Open Joint Stock Company Magnitogorsk Iron & Steel Works and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

For the Three and Nine Months Ended
30 September 2014

OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

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MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

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The following statement, which should be read in conjunction with the auditors' responsibilities stated in the auditors' report on review of the unaudited condensed consolidated interim financial statements set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the 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 the financial position of the Group at 30 September 2014, and the results of its operations for the three and nine months ended 30 September 2014, changes in equity and cash flows for the nine months then ended, in compliance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34).

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 IAS 34;
- maintaining statutory accounting records in compliance with statutory legislation and accounting standards;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The unaudited condensed consolidated interim financial statements for the nine months ended 30 September 2014 were approved on 19 November 2014 by:

Российская Федерация ОАО "ММК" Для бухгалтерских документов Открытое акционерное общество Магнитогорский металлургический комбинат

P.V. Shilyaev
General Director

19 November 2014

Magnitogorsk, Russia

M.E. Khazova
Director of OOO «MMK-Accounting center», a specialized organization, which performs the accounting function for OJSC «Magnitogorsk Iron & Steel Works»

KPMG

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Auditors' Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders
OJSC Magnitogorsk Iron & Steel Works

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of OJSC Magnitogorsk Iron & Steel Works (the "Company") and its subsidiaries (the "Group") as at 30 September 2014, and the related condensed consolidated statements of comprehensive income for the three- and nine-month periods ended 30 September 2014, and the related condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and notes to the condensed consolidated interim financial statements (the "condensed consolidated interim financial statements"). Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. 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 condensed consolidated 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 statements as at 30 September 2014 and for the three- and nine-month periods then ended are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

Shvetsov A.V.

Director, (power of attorney dated 1 July 2014 No. 35/14)

ZAO KPMG

19 November 2014

Moscow, Russian Federation

ЗАКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО КПМГ KPMG ОГРН №011585 МОСКВА

Audited entity: Open Joint Stock Company Magnitogorsk Iron and Steel Works.

Registered by Administration of Magnitogorsk city, Chelyabinsk region on 17 October 1992, Registration No. 186 series GA № 002.

Entered in the Unified State Register of Legal Entities on 1 July 2002 by Department of Ministry of Taxes and Duties on Orjonikidze district of Magnitogorsk, Chelyabinsk region, Registration No. 1027402166835, Certificate series 74 No. 001284258.

93, Kirova street, Magnitogorsk, Chelyabinsk region, Russia, 455000.

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2014
(In millions of U.S. Dollars, except per share data)

		Three months ended 30 September		Nine months ended 30 September	
	Notes	**2014**	**2013**	**2014**	**2013**
REVENUE	5	2,135	1,877	6,225	6,321
COST OF SALES		(1,614)	(1,628)	(4,907)	(5,430)
GROSS PROFIT		**521**	**249**	**1,318**	**891**
General and administrative expenses	7	(88)	(129)	(307)	(402)
Selling and distribution expenses		(127)	(130)	(417)	(441)
Other operating (expenses)/income, net	8	(1)	(8)	(22)	91
OPERATING PROFIT		**305**	**(18)**	**572**	**139**
Share of results of associates		-	(1)	1	-
Finance income		9	2	11	7
Finance costs		(45)	(42)	(142)	(135)
Reversal of impairment/(impairment losses) on non-current assets	9	-	(47)	7	(97)
Foreign exchange loss , net		(196)	(30)	(228)	(126)
Other income		-	3	2	8
Other expenses		(30)	(42)	(82)	(127)
PROFIT/(LOSS) BEFORE INCOME TAX		**43**	**(175)**	**141**	**(331)**
INCOME TAX		(17)	37	(35)	57
PROFIT/(LOSS) FOR THE PERIOD		**26**	**(138)**	**106**	**(274)**
OTHER COMPREHENSIVE (LOSSES)/INCOME					
Items, that will be reclassified subsequently to profit or loss					
Net change in fair value of available-for-sale investments		(128)	230	(285)	(72)
Translation of foreign operations		275	(1)	327	124
Items, that will not be reclassified subsequently to profit or loss					
Actuarial gains		-	-	2	-
Effect of translation to presentation currency		(1,104)	102	(1,308)	(624)
OTHER COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD, NET OF TAX		**(957)**	**331**	**(1,264)**	**(572)**
TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE PERIOD		**(931)**	**193**	**(1,158)**	**(846)**
Profit/(loss) attributable to:					
Shareholders of the Parent Company		28	(131)	109	(258)
Non-controlling interests		(2)	(7)	(3)	(16)
		26	**(138)**	**106**	**(274)**
Total comprehensive (loss)/income attributable to:					
Shareholders of the Parent Company		(929)	200	(1,155)	(830)
Non-controlling interests		(2)	(7)	(3)	(16)
		(931)	**193**	**(1,158)**	**(846)**
BASIC AND DILUTED PROFIT/(LOSS) PER SHARE (U.S. Dollars)		0.003	(0.012)	0.010	(0.023)
Weighted average number of ordinary shares outstanding (in thousands)		11,146,006	10,988,543	11,156,693	10,998,666

The notes on pages 8 to 21 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 STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2014
(In millions of U.S. Dollars)

	Notes	30 September 2014	31 December 2013
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	9	7,028	8,618
Intangible assets		30	39
Investments in securities and other financial assets	10	480	830
Investments in associates		4	2
Deferred tax assets		152	171
Other non-current assets		10	12
Total non-current assets		**7,704**	**9,672**
CURRENT ASSETS:			
Inventories		1,237	1,478
Trade and other receivables		768	630
Investments in securities and other financial assets	10	181	17
Income tax receivable		3	9
Value added tax recoverable		134	173
Cash and cash equivalents	11	212	154
Assets classified as held for sale	12	-	15
Total current assets		**2,535**	**2,476**
TOTAL ASSETS		**10,239**	**12,148**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital		386	386
Treasury shares		(28)	(30)
Share premium		1,016	1,020
Investments revaluation reserve		333	618
Translation reserve		(3,759)	(2,778)
Retained earnings		7,723	7,612
Equity attributable to shareholders of the Parent Company		**5,671**	**6,828**
Non-controlling interests		30	33
Total equity		**5,701**	**6,861**
NON-CURRENT LIABILITIES:			
Long-term borrowings	13	2,084	2,163
Retirement benefit obligations		19	27
Site restoration provision		152	181
Deferred tax liabilities		704	851
Total non-current liabilities		**2,959**	**3,222**
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	14	649	1,010
Current portion of retirement benefit obligations		4	4
Trade and other payables		913	1,037
Current portion of site restoration provision		11	11
Net assets attributable to minority participants		2	3
Total current liabilities		**1,579**	**2,065**
TOTAL EQUITY AND LIABILITIES		**10,239**	**12,148**

The notes on pages 8 to 21 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 STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014
(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 2013	**386**	**(175)**	**1,108**	**596**	**(2,213)**	**9,963**	**9,665**	**155**	**9,820**
Loss for the period	-	-	-	-	-	(258)	**(258)**	(16)	**(274)**
Other comprehensive losses for the period, net of tax	-	-	-	(72)	(500)	-	**(572)**	-	**(572)**
Total comprehensive losses for the period	-	-	-	(72)	(500)	(258)	**(830)**	(16)	**(846)**
Purchase of treasury shares	-	(10)	-	-	-	-	**(10)**	-	**(10)**
Issuance of ordinary shares from treasury shares	-	13	(9)	-	-	-	**4**	-	**4**
Decrease in non-controlling interests due to changes of Group's share in subsidiaries	-	-	-	-	-	48	**48**	(92)	**(44)**
Dividends	-	-	-	-	-	-	-	(1)	**(1)**
BALANCE AT 30 SEPTEMBER 2013	**386**	**(172)**	**1,099**	**524**	**(2,713)**	**9,753**	**8,877**	**46**	**8,923**
BALANCE AT 1 JANUARY 2014	**386**	**(30)**	**1,020**	**618**	**(2,778)**	**7,612**	**6,828**	**33**	**6,861**
Profit/(loss) for the period	-	-	-	-	-	109	**109**	(3)	**106**
Other comprehensive (losses)/income for the period, net of tax	-	-	-	(285)	(981)	2	**(1,264)**	-	**(1,264)**
Total comprehensive (losses)/income for the period	-	-	-	(285)	(981)	111	**(1,155)**	(3)	**(1,158)**
Purchase of treasury shares	-	(29)	-	-	-	-	**(29)**	-	**(29)**
Issuance of ordinary shares from treasury shares	-	31	(4)	-	-	-	**27**	-	**27**
BALANCE AT 30 SEPTEMBER 2014	**386**	**(28)**	**1,016**	**333**	**(3,759)**	**7,723**	**5,671**	**30**	**5,701**

The notes on pages 8 to 21 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 STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014
(In millions of U.S. Dollars)

		Nine months ended 30 September	
	Notes	**2014**	**2013**
OPERATING ACTIVITIES:			
Profit/(loss) for the period		106	(274)
Adjustments to profit/(loss) for the period:			
Income tax		35	(57)
Depreciation and amortization		594	725
(Reversal of impairment)/impairment losses on non-current assets	9	(7)	97
Impairment losses on investments in securities		-	2
Finance costs		142	135
Loss on disposal of property, plant and equipment		48	47
Change in allowance for doubtful accounts receivable		2	(1)
Loss on revaluation of trading securities	8	1	5
Inventory allowance and impairment		5	3
Finance income		(11)	(7)
Foreign exchange loss, net		228	126
Income from available-for-sale investments	8	(28)	-
Share of results of associates		(1)	-
Gain on disposal of associates	8	-	(131)
		1,114	**670**
Movements in working capital			
Increase in trade and other receivables		(233)	(34)
Decrease in value added tax recoverable		23	46
Decrease in inventories		46	236
Decrease/(increase) in investments classified as trading securities		2	(11)
Increase /(decrease) in trade and other payables		83	(173)
Cash generated from operations		**1,035**	**734**
Interest paid		(139)	(159)
Income tax (paid)/received		(38)	59
Net cash from operating activities		**858**	**634**
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(393)	(352)
Purchase of intangible assets		(5)	(4)
Redemption of promissory notes receivable from related party		-	67
Proceeds from sale of property, plant and equipment		8	3
Proceeds from sale of associates		-	131
Proceeds from sale of assets classified as held for sale	12	15	-
Loans given		(4)	-
Loans repaid		24	-
Acquisition of associates		-	(1)
Interest received		11	8
Dividends received from available-for-sale investments		14	-
Dividends received from associates		-	5
Bank deposits		(170)	-
Changes in letters of credit, net		-	(6)
Net cash used in investing activities		**(500)**	**(149)**

The notes on pages 8 to 21 are an integral part of these unaudited condensed consolidated interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (CONTINUED)
(In millions of U.S. Dollars)

	Nine months ended 30 September	
	2014	**2013**
FINANCING ACTIVITIES:		
Proceeds from borrowings	1,189	941
Repayments of borrowings	(1,410)	(1,435)
Purchase of treasury shares	(29)	(10)
Proceeds from issuance of ordinary shares from treasury shares	27	4
Principal repayments of obligations under finance leases	-	(1)
Dividends paid to:		
- equity holders of the Parent Company	-	(96)
Net cash generated from/(used in) financing activities	**(223)**	**(597)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	135	(112)
CASH AND CASH EQUIVALENTS, beginning of period	154	362
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies	(77)	(38)
CASH AND CASH EQUIVALENTS, end of period	**212**	**212**

The notes on pages 8 to 21 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. The Group is also engaged in coal mining and sale thereof.

The Parent Company's registered office is 93, Kirova street, Magnitogorsk, Chelyabinsk region, Russia, 455000.

As at 30 September 2014 the Parent Company's major shareholders were Mintha Holding Limited with a 46.3% ownership interest and Fulnek Enterprises Limited with a 41.0% ownership interest (31 December 2013: 46.3% and 41.0%, respectively).

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

The effective and nominal ownership holdings of the Group's principal subsidiaries at 30 September 2014 did not change from 31 December 2013.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These unaudited condensed consolidated interim financial statements for the three and nine months ended 30 September 2014 have been prepared in accordance with IAS 34 "Interim financial reporting" ("IAS 34"). The statement of financial position at 31 December 2013 has been derived from the statement of financial position included in the Group's financial statements at 31 December 2013. These unaudited condensed consolidated interim financial statements do not include all of the information and disclosure required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The same accounting policies and methods of computation have been followed in these unaudited condensed consolidated interim financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2013, except for changes made due to adoption of new Standards and Interpretations becoming effective from 1 January 2014.

Changes in accounting policies

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing these condensed consolidated interim financial statements, the Group has adopted these new and revised IFRSs where applicable:

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities;
Amendments to IAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities;

Amendments to IAS 39, Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting; and

IFRIC 21, Levies.

However these new Standards and Interpretations do not have any significant impact on the Group's financial position or performance.

Estimates

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

In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2013.

Basis of preparation

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

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

On 30 September 2013 the Group acquired an additional 12.3% interest in OJSC Belon for USD 44 million (RUB 1,401 million), increasing its ownership from 82.7% to 95.0%. The carrying amount of Belon's net assets in the consolidated financial statements on the date of acquisition was USD 489 million. The Group recognised a decrease in non-controlling interests of USD 92 million and an increase in retained earnings of USD 48 million.

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

5. REVENUE

	Three months ended 30 September		Nine months ended 30 September	
By product	**2014**	**2013**	**2014**	**2013**
Hot rolled steel	941	614	2,683	2,578
Galvanised steel	286	244	799	704
Cold rolled steel	196	213	626	654
Long steel products	198	209	582	632
Galvanised steel with polymeric coating	152	211	452	546
Wire, sling, bracing	57	52	149	155
Tin plated steel	32	33	110	118
Hardware products	35	44	110	140
Coking production	37	35	106	111
Band	31	25	90	102
Formed section	29	29	77	84
Tubes	16	17	40	48
Scrap	4	21	8	29
Coal	-	7	5	39
Slabs	2	-	35	7
Others	119	123	353	374
Total	**2,135**	**1,877**	**6,225**	**6,321**

	Three months ended 30 September		Nine months ended 30 September	
By customer destination	**2014**	**2013**	**2014**	**2013**
Russian Federation and the CIS	83%	87%	79%	82%
Middle East	13%	9%	14%	11%
Europe	3%	4%	5%	5%
Asia	-	-	-	1%
Africa	1%	-	1%	1%
Total	**100%**	**100%**	**100%**	**100%**

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.

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

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

- *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 (Russian Federation).

The profitability of the three operating segments is primarily measured by CODM based on Segment EBITDA. Segment EBITDA is determined as segment's operating profit adjusted to exclude depreciation and amortisation expense and loss on disposal of property, plant and equipment, and to include the share of result of associates, including the impairment of investments in associates. Since this term is not a standard measure in IFRS the Group's definition of EBITDA may differ from that of other companies.

Inter-segment pricing is determined on a consistent basis using market benchmarks.

The following table presents measures of segment results for the three months ended 30 September 2014 and 2013:

	Three months ended 30 September									
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Steel		Steel (Turkey)		Coal mining		Eliminations		Total	
Revenue										
Sales to external customers	1,970	1,753	165	118	-	6	-	-	2,135	1,877
Inter-segment sales	43	44	-	15	65	68	(108)	(127)	-	-
Total revenue	**2,013**	**1,797**	**165**	**133**	**65**	**74**	**(108)**	**(127)**	**2,135**	**1,877**
Segment EBITDA	**522**	**218**	**8**	**5**	**(3)**	**11**	**(5)**	**(1)**	**522**	**233**
Depreciation and amortisation	(181)	(189)	(17)	(29)	(10)	(19)	-	-	(208)	(237)
Loss on disposal of property, plant and equipment	(8)	(12)	-	-	(1)	(3)	-	-	(9)	(15)
Share of results of associates	-	1	-	-	-	-	-	-	-	1
Operating profit/(loss) per IFRS financial statements	**333**	**18**	**(9)**	**(24)**	**(14)**	**(11)**	**(5)**	**(1)**	**305**	**(18)**

The following table presents measures of segment results for the nine months ended 30 September 2014 and 2013:

	Nine months ended 30 September									
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Steel		Steel (Turkey)		Coal mining		Eliminations		Total	
Revenue										
Sales to external customers	5,749	5,878	470	404	6	39	-	-	6,225	6,321
Inter-segment sales	85	136	-	64	200	225	(285)	(425)	-	-
Total revenue	**5,834**	**6,014**	**470**	468	**206**	264	**(285)**	(425)	**6,225**	6,321
Segment EBITDA	**1,192**	**726**	**23**	**11**	**4**	**44**	**(4)**	**130**	**1,215**	**911**
Depreciation and amortisation	(519)	(594)	(49)	(83)	(26)	(48)	-	-	(594)	(725)
Loss on disposal of property, plant and equipment	(44)	(42)	-	-	(4)	(5)	-	-	(48)	(47)
Share of results of associates	(1)	-	-	-	-	-	-	-	(1)	-
Operating profit/(loss) per IFRS financial statements	**628**	**90**	**(26)**	**(72)**	**(26)**	**(9)**	**(4)**	**130**	**572**	**139**

A reconciliation from operating profit per IFRS financial statements to profit/(loss) before taxation is included in the unaudited condensed consolidated statement of comprehensive income.

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

At 30 September 2014 and 31 December 2013, the segments' total assets and liabilities were reconciled to total assets and liabilities as follows:

	30 September 2014				
	Steel	**Steel (Turkey)**	**Coal mining**	**Eliminations**	**Total**
Total assets	11,094	1,185	441	(2,481)	10,239
Total liabilities	3,816	657	267	(202)	4,538

	31 December 2013				
	Steel	**Steel (Turkey)**	**Coal mining**	**Eliminations**	**Total**
Total assets	12,810	1,332	593	(2,587)	12,148
Total liabilities	4,398	860	321	(292)	5,287

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2014	**2013**	**2014**	**2013**
Payroll and social taxes	50	59	165	193
Taxes other than income tax	24	29	76	95
Professional services	3	14	19	44
Depreciation and amortisation	4	5	13	15
Insurance	4	5	12	15
Materials	2	2	5	7
Research and development costs	1	1	3	4
Other	-	14	14	29
Total	**88**	**129**	**307**	**402**

8. OTHER OPERATING EXPENSES/(INCOME), NET

	Three months ended 30 September		Nine months ended 30 September	
	2014	**2013**	**2014**	**2013**
Loss on disposal of property, plant and equipment	9	15	48	47
(Reversal of provision)/provision for doubtful debtors	3	(5)	6	(5)
Gain on disposal of associates (a)	-	-	-	(131)
Net loss on trading securities revaluation	1	-	1	5
Income from available-for-sale investments	(14)	-	(28)	-
Net gains on sale of other assets	(4)	(1)	(5)	(8)
Other operating gains /(losses), net	6	(1)	-	1
Total	**1**	**8**	**22**	**(91)**

(a) On 12 February 2013 the Group disposed of its investment in LLC MMK Trans. Final consideration was agreed in July 2013 based on certain ratios derived from the approved financial statements of LLC MMK Trans for the year ended 31 December 2012 prepared in accordance with IFRS and amounted to USD 131 million.

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

9. 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 2013	**4,673**	**9,835**	**298**	**253**	**323**	**893**	**16,275**
Additions	13	132	6	2	5	212	370
Transfers	45	108	9	4	(4)	(162)	-
Disposals	(6)	(134)	(6)	(2)	-	(9)	(157)
Reclassification to assets held for sale	(16)	(3)	(1)	-	(46)	(2)	(68)
Effect of translation to presentation currency	(250)	(546)	(17)	(15)	(18)	(53)	(899)
At 30 September 2013	**4,459**	**9,392**	**289**	**242**	**260**	**879**	**15,521**
Depreciation							
At 1 January 2013	**(936)**	**(3,190)**	**(148)**	**(92)**	**(76)**	**(2)**	**(4,444)**
Charge for the period	(112)	(565)	(20)	(20)	(14)	-	(731)
Disposals	3	88	4	1	-	-	96
Impairment loss	(10)	-	-	-	(45)	-	(55)
Reclassification to assets held for sale	1	2	1	-	10	-	14
Effect of translation to presentation currency	57	192	9	6	7	-	271
At 30 September 2013	**(997)**	**(3,473)**	**(154)**	**(105)**	**(118)**	**(2)**	**(4,849)**
Carrying amount							
At 1 January 2013	**3,737**	**6,645**	**150**	**161**	**247**	**891**	**11,831**
At 30 September 2013	**3,462**	**5,919**	**135**	**137**	**142**	**877**	**10,672**
Gross book value							
At 1 January 2014	**4,529**	**9,446**	**283**	**250**	**256**	**772**	**15,536**
Additions	1	206	3	2	-	153	365
Transfers	15	106	6	4	-	(131)	-
Disposals	(18)	(161)	(8)	(2)	-	(8)	(197)
Effect of translation to presentation currency	(658)	(1,455)	(46)	(42)	(43)	(130)	(2,374)
At 30 September 2014	**3,869**	**8,142**	**238**	**212**	**213**	**656**	**13,330**
Depreciation							
At 1 January 2014	**(1,751)**	**(4,598)**	**(176)**	**(127)**	**(178)**	**(88)**	**(6,918)**
Charge for the period	(79)	(474)	(13)	(18)	(5)	-	(589)
Reversal of impairment	-	-	-	-	-	7	7
Disposals	9	113	6	1	-	-	129
Effect of translation to presentation currency	255	719	28	23	30	14	1,069
At 30 September 2014	**(1,566)**	**(4,240)**	**(155)**	**(121)**	**(153)**	**(67)**	**(6,302)**
Carrying amount							
At 1 January 2014	**2,778**	**4,848**	**107**	**123**	**78**	**684**	**8,618**
At 30 September 2014	**2,303**	**3,902**	**83**	**91**	**60**	**589**	**7,028**
Carrying amount had no impairment taken place							
At 1 January 2014	**3,515**	**5,880**	**127**	**139**	**180**	**771**	**10,612**
At 30 September 2014	**2,930**	**4,724**	**100**	**106**	**137**	**655**	**8,652**

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

During the nine months ended 30 September 2014 the Group capitalized borrowing costs of USD nil million (30 September 2013: USD 3 million).

At 30 September 2014 and 31 December 2013, property, plant and equipment with carrying amounts of USD 723 million and USD 761 million, respectively, was pledged as security for certain long-term borrowings (Notes 13).

Management identified specific assets that are no longer in use and therefore are not considered to be recoverable amounting to USD 55 million at 30 September 2013. These assets have been impaired in full. Additionally impairment loss of USD 42 million was recognized on write-down of the assets classified as held for sale to fair value less cost to sell.

At 30 September 2014 the Group recognized partial reversal of previously recognized impairment in amount of USD 7 million. No further impairment or reversal of previously recorded impairment was identified by management.

Capital commitments are disclosed in Note 16.

10. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	30 September 2014	31 December 2013
Non-current		
Available-for-sale investments, at fair value		
Listed equity securities	473	801
Unlisted securities	7	9
Loans and receivables, at amortised cost		
Long-term loans	-	20
Total non-current	**480**	**830**
Current		
Held-to-maturity investments, at amortized cost		
Promissory notes receivable, bearing interest of 2.8% per annum	-	1
Financial assets, at fair value through profit or loss		
Trading equity securities	1	7
Trading debt securities	7	5
Share in mutual investment fund	3	4
Bank deposits, USD bearing interest rate of 2.0 - 2.2%	170	**-**
Total current	**181**	**17**

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 2014 and 31 December 2013, the revaluation reserve arising from unrealized holding gains on these securities was USD 333 million and USD 618 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.

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

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 on revaluation of trading securities for the nine months ended 30 September 2014 and 2013 was USD 1 million and USD 5 million, respectively. These results are included in other operating expenses in the unaudited condensed consolidated statement of comprehensive income.

11. CASH AND CASH EQUIVALENTS

	30 September 2014	31 December 2013
Cash in banks, USD	60	36
Cash in banks, RUB	25	15
Cash in banks, EUR	21	5
Bank deposits, USD bearing interest rate of 0.25%-2.03%	1	38
Bank deposits, EUR bearing interest rate of 0.8% (31 December 2013: 0.5%)	1	41
Bank deposits, TRY bearing interest rate of 0.25%-3.05%	4	4
Bank deposits, RUB bearing interest rate of 8.82% (31 December 2013: 7.75%)	100	15
Total	**212**	**154**

12. ASSETS HELD FOR SALE

A part of non-current assets within the Coal mining segment at 31 December 2013 was 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.

In May 2014 the Group disposed of its assets held for sale for a consideration of USD 15 million. Gain on disposal of these assets held for sale was immaterial.

13. LONG-TERM BORROWINGS

		Annual interest rate, actual at			
	Type of interest rate	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Unsecured listed bonds, RUB	Fixed	9%	9%	238	287
Secured loans, USD	Floating	5%	5%	202	257
Secured loans, EUR	Fixed	6%	6%	199	275
Unsecured loans, USD	Floating	3%	3%	837	796
Unsecured loans, USD	Fixed	-	5%	-	50
Unsecured loans, RUB	Fixed	9%	8%	422	212
Unsecured loans, EUR	Fixed	-	4%	-	1
Unsecured loans, EUR	Floating	2%	2%	186	285
Total				**2,084**	**2,163**

(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 14.

Bonds

On 27 February 2014, the Parent Company redeemed in full unsecured listed bonds with the principal amount of RUB 5,000 million (USD 140 million at the date of redemption of the bonds).

On 11 July 2014, the Parent Company redeemed in full unsecured listed bonds with the principal amount of RUB 5,000 million (USD 148 million at the date of redemption of the bonds).

On 23 July 2014, the Parent Company redeemed in full unsecured listed bonds with the principal amount of RUB 5,000 million (USD 143 million at the date of redemption of the bonds).

In July 2013, the Parent Company issued RUB 5,000 million of bonds on the Moscow Interbank Stock Exchange (USD 155 million at the date of issuance), bearing a semi-annual coupon rate of 8.50 % per annum, repayable in July 2023. A 3 year offer (an option to require an early redemption of the bonds) is provided for the issue.

On 4 April 2013, the Parent Company redeemed in full unsecured listed bonds with the principal amount of RUB 8,000 million (USD 255 million at the date of redemption of the bonds).

On 15 August 2013, the Parent Company redeemed in full unsecured listed bonds with the principal amount of RUB 5,000 million (USD 151 million at the date of redemption of the bonds).

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 2014 and 31 December 2013, the total unused element of all credit facilities was USD 1,310 million and USD 1,819 million, respectively.

At 30 September 2014 and 31 December 2013, long-term loans were secured by the Group's property, plant and equipment with a net carrying amount of USD 723 million and USD 761 million, respectively, and shares in a subsidiary with a carrying amount of net assets of USD 528 million and USD 472 million, respectively.

Debt repayment schedule

Year ending 30 September,	
2015 (presented as current portion of long-term borrowings, Note 14)	547
2016	1,030
2017	812
2018	157
2019 and thereafter	85
Total	**2,631**

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

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

		Annual interest rate, actual at			
	Type of interest rate	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Short-term borrowings:					
Secured loans, USD	Floating	2%	2%	19	23
Secured loans, EUR	Floating	2%	1%	8	14
Unsecured loans, USD	Floating	-	2%	-	55
Unsecured loans, USD	Fixed	2%	-	50	-
Unsecured loans, RUB	Fixed	8%	-	25	-
				102	92
Current portion of long-term borrowings:					
Unsecured listed bonds, RUB	Fixed	9%	8%	21	495
Secured loans, USD	Floating	5%	5%	65	130
Secured loans, EUR	Fixed	6%	6%	64	74
Unsecured loans, USD	Floating	2%	1%	278	89
Unsecured loans, EUR	Floating	2%	2%	80	89
Unsecured loans, RUB	Fixed	9%	8%	36	18
Unsecured loans, USD	Fixed	-	5%	-	20
Unsecured loans, EUR	Fixed	4%	4%	3	3
				547	918
Total				**649**	**1,010**

The weighted average interest rates of short-term borrowings at 30 September 2014 and 31 December 2013 were as follows:

	30 September 2014	31 December 2013
RUB-denominated	9%	8%
USD-denominated	3%	3%
EUR-denominated	3%	3%

At 30 September 2014 and 31 December 2013, short-term borrowings were secured by inventories and/or trade receivables of USD 27 million and USD 36 million, respectively.

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

	30 September 2014	31 December 2013
Due in:		
1 month	11	126
1-3 months	37	293
3 months to 1 year	601	591
Total	**649**	**1,010**

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

15. RELATED PARTIES

Transactions and balances outstanding with related parties

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

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

Details of transactions with and balances between the Group and related parties at 30 September 2014 and 31 December 2013 and for the three for the nine months ended 30 September 2014 and 2013 are disclosed below.

a) Transactions with associates of the Group

	Three months ended 30 September		Nine months ended 30 September	
	2014	**2013**	**2014**	**2013**
Purchases	56	58	162	143

Balances outstanding	**30 September 2014**	**31 December 2013**
Accounts payable	7	4
Advances payments	1	-

b) Transactions with entities under common control

	Three months ended 30 September		Nine months ended 30 September	
	2014	**2013**	**2014**	**2013**
Finance income	-	1	-	3
Redemption of promissory notes receivable	-	28	-	67
Interest received	-	2	-	4

c) Transactions with other related parties

	Three months ended 30 September		Nine months ended 30 September	
	2014	**2013**	**2014**	**2013**
Revenue	75	-	203	-
Purchases	-	-	-	29
Bank charges	1	1	2	3

Balances outstanding	**30 September 2014**	**31 December 2013**
Cash and cash equivalents	82	34
Accounts receivable	27	14
Advances received	-	3

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 2014 and 2013, key management personnel received as compensation USD 10 million and USD 28 million, respectively.

16. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 September 2014, the Group executed purchase agreements of approximately USD 71 million to acquire property, plant and equipment (31 December 2013: USD 69 million). Penalties are payable or receivable under these agreements in certain circumstances and where supply terms are not adhered to. Management does not expect such conditions to result in a loss to the Group.

Contingencies

Taxation contingencies in the Russian Federation

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 unaudited condensed consolidated interim 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 recent conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

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

The consolidated 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.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates. Accordingly, the estimates applied are not necessarily indicative of the amounts that the Group could realise in a current market exchange. The use of different assumptions and estimation methodologies may have a material impact on the estimated fair values.

Where it was available, management of the Group determined fair value of unlisted shares using a valuation technique that was supported by publicly available market information. In the absence of such information available-for-sale investments were presented at cost, net of impairment.

The Group has not disclosed the fair values for financial instruments such as cash and cash equivalents, bank deposits, trade and other receivables, loans given and promissory notes, short-term and long-term borrowings (except for listed bonds), trade and other payables, because their carrying amounts are reasonable approximation of fair values as at 30 September 2014 and 31 December 2013.

The following table presents the fair value of financial instruments at the end of reporting period across the three levels of the fair value hierarchy defined in IFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value management. The levels are defined as follows:

Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	Level 1	**Level 2**	**Level 3**	**Total**
30 September 2014				
Available-for-sale investments, listed equity securities	473	-	-	473
Available-for-sale investments, unlisted equity securities	-	-	7	7
Trading equity securities	1	-	-	1
Trading debt securities	7	-	-	7
Share in mutual investment fund	3	-	-	3
Total assets	**484**	**-**	**7**	**491**
Listed bonds	249	-	-	249
Interest rate swaps	-	-	2	2
Total liabilities	**249**	**-**	**2**	**251**

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

	Level 1	Level 2	Level 3	Total
31 December 2013				
Available-for-sale investments, listed equity securities	801	-	-	801
Available-for-sale investments, unlisted equity securities	-	-	9	9
Trading equity securities	7	-	-	7
Trading debt securities	5	-	-	5
Share in mutual investment fund	4	-	-	4
Total assets	**817**	**-**	**9**	**826**
Listed bonds	766	-	-	766
Interest rate swaps	-	-	7	7
Total liabilities	**766**	**-**	**7**	**773**

The movement in the balance of Level 3 fair value measurements is as follows:

Derivative financial instruments:	**USD million**
At 1 January 2014	7
Changes in fair value estimation recognized during the year	(5)
Balance at 30 September 2014	**2**

18. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the three and nine months ended 30 September 2014 were approved by the Group's management and authorized for issue on 19 November 2014.