Metinvest B.V.

Unaudited Interim Condensed Consolidated Financial Information

30 June 2011

Contents

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

All amounts in millions of US dollars

	Note	30 June 2011	31 December 2010
ASSETS			
Non-current assets			
Goodwill		1,017	974
Other intangible assets		1,032	1,072
Property, plant and equipment		7,220	7,053
Investments in associates		88	109
Deferred tax asset		282	196
Other non-current assets		54	112
Total non-current assets		**9,693**	**9,516**
Current assets			
Inventories		1,886	1,624
Trade and other receivables	6	3,020	2,933
Cash and cash equivalents		724	449
Total current assets		**5,630**	**5,006**
Non-current assets held for sale		**162**	**146**
TOTAL ASSETS		**15,485**	**14,668**
EQUITY			
Share capital		-	-
Share premium		5,604	5,604
Other reserves	7	(3,613)	(3,527)
Retained earnings		6,096	5,151
Equity attributable to the owners of the Company		**8,087**	**7,228**
Non controlling interest		**977**	**984**
TOTAL EQUITY		**9,064**	**8,212**
LIABILITIES			
Non-current liabilities			
Loans and borrowings	8	1,984	1,464
Seller's notes		249	276
Retirement benefit obligations		577	542
Deferred tax liability		221	350
Other non-current liabilities		82	132
Total non-current liabilities		**3,113**	**2,764**
Current liabilities			
Loans and borrowings	8	977	1,332
Seller's notes		90	92
Trade and other payables	9	2,241	2,268
Total current liabilities		**3,308**	**3,692**
TOTAL LIABILITIES		**6,421**	**6,456**
TOTAL LIABILITIES AND EQUITY		**15,485**	**14,668**

Signed and authorized for release on behalf of Metinvest B.V. on 20 September 2011:

Originally signed by Igor Syry – Director B

Originally signed by John W. Macdonald – Director A

	Note	Six months ended 30 June 2011	2010
Revenue	5	6,991	4,076
Cost of sales		(4,663)	(2,677)
Gross profit		**2,328**	**1,399**
Distribution costs		(464)	(372)
General and administrative expenses		(237)	(122)
Other operating (expenses)/income, net	10	(56)	(140)
Operating profit		**1,571**	**765**
Finance income		39	40
Finance costs		(133)	(100)
Share of result of associates		1	3
Profit before income tax		**1,478**	**708**
Income tax expense		(337)	(184)
Profit for the period		**1,141**	**524**
Profit is attributable to:			
Owners of the Company		879	406
Non controlling interests		262	118
Profit for the period		**1,141**	**524**

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

All amounts in millions of US dollars

	Note	Six months ended 30 June 2011	2010
Profit for the period		1,141	524
Other comprehensive income			
Revaluation of available-for-sale investments		-	22
Currency translation differences		37	(129)
Share in equity reserves of associates		(24)	6
Total other comprehensive income		**13**	**(101)**
Total comprehensive income for the period		**1,154**	**423**
Total comprehensive income attributable to:			
Owners of the Company		887	307
Non controlling interest		267	116
		1,154	**423**

All amounts in millions of US Dollars

	Note	Six months ended 30 June 2011	2010
Cash flows from operating activities			
Profit before income tax		**1,478**	**708**
Adjustments for:			
Depreciation of property, plant and equipment ("PPE") and amortisation of intangible assets, net of amortisation of deferred income		412	344
(Gain)/loss on disposal of property, plant and equipment		(6)	(2)
Finance income		(39)	(40)
Finance costs		133	100
Unrealised foreign exchange differences		(25)	42
Net increase in retirement benefit obligation		35	35
Share of result of associates		1	(3)
Write-offs of inventory		(4)	-
Impairment of trade receivables		42	-
Other non-cash operating (incomes)/losses		40	(15)
Operating cash flows before working capital changes		**2,067**	**1,169**
Decrease /(increase) in inventories		(210)	(137)
Decrease/(increase) in trade and other accounts receivable		(104)	(478)
Increase/(decrease) in trade and other accounts payable		(110)	92
Decrease in other non-current liabilities		(2)	(9)
Cash generated from operations		**1,641**	**637**
Income taxes paid		(409)	(113)
Interest paid		(82)	(61)
Net cash from operating activities		**1,150**	**463**
Cash flows from investing activities			
Purchase of property, plant and equipment		(544)	(185)
Proceeds from sale of property, plant and equipment		17	10
Settlement of payables related to prior years business combination		(25)	-
Proceeds from repayments of loans issued		49	9
Interest received		10	1
Dividends received		2	-
Net cash used in investing activities		**(491)**	**(165)**
Cash flows from financing activities			
Proceeds from loans and borrowings		912	658
Repayment of loans and borrowings		(439)	(272)
Repayment of seller's notes		(50)	(106)
Net trade financing proceeds / (repayments)		(362)	43
Dividends paid		(442)	(140)
Net cash generated from/(used in) financing activities		**(381)**	**183**
Effect of exchange rate changes on cash and cash equivalents		(3)	(3)
Net increase/(decrease) in cash and cash equivalents		**275**	**478**
Cash and cash equivalents at the beginning of the year		**449**	**159**
Cash and cash equivalents at the end of the period		**724**	**637**

All amounts in millions of US Dollars

In million of US Dollars	Attributable to owners of the Company					Non controlling interest (NCI)	Total equity
	Share capital	**Share premium**	**Other reserves**	**Retained earnings**	**Total**		
Balance at 1 January 2011	**-**	**5,604**	**(3,527)**	**5,151**	**7,228**	**984**	**8,212**
Share in equity reserves of associates	-	-	(23)	-	**(23)**	(1)	**(24)**
Revaluation of property, plant and equipment	-	-	-	-	**-**	-	**-**
Income tax relating to components of other comprehensive income	-	-	-	-	**-**	-	**-**
Revaluation of available-for-sale investments	-	-	-	-	**-**	-	**-**
Currency translation differences	-		31	-	**31**	6	**37**
Other comprehensive income for the period	**-**	**-**	**8**	**-**	**8**	**5**	**13**
Profit for the period	-	-	-	879	**879**	262	**1,141**
Total comprehensive income for the period	-	-	**8**	**879**	**887**	**267**	**1,154**
Realised revaluation reserve	-	-	(94)	94	**-**	-	**-**
Acquisition of interest in the subsidiaries from SCM Group companies and related parties	-	-	-	-	**-**	-	**-**
Decrease in non controlling interest due to Group restructuring	-	-	-	-	**-**	-	**-**
Business combination	-	-	-	-	**-**	-	**-**
Acquisition of non controlling interest in Promet	-	-	-	-	**-**	-	
Unwinding of discount on dividends	-	-	-	(28)	**(28)**	(3)	**(31)**
Dividends declared by non wholly owned subsidiaries	-	-	-	-	**-**	(271)	**(271)**
Balance at 30 June 2011	**-**	**5,604**	**(3,613)**	**6,096**	**8,087**	**977**	**9,064**
Balance at 1 January 2010	**-**	**4,172**	**(4,119)**	**5,592**	**5,645**	**1,327**	**6,972**
Share in equity reserves of associates	-	-	6	-	**6**	-	**6**
Revaluation of property, plant and equipment	-	-	-	-	**-**	-	**-**
Income tax relating to components of other comprehensive income	-	-	-	-	**-**	-	**-**
Changes in deferred tax due to changes in tax base of PP&E	-	-	-	-	**-**	-	**-**
Revaluation of available-for-sale investments	-	-	-	-	**-**	-	**-**
Realisation of reserve on revaluation of available-for-sale investments	-	-	22	-	**22**	-	**22**
Currency translation differences	-	-	(127)	-	**(127)**	(2)	**(129)**
Other comprehensive income for the period	**-**	**-**	**(99)**	**-**	**(99)**	**(2)**	**(101)**
Profit for the period	-	-	-	406	**406**	118	**524**
Total comprehensive income for the period	**-**	**-**	**(99)**	**406**	**307**	**116**	**423**
Realised revaluation reserve	-	-	(77)	77	**-**	-	**-**
Disposal of subsidiaries to SCM	-	-	243	-	**243**	183	**426**
Acquisition of NCI in MetalUkr Holding from SCM	-	-	59	-	**59**	(569)	**(510)**
Dividends declared by the Parent	-	-	-	(369)	**(369)**	-	**(369)**
Dividends declared by non wholly owned subsidiaries	-	-	-	-	**-**	(395)	**(395)**
Shares to be issued to sellers of Ilyich Group	-	-	-				
Changes in NCI due to Ilyich Group acquisition	-	-	-	-	**-**	-	**-**
Acquisition of NCI in MMZ	-	-	-	-	**-**	-	**-**
Balance at 30 June 2010	**-**	**4,172**	**(3,993)**	**5,706**	**5,885**	**662**	**6,547**

1 Metinvest B.V. and its operations

Metinvest B.V. (the “Company” or “Metinvest”), is a private limited liability company registered in the Netherlands. The Company is ultimately controlled by JSC System Capital Management (“JSC SCM”). JSC SCM is registered in Donetsk, Ukraine and is beneficially owned by Mr. Rinat Akhmetov.

The Company and its subsidiaries (together referred to as the “Group” or “Metinvest Group”) are an integrated steel producer, owning assets in each link of the production chain – from iron ore mining, coking coal mining and coke production, through to semi-finished and finished steel production; as well as pipe rolling and plate/coil production. The steel products, iron ore and coke are sold on both the Ukrainian and export markets.

Until November 2007, the Company was indirectly 100% controlled by SCM.

In November 2007 the Company acquired from parties known as Smart Group ("SMART" or “Smart Group”) 82% of the shares in the share capital of JSC Inguletskiy Mining and Processing Works in exchange for the transfer to SMART of 25% of the shares in the share capital of the Company. In the Shareholders’ Agreement of 1 July 2007 SCM (System Capital Management) Limited (“SCM”), an indirect subsidiary of JSC SCM, and SMART negotiated and agreed that SMART would contribute their equity interest in JSC Makeyevka Steel Plant ("MMZ") and JSC Promet Steel in exchange SMART would acquire veto rights over the management of the Company (the “Shareholders’ Agreement”). Due to the complexity of the transaction, Promet Steel was acquired in 2009 and MMZ acquisition has been finalized only in October 2010. Both MMZ and Promet Steel have been consolidated from 1 January 2009. As of 30 June 2011, Metinvest B.V. is owned 71.25% by SCM and 23.75% by companies of the Smart Group.

As part of the Shareholder Agreement, SCM has agreed to sell/contribute its remaining equity interests in certain subsidiaries existing as at 31 December 2007 and certain other equity investments to Metinvest B.V. As at 30 June 2011, SCM's carrying value of such assets totalled USD 595 million (31 December 2010: USD 569 million). As of the date of preparation of these interim consolidated financial information, the Shareholders are undecided on the exact mechanism at which value of these assets will be brought into Metinvest B.V.

The principal subsidiaries of Metinvest B.V. are presented below:

Name	effective % interest as at 30 June 2011	effective % interest as at 31 December 2010	Segment	Country of incorporation
Metinvest Holding LLC	100.0%	100.0%	Corporate	Ukraine
MetalUkr Holding Limited	100.0%	100.0%	Corporate	Cyprus
JSC Azovstal Iron and Steel Works	95.9%	95.9%	Steel	Ukraine
JSC Enakievo Metallurgical Works	90.6%	90.6%	Steel	Ukraine
JV LLC Metalen	100.0%	100.0%	Steel	Ukraine
JSC Khartsyzsk Tube Works	97.6%	97.6%	Steel	Ukraine
Ferriera Valsider S.P.A.	70.0%	70.0%	Steel	Italy
Metinvest Trametal S.P.A.	100.0%	100.0%	Steel	Italy
Spartan UK Ltd	100.0%	100.0%	Steel	UK
Metinvest International S.A.	100.0%	100.0%	Steel	Switzerland
LLC SMC Metinvest	100.0%	100.0%	Steel	Ukraine
LLC Metinvest Ukraine	100.0%	100.0%	Steel	Ukraine
JSC Avdiivka By-Product Coke Plant	91.7%	91.7%	Coke and coal	Ukraine
JSC Krasnodonugol	91.6%	91.6%	Coke and coal	Ukraine
JSC Severniy Mining and Processing Works	63.3%	63.3%	Iron ore	Ukraine
JSC Central Mining and Processing Works	76.0%	76.0%	Iron ore	Ukraine
JSC Inguletskiy Mining and Processing Works	82.5%	82.5%	Iron ore	Ukraine
United Coal Company	100.0%	100.0%	Coke and coal	USA
JSC Promet Steel	95.3%	95.3%	Steel	Bulgaria
JSC Makeyevka Steel Plant	90.2%	90.2%	Steel	Ukraine
JSC Ilyich I&SW	99.1%	99.1%	Steel	Ukraine
PSC Ilyich-Steel	100.0%	100.0%	Steel	Ukraine
JSC Kindrativka Refractory Plant	97.2%	97.2%	Steel	Ukraine
JSC Komsomolsk Mining Enterprise	99.7%	99.7%	Iron ore	Ukraine

As at 30 June 2011, the Group employed approximately 112 thousand people (31 December 2010: 117 thousand).

The Company’s registered address is Alexanderstraat 23, 2514 JM, The Hague. The company is registered with the commercial trade register under the number 24321697. The principal places of production facilities of the Group are in Ukraine, Italy, UK and USA.

2 Operating environment of the Group

The Group is one of the largest mining and steel company globally and is the largest steel producer in Ukraine. Its major subsidiaries are located in Ukraine, the European Union and the USA.

Ukraine, whose economy is considered to be developing and characterised by relatively high economic and political risks, continues to implement economic reforms and the development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Ukrainian economy is largely dependent upon these reforms and the effectiveness of economic, financial and monetary measures undertaken by government, together with tax, legal, regulatory, and political developments. The developing economies are vulnerable to market downturns and economic slowdowns elsewhere in the world.

Metinvest's financial performance is largely dependent on the global price of and demand for steel and steel products, iron ore and coal. The prices of steel products are influenced by many factors, including global economic conditions, demand, worldwide production capacity, capacity utilisation rates, raw material costs, foreign exchange rates and improvements in steel making processes. In recent years steel prices have experienced significant fluctuations and, until May 2010, had been gradually increasing since the second half of 2009 after a rapid decrease in the third quarter of 2008. Since May 2010, steel prices experienced a period of decrease, but started to rise again towards the end 2010.

As the world economy began to recover from the global recession in 2009 and 2010, prices for steel products fluctuated to a greater degree than prices for raw materials, due to the lower level of consolidation and lower capacity utilisation as compared to raw material markets.

Until March 2010 worldwide prices for iron ore were set based on a benchmark price determined in part based on the outcome of annual negotiations between the world's largest steel manufacturers and the world's largest iron ore mining companies. In March 2010, this benchmark system was replaced with a new system involving quarterly contracts with pricing linked to the spot market. The new system uses quarterly rather than annual contracts and the price of iron ore is set against an average determined by the spot market instead of being based on negotiations. The new pricing system has a significant effect on the volatility of prices for iron ore.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

3 Basis of preparation and significant accounting policies

This condensed consolidated interim financial information for the six months ended 30 June 2011 have been prepared in accordance with IAS 34, “Interim Financial Reporting”. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRS as adopted by EU.

Except as described below, the basis of preparation and accounting policies applied are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2010.

Exchange rate fluctuations. The following table summarises exchange rates of UAH against USD and EUR as of the dates used for translating foreign currency balances:

	30 June 2011	**31 December 2010**
USD/UAH	7.972	7.962
EUR/UAH	11.500	10.573

Current and deferred taxes. Income tax expense in the interim period is recognised based on management’s best estimate of the weighted average effective annual income tax rate expected for the full financial year.

4 Adoption of new or revised standards and interpretations

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial periods beginning on or after 1 January 2011:

- Amendment to IAS 24, Related Party Disclosures. IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities.
- Improvements to International Financial Reporting Standards (issued in May 2010).

These new standards, amendments to standards or interpretations did not have any significant effect on the Group's consolidated financial information.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial periods beginning on or after 1 January 2011 but are not relevant to the Group's operations:

- Classification of Rights Issues – Amendment to IAS 32.
- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments.
- Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters – Amendment to IFRS 1.
- Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial periods beginning on or after 1 January 2011, have not been endorsed by the EU and have not been early adopted by the Group:

- IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, further amended in October 2010 and effective for annual periods beginning on or after 1 January 2013).
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011).
- Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012).
- Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011).
- IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).
- Amended IAS 27, Separate Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).
- IFRS 11, Joint Arrangements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).
- Amended IAS 28, Investments in Associates and Joint Ventures (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).
- IFRS 12, Disclosure of Interest in Other Entities (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013).
- IFRS 13, Fair Value Measurement (issued 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).
- Amended IAS 19, Employee Benefits (issued June 2011, effective for periods beginning on or after 1 January 2013).

All tabular amounts in millions of US Dollars

5 Segment information

The Group is organised on the basis of three main business segments:

- Steel – comprising the production and sale of semi-finished and finished steel products;
- Coke and Coal – comprising the mining and sale of metallurgical and steam coal, production and sale of coke;
- Iron Ore – comprising the production, enrichment and sale of iron ore and iron ore products.

The Group is a vertically integrated steel and mining business. A significant portion of the Group's iron ore and coke and coal production are used in its steel production operations.

In million of US Dollars	**Steel**	**Coke and Coal**	**Iron Ore**	**Corporate overheads**	**Eliminations**	**Total**
Six months ended 30 June 2011						
Sales – external	5,120	491	1,380	-		**6,991**
Sales to other segments	44	1,024	1,133	-	(2,201)	
Total of the reportable segments' revenue	**5,164**	**1,515**	**2,513**	**-**	**(2,201)**	**6,991**
Adjusted EBITDA	**230**	**266**	**1,652**	**(52)**	**(96)**	**2,000**
Reconciling items:						
Depreciation and amortisation						(412)
Sponsorship and other charity payments						(17)
Finance income						39
Finance costs						(133)
Share of result of associates						1
Profit before tax						**1,478**

	Steel	**Coke and Coal**	**Iron Ore**	**Corporate overheads**		**Total**
Capital expenditure	175	129	249	6	-	**559**

Capital expenditure and net change in retirement benefit obligations exclude assets and liabilities acquired through business combinations.

	Steel	**Coke and Coal**	**Iron Ore**	**Corporate overheads**	**Eliminations**	**Total**
Six months ended 30 June 2010						
Sales – external	2,376	587	1,113	-	-	**4,076**
Sales to other segments	53	505	508	-	(1,066)	-
Total revenue	2,429	1,092	1,621	-	(1,066)	**4,076**
Adjusted EBITDA	**82**	**236**	**926**	**(22)**	**(29)**	**1,193**
Reconciling items:						
Sponsorship and other charity payments						(87)
Depreciation and amortisation						(344)
Finance income						40
Finance costs						(100)
Share of result of associates						3
Other						3
Profit before tax						**708**

	Steel	**Coke and Coal**	**Iron Ore**	**Corporate overheads**	**Total**
Capital expenditure	47	50	88		**185**

All tabular amounts in millions of US Dollars

6 Trade and other receivables

	30 June 2011	**31 December 2010**
Trade receivables and receivables on commission sales	1,541	1,510
Receivables for bonds and promissory notes sold	366	362
Loans issued	221	212
Interest accrued on loans issued	50	44
Receivables for disposal of subsidiaries and associates	172	167
Receivables for deposit certificates sold	62	59
Other financial receivables	23	28
Total financial assets	**2,435**	**2,382**
Recoverable value added tax	380	319
Prepayments made	125	144
Income tax prepaid	35	39
Other receivables	45	49
Total trade and other receivables	**3,020**	**2,933**

All tabular amounts in millions of US Dollars

7 Share capital and other reserves

In June 2011, Metinvest B.V. issued new 474 class B shares of Metinvest B.V. which constitute 5% of its issued share capital to the Sellers of Ilyich Group. This additional share issuance constitute the subsequent and final arrangement between the parties. In accordance with IFRS 3, this share issue was given retrospective treatment in the 2010 Group consolidated financial statements and accordingly recorded as if such shares had been issued in 2010. Since Metinvest B.V. is not a publicly traded entity, the share issue has been recorded at the preliminary fair value of the acquired assets of Ilyich Group totalling USD 1,432 million within share premium in the statement of changes in equity. There were no other changes in share capital during the six months ended 30 June 2011. Movement in other reserves is summarised below.

	Revaluation of available-for-sale investments and share in equity of associates	Revaluation of property, plant and equipment	Merger reserve	Cumulative currency translation reserve	Total
Balance as at 1 January 2011	**18**	**1,788**	**(2,987)**	**(2,346)**	**(3,527)**
Total comprehensive income for the period	(23)	-	-	31	**8**
Depreciation transfer, net of tax		(94)			**(94)**
Balance as at 30 June 2011	**(5)**	**1,694**	**(2,987)**	**(2,315)**	**(3,613)**

	Revaluation of available-for-sale investments and share in equity of associates	Revaluation of property, plant and equipment	Merger reserve	Cumulative currency translation reserve	Total
Balance as at 1 January 2010	**54**	**1,256**	**(3,028)**	**(2,401)**	**(4,119)**
Total comprehensive income for the period	29	12	-	(140)	**(99)**
Depreciation transfer, net of tax	-	(77)	-	-	**(77)**
Disposal of subsidiaries to SCM	-	(9)	147	105	**243**
Acquisition of additional interest in existing subsidiaries from SCM and related parties	-	-	59	-	**59**
Balance as at 30 June 2010	**83**	**1,182**	**(2,822)**	**(2,436)**	**(3,993)**

All tabular amounts in millions of US Dollars

8 Loans and borrowings

	30 June 2011	31 December 2010
Non-current		
Bank borrowings	752	967
Bonds	1,231	493
Non-bank borrowings	1	4
	1,984	**1,464**
Current		
Bank borrowings	680	524
Trade finance	268	623
Bonds	29	185
	977	**1,332**
Total loans and borrowings	**2,961**	**2,796**

On 14 February 2011, Metinvest B.V. placed Eurobonds with a par value of USD 750 million on the Irish Stock Exchange. The bonds carry a coupon rate of 8.75% per annum, paid semi-annually, were placed with a discount of 1.28% and are repayable in 2018.

As of 28 February 2011 JSC Azovstal Iron and Steel Works repaid in full the Eurobonds in total amount of USD 175 million.

9 Trade and other payables

	30 June 2011	31 December 2010
Trade payables and payables on sales made on commission	983	902
Payables for acquired subsidiaries and non controlling interest	5	30
Dividends payable to shareholders of Metinvest B.V.	488	523
Dividends payable to non-controlling shareholders of Company subsidiaries	165	220
Promissory notes issued (UAH denominated with 15% effective interest)	-	120
Payable for acquired property, plant and equipment, intangibles	31	21
Other financial liabilities	25	28
Total financial liabilities	**1,697**	**1,844**
Income tax payable	182	44
Other tax payable	55	53
Wages and salaries payable	38	42
Prepayments received	177	202
Accruals for employees' unused vacations and other payments to employees	66	61
Other allowances	26	22
Other non-financial liabilities	-	-
Total trade and other payables	**2,241**	**2,268**

All tabular amounts in millions of US Dollars

10 Other operating (expenses)/income, net

Other operating income and expenses for the six months ended 30 June were as follows:

	30 June 2011	**30 June 2010**
Maintenance of social infrastructure	(10)	(6)
Foreign exchange gains less losses	25	(43)
Sponsorship and other charity payments	(49)	(93)
Other (expenses)/income, net	(22)	2
Total other operating (expenses)/income, net	**(56)**	**(140)**

All tabular amounts in millions of US Dollars

11 Balances and transactions with related parties

Unless stated otherwise, other related parties are related through common control under SCM. As at 30 June 2011 and 2010 significant balances outstanding with related parties are detailed below:

	As at 30 June 2011				As at 31 December 2010			
	SCM	**Asso-ciates**	**Other related parties**	**Smart Group**	**SCM**	**Asso-ciates**	**Other related parties**	**Smart Group**
ASSETS								
Other non-current assets, including:	**-**	**5**	**-**	**24**	**-**	**5**	**-**	**79**
Receivables for promissory notes	-	5	-	-	-	5	-	-
Long-term loans issued	-	-	-	24	-	-	-	79
Other non-current assets	-	-	-	-	-	-	-	-
Trade and other receivables, including:	**572**	**85**	**444**	**16**	**556**	**55**	**471**	**8**
Trade receivable and receivables on commission sales	-	71	182	-	-	40	183	-
Prepayments made	-	11	-	-	-	13	27	-
Receivables for promissory notes and bonds sold	141	3	211	-	138	2	211	-
Loans issued	193	-	10	16	192	-	9	8
Interest accrued on long term loans issued	49	-	-	-	43	-	-	-
Receivables for disposal of subsidiaries and associates	167	-	5	-	162	-	5	-
Receivables for deposit certificates sold	20	-	34	-	19	-	32	-
Other financial receivables	2	-	2	-	2	-	4	-
Cash and cash equivalents	**-**	**-**	**254**	**-**	**-**	**-**	**199**	**-**

	As at 30 June 2011				As at 31 December 2010			
	SCM	**Asso-ciates**	**Other related parties**	**Smart Group**	**SCM**	**Asso-ciates**	**Other related parties**	**Smart Group**
LIABILITIES								
Non-current liabilities, including:	**-**	**1**	**1**	**-**	**-**	**1**	**4**	**49**
Non-bank borrowings	-	-	-	-	-	-	3	-
Long-term dividends payable	-	-	-	-	-	-	-	49
Other non-current liabilities	-	1	1	-	-	1	1	-
Trade and other payables, including:	**481**	**109**	**202**	**148**	**546**	**80**	**283**	**159**
Accounts payable for promissory notes purchased	-	1	-	-	-	1	-	-
Dividends payable	480	1	6	148	545	1	12	159
Trade payables and payables on sales made on commission	-	75	193	-	-	40	234	-
Prepayments received	-	32	2	-	-	37	35	-
Other financial liabilities	1	-	1	-	1	1	2	-

All tabular amounts in millions of US Dollars

11 Balances and transactions with related parties (continued)

Significant transactions (excluding purchases) with related parties during the six months ended 30 June 2011 are detailed below:

	SCM	Associates	Other related parties	Smart Group	Total
Sales, including:	**-**	**138**	**37**	**-**	**175**
Steel	-	1	34	-	**35**
Coke and coking coal	-	129	-	-	**129**
Other	-	8	3	-	**11**
Other operating income/(expense) net	**(5)**	**(1)**	**(7)**	**-**	**(13)**
Sponsorship and other charity payments	(5)	-	(10)	-	**(15)**
Other	-	(1)	3	-	**2**
Finance income, including:	**16**	**-**	**2**	**3**	**21**
Interest income - other	6	-	-	3	**9**
Other finance income	10	-	2	-	**12**

Significant transactions (excluding purchases) with related parties during the six months ended 30 June 2010 are detailed below:

	SCM	Associates	Other related parties	Smart Group	Total
Sales, including:	**-**	**110**	**14**	**-**	**124**
Steel	-	1	12	-	**13**
Coke and coking coal	-	104	1	-	**105**
Other	-	5	1	-	**6**
Other operating income/(expense) net	**(6)**	**-**	**(68)**	**(10)**	**(84)**
Sponsorship and other charity payments	(6)	-	(68)	(10)	**(84)**
Finance income/(expenses), including:	**4**	**(3)**	**(5)**	**-**	**(4)**
Interest income - bank deposits	-	-	1	-	**1**
Interest income - other	6	-	-	-	**6**
Other finance expenses	(2)	(3)	(6)	-	**(11)**
Sales of interest in subsidiaries and associates to SCM	681	-	-	-	**681**

All tabular amounts in millions of US Dollars

11 Balances and transactions with related parties (continued)

The following is a summary of purchases from related parties during the six months ended 30 June 2011:

	SCM	Associates	Other related parties	Smart Group	Total
Purchases, including:	**-**	**96**	**610**	**-**	**706**
Metal products	-	-	1	-	**1**
Coke and coking coal	-	95	69	-	**164**
Iron ore and spare parts	-	-	193	-	**193**
Electricity	-	-	321	-	**321**
Fuel	-	1	1	-	**2**
Services	-	-	20	-	**20**
Other	-	-	5	-	**5**

The following is a summary of purchases from related parties during the six months ended 30 June 2010:

	SCM	Associates	Other related parties	Smart Group	Total
Purchases, including:	**-**	**4**	**400**	**2**	**406**
Coke and coking coal	-	3	82	-	**85**
Iron ore and spare parts	-	-	115	-	**115**
Electricity	-	-	163	-	**163**
Fuel	-	1	1	-	**2**
Services	-	-	22	-	**22**
Other	-	-	17	2	**19**
Acquisition of interest in subsidiaries from SCM or related parties	**510**	**-**	**-**	**-**	**510**

During the six months ended 30 June 2011, the remuneration of key management personnel of the Group comprised current salaries and related bonuses totalling USD 6.9 million (six months ended 30 June 2010: USD 4.5 million).

12 Contingencies, commitments and operating risks

Tax legislation. Ukrainian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. With effect from 1 January 2011, the Ukrainian tax system was significantly reformed by the adoption of a new Tax Code of Ukraine. Applicable taxes include value-added tax, corporate income tax, customs duties and other taxes. As a result, there may be significant uncertainty as to the implementation or interpretation of the new legislation and unclear or non-existent implementing regulations. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and State authorities. It is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

The Group occasionally may conduct intercompany transactions at terms that may be assessed by the Ukrainian tax authorities as non-market. Because of non-explicit requirements of the applicable tax legislation, such transactions have not been challenged in the past. However, it is possible with evolution of the interpretation of tax law in Ukraine and changes in the approach of tax authorities, that such transactions could be challenged in the future. The impact of any such challenge cannot be estimated; however, Management believes that it will not be significant.

Bankruptcy proceedings. There have been no changes in the bankruptcy proceedings against JSC Krasnodonugol.

Legal proceedings**.** From time to time and in the normal course of business, claims against the Group are received. On the basis of its own estimates and both internal and external professional advice management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these consolidated financial information.

Environmental matters. The enforcement of environmental regulation in Ukraine is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluate its obligations (including assets retirement obligations) under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated, but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Guarantees issued**.** As at 30 June 2011, the Group has outstanding guarantees to third parties in the amount of USD 7 million (31 December 2010: USD 18 million).

Compliance with covenants. The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default. As of 30 June 2011 the Group was in compliance with the covenants.

Insurance. At present, Metinvest maintains mandatory insurance policies against certain types of risk in accordance with Ukrainian law, including life and health insurance; third party liability insurance on hazardous industrial assets and in respect of cargo and motor vehicles; voluntary insurance cover for most of its production facilities in respect of cargo and motor vehicles; "All Risk" insurance to cover property damage and provide business interruption coverage including "inter-dependency" coverage for its key production facilities including JSC Azovstal Iron and Steel Works, JSC Ilyich I&SW, JSC Enakievo Metallurgical Works, JSC Makeevskiy Metallurgical Works, JSC Khartsyzsk Tube Works, JSC Severniy Mining and Processing Works, JSC Central Mining and Processing Works, JSC Inguletskiy Mining and Processing Works, JSC Avdiivka By-Product Coke Plant and Inkor Chemicals; property damage and business interruption policies in respect of Ferriera Valsider S.P.A., Metinvest Trametal S.P.A., Spartan UK Ltd and United Coal Company.

13 Events after the balance sheet date

Acquisition of Zaporizhstal. In July 2011, the Group jointly with the other investors entered binding agreements with the Industrial Group, (owner of controlling interest in a group of steel and mining assets in Ukraine, the most significant being a 50% interest in JSC Zaporizhstal Integrated Iron & Steel Works), to acquire 50% of the assets owned by Industrial Group. The value of 50% of the Industrial Group's interest is USD 416 million, the Group's 24.9% interest was purchased for USD 208 million.
In addition, Metinvest, jointly with the other investors, acquired an option for USD 30 million to purchase the remaining 50% stake in the Industrial Group's steel and mining business for USD 416 million. The option is exercisable within before 4th August 2012 and its value is deductible from final purchase consideration. The agreements also envisage certain adjustments to final purchase consideration if certain criteria related to working capital balances of the acquired business are not met.

Loans. In August 2011 the Group obtained 5-year amortizing loan in the amount of USD 850 million bearing nominal interest of LIBOR plus margin of 3.0% per annum, paid monthly. Principal is repayable in equal monthly instalments starting from August 2013 through July 2016.