OAO Holding Company METALLOINVEST

Condensed consolidated interim financial information

30 June 2013

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Report on Review of Interim Financial Information

To the Shareholders of OAO Holding Company METALLOINVEST:

Introduction

We have reviewed the accompanying consolidated interim statement of financial position of OAO Holding Company METALLOINVEST and its subsidiaries (the "Group") as of 30 June 2013 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information 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 information 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 information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

ZAO PricewaterhouseCoopers Audit

4 September 2013
Moscow, Russian Federation

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(in thousands of US dollars, unless otherwise stated)

	Note	30 June 2013	31 December 2012
ASSETS			
Non-current assets:			
Property, plant and equipment	5	3,090,871	3,274,453
Intangible assets	5	567,237	586,989
Mineral rights	5	1,471,486	1,618,391
Goodwill		572,984	617,059
Investments in associates		74,207	69,270
Available-for-sale financial assets	6	1,205,685	1,470,858
Loans advanced		147,371	156,746
Other non-current assets		236,870	238,193
Total non-current assets		**7,366,711**	**8,031,959**
Current assets:			
Inventories		641,089	732,141
Trade and other receivables		785,030	689,680
Loans advanced and other investments		562,282	346,250
Current income tax prepayment		4,426	5,625
Restricted cash		-	730
Cash and cash equivalents		380,053	468,369
		2,372,880	**2,242,795**
Assets held for sale		-	77,584
Total current assets		**2,372,880**	**2,320,379**
TOTAL ASSETS		**9,739,591**	**10,352,338**
EQUITY			
Share capital		187,640	187,640
Retained earnings and other reserves		2,016,822	1,954,820
Capital and reserves attributable to the Company's owners		**2,204,462**	**2,142,460**
Non-controlling interests		69,510	68,728
TOTAL EQUITY		**2,273,972**	**2,211,188**
LIABILITIES			
Non-current liabilities:			
Long-term borrowings	7	5,645,557	6,133,004
Deferred income tax liability		495,686	569,986
Liability to the regional administration		56,330	54,520
Accounts payable		7,482	3,482
Employee benefit obligations	8	314,807	370,568
Total non-current liabilities		**6,519,862**	**7,131,560**
Current liabilities:			
Short-term borrowings	7	325,337	337,728
Accounts payable		484,448	526,591
Income tax payable		28,114	24,711
Value added tax and other taxes payable		102,555	90,825
Liability to the regional administration		5,303	4,449
		945,757	**984,304**
Liabilities directly associated with assets held for sale		-	25,286
Total current liabilities		**945,757**	**1,009,590**
TOTAL LIABILITIES		**7,465,619**	**8,141,150**
TOTAL LIABILITIES AND EQUITY		**9,739,591**	**10,352,338**

Approved for issue and signed on 4 September 2013.

A.V. Varichev
Chief Executive Officer
OAO Holding Company METALLOINVEST

E.L. Potapov
Chief Executive Officer
OOO Management Company METALLOINVEST

(in thousands of US dollars, unless otherwise stated)

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012	Three months ended 30 June 2013	Three months ended 30 June 2012
Sales		3,807,071	4,457,920	1,862,389	2,218,788
Cost of sales		(1,992,268)	(2,102,195)	(970,620)	(1,040,733)
Gross profit		**1,814,803**	**2,355,725**	**891,769**	**1,178,055**
Distribution expenses		(598,645)	(723,649)	(288,793)	(343,188)
General and administrative expenses		(241,842)	(203,952)	(120,022)	(100,297)
Dividend income on available-for-sale financial assets		96,425	42,842	96,425	42,842
Other operating (expenses)/income - net	10	(14,721)	(168,413)	8,301	55,781
Operating profit		**1,056,020**	**1,302,553**	**587,680**	**833,193**
Finance income		32,637	94,534	16,435	82,493
Finance costs		(267,533)	(252,551)	(151,403)	(152,800)
Foreign exchange (loss)/gain from borrowings		(19,837)	3,870	(16,507)	(90,478)
Share of net loss of associates		(2,099)	(2,221)	(1,254)	(3,021)
Profit before income tax		**799,188**	**1,146,185**	**434,951**	**669,387**
Income tax charge		(178,505)	(256,607)	(89,391)	(124,479)
Profit for the period from continuing operations		**620,683**	**889,578**	**345,560**	**544,908**
Discontinued operations					
Profit for the period from discontinued operations		-	424,118	-	390,384
Profit for the period		**620,683**	**1,313,696**	**345,560**	**935,292**
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Currency translation differences		(275,616)	(143,787)	(190,988)	(633,843)
Reclassification of currency translation difference to profit or loss		-	(35,736)	-	(35,736)
Fair value (loss)/gain on available-for-sale financial assets		(322,298)	93,975	(196,220)	(109,067)
Total items that may be reclassified subsequently to profit or loss		**(597,914)**	**(85,548)**	**(387,208)**	**(778,646)**
Items that will not be reclassified to profit or loss:					
Remeasurements of employee benefit obligations	8	40,314	-	40,314	-
Total items that will not be reclassified to profit or loss		**40,314**	**-**	**40,314**	**-**
Total other comprehensive loss for the period		**(557,600)**	**(85,548)**	**(346,894)**	**(778,646)**
Total comprehensive income/(loss) for the period		**63,083**	**1,228,148**	**(1,334)**	**156,646**
Profit is attributable to:					
Owners of the Company		619,212	1,310,459	346,292	930,775
Non-controlling interests		1,471	3,237	(732)	4,517
		620,683	**1,313,696**	**345,560**	**935,292**
Total comprehensive income is attributable to:					
Owners of the Company		61,612	1,224,911	(602)	152,129
Non-controlling interests		1,471	3,237	(732)	4,517
		63,083	**1,228,148**	**(1,334)**	**156,646**
Basic and diluted earnings per ordinary share for profit attributable to the owners of the Company (in USD per share)		**0.0102**	**0.0164**	**0.0057**	**0.0117**
From continuing operations		0.0102	0.0111	0.0057	0.0068
From discontinued operations		-	0.0053	-	0.0049

The accompanying notes on pages 5 to 16 are an integral part of this condensed consolidated interim financial information.

(in thousands of US dollars, unless otherwise stated)

	Six months ended	
	30 June 2013	**30 June 2012**
Cash flows from operating activities		
Profit before income tax including discontinued operations	799,188	1,582,275
Adjustments for:		
Depreciation of property, plant and equipment	177,162	175,335
Amortisation of intangible assets and mineral rights	35,969	35,811
Finance cost (net)	234,896	157,902
Foreign exchange (gain)/loss	(20,350)	138,124
Employee benefits	5,716	5,408
Gain on disposal of discontinued operations	-	(368,659)
Share of net loss of associates	2,099	2,221
Dividend income on available-for-sale financial assets	(96,425)	(42,842)
Other	1,383	(5,955)
Operating cash flow before changes in working capital	**1,139,638**	**1,679,620**
Inventories	55,009	101,353
Trade and other receivables	(73,941)	(114,842)
Trade and other payables	(4,131)	(98,669)
Employee benefit obligations	(8,701)	(8,111)
Cash generated from operations	**1,107,874**	**1,559,351**
Interest paid	(187,171)	(172,294)
Income tax paid	(202,789)	(286,935)
Waiver fees and other charges	(12,058)	(598)
Net cash from operating activities	**705,856**	**1,099,524**
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(234,970)	(210,198)
Exploration and evaluation expenditure	(25,431)	(22,996)
Acquisition of promissory notes	-	(2,478,726)
Acquisition of interest in subsidiaries, net of cash acquired	(27,296)	(81,892)
Additional contribution in associate	(8,008)	-
Acquisition of assets held for sale	-	(12,917)
Proceeds from disposal of discontinued operations, net of cash disposed	-	523,113
Proceeds from disposal of assets held for sale	49,307	-
Acquisition of available-for-sale financial assets	(57,125)	(155,890)
Dividends received on available-for-sale financial assets	90,330	-
Change in restricted cash balances	730	-
Loans advanced	(234,963)	(558,308)
Repayment of loans advanced and short-term deposits with maturity more than three months	5,358	357,654
Interest income received	9,290	17,711
Net cash used in investing activities	**(432,778)**	**(2,622,449)**
Cash flows from financing activities		
Repayment of borrowings	(1,698,864)	(966,378)
Proceeds from borrowings	1,373,598	1,873,559
Acquisition of additional interest in subsidiaries	(299)	-
Dividends paid to owners of the Company	-	(290,077)
Net cash (used in)/from financing activities	**(325,565)**	**617,104**
Effect of exchange rate changes on cash and cash equivalents	(35,829)	(24,403)
Net decrease in cash and cash equivalents	**(88,316)**	**(930,224)**
Cash and cash equivalents at the beginning of the period, net of restricted cash	**468,369**	**1,201,026**
Included in cash and cash equivalents per the consolidated statement of financial position	468,369	1,165,980
Included in the assets of the disposal group	-	35,046
Cash and cash equivalents at the end of the period, net of restricted cash	**380,053**	**270,802**
Included in cash and cash equivalents per the consolidated statement of financial position	380,053	270,066
Included in the assets of the disposal group	-	736

The accompanying notes on pages 5 to 16 are an integral part of this condensed consolidated interim financial information.

(in thousands of US dollars, unless otherwise stated)

	Attributable to owners of the Company					
	Share capital	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2013	**187,640**	**76,821**	**1,877,999**	**2,142,460**	**68,728**	**2,211,188**
Profit for the period	-	-	619,212	619,212	1,471	620,683
Other comprehensive income						
Currency translation differences	-	(275,616)	-	(275,616)	-	(275,616)
Fair value loss on available-for-sale financial assets	-	(322,298)	-	(322,298)	-	(322,298)
Remeasurements of employee benefit obligations	-	-	40,314	40,314	-	40,314
Total comprehensive income for the period ended 30 June 2013	**-**	**(597,914)**	**659,526**	**61,612**	**1,471**	**63,083**
Acquisition of additional interest in subsidiaries	-	-	390	390	(689)	(299)
Balance at 30 June 2013	**187,640**	**(521,093)**	**2,537,915**	**2,204,462**	**69,510**	**2,273,972**
Balance at 1 January 2012	**187,640**	**(447,725)**	**3,488,434**	**3,228,349**	**86,071**	**3,314,420**
Profit for the period	-	-	1,310,459	1,310,459	3,237	1,313,696
Other comprehensive income						
Currency translation differences	-	(143,787)	-	(143,787)	-	(143,787)
Fair value gain on available-for-sale financial assets	-	93,975	-	93,975	-	93,975
Reclassification of currency translation difference to profit or loss	-	(35,736)	-	(35,736)	-	(35,736)
Total comprehensive income for the period ended 30 June 2012	**-**	**(85,548)**	**1,310,459**	**1,224,911**	**3,237**	**1,228,148**
Dividends declared by the Company	-	-	(281,476)	(281,476)	-	(281,476)
Balance at 30 June 2012	**187,640**	**(533,273)**	**4,517,417**	**4,171,784**	**89,308**	**4,261,092**

(in thousands of US dollars, unless otherwise stated)

1 General information

OAO Holding Company METALLOINVEST and its subsidiaries (the "Group") principal activity is the production and sale of iron ore products and ferrous metals. These products are sold both in Russia and abroad. The Company is incorporated and domiciled in Russia. The address of its registered office is Rublyovskoye shosse, 28, Moscow, Russia. The Group's manufacturing facilities are primarily based in Kursk, Belgorod and Orenburg regions.

The principal activities of the Group are not subject to seasonal fluctuations.

At 30 June 2013 and at 31 December 2012, USM Steel & Mining Group Limited owned a 35% stake in the Company, Seropaem Holdings Limited (Cyprus) owned a 21% stake and USM Investments Limited owned a 20% stake. All three companies are 100%-owned direct or indirect subsidiaries of USM Holdings Limited.

At 30 June 2013 and at 31 December 2012, Metalloinvest Limited, the Group's wholly-owned subsidiary, owned a 24% stake in the Company.

The ultimate controlling party of the Company is Alisher B. Usmanov, who owns 60% stake in USM Holdings Limited through his fully owned company ABU Holdings International Limited.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with IAS 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012 except as described below.

Amendments to IAS 19. From 1 January 2013 the Group has applied the amendments to IAS 19 "Employee benefits" retrospectively in accordance with the transition provisions of the standard. IAS 19 (revised) makes significant changes to the recognition and measurement of defined benefit pension expense and to the disclosures for all employee benefits.

The material impacts of IAS 19 (revised) adoption on the Group's condensed consolidated interim financial information are as follows:

- Past service costs are recognised immediately through profit or loss when they occur;
- Calculation of pension costs: the previous practice of recognising the expected return on plan assets and of calculating the interest expense on the defined benefit obligation are now replaced by the recognition of net interest on the net defined benefit obligation.

The impacts on the relevant positions in the consolidated statements of financial position, comprehensive income, cash flows, changes in equity, and earnings per share for prior periods are shown below.

Impact on the Consolidated Statement of Financial Position as of 31 December 2012

	Reported	**Adjustment**	**Restated**
Retained earnings and other reserves	1,976,642	(21,822)	1,954,820
Capital and reserves attributable to the Company's owners	2,164,282	(21,822)	2,142,460
TOTAL EQUITY	2,233,010	(21,822)	2,211,188
Employee benefit obligations	348,746	21,822	370,568
Total non-current liabilities	7,109,738	21,822	7,131,560
TOTAL LIABILITIES	8,119,328	21,822	8,141,150

(in thousands of US dollars, unless otherwise stated)

3 Accounting policies (continued)

Impact on the Consolidated Statement of Comprehensive Income for the six months ended 30 June 2012

	Reported	Adjustment	Restated
Operating profit	1,301,356	1,197	1,302,553
Finance income	94,668	(134)	94,534
Finance costs	(252,685)	134	(252,551)
Profit for the period from continuing operations	888,381	1,197	889,578
Profit for the period	1,312,499	1,197	1,313,696
Other comprehensive income			
Currency translation differences	(144,222)	435	(143,787)
Other comprehensive (loss)/income for the period	(85,983)	435	(85,548)
Total comprehensive income for the period	1,226,516	1,632	1,228,148
Profit is attributable to:			
Owners of the Company	1,309,262	1,197	1,310,459
Non-controlling interests	3,237	-	3,237
	1,312,499	1,197	1,313,696
Total comprehensive income is attributable to:			
Owners of the Company	1,223,279	1,632	1,224,911
Non-controlling interests	3,237	-	3,237
	1,226,516	1,632	1,228,148
Basic and diluted earnings per ordinary share for profit attributable to the owners of the Company (in USD per share)	0.0164	-	0.0164
From continuing operations	0.0111	-	0.0111
From discontinued operations	0.0053	-	0.0053

Impact on the Statement of Cash Flows for the six months ended 30 June 2012

	Reported	Adjustment	Restated
Cash flows from operating activities			
Profit before income tax including discontinued operations	1,581,078	1,197	1,582,275
Adjustments for:			
Employee benefits	6,605	(1,197)	5,408

(in thousands of US dollars, unless otherwise stated)

3 Accounting policies (continued)

Impact on the Consolidated Statement of Changes in Equity

	Attributable to owners of the Company					
	Share capital	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2012 (as previously reported)	187,640	(447,725)	3,511,460	3,251,375	86,071	3,337,446
Adjustment	-	-	(23,026)	(23,026)	-	(23,026)
Balance at 1 January 2012 (as restated)	187,640	(447,725)	3,488,434	3,228,349	86,071	3,314,420
Balance at 30 June 2012 (as previously reported)	187,640	(533,708)	4,539,246	4,193,178	89,308	4,282,486
Adjustment	-	435	(21,829)	(21,394)	-	(21,394)
Balance at 30 June 2012 (as restated)	187,640	(533,273)	4,517,417	4,171,784	89,308	4,261,092
Balance at 31 December 2012 (as previously reported)	187,640	78,143	1,898,499	2,164,282	68,728	2,233,010
Adjustment	-	(1,322)	(20,500)	(21,822)	-	(21,822)
Balance at 31 December 2012 (as restated)	187,640	76,821	1,877,999	2,142,460	68,728	2,211,188

Income taxes. Income taxes in interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Adoption of new or revised standards and interpretations. The following new standards, amendments to standards and interpretations became effective for the Group from 1 January 2013:

- IFRS 10, Consolidated Financial Statements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013);
- IFRS 11, Joint Arrangements (issued in May 2011, effective for annual periods beginning on or after 1 January 2013);
- IFRS 12, Disclosure of Interests in Other Entities (issued in May 2011, effective for annual periods beginning on or after 1 January 2013);
- IFRS 13, Fair Value Measurement (issued in May 2011, effective for annual periods beginning on or after 1 January 2013). The Group has included the required disclosures (Note 11);
- IAS 27, Separate Financial Statements (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- IAS 28, Investments in Associates and Joint Ventures (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013);
- Amendments to IAS 1, Presentation of financial statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012). The amended standard has changed the presentation of the Group's consolidated statement of comprehensive income, but had no impact on the measurement of transactions and balances;
- IFRIC 20, Stripping costs in the Production Phase of a surface Mine (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013);

3 Accounting policies (continued)

- Amended IAS 19, Employee benefits (issued June 2011, effective for periods beginning on or after 1 January 2013). The impact of the amended standard is disclosed above;

- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013);

- Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards – Government loans (issued in March 2012 and effective for periods beginning on or after 1 January 2013);

- Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning on or after 1 January 2013);

- Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning on or after 1 January 2013).

Unless otherwise described above, these standards, amendments to standards and interpretations did not have a material impact on this consolidated condensed interim financial information.

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 June 2013, and have not been early adopted:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2015, with earlier application permitted). The Group is currently assessing the impact of the standard on its consolidated financial information;

- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014);

- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning on or after 1 January 2014);

- Amendments to IAS 36, Impairment of assets − recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning on or after 1 January 2014, earlier adoption permitted if IFRS 13 is applied for the same accounting and comparative period);

- IFRIC 21, Levies – an interpretation on the accounting for levies imposed by governments (issued on 20 May 2013 and effective for annual periods beginning on or after 1 January 2014);

- Amendments to IAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning on or after 1 January 2014).

Unless otherwise described above, the new standards, amendments to standards and interpretations are not expected to significantly affect the Group's consolidated financial information.

4 Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors of the Group. The Group is organised on the basis of the following reportable operating segments:

- Mining – production and sale of iron ore and co-products products (includes LGOK and MGOK);

- Steel – production and sale of ferrous metal products (includes OEMK, Ural Steel and OOO Ural Scrap Company);

- Trading – overseas trading of the Group's products (includes Metalloinvest Trading AG, Ferrous Metal Company Limited and Metalloinvest Logistics DWC LLC).

Transportation segment was presented as discontinued operations for the six months ended 30 June 2012 and disposed by the Group in May 2012.

Other activities have been included in the "All other segments" column. These activities include central management, certain services and investment activities, activities of Hamriyah steel plant and the Group's activities in exploration and evaluation of copper deposits.

(in thousands of US dollars, unless otherwise stated)

4 Segment information (continued)

Segment information for the six months ended 30 June 2013 is as follows:

	Mining	Steel	Trading	All other segments	Eliminations	Total
External revenue	981,724	966,006	1,805,264	54,077		3,807,071
Inter-segment revenue	1,061,851	678,964	-	6,097	(1,746,912)	-
Total revenue	**2,043,575**	**1,644,970**	**1,805,264**	**60,174**	**(1,746,912)**	**3,807,071**
EBITDA	**1,126,293**	**(8,028)**	**36,962**	**74,818**	**-**	**1,230,045**
Depreciation and amortisation	73,517	70,892	144	9,450	-	154,003
Interest income	22,517	1,369	245	7,156	-	31,287
Inter-segment interest income	47,109	20,422	960	49,707	(118,198)	-
Interest expense	107,425	17,585	3,739	82,318	-	211,067
Inter-segment interest expense	45,156	31,809	12	41,221	(118,198)	-
Income tax charge/(credit)	197,875	(16,118)	2,077	6,614	-	190,448

(in thousands of US dollars, unless otherwise stated)

4 Segment information (continued)

Segment information for the six months ended 30 June 2012 is as follows:

	Mining	Steel	Trading	Transportation*	All other segments	Eliminations	Total
External revenue	984,932	1,247,044	2,191,450	23,044	34,494	-	4,480,964
Inter-segment revenue	1,241,110	757,852	-	264,828	1,983	(2,265,773)	-
Total revenue	**2,226,042**	**2,004,896**	**2,191,450**	**287,872**	**36,477**	**(2,265,773)**	**4,480,964**
EBITDA	**1,340,386**	**188,564**	**37,935**	**58,610**	**16,455**	**-**	**1,641,950**
Depreciation and amortisation	67,530	69,804	45	8,477	10,997	-	156,853
Interest income	14,189	4,130	266	115	44,165	-	62,865
Inter-segment interest income	48,511	23,827	1,400	-	15,337	(89,075)	-
Interest expense	90,216	45,862	7,587	1,341	43,889	-	188,895
Inter-segment interest expense	13,780	4,733	-	-	70,562	(89,075)	-
Income tax charge	229,451	19,701	2,367	9,567	17	-	261,103
Total reportable segment assets							
30 June 2013	**410,021**	**303,095**	**89,208**	**-**	**38,340**	**-**	**840,664**
31 December 2012	**713,974**	**(41,571)**	**69,537**	**-**	**42,496**	**-**	**784,436**

* Transportation segment was presented as discontinued operation in the consolidated statement of comprehensive income.

(in thousands of US dollars, unless otherwise stated)

4 Segment information (continued)

A reconciliation of EBITDA to profit for the period is provided as follows:

	Six months ended 30 June 2013
EBITDA for reportable segments	**1,155,227**
Other segments EBITDA	**74,818**
Total	**1,230,045**
Adjustments to EBITDA arising from differences in management accounting and requirements of IFRS:	
Capitalisation of elements of cost of non-current assets recognised as expenses in profit or loss in accordance with RAS	12,340
Recognition of expenses in profit or loss recognised as non-current assets in accordance with RAS	(12,565)
Additional loss on disposal of property, plant and equipment	(4,414)
Unrealised profits adjustment	18,741
Additional provision for impairment of receivables	(420)
Employee benefit obligations adjustment	2,985
Reclassification of waiver fees and other charges from operating expenses to finance costs	1,275
Recognition of vacation reserve in profit or loss	(3,400)
Other adjustments	3,428
	1,248,015
Other reconciling items:	
Depreciation and amortisation	(213,131)
Finance income	32,637
Finance costs	(267,533)
Foreign exchange gain	20,350
Other operating expenses	(19,051)
Share of net loss of associates	(2,099)
Income tax charge	(178,505)
Profit for the period	**620,683**

	Six months ended 30 June 2012		
	Continuing operations	**Discontinued operations**	**Total**
EBITDA for reportable segments	**1,566,885**	**-**	**1,566,885**
Other segments EBITDA	**16,455**	**-**	**16,455**
EBITDA of Transportation segment presented as discontinued operations	**-**	**58,610**	**58,610**
Total	**1,583,340**	**58,610**	**1,641,950**
Adjustments to EBITDA arising from differences in management accounting and requirements of IFRS:			
Capitalisation of elements of cost of non-current assets recognised as expenses in profit or loss in accordance with RAS	12,664	1,509	14,173
Recognition of expenses in profit or loss recognised as non-current assets in accordance with RAS	(8,046)	-	(8,046)
Additional loss on disposal of property, plant and equipment	(5,632)	(5,757)	(11,389)
Unrealised profits adjustment	34,873	-	34,873
(Additional)/Reverse of provision for impairment of receivables	(992)	56	(936)
Employee benefit obligations adjustment	2,619	-	2,619
Reclassification of waiver fees and other charges from operating expenses to finance costs	3,375	-	3,375
Recognition of vacation reserve in profit or loss	(5,549)	(58)	(5,607)
Other adjustments	29,309	13,243	42,552
	1,645,961	**67,603**	**1,713,564**
Other reconciling items:			
Depreciation and amortisation	(211,146)	-	(211,146)
Finance income	94,534	115	94,649
Finance costs	(252,551)	-	(252,551)
Foreign exchange loss	(137,837)	(287)	(138,124)
Gain on disposal of discontinued operations	-	368,659	368,659
Other operating income	9,445	-	9,445
Share of net loss of associates	(2,221)	-	(2,221)
Income tax charge	(256,607)	(11,972)	(268,579)
Profit for the period	**889,578**	**424,118**	**1,313,696**

(in thousands of US dollars, unless otherwise stated)

4 Segment information (continued)

An analysis of the Group's sales to external customers by their geographical location is presented as follows:

	Six months ended	
	30 June 2013	30 June 2012
Russia	1,808,257	1,840,419
Rest of CIS	189,660	392,719
Total CIS	1,997,917	2,233,138
China	283,199	390,716
Rest of Asia	324,124	375,467
Total Asia	607,323	766,183
Middle East	457,660	458,479
Europe	608,737	844,055
Other countries	135,434	156,065
Total Continuing Operations	**3,807,071**	**4,457,920**
Total Discontinued Operations – Russia	-	23,044
Total Sales	**3,807,071**	**4,480,964**

5 Property, plant and equipment and intangible assets

Six months ended 30 June 2013	Property, plant and equipment	Intangible assets (excluding goodwill)	Mineral rights
Opening net book amount at 1 January 2013	**3,274,453**	**586,989**	**1,618,391**
Additions	229,029	26,318	-
Disposals	(5,131)	(16)	-
Depreciation and amortisation	(180,799)	(2,955)	(33,016)
Currency translation differences	(226,681)	(43,099)	(113,889)
Closing net book amount at 30 June 2013	**3,090,871**	**567,237**	**1,471,486**

Six months ended 30 June 2012	Property, plant and equipment	Intangible assets (excluding goodwill)	Mineral rights
Opening net book amount at 1 January 2012	**2,961,272**	**598,260**	**1,590,348**
Acquisitions through business combinations	18,205	-	-
Additions	283,892	14,822	-
Reclassification to non-current assets held for sale	(22,786)	(74,867)	-
Disposals	(24,859)	-	-
Depreciation and amortisation	(173,755)	(2,408)	(33,414)
Currency translation differences	(59,324)	(12,129)	(27,876)
Closing net book amount at 30 June 2012	**2,982,645**	**523,678**	**1,529,058**

As at 30 June 2013 the Group had contractual commitments for the purchase of property, plant and equipment and exploration and evaluation expenditure for USD 563,072 thousand (31 December 2012: USD 603,604 thousand). As at 30 June 2013 and at 31 December 2012 there are no items of property, plant and equipment pledged as collateral for bank borrowings.

6 Available-for-sale financial assets

	Six months ended	
	30 June 2013	30 June 2012
At 1 January	**1,470,858**	**1,039,655**
Additions	57,125	185,740
Fair value (loss)/gain	(322,298)	93,975
At 30 June	**1,205,685**	**1,319,370**

(in thousands of US dollars, unless otherwise stated)

6 Available-for-sale financial assets (continued)

Available-for-sale financial assets include the following:

	30 June 2013	31 December 2012
Listed securities:		
MMC Norilsk Nickel ADR	1,140,136	1,405,309
Unlisted securities:		
OOO South Ural Mining & Processing Works	65,549	65,549
Total	**1,205,685**	**1,470,858**

7 Short-term and long-term borrowings

	30 June 2013	31 December 2012
Long-term borrowings	2,892,372	4,619,757
Short-term borrowings	186,728	146,985
Unsecured corporate bonds	1,066,172	819,907
Guaranteed notes	1,687,013	693,340
Bank overdraft	138,609	190,743
Total borrowings	**5,970,894**	**6,470,732**

Movements in borrowings are analysed as follows:

	Six months ended	
	30 June 2013	30 June 2012
Opening amount at 1 January	**6,470,732**	**5,598,316**
Borrowings received	42,436	1,024,337
Repayments of borrowings	(1,641,404)	(953,188)
Issue of guaranteed notes, net of transaction cost	993,202	-
Issue of unsecured corporate bonds, net of transaction cost	331,544	850,199
Foreign exchange gain and currency translation difference, net	(225,616)	(141,275)
Closing amount at 30 June	**5,970,894**	**6,378,389**

In April 2013 the Group issued USD 1,000,000 thousand 5.625% USD-denominated guaranteed notes with maturity in 2020.

In February 2013 the Company issued RUB 10,000,000 thousand 8.9% unsecured corporate bonds with maturity in 2023 and an early redemption option in 2018.

In March 2012 the Company issued RUB 25,000,000 thousand 9.0% unsecured corporate bonds with maturity in 2022 and an early redemption option in 2015.

Interest accrued on borrowings with maturities less than twelve months after the end of the reporting period of USD 75,069 thousand (31 December 2012: USD 45,909 thousand) is presented in current accounts payable.

8 Employee benefit obligations

The Group companies operate both funded and unfunded post-employment benefits plans.

Amounts recognised in the consolidated statement of comprehensive income were as follows:

	Six months ended	
	30 June 2013	30 June 2012
Current service costs	5,716	5,408
Net interest expense	12,408	12,295
Net periodic benefit costs	**18,124**	**17,703**

The principal assumptions used for actuarial valuations for the six months ended 30 June 2013 were the same as those that applied for the year ended 31 December 2012, with the exception of the discount rate. The increase in the discount rate from 7.0% to 8.0% resulted in recognition of an actuarial gain of USD 40,314 thousand in other comprehensive income for the six months ended 30 June 2013.

(in thousands of US dollars, unless otherwise stated)

8 Employee benefit obligations (continued)

Amounts recognised in the consolidated statement of financial position were as follows:

	30 June 2013	31 December 2012
Present value of defined benefit obligations	**317,031**	**373,109**
Fair value of plan assets	(2,224)	(2,541)
Net liability in the statement of financial position	**314,807**	**370,568**

9 Balances and transactions with related parties

The Group determines if parties are related based on definitions of IAS 24, Related Party Disclosures. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties include entities that are controlled or significantly influenced by owners of the Company. The owners of the Company are disclosed in Note 1.

The nature of the related party relationships for those related parties with whom the Company entered into significant transactions or had significant balances outstanding at 30 June 2013 and 31 December 2012 are detailed below:

(i) Balances and transactions with other related parties

Period-end balances:	**30 June 2013**	**31 December 2012**
Trade accounts receivable	6,691	4,576
Advances issued	191	969
Other receivables	74,982	80,360
Trade accounts payable	33,776	31,290
Other accounts payable	-	14,454
Loans received	5,225	5,225

	Six months ended	
The transactions carried out during the period:	**30 June 2013**	**30 June 2012**
Sales of goods and services	11,844	23,046
Sales of property, plant and equipment	584	14,513
Purchases of raw materials and components	11,512	19,466
Purchases of property, plant and equipment	2,502	4,030
Purchase of services	19,246	18,737
Acquisition of subsidiaries	13,844	127,369
Finance costs	-	34,691
Finance income	1,250	-

	Six months ended	
Loans advanced to other related parties:	**30 June 2013**	**30 June 2012**
At 1 January	**595,365**	**313,828**
Loans advanced during the period	46,971	386,826
Repayments of loans advanced	(5,358)	(185,553)
Loans advanced of subsidiaries acquired	-	5,819
Interest income accrued	20,189	15,785
Interest income received	(2,027)	(7,473)
Translation to presentation currency and forex loss, net	(19,951)	(752)
At 30 June	**635,189**	**528,480**

(ii) Balances and transactions with the owners of the Company

	Six months ended	
Loans advanced to the owners of the Company:	**30 June 2013**	**30 June 2012**
At 1 January	**-**	**164,409**
Loans advanced during the period	186,773	159,178
Repayments of loans advanced	-	(163,000)
Interest income accrued	3,699	1,887
Interest income received	-	(2,016)
Translation to presentation currency and forex loss, net	(8,677)	(4,042)
At 30 June	**181,795**	**156,416**

(in thousands of US dollars, unless otherwise stated)

9 Balances and transactions with related parties (continued)

(iii) Balances and transactions with associates

	Six months ended	
Loans advanced and other investments to associates:	**30 June 2013**	**30 June 2012**
At 1 January	**-**	**15,756**
Repayments of loans advanced	-	(1,631)
Repayments of short-term deposits with maturity more than three months	-	(6,833)
Loans advanced of subsidiaries acquired	-	2,950
Interest income accrued	-	350
Interest income received	-	(426)
Translation to presentation currency and forex gain, net	-	(223)
At 30 June	**-**	**9,943**

(iv) Contractual commitments to other related parties

As at 30 June 2013 the Group had contractual commitments to other related parties of USD 273 thousand (31 December 2012: USD 919 thousand) for the purchase of property, plant and equipment.

(v) Guarantees issued

As at 30 June 2013 the Group's guarantees against obligations of other related parties amounted to USD 191,857 thousand (31 December 2012: USD 206,218 thousand).

(vi) Guarantees received

As at 30 June 2013 a short-term loan advanced to other related party of USD 140,240 thousand (31 December 2012: USD 140,240 thousand) was secured by pledges of property, plant and equipment.

(vii) Key management personnel compensation

Compensation of key management personnel consists of remuneration paid to managing directors of the Group's main subsidiaries and to members of the Company's Boards of Directors and its main subsidiaries. Compensation comprises short-term benefits.

Total key management personnel compensation included in general and administrative expenses for the six months ended 30 June 2013 amounted to USD 5,078 thousand (the six months ended 30 June 2012: USD 9,053 thousand).

10 Other operating expenses

A decrease of USD 153,692 thousand in other operating expenses for the six months ended 30 June 2013 compared to the six months ended 30 June 2012 was primarily due to a change from USD 141,707 thousand of foreign exchange loss to USD 40,187 thousand of foreign exchange gain on operating activities.

(in thousands of US dollars, unless otherwise stated)

11 Fair value of financial instruments

For financial instruments carried at fair value, the levels in the fair value hierarchy into which the fair values are categorised are as follows:

	30 June 2013			31 December 2012		
	Quoted price in an active market (Level 1)	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**
FINANCIAL ASSETS						
Available-for-sale financial assets						
- Equity securities	1,140,136	-	65,549	1,405,309	-	65,549
Total financial assets carried at fair value	**1,140,136**	**-**	**65,549**	**1,405,309**	**-**	**65,549**
Sensitivity of fair value to reasonably possible changes in assumptions not based on observable market data	**-**	**-**	**12,567**	**-**	**-**	**12,567**

There were no transfers into or out of Level 3 during the period.

Fair value of financial assets and liabilities

The fair value of the following financial assets and liabilities approximates their carrying amount:

- Trade and other receivables;
- Loans advanced and other investments;
- Cash and cash equivalents;
- Trade and other payables.

As at 30 June 2013 the fair values of bank borrowings exceeded their carrying amounts by USD 19,928 thousand (31 December 2012: USD 41,124 thousand).

The market value of the guaranteed notes issued in April 2013 based on Irish Stock Exchange quotation as at 30 June 2013 was USD 918,493 thousand.

The market value of the guaranteed notes issued in July 2011 based on London Stock Exchange quotation as at 30 June 2013 was USD 720,297 thousand (31 December 2012: USD 731,872 thousand).

The market value of the unsecured corporate bonds based on Moscow Stock Exchange quotation as at 30 June 2013 was USD 1,083,677 thousand (31 December 2012: 825,478 thousand).

As at 30 June 2013, the fair value of liability to the regional administration exceeded its carrying amount by USD 11,592 thousand (31 December 2012: USD 21,117 thousand).

12 Events after the reporting period

No significant events occurred after the reporting date.