

# **ОАО Severstal and subsidiaries**

Consolidated interim condensed financial statements  
for the three months ended March 31, 2011 and 2010

# OAO Severstal and subsidiaries

## Consolidated interim condensed financial statements for the three months ended March 31, 2011 and 2010

### Contents

	<u>Page</u>
Independent auditors' report .....	1
Consolidated interim condensed income statements .....	2
Consolidated interim condensed statements of comprehensive income .....	3
Consolidated interim condensed statements of financial position .....	4
Consolidated interim condensed statements of cash flows .....	5
Consolidated interim condensed statements of changes in equity .....	6
Notes to the consolidated interim condensed financial statements .....	7 – 15
1. Accounting policies and estimates .....	7
2. Discontinued operations and assets held for sale .....	7
3. Revenue.....	10
4. Related party transactions .....	11
5. Related party balances.....	12
6. Debt finance .....	13
7. Acquisitions and disposals .....	13
8. Segment information.....	14
9. Capital commitments .....	15
10. Subsequent events .....	15



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## **Independent Auditors' Report on Review**

Board of Directors

OA O Severstal

### *Introduction*

We have reviewed the accompanying consolidated interim condensed statement of financial position of OA O Severstal (the "Company") and its subsidiaries (the "Group") as at 31 March 2011, the related consolidated interim condensed income statements, consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three-month periods ended 31 March 2011 and 2010, and selected explanatory notes (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our reviews.

### *Scope of Reviews*

We conducted our reviews 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 consolidated interim condensed 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 reviews, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 31 March 2011, and for the three-month periods ended 31 March 2011 and 2010 is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG

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12 May 2011

# OAO Severstal and subsidiaries

## Consolidated interim condensed income statements

### Three months ended March 31, 2011 and 2010

*(Amounts expressed in thousands of US dollars, except as otherwise stated)*

	Three months ended March 31,	
	2011	2010
Note	(unaudited)	(unaudited)*
<b>Revenue</b>		
Revenue - third parties	3,701,803	2,723,394
Revenue - related parties	4      25,399	18,437
	3      3,727,202	2,741,831
Cost of sales	(2,510,038)	(1,945,871)
<b>Gross profit</b>	1,217,164	795,960
General and administrative expenses	(168,034)	(147,504)
Distribution expenses	(235,299)	(195,884)
Other taxes and contributions	(55,632)	(37,098)
Share of associates' (loss)/profit	(1,580)	1,824
Loss from securities operations	(9,786)	(3,514)
(Loss)/profit on disposal of property, plant and equipment and intangible assets	(4,032)	1,189
Net other operating expenses	(1,637)	(7,168)
<b>Profit from operations</b>	741,164	407,805
Impairment of non-current assets	(827)	(63,720)
Net other non-operating expenses	(4,863)	(10,242)
<b>Profit before financing and taxation</b>	735,474	333,843
Interest income	13,357	34,134
Interest expense	(122,643)	(185,274)
Foreign exchange difference	174,395	119,901
<b>Profit before income tax</b>	800,583	302,604
Income tax expense	(162,635)	(105,923)
<b>Profit from continuing operations</b>	637,948	196,681
Loss from discontinued operations	2      (67,579)	(974,535)
<b>Profit/(loss) for the period</b>	570,369	(777,854)
Attributable to:		
shareholders of OAO Severstal	531,006	(785,352)
non-controlling interests	39,363	7,498
Weighted average number of shares outstanding during the period (millions of shares)	1,005.2	1,005.2
Basic and diluted profit/(loss) per share (US dollars)	0.53	(0.78)
Basic and diluted profit per share - continuing operations (US dollars)	0.60	0.19
Basic and diluted loss per share - discontinued operations (US dollars)	(0.07)	(0.97)

\* These amounts reflect adjustments made in connection with the presentation of the discontinued operations.

These consolidated interim condensed financial statements were approved by the Board of Directors on May 12, 2011.

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

## OAo Severstal and subsidiaries

### Consolidated interim condensed statements of comprehensive income Three months ended March 31, 2011 and 2010

(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Three months ended March 31,	
	2011 (unaudited)	2010 (unaudited)
<b>Profit/(loss) for the period</b>	570,369	(777,854)
<b>Other comprehensive income</b>		
Foreign exchange difference	339,452	45,363
Changes in fair value of cash flow hedges	476	(4,637)
Deferred tax on changes in fair value of cash flow hedges	-	1,776
Changes in fair value of available-for-sale investments	5,311	2,274
Deferred tax on changes in fair value of available-for-sale investments	(814)	58
<b>Other comprehensive income for the period, net of tax</b>	344,425	44,834
<b>Total comprehensive income/(loss) for the period</b>	914,794	(733,020)
Attributable to:		
shareholders of OAO Severstal	864,929	(743,323)
non-controlling interests	49,865	10,303

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

# OAO Severstal and subsidiaries

## Consolidated interim condensed statements of financial position

**March 31, 2011 and December 31, 2010**

*(Amounts expressed in thousands of US dollars, except as otherwise stated)*

	<u>Note</u>	<u>March 31, 2011</u> <u>(unaudited)</u>	<u>December 31, 2010</u>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		1,778,220	2,012,662
Short-term bank deposits		13,275	12,690
Short-term financial investments		35,482	27,463
Trade accounts receivable		1,400,338	967,837
Accounts receivable from related parties	5	62,768	12,359
Restricted cash		27,860	41,313
Inventories		2,734,058	2,366,924
VAT recoverable		293,365	278,594
Income tax recoverable		30,478	39,578
Other current assets		416,251	298,070
Assets held for sale	2	2,045	3,509,882
<b>Total current assets</b>		<u>6,794,140</u>	<u>9,567,372</u>
<b>Non-current assets:</b>			
Long-term financial investments		287,678	205,232
Investments in associates and joint ventures		282,694	158,564
Property, plant and equipment		7,806,947	7,351,835
Intangible assets		1,845,964	1,799,776
Restricted cash		62,894	61,714
Deferred tax assets		113,248	101,406
Other non-current assets		127,559	82,620
<b>Total non-current assets</b>		<u>10,526,984</u>	<u>9,761,147</u>
<b>Total assets</b>		<u>17,321,124</u>	<u>19,328,519</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Trade accounts payable		1,123,228	897,389
Accounts payable to related parties	5	36,610	16,717
Short-term debt finance	6	1,626,507	1,422,262
Income tax payable		70,473	41,230
Other taxes and social security payable		222,304	156,078
Dividends payable		6,963	17,131
Other current liabilities		514,551	531,736
Liabilities related to assets held for sale	2	14,627	3,272,354
<b>Total current liabilities</b>		<u>3,615,263</u>	<u>6,354,897</u>
<b>Non-current liabilities:</b>			
Long-term debt finance	6	4,463,608	4,719,772
Deferred tax liabilities		528,137	493,280
Retirement benefit liabilities		172,592	164,555
Other non-current liabilities		287,747	276,244
<b>Total non-current liabilities</b>		<u>5,452,084</u>	<u>5,653,851</u>
<b>Equity:</b>			
Share capital		3,311,288	3,311,288
Treasury shares		(26,303)	(26,303)
Additional capital		1,165,530	1,165,530
Foreign exchange differences		73,298	(297,219)
Retained earnings		3,341,672	2,780,190
Other reserves		59,970	76,411
<b>Total equity attributable to shareholders of OAO Severstal</b>		<u>7,925,455</u>	<u>7,009,897</u>
<b>Non-controlling interests</b>		<u>328,322</u>	<u>309,874</u>
<b>Total equity</b>		<u>8,253,777</u>	<u>7,319,771</u>
<b>Total equity and liabilities</b>		<u>17,321,124</u>	<u>19,328,519</u>

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

# OAO Severstal and subsidiaries

## Consolidated interim condensed statements of cash flows Three months ended March 31, 2011 and 2010

*(Amounts expressed in thousands of US dollars, except as otherwise stated)*

	<b>Three months ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(unaudited)</b>	<b>(unaudited)*</b>
<b>Operating activities:</b>		
Profit before financing and taxation	735,474	333,843
Adjustments to reconcile profit to cash generated from operations:		
Depreciation and amortization	189,148	175,079
Impairment of non-current assets	827	63,720
Movements in provision for inventories, receivables and other provisions	2,528	(3,487)
Loss/(gain) on disposal of property, plant and equipment and intangible assets	4,032	(1,189)
Gain on disposal of subsidiaries	(10,841)	-
Loss on remeasurement and disposal of financial investments	9,786	3,514
Share of associates' results less dividends from associates	1,580	(1,824)
Changes in operating assets and liabilities:		
Trade accounts receivable	(399,791)	(173,400)
Amounts receivable from related parties	(48,504)	25,612
VAT recoverable	4,603	(49,812)
Inventories	(197,965)	(199,766)
Trade accounts payable	204,557	66,709
Amounts payable to related parties	17,553	(14,861)
Other taxes and social security payables	55,345	26,778
Other non-current liabilities	(12,456)	4,212
Assets held for sale	3,141	-
Net other changes in operating assets and liabilities	(132,857)	(85,408)
<b>Cash from operating activities - continuing operations</b>	<b>426,160</b>	<b>169,720</b>
Interest paid	(142,070)	(145,353)
Income tax paid	(122,263)	(67,062)
Net cash from/(used in) operating activities - continuing operations	161,827	(42,695)
Net cash from/(used in) operating activities - discontinued operations	58,205	(240,232)
<b>Net cash from/(used in) operating activities</b>	<b>220,032</b>	<b>(282,927)</b>
<b>Investing activities:</b>		
Additions to property, plant and equipment	(328,170)	(189,916)
Additions to intangible assets	(32,611)	(10,216)
Net decrease/(increase) in short-term bank deposits	713	(2,673)
Additions to financial investments and associates	(331,276)	(242,495)
Net cash inflow on disposals of subsidiaries	96,994	-
Proceeds from disposal of property, plant and equipment	537	4,751
Proceeds from disposal of financial investments	323,901	40,970
Interest received	10,787	33,999
Cash used in investing activities - continuing operations	(259,125)	(365,580)
Cash used in investing activities - discontinued operations	(26,152)	(28,829)
<b>Cash used in investing activities</b>	<b>(285,277)</b>	<b>(394,409)</b>
<b>Financing activities:</b>		
Proceeds from debt finance	249,077	1,366,138
Repayment of debt finance	(411,670)	(906,708)
Repayments under lease obligations	(1,111)	(831)
Dividends paid	(11,042)	-
Acquisitions of non-controlling interests	(35,929)	(113,297)
Cash (used in)/from financing activities - continuing operations	(210,675)	345,302
Cash (used in)/from financing activities - discontinued operations	(28,227)	65,178
<b>Cash (used in)/from financing activities</b>	<b>(238,902)</b>	<b>410,480</b>
Effect of exchange rates on cash and cash equivalents	69,705	(961)
<b>Net decrease in cash and cash equivalents</b>	<b>(234,442)</b>	<b>(267,817)</b>
Less cash and cash equivalents of discontinued operations and assets held for sale at end of the period	-	(357,021)
<b>Cash and cash equivalents at beginning of the period</b>	<b>2,012,662</b>	<b>2,853,376</b>
<b>Cash and cash equivalents at end of the period</b>	<b>1,778,220</b>	<b>2,228,538</b>

\* These amounts reflect adjustments made in connection with the presentation of the discontinued operations.

The accompanying notes form an integral part of these consolidated interim condensed financial statements.

## OAO Severstal and subsidiaries

### Consolidated interim condensed statements of changes in equity Three months ended March 31, 2011 and 2010

*(Amounts expressed in thousands of US dollars, except as otherwise stated)*

	Attributable to shareholders of OAO Severstal						Non- controlling interests	Total	
	Share capital	Treasury shares	Additional capital	Foreign		Other reserves			Total
				exchange differences	Retained earnings				
Balances at December 31, 2009	3,311,288	(26,303)	1,165,530	(52,478)	3,436,270	43,600	7,877,907	498,432	8,376,339
(Loss)/profit for the period (unaudited)	-	-	-	-	(785,352)	-	(785,352)	7,498	(777,854)
Foreign exchange difference (unaudited)	-	-	-	42,372	-	-	42,372	2,991	45,363
Changes in fair value of cash flow hedges (unaudited)	-	-	-	-	-	(4,451)	(4,451)	(186)	(4,637)
Deferred tax on changes in fair value of cash flow hedges (unaudited)	-	-	-	-	-	1,776	1,776	-	1,776
Changes in fair value of available-for-sale investments (unaudited)	-	-	-	-	-	2,274	2,274	-	2,274
Deferred tax on changes in fair value of available-for-sale investments (unaudited)	-	-	-	-	-	58	58	-	58
Total comprehensive (loss)/income for the period (unaudited)	-	-	-	42,372	(785,352)	(343)	(743,323)	10,303	(733,020)
Effect of acquisitions without a change in control (unaudited)	-	-	-	-	96,073	-	96,073	(215,192)	(119,119)
Balances at March 31, 2010 (unaudited)	3,311,288	(26,303)	1,165,530	(10,106)	2,746,991	43,257	7,230,657	293,543	7,524,200
Balances at December 31, 2010	3,311,288	(26,303)	1,165,530	(297,219)	2,780,190	76,411	7,009,897	309,874	7,319,771
Profit for the period (unaudited)	-	-	-	-	531,006	-	531,006	39,363	570,369
Foreign exchange difference (unaudited)	-	-	-	328,950	-	-	328,950	10,502	339,452
Changes in fair value of cash flow hedges (unaudited)	-	-	-	-	-	476	476	-	476
Changes in fair value of available-for-sale investments (unaudited)	-	-	-	-	-	5,311	5,311	-	5,311
Deferred tax on changes in fair value of available-for-sale investments (unaudited)	-	-	-	-	-	(814)	(814)	-	(814)
Total comprehensive income for the period (unaudited)	-	-	-	328,950	531,006	4,973	864,929	49,865	914,794
Effect of acquisitions without a change in control (unaudited)	-	-	-	-	(3,243)	-	(3,243)	(31,417)	(34,660)
Effect of disposals with a change in control (unaudited)	-	-	-	41,567	33,719	(21,414)	53,872	-	53,872
Balances at March 31, 2011 (unaudited)	3,311,288	(26,303)	1,165,530	73,298	3,341,672	59,970	7,925,455	328,322	8,253,777

The accompanying notes form an integral part of these consolidated interim condensed financial statements.



# OAO Severstal and subsidiaries

## Notes to the consolidated interim condensed financial statements Three months ended March 31, 2011 and 2010

(Amounts expressed in thousands of US dollars, except as otherwise stated)

### 1. Accounting policies and estimates

These consolidated interim condensed financial statements of OAO Severstal and subsidiaries ('the Group') have been prepared in accordance with International Financial Reporting Standards ('IFRS'), IAS 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board.

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended December 31, 2010, except that the Group has adopted those new/revised standards mandatory for financial annual periods beginning on January 1, 2011. The adoption of the pronouncements did not have a significant impact on the Group's consolidated interim condensed financial statements.

### 2. Discontinued operations and assets held for sale

The Group's discontinued operations represent the Lucchini segment and Severstal Sparrows Point LLC, Severstal Warren LLC, Severstal Wheeling Inc and Mountain State Carbon LLC, which are an operating segment within the North America reporting segment.

The results of the discontinued operations were as follows:

	<b>Three months ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Revenue	767,405	977,378
Expenses	(911,228)	(1,153,895)
Loss on remeasurement of the Lucchini disposal group to fair value less costs to sell	-	(802,335)
<b>Loss before income tax</b>	<b>(143,823)</b>	<b>(978,852)</b>
Income tax (expense)/benefit	(5,461)	4,317
<b>Loss net of tax</b>	<b>(149,284)</b>	<b>(974,535)</b>
Gain on sale of discontinued operations	81,705	-
<b>Loss for the period</b>	<b>(67,579)</b>	<b>(974,535)</b>
Attributable to: shareholders of OAO Severstal	(67,579)	(974,535)

The loss on remeasurement of the Lucchini segment to fair value less costs to sell recognized as of March 31, 2010 in the amount of US\$ 802.3 million was allocated to property, plant and equipment and intangible assets on a pro-rata basis.

In March 2010, the Group acquired a 20.2% stake in Lucchini S.p.A. from a Lucchini family company for a total consideration of € 82.5 million (US\$ 113.3 million at the transaction date exchange rate). After the acquisition, the Group's share in the capital of Lucchini S.p.A. became 100%.

## OA0 Severstal and subsidiaries

### Notes to the consolidated interim condensed financial statements Three months ended March 31, 2011 and 2010

*(Amounts expressed in thousands of US dollars, except as otherwise stated)*

Subsequently, the Group sold its 50.8% stake in Lucchini S.p.A. to the Majority Shareholder for a total consideration of € 1 (US\$ 1.2 at the transaction date exchange rate). The Group continued to consolidate the Lucchini segment primarily due to a call option exercisable within the following five years and a contractual entitlement, for the benefit of the Group, to any gain on a subsequent sale of this stake to a third party.

In February 2011, the Group signed an amendment to the Lucchini's share purchase agreement with the Majority Shareholder which cancelled the call option and the entitlement, for the benefit of the Group, to any gain on a subsequent sale of this stake to a third party. Effective from the date of this transaction the Group accounts for the investment in Lucchini using the equity method.

In March 2011, the Group sold its 100% stake in Severstal Sparrows Point LLC, Severstal Warren LLC, Severstal Wheeling Inc and a 50% stake in Mountain State Carbon LLC. Preliminary, the total consideration is assessed by management in the amount of US\$ 156.4 million. In accordance with the sales-purchase agreement the ultimate amount of consideration is to be finalized within 120 days after the transaction. The remaining share in Mountain State Carbon LLC of 50% is accounted for using the equity method.

Upon the deconsolidation the Group's investments in Lucchini and Mountain State Carbon LLC are stated at fair values of US\$ 0 and US\$ 116.1 million, respectively, with the difference on re-measuring to fair value recognized within the net loss from discontinued operations. The fair value of the investment in Mountain State Carbon LLC is measured on the preliminary basis. The final fair value assessment is expected to be completed by the end of 2011.

A summary of assets and liabilities disposed during the three months, ended March 31, 2011 is presented below:

	<b>Three months ended March 31, 2011</b>
Assets held for sale	(3,599,109)
Liabilities related to assets held for sale	3,495,149
Net identifiable assets	<u>(103,960)</u>
Foreign exchange differences and other reserves	(53,872)
Fair value adjustment for equity accounted investments	83,943
Consideration:	
Consideration in cash	84,094
Consideration in other financial assets	83,500
Selling costs	<u>(12,000)</u>
Net gain on disposal	<u>81,705</u>
Net change in cash and cash equivalents	<u>84,094</u>

# OAO Severstal and subsidiaries

## Notes to the consolidated interim condensed financial statements Three months ended March 31, 2011 and 2010

*(Amounts expressed in thousands of US dollars, except as otherwise stated)*

The major classes of assets and liabilities of the disposal groups at March 31, 2011 and December 31, 2010 were as follows:

	<b>March 31, 2011</b>	<b>December 31,</b>
	<b>(unaudited)</b>	<b>2010</b>
<b>Current assets:</b>		
Cash and cash equivalents	440	208,928
Short-term financial investments	-	5,862
Trade accounts receivable	-	711,162
Accounts receivable from related parties	-	3,835
Inventories	263	1,135,314
VAT recoverable	83	8,870
Income tax recoverable	-	13,163
Other current assets	-	65,429
<b>Total current assets</b>	<b>786</b>	<b>2,152,563</b>
<b>Non-current assets:</b>		
Long-term financial investments	-	39,042
Property, plant and equipment	1,091	1,204,978
Intangible assets	12	70,335
Deferred tax assets	156	-
Other non-current assets	-	42,964
<b>Total non-current assets</b>	<b>1,259</b>	<b>1,357,319</b>
<b>Total assets</b>	<b>2,045</b>	<b>3,509,882</b>
<b>Current liabilities:</b>		
Trade accounts payable	1,699	680,535
Short-term debt finance	-	1,071,286
Income tax payable	-	4,360
Other taxes and social security payable	-	64,433
Other current liabilities	-	223,160
<b>Total current liabilities</b>	<b>1,699</b>	<b>2,043,774</b>
<b>Non-current liabilities:</b>		
Long-term debt finance	12,928	354,820
Deferred tax liabilities	-	53,723
Retirement benefit liabilities	-	592,772
Other non-current liabilities	-	227,265
<b>Total non-current liabilities</b>	<b>12,928</b>	<b>1,228,580</b>
<b>Total liabilities</b>	<b>14,627</b>	<b>3,272,354</b>

# OA O Severstal and subsidiaries

## Notes to the consolidated interim condensed financial statements Three months ended March 31, 2011 and 2010

(Amounts expressed in thousands of US dollars, except as otherwise stated)

### 3. Revenue

Revenue by product was as follows:

	Three months ended March 31,	
	2011 (unaudited)	2010 (unaudited)
Hot-rolled strip and plate	1,110,755	936,611
Galvanized and other metallic coated sheet	454,550	376,415
Cold-rolled sheet	408,528	347,925
Large diameter pipes	283,707	202,905
Gold	241,977	134,376
Metalware products	231,641	166,608
Coal and coking coal concentrate	222,213	121,013
Shipping and handling costs billed to customers	149,079	129,586
Semi-finished products	137,985	22,813
Long products	119,901	62,589
Other tubes and pipes, formed shapes	117,672	65,916
Pellets and iron ore	92,322	46,280
Colour coated sheet	53,274	32,922
Scrap	21,914	12,836
Other	81,684	83,036
	<u>3,727,202</u>	<u>2,741,831</u>

Revenue by delivery destination was as follows:

	Three months ended March 31,	
	2011 (unaudited)	2010 (unaudited)
Russian Federation	1,869,263	1,211,134
North America	845,900	810,439
Europe	734,240	453,984
China and Central Asia	106,902	82,624
The Middle East	102,765	68,659
Central and South America	26,689	80,552
Africa	22,163	28,017
South-East Asia	19,280	6,422
	<u>3,727,202</u>	<u>2,741,831</u>

# OA O Severstal and subsidiaries

## Notes to the consolidated interim condensed financial statements Three months ended March 31, 2011 and 2010

(Amounts expressed in thousands of US dollars, except as otherwise stated)

### 4. Related party transactions

	Three months ended March 31,	
	2011	2010
	(unaudited)	(unaudited)
Revenue - related parties:		
Revenue - associates	18,061	7,630
Revenue - joint ventures	-	429
Revenue - other related parties	7,338	10,378
Interest income	4,320	5,653
	<u>29,719</u>	<u>24,090</u>
Purchases from related parties:		
Purchases from associates:		
Non-capital expenditures	14,385	23,379
Purchases from joint ventures:		
Non-capital expenditures	27,523	-
Purchases from other related parties:		
Non-capital expenditures	11,672	12,280
Capital expenditures	404	2,861
	<u>53,984</u>	<u>38,520</u>

# OAO Severstal and subsidiaries

## Notes to the consolidated interim condensed financial statements Three months ended March 31, 2011 and 2010

*(Amounts expressed in thousands of US dollars, except as otherwise stated)*

### 5. Related party balances

	March 31, 2011 (unaudited)	December 31, 2010
<b>Joint ventures' balances</b>		
Short-term trade accounts receivable	6,001	-
Long-term loans	37,604	34,792
Short-term trade accounts payable	19,515	7,959
<b>Associates' balances</b>		
Short-term trade accounts receivable	49,707	3,046
Long-term loans	4,165	3,915
Short-term trade accounts payable	14,895	6,510
<b>Other related party balances</b>		
Cash and cash equivalents at related party bank and pension fund	311,915	346,868
Short-term deposits with related party bank	13,275	12,627
Accounts receivable from other related parties:		
Trade accounts receivable	3,490	2,603
Advances paid	2,734	5,870
Other receivables	836	840
Short-term loans	1,054	487
Short-term promissory notes	4,084	4,146
Long-term loans	1,468	-
Available-for-sale securities	8,205	7,653
	21,871	21,599
Short-term trade accounts payable to other related parties:		
Trade accounts payable	431	556
Other accounts payable	1,769	1,692
	2,200	2,248
Debt financing includes the following balances with other related parties:		
Long-term debt financing	4,636	4,315
	4,636	4,315

The amounts outstanding are expected to be settled in cash. The Group did not hold any collateral for amounts owed by related parties.

# OA0 Severstal and subsidiaries

## Notes to the consolidated interim condensed financial statements Three months ended March 31, 2011 and 2010

(Amounts expressed in thousands of US dollars, except as otherwise stated)

### 6. Debt finance

In February 2010, the Group issued US\$ 525 million bonds denominated in US dollars maturing in 2018. These bonds bear an interest rate of 10.25% per annum, which is payable semi-annually in February and August each year, beginning in August 2010. The proceeds from the bonds issuance were used to refinance outstanding debt obligations originally incurred to finance construction at Severstal Columbus LLC.

In February 2010, the Group issued US\$ 498 million bonds denominated in Russian roubles maturing in 2013. These bonds bear an interest rate of 9.75% per annum, which is payable semi-annually in February and August each year, beginning in August 2010. The proceeds from the bonds issuance are used for optimization of the credit portfolio and refinancing of short-term loan facilities.

### 7. Acquisitions and disposals

#### *Investments in associates and other equity investments*

In February 2010, the Group acquired a 26.6% stake in Crew Gold Corporation for a total consideration of US\$ 90.3 million. Crew Gold Corporation ("CGC") is a mining company based in London, UK. CGC owns and operates a gold mining project in Guinea, West Africa.

In March 2011, the Group acquired a 7.4% stake in Iron Mineral Beneficiation Services (Proprietary) Limited (IMBS) for a total consideration of US\$ 7.4 million, increasing its ownership interest up to 33%. IMBS is a research and development company based in Johannesburg, South Africa. IMBS has developed a coal-based Finesmelt technology capable of processing unusable iron ore fines and thermal coal into valuable metallic products similar to DRI/HBI. Currently IMBS is developing its first commercial project in Phalaborwa, South Africa.

#### *Acquisitions of non-controlling interests*

In January 2011, the Group acquired an additional 6.6% stake in Crew Gold Corporation for a total consideration of US\$ 32.9 million, increasing its ownership interest up to 100%.

In March 2011, the Group acquired an additional 49% stake in Severstal-Ukraine LLC for a total consideration of US\$ 3.0 million, increasing its ownership interest up to 100%.

#### *Disposals of subsidiaries (other than discontinued operations)*

In March 2011, the Group sold its 100% stake in SSM RP Holding B.V. and its wholly owned subsidiary OOO Severstal-metiz: welding consumables for a total consideration of US\$ 12.9 million.

# OA0 Severstal and subsidiaries

## Notes to the consolidated interim condensed financial statements Three months ended March 31, 2011 and 2010

(Amounts expressed in thousands of US dollars, except as otherwise stated)

A summary of assets and liabilities disposed during the three months, ended March 31, 2011 is presented below:

	<u>Three months ended March 31, 2011</u>
Assets held for sale	(13,375)
Liabilities related to assets held for sale	11,315
Net identifiable assets	<u>(2,059)</u>
Consideration in cash	12,900
Net gain on disposal	<u>10,841</u>
Net change in cash and cash equivalents	<u>12,900</u>

### 8. Segment information

Following the Gold segment's financials reaching certain share of assets and profit within the Group, the presentation and disclosure of segment information has been changed by separating the Gold segment from Severstal Resources. The comparative information has been disclosed as if the separation occurred at the beginning of the earliest comparative period presented.

As of March 31, 2011 the Group has four reportable segments: Steel Resources and Gold (the two reportable segments representing together the Group's Severstal Resource division), Russian Steel and Severstal North America.

Steel Resources has its extraction facilities in Russian Federation, USA and Liberia producing iron ore and coal.

Gold comprises the extraction and refining facilities that are located in the Russian Federation, Burkina Faso, Guinea and Kazakhstan.

Russian Steel produces a wide range of products, including hot-rolled sheets, profiles, large-diameter pipes, and cold-rolled coated sheets encompassing special-grade sheets for the automotive industry, hot-rolled plates, metalware and long products on steel production facilities located in the Russian Federation. It sells steel products on domestic Russian market, serving the needs of the Russian automotive, construction, shipbuilding, oil and gas, engineering and other industries, as well as on the international market.

Severstal North America produces high-quality flat-rolled products, including hot-rolled, cold-rolled, electrogalvanized, hot-dip galvanized and tin plated steel, for customers in the automotive, converter, container, pipe and tube, building and construction, service centre and other markets in North America region. Severstal North America's production facilities are located in the USA.



## OAO Severstal and subsidiaries

### Notes to the consolidated interim condensed financial statements Three months ended March 31, 2011 and 2010

*(Amounts expressed in thousands of US dollars, except as otherwise stated)*

The following is an analysis of the Group's revenue and profit before financing and taxation by segment (the discontinued operation is excluded):

	Three months ended March 31,	
	2011	2010
	(unaudited)	(unaudited)
<b>Revenue</b>		
Steel Resources	764,418	459,046
Gold	244,031	135,313
Russian Steel	2,408,849	1,664,022
Severstal North America	757,495	769,818
Intersegment transactions	(447,591)	(286,368)
	3,727,202	2,741,831
<b>Profit before financing and taxation</b>		
Steel Resources	269,721	60,593
Gold	99,751	46,774
Russian Steel	350,893	323,234
Severstal North America	18,095	(86,024)
Intersegment transactions	(2,986)	(10,734)
	735,474	333,843

The following is an analysis of the Group's total assets by segment:

	March 31, 2011	December 31,
	(unaudited)	2010
<b>Total segment assets</b>		
Steel Resources	3,857,455	3,621,118
Gold	2,554,533	2,399,619
Russian Steel	15,262,382	15,387,042
Severstal North America	3,779,868	4,821,077
Lucchini (discontinued)	-	1,853,849
Intersegment balances	(8,133,114)	(8,754,186)
	17,321,124	19,328,519

#### 9. Capital commitments

As of March 31, 2011 the Group had capital commitments of US\$ 1,341.0 million (December 31, 2010: US\$ 1,546.6 million).

#### 10. Subsequent events

In May 2011, the Group acquired a 25.0% stake in SPG Mineracao S.A. for a total consideration of US\$ 49.0 million, of which US\$25.0 million are payable during the next three years. The Group has also entered into a call option agreement to purchase an additional 50% stake in this company, exercisable upon fulfillment of certain conditions. SPG Mineracao S.A. owns exploration licenses for a number of high prospective iron ore properties in the northern state of Amapa, Brazil.