

ОАО Severstal and subsidiaries

Consolidated interim condensed financial statements
for the three months ended March 31, 2013 and 2012

OAO Severstal and subsidiaries

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Auditors' Report on Review of Consolidated Interim Condensed Financial Statements

Board of Directors

ОАО Severstal

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OAO Severstal (the "Company") and its subsidiaries (the "Group") as at 31 March 2013, 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 2013 and 2012, and notes to the consolidated interim condensed financial statements (the "consolidated interim condensed financial statements"). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

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

Audited entity: OAO Severstal

Registered by decree #1150 of Cherepovets' council on 24 September 1993.

Registered in the Unified State Register of Legal Entities on 31 July 2002 by the Vologda regional Tax Inspectorate of Ministry for Taxes and Duties of Russian Federation for Cherepovets, Registration No. 1023501236901, Certificate series 35 No. 000782100.

30, Mira Street, Cherepovets, Vologodskaya oblast, Russia, 162608

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 31 March 2013 and for the three-month periods ended 31 March 2013 and 2012 are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Mr. Altukhov K.V.

Director, power of attorney dated 1 October 2010 No. 24/10

ZAO KPMG

16 May 2013

Moscow, Russian Federation

OAO Severstal and subsidiaries

Consolidated interim condensed income statements Three months ended March 31, 2013 and 2012

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

	Note	Three months ended March 31,	
		2013 (unaudited)	2012 (unaudited)*
Revenue			
Revenue - third parties		3,285,332	3,622,662
Revenue - related parties	5	36,711	56,125
	3	3,322,043	3,678,787
Cost of sales		(2,624,677)	(2,815,651)
Gross profit		697,366	863,136
General and administrative expenses		(183,551)	(164,387)
Distribution expenses		(251,752)	(290,678)
Other taxes and contributions		(39,455)	(36,553)
Share of associates' and joint ventures' (loss)/profit		(2,338)	5,781
Loss on disposal of property, plant and equipment and intangible assets		(6,454)	(5,344)
Net other operating income		8,062	15,409
Profit from operations		221,878	387,364
Impairment of non-current assets		(119)	(13,099)
Net other non-operating expenses		(19,839)	(14,841)
Profit before financing and taxation		201,920	359,424
Finance costs	4	(92,779)	(97,365)
Foreign exchange differences		(14,818)	122,064
Profit before income tax		94,323	384,123
Income tax expense		(44,596)	(75,825)
Profit from continuing operations		49,727	308,298
Profit from discontinued operations	2	-	153,797
Profit for the period		49,727	462,095
Attributable to:			
shareholders of OAO Severstal		44,460	427,000
non-controlling interests		5,267	35,095
Basic weighted average number of shares outstanding during the period (millions of shares)		810.6	926.5
Basic earnings per share (US dollars)		0.05	0.46
Basic earnings per share - continuing operations (US dollars)		0.05	0.31
Basic earnings per share - discontinued operations (US dollars)		-	0.15
Diluted weighted average number of shares outstanding during the period (millions of shares)		835.5	926.5
Diluted earnings per share (US dollars)		0.05	0.46
Diluted earnings per share - continuing operations (US dollars)		0.05	0.31
Diluted earnings per share - discontinued operations (US dollars)		-	0.15

* These amounts reflect adjustments made in connection with the change in presentation described in Note 1 of these consolidated interim condensed financial statements.

These consolidated interim condensed financial statements were approved by the Board of Directors on May 16, 2013.

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, 2013 and 2012

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

	Three months ended March 31,	
	2013 (unaudited)	2012 (unaudited)
Profit for the period	49,727	462,095
Other comprehensive (loss)/income:		
Items that will not be reclassified to profit or loss		
Actuarial (losses)/gains	(8,430)	12
Foreign exchange differences	(69,947)	550,291
Total items that will not be reclassified to profit or loss	(78,377)	550,303
Items that may be reclassified subsequently to profit or loss		
Foreign exchange differences	(63,285)	2,589
Changes in fair value of cash flow hedges	(2,965)	741
Deferred tax on changes in fair value of cash flow hedges	422	-
Changes in fair value of available-for-sale financial assets	(932)	5,639
Deferred tax on changes in fair value of available-for-sale financial assets	539	(33)
Total items that may be reclassified subsequently to profit or loss	(66,221)	8,936
Items that were reclassified to profit or loss		
Realised gains on disposal of available-for-sale financial assets	(1,756)	-
Reclassification of the Gold segment's reserves to profit from discontinued operations (Note 2)	-	(76,089)
Total items that were reclassified to profit or loss	(1,756)	(76,089)
Other comprehensive (loss)/income for the period, net of tax	(146,354)	483,150
Total comprehensive (loss)/income for the period	(96,627)	945,245
Attributable to:		
shareholders of OAO Severstal	(100,110)	885,219
non-controlling interests	3,483	60,026

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, 2013 and December 31, 2012

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

	Note	March 31, 2013 (unaudited)	December 31, 2012
Assets			
Current assets:			
Cash and cash equivalents		1,552,451	1,726,275
Short-term financial investments		64,572	23,778
Trade accounts receivable		1,333,363	1,040,567
Accounts receivable from related parties	6	22,762	15,468
Inventories		2,108,347	2,352,898
VAT recoverable		178,862	214,419
Income tax recoverable		30,772	21,169
Other current assets		267,821	302,120
Total current assets		5,558,950	5,696,694
Non-current assets:			
Long-term financial investments		62,449	108,060
Investments in associates and joint ventures		308,112	316,503
Property, plant and equipment		8,379,046	8,462,711
Intangible assets		833,095	820,935
Restricted financial assets		32,975	32,970
Deferred tax assets		72,275	100,796
Other non-current assets		169,652	168,546
Total non-current assets		9,857,604	10,010,521
Total assets		15,416,554	15,707,215
Liabilities and shareholders' equity			
Current liabilities:			
Trade accounts payable		938,430	1,057,621
Accounts payable to related parties	6	29,364	36,234
Short-term debt finance	7	923,512	1,382,128
Income taxes payable		17,950	16,604
Other taxes and social security payable		179,151	152,590
Dividends payable		6,449	86,538
Other current liabilities		588,257	637,947
Total current liabilities		2,683,113	3,369,662
Non-current liabilities:			
Long-term debt finance	7	4,814,504	4,327,412
Deferred tax liabilities		345,733	338,078
Retirement benefit liabilities		207,061	201,552
Other non-current liabilities		247,574	255,268
Total non-current liabilities		5,614,872	5,122,310
Equity:			
Share capital		2,752,728	2,752,728
Treasury shares		(235,657)	(235,657)
Additional capital		315,922	315,922
Foreign exchange differences		(543,106)	(411,658)
Retained earnings		4,810,601	4,767,325
Other reserves		1,108	5,800
Total equity attributable to shareholders of OAO Severstal		7,101,596	7,194,460
Non-controlling interests		16,973	20,783
Total equity		7,118,569	7,215,243
Total equity and liabilities		15,416,554	15,707,215

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, 2013 and 2012

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

	Three months ended March 31,	
	2013 (unaudited)	2012 (unaudited)*
Operating activities:		
Profit before financing and taxation	201,920	359,424
Adjustments to reconcile profit to cash generated from operations:		
Depreciation and amortization	197,647	173,146
Impairment of non-current assets	119	13,099
Movements in provision for inventories, receivables and other provisions	(7,665)	53,925
Loss on disposal of property, plant and equipment and intangible assets	6,454	5,344
Loss/(gain) on disposal of subsidiaries and associates	1,370	(8,116)
Share of associates' and joint ventures' results less dividends from associates and joint ventures	3,010	(5,781)
Changes in operating assets and liabilities:		
Trade accounts receivable	(316,421)	(17,255)
Amounts receivable from related parties	(7,696)	(2,953)
VAT recoverable	31,640	(69,295)
Inventories	220,173	229,071
Trade accounts payable	(66,162)	(100,390)
Amounts payable to related parties	(6,572)	(101)
Other taxes and social security payable	31,111	10,750
Other non-current liabilities	(8,645)	(3,737)
Net other changes in operating assets and liabilities	(45,037)	(68,718)
Cash generated from operations	235,246	568,413
Interest paid	(112,821)	(138,679)
Income tax paid	(13,348)	(67,383)
Net cash from operating activities - continuing operations	109,077	362,351
Net cash used in operating activities - discontinued operations	-	(8,253)
Net cash from operating activities	109,077	354,098
Investing activities:		
Additions to property, plant and equipment	(289,376)	(257,960)
Additions to intangible assets	(19,352)	(19,810)
Additions to financial investments and associates	(11,749)	(5,848)
Proceeds from disposal of subsidiary	3,502	-
Proceeds from disposal of property, plant and equipment	4,990	88
Proceeds from disposal of financial investments	10,035	341,942
Interest received	8,646	57,433
Cash (used in)/from investing activities - continuing operations	(293,304)	115,845
Cash used in investing activities - discontinued operations	-	(42,518)
Cash (used in)/from investing activities	(293,304)	73,327
Financing activities:		
Proceeds from debt finance	1,133,748	305,699
Repayment of debt finance	(1,028,859)	(337,502)
Repayments under lease obligations	(1,490)	(1,757)
Dividends paid	(80,251)	(107,732)
Acquisition of non-controlling interests	-	(7,732)
Cash from/(used in) financing activities	23,148	(149,024)
Effect of exchange rates on cash and cash equivalents	(12,745)	59,894
Net (decrease)/increase in cash and cash equivalents	(173,824)	338,295
Less change in cash and cash equivalents of discontinued operations	-	42,168
Cash and cash equivalents at beginning of the period	1,726,275	1,863,538
Cash and cash equivalents at end of the period	1,552,451	2,244,001

* These amounts reflect adjustments made in connection with the change in presentation described in Note 1 of these consolidated interim condensed financial statements.

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, 2013 and 2012

(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 exchange differences	Retained earnings	Other reserves	Total		
Balances at December 31, 2011	3,311,288	(1,586,293)	1,165,530	(642,228)	4,386,461	44,738	6,679,496	387,827	7,067,323
Profit for the period (unaudited)	-	-	-	-	427,000	-	427,000	35,095	462,095
Foreign exchange differences (unaudited)	-	-	-	527,896	-	-	527,896	24,984	552,880
Other comprehensive (loss)/income (unaudited)	-	-	-	(31,130)	379	(38,893)	(69,644)	(53)	(69,697)
Deferred tax on other comprehensive (loss)/income (unaudited)	-	-	-	-	-	(33)	(33)	-	(33)
Total comprehensive income/(loss) for the period (unaudited)	-	-	-	496,766	427,379	(38,926)	885,219	60,026	945,245
Gold segment separation (unaudited) (Note 2)	-	(104,381)	-	-	-	-	(104,381)	(274,892)	(379,273)
Effect of acquisitions without a change in control (unaudited)	-	-	-	-	(10,713)	-	(10,713)	2,700	(8,013)
Balances at March 31, 2012 (unaudited)	<u>3,311,288</u>	<u>(1,690,674)</u>	<u>1,165,530</u>	<u>(145,462)</u>	<u>4,803,127</u>	<u>5,812</u>	<u>7,449,621</u>	<u>175,661</u>	<u>7,625,282</u>
Balances at December 31, 2012	2,752,728	(235,657)	315,922	(411,658)	4,767,325	5,800	7,194,460	20,783	7,215,243
Profit for the period (unaudited)	-	-	-	-	44,460	-	44,460	5,267	49,727
Foreign exchange differences (unaudited)	-	-	-	(131,448)	-	-	(131,448)	(1,784)	(133,232)
Other comprehensive loss (unaudited)	-	-	-	-	(8,430)	(5,653)	(14,083)	-	(14,083)
Deferred tax on other comprehensive loss (unaudited)	-	-	-	-	-	961	961	-	961
Total comprehensive (loss)/income for the period (unaudited)	-	-	-	(131,448)	36,030	(4,692)	(100,110)	3,483	(96,627)
Effect of acquisition and disposal without a change in control (unaudited)	-	-	-	-	7,246	-	7,246	(7,293)	(47)
Balances at March 31, 2013 (unaudited)	<u>2,752,728</u>	<u>(235,657)</u>	<u>315,922</u>	<u>(543,106)</u>	<u>4,810,601</u>	<u>1,108</u>	<u>7,101,596</u>	<u>16,973</u>	<u>7,118,569</u>

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

OA0 Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Three months ended March 31, 2013 and 2012

(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.

Adoption new and amended IFRS

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, 2012, except that the Group has adopted those amended standards that are mandatory for financial annual periods beginning on January 1, 2013.

<u>Standards</u>	<u>Effective for annual periods beginning on or after</u>
IAS 1 (Amended) "Presentation of Financial Statements"	July 1, 2012, January 1, 2013
IAS 16 (Amended) "Property, Plant and Equipment"	January 1, 2013
IAS 27 (Amended) "Separate Financial Statements"	January 1, 2013
IAS 28 (Amended) "Investments in Associates and Joint ventures"	January 1, 2013
IAS 32 (Amended) "Financial Instruments: Presentation"	January 1, 2013
IAS 34 (Amended) "Interim Financial Reporting"	January 1, 2013
IFRS 1 (Amended) "First-time Adoption of International Financial Reporting Standards"	January 1, 2013
IFRS 7 (Amended) "Financial Instruments: Disclosure"	January 1, 2013
IFRS 10 (Amended) "Consolidated Financial Statements"	January 1, 2013
IFRS 11 (Amended) "Joint Arrangements"	January 1, 2013
IFRS 12 (Amended) "Disclosure of Interests in Other Entities"	January 1, 2013
IFRS 13 "Fair Value Measurement"	January 1, 2013

Amended IAS 1 *Presentation of Financial Statements* requires a separate presentation of items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Items that will not be reclassified to profit or loss mainly include foreign exchange differences of the Group's entities where functional currency is the Russian ruble. The amendment was applied retrospectively by re-presenting the comparative information.

Amended IAS 16 *Property, Plant and Equipment* clarifies the recognition of spare parts, stand-by equipment and servicing equipment either as property, plant and equipment, when they meet the definition of property, plant and equipment, or as inventory. Amended IAS 16 did not have a significant effect on the Group's consolidated interim condensed financial statements.

Amended IAS 32 *Financial Instruments: Presentation* clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with IAS 12 *Income Taxes*. Amended IAS 32 did not have a significant effect on the Group's consolidated interim condensed financial statement.

Amended IAS 34 *Interim Financial Reporting* requires a separate presentation of total assets and liabilities for a particular reportable segment if such amounts are regularly provided to the Group's management and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendment was applied retrospectively by re-presenting the comparative information.

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Notes to the consolidated interim condensed financial statements Three months ended March 31, 2013 and 2012

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

Amended IFRS 1 *First-time Adoption of International Financial Reporting Standards* introduces how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. The amendments mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* in relation to accounting for government loans. Amended IFRS 1 did not have effect on the Group's consolidated interim condensed financial statements, since the Group is not a first-time adopter of IFRS.

Amended IFRS 7 *Financial Instruments: Disclosures* provides minimum disclosure requirements related to financial assets and financial liabilities, set off in the statement of financial position or a subject to enforceable master netting arrangements or similar agreements. The amendments requires disclosure of tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position. Amended IFRS 7 did not have a significant effect on the Group's consolidated interim condensed financial statements.

Amended IFRS 10 *Consolidated Financial Statements* provides a single control model and replaces the parts of the previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements. IFRS 10 changes the definition of control such that an investor controls an investee if and only if the investor has the power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. Amended IFRS 10 did not have a significant effect on the Group's consolidated interim condensed financial statements.

Amended IFRS 11 *Joint Arrangements* supersedes IAS 31 *Interests in Joint Ventures* and provides the definition of joint arrangements as an arrangement over which there is joint control. IFRS classifies joint arrangements into two types: joint operations whereby the parties with joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement and joint ventures whereby the parties with joint control have rights to the net assets of the arrangement. IFRS 11 removes the option to account for joint ventures using proportionate consolidation; the equity method is applied in accordance with IAS 28 *Investments in Associates and Joint Ventures*. Amended IFRS 11 was applied retrospectively.

Amended IFRS 12 *Disclosures of Interests in Other Entities* requires extended disclosures for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Amended IFRS 12 did not have a significant effect on the Group's consolidated interim condensed financial statements.

IFRS 13 *Fair Value Measurement* establishes a single source of guidance under IFRS and provides a revised definition of fair value, sets out a framework for measuring fair value and requires expanded disclosures about fair value measurements. IFRS 13 did not have a significant effect on the Group's consolidated interim condensed financial statements.

New accounting pronouncements

A number of new Standards and amendments to Standards were not yet effective for the three months ended March 31, 2013, and have not been applied in these consolidated interim condensed financial statements.

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Notes to the consolidated interim condensed financial statements Three months ended March 31, 2013 and 2012

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

Standards	Effective for annual periods beginning on or after
IAS 27 (Amended) "Separate Financial Statements"	January 1, 2014
IAS 32 (Amended) "Financial Instruments: Presentation"	January 1, 2014
IFRS 7 (Amended) "Financial Instruments: Disclosure"	January 1, 2015
IFRS 9 (Amended) "Financial Instruments"	January 1, 2015
IFRS 10 (Amended) "Consolidated Financial Statements"	January 1, 2014
IFRS 12 (Amended) "Disclosure of Interests in Other Entities"	January 1, 2014

The adoption of the pronouncements listed above is not expected to have a significant impact on the Group's consolidated financial statements in future periods except for those discussed below.

IFRS 9 *Financial Instruments* becomes effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in several phases and is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement*. Amended IFRS 7 *Financial Instruments: Disclosure* requires additional disclosure on transition from IAS 39 to IFRS 9. The first and second phases of IFRS 9 were finalised in November 2009 and October 2010, respectively, and relate to the recognition and measurement of financial assets and liabilities. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Group's consolidated financial statements.

Restatements

During the current year Group changed classification of income and expenses related to finance operations between general and administrative expenses, loss on remeasurement and disposal of financial investments and finance costs to more appropriately reflect their nature.

In order to conform to the current period's presentation the following reclassifications to the prior period were made:

Consolidated interim condensed income statements:

	Three months ended March 31, 2012 (unaudited)
Decrease in general and administrative expenses	1,182
Decrease in loss on remeasurement and disposal of financial investments	1,665
Increase in finance costs	(2,847)

Consolidated interim condensed statements of cash flows:

	Three months ended March 31, 2012 (unaudited)
Decrease in loss on remeasurement and disposal of financial investments	(1,665)
Increase in profit before financing and taxation	2,847
Increase in interest paid	(1,182)

OA0 Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Three months ended March 31, 2013 and 2012

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

2. Discontinued operations

The Group's discontinued operations represented the Gold segment.

In March 2012, the Group completed the separation of the Gold segment by exchange of 100% shares of Nord Gold N.V., the segment's holding company, for OAO Severstal shares and GDRs resulting in the increase of the Group's treasury stock by 192,900,120 shares.

The effect of the Gold segment separation was recognized in equity as an increase in treasury shares in the amount of US\$ 1,560.0 million as at 31 December, 2011 and in the amount of US\$ 104.4 million in the three months ended March 31, 2012 as a result of a further increase in the Group's share in the Gold segment's net assets compared to December 31, 2011.

The results of the discontinued operations were as follows:

	Three months ended March 31,	
	2013	2012
	(unaudited)	(unaudited)
Revenue	-	161,072
Expenses	-	(73,252)
Profit before income tax	-	87,820
Income tax expense	-	(10,112)
Profit net of income tax	-	77,708
Net gain on disposal	-	76,089
Profit for the period	-	153,797
Attributable to:		
shareholders of OAO Severstal	-	137,031
non-controlling interests	-	16,766

A summary of assets and liabilities disposed during the three months ended March 31, 2013 and 2012 is presented below:

	Three months ended March 31,	
	2013	2012
	(unaudited)	(unaudited)
Assets held for sale	-	(2,827,037)
Liabilities related to assets held for sale	-	536,649
Net identifiable assets	-	(2,290,388)
Foreign exchange differences and other reserves	-	76,089
Net gain on disposal	-	76,089

OAO Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Three months ended March 31, 2013 and 2012

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

3. Revenue

Revenue by product was as follows:

	Three months ended March 31,	
	2013	2012
	(unaudited)	(unaudited)
Hot-rolled strip and plate	1,132,512	1,320,796
Galvanized and other metallic coated sheet	465,903	512,031
Cold-rolled sheet	332,340	349,207
Metalware products	227,011	235,285
Shipping and handling costs billed to customers	219,783	236,611
Pellets and iron ore	157,463	139,941
Coal and coking coal concentrate	157,416	186,084
Large diameter pipes	131,637	154,100
Other tubes and pipes, formed shapes	116,639	110,381
Long products	115,585	91,029
Colour-coated sheet	102,131	83,095
Semi-finished products	58,936	161,376
Scrap	2,786	6,576
Others	101,901	92,275
	<u>3,322,043</u>	<u>3,678,787</u>

Revenue by delivery destination was as follows:

	Three months ended March 31,	
	2013	2012
	(unaudited)	(unaudited)
Russian Federation	1,413,422	1,528,321
North America	964,436	1,219,624
Europe	504,148	440,261
China and Central Asia	174,042	143,911
South-East Asia	111,232	72,983
Central and South America	75,403	150,783
The Middle East	69,678	75,926
Africa	9,682	46,978
	<u>3,322,043</u>	<u>3,678,787</u>

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Notes to the consolidated interim condensed financial statements
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(Amounts expressed in thousands of US dollars, except as otherwise stated)

4. Finance costs

	Three months ended March 31,	
	2013	2012
	(unaudited)	(unaudited)
Interest expense	(100,025)	(110,662)
Interest income	10,015	16,144
Loss on remeasurement and disposal of financial investments	(1,741)	(1,665)
Other finance costs	(1,028)	(1,182)
	(92,779)	(97,365)

5. Related party transactions

	Three months ended March 31,	
	2013	2012
	(unaudited)	(unaudited)
Revenue - related parties:		
Revenue - associates	12,002	41,481
Revenue - joint ventures	15,161	3,504
Revenue - other related parties	9,548	11,140
Interest income from related parties:		
Interest income from joint ventures	1,450	720
Interest income from other related parties	2,823	8,587
	40,984	65,432
Purchases from related parties:		
Purchases from associates:		
Non-capital expenditures	27,496	12,231
Capital expenditures	-	82
Purchases from joint ventures:		
Non-capital expenditures	55,297	67,190
Purchases from other related parties:		
Non-capital expenditures	8,392	7,601
Capital expenditures	24	11
Interest expense	37	10
	91,246	87,125

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6. Related party balances

	March 31, 2013	December 31,
	(unaudited)	2012
Joint ventures' balances		
Short-term trade accounts receivable	9,664	4,557
Short-term loans	44,947	-
Long-term loans	12,736	53,550
Long-term promissory notes	20,298	19,900
Short-term trade accounts payable	10,893	21,886
Associates' balances		
Short-term trade accounts receivable	4,551	5,136
Long-term loans	5,405	5,446
Short-term trade accounts payable	16,369	11,392
Other related party balances		
Cash and cash equivalents at related party banks	297,836	561,946
Accounts receivable from other related parties:		
Trade accounts receivable	7,587	4,852
Advances paid	960	625
Other receivables	-	298
Short-term loans	1,019	1,027
Short-term promissory notes	3,830	2,407
Available-for-sale financial assets	773	812
	14,169	10,021
Short-term trade accounts payable to other related parties:		
Trade accounts payable	1,538	1,909
Advances received	453	433
Other accounts payable	111	614
	2,102	2,956
Debt financing includes the following balances with other related parties:		
Long-term debt financing	4,301	4,391
	4,301	4,391

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

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7. Debt finance

In March 2013, the Group issued US\$ 600.0 million bonds denominated in US dollars maturing in 2018. These bonds bear an interest rate of 4.45% per annum, which is payable semi-annually in March and September each year, beginning in September 2013. The proceeds from the bonds issuance will be used for general corporate purposes, including refinancing of debt maturing in 2013.

8. Acquisition and disposal

Acquisition of non-controlling interests

In January 2012, the Group acquired an additional 15.8% stake in JSC Severstallat for a total consideration of EUR 6.0 million (US\$ 7.8 million at the transaction date exchange rate), increasing its ownership interest up to 100%.

Disposal of associate

In January 2012, the Group sold its 21.7% stake in Intex Resources ASA for a total consideration of US\$ 20.0 million.

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9. Segment information

As at March 31, 2013 the Group had three reportable segments: Severstal Resources, Severstal Russian Steel and Severstal International.

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

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

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

	Three months ended March 31,	
	2013	2012
	(unaudited)	(unaudited)
Revenue		
Severstal Resources	683,515	811,482
Severstal Russian Steel	2,030,018	2,225,863
Severstal International	929,801	1,095,398
Intersegment transactions	(321,291)	(453,956)
	<u>3,322,043</u>	<u>3,678,787</u>
Profit before financing and taxation		
Severstal Resources	120,634	272,867
Severstal Russian Steel	83,623	75,571
Severstal International	2,806	22,487
Intersegment transactions	(5,143)	(11,501)
	<u>201,920</u>	<u>359,424</u>

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

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

	<u>March 31, 2013 (unaudited)</u>	<u>December 31, 2012</u>
Total assets		
Severstal Resources*	6,178,734	6,174,092
Severstal Russian Steel	14,877,173	15,201,942
Severstal International	4,055,469	4,086,731
Intersegment balances	(9,694,822)	(9,755,550)
	<u>15,416,554</u>	<u>15,707,215</u>

*Total assets of Severstal Resources at March 31, 2013 and December 31, 2012 included a US\$ 210.0 million treasury shares of Severstal measured at the Groups's share in the Gold segment's net assets as at the date of its separation.

The following is an analysis of the Group's total liabilities by segments:

	<u>March 31, 2013 (unaudited)</u>	<u>December 31, 2012</u>
Total liabilities		
Severstal Resources	1,532,524	1,518,178
Severstal Russian Steel	8,088,533	8,351,997
Severstal International	2,751,112	2,764,393
Intersegment balances	(4,074,184)	(4,142,596)
	<u>8,297,985</u>	<u>8,491,972</u>

10. Capital commitments

As of March 31, 2013 the Group had contractual capital commitments of US\$ 722.4 million (December 31, 2012: US\$ 777.0 million).