

# **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 2014

# OPEN JOINT STOCK COMPANY MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES

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# 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 2014

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

Management is responsible for the preparation of the unaudited condensed consolidated interim financial statements that present the financial position of the Group at 30 June 2014, and the results of its operations for the three and six months ended 30 June 2014, changes in equity and cash flows for 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:

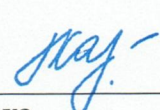
- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the 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 2014 were approved on 20 August 2014 by:

  
P.V. Shilyaev  
General Director

20 August 2014

Magnitogorsk, Russia

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



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## **Auditors' Report on Review of Condensed Consolidated Interim Financial Statements**

To the Shareholders  
OJSC Magnitogorsk Iron & Steel Works

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of OJSC Magnitogorsk Iron & Steel Works (the "Company") and its subsidiaries (the "Group") as at 30 June 2014, and the related condensed consolidated statements of comprehensive income for the three- and six-month periods ended 30 June 2014, and the related condensed consolidated 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 these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

### *Scope of Review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements as at 30 June 2014 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.

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

ZAO KPMG

20 August 2014

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 STATEMENT OF COMPREHENSIVE INCOME  
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2014  
(In millions of U.S. Dollars, except per share data)**

	Notes	Three months ended 30 June		Six months ended 30 June	
		2014	2013	2014	2013
REVENUE	4	2,211	2,161	4,090	4,444
COST OF SALES		(1,764)	(1,834)	(3,293)	(3,802)
GROSS PROFIT		<b>447</b>	<b>327</b>	<b>797</b>	<b>642</b>
General and administrative expenses	6	(109)	(140)	(219)	(273)
Selling and distribution expenses		(146)	(139)	(290)	(311)
Other operating (expenses)/income, net	7	(3)	(17)	(21)	99
OPERATING PROFIT		<b>189</b>	<b>31</b>	<b>267</b>	<b>157</b>
Share of results of associates		1	-	1	1
Finance income		1	2	2	5
Finance costs		(46)	(44)	(97)	(93)
Reversal of impairment/(impairment losses) on non-current assets	8	7	-	7	(50)
Foreign exchange gain/(loss) , net		86	(100)	(32)	(96)
Change in net assets attributable to non-controlling interest		-	(1)	-	-
Other income		2	4	2	5
Other expenses		(28)	(41)	(52)	(85)
PROFIT/(LOSS) BEFORE INCOME TAX		<b>212</b>	<b>(149)</b>	<b>98</b>	<b>(156)</b>
INCOME TAX		(53)	(6)	(18)	20
PROFIT/(LOSS) FOR THE PERIOD		<b>159</b>	<b>(155)</b>	<b>80</b>	<b>(136)</b>
<b>OTHER COMPREHENSIVE (LOSSES)/INCOME</b>					
<i>Items, that will be reclassified subsequently to profit or loss</i>					
Net change in fair value of available-for-sale investments		(112)	(213)	(157)	(302)
Translation of foreign operations		(133)	112	52	125
<i>Items, that will not be reclassified subsequently to profit or loss</i>					
Actuarial gains		-	-	2	-
Effect of translation to presentation currency		439	(498)	(204)	(726)
OTHER COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD, NET OF TAX		<b>194</b>	<b>(599)</b>	<b>(307)</b>	<b>(903)</b>
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE PERIOD		<b>353</b>	<b>(754)</b>	<b>(227)</b>	<b>(1,039)</b>
Profit/(loss) attributable to:					
Shareholders of the Parent Company		159	(156)	81	(127)
Non-controlling interests		-	1	(1)	(9)
		<b>159</b>	<b>(155)</b>	<b>80</b>	<b>(136)</b>
Total comprehensive income/(loss) attributable to:					
Shareholders of the Parent Company		353	(755)	(226)	(1,030)
Non-controlling interests		-	1	(1)	(9)
		<b>353</b>	<b>(754)</b>	<b>(227)</b>	<b>(1,039)</b>
BASIC AND DILUTED PROFIT/(LOSS) PER SHARE (U.S. Dollars)		0.014	(0.014)	0.007	(0.012)
Weighted average number of ordinary shares outstanding (in thousands)		11,157,008	11,000,605	11,162,036	11,003,728

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

**OPEN JOINT STOCK COMPANY  
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2014  
(In millions of U.S. Dollars)**

	Notes	30 June 2014	31 December 2013
<b>ASSETS</b>			
NON-CURRENT ASSETS:			
Property, plant and equipment	8	8,225	8,618
Intangible assets		36	39
Investments in securities and other financial assets	9	656	830
Investments in associates		4	2
Deferred tax assets		167	171
Other non-current assets		11	12
Total non-current assets		<b>9,099</b>	<b>9,672</b>
CURRENT ASSETS:			
Inventories		1,207	1,478
Trade and other receivables		878	630
Investments in securities and other financial assets	9	150	17
Income tax receivable		4	9
Value added tax recoverable		137	173
Cash and cash equivalents	10	360	154
Assets classified as held for sale	11	-	15
Total current assets		<b>2,736</b>	<b>2,476</b>
<b>TOTAL ASSETS</b>		<b>11,835</b>	<b>12,148</b>
<b>EQUITY AND LIABILITIES</b>			
EQUITY:			
Share capital		386	386
Treasury shares		(29)	(30)
Share premium		1,016	1,020
Investments revaluation reserve		461	618
Translation reserve		(2,930)	(2,778)
Retained earnings		7,695	7,612
Equity attributable to shareholders of the Parent Company		<b>6,599</b>	<b>6,828</b>
Non-controlling interests		32	33
Total equity		<b>6,631</b>	<b>6,861</b>
NON-CURRENT LIABILITIES:			
Long-term borrowings	12	2,184	2,163
Retirement benefit obligations		23	27
Site restoration provision		180	181
Deferred tax liabilities		826	851
Total non-current liabilities		<b>3,213</b>	<b>3,222</b>
CURRENT LIABILITIES:			
Short-term borrowings and current portion of long-term borrowings	13	1,010	1,010
Current portion of retirement benefit obligations		4	4
Trade and other payables		964	1,037
Current portion of site restoration provision		11	11
Net assets attributable to minority participants		2	3
Total current liabilities		<b>1,991</b>	<b>2,065</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,835</b>	<b>12,148</b>

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

**OPEN JOINT STOCK COMPANY  
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014**  
*(In millions of U.S. Dollars)*

	Attributable to shareholders of the Parent Company						Non-controlling interests	Total equity	
	Share capital	Treasury shares	Share premium	Investments revaluation reserve	Translation reserve	Retained earnings			Total
<b>BALANCE AT 1 JANUARY 2013</b>	<b>386</b>	<b>(175)</b>	<b>1,108</b>	<b>596</b>	<b>(2,213)</b>	<b>9,963</b>	<b>9,665</b>	<b>155</b>	<b>9,820</b>
Loss for the period	-	-	-	-	-	(127)	(127)	(9)	(136)
Other comprehensive losses for the period, net of tax	-	-	-	(302)	(601)	-	(903)	-	(903)
Total comprehensive losses 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)
<b>BALANCE AT 30 JUNE 2013</b>	<b>386</b>	<b>(174)</b>	<b>1,103</b>	<b>294</b>	<b>(2,814)</b>	<b>9,836</b>	<b>8,631</b>	<b>145</b>	<b>8,776</b>
<b>BALANCE AT 1 JANUARY 2014</b>	<b>386</b>	<b>(30)</b>	<b>1,020</b>	<b>618</b>	<b>(2,778)</b>	<b>7,612</b>	<b>6,828</b>	<b>33</b>	<b>6,861</b>
Profit for the period	-	-	-	-	-	81	81	(1)	80
Other comprehensive losses for the period, net of tax	-	-	-	(157)	(152)	2	(307)	-	(307)
Total comprehensive losses for the period	-	-	-	(157)	(152)	83	(226)	(1)	(227)
Purchase of treasury shares	-	(13)	-	-	-	-	(13)	-	(13)
Issuance of ordinary shares from treasury shares	-	14	(4)	-	-	-	10	-	10
<b>BALANCE AT 30 JUNE 2014</b>	<b>386</b>	<b>(29)</b>	<b>1,016</b>	<b>461</b>	<b>(2,930)</b>	<b>7,695</b>	<b>6,599</b>	<b>32</b>	<b>6,631</b>

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

**OPEN JOINT STOCK COMPANY  
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

*(In millions of U.S. Dollars)*

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
<b>OPERATING ACTIVITIES:</b>		
Profit/(loss) for the period	80	(136)
Adjustments to profit for the period:		
Income tax	18	(20)
Depreciation and amortization	386	488
(Reversal of impairment)/impairment losses on non-current assets	8 (7)	50
Impairment losses on investments in securities	-	2
Finance costs	97	93
Loss on disposal of property, plant and equipment, net	39	32
Change in allowance for doubtful accounts receivable	(1)	4
Loss on revaluation of trading securities	7 -	5
Inventory allowance and impairment	6	1
Finance income	(2)	(5)
Foreign exchange loss, net	32	96
Income from available-for-sale investments	7 (14)	-
Share of results of associates	(1)	(1)
Gain on disposal of associates	7 -	(131)
	<b>633</b>	<b>478</b>
Movements in working capital		
Increase in trade and other receivables	(252)	(102)
Decrease in value added tax recoverable	31	12
Decrease in inventories	235	219
Decrease/(increase) in investments classified as trading securities	6	(1)
Decrease in trade and other payables	(13)	(133)
Cash generated from operations	<b>640</b>	<b>473</b>
Interest paid	(86)	(98)
Income tax (paid)/received	(16)	48
Net cash from operating activities	<b>538</b>	<b>423</b>
<b>INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(281)	(222)
Purchase of intangible assets	(4)	(3)
Redemption of promissory notes receivable from related party	-	39
Proceeds from sale of property, plant and equipment	8	1
Proceeds from sale of associates	-	130
Proceeds from sale of assets classified as held for sale	11 15	-
Loans given	(4)	-
Loans repaid	10	-
Acquisition of associates	-	(1)
Interest received	2	5
Dividends received from available-for-sale investments	14	-
Dividends received from associates	-	5
Bank deposits	(129)	-
Changes in letters of credit, net	-	(2)
Net cash used in investing activities	<b>(369)</b>	<b>(48)</b>

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



**OPEN JOINT STOCK COMPANY  
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from borrowings	864	378
Repayments of borrowings	(820)	(808)
Purchase of treasury shares	(13)	(5)
Proceeds from issuance of ordinary shares from treasury shares	10	1
Dividends paid to:		
- equity holders of the Parent Company	-	(96)
Net cash generated from/(used in) financing activities	<b>41</b>	<b>(530)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>210</b>	<b>(155)</b>
CASH AND CASH EQUIVALENTS, beginning of period	154	362
Effect of translation to presentation currency and exchange rate changes on the balance of cash held in foreign currencies	(4)	(43)
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>360</b>	<b>164</b>

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

# **OPEN JOINT STOCK COMPANY MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2014 (In millions of U.S. Dollars, unless otherwise stated)**

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### **1. GENERAL INFORMATION**

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

The Parent Company, together with its subsidiaries (“the Group”), is a producer of ferrous metal products. The Group’s products are sold in the Russian Federation and internationally. The subsidiaries of the Parent Company are mainly involved in the various sub-processes within the production cycle of ferrous metal products or in the distribution of those products. The Group is also engaged in coal mining and sale thereof.

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

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

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

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

### **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of compliance**

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

The Group additionally prepares IFRS consolidated interim financial statements for the six months ended 30 June 2014 presented in Russian roubles and in Russian language in accordance with the Federal Law No. 208 – FZ “On consolidated financial reporting”.

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

#### **Changes in accounting policies**

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

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment entities;

**OPEN JOINT STOCK COMPANY  
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2014  
(In millions of U.S. Dollars, unless otherwise stated)**

Amendments to IAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities;

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

IFRIC 21, Levies.

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

**Estimates**

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

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

**Basis of preparation**

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

**3. SEASONAL OPERATIONS**

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

**4. REVENUE**

By product	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
Hot rolled steel	951	866	1,742	1,964
Galvanised steel	280	237	513	460
Cold rolled steel	225	250	430	441
Long steel products	193	202	384	423
Galvanised steel with polymeric coating	168	167	300	335
Wire, sling, bracing	52	55	92	103
Tin plated steel	42	44	78	85
Hardware products	41	52	75	96
Coking production	37	37	69	76
Band	29	48	59	77
Formed section	23	31	48	55
Tubes	15	15	24	31
Coal	1	18	5	32
Scrap	2	-	4	8
Slabs	30	7	33	7
Others	122	132	234	251
<b>Total</b>	<b>2,211</b>	<b>2,161</b>	<b>4,090</b>	<b>4,444</b>

**OPEN JOINT STOCK COMPANY  
MAGNITOGORSK IRON & STEEL WORKS AND SUBSIDIARIES**

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2014  
(In millions of U.S. Dollars, unless otherwise stated)**

By customer destination	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
Russian Federation and the CIS	77%	85%	77%	79%
Middle East	15%	9%	13%	12%
Europe	5%	5%	7%	6%
North America	1%	-	2%	-
Asia	1%	1%	-	2%
Africa	1%	-	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

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

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

	Three months ended 30 June									
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Steel		Steel (Turkey)		Coal mining		Eliminations		Total	
<b>Revenue</b>										
Sales to external customers	2,038	2,007	171	135	2	19	-	-	2,211	2,161
Inter-segment sales	9	48	-	25	70	83	(79)	(156)	-	-
<b>Total revenue</b>	<b>2,047</b>	<b>2,055</b>	<b>171</b>	<b>160</b>	<b>72</b>	<b>102</b>	<b>(79)</b>	<b>(156)</b>	<b>2,211</b>	<b>2,161</b>
<b>Segment EBITDA</b>	<b>403</b>	<b>261</b>	<b>2</b>	<b>4</b>	<b>(8)</b>	<b>27</b>	<b>2</b>	<b>5</b>	<b>399</b>	<b>297</b>
Depreciation and amortisation	(176)	(200)	(16)	(28)	(10)	(14)	-	-	(202)	(242)
Loss on disposal of property, plant and equipment	(6)	(22)	-	-	(1)	(2)	-	-	(7)	(24)
Share of results of associates	(1)	-	-	-	-	-	-	-	(1)	-
Operating profit/(loss) per IFRS financial statements	<b>220</b>	<b>39</b>	<b>(14)</b>	<b>(24)</b>	<b>(19)</b>	<b>11</b>	<b>2</b>	<b>5</b>	<b>189</b>	<b>31</b>

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

	Six months ended 30 June									
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Steel (Russia)		Steel (Turkey)		Coal mining		Eliminations		Total	
<b>Revenue</b>										
Sales to external customers	3,779	4,125	305	286	6	33	-	-	4,090	4,444
Inter-segment sales	42	92	-	49	135	157	(177)	(298)	-	-
<b>Total revenue</b>	<b>3,821</b>	<b>4,217</b>	<b>305</b>	<b>335</b>	<b>141</b>	<b>190</b>	<b>(177)</b>	<b>(298)</b>	<b>4,090</b>	<b>4,444</b>
<b>Segment EBITDA</b>	<b>670</b>	<b>508</b>	<b>15</b>	<b>6</b>	<b>7</b>	<b>33</b>	<b>1</b>	<b>131</b>	<b>693</b>	<b>678</b>
Depreciation and amortisation	(338)	(405)	(32)	(54)	(16)	(29)	-	-	(386)	(488)
Loss on disposal of property, plant and equipment	(36)	(30)	-	-	(3)	(2)	-	-	(39)	(32)
Share of results of associates	(1)	(1)	-	-	-	-	-	-	(1)	(1)
Operating profit/(loss) per IFRS financial statements	<b>295</b>	<b>72</b>	<b>(17)</b>	<b>(48)</b>	<b>(12)</b>	<b>2</b>	<b>1</b>	<b>131</b>	<b>267</b>	<b>157</b>

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

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

	<b>30 June 2014</b>				
	<b>Steel</b>	<b>Steel (Turkey)</b>	<b>Coal mining</b>	<b>Eliminations</b>	<b>Total</b>
Total assets	12,614	1,211	526	(2,516)	11,835
Total liabilities	<u>4,382</u>	<u>725</u>	<u>300</u>	<u>(203)</u>	<u>5,204</u>
	<b>31 December 2013</b>				
	<b>Steel</b>	<b>Steel (Turkey)</b>	<b>Coal mining</b>	<b>Eliminations</b>	<b>Total</b>
Total assets	12,810	1,332	593	(2,587)	12,148
Total liabilities	<u>4,398</u>	<u>860</u>	<u>321</u>	<u>(292)</u>	<u>5,287</u>

**6. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Payroll and social taxes	55	65	115	134
Taxes other than income tax	31	34	52	66
Professional services	5	16	16	30
Depreciation and amortisation	4	6	9	10
Insurance	4	5	8	10
Materials	1	3	3	5
Research and development costs	1	2	2	3
Other	8	9	14	15
<b>Total</b>	<u><b>109</b></u>	<u><b>140</b></u>	<u><b>219</b></u>	<u><b>273</b></u>

**7. OTHER OPERATING EXPENSES/(INCOME), NET**

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Loss on disposal of property, plant and equipment, net	7	24	39	32
(Reversal of provision)/provision for doubtful debtors	(2)	1	3	-
Gain on disposal of associates (a)	-	(6)	-	(131)
Net loss on trading securities revaluation	-	3	-	5
Income from available-for-sale investments	-	-	(14)	-
Net gains on sale of other assets	2	(5)	(1)	(7)
Other operating (losses)/gains, net	<u>(4)</u>	<u>-</u>	<u>(6)</u>	<u>2</u>
<b>Total</b>	<u><b>3</b></u>	<u><b>17</b></u>	<u><b>21</b></u>	<u><b>(99)</b></u>

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

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**8. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings	Machinery and equipment	Trans- portation equipment	Fixtures and fittings	Mining assets	Construction -in-progress	Total
<i>Gross book value</i>							
<b>At 1 January 2013</b>	<b>4,673</b>	<b>9,835</b>	<b>298</b>	<b>253</b>	<b>323</b>	<b>893</b>	<b>16,275</b>
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)
<b>At 30 June 2013</b>	<b>4,421</b>	<b>9,276</b>	<b>283</b>	<b>240</b>	<b>296</b>	<b>821</b>	<b>15,337</b>
<i>Depreciation</i>							
<b>At 1 January 2013</b>	<b>(936)</b>	<b>(3,190)</b>	<b>(148)</b>	<b>(92)</b>	<b>(76)</b>	<b>(2)</b>	<b>(4,444)</b>
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
<b>At 30 June 2013</b>	<b>(943)</b>	<b>(3,288)</b>	<b>(148)</b>	<b>(98)</b>	<b>(127)</b>	<b>(2)</b>	<b>(4,606)</b>
<i>Carrying amount</i>							
<b>At 01 January 2013</b>	<b>3,737</b>	<b>6,645</b>	<b>150</b>	<b>161</b>	<b>247</b>	<b>891</b>	<b>11,831</b>
<b>At 30 June 2013</b>	<b>3,478</b>	<b>5,988</b>	<b>135</b>	<b>142</b>	<b>169</b>	<b>819</b>	<b>10,731</b>
<i>Gross book value</i>							
<b>At 1 January 2014</b>	<b>4,529</b>	<b>9,446</b>	<b>283</b>	<b>250</b>	<b>256</b>	<b>772</b>	<b>15,536</b>
Additions	1	146	1	1	-	106	255
Transfers	(5)	67	6	4	-	(72)	-
Disposals	(16)	(127)	(6)	(1)	-	(4)	(154)
Effect of translation to presentation currency	(106)	(224)	(7)	(7)	(6)	(21)	(371)
<b>At 30 June 2014</b>	<b>4,403</b>	<b>9,308</b>	<b>277</b>	<b>247</b>	<b>250</b>	<b>781</b>	<b>15,266</b>
<i>Depreciation</i>							
<b>At 1 January 2014</b>	<b>(1,751)</b>	<b>(4,598)</b>	<b>(176)</b>	<b>(127)</b>	<b>(178)</b>	<b>(88)</b>	<b>(6,918)</b>
Charge for the period	(53)	(306)	(10)	(11)	(4)	-	(384)
Reversal of impairment	-	-	-	-	-	7	7
Disposals	8	89	4	1	-	-	102
Effect of translation to presentation currency	37	102	4	2	5	2	152
<b>At 30 June 2014</b>	<b>(1,759)</b>	<b>(4,713)</b>	<b>(178)</b>	<b>(135)</b>	<b>(177)</b>	<b>(79)</b>	<b>(7,041)</b>
<i>Carrying amount</i>							
<b>At 1 January 2014</b>	<b>2,778</b>	<b>4,848</b>	<b>107</b>	<b>123</b>	<b>78</b>	<b>684</b>	<b>8,618</b>
<b>At 30 June 2014</b>	<b>2,644</b>	<b>4,595</b>	<b>99</b>	<b>112</b>	<b>73</b>	<b>702</b>	<b>8,225</b>
<i>Carrying amount had no impairment taken place</i>							
<b>At 1 January 2014</b>	<b>3,515</b>	<b>5,880</b>	<b>127</b>	<b>139</b>	<b>180</b>	<b>771</b>	<b>10,612</b>
<b>At 30 June 2014</b>	<b>3,348</b>	<b>5,544</b>	<b>119</b>	<b>129</b>	<b>164</b>	<b>781</b>	<b>10,085</b>

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During the six months ended 30 June 2014 the Group capitalized borrowing costs of USD nil million (30 June 2013: USD 2 million).

At 30 June 2014 and 31 December 2013, property, plant and equipment with carrying amounts of USD 735 million and USD 761 million, respectively, was pledged as security for certain long-term and short-term borrowings (Notes 12 and 13).

Management identified specific assets that are no longer in use and therefore are not considered to be recoverable amounting to USD 50 million at 30 June 2013. These assets have been impaired in full. At 30 June 2014 the Group recognized partial reversal of previously recognized impairment in amount of USD 7 million. No further impairment or reversal of previously recorded impairment was identified by management.

Capital commitments are disclosed in Note 15.

**9. INVESTMENTS IN SECURITIES AND OTHER FINANCIAL ASSETS**

	<u>30 June 2014</u>	<u>31 December 2013</u>
<b>Non-current</b>		
<b>Available-for-sale investments, at fair value</b>		
Listed equity securities	637	801
Unlisted securities	9	9
<b>Loans and receivables, at amortised cost</b>		
Long-term loans	<u>10</u>	<u>20</u>
<b>Total non-current</b>	<b><u>656</u></b>	<b><u>830</u></b>
<b>Current</b>		
<b>Held-to-maturity investments, at amortized cost</b>		
Promissory notes receivable, bearing interest of 2.8% per annum	-	1
<b>Financial assets, at fair value through profit or loss</b>		
Trading equity securities	-	7
Trading debt securities	5	5
Share in mutual investment fund	4	4
<b>Loans and receivables, at amortised cost</b>		
Short-term loans	4	-
<b>Bank deposits, RUB bearing interest rate of 8.7 - 9.3%</b>	<u>137</u>	<u>-</u>
<b>Total current</b>	<b><u>150</u></b>	<b><u>17</u></b>

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 2014 and 31 December 2013, the revaluation reserve arising from unrealized holding gains on these securities was USD 461 million and USD 618 million, respectively.

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



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

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

**10. CASH AND CASH EQUIVALENTS**

	<b>30 June 2014</b>	<b>31 December 2013</b>
Cash in banks, USD	52	36
Cash in banks, RUB	40	15
Cash in banks, EUR	12	5
Cash in banks, TRY	1	-
Bank deposits, USD bearing interest rate of 0.25%-2.03%	107	38
Bank deposits, EUR bearing interest rate of 0.8% (31 December 2013: 0.5%)	54	41
Bank deposits, TRY bearing interest rate of 0.25%-3.05%	3	4
Bank deposits, RUB bearing interest rate of 8.78% (31 December 2013: 7.75%)	91	15
<b>Total</b>	<b>360</b>	<b>154</b>

**11. ASSETS HELD FOR SALE**

A part of non-current assets within the Coal mining segment at 31 December 2013 was presented as a disposal group held for sale following the commitment of the Group's management to a plan to sell part of the non-core assets.

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

**12. LONG-TERM BORROWINGS**

	Type of interest rate	Annual interest rate, actual at		30 June 2014	31 December 2013
		30 June 2014	31 December 2013		
Unsecured listed bonds, RUB	Fixed	9%	9%	279	287
Secured loans, USD	Floating	5%	5%	231	257
Secured loans, EUR	Fixed	6%	6%	246	275
Unsecured loans, USD	Floating	3%	3%	692	796
Unsecured loans, USD	Fixed	-	5%	-	50
Unsecured loans, RUB	Fixed	9%	8%	494	212
Unsecured loans, EUR	Fixed	-	4%	-	1
Unsecured loans, EUR	Floating	2%	2%	242	285
<b>Total</b>				<b>2,184</b>	<b>2,163</b>

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The information provided below refers to total long-term borrowings, including current portion, identified in Note 13.

**Bonds**

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

**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 2014 and 31 December 2013, the total unused element of all credit facilities was USD 1,629 million and USD 1,819 million, respectively.

At 30 June 2014 and 31 December 2013, long-term loans were secured by the Group's property, plant and equipment with a net carrying amount of USD 735 million and USD 761 million, respectively, and shares in a subsidiary with a carrying amount of net assets of USD 486 million and USD 472 million, respectively.

**Debt repayment schedule**

Year ending 30 June,	
2015 (presented as current portion of long-term borrowings, Note 13)	830
2016	962
2017	844
2018	242
2019 and thereafter	136
<b>Total</b>	<b>3,014</b>

**13. SHORT-TERM BORROWINGS AND CURRENT PORTION OF LONG-TERM BORROWINGS**

	Type of interest rate	Annual interest rate, actual at		30 June 2014	31 December 2013
		30 June 2014	31 December 2013		
<b>Short-term borrowings:</b>					
Secured loans, USD	Floating	2%	2%	27	23
Secured loans, EUR	Floating	2%	1%	18	14
Unsecured loans, USD	Floating	2%	2%	55	55
Unsecured loans, USD	Fixed	1%	-	50	-
Unsecured loans, RUB	Fixed	8%	-	30	-
				180	92
<b>Current portion of long-term borrowings:</b>					
Unsecured listed bonds, RUB	Fixed	8%	8%	332	495
Secured loans, USD	Floating	5%	5%	67	130
Secured loans, EUR	Fixed	6%	6%	71	74
Unsecured loans, USD	Floating	2%	1%	228	89
Unsecured loans, EUR	Floating	2%	2%	87	89
Unsecured loans, RUB	Fixed	9%	8%	42	18
Unsecured loans, USD	Fixed	-	5%	-	20
Unsecured loans, EUR	Fixed	4%	4%	3	3
				830	918

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<b>Total</b>	<b>1,010</b>	<b>1,010</b>
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The weighted average interest rates of short-term borrowings at 30 June 2014 and 31 December 2013 were as follows:

	<b>30 June 2014</b>	<b>31 December 2013</b>
RUB-denominated	8%	8%
USD-denominated	2%	3%
EUR-denominated	3%	3%

At 30 June 2014 and 31 December 2013, short-term borrowings were secured by inventories and/or trade receivables of USD 45 million and USD 36 million, respectively.

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

	<b>30 June 2014</b>	<b>31 December 2013</b>
Due in:		
1 month	407	126
1-3 months	225	293
3 months to 1 year	378	591
<b>Total</b>	<b>1,010</b>	<b>1,010</b>

**14. 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 2014 and 31 December 2013 and for the three months ended 30 June 2014 and 2013 are disclosed below.

**a) Transactions with associates of the Group**

	<b>Three months ended 30 June</b>		<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<i>Purchases</i>	62	48	106	85
Balances outstanding	<b>30 June 2014</b>		<b>31 December 2013</b>	
<i>Accounts payable</i>		8		4

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**b) Transactions with entities under common control**

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
<i>Finance income</i>	-	1	-	2

**c) Transactions with other related parties**

	Three months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
<i>Revenue</i>	72	-	128	-
<i>Purchases</i>	-	-	-	29
<i>Bank charges</i>	1	1	2	2
	30 June 2014		31 December 2013	
Balances outstanding				
<i>Cash and cash equivalents</i>		68		34
<i>Accounts receivable</i>		30		14
<i>Advances received</i>		-		3

**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 2014 and 2013, key management personnel received as compensation USD 7 million and USD 24 million, respectively.

**15. COMMITMENTS AND CONTINGENCIES**

**Capital commitments**

At 30 June 2014, the Group executed non-binding purchase agreements of approximately USD 94 million to acquire property, plant and equipment (31 December 2013: USD 69 million). Penalties are payable or receivable under these agreements in certain circumstances and where supply terms are not adhered to. Management does not expect such conditions to result in a loss to the Group.

**Contingencies**

***Taxation contingencies in the Russian Federation***

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

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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.

## 16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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.

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.

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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2014  
(In millions of U.S. Dollars, unless otherwise stated)**

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
<b>30 June 2014</b>				
Available for sale investments, listed equity securities	637	-	-	637
Available for sale investments, unlisted equity securities	-	-	9	9
Trading debt securities	5	-	-	5
Share in mutual investment fund	4	-	-	4
<b>Total assets</b>	<b>646</b>	<b>-</b>	<b>9</b>	<b>655</b>
Listed bonds	595	-	-	595
Interest rate swaps	-	-	5	5
<b>Total liabilities</b>	<b>595</b>	<b>-</b>	<b>5</b>	<b>600</b>
<b>31 December 2013</b>				
Available for sale investments, listed equity securities	801	-	-	801
Available for sale investments, unlisted equity securities	-	-	9	9
Trading equity securities	7	-	-	7
Trading debt securities	5	-	-	5
Share in mutual investment fund	4	-	-	4
<b>Total assets</b>	<b>817</b>	<b>-</b>	<b>9</b>	<b>826</b>
Listed bonds	766	-	-	766
Interest rate swaps	-	-	7	7
<b>Total liabilities</b>	<b>766</b>	<b>-</b>	<b>7</b>	<b>773</b>

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

Derivative financial instruments:	USD million
At 1 January 2014	7
Changes in fair value estimation recognized during the year	(2)
<b>Balance at 30 June 2014</b>	<b>5</b>

**17. EVENTS SUBSEQUENT TO THE REPORTING DATE**

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

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

**18. 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 2014 were approved by the Group's management and authorized for issue on 20 August 2014.