respectively, net of related income tax effect of USD 24 million and USD 6 million, respectively.

At 31 March 2009 and 31 December 2008, the weighted average interest rates on short-term bank deposits with maturities at the reporting date exceeding ninety days were 10.64% and 10.91%, respectively.

At 31 March 2009, a long-term deposit of USD 123 million maturing in 2010 and short-term deposit of USD 11 million were placed in a Russian bank, which at the date of these consolidated financial statements is subject to financial restructuring following a change in shareholders. Management of the Group have no reason to believe the deposit will not be paid in full on maturity.

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 and trading promissory notes 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.

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

Net (loss)/gain on revaluation and sale of trading securities for the three months ended 31 March 2009 and 2008 were USD 1 million (gain) and USD 24 million (loss), respectively. These results are included in other operating expenses/income in the consolidated statement of comprehensive income.

6. CASH AND CASH EQUIVALENTS

	31 March 2009	31 December 2008
Cash in banks, RUB	42	62
Cash in banks, USD	620	561
Cash in banks, EURO	25	94
Cash in banks, TRY	50	83
Bank deposits, RUB	162	-
Bank promissory notes, RUB	8	306
Total	**907**	**1,106**

At 31 March 2009, the weighted average interest rate on bank deposits with original maturities less than ninety days was 11.86%.

At 31 March 2009 and 31 December 2008, the weighted average interest rates on bank promissory notes were 10.77% and 12.00%, respectively.

7. LONG-TERM BORROWINGS

	Type of interest rate	Annual interest rate, actual at 31March 2009	Annual interest rate, actual at 31 December 2008	31 March 2009	31 December 2008
Secured loans, RUB	Fixed	17%	17%	115	89
Unsecured loans, USD	Floating	2%	3%	377	240
Unsecured loans, USD	Fixed	6%	6%	29	34
Unsecured loans, RUB	Fixed	14%	13%	32	39
Unsecured loans, EUR	Fixed	6%	7%	2	3
Total				**555**	**405**

The information provided below refers to total long-term borrowings, including current portion, identified in Note 8.

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

Loans

During the three months ended 31 March 2009, foreign banks provided USD-denominated loans, totaling USD 55 million, bearing interest at 2.93% and LIBOR+0.35% (2.09% at 31 March 2009) per annum, repayable to 2013. The commitment fees on these loans are from 0.075% to 0.06% per annum on the undrawn facilities. At 31 March 2009, no draw downs on these facilities had taken place.

During the three months ended 31 March 2009, a Russian bank provided a RUB-denominated loan, of USD 353 million, bearing interest at 17.25% per annum, repayable in February 2012. The commitment fees on this loan are 0.5% per annum on the undrawn facilities. At 31 March 2009, the outstanding balance of this loan was USD 44 million.

The most significant bank financing comprised credit facilities from certain Russian and foreign banks. At 31 March 2009 and 31 December 2008, the total unused element of all credit facilities was USD 1,565 million and USD 929 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 EBITDA to consolidated debt service should not be less than 3:1; and
- The ratio of consolidated debt to consolidated equity should not exceed 1:1.

At the date of approval of these unaudited condensed consolidated interim financial statements, the Group was generally in compliance with its debt covenants.

At 31 March 2009 and 31 December 2008, long-term loans were secured by the Group's property, plant and equipment with a net carrying amount of USD 1,278 million and USD 291 million, respectively.

Debt repayment schedule

Year ended 31 December,	
2009 (presented as current portion of long-term borrowings, Note 8)	500
2010	219
2011	126
2012	49
2013 and thereafter	161
Total	**1,055**

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

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

	Type of interest rate	Annual interest rate, actual at 31March 2009	Annual interest rate, actual at 31 December 2008	31 March 2009	31 December 2008
Short-term borrowings:					
Secured loans, USD	Floating	3%	3%	208	224
Secured loans, EUR	Floating	4%	4%	3	52
Secured loans, RUB	Fixed	17%	16%	134	154
Unsecured loans, RUB	Fixed	17%	15%	258	298
Unsecured bank overdrafts, RUB	Fixed	-	16%	-	1
				603	729
Current portion of long-term borrowings:					
Secured loans, RUB	Fixed	17%	17%	19	15
Secured loans, USD	Floating	3%	3%	258	260
Unsecured loans, USD	Floating	3%	2%	77	90
Unsecured loans, RUB	Fixed	11%	10%	17	31
Unsecured loans, USD	Fixed	6%	6%	127	148
Unsecured loans, EUR	Fixed	6%	7%	2	3
				500	547
Total				**1,103**	**1,276**

The weighted average interest rates of short-term borrowings at 31 March 2009 and 2008 were as follows:

	31 March 2009	31 December 2008
RUB-denominated	17%	15%
USD-denominated	4%	4%
EUR-denominated	5%	4%

At 31 March 2009 and 31 December 2008, short-term borrowings were secured by property, plant and equipment with a net carrying amount of USD 304 million and USD 346 million, respectively, inventory of USD 9 million and USD 21 million, respectively, and shares in a subsidiary of USD 136 million and USD 157 million, respectively.

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

	31 March 2009	31 December 2008
Due in:		
1 month	104	172
1-3 months	247	299
3 months to 1 year	752	805
Total	**1,103**	**1,276**

9. RELATED PARTIES

Transactions and balances outstanding with related parties

Transactions between the Company and its subsidiaries, which are related parties of the 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:

CJSC Profit

CJSC Profit, a company affiliated with the Group’s controlling shareholders, purchases scrap metal from third parties and Group entities and sells it to the Group. In 2008 and 2007, CJSC Profit also reprocessed the scrap metal before selling it to the Group. The Group also provided loans to the company.

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.

OJSC SKM

OJSC SKM, an insurance company, which was affiliated with the Group’s controlling shareholders and the Group’s management, provides insurance services to the Group. OJSC SKM is not considered to be a related party of the Group effective 16 May 2008, due to changes in the management structure of the company.

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.

CJSC SKM-Invest

CJSC SKM-Invest, a leasing company, which was affiliated with the Group’s management, provides assets under capital lease to the Group. CJSC SKM-Invest is not considered to be a related party of the Group effective 16 May 2008, due to changes in the management structure of the company.

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

OJSC Belon

OJSC Belon, the Group's affiliate, a coal-producer, located in the Russian Federation, supplies coal to the Group at market terms.

Details of transactions with and balances between the Group and related parties at 31 March 2009 and 31 December 2008 and for the three months ended 31 March 2009 and 2008 are disclosed below.

	Three months ended 31 March	
Transactions	**2009**	**2008**
Revenue		
CJSC Profit	-	93
LLC MEK	-	1
Total	-	94
Purchases		
OJSC Belon	25	20
LLC MEK	13	39
LLC MMK Trans	10	7
CJSC Profit (scrap)	1	386
Total	49	452
Loans provided		
CJSC Profit	-	58
Bank charges		
OJSC CUB	1	2
Bank loans and overdrafts obtained		
OJSC CUB	7	13
Bank loans and overdrafts repaid		
OJSC CUB	1	16
Insurance payments		
OJSC SKM	-	5
Lease payments		
CJSC SKM-Invest	-	5

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

Balances	31 March 2009	31 December 2008
Cash and cash equivalents		
OJSC CUB	157	155
Loans and overdraft facilities		
OJSC CUB	19	16
Accounts receivable		
LLC MMK Trans	13	3
CJSC Profit	9	8
Total	22	11
Accounts payable		
CJSC Profit	9	259
LLC MMK Trans	8	4
LLC MEK	2	2
OJSC Belon	1	7
Total	20	272

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 three months ended 31 March 2009 and 2008, key management personnel received as compensation USD 3 million and USD 4 million, respectively.

10. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 31 March 2009, the Group executed non-binding purchase agreements of approximately USD 2,352 million to acquire property, plant and equipment (at 31 December 2008 – USD 2,818 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 31 March 2009 and 31 December 2008, amounts related to financial guarantees given by the Group to third parties were as follows:

	31 March 2009	31 December 2008
Non-current	47	61
Current	4	10
Total	**51**	**71**

Contingencies

Taxation contingencies in the Russian Federation

The taxation system in the Russian Federation is at a relatively early stage of development, and is characterized by numerous taxes, frequent changes and inconsistent enforcement at federal, regional and local levels.

The government of the Russian Federation has commenced a revision of the Russian tax system and passed certain laws implementing tax reform. The new laws reduce the number of taxes and overall tax burden on businesses and simplify tax litigation. However, these new tax laws continue to rely heavily on the interpretation of local tax officials and fail to address many existing problems. Many issues associated with practical implication of new legislation are unclear and complicate the Group's tax planning and related business decisions.

In terms of Russian tax legislation, authorities have a period of up to three years to re-open tax declarations for further inspection. Changes in the tax system that may be applied retrospectively by authorities could affect the Group's previously submitted and assessed tax declarations.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that tax authorities in the Russian Federation could take differing positions with regard to interpretive issues. This uncertainty may expose the Group to additional taxation, fines and penalties that could be significant.

Russian Federation risk

The economy of the Russian Federation, while deemed to be of market status, continue to display certain traits consistent with that of an emerging market. These characteristics have in the past included higher than normal inflation, insufficient liquidity of the capital markets, and the existence of currency controls. The continued success and stability of the Russian economy will be subject to their government's continued actions with regard to supervisory, legal and economic reforms.

Recent volatility in global and Russian financial markets

In recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have either been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of the recent market turmoil in capital and credit markets both globally and in Russia, notwithstanding any potential economic stabilization measures that may be put into place by the Russian Government, there exists as at the date these consolidated financial statements are authorized for issue economic uncertainties surrounding the continual availability, and cost, of credit both for the Group and its counterparties, the potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets may be not be recovered at their carrying amount in the ordinary course of business, and a corresponding impact on the Group's profitability.

11. EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

In April 2009, the Group and a foreign bank concluded agreements for the provision of long-term USD-denominated loans of USD 133 million, bearing interest of 4.4% per annum, with maturity in 2018, and a long-term USD-denominated loan of USD 22.5 million, bearing interest of LIBOR+1.9% per annum, with maturity in 2010.

12. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements for the three months ended 31 March 2009 were approved by the Group's management and authorized for issue on 3 June 2009.