OJSC NOVOLIPETSK STEEL

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

AS AT MARCH 31, 2010 AND DECEMBER 31, 2009 AND FOR THE THREE MONTHS ENDED MARCH 31, 2010 AND 2009

CONTENTS

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of OJSC Novolipetsk Steel:

We have reviewed the accompanying interim condensed consolidated balance sheet of OJSC Novolipetsk Steel and its subsidiaries ("the Group") as at March 31, 2010, the related interim condensed consolidated statements of income, of cash flows, and of stockholders' equity and comprehensive income for each of the three-month periods ended March 31, 2010 and March 31, 2009. These interim condensed consolidated financial statements are the responsibility of the Group's management.

We conducted our review in accordance with the standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Group as at December 31, 2009, the related consolidated statements of income, of cash flows, and of stockholders' equity and comprehensive income for the year then ended (not presented herein), and in our report dated March 31, 2010, we expressed an unqualified opinion on such consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as at December 31, 2009, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
June 30, 2010

(All amounts in thousands of US dollars, except for share data)

	Note	As at March 31, 2010	As at December 31, 2009
ASSETS			
Current assets			
Cash and cash equivalents	2	1,157,305	1,247,048
Short-term investments		424,221	451,910
Accounts receivable and advances given, net	3	1,064,812	913,192
Inventories, net	4	1,324,455	1,134,095
Other current assets		61,517	58,034
Deferred income tax assets		58,744	72,467
		4,091,054	**3,876,746**
Non-current assets			
Long-term investments		401,727	468,236
Property, plant and equipment, net	5	7,687,965	7,316,180
Intangible assets, net		201,104	203,490
Goodwill		572,175	556,636
Deferred income tax assets		25,847	12,199
Other non-current assets		49,112	68,457
		8,937,930	**8,625,198**
Total assets		**13,028,984**	**12,501,944**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	6	962,933	841,230
Short-term borrowings	7	544,279	556,563
Current income tax liability		26,274	19,419
		1,533,486	**1,417,212**
Non-current liabilities			
Deferred income tax liability		408,873	396,306
Long-term borrowings	7	1,991,906	1,938,652
Other long-term liabilities		179,844	139,906
		2,580,623	**2,474,864**
Total liabilities		**4,114,109**	**3,892,076**
Commitments and contingencies		**-**	**-**
Stockholders' equity			
NLMK stockholders' equity			
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at March 31, 2010 and December 31, 2009		221,173	221,173
Statutory reserve		10,267	10,267
Additional paid-in capital		112,450	112,450
Accumulated other comprehensive loss		(596,017)	(796,756)
Retained earnings		9,302,619	9,171,068
		9,050,492	**8,718,202**
Non-controlling interest		**(135,617)**	**(108,334)**
Total stockholders' equity		**8,914,875**	**8,609,868**
Total liabilities and stockholders' equity		**13,028,984**	**12,501,944**

The interim condensed consolidated financial statements as set out on pages 4 to 19 were approved on June 29, 2010.

President (Chairman of the Management Board)
Lapshin A.A.

Chief Accountant
Sokolov A.A.

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

	Note	For the three months ended March 31, 2010	For the three months ended March 31, 2009
Sales revenue	12	**1,697,442**	**1,293,326**
Cost of sales			
Production cost		(1,050,443)	(874,389)
Depreciation and amortization		(122,995)	(96,625)
		(1,173,438)	**(971,014)**
Gross profit		**524,004**	**322,312**
General and administrative expenses		(66,473)	(89,810)
Selling expenses		(161,348)	(110,849)
Taxes other than income tax		(31,723)	(22,562)
Operating income		**264,460**	**99,091**
Loss on disposals of property, plant and equipment		(1,927)	(2,104)
Losses on investments, net		(1,312)	(1,472)
Interest income		11,470	17,897
Interest expense		(7,826)	(53,968)
Foreign currency exchange loss, net		(53,381)	(113,004)
Other expenses, net		(24,714)	(56,913)
Income / (loss) from continuing operations before income tax		**186,770**	**(110,473)**
Income tax (expense) / benefit	11	(52,114)	1,439
Income / (loss) from continuing operations, net of income tax		**134,656**	**(109,034)**
Equity in net losses of associates		(26,716)	(142,638)
Net income / (loss)		**107,940**	**(251,672)**
Less: Net loss attributable to the non-controlling interest		**23,611**	**57,851**
Net income / (loss) attributable to NLMK stockholders		**131,551**	**(193,821)**
Income / (loss) per share – basic and diluted:			
Income / (loss) from continuing operations attributable to NLMK stockholders per share (US dollars)		0.0219	(0.0323)
Net income / (loss) attributable to NLMK stockholders per share (US dollars)	10	0.0219	(0.0323)
Weighted-average shares outstanding, basic and diluted (in thousands)		5,993,227	5,993,227

(thousands of US dollars)

	Note	For the three months ended March 31, 2010	For the three months ended March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income / (loss)		**107,940**	**(251,672)**
Adjustments to reconcile net income / (loss) to net cash provided by operating activities:			
Depreciation and amortization		122,995	96,625
Loss on disposals of property, plant and equipment		1,927	2,104
Losses on investments, net		1,312	1,472
Equity in net losses of associates		26,716	142,638
Deferred income tax expense / (benefit)		8,137	(26,778)
(Gains) / losses on unrealized forward contracts	8	(4,435)	16,780
Other		13,971	10,072
Changes in operating assets and liabilities			
(Increase) / decrease in accounts receivable		(122,052)	98,258
(Increase) / decrease in inventories		(153,603)	294,444
Increase in other current assets		(1,712)	(4,082)
Increase / (decrease) in accounts payable and other liabilities		95,362	(15,205)
Increase in current income tax payable		6,162	17,507
Net cash provided by operating activities		**102,720**	**382,163**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases and construction of property, plant and equipment		(234,440)	(203,038)
Proceeds from sale of property, plant and equipment		3,095	1,559
Purchases of investments and placement of bank deposits		(7,993)	(306,526)
Proceeds from sale of investments and loans settled		12,109	34
Loans issued		-	(128,532)
Settlement of abandoned acquisition	15(b)	-	(234,000)
Net cash used in investing activities		**(227,229)**	**(870,503)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and notes payable		481,999	262,905
Repayment of borrowings and notes payable		(460,455)	(320,770)
Capital lease payments		(16,626)	(17,647)
Dividends to shareholders		(5)	(916)
Dividends to non-controlling shareholders of existing subsidiaries		-	(4)
Net cash provided by / (used in) financing activities		**4,913**	**(76,432)**
Net decrease in cash and cash equivalents		**(119,596)**	**(564,772)**
Effect of exchange rate changes on cash and cash equivalents		29,853	(49,072)
Cash and cash equivalents at the beginning of the period	2	1,247,048	2,159,989
Cash and cash equivalents at the end of the period	2	**1,157,305**	**1,546,145**

(thousands of US dollars)

	Note	NLMK stockholders: Common stock	NLMK stockholders: Statutory reserve	NLMK stockholders: Additional paid-in capital	NLMK stockholders: Accumulated other comprehensive loss	NLMK stockholders: Retained earnings	Non-controlling interest	Compre-hensive (loss) / income	Total stockholders' equity
Balance at December 31, 2008		**221,173**	**10,267**	**52,395**	**(549,879)**	**8,956,013**	**33,100**	**-**	**8,723,069**
Comprehensive loss:									
Net loss		-	-	-	-	(193,821)	(57,851)	(251,672)	(251,672)
Other comprehensive loss:									
Cumulative translation adjustment		-	-	-	(1,109,533)	-	521	(1,109,012)	(1,109,012)
Comprehensive loss								(1,360,684)	**(1,360,684)**
Disposal of assets to an entity under common control	9	-	-	85,345	-	-	(40,182)	-	45,163
Balance at March 31, 2009		**221,173**	**10,267**	**137,740**	**(1,659,412)**	**8,762,192**	**(64,412)**	**-**	**7,407,548**
Balance at December 31, 2009		**221,173**	**10,267**	**112,450**	**(796,756)**	**9,171,068**	**(108,334)**	**-**	**8,609,868**
Comprehensive income:									
Net income / (loss)		-	-	-	-	131,551	(23,611)	107,940	107,940
Other comprehensive income:									
Cumulative translation adjustment		-	-	-	200,739	-	(3,672)	197,067	197,067
Comprehensive income								305,007	**305,007**
Balance at March 31, 2010		**221,173**	**10,267**	**112,450**	**(596,017)**	**9,302,619**	**(135,617)**	**-**	**8,914,875**

(thousands of US dollars)

1 BASIS OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARATION

These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Open Joint Stock Company Novolipetsk Steel (the "Parent Company", or "NLMK") and its subsidiaries (together – the "Group") as at and for the year ended December 31, 2009. The December 31, 2009 condensed consolidated balance sheet information has been derived from the audited consolidated financial statements, however, since it is presented on a condensed basis it does not include all disclosures required by accounting principles generally accepted in the United States of America for annual consolidated financial statements.

In the opinion of the Group's management, the information furnished herein reflects all known accruals and adjustments necessary for a fair statement of the results for the periods reported herein. All such adjustments are of a normal recurring nature. The financial results of the periods reported herein are not necessarily indicative of future financial results.

Functional and reporting currency

The Group's principal functional currency is considered to be the Russian ruble. The functional currency of the foreign subsidiaries is their local currency. The accompanying interim condensed consolidated financial statements have been prepared using the US dollar as the Group's reporting currency, utilizing period-end exchange rates for assets and liabilities, corresponding period quarterly weighted average exchange rates for interim condensed consolidated statement of income accounts and historic rates for equity accounts.

The Central Bank of the Russian Federation's closing rates of exchange as at March 31, 2010, December 31, 2009, March 31, 2009 and December 31, 2008 were 1 US dollar to 29.3638, 30.2442, 34.0134 and 29.3804 Russian rubles, respectively. The period weighted average exchange rates for the three months ended March 31, 2010 and March 31, 2009 were 29.8903 and 33.9308 Russian rubles to 1 US dollar, respectively.

Recent accounting pronouncements

Effective January 1, 2010, the Group adopted changes issued by the Financial Accounting Standards Board ("FASB") to accounting for variable interest entities. These changes require the Group to perform an analysis to determine whether the Group's variable interest or interests give it a controlling financial interest in a variable interest entity. The Group is also required to assess whether it has an implicit financial responsibility to ensure that the variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance. The adoption of these changes had no impact on the Group's interim condensed consolidated financial statements

2 CASH AND CASH EQUIVALENTS

	As at March 31, 2010	As at December 31, 2009
Cash – Russian rubles	69,444	79,793
Cash – US dollars	162,687	125,917
Cash – other currencies	135,439	64,197
Deposits – Russian rubles	190,605	208,514
Deposits – US dollars	351,834	729,092
Deposits – Euros	244,387	25,778
Deposits – other currencies	974	11,474
Other cash equivalents	1,935	2,283
	1,157,305	**1,247,048**

(thousands of US dollars)

3 ACCOUNTS RECEIVABLE AND ADVANCES GIVEN

	As at March 31, 2010	As at December 31, 2009
Trade accounts receivable	653,059	619,722
Advances given to suppliers	130,228	91,858
Taxes receivable	425,134	365,466
Accounts receivable from employees	4,710	3,407
Other accounts receivable	165,460	148,261
	1,378,591	1,228,714
Allowance for doubtful debts	(313,779)	(315,522)
	1,064,812	**913,192**

As at March 31, 2010 and December 31, 2009, accounts receivable of $23,952 and nil, respectively, served as collateral for certain borrowings (Note 7).

4 INVENTORIES

	As at March 31, 2010	As at December 31, 2009
Raw materials	698,017	613,940
Work in process	238,825	219,455
Finished goods and goods for resale	428,529	351,879
	1,365,371	1,185,274
Provision for obsolescence	(40,916)	(51,179)
	1,324,455	**1,134,095**

As at March 31, 2010 and December 31, 2009, inventories of $22,428 and nil, respectively, served as collateral for certain borrowings (Note 7).

(thousands of US dollars)

5 PROPERTY, PLANT AND EQUIPMENT

	As at March 31, 2010	As at December 31, 2009
Land	144,272	136,596
Mineral rights	527,460	512,106
Buildings	1,424,508	1,400,208
Land and buildings improvements	1,287,090	1,221,530
Machinery and equipment	6,004,356	5,850,662
Vehicles	359,224	345,213
Construction in progress and advances for construction and acquisition of property, plant and equipment	3,104,280	2,817,937
Leased assets	370,868	328,204
Other	70,455	68,398
	13,292,513	12,680,854
Accumulated depreciation	(5,604,548)	(5,364,674)
	7,687,965	**7,316,180**

As at March 31, 2010 and December 31, 2009, property, plant and equipment of $13,874 and $45,647 (net book value), respectively, served as collateral for certain borrowings (Note 7).

The amount of interest capitalized is $39,796 for the three months ended March 31, 2010. This amount was insignificant for the three months ended March 31, 2009.

6 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	As at March 31, 2010	As at December 31, 2009
Trade accounts payable	467,767	400,236
Advances received	131,435	114,472
Taxes payable other than income tax	98,750	87,402
Accounts payable and accrued liabilities to employees	148,605	130,813
Dividends payable	2,646	2,574
Short-term capital lease liability	30,541	30,383
Other liabilities	83,189	75,350
	962,933	**841,230**

(thousands of US dollars)

7 SHORT-TERM AND LONG-TERM BORROWINGS

	As at March 31, 2010	As at December 31, 2009
Parent Company		
Bonds, RUR denominated, with interest rates from 7.75% to 10.75% per annum	872,964	502,627
Loans, US$ denominated, with interest rates from LIBOR +1.2% to 3.86% per annum, mature 2010-2013	1,405,670	1,506,580
Loan, EURO denominated, with interest rates from EURIBOR (6 m) +1.5% to EURIBOR (6 m) +1.6% per annum, mature 2010-2019	96,846	-
Maxi-Group		
Russian rubles		
Loans with interest rates from 15% to 16% per annum, mature 2010	1,578	317,086
Bonds with interest rates 10% per annum	637	227
Other borrowings	61,240	59,315
US dollars		
Loans with interest rate LIBOR (1 m) +3.75% per annum, mature 2010	9,677	19,355
Euros		
Loans with interest rates from EURIBOR (6 m) +1.3% to EURIBOR (6 m) +4% per annum, mature 2010-2017	38,496	52,209
Other borrowings	8,805	11,277
	2,495,913	**2,468,676**
Other companies		
Loan, RUR denominated, with interest rate 10% per annum	27,891	26,538
Loan, US$ denominated, with interest rate 5% per annum	12,380	-
Other borrowings	1	1
	2,536,185	**2,495,215**
Less: short-term loans and current maturities of long-term loans	(544,279)	(556,563)
Long-term borrowings	**1,991,906**	**1,938,652**

The Group’s long-term borrowings as at March 31, 2010 mature between 2 to 9 years.

Major terms of loan agreements

Certain of the loan agreements contain debt covenants that impose restrictions on the purposes for which the loans may be utilized, covenants with respect to disposal of assets, incurrence of additional liabilities, issuance of loans or guarantees, obligations in respect of any future reorganizations procedures or bankruptcy of borrowers, and also require that borrowers maintain pledged assets to their current value and conditions. In addition, these agreements contain covenants with respect to compliance with certain financial ratios, clauses regarding the possibility of acceleration in case of unfavorable economic situation and also clauses in relation to performance of the borrowers, including cross default provisions, as well as legal claims in excess of certain amount, where reasonable expectations of a negative outcome exist, and covenants triggered by any failure of the borrower to fulfill contractual obligations. The Group companies are in compliance with debt covenants as of the date of approval of these interim condensed consolidated financial statements.

(thousands of US dollars)

8 FORWARD CONTRACTS

The Group holds or purchases derivative financial instruments for purposes other than trading to mitigate foreign currency exchange rate risk.

In accordance with ASC No. 820, the fair value of foreign currency derivatives is determined using Level 2 inputs. The inputs used include quoted prices for similar assets or liabilities in an active market. Fair value is determined as the sum of the differences between the discounted market forward rate in the settlement month prevailing at March 31, 2010 and the appropriate contract settlement rate, multiplied by the respective notional amount of the contract.

The amounts recorded represent the US dollar equivalent of the commitments to sell and purchase foreign currencies. The table below summarizes the contractual amounts and positive fair values of the Group's unrealized forward exchange and option contracts in US dollars.

	As at March 31, 2010		**As at December 31, 2009**	
	Notional amount	Fair value	Notional amount	Fair value
US dollars	104,040	4,431	48,059	209
	104,040	**4,431**	**48,059**	**209**

The table below summarizes the contractual amounts and negative fair values of the Group's unrealized forward exchange and option contracts in US dollars.

	As at March 31, 2010		**As at December 31, 2009**	
	Notional amount	Fair value	Notional amount	Fair value
US dollars	-	-	59,826	(290)
	-	**-**	**59,826**	**(290)**

During the three months ended March 31, 2010 and March 31, 2009 gains / (losses) from forward exchange contracts amounted to $4,435 and $(167,602), respectively. These gains and losses were included in "Foreign currency exchange loss, net" line in the interim condensed consolidated statements of income.

9 DISPOSALS OF ASSETS

In December 2008, the Parent Company reached an agreement to sell, to an entity under common control, its full controlling share (69.41%) in OJSC TMTP and its subsidiaries for a total consideration of $258,182 (as at the date of payment). The transaction was closed in January 2009. An after-tax gain on this transaction of $85,345 was recognized by the Group, and included within the "Disposal of assets to an entity under common control" line in the interim condensed consolidated statements of stockholders' equity and comprehensive income for the three months ended March 31, 2009.

10 EARNINGS PER SHARE

	For the three months ended March 31, 2010	For the three months ended March 31, 2009
Weighted average number of shares	5,993,227,240	5,993,227,240
Net income / (loss) (thousands of US dollars)	131,551	(193,821)
Basic and diluted net income / (loss) per share (US dollars)	**0.0219**	**(0.0323)**

Basic net income / (loss) per share of common stock is calculated by dividing net income / (loss) by the weighted average number of shares of common stock outstanding during the reporting period, after giving retroactive effect to any stock splits. The Parent Company does not have potentially dilutive shares outstanding.

No dividends were declared by the Parent Company for the three months ended March 31, 2010.

Dividends payable amounted to $2,646 and $2,574 as at March 31, 2010 and December 31, 2009, respectively (Note 6).

11 INCOME TAX

The corporate income tax rate applicable to the Group is predominantly 20%.

For the three months ended March 31, 2010, the Group recognized a net consolidated income tax expense of $52,114. In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current taxable profits and tax liabilities of other Group companies and, accordingly, net taxes may accrue even where there is a consolidated tax loss. Included in the income tax expense for the three months ended March 31, 2010 and March 31, 2009, is $19,798 and $25,339, respectively, of income tax benefits related to tax losses of certain subsidiaries of the Group. The Group's management believes there is positive evidence to support the realizability of the respective deferred income tax assets.

12 SEGMENTAL INFORMATION

The Group has four reportable business segments: steel, long products, mining and coke-chemical. These segments are combinations of subsidiaries, have separate management teams and offer different products and services. The above four segments meet the criteria for reportable segments. Subsidiaries are consolidated by the segment to which they belong based on their products and management.

Revenues from segments that do not exceed the quantitative thresholds of a reportable segment are primarily attributable to three operating segments of the Group. Those segments include the trade seaport services business (Note 9), insurance and other services. The amount of investments in equity method investee and equity in net losses of associates are included in the steel segment.

The Group's management determines intersegmental sales and transfers, as if the sales or transfers were to third parties. The Group's management evaluates performance of the segments based on segment revenues, gross profit, operating income and income from continuing operations, net of income tax.

(thousands of US dollars)

12 SEGMENTAL INFORMATION (continued)

Segmental information for the three months ended March 31, 2010 and their assets as at March 31, 2010 is as follows:

	Steel	Long products	Mining	Coke-chemical	All other	Totals	Inter-segmental operations and balances	Consolidated
Revenue from external customers	1,471,847	162,027	12,907	50,304	357	1,697,442	-	1,697,442
Intersegment revenue	21,062	62,129	139,680	143,606	17	366,494	(366,494)	-
Gross profit	**408,484**	**13,458**	**75,905**	**38,388**	**153**	**536,388**	**(12,384)**	**524,004**
Operating income / (loss)	**208,412**	**(23,948)**	**62,292**	**26,398**	**(139)**	**273,015**	**(8,555)**	**264,460**
Income / (loss) from continuing operations, net of income tax	**131,101**	**(83,196)**	**49,640**	**16,845**	**359**	**114,749**	**19,907**	**134,656**
Segment assets, including goodwill	11,409,409	2,179,637	1,001,942	793,329	47,563	15,431,880	(2,402,896)	13,028,984

Segmental information for the three months ended March 31, 2009 and their assets as at December 31, 2009 is as follows:

	Steel	Long products	Mining	Coke-chemical	All other	Totals	Inter-segmental operations and balances	Consolidated
Revenue from external customers	1,136,296	102,466	12,482	37,957	4,125	1,293,326	-	1,293,326
Intersegment revenue	18,233	49,690	76,670	43,073	-	187,666	(187,666)	-
Gross profit	**267,638**	**6,253**	**34,122**	**6,613**	**1,837**	**316,463**	**5,849**	**322,312**
Operating income / (loss)	**91,246**	**(25,625)**	**23,977**	**(3,415)**	**1,757**	**87,940**	**11,151**	**99,091**
Income / (loss) from continuing operations, net of income tax	**(63,033)**	**(97,128)**	**25,039**	**8,240**	**2,448**	**(124,434)**	**15,400**	**(109,034)**
Segment assets, including goodwill	10,543,461	2,104,795	1,000,955	752,724	41,729	14,443,664	(1,941,720)	12,501,944

13 RISKS AND UNCERTAINTIES

(a) Operating environment of the Group

The Russian Federation's economy continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that in practice is not freely convertible in most countries outside the Russian Federation and relatively high inflation. Despite strong economic growth in previous years, the financial situation in the Russian Federation market significantly deteriorated during 2008 and beginning of 2009. As a result of global volatility in financial and commodity markets, among other factors, there had been a significant decline in the Russian Federation stock market since mid-2008, which has only partially been recovered.

13 RISKS AND UNCERTAINTIES (continued)

Impact of the ongoing global economic crisis

The global economic crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and higher interbank lending rates and significant volatility in stock and currencies markets. The uncertainty in the global financial market has also led to bank failures and bank rescues in the United States of America, European Union, the Russian Federation and other countries.

Such circumstances could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. Difficult operating conditions may also have an impact on cash flow management and assessment of the impairment of financial and non-financial assets.

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

(b) Convertibility of Russian ruble

Future movements in the exchange rate between the Russian ruble and the US dollar will affect the reported US dollar amounts related to the Russian ruble carrying values of the Group's assets and liabilities. Such movements may also affect the Group's ability to realize profitably assets presented in US dollars in these interim condensed consolidated financial statements. Accordingly, any translation of ruble amounts to US dollars should not be construed as a representation that such ruble amounts have been, could be, or will in the future be converted into US dollars at the exchange rate shown or at any other exchange rate. Commencing in September 2008, the volatility in currency markets increased and in the fourth quarter of 2008 and the first quarter of 2009 the exchange rate of the Russian ruble to the US dollar substantially decreased. Subsequently, there has been a substantial recovery in the value of the Russian ruble.

(c) Commercial risks

The Group minimizes its sales risks by having a wide range of geographical zones for sales, which allows the Group to respond quickly to changes in the situation on one or more sales markets on the basis of an analysis of the existing and prospective markets.

The Group's sales outside the Russian Federation in monetary terms for the three months ended March 31, 2010 and March 31, 2009 were 62% and 69% of the total sales, respectively.

The Group relies on export sales to generate foreign currency earnings. As the Group sells outside the Russian Federation a significant portion of its production, it is exposed to foreign currency risk as well as global economic and political risks.

The Group's future profitability and overall performance are strongly affected by the prices of ferrous metal products set in the international metal trading market that are subject to significant fluctuations.

Price fluctuations of the Group's sales outside the Russian Federation are in line with general trends in global price fluctuations. The Group's prices for sales outside Russia are comparable to the prices of Russian competitors.

14 RELATED PARTY TRANSACTIONS

Balances as at March 31, 2010 and December 31, 2009 and transactions for the three months ended March 31, 2010 and March 31, 2009 with related parties of the Group consist of the following:

(a) Sales to and purchases from related parties

Sales

Sales to an associate (SIF S.A.) and one of its subsidiaries were $182,576 and $111,163 for the three months ended March 31, 2010 and March 31, 2009, respectively. Sales to other related parties were $1,711 and $1,893 for the three months ended March 31, 2010 and March 31, 2009, respectively.

Related accounts receivable from associate (SIF S.A.) and its subsidiary equaled $171,194 and $145,243 as at March 31, 2010 and December 31, 2009, respectively. Accounts receivable from other related parties equaled $1,316 and $690 as at March 31, 2010 and December 31, 2009, respectively.

Purchases and services

Purchases from the companies under common control, were $403 and $169 for the three months ended March 31, 2010 and March 31, 2009, respectively.

Accounts payable to the related parties were $536 and $117 as at March 31, 2010 and December 31, 2009, respectively.

(b) Financial transactions

The carrying amount of loans from the Parent Company to its associate SIF S.A. and its subsidiary is $605,424 and $589,542, including interest accrued, as at March 31, 2010 and December 31, 2009, respectively.

As at March 31, 2010 and December 31, 2009, the Group issued guarantees for SIF S.A. and its subsidiaries amounting to $192,390 and $201,942, respectively. These guarantees are mostly issued in favor of banks.

Deposits and current accounts of the Group companies in banks under significant influence of the Group’s management (OJSC Bank Zenit and OJSC Lipetskcombank) amounted to $79,647 and $108,722 as at March 31, 2010 and December 31, 2009, respectively. Related interest income from these deposits and current accounts for the three months ended March 31, 2010 and March 31, 2009 amounted to $257 and $351, respectively.

The aggregate amount of interest free loans granted to management outstanding as at March 31, 2010 and December 31, 2009 was $136 and $132, respectively.

During the three months ended March 31, 2010, companies under significant influence of the Group’s management purchased bonds issued by the Parent Company of $14,412 (as at the date of issue) (Note 7).

(c) Common control transfers and disposal of investments

In December 2008, the Parent Company reached an agreement to sell, to a company under common control, its full controlling share in OJSC TMTP for a total consideration of $258,182 (as at the date of payment) (Note 9) and completed the disposal in January 2009.

(d) Contributions to non-governmental pension fund and charity fund

Total contributions to a non-governmental pension fund and charity fund amounted to $887 and $785 for the three months ended March 31, 2010 and March 31, 2009, respectively. The Group has no long-term commitments to provide funding, guarantees, or other support to the abovementioned funds.

14 RELATED PARTY TRANSACTIONS (continued)

(e) Outstanding balances with the related parties of Maxi-Group originated prior to acquisition by the Group

Accounts receivable

Accounts receivable less provision, including accounts receivable from the related parties of OJSC Maxi-Group acquired in a business combination, equaled $1,198 and $1,811 as at March 31, 2010 and December 31, 2009, respectively.

Accounts payable

Accounts payable, including accounts payable from the related parties of OJSC Maxi-Group acquired in a business combination, were $33,627 and $32,897 as at March 31, 2010 and December 31, 2009, respectively.

Financial settlements

Short-term loans issued amounted to nil and $139 as at March 31, 2010 and December 31, 2009, respectively.

Short-term and long-term loans received amounted to $133 and $86 as at March 31, 2010 and December 31, 2009, respectively.

(f) Outstanding balances with non-controlling shareholder of Maxi-Group

Short-term loans received from the non-controlling shareholder of Maxi-Group amounted to $55,134 and $53,529 as at March 31, 2010 and December 31, 2009, respectively.

15 COMMITMENTS AND CONTINGENCIES

(a) Anti-dumping investigations

The Group's export trading activities from time to time are subject to compliance reviews by the regulatory authorities of importing countries. The Group's export trading activities were considered within several anti-dumping investigation frameworks. The Group takes steps to address negative effects of the potential anti-dumping investigations. The management of the Group believes that past or potential antidumping investigations would not result in any material adverse effect to the operational results and financial condition of the Group.

(b) Litigation

The Group, in the ordinary course of business, is the subject of, or party to, various pending or threatened legal actions. The management of the Group believes that any ultimate liability resulting from these legal actions will not significantly affect its financial position or results of operations, and no amount has been accrued in the interim condensed consolidated financial statements.

In November 2007, the Parent Company entered into a binding agreement and a shareholder agreement in relation to the acquisition of a controlling stake in OJSC Maxi-Group and estimated a preliminary purchase price of $558,515 as at the date of obtaining control (December 2007). In January 2008, the Parent Company paid $299,928 of the purchase price (translated at the exchange rate at the date of payment). Thereafter, upon the expiration of one year from the acquisition date management's best estimate of the Maxi-Group shares purchase price was reduced from $558,515 to $299,088 (translated at the exchange rate at the date of transfer of the ownership).

The final payment between the parties was required after completion of the Maxi-Group due diligence process and finalization of the corresponding price adjustment based on a formula defined in the share purchase agreement. The Parent Company carried out the due diligence, based on which it calculated a downward adjustment to the purchase price and in December 2009 requested the seller (the Maxi-Group's non-controlling shareholder) to return the overpaid amount.

15 COMMITMENTS AND CONTINGENCIES (continued)

In January 2010, the Parent Company received a claim from the seller, which has been filed with the International Commercial Arbitration Court by the Chamber of Commerce and Industry of the Russian Federation (hereinafter, ICA Court) to enforce the additional payment by the Parent Company for the shares of OJSC Maxi-Group in accordance with the binding agreement. The claim of the seller is based on his interpretation of this agreement. In February 2010, the Parent Company filed a counter-claim based on the results of due diligence of Maxi-Group to ICA Court seeking collection from the non-controlling shareholder of OJSC Maxi-Group of a partial return of the original payment for the acquired shares. Management of the Group believes that an unfavorable outcome to the Group of the non-controlling shareholder’s claim is remote. No adjustments related to these claims were made in these interim condensed consolidated financial statements.

In March 2009, NLMK and DBO Holdings Inc. signed a settlement agreement with respect to their dispute concerning NLMK’s abandoned acquisition of John Maneely Company, which provided for the full mutual release and discharge by the parties arising from the potential transaction, and payment to DBO Holdings Inc. an amount of $234 million. This amount was expensed in 2008 and fully paid to DBO Holdings Inc. in March 2009.

(c) Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving as is the enforcement posture of government authorities. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that the Group has met the Government’s federal and regional requirements concerning environmental matters, therefore there are no significant liabilities for environmental damage or remediation.

(d) Insurance

To minimize its risks the Group has voluntary insurance contracts to insure property, plant and equipment, land transport and aircraft as well as certain type of cargo and purchased accident and health insurance, and medical insurance for employees, and directors and officers liability insurance (D&O). The Group also purchases operating entities civil liability coverage for dangerous production units.

(e) Social commitments

The Group makes contributions to mandatory and voluntary social programs. The Group’s social assets, as well as local social programs, benefit the community at large and are not normally restricted to the Group’s employees. The Group has transferred certain social operations and assets to local authorities, however, management expects that the Group will continue to fund certain social programs through the foreseeable future. These costs are recorded in the period they are incurred.

(f) Tax contingencies

Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

15 COMMITMENTS AND CONTINGENCIES (continued)

As at March 31, 2010, management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these interim condensed consolidated financial statements.

(g) Financial guarantees issued

As at March 31, 2010 and December 31, 2009, the Group has issued guarantees amounting to $194,968 and $214,148, respectively, which equals to their maximum potential amount of future payments. Most of these guarantees were issued for related parties (Note 14(b)). No amount has been accrued in these interim condensed consolidated financial statements for the Group's obligation under these guarantees as the projected outflows from such guarantees are expected to be immaterial.

16 SUBSEQUENT EVENTS

In June 2010, the Parent Company declared dividends for the year ended December 31, 2009 of 0.22 Russian rubles per share for the total of $42,679 (at the historic rate).

The Group's management has performed an evaluation of subsequent events through the date of approval of these interim condensed consolidated financial statements which is also the date that they are available to be issued.