OAO Severstal
and subsidiaries

Consolidated interim condensed financial statements
for the nine months ended September 30, 2011 and 2010

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Contents

ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Independent Auditors' Report on Review

Board of Directors

OAO 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 30 September 2011, the related consolidated interim condensed income statements and consolidated interim condensed statements of comprehensive income for the three- and nine-month periods ended 30 September 2011 and 2010, and the related consolidated interim condensed statements of changes in equity and cash flows for the nine-month periods ended 30 September 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 30 September 2011 and for the three- and nine-month periods ended 30 September 2011 and 2010 is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG

6 December 2011

OAO Severstal and subsidiaries

Consolidated interim condensed income statements
Nine months ended September 30, 2011 and 2010
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Note	Nine months ended September 30, 2011 (unaudited)	Nine months ended September 30, 2010 (unaudited)*	Three months ended September 30, 2011 (unaudited)	Three months ended September 30, 2010 (unaudited)*
Revenue					
Revenue - third parties		12,695,867	9,798,811	4,706,209	3,447,690
Revenue - related parties	4	186,084	48,240	66,215	16,896
	3	12,881,951	9,847,051	4,772,424	3,464,586
Cost of sales		(8,771,649)	(6,625,775)	(3,310,496)	(2,300,139)
Gross profit		4,110,302	3,221,276	1,461,928	1,164,447
General and administrative expenses		(539,428)	(452,944)	(181,103)	(162,240)
Distribution expenses		(841,655)	(719,078)	(303,763)	(254,843)
Other taxes and contributions		(167,907)	(123,018)	(58,122)	(44,691)
Share of associates' income/(loss)		4,180	8,731	2,422	(8,056)
Loss from securities operations		(14,742)	(98,750)	(3,607)	(38,614)
Loss on disposal of property, plant and equipment and intangible assets		(10,680)	(38,760)	(334)	(8,646)
Net other operating income/(expenses)		8,887	(2,766)	4,405	7,395
Profit from operations		2,548,957	1,794,691	921,826	654,752
Reversal of impairment/(impairment) of non-current assets		623	(57,651)	(1,250)	2,975
Negative goodwill		-	1,418	-	1,418
Net other non-operating expenses		(49,717)	(29,694)	(26,836)	(10,290)
Profit before financing and taxation		2,499,863	1,708,764	893,740	648,855
Interest income		37,588	85,639	12,453	23,275
Interest expense		(371,337)	(425,565)	(125,252)	(121,838)
Foreign exchange difference		17,231	104,510	(211,717)	134,132
Profit before income tax		2,183,345	1,473,348	569,224	684,424
Income tax expense		(461,775)	(307,910)	(116,960)	(123,314)
Profit from continuing operations		1,721,570	1,165,438	452,264	561,110
Loss from discontinued operations	2	(69,329)	(1,344,575)	(1,750)	(173,670)
Profit/(loss) for the period		1,652,241	(179,137)	450,514	387,440
Attributable to:					
shareholders of OAO Severstal		1,550,180	(225,165)	428,625	367,428
non-controlling interests		102,061	46,028	21,889	20,012
Weighted average number of shares outstanding during the period (millions of shares)		1,005.2	1,005.2	1,005.2	1,005.2
Basic and diluted profit/(loss) per share (US dollars)		1.54	(0.22)	0.43	0.37
Basic and diluted profit per share - continuing operations (US dollars)		1.61	1.12	0.43	0.54
Basic and diluted loss per share - discontinued operations (US dollars)		(0.07)	(1.34)	(0.00)	(0.17)

* These amounts reflect adjustments made in connection with the presentation of the discontinued operations and with the completion of purchase price allocation.

These consolidated interim condensed financial statements were approved by the Board of Directors on December 6, 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
Nine months ended September 30, 2011 and 2010

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

	Nine months ended September 30,		Three months ended September 30,	
	2011 (unaudited)	2010 (unaudited)*	2011 (unaudited)	2010 (unaudited)*
Profit/(loss) for the period	1,652,241	(179,137)	450,514	387,440
Other comprehensive (loss)/income				
Foreign exchange difference	(402,000)	(278,533)	(803,253)	58,664
Changes in fair value of cash flow hedges	342	(6,105)	61	(335)
Deferred tax on changes in fair value of cash flow hedges	-	1,776	-	-
Changes in fair value of available-for-sale investments	(13,476)	41,868	(5,091)	27,014
Deferred tax on changes in fair value of available-for-sale investments	1,673	(7,742)	616	(4,002)
Other comprehensive (loss)/income for the period, net of tax	(413,461)	(248,736)	(807,667)	81,341
Total comprehensive income/(loss) for the period	1,238,780	(427,873)	(357,153)	468,781
Attributable to:				
shareholders of OAO Severstal	1,157,978	(472,932)	(347,025)	442,516
non-controlling interests	80,802	45,059	(10,128)	26,265

* These amounts reflect adjustments made in connection with the completion of purchase price allocation.

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
September 30, 2011 and December 31, 2010

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

	Note	September 30, 2011 (unaudited)	December 31, 2010*
Assets			
Current assets:			
Cash and cash equivalents		1,994,712	2,012,662
Short-term bank deposits		-	12,690
Short-term financial investments		89,979	27,463
Trade accounts receivable		1,307,524	967,837
Accounts receivable from related parties	5	68,166	12,359
Restricted cash		32,757	41,313
Inventories		2,842,193	2,369,134
VAT recoverable		253,119	279,626
Income tax recoverable		80,889	39,578
Other current assets		340,887	298,183
Assets held for sale	2	-	3,509,882
Total current assets		7,010,226	9,570,727
Non-current assets:			
Long-term financial investments		254,273	204,542
Investments in associates and joint ventures		306,237	158,564
Property, plant and equipment		7,780,833	7,299,849
Intangible assets		1,888,489	1,930,942
Restricted cash		25,422	61,714
Deferred tax assets		108,941	103,777
Other non-current assets		110,937	78,266
Total non-current assets		10,475,132	9,837,654
Total assets		17,485,358	19,408,381
Liabilities and shareholders' equity			
Current liabilities:			
Trade accounts payable		960,774	897,389
Accounts payable to related parties	5	38,344	16,717
Short-term debt finance	6	1,536,058	1,423,551
Income tax payable		56,981	41,230
Other taxes and social security payable		213,647	156,078
Dividends payable		143,957	17,131
Other current liabilities		623,585	554,577
Liabilities related to assets held for sale	2	-	3,272,354
Total current liabilities		3,573,346	6,379,027
Non-current liabilities:			
Long-term debt finance	6	4,671,381	4,722,926
Deferred tax liabilities		548,182	515,071
Retirement benefit liabilities		167,335	164,555
Other non-current liabilities		299,810	277,149
Total non-current liabilities		5,686,708	5,679,701
Equity:			
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		(638,838)	(297,219)
Retained earnings		4,017,502	2,805,232
Other reserves		46,856	76,411
Total equity attributable to shareholders of OAO Severstal		7,876,035	7,034,939
Non-controlling interests		349,269	314,714
Total equity		8,225,304	7,349,653
Total equity and liabilities		17,485,358	19,408,381

* These amounts reflect adjustments made in connection with the completion of purchase price allocation.

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
Nine months ended September 30, 2011 and 2010

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

	Nine months ended September 30,	
	2011 (unaudited)	**2010 (unaudited)***
Operating activities:		
Profit before financing and taxation	2,499,863	1,708,764
Adjustments to reconcile profit to cash generated from operations:		
Depreciation and amortization	614,671	530,916
(Reversal of impairment)/impairment of non-current assets	(623)	57,651
Movements in provision for inventories, receivables and other provisions	(11,855)	3,524
Negative goodwill	-	(1,418)
Loss on disposal of property, plant and equipment and intangible assets	10,680	38,760
Gain on disposal of subsidiaries	(21,033)	-
Loss on remeasurement and disposal of financial investments	14,742	98,750
Share of associates' results less dividends from associates	16,147	(8,731)
Changes in operating assets and liabilities:		
Trade accounts receivable	(357,973)	(155,109)
Amounts receivable from related parties	(64,553)	6,533
VAT recoverable	17,005	(44,774)
Inventories	(502,076)	(426,677)
Trade accounts payable	47,831	83,833
Amounts payable to related parties	14,615	(1,406)
Other taxes and social security payable	72,473	48,108
Other non-current liabilities	18,420	(28,065)
Assets held for sale	3,503	(8,116)
Net other changes in operating assets and liabilities	36,669	(89,689)
Cash from operating activities - continuing operations	2,408,506	1,812,855
Interest paid	(380,448)	(406,860)
Income tax paid	(451,850)	(193,242)
Net cash from operating activities - continuing operations	1,576,208	1,212,753
Net cash from/(used in) operating activities - discontinued operations	58,205	(385,726)
Net cash from operating activities	1,634,413	827,027
Investing activities:		
Additions to property, plant and equipment	(1,288,999)	(770,244)
Additions to intangible assets	(117,536)	(71,446)
Net decrease/(increase) in short-term bank deposits	14,168	(99,316)
Additions to financial investments and associates	(126,967)	(460,366)
Net cash outflow on acquisitions of subsidiaries	-	(40,950)
Proceeds from disposals of subsidiaries	96,994	118,647
Proceeds from disposal of property, plant and equipment	15,436	3,267
Proceeds from disposal of financial investments	19,198	209,955
Interest received	31,278	74,549
Dividends received	23,600	-
Cash used in investing activities - continuing operations	(1,332,828)	(1,035,904)
Cash used in investing activities - discontinued operations	(26,152)	(122,491)
Cash used in investing activities	(1,358,980)	(1,158,395)
Financing activities:		
Proceeds from debt finance	2,559,839	2,130,171
Repayment of debt finance	(2,474,003)	(1,916,642)
Repayments under lease obligations	(6,680)	(1,964)
Dividends paid	(239,853)	-
Acquisitions of non-controlling interests	(62,458)	(435,467)
Contributions from non-controlling interests	9,846	-
Cash used in financing activities - continuing operations	(213,309)	(223,903)
Cash (used in)/from financing activities - discontinued operations	(28,227)	66,224
Cash used in financing activities	(241,536)	(157,679)
Effect of exchange rates on cash and cash equivalents	(51,847)	(52,266)
Net decrease in cash and cash equivalents	(17,950)	(541,313)
Less cash and cash equivalents of discontinued operation and assets held for sale at end of the period	-	(257,476)
Cash and cash equivalents at beginning of the period	2,012,662	2,853,376
Cash and cash equivalents at end of the period	1,994,712	2,054,587

* These amounts reflect adjustments made in connection with the presentation of the discontinued operations, with the completion of purchase price allocation and 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
Nine months ended September 30, 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 exchange differences	Retained earnings	Other reserves	Total		
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)*	-	-	-	-	(225,165)	-	(225,165)	46,028	(179,137)
Foreign exchange difference (unaudited)	-	-	-	(272,814)	-	-	(272,814)	(5,719)	(278,533)
Changes in fair value of cash flow hedges (unaudited)	-	-	-	-	-	(6,105)	(6,105)	-	(6,105)
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)	-	-	-	-	-	35,618	35,618	6,250	41,868
Deferred tax on changes in fair value of available-for-sale investments (unaudited)	-	-	-	-	-	(6,242)	(6,242)	(1,500)	(7,742)
Total comprehensive (loss)/income for the period (unaudited)				(272,814)	(225,165)	25,047	(472,932)	45,059	(427,873)
Effect of acquisitions without a change in control (unaudited)*	-	-	-	-	111,757	-	111,757	(551,092)	(439,335)
Effect of acquisitions with a change in control (unaudited)*	-	-	-	-	-	-	-	294,395	294,395
Balances at September 30, 2010 (unaudited)*	3,311,288	(26,303)	1,165,530	(325,292)	3,322,862	68,647	7,516,732	286,794	7,803,526
Balances at December 31, 2010*	3,311,288	(26,303)	1,165,530	(297,219)	2,805,232	76,411	7,034,939	314,714	7,349,653
Profit for the period (unaudited)	-	-	-	-	1,550,180	-	1,550,180	102,061	1,652,241
Foreign exchange difference (unaudited)	-	-	-	(384,432)	-	-	(384,432)	(17,568)	(402,000)
Changes in fair value of cash flow hedges (unaudited)	-	-	-	-	-	342	342	-	342
Changes in fair value of available-for-sale investments (unaudited)	-	-	-	-	-	(9,272)	(9,272)	(4,204)	(13,476)
Deferred tax on changes in fair value of available-for-sale investments (unaudited)	-	-	-	-	-	1,160	1,160	513	1,673
Total comprehensive income/(loss) for the period (unaudited)				(384,432)	1,550,180	(7,770)	1,157,978	80,802	1,238,780
Dividends (unaudited)	-	-	-	-	(364,270)	-	(364,270)	-	(364,270)
Effect of acquisitions without a change in control (unaudited)	-	-	-	-	(7,359)	-	(7,359)	(46,247)	(53,606)
Effect of disposals with a change in control (unaudited)	-	-	-	42,813	33,719	(21,785)	54,747	-	54,747
Balances at September 30, 2011 (unaudited)	3,311,288	(26,303)	1,165,530	(638,838)	4,017,502	46,856	7,876,035	349,269	8,225,304

* These amounts reflect adjustments made in connection with the completion of purchase price allocation.

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

(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 of amended and revised 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, 2010, except that the Group has adopted those amended/revised standards mandatory for financial annual periods beginning on January 1, 2011.

Standards	Effective for annual periods beginning on or after
IAS 1 (Amended) “Presentation of Financial Statements”	January 1, 2011
IAS 24 (Revised) “Related party disclosures”	January 1, 2011
IAS 27 (Amended) “Consolidated and Separate Financial Statements”	July 1, 2010
IAS 32 (Amended) “Financial instruments: Presentation”	February 1, 2010
IAS 34 (Amended) “Interim financial reporting”	January 1, 2011
IFRS 3 (Amended) “Business Combinations”	July 1, 2010
IFRS 7 (Amended) “Financial instruments: disclosures”	January 1, 2011
IFRIC 13 (Amended) “Customer Loyalty Programmes”	January 1, 2011
IFRIC 14 (Amended) “IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”	January 1, 2011
IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”	July 1, 2010

Amended IAS 1 *Presentation of Financial Statements* clarified that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is required to be presented, but may be presented either in the statement of changes in equity or in the notes. These amendments did not have a significant effect on the Group’s financial statements.

Revised IAS 24 *Related party disclosures* provided a revised definition of a related party which includes new relationships and led to the increased number of parties considered related to the Group. Revised IAS 24 became effective as at 1 January 2011 and requires retrospective application.

Amended IAS 27 *Consolidated and separate financial statements* clarified consequential amendments to other related international financial reporting standards. These amendments did not have a significant effect on the Group’s financial statements.

Amended IAS 32 *Financial instruments: presentation* incorporated changes in respect of the classification of rights issues and their accounting. These amendments did not have a significant effect on the Group’s financial statements.

Amended IAS 34 *Interim financial reporting* provided additional examples to the list of events or transactions that require disclosure and removed references to materiality that describes other minimum disclosures. These amendments did not have a significant effect on the Group’s financial statements.

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

Amended IFRS 3 *Business Combinations* incorporated transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS 3 and limited the accounting policy choice to measure non-controlling interest. These changes did not have a significant effect on the Group's financial statements.

Amended IFRS 7 *Financial instruments: Presentation* incorporated a number of clarifications to the existing disclosure requirements that did not have a significant effect on the Group's financial statements.

Amended IFRIC 13 *Customer loyalty programmes* provided guidance in respect of measuring the fair value of award credits and did not have a significant effect on the Group's financial statements.

Amended IFRIC 14 *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction* provided guidance in respect of recognition of prepaid contributions and did not have a significant effect on the Group's financial statements.

Amended IFRIC 19 *Extinguishing financial liabilities with equity instruments* provided guidance on the accounting for debt for equity swaps and did not have a significant effect on the Group's financial statements.

New accounting pronouncements

A number of new Standards and amendments to Standards were not yet effective for the nine months ended September 30, 2011, and have not been applied in these consolidated interim condensed financial statements.

Standards	Effective for annual periods beginning on or after
IAS 1 (Amended) "Presentation of financial statements"	July 1, 2012
IAS 12 (Amended) "Income taxes"	January 1, 2012
IAS 19 (Revised) "Employee benefits"	January 1, 2013
IAS 27 (Amended) "Separate financial statements"	January 1, 2013
IAS 28 (Amended) "Investments in associates and joint ventures"	January 1, 2013
IFRS 1 (Amended) "First-time Adoption of International Financial Reporting Standards"	July 1, 2011
IFRS 7 (Amended) "Financial instruments: disclosures"	July 1, 2011
IFRS 9 "Financial instruments"	January 1, 2015 (proposed)
IFRS 10 "Consolidated financial statements"	January 1, 2013
IFRS 11 "Joint arrangements"	January 1, 2013
IFRS 12 "Disclosure of interests in other entities"	January 1, 2013
IFRS 13 "Fair value measurement"	January 1, 2013
IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013

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.

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. Amended IAS 1 will be effective for annual periods beginning on or after 1 July, 2012 and requires retrospective application.

Revised IAS 19 *Employee Benefits* incorporates the following changes that are likely to have a significant impact on the Group's consolidated financial statements:

- Actuarial gains and losses will be recognized immediately in other comprehensive income and will not be recycled through profit or loss in subsequent periods;

- Annual expense for a funded benefit plan will include interest expense, calculated by applying the discount rate to the net defined benefit or liability that will replace the finance charge and expected return on plan assets.

Revised IAS 19 will be effective for annual periods beginning on or after 1 January, 2013 and requires retrospective application.

IFRS 9 *Financial Instruments* is expected to become effective for annual periods beginning on or after 1 January 2015 based on the current exposure draft. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement.*

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 Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.

IFRS 11 *Joint Arrangements* supersedes IAS 31 *Interests in Joint Ventures* and introduces a classification of all joint arrangements either as joint operations, which are consolidated on a proportionate basis, or as joint ventures, for which the equity method is applied. IFRS 11 will be effective for annual periods beginning on or after 1 January 2013 and requires retrospective application.

IFRS 12 *Disclosures of interests in other entities* requires extended disclosures for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 will be effective for annual periods beginning on or after 1 January 2013 and requires retrospective application.

IFRS 13 *Fair value measurement* provides a revised definition of fair value, establishes a framework for measuring fair value and sets out expanded disclosure requirements for fair value measurements. IFRS 13 will be effective for annual periods beginning on or after 1 January 2013 and requires prospective application.

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* addresses accounting of stripping costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalized as non-current assets if the component of the ore body for which access has been improved can be identified and future benefits arising from the improved access are both probable and reliably measurable. The interpretation also addresses how capitalized production stripping costs should be depreciated and how capitalized amounts should be allocated between inventory and the stripping activity asset. IFRIC 20 will be effective for annual periods beginning on or after 1 January 2013 and requires prospective application to production stripping costs incurred on or after the beginning of the earliest period presented. The Group intends to early adopt IFRIC 20 for annual periods beginning on or after 1 January 2012.

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

Restatements

In order to conform to the current period's presentation the following reclassification to the prior period was made for the netting of additions and disposals of highly liquid promissory notes used for settlements with suppliers and customers in the Statement of cash flows:

	Nine months ended September 30, 2010
Decrease in additions to financial investments and associates	474,845
Decrease in proceeds from disposal of financial investments	(474,845)

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:

	Nine months ended September 30,		Three months ended September 30,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
Revenue	767,405	3,254,825	-	1,014,923
Expenses	(911,228)	(3,580,554)	-	(1,187,622)
Loss on remeasurement of the Lucchini disposal group to fair value less costs to sell	-	(1,010,280)	-	-
Loss before income tax	(143,823)	(1,336,009)	-	(172,699)
Income tax expense	(5,461)	(8,566)	-	(971)
Loss net of tax	(149,284)	(1,344,575)	-	(173,670)
Gain/(loss) on sale of discontinued operations	79,955	-	(1,750)	-
Loss for the period	(69,329)	(1,344,575)	(1,750)	(173,670)
Attributable to: shareholders of OAO Severstal	(69,329)	(1,344,575)	(1,750)	(173,670)

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%.

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.

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

The loss on remeasurement of the Lucchini segment to fair value less costs to sell recognized as of September 30, 2010 in the amount of US$ 1,010.3 million was allocated to property, plant and equipment and intangible assets on a pro-rata basis.

In February 2011, the Group signed an amendment to 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 amendment 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. Preliminarily, the total consideration is assessed by management in the amount of US$ 156.4 million. The remaining share in Mountain State Carbon LLC of 50% is accounted for using the equity method.

Upon deconsolidation, the Group's investments in Lucchini and Mountain State Carbon LLC were 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.

A summary of assets and liabilities disposed during the nine months ended September 30, 2011 is presented below:

	Nine months ended September 30, 2011 (unadited)	Three months ended September 30, 2011 (unadited)
Assets held for sale	(3,599,109)	-
Liabilities related to assets held for sale	3,495,149	-
Net identifiable assets	(103,960)	-
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	(13,750)	(1,750)
Net gain on disposal	79,955	(1,750)
Net change in cash and cash equivalents	84,094	-

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

The major classes of assets and liabilities of the disposal groups at September 30, 2011 and December 31, 2010 were as follows:

	September 30, 2011 (unaudited)	December 31, 2010
Current assets:		
Cash and cash equivalents	-	208,928
Short-term financial investments	-	5,862
Trade accounts receivable	-	711,162
Accounts receivable from related parties	-	3,835
Inventories	-	1,135,314
VAT recoverable	-	8,870
Income tax recoverable	-	13,163
Other current assets	-	65,429
Total current assets	-	2,152,563
Non-current assets:		
Long-term financial investments	-	39,042
Property, plant and equipment	-	1,204,978
Intangible assets	-	70,335
Deferred tax assets	-	-
Other non-current assets	-	42,964
Total non-current assets	-	1,357,319
Total assets	-	3,509,882
Current liabilities:		
Trade accounts payable	-	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
Total current liabilities	-	2,043,774
Non-current liabilities:		
Long-term debt finance	-	354,820
Deferred tax liabilities	-	53,723
Retirement benefit liabilities	-	592,772
Other non-current liabilities	-	227,265
Total non-current liabilities	-	1,228,580
Total liabilities	-	3,272,354

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

3. Revenue

Revenue by product was as follows:

	Nine months ended September 30,		Three months ended September 30,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
Hot-rolled strip and plate	3,793,396	2,964,661	1,462,129	969,440
Galvanized and other metallic coated sheet	1,533,153	1,189,701	569,097	371,742
Cold-rolled sheet	1,250,085	1,209,539	429,578	401,976
Large diameter pipes	821,237	671,685	270,513	204,834
Gold	788,636	482,181	250,895	183,766
Metalware products	750,914	605,632	249,469	218,460
Shipping and handling costs billed to customers	675,105	483,070	311,210	166,464
Coal and coking coal concentrate	641,147	495,308	200,242	193,510
Semi-finished products	593,303	345,048	209,103	159,759
Pellets and iron ore	509,418	240,975	225,486	118,486
Long products	465,973	356,497	198,110	162,665
Other tubes and pipes, formed shapes	398,481	249,886	147,487	91,627
Colour-coated sheet	239,384	217,247	98,886	107,651
Scrap	64,328	72,985	7,003	26,348
Other	357,391	262,636	143,216	87,858
	12,881,951	9,847,051	4,772,424	3,464,586

Revenue by delivery destination was as follows:

	Nine months ended September 30,		Three months ended September 30,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
Russian Federation	6,151,906	4,434,664	2,260,769	1,669,995
North America	2,886,093	2,491,859	1,089,374	747,890
Europe	2,486,913	1,644,858	809,188	523,202
China and Central Asia	444,507	288,524	217,864	119,435
The Middle East	351,148	269,849	189,780	79,935
Central and South America	239,100	365,307	104,607	97,251
South-East Asia	223,661	286,572	50,100	202,288
Africa	98,623	65,418	50,742	24,590
	12,881,951	9,847,051	4,772,424	3,464,586

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

4. Related party transactions

	Nine months ended September 30,		Three months ended September 30,	
	2011 (unaudited)	**2010 (unaudited)**	**2011 (unaudited)**	**2010 (unaudited)**
Revenue from related parties:				
Revenue - associates	122,326	22,550	37,149	7,924
Revenue - joint ventures	30,198	669	18,058	225
Revenue - other related parties	33,560	25,021	11,008	8,747
Interest income from related parties:				
Interest income from joint ventures	2,476	-	770	-
Interest income from other related parties	20,278	25,428	7,191	7,317
	208,838	73,668	74,176	24,213
Purchases from related parties:				
Purchases from associates:				
Non-capital expenditures	57,002	45,723	19,190	15,414
Purchases from joint ventures:				
Non-capital expenditures	180,018	67,686	79,367	22,656
Purchases from other related parties:				
Non-capital expenditures	23,437	22,497	7,012	5,413
Capital expenditures	673	3,227	121	222
Interest expense	-	3,143	-	1,052
	261,130	142,276	105,690	44,757

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

5. Related party balances

	September 30, 2011 (unaudited)	December 31, 2010
Joint ventures' balances		
Short-term trade accounts receivable	6,132	-
Long-term loans	36,889	34,792
Short-term trade accounts payable	28,320	7,959
Associates' balances		
Short-term trade accounts receivable	51,297	3,046
Long-term loans	4,093	3,915
Short-term trade accounts payable	9,368	6,510
Other related party balances		
Cash and cash equivalents at related party bank and pension fund	982,530	669,643
Short-term deposits with related party bank	-	12,627
Accounts receivable from other related parties:		
Trade accounts receivable	4,183	2,603
Advances paid	6,207	5,870
Other receivables	347	840
Short-term loans	2,374	487
Short-term promissory notes	330	4,146
Long-term loans	2,413	-
Available-for-sale securities	6,087	7,653
	21,941	21,599
Short-term trade accounts payable to other related parties:		
Trade accounts payable	526	556
Other accounts payable	130	1,692
	656	2,248
Debt finance includes the following balances with other related parties:		
Long-term debt finance	4,135	4,315
	4,135	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.

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 rubles 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.

In July 2011, the Group issued US$ 500.0 million bonds denominated in US dollars maturing in 2016. These bonds bear an interest rate of 6.25% per annum, which is payable semi-annually in July and January each year, beginning in January 2012. The proceeds from the bonds issuance were partially utilized to refinance put option of ruble-denominated bonds in September 2011 and were used in 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 (“CGC”) for a total consideration of US$ 90.3 million. CGC is a mining company based in London, UK which owns and operates a gold mining project in Guinea, West Africa.

In May 2010, the Group acquired a 16.5% stake in Core Mining Limited (“CML”) for a total consideration of US$ 15 million. CML is a private company registered in the Isle of Man focused on the exploration, development and operation of iron ore projects in Central and Western Africa, mainly in Republic of Congo (Brazzaville) and Republic of Gabon.

In July 2010, the Group acquired an additional 13.8% stake in Crew Gold Corporation for a total consideration of US$ 84.5 million, increasing its ownership interest up to 40.4%.

In September 2010, the Group acquired a 21.7% stake in Intex Resources ASA (“Intex Resources”) for a total consideration of US$ 13.0 million. Intex Resources is a public mining and exploration company listed on Oslo Stock Exchange with its headquarters in Oslo, Norway. Intex’s main asset is the Mindoro Nickel Project — a substantial nickel laterite deposit in the Philippines. In addition, Intex has two molybdenum assets in Norway, as well as in Maniitsoq, a diamond province in Greenland.

During 2010, the Group acquired an 11% stake in Sacre-Coeur Minerals, Ltd. (“SCM”) for a total consideration of US$ 6.2 million, increasing its ownership up to 18.1%. SCM is engaged in the acquisition, exploration and development of properties for the potential mining of gold and metals in South America, initially focusing on exploration for gold on its properties in Guyana.

During 2010, the Group acquired a 25.6% stake in Iron Mineral Beneficiation Services (Proprietary) Limited (IMBS) for a total consideration of US$ 7.5 million. 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.

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%.

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 future conditions. SPG Mineracao S.A. owns exploration licenses for a number of high prospective iron ore properties in the northern state of Amapa, Brazil.

Acquisitions of subsidiaries from third parties

In July 2010, the Group acquired an additional 9.8% stake in Crew Gold Corporation for a total consideration of US$ 70.9 million, increasing its ownership interest up to 50.2%.

The acquiree's profit from the beginning of the period to the date of acquisition comprised US$ 10.8 million. The acquiree's revenue from the beginning of the period to the date of acquisition comprised US$ 140.6 million. The loss since the acquisition date included in the Group's loss for the period amounted to US$ 10.6 million. Revenue since the acquisition date included in the Group's revenue for the period amounted to US$ 22.9 million.

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

A summary of assets and liabilities acquired from third parties during the nine and three months ended September 30, 2010 is presented below:

	Nine and three months ended September 30, 2010
Cash and cash equivalents	29,929
Trade accounts receivable	16,500
Inventories	51,251
Other current assets	6,896
Property, plant and equipment	134,061
Intangible assets	675,668
Other non-current assets	9,745
Trade accounts payable	(20,037)
Other taxes and social security payable	(51)
Other current liabilities	(67,345)
Deferred tax liabilities	(120,139)
Debt finance	(113,055)
Other non-current liabilitites	(11,715)
Net identifiable assets and liabilities acquired	591,708
Non-controlling interests	(294,395)
Severstal's share of net identifiable assets and liabilities acquired	297,313
Investments in Crew Gold Corporation at equity	(182,846)
Fair value adjustment upon acquisition of subsidiary to previously held interest	(42,170)
Consideration:	
Consideration in cash	(70,879)
Negative goodwill on acquisition of subsidiaries	1,418
Net change in cash and cash equivalents	(40,950)

Final purchase price allocation

During the nine months ended September 30, 2011 management completed the purchase price allocation of Crew Gold Corporation acquired in July 2010. The effect of the final purchase price allocation on these consolidated interim condensed financial statements is the following:

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

	Increase/(decrease) compared to the provisional purchase price allocation at December 31, 2010 US$, thousands
Inventories	2,210
VAT recoverable	1,032
Property, plant and equipment	(51,986)
Goodwill	(43,221)
Intangible assets	174,387
Deferred tax assets	2,371
Other assets	(4,931)
Debt finance	4,443
Deferred tax liabilities	21,791
Other liabilities	23,746
Retained earnings	25,042
Non-controlling interests	4,840

The comparative information at December 31, 2010 has been restated as if the accounting for the business combination had been completed at the acquisition date.

Acquisitions of non-controlling interests

In May 2010, the Group acquired an additional 18.8% stake in High River Gold Mines, Ltd. for a total consideration of US$ 107.3 million, increasing its ownership interest up to 68.9%.

In August 2010, the Group acquired an additional stake in High River Gold Mines Ltd. upon exercise of warrants held by the Group for a total consideration of US$ 25.1 million, increasing its ownership interest up to 70.4%.

In September 2010, the Group acquired an additional 43.2% stake in Crew Gold Corporation for a total consideration of US$ 214.8 million, increasing its ownership interest up to 93.4%.

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%.

In August 2011, the Group acquired an additional 2.4% stake in High River Gold Mines, Ltd for a total consideration of US$ 26.5 million, increasing its ownership interest up to 75.1 %.

Disposal of subsidiaries (other than discontinued operations)

In May 2010, the Group sold Northern Steel Group, a group of companies within the Severstal North America segment, for a total consideration of US$ 124.0 million.

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.

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

In July 2011, the Group sold its 91.6% stake in OAO Stalmag for a total consideration of RUB 448 thousand (US$ 14 thousand).

A summary of assets and liabilities disposed during the nine and three months ended September 30, 2011 and 2010 is presented below:

	Nine months ended September 30,		Three months ended September 30,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
Trade accounts receivable	-	(49,723)	-	(49,723)
Inventories	-	(90,841)	-	(90,841)
Assets held for sale	(14,884)	-	(1,509)	-
Other assets	-	(1,547)	-	(1,547)
Property, plant and equipment	-	(16,433)	-	(16,433)
Intangible assets	-	(632)	-	(632)
Trade accounts payable	-	35,307	-	35,307
Liabilities related to assets held for sale	23,003	-	11,688	-
Other liabilities	-	5,222	-	5,222
Net identifiable assets	8,119	(118,647)	10,179	(118,647)
Consideration in cash	12,914	118,647	14	118,647
Net gain on disposal	21,033	-	10,193	-
Net change in cash and cash equivalents	12,914	118,647	14	118,647

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.

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.

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

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 and other markets in the North America region. Severstal North America's production facilities are located in the USA.

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

	Nine months ended September 30,		Three months ended September 30,	
	2011 (unaudited)	2010 (unaudited)	2011 (unaudited)	2010 (unaudited)
Revenue				
Steel Resources	2,824,942	1,892,998	1,057,306	729,981
Gold	796,868	485,334	253,435	184,664
Russian Steel	8,205,531	6,342,341	2,989,209	2,263,514
Severstal North America	2,530,590	2,300,765	962,281	690,060
Intersegment transactions	(1,475,980)	(1,174,387)	(489,807)	(403,633)
	12,881,951	9,847,051	4,772,424	3,464,586
Profit/(loss) before financing and taxation				
Steel Resources	1,090,841	620,499	403,797	301,854
Gold	248,487	177,965	71,807	64,582
Russian Steel	1,075,409	1,018,273	387,395	257,083
Severstal North America	79,324	(73,872)	12,088	(3,316)
Intersegment transactions	5,802	(34,101)	18,653	28,652
	2,499,863	1,708,764	893,740	648,855

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

	September 30, 2011 (unaudited)	December 31, 2010
Total segment assets		
Steel Resources	4,540,324	3,621,118
Gold	2,572,935	2,479,481
Russian Steel	14,939,111	15,387,042
Severstal North America	4,042,868	4,821,077
Lucchini (discontinued)	-	1,853,849
Intersegment balances	(8,609,880)	(8,754,186)
	17,485,358	19,408,381

9. Capital commitments

As of September 30, 2011 the Group had capital commitments of US$ 1,220.6 million (December 31, 2010: US$ 1,546.6 million).

10. Dividends

On June 27, 2011 the Meeting of Shareholders approved an annual dividend of RUB 2.42 (US$ 0.08 at June 27, 2011 exchange rate) per share and per GDR for the year 2010 and an interim dividend of RUB 3.9 (US$ 0.14 at June 27, 2011 exchange rate) per share and per GDR for the first quarter of 2011.

On September 30, 2011 the Meeting of Shareholders approved an interim dividend of RUB 4.37 (US$ 0.15 at September 30, 2011 exchange rate) per share and per GDR for the first six months of 2011.

11. Subsequent events

In November 2011, the Group decided to separate the Gold segment by exchange of 100% shares of Nord Gold N.V., the segment's holding company, for OAO Severstal shares and GDRs based on the relative fair values. The separation is expected to be completed in January 2012. The transaction will be accounted as a deduction from equity equaling to the net assets of the separated segment at the date of the transaction.