Open Joint Stock Company Magnitogorsk Iron & Steel Works and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended 30 June 2013

OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

TABLE OF CONTENTS

OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2013

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 June 2013, and the results of its operations, changes in equity and cash flows for the three months and the six 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 six months ended 30 June 2013 were approved on 26 August 2013 by:

B. A. Dubrovsky	**M. A. Zhemchueva**
General Director	Chief Accountant
26 August 2013	
Magnitogorsk, Russia	

ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

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 interim statement of financial position of OJSC Magnitogorsk Iron & Steel Works (the "Company") and its subsidiaries (the "Group") as at 30 June 2013, and the related condensed consolidated interim statements of comprehensive income for the three- and six-month periods ended 30 June 2013, and the related condensed consolidated interim statements of changes in equity and cash flows for the six-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 this 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 June 2013 and for the three- and six-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.,
General Director

ZAO KPMG
26 August 2013
Moscow, Russian Federation

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

Practitioner: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm 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 INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS AND FOR THE SIX MONTHS ENDED 30 JUNE 2013
(In millions of U.S. Dollars, except per share data)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2013	**2012**	**2013**	**2012**
REVENUE	4	2,161	2,516	4,444	4,941
COST OF SALES		(1,834)	(2,111)	(3,802)	(4,219)
GROSS PROFIT		**327**	**405**	**642**	**722**
General and administrative expenses		(140)	(158)	(273)	(294)
Selling and distribution expenses		(139)	(135)	(311)	(272)
Other operating expenses, net		(23)	(17)	(32)	(28)
OPERATING PROFIT		**25**	**95**	**26**	**128**
Share of results of associates		-	13	1	15
Gain on disposal of associates	6	6	-	131	-
Finance income		2	3	5	7
Finance costs		(44)	(58)	(93)	(119)
Impairment losses on non-current assets	8	-	-	(50)	-
Foreign exchange (loss)/gain, net		(100)	(76)	(96)	13
Change in net assets attributable to non-controlling interest		(1)	4	-	5
Other income		4	-	5	4
Other expenses		(41)	(30)	(85)	(81)
LOSS BEFORE INCOME TAX		**(149)**	**(49)**	**(156)**	**(28)**
INCOME TAX	7	(6)	-	20	(7)
LOSS FOR THE PERIOD		**(155)**	**(49)**	**(136)**	**(35)**
OTHER COMPREHENSIVE (LOSSES)/INCOME					
Items, that will be reclassified subsequently to profit or loss					
Net change in fair value of available-for-sale investments		(213)	(118)	(302)	122
Translation of foreign operations		112	129	125	8
Items, that will not be reclassified subsequently to profit or loss					
Effect of translation to presentation currency		(498)	(1,154)	(726)	(191)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(599)**	**(1,143)**	**(903)**	**(61)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(754)**	**(1,192)**	**(1,039)**	**(96)**
(Loss)/profit attributable to:					
Shareholders of the Parent Company		(156)	(47)	(127)	(32)
Non-controlling interests		1	(2)	(9)	(3)
		(155)	**(49)**	**(136)**	**(35)**
Total comprehensive (loss)/income attributable to:					
Shareholders of the Parent Company		(755)	(1,190)	(1,030)	(93)
Non-controlling interests		1	(2)	(9)	(3)
		(754)	**(1,192)**	**(1,039)**	**(96)**
BASIC AND DILUTED LOSS PER SHARE (U.S. Dollars)		(0.014)	(0.004)	(0.012)	(0.003)
Weighted average number of ordinary shares outstanding (in thousands)		11,000,605	11,009,766	11,003,728	11,008,844

The notes on pages 8 to 22 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 30 JUNE 2013
(In millions of U.S. Dollars)

	Notes	30 June 2013	31 December 2012
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	8	10,731	11,831
Goodwill		270	290
Other intangible assets		39	43
Investments in securities and other financial assets	9	477	870
Investments in associates		2	-
Deferred tax assets	7	147	152
Other non-current assets		16	7
Total non-current assets		11,682	13,193
CURRENT ASSETS:			
Inventories		1,368	1,674
Trade and other receivables		751	695
Investments in securities and other financial assets	9	91	62
Income tax receivable		33	90
Value added tax recoverable		180	200
Cash and cash equivalents	10	164	362
Assets classified as held for sale		15	16
Total current assets		2,602	3,099
TOTAL ASSETS		**14,284**	**16,292**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital		386	386
Treasury shares		(174)	(175)
Share premium		1,103	1,108
Investments revaluation reserve		294	596
Translation reserve		(2,814)	(2,213)
Retained earnings		9,836	9,963
Equity attributable to shareholders of the Parent Company		8,631	9,665
Non-controlling interests		145	155
Total equity		8,776	9,820
NON-CURRENT LIABILITIES:			
Long-term borrowings	11	1,883	2,236
Retirement benefit obligations		26	32
Site restoration provision		49	51
Deferred tax liabilities	7	1,143	1,254
Total non-current liabilities		3,101	3,573
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	12	1,449	1,630
Current portion of obligations under finance leases		1	1
Current portion of retirement benefit obligations		4	4
Trade and other payables		950	1,260
Net assets attributable to minority participants		3	4
Total current liabilities		2,407	2,899
TOTAL EQUITY AND LIABILITIES		**14,284**	**16,292**

The notes on pages 8 to 22 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 SIX MONTHS ENDED 30 JUNE 2013
(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 2012	**386**	**(176)**	**1,110**	**539**	**(2,725)**	**10,155**	**9,289**	**159**	**9,448**
Loss for the period	-	-	-	-	-	(32)	**(32)**	(3)	**(35)**
Other comprehensive income/(loss) for the period, net of tax	-	-	-	122	(183)	-	**(61)**	-	**(61)**
Total comprehensive income/(loss) for the period	-	-	-	122	(183)	(32)	**(93)**	(3)	**(96)**
Issuance of ordinary shares from treasury shares	-	4	(1)	-	-	-	**3**	-	**3**
BALANCE AT 30 JUNE 2012	**386**	**(172)**	**1,109**	**661**	**(2,908)**	**10,123**	**9,199**	**156**	**9,355**
BALANCE AT 1 JANUARY 2013	**386**	**(175)**	**1,108**	**596**	**(2,213)**	**9,963**	**9,665**	**155**	**9,820**
Loss for the period	-	-	-	-	-	(127)	**(127)**	(9)	**(136)**
Other comprehensive loss for the period, net of tax	-	-	-	(302)	(601)	-	**(903)**	-	**(903)**
Total comprehensive loss for the period	-	-	-	(302)	(601)	(127)	**(1,030)**	(9)	**(1,039)**
Purchase of treasury shares	-	(5)	-	-	-	-	**(5)**	-	**(5)**
Issuance of ordinary shares from treasury shares	-	6	(5)	-	-	-	**1**	-	**1**
Dividends	**-**	-	**-**	-	**-**	-	**-**	**(1)**	**(1)**
BALANCE AT 30 JUNE 2013	**386**	**(174)**	**1,103**	**294**	**(2,814)**	**9,836**	**8,631**	**145**	**8,776**

The notes on pages 8 to 22 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 SIX MONTHS ENDED 30 JUNE 2013
(In millions of U.S. Dollars)

		Six months ended 30 June	
		2013	**2012**
OPERATING ACTIVITIES:			
Loss for the period		(136)	(35)
Adjustments to loss for the period:			
Income tax	7	(20)	7
Depreciation and amortization		488	478
Impairment losses on non-current assets	8	50	-
Impairment losses on investments in securities		2	-
Finance costs		93	119
Loss on disposal of property, plant and equipment		32	41
Change in allowance for doubtful accounts receivable		4	(15)
Loss on revaluation and sale of trading securities		4	-
Inventory allowance and impairment		1	(10)
Finance income		(5)	(7)
Foreign exchange loss/(gain), net		96	(13)
Share of results of associates		(1)	(15)
Gain on disposal of associates	6	(131)	-
Change in net assets attributable to non-controlling interest		-	(5)
		477	545
Movements in working capital			
(Increase)/decrease in trade and other receivables		(102)	3
Decrease in value added tax recoverable		12	63
Decrease in inventories		219	249
Decrease in investments classified as trading securities		-	2
(Decrease)/increase in trade and other payables		(133)	115
Cash generated from operations		473	977
Interest paid		(98)	(101)
Income tax received/(paid), net		48	(9)
Net cash from operating activities		423	867
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(222)	(365)
Purchase of intangible assets		(3)	(1)
Redemption of promissory notes receivable from related party	13	39	-
Proceeds from sale of property, plant and equipment		1	2
Proceeds from sale of associates		130	-
Acquisition of associates		(1)	-
Interest received		5	6
Dividends received from associates		5	-
Loans provided to related party	13	-	(25)
Changes in letters of credit, net		(2)	-
Net cash used in investing activities		(48)	(383)

The notes on pages 8 to 22 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 SIX MONTHS ENDED 30 JUNE 2013 (CONTINUED)
(In millions of U.S. Dollars)

	Six months ended 30 June	
	2013	**2012**
FINANCING ACTIVITIES:		
Proceeds from borrowings	378	951
Repayments of borrowings	(808)	(1,629)
Purchase of treasury shares	(5)	-
Proceeds from issuance of ordinary shares from treasury shares	1	3
Principal repayments of obligations under finance leases	-	(4)
Dividends paid to:		
- equity holders of the Parent Company	(96)	-
Net cash used in financing activities	(530)	(679)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(155)	(195)
CASH AND CASH EQUIVALENTS, beginning of period	362	424
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies	(43)	(33)
CASH AND CASH EQUIVALENTS, end of period	**164**	**196**

The notes on pages 8 to 22 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.

As at 30 June 2013 the Parent Company's major shareholders were Mintha Holding Limited with a 37.1% ownership interest, Fulnek Enterprises Limited with a 41.0% ownership interest and Mordoraco Holdings Limited with a 7.7% ownership interest (31 December 2012: 37.1%, 41.0% and 7.7%, 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 June 2013 did not change from 31 December 2012.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34 "Interim financial reporting" ("IAS 34"). The statement of financial position at 31 December 2012 has been derived from the statement of financial position included in the Group's consolidated financial statements at 31 December 2012. 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 2012, 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 2012, except for changes made due to adoption of new Standards and Interpretations becoming effective from 1 January 2013.

Changes in accounting policies

A number of new Standards and Interpretations become effective starting from 1 January 2013, including IAS 19 "Employee benefits", IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of interest in other entities", IFRS 13 "Fair value measurement" and amendments to IAS 1 "Presentation of financial statements". However these new Standards and Interpretations do not have any significant impact on the Group's financial position or performance.

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

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 2012.

Basis of preparation

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

3. SEASONAL OPERATIONS

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

4. REVENUE

	Three months ended 30 June		Six months ended 30 June	
By product	**2013**	**2012**	**2013**	**2012**
Hot rolled steel	866	1,220	1,964	2,450
Galvanised steel	237	202	460	407
Cold rolled steel	250	206	441	443
Long steel products	202	256	423	477
Galvanised steel with polymeric coating	167	190	335	326
Wire, sling, bracing	55	79	103	146
Hardware products	52	46	96	76
Tin plated steel	44	48	85	95
Band	48	35	77	58
Coking production	37	44	76	83
Formed section	31	56	55	104
Coal	18	7	32	28
Tubes	15	19	31	36
Scrap	-	6	8	15
Slabs	7	-	7	6
Others	132	102	251	191
Total	**2,161**	**2,516**	**4,444**	**4,941**

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

	Three months ended 30 June		Six months ended 30 June	
By customer destination	**2013**	**2012**	**2013**	**2012**
Russian Federation and the CIS	85%	72%	79%	71%
Turkey	6%	8%	8%	9%
Italy	3%	3%	4%	3%
Iran	3%	5%	3%	6%
Pakistan	1%	2%	2%	1%
India	-	2%	-	1%
Vietnam	-	1%	-	2%
Others (countries each representing less than 2% of total net revenue)	2%	7%	4%	7%
Total	**100%**	**100%**	**100%**	**100%**

5. 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 (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 (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 (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.

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

The following table presents measures of segment results for the three months ended 30 June 2013 and 30 June 2012:

	Three months ended 30 June									
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Steel (Russia)		Steel (Turkey)		Coal mining		Eliminations		Total	
Revenue										
Sales to external customers	2,007	2,312	135	196	19	8	-	-	2,161	2,516
Inter-segment sales	48	17	25	39	83	98	(156)	(154)	-	-
Total revenue	**2,055**	**2,329**	**160**	**235**	**102**	**106**	**(156)**	**(154)**	**2,161**	**2,516**
Segment EBITDA	**261**	**373**	**4**	**(8)**	**27**	**5**	**(1)**	**(1)**	**291**	**369**
Depreciation and amortisation	(200)	(192)	(28)	(27)	(14)	(17)	-	-	(242)	(236)
Loss on disposal of property, plant and equipment	(22)	(22)	-	-	(2)	(3)	-	-	(24)	(25)
Share of results of associates	-	(13)	-	-	-	-	-	-	-	(13)
Operating profit/(loss) per IFRS financial statements	**39**	**146**	**(24)**	**(35)**	**11**	**(15)**	**(1)**	**(1)**	**25**	**95**

The following table presents measures of segment results for the six months ended 30 June 2013 and 30 June 2012:

	For six months ended 30 June									
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	Steel (Russia)		Steel (Turkey)		Coal mining		Eliminations		Total	
Revenue										
Sales to external customers	4,125	4,513	286	399	33	29	-	-	4,444	4,941
Inter-segment sales	92	48	49	51	157	207	(298)	(306)	-	-
Total revenue	**4,217**	**4,561**	**335**	**450**	**190**	**236**	**(298)**	**(306)**	**4,444**	**4,941**
Segment EBITDA	**508**	**640**	**6**	**(26)**	**33**	**47**	**-**	**1**	**547**	**662**
Depreciation and amortisation	(405)	(389)	(54)	(55)	(29)	(34)	-	-	(488)	(478)
Loss on disposal of property, plant and equipment	(30)	(38)	-	-	(2)	(3)	-	-	(32)	(41)
Share of results of associates	(1)	(15)	-	-	-	-	-	-	(1)	(15)
Operating profit/(loss) per IFRS financial statements	**72**	**198**	**(48)**	**(81)**	**2**	**10**	**-**	**1**	**26**	**128**

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

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

At 30 June 2013 and 31 December 2012, the segments' total assets and liabilities were reconciled to total assets and liabilities as follows:

	30 June 2013				
	Steel (Russia)	**Steel (Turkey)**	**Coal mining**	**Eliminations**	**Total**
Total assets	13,639	1,812	839	(2,006)	14,284
Total liabilities	4,495	858	320	(165)	5,508

	31 December 2012				
	Steel (Russia)	**Steel (Turkey)**	**Coal mining**	**Eliminations**	**Total**
Total assets	15,343	1,935	931	(1,917)	16,292
Total liabilities	5,316	1,632	323	(799)	6,472

6. GAIN ON DISPOSAL OF ASSOCIATES

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. As a part of this deal a five-year shipping contract between the parties to transport at least 70% of cargoes of the Group was signed.

7. INCOME TAX

The Group's provision for income taxes attributable to different tax jurisdictions for the period ended 30 June 2013 and 2012 was:

	Six months ended 30 June	
	2013	**2012**
Current provision for income tax	8	31
Adjustments recognised in current year relating to prior year current tax	(1)	(33)
Deferred income tax, net	(27)	9
Total income tax	**(20)**	**7**

Adjustments recognised in 2012 relating to prior year current tax relate to deductibility estimates which subsequently changed following submission of the Parent Company's income tax returns for that year. An offsetting deferred tax charge was also recorded as a result of these adjustments.

The corporate income tax rates in other countries where the Group has a taxable presence vary from 10% to 20%.

The provision for income taxes is different from that which would be obtained by applying the Russian Federation statutory income tax rate to profit before income tax. The items causing this difference are as follows:

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

	Six months ended 30 June	
	2013	**2012**
Loss before income tax	(156)	(28)
Income tax provision computed at the Parent Company's statutory rate of 20%	(31)	(6)
Adjustments due to:		
Effect of different tax rates of subsidiaries operating in other jurisdictions	1	-
Expenses not deductible and income not taxable for tax purposes	32	12
Effect of not taxable gain on disposal of associates	(26)	-
Other	4	1
Income tax	**(20)**	**7**

The movement in the Group's deferred tax position during the current and prior reporting period was as follows:

	30 June 2013	**31 December 2012**
Net deferred tax liability at the beginning of the period	**1,102**	**1,047**
Sale of subsidiaries	-	(3)
Deferred tax for the period	(27)	(11)
Effect of translation to presentation currency	(79)	69
Net deferred tax liability at the end of the period	**996**	**1,102**

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

	30 June 2013	**31 December 2012**
Unused tax losses	172	139
Investment tax credits	57	64
Accounts payable	22	40
Accounts receivable	14	7
Property, plant and equipment	9	6
Investments	7	7
Inventories	7	9
Assets classified as held for sale	2	2
Deferred income tax assets	290	274
Set off of deferred taxation	(143)	(122)
	147	152
Property, plant and equipment	(1,181)	(1,273)
Investments	(5)	(11)
Inventories	(39)	(47)
Accounts receivable	(43)	(30)
Accounts payable	(3)	-
Loans	(15)	(15)
Deferred income tax liabilities	(1,286)	(1,376)
Set off of deferred taxation	143	122
	(1,143)	(1,254)
Net deferred income tax liabilities	**(996)**	**(1,102)**

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

8. 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 2012	**4,186**	**8,782**	**272**	**206**	**305**	**1,453**	**15,204**
Additions	2	98	8	2	-	188	298
Transfers	22	200	7	2	-	(231)	-
Disposals	(6)	(90)	(3)	-	-	(7)	(106)
Effect of translation to presentation currency	(69)	(165)	(5)	(4)	(5)	(22)	(270)
At 30 June 2012	**4,135**	**8,825**	**279**	**206**	**300**	**1,381**	**15,126**
Depreciation							
At 1 January 2012	**(765)**	**(2,419)**	**(119)**	**(71)**	**(38)**	**-**	**(3,412)**
Charge for the period	(79)	(371)	(14)	(10)	(11)	-	(485)
Disposals	1	50	2	-	-	-	53
Effect of translation to presentation currency	19	65	3	3	3	-	93
At 30 June 2012	**(824)**	**(2,675)**	**(128)**	**(78)**	**(46)**	**-**	**(3,751)**
Carrying amount							
At 01 January 2012	**3,421**	**6,363**	**153**	**135**	**267**	**1,453**	**11,792**
At 30 June 2012	**3,311**	**6,150**	**151**	**128**	**254**	**1,381**	**11,375**
Gross book value							
At 1 January 2013	**4,673**	**9,835**	**298**	**253**	**323**	**893**	**16,275**
Additions	15	89	4	1	-	113	222
Transfers	35	80	5	4	(5)	(119)	-
Disposals	(2)	(89)	(3)	(1)	-	(3)	(98)
Reclassification to other non-current assets	(8)	-	-	-	-	-	(8)
Effect of translation to presentation currency	(292)	(639)	(21)	(17)	(22)	(63)	(1,054)
At 30 June 2013	**4,421**	**9,276**	**283**	**240**	**296**	**821**	**15,337**
Depreciation							
At 1 January 2013	**(936)**	**(3,190)**	**(148)**	**(92)**	**(76)**	**(2)**	**(4,444)**
Charge for the period	(76)	(385)	(13)	(14)	(9)	-	(497)
Disposals	1	57	3	-	-	-	61
Impairment loss	-	-	-	-	(50)	-	(50)
Effect of translation to presentation currency	68	230	10	8	8	-	324
At 30 June 2013	**(943)**	**(3,288)**	**(148)**	**(98)**	**(127)**	**(2)**	**(4,606)**
Carrying amount							
At 1 January 2013	**3,737**	**6,645**	**150**	**161**	**247**	**891**	**11,831**
At 30 June 2013	**3,478**	**5,988**	**135**	**142**	**169**	**819**	**10,731**

During the six months ended 30 June 2013 the Group capitalized borrowing costs of USD 2 million (30 June 2012: USD 5 million).

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

At 30 June 2013 and 31 December 2012, property, plant and equipment with carrying amounts of USD 1,335 million and USD 1,391 million, respectively, was pledged as security for certain long-term and short-term borrowings (Notes 11 and 12).

Management identified specific assets that are no longer in use and therefore are not considered to be recoverable amounting to USD 50 million and nil at 30 June 2013 and 31 December 2012, respectively. These assets have been impaired in full. No further impairment was identified by management.

Capital commitments are disclosed in Note 14.

9. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	30 June 2013	31 December 2012
Non-current		
Available-for-sale investments, at fair value		
Listed equity securities	437	749
Unlisted securities	9	9
Loans and receivables, at amortized cost		
Promissory notes receivable, bearing interest of 2.8% -5.5% per annum	31	112
Total non-current	**477**	**870**
Current		
Held-to-maturity investments, at amortized cost		
Promissory notes receivable, bearing interest of 2.8% per annum	55	14
Financial assets, at fair value through profit or loss		
Trading equity securities	31	44
Trading debt securities	1	-
Share in mutual investment fund	4	4
Total current	**91**	**62**

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 June 2013 and 31 December 2012, the revaluation reserve arising from unrealized holding gains on these securities was USD 294 million and USD 596 million, respectively. Decrease in fair value of investments in listed equity securities is caused by decrease of market capitalization of this foreign entity due to worsening market conditions.

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 on revaluation and sale of trading securities for the six months ended 30 June 2013 and 2012 was USD 4 million and nil million, respectively. These results are included in other operating expenses in the unaudited condensed consolidated interim statement of comprehensive income.

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

10. CASH AND CASH EQUIVALENTS

	30 June 2013	31 December 2012
Cash in banks, USD	80	37
Cash in banks, RUB	31	61
Cash in banks, EUR	36	15
Cash in banks, CHF	-	1
Cash in banks, TRY	-	1
Bank deposits, USD bearing interest rate of 0.25%-2% (31 December 2012: 0.25%-2%)	1	15
Bank deposits, TRY bearing interest rate of 5%	1	-
Bank deposits, EUR bearing interest rate of 31 December 2012: 0.6%	-	1
Bank deposits, RUB bearing interest rate of 6.96% (31 December 2012: 8.22%)	15	231
Total	**164**	**362**

11. LONG-TERM BORROWINGS

		Annual interest rate, actual at			
	Type of interest rate	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Unsecured listed bonds, RUB	Fixed	8%	8%	432	621
Secured loans, USD	Floating	5%	6%	283	309
Secured loans, EUR	Fixed	6%	6%	287	317
Unsecured loans, USD	Floating	2%	2%	428	463
Unsecured loans, USD	Fixed	5%	5%	144	174
Unsecured loans, EUR	Fixed	4%	4%	3	4
Unsecured loans, EUR	Floating	2%	2%	306	348
Total				**1,883**	**2,236**

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

Bonds

In February 2012, the Parent Company of the Group issued RUB 5,000 million of bonds on the Moscow Interbank Stock Exchange (USD 167 million at the date of issuance), bearing a semi-annual coupon rate of 8.19 % per annum, repayable in February 2015. A 1.5 year offer (an option to require an early redemption of the bonds) is provided for the issue.

In December 2012, the Parent Company of the Group issued RUB 5,000 million of bonds on the Moscow Interbank Stock Exchange (USD 162 million at the date of issuance), bearing a semi-annual coupon rate of 8.70 % per annum, repayable in December 2022. A 3 year offer is provided for the issue.

On 4 April 2013, the Parent Company of the Group 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).

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

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 June 2013 and 31 December 2012, the total unused element of all credit facilities was USD 1,381 million and USD 1,313 million, respectively.

At 30 June 2013 and 31 December 2012, long-term loans were secured by the Group's property, plant and equipment with a net carrying amount of USD 1,323 million and USD 1,377 million, respectively, and shares in a subsidiary with a carrying amount of net assets of USD 954 million and USD 303 million, respectively.

Debt repayment schedule

Year ended 30 June,	
2014 (presented as current portion of long-term borrowings, Note 12)	1,349
2015	777
2016	543
2017	262
2018 and thereafter	301
Total	**3,232**

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

		Annual interest rate, actual at			
	Type of interest rate	**30 June 2013**	**31 December 2012**	**30 June 2013**	**31 December 2012**
Short-term borrowings:					
Secured loans, USD	Floating	-	2%	-	62
Unsecured loans, USD	Floating	2%	2%	100	50
Unsecured loans, RUB	Fixed	-	7%	-	109
				100	221
Current portion of long-term borrowings:					
Unsecured listed bonds, RUB	Fixed	8%	8%	349	487
Secured loans, USD	Floating	5%	5%	134	141
Secured loans, EUR	Fixed	6%	6%	71	74
Unsecured loans, USD	Floating	2%	2%	332	192
Unsecured loans, EUR	Floating	2%	2%	84	87
Unsecured loans, RUB	Fixed	7%	7%	306	329
Unsecured loans, USD	Fixed	5%	5%	70	96
Unsecured loans, EUR	Fixed	4%	4%	3	3
				1,349	1,409
Total				**1,449**	**1,630**

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

The weighted average interest rates of short-term borrowings at 30 June 2013 and 31 December 2012 were as follows:

	30 June 2013	31 December 2012
RUB-denominated	8%	8%
USD-denominated	3%	3%
EUR-denominated	4%	3%

At 30 June 2013 and 31 December 2012, short-term borrowings were secured by property, plant and equipment with a net carrying amount of USD 12 million and USD 14 million, respectively.

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

	30 June 2013	31 December 2012
Due in:		
1 month	90	141
1-3 months	506	264
3 months to 1 year	853	1,225
Total	**1,449**	**1,630**

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 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 June 2013 and 31 December 2012 and for the three months and the six months ended 30 June 2013 and 2012 are disclosed below.

a) Transactions with associates of the Group

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
Purchases	48	55	85	107
Dividends	-	48	-	48

Balances outstanding	30 June 2013	31 December 2012
Accounts receivable	1	8
Accounts payable	8	16

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

b) Transactions with entities under common control

	Three months ended 30 June		Six months ended 30 June	
	2013	**2012**	**2013**	**2012**
Finance income	1	1	2	2
Loans provided	-	-	-	25
Redemption of promissory notes receivable	39	-	39	-

Balances outstanding	**30 June 2013**	**31 December 2012**
Promissory notes receivable	86	126
Interest receivable	5	5

c) Transactions with other related parties

	Three months ended 30 June		Six months ended 30 June	
	2013	**2012**	**2013**	**2012**
Purchases	-	48	29	97
Bank charges	1	1	2	2
Bank loans and overdrafts obtained	-	-	-	2
Bank loans and overdrafts repaid	-	2	-	2

Balances outstanding	**30 June 2013**	**31 December 2012**
Cash and cash equivalents	129	28
Accounts payable	-	5

Remuneration of the Group's key management personnel

Key management personnel of the Group receive only short-term employment benefits. For the six months ended 30 June 2013 and 2012, key management personnel received as compensation USD 24 million and USD 21 million, respectively.

14. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 June 2013, the Group executed purchase agreements of approximately USD 44 million to acquire property, plant and equipment (31 December 2012 – USD 71 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 unaudited condensed 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. 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.

At 30 June 2013 and 31 December 2012, the estimated fair values of financial assets, including cash and cash equivalents, investments in securities, trade and other receivables, loans given and promissory notes, short-term borrowings, trade and other payables approximated their carrying values due to the short-term nature of these instruments.

The following table presents the carrying value of financial instruments measured at fair value 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

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

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 June 2013				
Available for sale investments, listed equity securities	437	-	-	437
Available for sale investments, unlisted equity securities	-	-	9	9
Trading equity securities	31	-	-	31
Trading debt securities	1	-	-	1
Share in mutual investment fund	4	-	-	4
Total assets	**473**	**-**	**9**	**482**
Interest rate swaps	-	-	10	10
Total liabilities	**-**	**-**	**10**	**10**
31 December 2012				
Available for sale investments, listed equity securities	749	-	-	749
Available for sale investments, unlisted equity securities	-	-	9	9
Trading equity securities	44	-	-	44
Trading debt securities	-	-	-	-
Share in mutual investment fund	4	-	-	4
Total assets	**797**	**-**	**9**	**806**
Interest rate swaps	-	-	13	13
Total liabilities	**-**	**-**	**13**	**13**

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

Derivative financial instruments:	**USD million**
At 1 January 2013	13
Changes in fair value estimation recognized during the year	(3)
Balance at 30 June 2013	**10**

16. EVENTS SUBSEQUENT TO THE REPORTING DATE

In July 2013, the Parent Company of the Group 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 15 August 2013, the Parent Company of the Group 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).

17. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the three and six months ended 30 June 2013 were approved by the Group's management and authorized for issue on 26 August 2013.