Open Joint Stock Company Magnitogorsk Iron & Steel Works and Subsidiaries

Independent Auditors' Review Report

Unaudited Condensed Consolidated Interim Financial Statements

For the Three Months Ended 31 March 2010

OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2010

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

Management is responsible for the preparation of the unaudited condensed consolidated interim financial statements that present fairly the financial position of the Group at 31 March 2010, and the results of its operations, changes in equity and cash flows for the three months then ended, in compliance with International Accounting Standard 34 "Interim Financial Reporting".

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

- 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 three months ended 31 March 2010 were approved on 9 June 2010 by:

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

9 June 2010
Magnitogorsk, Russia

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

To the shareholders of OJSC Magnitogorsk Iron & Steel Works:

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Open Joint Stock Company Magnitogorsk Iron & Steel Works and its subsidiaries (the "Group"), which comprise the condensed consolidated interim statement of financial position at 31 March 2010 and the related condensed consolidated interim statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and the explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

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

Deloitte + Touche

9 June 2010
Moscow, Russia

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2010

(In millions of U.S. Dollars, except per share data)

	Notes	Three months ended 31 March 2010	2009
REVENUE	3	1,652	965
COST OF SALES		(1,229)	(853)
GROSS PROFIT		**423**	**112**
General and administrative expenses		(125)	(64)
Selling and distribution expenses		(148)	(94)
Other operating (expenses)/income, net		(15)	1
OPERATING PROFIT/(LOSS)		**135**	**(45)**
Share of results of associates		4	(20)
Finance income		4	6
Finance costs		(31)	(25)
Foreign exchange gain/(loss), net		40	(8)
Change in net assets attributable to minority participants		-	2
Other income		1	1
Other expenses		(32)	(22)
PROFIT/(LOSS) BEFORE INCOME TAX		**121**	**(111)**
INCOME TAX		(27)	1
PROFIT/(LOSS) FOR THE PERIOD		**94**	**(110)**
OTHER COMPREHENSIVE INCOME/(LOSSES)			
Increase in fair value of available-for-sale investments		65	89
Income tax related to increase in fair value of available-for-sale investments		(13)	(18)
Translation of foreign operations		18	-
Effect of translation to presentation currency		313	(1,344)
OTHER COMPREHENSIVE INCOME/(LOSSES) FOR THE PERIOD, NET OF TAX		**383**	**(1,273)**
TOTAL COMPREHENSIVE INCOME/(LOSSES) FOR THE PERIOD		**477**	**(1,383)**
Profit/(loss) attributable to:			
Shareholders of the Parent Company		93	(108)
Non-controlling interests		1	(2)
		94	**(110)**
Total comprehensive income/(losses) attributable to:			
Shareholders of the Parent Company		456	(1,355)
Non-controlling interests		21	(28)
		477	**(1,383)**
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE (U.S. Dollars)		0.01	(0.01)
Weighted average number of ordinary shares outstanding (in thousands)		11,102,421	11,095,336

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

OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2010
(In millions of U.S. Dollars)

	Notes	31 March 2010	31 December 2009
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	5	11,981	11,276
Goodwill		318	309
Other intangible assets		37	37
Investments in securities and other financial assets	6	711	627
Investments in associates		27	22
Deferred tax assets		113	115
Other non-current assets		3	17
Total non-current assets		13,190	12,403
CURRENT ASSETS:			
Inventories		882	856
Trade and other receivables		1,074	941
Investments in securities and other financial assets	6	245	221
Income tax receivable		6	12
Value added tax recoverable		252	235
Cash and cash equivalents	7	173	165
Total current assets		2,632	2,430
TOTAL ASSETS		**15,822**	**14,833**
EQUITY AND LIABILITIES			
EQUITY:			
Share capital		386	386
Treasury shares		(67)	(67)
Share premium		1,103	1,103
Investments revaluation reserve		393	341
Translation reserve		(1,919)	(2,230)
Retained earnings		10,519	10,424
Equity attributable to shareholders of the Parent Company		10,415	9,957
Non-controlling interests		387	368
Total equity		10,802	10,325
NON-CURRENT LIABILITIES:			
Long-term borrowings	8	1,554	1,266
Obligations under finance leases		18	24
Retirement benefit obligations		22	19
Deferred tax liabilities		1,478	1,422
Total non-current liabilities		3,072	2,731
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	9	846	808
Current portion of obligations under finance leases		20	20
Current portion of retirement benefit obligations		3	2
Trade and other payables		1,059	928
Net assets attributable to minority participants		20	19
Total current liabilities		1,948	1,777
TOTAL EQUITY AND LIABILITIES		**15,822**	**14,833**

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

OPEN JOINT STOCK COMPANY
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2010
(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**
BALANCE AT 1 JANUARY 2009	**386**	**(72)**	**1,104**	**23**	**(1,970)**	**10,192**	**9,663**	**189**	**9,852**
Total comprehensive loss for the period	-	-	-	71	(1,318)	(108)	**(1,355)**	(28)	**(1,383)**
BALANCE AT 31 MARCH 2009	**386**	**(72)**	**1,104**	**94**	**(3,288)**	**10,084**	**8,308**	**161**	**8,469**
BALANCE AT 1 JANUARY 2010	**386**	**(67)**	**1,103**	**341**	**(2,230)**	**10,424**	**9,957**	**368**	**10,325**
Total comprehensive income for the period	-	-	-	52	311	93	**456**	21	**477**
Purchase of treasury shares	-	(1)	-	-	-	-	**(1)**	-	**(1)**
Issuance of ordinary shares from treasury shares	-	1	-	-	-	-	**1**	-	**1**
Decrease in non-controlling interests due to increase of Group's share in subsidiaries	-	-	-	-	-	2	**2**	(2)	-
BALANCE AT 31 MARCH 2010	**386**	**(67)**	**1,103**	**393**	**(1,919)**	**10,519**	**10,415**	**387**	**10,802**

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2010

(In millions of U.S. Dollars)

	Three months ended 31 March	
	2010	**2009**
OPERATING ACTIVITIES:		
Profit/(loss) for the period	94	(110)
Adjustments to profit for the period:		
Income tax	27	(1)
Depreciation and amortization	200	160
Finance costs	31	25
Loss on disposal of property, plant and equipment	25	4
Change in allowance for doubtful accounts receivable	11	(1)
Gain on revaluation and sale of trading securities	(20)	(1)
Inventory allowance and impairment	(9)	2
Finance income	(4)	(6)
Foreign exchange (gain)/loss, net	(40)	8
Share of results of associates	(4)	20
Change in net assets attributable to minority participants	-	(2)
	311	98
Movements in working capital		
(Increase)/decrease in trade and other receivables	(116)	9
(Increase)/decrease in value added tax recoverable	(10)	107
Decrease in inventories	9	157
Decrease in investments classified as trading securities	2	6
Increase/(decrease) in trade and other payables	153	(290)
Cash generated from operations	349	87
Interest paid	(13)	(32)
Income tax (paid)/refunded	(15)	56
Net cash generated by operating activities	321	111
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(620)	(358)
Purchase of intangible assets	(2)	(3)
Proceeds from sale of property, plant and equipment	3	8
Interest received	4	3
Purchase of securities and other financial assets	-	(4)
Proceeds from sale of securities and other financial assets	2	10
Net change in bank deposits	-	3
Net cash used in investing activities	(613)	(341)

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2010 (CONTINUED)

(In millions of U.S. Dollars)

	Three months ended 31 March	
	2010	**2009**
FINANCING ACTIVITIES:		
Proceeds from borrowings	906	580
Repayments of borrowings	(615)	(408)
Purchase of treasury shares	(1)	-
Proceeds from issuance of ordinary shares from treasury shares	1	-
Principal repayments of obligations under finance leases	(9)	(5)
Dividends paid	-	(16)
Net cash generated by financing activities	282	151
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10)	(79)
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	18	(120)
CASH AND CASH EQUIVALENTS, end of period	**173**	**907**

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

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

1. GENERAL INFORMATION

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

The Parent Company, together with its subsidiaries ("the Group"), is a producer of ferrous metal products. The Group's products are sold in the Russian Federation and internationally. The subsidiaries of the Parent Company are mainly involved in the various sub-processes within the production cycle of ferrous metal products or in the distribution of those products. Since the acquisition of a controlling share in Belon Group, 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. This decline began in the latter part of 2008 and is directly associated with the worldwide economic slowdown. 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 first quarter of 2010 whilst prices remained weak, tonnages of steel shipped increased to approximately 75% of pre-crisis volumes. Additionally the Group improved its liquidity position by securing longer term financing to replace existing short term borrowings.

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

At 31 March 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**	**31 March 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	82.63	82.60
CJSC Shakhta Kostromovskaya	Coal mining	82.63	82.60
LLC Shakhta Listvyazhnaya	Coal mining	82.63	82.60
LLC Shakhta Chertinskaya-Yuzhnaya	Coal mining	82.63	82.60
LLC Shakhta Chertinskaya-Cocksovaya	Coal mining	82.63	82.60
CJSC OF Listvyazhnaya	Refining of coal	82.63	82.60

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

Subsidiary by country of incorporation	Nature of business	Effective and nominal % held at 31 March 2010	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 three months ended 31 March 2010 have been prepared in accordance with IAS 34 “Interim financial reporting” (“IAS 34”). The statement of financial position at 31 December 2009 has been derived from the statement of financial position included in the Group’s financial statements at 31 December 2009. These condensed consolidated interim financial statements do not include all of the information and disclosure required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 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 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)

Basis of preparation

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

3. REVENUE

By product	Three months ended 31 March 2010	2009
Rolled steel	1,079	590
Galvanized steel	82	50
Assorted rolled products	77	105
Coal	77	-
Tin plated steel	49	30
Galvanized steel with polymeric coating	42	28
Formed section	31	9
Coking production	28	5
Hardware products	24	12
Wire, sling, bracing	20	22
Band	17	20
Tubes	8	7
Scrap	8	-
Slabs	-	6
Others	110	81
Total	**1,652**	**965**

By customer destination	Three months ended 31 March 2010	2009
Russian Federation and the CIS	67%	65%
Iran	11%	4%
Turkey	5%	3%
Italy	4%	4%
India	1%	4%
China	-	6%
Vietnam	-	2%
Others (countries each representing less than 2% of total net revenue)	12%	12%
Total	**100%**	**100%**

4. 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.

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

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

- *Steel segment*, which includes Parent Company and its subsidiaries involved in production of steel, wire and hardware products. All significant assets, production and management and administrative facilities of this segment are located in the city of Magnitogorsk, the Russian Federation; 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, the 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 loss on disposal of property, plant and equipment, and to include the share of result of associates, including the impairment of investments in associates, and gain on revaluation of investment in associate upon acquisition of majority ownership. Since this term is not a standard measure in IFRS the Group's definition of EBITDA may differ from that of other companies.

The following table presents measures of segment results for the three months ended 31 March 2010:

	Three months ended 31 March 2010			
	Steel	**Coal mining**	**Eliminations**	**Total**
Revenue				
Sales to external customers	1,589	63	-	1,652
Inter-segment sales	-	87	(87)	-
Total revenue	**1,589**	**150**	**(87)**	**1,652**
Segment EBITDA	**307**	**57**	**-**	**364**
Depreciation and amortisation	(179)	(21)	-	(200)
Loss on disposal of property, plant and equipment	(13)	(12)	-	(25)
Share of results of associates	(4)	-	-	(4)
Operating profit per IFRS financial statements	**111**	**24**	**-**	**135**

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

	31 March 2010			
	Steel	**Coal mining**	**Eliminations**	**Total**
Total assets	15,377	1,234	(789)	15,822
Total liabilities	4,681	746	(407)	5,020

	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)

5. 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	11	61	2	3	2	508	587
Transfers	188	227	6	15	-	(436)	-
Disposals	(10)	(18)	(2)	(1)	-	(2)	(33)
Effect of translation to presentation currency	103	229	7	4	9	57	409
At 31 March 2010	**3,625**	**7,905**	**261**	**194**	**255**	**2,026**	**14,266**
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	(41)	(145)	(7)	(4)	-	-	(197)
Disposals	-	4	1	-	-	-	5
Effect of translation to presentation currency	(16)	(43)	(3)	(3)	(1)	-	(66)
At 31 March 2010	**(578)**	**(1,572)**	**(85)**	**(46)**	**(4)**	**-**	**(2,285)**
Carrying amount							
At 31 December 2009	**2,812**	**6,018**	**172**	**134**	**241**	**1,899**	**11,276**
At 31 March 2010	**3,047**	**6,333**	**176**	**148**	**251**	**2,026**	**11,981**

At 31 March 2010, construction-in-progress includes capitalised expenses, related to the implementation of large investment projects by the Group, including the construction of a continuous-casting plant, a new metallurgical plant in Turkey and a cold rolling mill, intended for production of high quality cold rolled metal products.

At 31 March 2010 and 31 December 2009, property, plant and equipment with carrying amounts of USD 923 million and USD 1,086 million, respectively, were pledged as security for certain long-term and short-term borrowings (Notes 8 and 9).

No impairment of property, plant and equipment was recognized in the three months ended 31 March 2010 and 2009 or in the year ended 31 December 2009.

Capital commitments are disclosed in Note 11.

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

6. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS

	31 March 2010	31 December 2009
Non-current		
Available-for-sale investments, at fair value		
Listed equity securities	700	616
Unlisted securities	5	5
Loans and receivables, at amortized cost		
Long-term loans	6	6
Total non-current	**711**	**627**
Current		
Held-to-maturity investments, at amortized cost		
Promissory notes receivable	2	3
Loans and receivables, at amortized cost		
Short-term loans	9	10
Financial assets, at fair value through profit or loss		
Trading equity securities	211	186
Trading debt securities	17	16
Share in mutual investment fund	6	6
Total current	**245**	**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 31 March 2010 and 31 December 2009, investments revaluation reserve resulting from unrealized holding gains on these securities was USD 393 million and USD 341 million, respectively, net of related income tax effect of USD 98 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 three months ended 31 March 2010 and 2009 was USD 20 million and USD 1 million, respectively. These results are included in other operating income in the unaudited condensed consolidated interim statement of comprehensive income.

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

7. CASH AND CASH EQUIVALENTS

	31 March 2010	31 December 2009
Cash in banks, USD	52	32
Cash in banks, RUB	51	80
Cash in banks, EUR	41	30
Bank deposits, USD	13	1
Bank deposits, EUR	1	1
Bank deposits, TRY	1	-
Bank deposits, RUB	-	4
Bank promissory notes, RUB	14	17
Total	**173**	**165**

8. LONG-TERM BORROWINGS

	Type of interest rate	Annual interest rate, actual at 31 March 2010	Annual interest rate, actual at 31 December 2009	31 March 2010	31 December 2009
Unsecured listed bonds, RUB	Fixed	10%	10%	369	354
Secured loans, USD	Floating	6%	7%	361	262
Secured loans, EUR	Floating	-	4%	-	73
Secured loans, EUR	Fixed	8%	-	94	-
Unsecured loans, USD	Floating	1%	1%	445	446
Unsecured loans, USD	Fixed	5%	4%	149	79
Unsecured loans, RUB	Fixed	14%	14%	22	27
Unsecured loans, EUR	Fixed	4%	9%	7	1
Unsecured loans, EUR	Floating	2%	-	84	-
Secured letter of credit, USD	Floating	1%	1%	1	1
Secured letter of credit, EUR	Floating	2%	2%	22	23
Total				**1,554**	**1,266**

The information provided below refers to total long-term borrowings, including current portion, identified in Note 9.

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 31 March 2010 and 31 December 2009, the total unused element of all credit facilities was USD 1,546 million and USD 1,840 million, respectively.

At 31 March 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 914 million and USD 1,083 million, respectively, and shares in a subsidiary of USD 207 million and USD 201 million, respectively.

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

Debt repayment schedule

Year ended 31 March,	
2011 (presented as current portion of long-term borrowings, Note 9)	562
2012	635
2013	223
2014	171
2015 and thereafter	525
Total	**2,116**

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

		Annual interest rate, actual at			
	Type of interest rate	**31 March 2010**	**31 December 2009**	**31 March 2010**	**31 December 2009**
Short-term borrowings:					
Secured loans, USD	Floating	3%	2%	182	201
Secured loans, EUR	Floating	3%	2%	70	84
Secured loans, RUB	Fixed	14%	18%	1	2
Unsecured loans, RUB	Fixed	12%	12%	28	28
Secured letter of credit, USD	Floating	2%	2%	1	1
Secured letter of credit, EUR	Floating	2%	2%	2	2
				284	318
Current portion of long-term borrowings:					
Unsecured listed bonds, RUB	Fixed	10%	10%	215	202
Secured loans, RUB	Fixed	14%	16%	3	74
Secured loans, USD	Floating	5%	6%	63	47
Secured loans, EUR	Floating	-	2%	-	2
Unsecured loans, USD	Floating	2%	2%	225	108
Unsecured loans, EUR	Floating	2%	-	1	-
Unsecured loans, RUB	Fixed	12%	11%	17	19
Unsecured loans, USD	Fixed	5%	5%	31	30
Unsecured loans, EUR	Fixed	8%	8%	1	2
Secured letter of credit, EUR	Floating	2%	2%	6	6
				562	490
Total				**846**	**808**

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

	31 March 2010	**31 December 2009**
RUB-denominated	10%	12%
USD-denominated	3%	3%
EUR-denominated	3%	2%

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

At 31 March 2010 and 31 December 2009, short-term borrowings were secured by property, plant and equipment with a net carrying amount of USD 9 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:

	31 March 2010	31 December 2009
Due in:		
1 month	53	73
1-3 months	267	248
3 months to 1 year	526	487
Total	**846**	**808**

10. 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 shareholders, sells electric power to the Group.

OJSC CUB

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

LLC MMK Trans

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

CJSC Kazankovskaya Mine

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

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

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 31 March 2010 and 31 December 2009 and for the three months ended 31 March 2010 and 2009 are disclosed below.

	Three months ended 31 March	
Transactions	**2010**	**2009**
Revenue		
LLC MEK	1	-
Purchases		
LLC MEK	35	13
LLC MMK Trans	18	10
OJSC Belon	-	25
CJSC Profit (scrap)	-	1
Total	53	49
Bank charges		
OJSC CUB	1	1
Bank loans and overdrafts obtained		
OJSC CUB	1	7
Bank loans and overdrafts repaid		
OJSC CUB	3	1

Balances	**31 March 2010**	**31 December 2009**
Cash and cash equivalents		
OJSC CUB	38	28
Loans and overdraft facilities		
OJSC CUB	17	18
Accounts receivable		
LLC MMK Trans	7	11
Accounts payable		
LLC MEK	8	2
LLC MMK Trans	8	-
Total	16	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 three months ended 31 March 2010 and 2009, key management personnel received as compensation USD 3 million and USD 3 million, respectively.

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

11. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 31 March 2010, the Group executed non-binding purchase agreements of approximately USD 1,951 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 31 March 2010 and 31 December 2009, amounts related to financial guarantees given by the Group to third parties were as follows:

	31 March 2010	31 December 2009
Non-current	12	16
Current	11	17
Total	**23**	**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 characterized by numerous taxes, frequent changes and inconsistent enforcement at federal, regional and local levels.

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

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

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

Russian Federation risk

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

12. EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

In April 2010, Parent Company of the Group issued RUB 8,000 million of bonds on 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.

At 21 May 2010, the Parent Company declared a final dividend of RUB 0.37 (USD 0.01) per common 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 Group entities.

13. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements for the three months ended 31 March 2010 were approved by the Group's management and authorized for issue on 9 June 2010.