Open Joint Stock Company Magnitogorsk Iron & Steel Works and Subsidiaries

Unaudited Condensed Consolidated Interim Financial Statements

For the Nine Months Ended 30 September 2010

OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

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Management is responsible for the preparation of the unaudited condensed consolidated interim financial statements that present fairly the financial position of Open Joint Stock Company Magnitogorsk Iron & Steel Works and its subsidiaries (the "Group") at 30 September 2010, and the results of its operations, changes in equity and cash flows for the nine months then ended, in compliance with International Accounting Standard 34 "Interim Financial Reporting".

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

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

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with statutory legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The unaudited condensed consolidated interim financial statements for the nine months ended 30 September 2010 were approved on 30 November 2010 by:

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

30 November 2010
Magnitogorsk, Russia

ZAO “Deloitte & Touche CIS”
5 Lesnaya Street
Moscow, 125047
Russia

Tel: +7 (495) 787 06 00
Fax: +7 (495) 787 06 01
www.deloitte.ru

**REPORT ON THE REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

To the shareholders of OJSC Magnitogorsk Iron & Steel Works:

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Open Joint Stock Company Magnitogorsk Iron & Steel Works and its subsidiaries (the “Group”), which comprise the condensed consolidated interim statement of financial position at 30 September 2010 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the nine-month period then ended and the explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte + Touche

30 November 2010
Moscow, Russia

OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010
(In millions of U.S. Dollars, unless otherwise stated)

	Notes	Three months ended 30 September 2010	Three months ended 30 September 2009	Nine months ended 30 September 2010	Nine months ended 30 September 2009
REVENUE	4	2,055	1,404	5,775	3,407
COST OF SALES		(1,624)	(1,061)	(4,360)	(2,773)
GROSS PROFIT		**431**	**343**	**1,415**	**634**
General and administrative expenses		(119)	(92)	(360)	(225)
Selling and distribution expenses		(146)	(119)	(449)	(301)
Other operating expenses, net		(16)	(40)	(103)	(37)
OPERATING PROFIT		**150**	**92**	**503**	**71**
Share of results of associates		3	(6)	11	(33)
Finance income		2	6	6	14
Finance costs		(39)	(12)	(102)	(52)
Foreign exchange (loss)/gain, net		(30)	39	(38)	37
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	3	-	-	-	30
Change in net assets attributable to minority participants		(1)	1	(4)	4
Other income		3	-	5	5
Other expenses		(35)	(32)	(132)	(76)
PROFIT BEFORE INCOME TAX		**53**	**88**	**249**	-
INCOME TAX		(10)	(12)	(59)	-
PROFIT FOR THE PERIOD		**43**	**76**	**190**	-
OTHER COMPREHENSIVE INCOME/(LOSSES)					
Increase in fair value of available-for-sale investments		222	33	176	294
Income tax related to increase in fair value of available-for sale investments		(44)	(7)	(35)	(59)
Translation of foreign operations		(42)	-	(36)	(2)
Effect of translation to presentation currency		263	380	(60)	(212)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**399**	**406**	**45**	**21**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**442**	**482**	**235**	**21**
Profit attributable to:					
Shareholders of the Parent Company		48	76	195	3
Non-controlling interests		(5)	-	(5)	(3)
		43	**76**	**190**	-
Total comprehensive income attributable to:					
Shareholders of the Parent Company		457	472	261	28
Non-controlling interests		(15)	10	(26)	(7)
		442	**482**	**235**	**21**
BASIC AND DILUTED EARNINGS PER SHARE (U.S. Dollars)		0.01	0.01	0.02	-
Weighted average number of ordinary shares outstanding (in thousands)		11,158,047	11,100,641	11,130,401	11,097,890

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2010
(In millions of U.S. Dollars)

	Notes	30 September 2010	31 December 2009
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	6	12,235	11,276
Goodwill		307	309
Other intangible assets		34	37
Investments in securities and other financial assets	7	801	627
Investments in associates		29	22
Deferred tax assets		115	115
Other non-current assets		19	17
Total non-current assets		13,540	12,403
CURRENT ASSETS:			
Inventories		1,045	856
Trade and other receivables		1,120	941
Investments in securities and other financial assets	7	246	221
Income tax receivable		29	12
Value added tax recoverable		191	235
Cash and cash equivalents	8	460	165
Total current assets		3,091	2,430
TOTAL ASSETS		**16,631**	**14,833**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital		386	386
Treasury shares		(28)	(67)
Share premium		1,105	1,103
Investments revaluation reserve		482	341
Translation reserve		(2,305)	(2,230)
Retained earnings		10,488	10,424
Equity attributable to shareholders of the Parent Company		10,128	9,957
Non-controlling interests		421	368
Total equity		10,549	10,325
NON-CURRENT LIABILITIES:			
Long-term borrowings	10	2,424	1,266
Obligations under finance leases		9	24
Retirement benefit obligations		27	19
Deferred tax liabilities		1,451	1,422
Total non-current liabilities		3,911	2,731
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	11	964	808
Current portion of obligations under finance leases		14	20
Current portion of retirement benefit obligations		3	2
Trade and other payables		1,169	928
Net assets attributable to minority participants		21	19
Total current liabilities		2,171	1,777
TOTAL EQUITY AND LIABILITIES		**16,631**	**14,833**

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 INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010
(In millions of U.S. Dollars)

		Attributable to shareholders of the Parent Company								
	Notes	Share capital	Treasury shares	Share premium	Investments revaluation reserve	Translation reserve	Retained earnings	Total	Non-controlling interests	Total
BALANCE AT 1 JANUARY 2009		**386**	**(72)**	**1,104**	**23**	**(1,970)**	**10,192**	**9,663**	**189**	**9,852**
Total comprehensive income for the period		-	-	-	235	(210)	3	**28**	(7)	**21**
Issuance of ordinary shares from treasury shares		-	4	(1)	-	-	-	**3**	-	**3**
Increase in non-controlling interest due to additional share issue by subsidiary	3	-	-	-	-	-	-	-	47	**47**
Increase in non-controlling interest due to acquisition of subsidiary	3	-	-	-	-	-	-	-	8	**8**
BALANCE AT 30 SEPTEMBER 2009		**386**	**(68)**	**1,103**	**258**	**(2,180)**	**10,195**	**9,694**	**237**	**9,931**
BALANCE AT 1 JANUARY 2010		**386**	**(67)**	**1,103**	**341**	**(2,230)**	**10,424**	**9,957**	**368**	**10,325**
Total comprehensive income for the period		-	-	-	141	(75)	195	**261**	(26)	**238**
Purchase of treasury shares		-	(21)	-	-	-	-	**(21)**	-	**(21)**
Issuance of ordinary shares from treasury shares		-	60	2	-	-	-	**62**	-	**62**
Decrease in non-controlling interests due to increase of Group's share in subsidiaries		-	-	-	-	-	2	**2**	(2)	**-**
Increase in non-controlling interests due to additional share issue by subsidiary	3	-	-	-	-	-	-	**-**	81	**81**
Dividends	9	-	-	-	-	-	(133)	**(133)**	-	**(133)**
BALANCE AT 30 SEPTEMBER 2010		**386**	**(28)**	**1,105**	**482**	**(2,305)**	**10,488**	**10,128**	**421**	**10,549**

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

(In millions of U.S. Dollars)

	Notes	Nine months ended 30 September 2010	Nine months ended 30 September 2009
OPERATING ACTIVITIES:			
Profit for the period		190	-
Adjustments to profit for the period:			
Income tax		59	-
Depreciation and amortisation		602	515
Finance costs		102	52
Loss on disposal of property, plant and equipment		83	79
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	3	-	(30)
Change in allowance for doubtful accounts receivable		48	37
Recovery of bad debts acquired as a part of business combination		(16)	-
Gain on revaluation and sale of trading securities, net		(21)	(71)
Change in inventory allowance and impairment		(8)	8
Finance income		(6)	(14)
Foreign exchange loss/(gain), net		38	(37)
Share of results of associates		(11)	33
Change in net assets attributable to minority participants		4	(4)
		1,064	568
Movements in working capital			
(Increase)/decrease in trade and other receivables		(246)	140
Decrease in value added tax recoverable		43	24
(Increase)/decrease in inventories		(185)	177
Decrease in investments classified as trading securities		29	10
Increase/(decrease) in trade and other payables		178	(333)
Cash generated from operations		883	586
Interest paid		(49)	(83)
Income tax (paid)/refunded		(74)	154
Net cash generated by operating activities		760	657
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(1,666)	(1,225)
Purchase of intangible assets		(7)	(7)
Proceeds from sale of property, plant and equipment		18	12
Acquisition of subsidiaries, net of cash acquired	3	-	(7)
Interest received		6	17
Purchase of securities and other financial assets		(38)	(6)
Proceeds from sale of securities and other financial assets		-	27
Net change in bank deposits		-	139
Dividends received from associate		1	4
Net cash used in investing activities		(1,686)	(1,046)

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (CONTINUED)

(In millions of U.S. Dollars)

		Nine months ended 30 September	
	Notes	**2010**	**2009**
FINANCING ACTIVITIES:			
Proceeds from borrowings		2,917	1,601
Repayments of borrowings		(1,676)	(1,630)
Proceeds from capital transactions of subsidiaries		49	22
Purchase of treasury shares		(21)	-
Proceeds from issuance of ordinary shares from treasury shares		62	3
Principal repayments of obligations under finance leases		(25)	(24)
Dividends paid to:			
- equity holders of the Parent Company	9	(64)	(16)
- minority participants		(2)	-
Net cash generated by/(used in) financing activities		1,240	(44)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		314	(433)
CASH AND CASH EQUIVALENTS, beginning of period		165	1,106
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies		(19)	(98)
CASH AND CASH EQUIVALENTS, end of period		**460**	**575**

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

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

1. GENERAL INFORMATION

OJSC Magnitogorsk Iron & Steel Works ("the Parent Company") is an open joint stock company as defined by the Civil Code of the Russian Federation. The Parent Company was established as a state owned enterprise in 1932. It was incorporated as an open joint stock company on 17 October 1992 as part of and in accordance with the Russian Federation privatisation 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 various sub-processes within the production cycle of ferrous metal products or in the distribution of those products. Since the acquisition of a controlling share in Belon Group, a Russian coal producer, in October 2009, the Group is also engaged in coal mining and sale thereof.

In the first half of 2009, the Group was significantly impacted by a severe fall in prices and demand for commodities, including steel. The Group responded to this market reversal by embarking on a cost-cutting program and renewed efforts to geographically diversify their product sales. During the second half of 2009 and the nine months of 2010 whilst prices remained weak, tonnages of steel shipped increased to approximately 86% of pre-crisis volumes.

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

At 30 September 2010 and 31 December 2009, the Group's principal subsidiaries were as follows:

		Effective and nominal % held at	
Subsidiary by country of incorporation	**Nature of business**	**30 September 2010**	**31 December 2009**
Russian Federation			
OJSC Metizno-Kalibrovochny Zavod "MMK-Metiz"	Production of metal hardware products	90.33	90.32
LLC IK RFC	Investing activities	100.00	100.00
CJSC Stroitelny Fond	Renting services	100.00	100.00
CJSC Stroitelny Komplex	Construction	100.00	100.00
CJSC Ogneupor	Production of refractory materials	100.00	100.00
CJSC Mekhanoremontny Komplex	Maintenance of metallurgical equipment	100.00	100.00
CJSC Mechanoremont	Renting services	100.00	98.93
OJSC MTSOZ	Production of cement and refractory materials	100.00	100.00
LLC Bakalskoe Rudoupravlenie	Mining	51.00	51.00
CJSC Profit	Collection and processing of metal scrap	100.00	100.00
LLC Torgovy Dom MMK	Trading activities	100.00	100.00
LLC TD MMK-Ural (former LLC Uralsibtrade)	Trading activities	100.00	100.00
LLC TD MMK-Moskva (former LLC MAGMA trade)	Trading activities	100.00	100.00
OJSC Belon	Holding company, trading activities	82.60	82.60
CJSC Shakhta Kostromovskaya	Coal mining	82.60	82.60
LLC Shakhta Listvyazhnaya	Coal mining	82.60	82.60
LLC Shakhta Chertinskaya-Yuzhnaya	Coal mining	82.60	82.60
LLC Shakhta Chertinskaya-Cocksovaya	Coal mining	82.60	82.60
CJSC OF Listvyazhnaya	Refining of coal	82.60	82.60

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

Subsidiary by country of incorporation	Nature of business	Effective and nominal % held at 30 September 2010	Effective and nominal % held at 31 December 2009
Cyprus			
Onarbay Enterprises Ltd	Holding company	100.00	100.00
Turkey			
MMK Atakas Metalurji	Construction of metal plant	50.00	50.00
Switzerland			
MMK Steel Trade AG	Trading activities	100.00	100.00
MMK Trading AG	Trading activities	99.60	99.60

The effective ownerships indicated in the table above are also the nominal holdings, except for CJSC Shakhta Kostromovskaya, LLC Shakhta Listvyazhnaya, LLC Shakhta Chertinskaya-Yuzhnaya, LLC Shakhta Chertinskaya-Cocksovaya and CJSC OF Listvyazhnaya where 100% is held by OJSC Belon.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These unaudited condensed consolidated interim financial statements for the nine months ended 30 September 2010 have been prepared in accordance with IAS 34 “Interim financial reporting” (“IAS 34”). The consolidated statement of financial position at 31 December 2009 has been derived from the consolidated statement of financial position included in the Group’s consolidated financial statements for the year ended 31 December 2009. These condensed consolidated interim financial statements do not include all of the information and disclosures 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 2009, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The same accounting policies and methods of computation have been followed in these condensed consolidated interim financial statements as were applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2009, except for the impact of the adoption of the Standards and Interpretations described below.

Adoption of new and revised standards and interpretations

The following new standards, amendments to standards or interpretations are adopted by the Group and effective for the financial year started on 1 January 2010:

- IFRS 2 “Share-based payment” – amendment;
- IFRS 5 “Non-current assets held for sale and discontinued operations” – amendment;
- IFRS 8 “Operating segments” (“IFRS 8”) – amendment;
- IAS 1 “Presentation of financial statements” – amendment;
- IAS 7 “Statement of cash flows” – amendment;
- IAS 17 “Leases” – amendment;
- IAS 36 “Impairment of assets” – amendment;
- IAS 39 “Financial instruments: recognition and measurement” – amendment;
- IFRIC 16 “Hedges of a net investment in a foreign operation”;
- IFRIC 17 “Distributions of non-cash assets to owners”.

The first time application of the aforementioned amendments to standards and interpretations from 1 January 2010 had no material effect on the financial statements of the Group.

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

3. ACQUISITION OF SUBSIDIARIES

During the nine months ended 30 September 2010 and 2009, a subsidiary of the Group, MMK Atakas Metalurji, issued additional ordinary shares for a total nominal value of USD 162 million and USD 94 million, respectively, to shareholders pro-rate to their existing holdings at the date of issuance. At 30 September 2010, the consideration for these shares of USD 32 million remained unpaid.

CJSC Profit

In June 2009, the Group acquired a 100% share in CJSC Profit, a holding company of Profit Group engaged in scrap collection and processing, for a total cash consideration of USD 15 million. Entities of the acquired group are incorporated in the Russian Federation and located throughout the Russian Federation, with a holding company located in Magnitogorsk. The scrap, collected by the Profit Group, is primarily sold to the Group. The acquisition of this strategic raw material supplier significantly strengthened the Group's security in terms of raw materials supplies.

This acquisition was accounted for using the acquisition method. Non-controlling interest was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

At the time of acquisition, the Group estimated the fair values of identifiable assets, liabilities and contingent liabilities of the acquired company on a provisional basis and reported the provisional results of acquisition in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2009. The purchase price allocation was finalised during the three months ended 30 September 2009 and as such the final purchase price allocation has been accounted for retrospectively, adjusting the previously reported amounts. The final purchase price allocation for the acquisition is as follows:

	Provisional value at the date of acquisition	Final value at the date of acquisition
ASSETS		
Property, plant and equipment	64	55
Investments in securities and other financial assets	20	19
Inventories	15	14
Trade and other receivables	38	38
Deferred tax assets	-	15
Cash and cash equivalents	8	8
	145	149
LIABILITIES		
Borrowings	19	6
Obligations under finance lease	9	11
Trade and other payables	36	71
Deferred tax liabilities	-	4
Net assets attributable to minority participants	5	4
	69	96
Net assets at the date of acquisition	76	53
Fair value of consideration given	15	15
Non-controlling interest	6	8
	21	23
Less: fair value of net assets of acquiree	(76)	(53)
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	**(55)**	**(30)**

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

The excess of the Group's share in the fair value of net assets acquired over the cost of acquisition in the amount of USD 30 million has been recorded in the unaudited condensed consolidated statement of comprehensive income. This excess relates in part to the relatively low activity in the scrap metal market as a result of the global economic crisis and also to the Group's dominant position as the main customer of Profit Group.

At the date of acquisition, CJSC Profit did not prepare consolidated financial statements in accordance with IFRS. Thus, it was not practicable to determine the carrying amounts of the acquired assets, liabilities and contingent liabilities in accordance with IFRS immediately before the acquisition, and they are not presented in these consolidated financial statements.

If the combination had taken place at the beginning of the year the Group's revenue would have been USD 3,439 million, profit before income tax and profit for the nine months ended 30 September 2009 would not change significantly.

4. REVENUE

	Three months ended 30 September		Nine months ended 30 September	
By product	**2010**	**2009**	**2010**	**2009**
Rolled steel	1,195	807	3,588	1,978
Galvanised steel	134	121	333	238
Assorted rolled products	138	128	307	324
Galvanised steel with polymeric coating	116	53	235	117
Coal	48	-	193	-
Tin plated steel	39	62	179	177
Wire, sling, bracing	64	51	151	92
Slabs	82	-	108	9
Hardware products	48	40	102	71
Coking production	34	16	96	30
Formed section	27	16	94	35
Band	24	16	70	54
Tubes	16	15	35	33
Scrap	13	12	27	12
Others	77	67	257	237
Total	**2,055**	**1,404**	**5,775**	**3,407**

	Three months ended 30 September		Nine months ended 30 September	
By customer destination	**2010**	**2009**	**2010**	**2009**
Russian Federation and the CIS	71%	63%	68%	64%
Iran	7%	8%	8%	7%
Italy	2%	2%	4%	2%
Turkey	4%	4%	4%	3%
Vietnam	2%	3%	1%	3%
India	-	3%	1%	3%
China	-	5%	-	6%
Others (countries each representing less than 2% of total revenue)	14%	12%	14%	12%
Total	**100%**	**100%**	**100%**	**100%**

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

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 in order to allocate resources to the segments and to assess their performance, and for which discrete financial information is available.

The reports used by the chief operating decision maker contain the following segments:

- *Steel segment*, which includes the 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; and
- *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.

Prior to acquisition of controlling interest in Belon Group in October 2009, the Group operated in a single business segment, which was composed of the manufacturing of semi-finished and finished steel products.

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

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

	Three months ended 30 September 2010			
	Steel	**Coal mining**	**Eliminations**	**Total**
Revenue				
Sales to external customers	2,036	19	-	2,055
Inter-segment sales	-	87	(87)	-
Total revenue	**2,036**	**106**	**(87)**	**2,055**
Segment EBITDA	**350**	**38**	**-**	**388**
Depreciation and amortisation	(180)	(20)	-	(200)
Loss on disposal of property, plant and equipment	(30)	(5)	-	(35)
Share of results of associates	(3)	-	-	(3)
Operating profit per IFRS financial statements	**137**	**13**	**-**	**150**

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

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

	Nine months ended 30 September 2010			
	Steel	**Coal mining**	**Eliminations**	**Total**
Revenue				
Sales to external customers	5,664	111	-	5,775
Inter-segment sales	-	285	(285)	-
Total revenue	**5,664**	**396**	**(285)**	**5,775**
Segment EBITDA	**1,034**	**165**	**-**	**1,199**
Depreciation and amortisation	(539)	(63)	-	(602)
Loss on disposal of property, plant and equipment	(66)	(17)	-	(83)
Share of results of associates	(11)	-	-	(11)
Operating profit per IFRS financial statements	**418**	**85**	**-**	**503**

At 30 September 2010 and 31 December 2009, the segments' total assets and liabilities were reconciled to total assets and liabilities as follows:

	30 September 2010			
	Steel	**Coal mining**	**Eliminations**	**Total**
Total assets	16,182	1,208	(759)	16,631
Total liabilities	5,752	720	(390)	6,082

	31 December 2009			
	Steel	**Coal mining**	**Eliminations**	**Total**
Total assets	14,381	1,204	(752)	14,833
Total liabilities	4,145	745	(382)	4,508

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

6. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Trans-portation equipment	Fixtures and fittings	Mining assets	Construction-in-progress	Total
Cost							
At 31 December 2008	**2,466**	**6,458**	**215**	**158**	**25**	**1,841**	**11,163**
Additions	13	151	14	5	4	1,355	1,542
Acquisition through business combinations	344	330	28	6	222	177	1,107
Transfers	578	801	8	10	-	(1,397)	-
Disposals	(18)	(176)	(11)	(2)	-	(16)	(223)
Effect of translation to presentation currency	(50)	(158)	(6)	(4)	(7)	(61)	(286)
At 31 December 2009	**3,333**	**7,406**	**248**	**173**	**244**	**1,899**	**13,303**
Additions	109	164	13	6	21	1,389	1,702
Transfers	295	506	20	28	43	(892)	-
Disposals	(14)	(75)	(10)	(3)	-	(15)	(117)
Effect of translation to presentation currency	(18)	(38)	(5)	(2)	(1)	(11)	(75)
At 30 September 2010	**3,705**	**7,963**	**266**	**202**	**307**	**2,370**	**14,813**
Depreciation							
At 31 December 2008	**(337)**	**(995)**	**(54)**	**(25)**	**(1)**	**-**	**(1,412)**
Charge for the year	(188)	(492)	(28)	(15)	(2)	-	(725)
Disposals	3	88	5	1	-	-	97
Effect of translation to presentation currency	1	11	1	-	-	-	13
At 31 December 2009	**(521)**	**(1,388)**	**(76)**	**(39)**	**(3)**	**-**	**(2,027)**
Charge for the period	(121)	(434)	(21)	(13)	(5)	-	(594)
Disposals	4	22	5	1	-	-	32
Effect of translation to presentation currency	3	9	1	-	(2)	-	11
At 30 September 2010	**(635)**	**(1,791)**	**(91)**	**(51)**	**(10)**	**-**	**(2,578)**
Carrying amount							
At 31 December 2009	**2,812**	**6,018**	**172**	**134**	**241**	**1,899**	**11,276**
At 30 September 2010	**3,070**	**6,172**	**175**	**151**	**297**	**2,370**	**12,235**

At 30 September 2010, construction-in-progress includes capitalised expenses, related to the implementation of large investment projects by the Group, including the construction of a new metallurgical plant in Turkey and a cold rolling mill, intended for production of high quality cold rolled metal products.

At 30 September 2010 and 31 December 2009, property, plant and equipment with carrying amount of USD 1,280 million and USD 1,086 million, respectively, were pledged as security for certain long-term and short-term borrowings (Notes 10 and 11).

No impairment of property, plant and equipment was recognised in the nine months ended 30 September 2010 and 2009 or in the year ended 31 December 2009.

Capital commitments are disclosed in Note 13.

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

7. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	30 September 2010	31 December 2009
Non-current		
Available-for-sale investments, at fair value		
Listed equity securities	788	616
Unlisted securities	5	5
Loans and receivables, at amortised cost		
Long-term loans	8	6
Total non-current	**801**	**627**
Current		
Held-to-maturity investments, at amortised cost		
Promissory notes receivable	1	3
Loans and receivables, at amortised cost		
Short-term loans	44	10
Financial assets, at fair value through profit or loss		
Trading equity securities	177	186
Trading debt securities	18	16
Share in mutual investment fund	6	6
Total current	**246**	**221**

Non-current listed equity securities classified as available for sale represent investments in equity securities of a foreign entity, where the Group has less than a 20% equity interest and no significant influence. At 30 September 2010 and 31 December 2009, the investments revaluation reserve resulting from unrealised holding gains on these securities was USD 482 million and USD 341 million, respectively, net of related income tax effect of USD 120 million and USD 85 million, respectively.

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

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

Net gain on revaluation and sale of trading securities for the nine months ended 30 September 2010 and 2009 was USD 21 million and USD 71 million, respectively. These results are included in other operating expenses, net in the unaudited condensed consolidated interim statement of comprehensive income.

8. CASH AND CASH EQUIVALENTS

	30 September 2010	31 December 2009
Cash in banks, RUB	288	80
Cash in banks, EUR	71	30
Cash in banks, USD	70	32
Bank deposits, USD	2	1
Bank deposits, TRY	2	-
Bank deposits, RUB	-	4
Bank deposits, EUR	-	1
Bank promissory notes, RUB	27	17
Total	**460**	**165**

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

9. DIVIDENDS

At 21 May 2010, the Parent Company declared a final dividend of RUB 0.37 (USD 0.01) per ordinary share in respect of the year ended 31 December 2009 representing a total dividend of USD 134 million. Of this total, USD 1 million was attributable to the Group's subsidiary.

For the nine months ended 30 September 2010 and 2009, the Group paid dividends relating to prior years of USD 64 million and USD 16 million, respectively.

10. LONG-TERM BORROWINGS

		Annual interest rate, actual at			
	Type of interest rate	**30 September 2010**	**31 December 2009**	**30 September 2010**	**31 December 2009**
Unsecured listed bonds, RUB	Fixed	9%	10%	713	354
Secured loans, USD	Floating	6%	7%	422	262
Secured loans, EUR	Floating	2%	4%	12	73
Secured loans, EUR	Fixed	7%	-	339	-
Unsecured loans, USD	Floating	1%	1%	359	446
Unsecured loans, USD	Fixed	5%	4%	269	79
Unsecured loans, RUB	Fixed	13%	14%	56	27
Unsecured loans, EUR	Fixed	4%	9%	10	1
Unsecured loans, EUR	Floating	3%	-	229	-
Secured letter of credit, USD	Floating	-	1%	-	1
Secured letter of credit, EUR	Floating	2%	2%	15	23
Total				**2,424**	**1,266**

The information provided below refers to total long-term borrowings, including current portion, identified in Note 11.

Bonds

In April 2010, the Parent Company of the Group issued bonds to the value of RUB 8,000 million on the Moscow Interbank Stock Exchange (USD 273 million at the date of issuance), bearing semi-annual coupon at 7.65% per annum, repayable in April 2013.

In September 2010, the Parent Company of the Group issued bonds to the value of RUB 5,000 million on the Moscow Interbank Stock Exchange (USD 161 million at the date of issuance), bearing semi-annual coupon at 6.47% per annum, repayable in March 2012.

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 2010 and 31 December 2009, the total unused element of all credit facilities was USD 1,390 million and USD 1,840 million, respectively.

At 30 September 2010 and 31 December 2009, long-term loans were secured by the Group's property, plant and equipment with a net carrying amount of USD 1,278 million and USD 1,083 million, respectively, and shares in a subsidiary of USD 279 million and USD 201 million, respectively.

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

Debt repayment schedule

Year ended 30 September,	
2011 (presented as current portion of long-term borrowings, Note 11)	739
2012	868
2013	538
2014	254
2015 and thereafter	764
Total	**3,163**

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

	Type of interest rate	Annual interest rate, actual at 30 September 2010	Annual interest rate, actual at 31 December 2009	30 September 2010	31 December 2009
Short-term borrowings:					
Secured loans, USD	Floating	2%	2%	211	201
Secured loans, EUR	Floating	1%	2%	14	84
Secured loans, RUB	Fixed	-	18%	-	2
Unsecured loans, RUB	Fixed	-	12%	-	28
Secured letter of credit, USD	Floating	-	2%	-	1
Secured letter of credit, EUR	Floating	-	2%	-	2
				225	318
Current portion of long-term borrowings:					
Unsecured listed bonds, RUB	Fixed	10%	10%	229	202
Secured loans, RUB	Fixed	-	16%	-	74
Secured loans, EUR	Fixed	7%	-	15	-
Secured loans, USD	Floating	6%	6%	114	47
Secured loans, EUR	Floating	2%	2%	1	2
Unsecured loans, USD	Floating	2%	2%	287	108
Unsecured loans, EUR	Floating	3%	-	22	-
Unsecured loans, RUB	Fixed	12%	11%	3	19
Unsecured loans, USD	Fixed	5%	5%	52	30
Unsecured loans, EUR	Fixed	4%	8%	2	2
Secured letter of credit, USD	Floating	1%	-	1	-
Secured letter of credit, EUR	Floating	2%	2%	13	6
				739	490
Total				**964**	**808**

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

The weighted average interest rates of short-term borrowings at 30 September 2010 and 31 December 2009 were as follows:

	30 September 2010	31 December 2009
RUB-denominated	10%	12%
USD-denominated	3%	3%
EUR-denominated	3%	2%

At 30 September 2010 and 31 December 2009, short-term borrowings were secured by property, plant and equipment with a net carrying amount of USD 2 million and USD 3 million, respectively, inventory of nil and USD 1 million, respectively, and certain future revenue streams.

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

	30 September 2010	31 December 2009
Due in:		
1 month	80	73
1-3 months	420	248
3 months to 1 year	464	487
Total	**964**	**808**

12. RELATED PARTIES

Transactions and balances outstanding with related parties

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

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

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

CJSC Profit

CJSC Profit, a company which was affiliated with the Group’s controlling shareholders, purchases scrap metal from third parties and Group entities and sells it to the Group. In 2008, CJSC Profit also reprocessed scrap metal prior to selling it to the Group. CJSC Profit was acquired by the Group in June 2009.

The Group also provided loans to the company. At the date of acquisition, there were no outstanding loans.

LLC MEK

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

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

OJSC CUB

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

LLC MMK Trans

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

CJSC Kazankovskaya Mine

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

OJSC Belon

OJSC Belon, the Group's former associate, a coal-producer, located in the Russian Federation, supplies coal to the Group at market terms. The Group acquired an additional 50% of Onarbay Enterprises Ltd, the parent of OJSC Belon, in October 2009. Following this acquisition, the Group obtained control over Onarbay Enterprises Ltd.

Details of transactions with and balances between the Group and related parties at 30 September 2010 and 31 December 2009 and for the nine months ended 30 September 2010 and 2009 are disclosed below.

	Three months ended 30 September		Nine months ended 30 September	
Transactions	**2010**	**2009**	**2010**	**2009**
Revenue				
LLC MEK	-	-	1	1
OJSC Belon	-	2	-	3
Total	**-**	**2**	**1**	**4**
Purchases				
LLC MEK	51	31	132	59
LLC MMK Trans	27	18	66	39
OJSC Belon	-	23	-	72
CJSC Profit	-	-	-	19
Total	**78**	**72**	**198**	**189**
Bank charges				
OJSC CUB	1	2	3	4
Bank loans and overdrafts obtained				
OJSC CUB	-	12	1	21
Bank loans and overdrafts repaid				
OJSC CUB	-	4	19	16
Dividend income from associate				
LLC MMK Trans	-	-	4	4

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

Balances	**30 September 2010**	**31 December 2009**
Cash and cash equivalents		
OJSC CUB	84	28
Loans and overdraft facilities		
OJSC CUB	-	18
Accounts receivable		
LLC MMK Trans	4	11
Accounts payable		
LLC MEK	6	2
LLC MMK Trans	3	-
Total	**9**	**2**

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

Remuneration of the Group's key management personnel

Key management personnel of the Group receive only short-term employment benefits. For the nine months ended 30 September 2010 and 2009, key management personnel received as compensation USD 10 million and USD 9 million, respectively.

13. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 September 2010, the Group executed non-binding purchase agreements of approximately USD 1,595 million to acquire property, plant and equipment (at 31 December 2009 – USD 2,086 million). Penalties are payable or receivable under these agreements in certain circumstances and where supply terms are not adhered to. Management does not expect such conditions to result in a loss to the Group.

Issued guarantees

At 30 September 2010 and 31 December 2009, amounts related to financial guarantees given by the Group to third parties were as follows:

	30 September 2010	**31 December 2009**
Non-current	4	16
Current	-	17
Total	**4**	**33**

Contingencies

Taxation contingencies in the Russian Federation

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

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

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

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

Russian Federation risk

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

14. EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

There were no events after the date of statement of financial position that would require special disclosure or adjustment to these condensed consolidated interim financial statements.

15. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements for the nine months ended 30 September 2010 were approved by the Group’s management and authorised for issue on 30 November 2010.