



**OJSC
NOVOLIPETSK STEEL**

**INTERIM CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

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

**AS AT MARCH 31, 2014 AND DECEMBER 31, 2013
AND FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013**

(UNAUDITED)



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Report of Independent Auditors

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

We have reviewed the accompanying interim condensed consolidated financial statements of OJSC Novolipetsk Steel (the "Company") and its subsidiaries (the "Group"), which comprise the interim condensed consolidated balance sheet as of March 31, 2014, and the related interim condensed consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the three-month periods ended March 31, 2014 and March 31, 2013.

Management's Responsibility for the Interim Condensed Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of the interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of the interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial statements. A review of interim financial statements 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.

Conclusion

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 it to be in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Group and its subsidiaries as of December 31, 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for the year then ended (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 27, 2014. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2013, is consistent, in all material respects, with the audited consolidated balance sheet from which it has been derived.

ZAO PricewaterhouseCoopers Audit

May 19, 2014

OJSC Novolipetsk Steel
Interim condensed consolidated balance sheets
as at March 31, 2014 and December 31, 2013 (unaudited)
(thousands of US dollars)



	Note	As at March 31, 2014	As at December 31, 2013
ASSETS			
Current assets			
Cash and cash equivalents	2	829,934	969,992
Short-term investments	5	753,489	484,981
Accounts receivable and advances given, net	3	1,543,871	1,437,697
Inventories, net	4	1,731,229	2,123,755
Other current assets		17,300	7,578
Deferred income tax assets		89,775	77,864
		4,965,598	5,101,867
Non-current assets			
Long-term investments	5	443,478	501,074
Property, plant and equipment, net	6	9,161,990	10,002,996
Intangible assets, net		109,804	115,958
Goodwill		428,131	463,409
Deferred income tax assets		100,628	58,585
Other non-current assets		38,918	40,192
		10,282,949	11,182,214
Total assets		15,248,547	16,284,081
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	7	1,067,856	1,175,709
Short-term borrowings	8	1,141,305	1,119,286
Current income tax liability		32,671	21,553
		2,241,832	2,316,548
Non-current liabilities			
Deferred income tax liability		607,996	599,250
Long-term borrowings	8	2,743,367	3,038,041
Other long-term liabilities		52,108	55,433
		3,403,471	3,692,724
Total liabilities		5,645,303	6,009,272
Commitments and contingencies	15	-	-
Stockholders' equity			
NLMK stockholders' equity			
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at March 31, 2014 and December 31, 2013		221,173	221,173
Statutory reserve		10,267	10,267
Additional paid-in capital		256,922	256,922
Accumulated other comprehensive loss		(2,739,233)	(1,897,100)
Retained earnings		11,829,375	11,655,490
		9,578,504	10,246,752
Non-controlling interest		24,740	28,057
Total stockholders' equity		9,603,244	10,274,809
Total liabilities and stockholders' equity		15,248,547	16,284,081

OJSC Novolipetsk Steel
Interim condensed consolidated statements of income
for the three months ended March 31, 2014 and 2013 (unaudited)
(thousands of US dollars)



	Note	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Revenue	12	2,637,829	2,855,822
Cost of sales			
Production cost		(1,824,844)	(2,124,755)
Depreciation and amortization		(199,214)	(207,249)
		<u>(2,024,058)</u>	<u>(2,332,004)</u>
Gross profit		613,771	523,818
General and administrative expenses		(92,474)	(119,625)
Selling expenses		(212,106)	(257,166)
Taxes other than income tax		(40,238)	(36,194)
		<u>(344,818)</u>	<u>(412,985)</u>
Operating income		268,953	110,833
Loss on disposals of property, plant and equipment		(477)	(1,517)
Losses on investments, net		(249)	(735)
Interest income		6,927	10,040
Interest expense		(32,145)	(30,768)
Foreign currency exchange gain / (loss), net		46,215	(26,656)
Other expenses, net		(6,681)	(8,291)
		<u>(24,310)</u>	<u>(45,867)</u>
Income before income tax		282,543	52,906
Income tax expense		(65,176)	(17,579)
		<u>(65,176)</u>	<u>(17,579)</u>
Income, net of income tax		217,367	35,327
Equity in net (losses) / earnings of associates		(44,494)	77
		<u>(44,494)</u>	<u>77</u>
Net income		172,873	35,404
Add: Net loss attributable to the non-controlling interest		1,012	2,494
		<u>1,012</u>	<u>2,494</u>
Net income attributable to NLMK stockholders		173,885	37,898
		<u>173,885</u>	<u>37,898</u>
Earnings per share – basic and diluted:			
Net earnings attributable to NLMK stockholders per share (US dollars)		0.0290	0.0063
Weighted-average shares outstanding, basic and diluted (in thousands)	9	5,993,227	5,993,227



Interim condensed consolidated statements of comprehensive income

	Net income	Cumulative translation adjustment	Comprehensive loss	Non-controlling interest	Comprehensive loss attributable to NLMK stockholders
For the three months ended March 31, 2013	35,404	(227,238)	(191,834)	(3,015)	(188,819)
For the three months ended March 31, 2014	172,873	(844,438)	(671,565)	(3,317)	(668,248)

Interim condensed consolidated statements of stockholders' equity

	NLMK stockholders						Total stockholders' equity
	Common stock	Statutory reserve	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Non-controlling interest	
Balance at December 31, 2012	221,173	10,267	306,391	(997,035)	11,582,368	(32,874)	11,090,290
Net income / (loss)	-	-	-	-	37,898	(2,494)	35,404
Cumulative translation adjustment	-	-	-	(226,717)	-	(521)	(227,238)
Change of non-controlling interests in existing subsidiaries	10	-	(49,469)	-	-	42,681	(6,788)
Balance at March 31, 2013	221,173	10,267	256,922	(1,223,752)	11,620,266	6,792	10,891,668
Balance at December 31, 2013	221,173	10,267	256,922	(1,897,100)	11,655,490	28,057	10,274,809
Net income / (loss)	-	-	-	-	173,885	(1,012)	172,873
Cumulative translation adjustment	-	-	-	(842,133)	-	(2,305)	(844,438)
Balance at March 31, 2014	221,173	10,267	256,922	(2,739,233)	11,829,375	24,740	9,603,244

OJSC Novolipetsk Steel
Interim condensed consolidated statements of cash flows
for the three months ended March 31, 2014 and 2013 (unaudited)
(thousands of US dollars)



	Note	For the three months ended March 31, 2014	For the three months ended March 31, 2013
CASH FLOWS			
FROM OPERATING ACTIVITIES			
Net income		172,873	35,404
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		199,214	207,249
Loss on disposals of property, plant and equipment		477	1,517
Losses on investments, net		249	735
Interest income		(6,927)	-
Interest expense		32,145	30,768
Equity in net losses / (earnings) of associates		44,494	(77)
Deferred income tax benefit		(8,041)	(39,903)
Losses / (gains) on derivatives		6,035	(6,478)
Other		(6,019)	49,051
Changes in operating assets and liabilities			
Increase in accounts receivable		(227,756)	(102,199)
Decrease in inventories		229,868	74,726
(Increase) / decrease in other current assets		(10,566)	4,762
Decrease in accounts payable and other liabilities		(2,903)	(16,520)
Increase in current income tax payable		13,173	21,727
Cash provided by operating activities		436,316	260,762
Interest received		5,388	-
Interest paid		(40,499)	-
Net cash provided by operating activities		401,205	260,762
CASH FLOWS			
FROM INVESTING ACTIVITIES			
Purchases and construction of property, plant and equipment		(130,664)	(153,753)
Proceeds from sale of property, plant and equipment		3,563	1,424
(Purchases) / proceeds from sale of investments and loans given, net		(69,331)	8,557
Placement of bank deposits, net		(183,318)	(169,884)
Acquisition of additional stake in existing subsidiary	10	-	(9,609)
Net cash used in investing activities		(379,750)	(323,265)
CASH FLOWS			
FROM FINANCING ACTIVITIES			
Proceeds from borrowings and notes payable		1,972	852,323
Repayment of borrowings and notes payable		(148,632)	(553,061)
Capital lease payments		(5,750)	(7,021)
Dividends to shareholders		(16)	(83)
Net cash (used in) / provided by financing activities		(152,426)	292,158
Net (decrease) / increase in cash and cash equivalents		(130,971)	229,655
Effect of exchange rate changes on cash and cash equivalents		(9,087)	38,928
Cash and cash equivalents at the beginning of the year	2	969,992	951,247
Cash and cash equivalents at the end of the period	2	829,934	1,219,830
Supplemental disclosures of cash flow information:			
Placements of bank deposits		(400,101)	(281,285)
Withdrawals of bank deposits		216,783	111,401



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, 2013. The December 31, 2013 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

Functional currency of the majority of the Group entities 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 Russian ruble to US dollar closing rates of exchange as of the reporting dates and the period weighted average exchange rates for corresponding reporting periods are indicated below.

	<u>2014</u>	<u>2013</u>
For the 1 st quarter	34.9591	30.4142
As at March 31	35.6871	31.0834
As at December 31		<u>32.7292</u>

Recent accounting pronouncements

In February 2013, the FASB issued an amendment to existing guidance regarding the reporting of amounts reclassified out of accumulated other comprehensive income. The amendment requires an entity to present information about reclassification adjustments from accumulated other comprehensive income in its annual financial statements in a single note or on the face of the financial statements. The amendment was effective prospectively for reporting periods beginning after December 15, 2012. As substantially all of the information that this amendment requires is already disclosed elsewhere in the consolidated financial statements, it did not have an impact on these interim condensed consolidated financial statements.



2 CASH AND CASH EQUIVALENTS

	As at March 31, 2014	As at December 31, 2013
Cash – Russian rubles	94,503	70,834
Cash – US dollars	230,450	194,113
Cash – other currencies	137,273	160,551
Deposits – Russian rubles	219,809	204,851
Deposits – US dollars	132,338	331,778
Deposits – Euros	14,463	5,732
Deposits – other currencies	415	1,937
Other cash equivalents	683	196
	829,934	969,992

3 ACCOUNTS RECEIVABLE AND ADVANCES GIVEN

	As at March 31, 2014	As at December 31, 2013
Trade accounts receivable	1,068,568	895,627
Advances given to suppliers	95,708	66,813
VAT and other taxes receivable	389,827	488,173
Accounts receivable from employees	3,012	3,346
Other accounts receivable	122,311	129,902
	1,679,426	1,583,861
Allowance for doubtful debts	(135,555)	(146,164)
	1,543,871	1,437,697

As at March 31, 2014 and December 31, 2013, accounts receivable of \$158,799 and \$141,666, respectively, served as collateral for certain borrowings (Note 8).

4 INVENTORIES

	As at March 31, 2014	As at December 31, 2013
Raw materials	720,725	980,701
Work in process	581,200	526,589
Finished goods and goods for resale	491,422	684,203
	1,793,347	2,191,493
Provision for obsolescence	(62,118)	(67,738)
	1,731,229	2,123,755

As at March 31, 2014 and December 31, 2013, inventories of \$394,397 and \$310,538, respectively, served as collateral for certain borrowings (Note 8).



5 INVESTMENTS

Balance sheet classification of investments:

	As at March 31, 2014	As at December 31, 2013
Short-term investments and current portion of long-term investments		
Loans to related parties (Note 14(b))	177,019	107,565
Bank deposits and other investments	576,470	377,416
	753,489	484,981
Long-term investments		
Loans to related parties (Note 14(b))	77,371	78,030
Investments in associates	366,014	419,149
Bank deposits and other investments	93	3,895
	443,478	501,074
Total investments	1,196,967	986,055

Investments in associates

	As at March 31, 2014 Ownership	As at December 31, 2013 Ownership	As at March 31, 2014	As at December 31, 2013
NLMK Belgium Holdings S.A.	79.50%	79.50%	366,014	412,799
TBEA & NLMK (Shenyang) Metal Product Co., Ltd.	50.00%	50.00%	8,475	6,350
			374,489	419,149

6 PROPERTY, PLANT AND EQUIPMENT

	As at March 31, 2014	As at December 31, 2013
Land	198,243	215,769
Mineral rights	488,078	532,190
Buildings	2,346,171	2,532,082
Land and buildings improvements	1,910,350	2,079,292
Machinery and equipment	8,386,821	8,790,467
Vehicles	329,615	366,098
Construction in progress and advances for construction and acquisition of property, plant and equipment	1,774,612	2,089,919
Leased assets	70,597	76,952
Other	97,102	101,561
	15,601,589	16,784,330
Accumulated depreciation	(6,439,599)	(6,781,334)
	9,161,990	10,002,996

The amount of interest capitalized was \$20,161 and \$32,769 for the three months ended March 31, 2014 and March 31, 2013, respectively.

Management has analyzed the performance of key reporting units in the first quarter of 2014 and believes that no changes to the estimates made as of December 31, 2013 regarding impairment of fixed assets and goodwill are required.



7 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	As at March 31, 2014	As at December 31, 2013
Trade accounts payable	489,940	606,617
Advances received	111,042	105,313
Taxes payable other than income tax	145,386	134,006
Accounts payable and accrued liabilities to employees	197,179	204,143
Dividends payable	1,275	1,407
Short-term capital lease liability	13,344	17,395
Other accounts payable	109,690	106,828
	1,067,856	1,175,709

8 SHORT-TERM AND LONG-TERM BORROWINGS

	As at March 31, 2014	As at December 31, 2013
<i>Parent Company</i>		
Bonds, RUR denominated, with interest rates from 8.00% to 8.95% per annum, mature or with put option in 2014-2017	1,287,771	1,400,660
Loans, EUR denominated, with interest rates from EURIBOR (6 m) +1.5% to EURIBOR (3 m) +3.5% per annum, mature 2014-2019	451,489	559,928
Bonds, USD denominated, with interest rates from 4.45% to 4.95% per annum, mature 2018-2019	1,304,497	1,319,585
<i>Companies of the Foreign rolled products segment</i>		
Loans, EUR denominated, with interest rates from EURIBOR +0.9% to EURIBOR +2.0% per annum, mature 2014-2020	179,036	178,822
Loans, USD denominated, with interest rates LIBOR +1.625% and PRIME +0.625% per annum, mature 2014	106,765	140,667
<i>Other companies</i>		
Loans, USD denominated, with interest rates from LIBOR +1.2% to LIBOR +2.5% per annum, mature 2014-2015	401,997	400,331
Loans, EUR denominated, with interest rates from EURIBOR (6 m) +0.9% to EURIBOR (6 m) +1.3% per annum, mature 2014-2022	113,837	114,685
Loans, RUR denominated, with interest rates 8.25% and 10% per annum, mature 2014-2017	35,338	38,406
Other borrowings	3,942	4,243
	3,884,672	4,157,327
Less: short-term loans and current maturities of long-term loans	(1,141,305)	(1,119,286)
Long-term borrowings	2,743,367	3,038,041

The Group's long-term borrowings as at March 31, 2014 mature between 2 to 8 years.

8 SHORT-TERM AND LONG-TERM BORROWINGS (continued)

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 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 all debt covenants as at March 31, 2014.

9 EARNINGS PER SHARE

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Net income (thousands of US dollars)	173,885	37,898
Weighted average number of shares	5,993,227,240	5,993,227,240
Basic and diluted net earnings per share (US dollars)	0.0290	0.0063

Basic net income per share of common stock is calculated by dividing net income by the weighted average number of shares of common stock outstanding during the reporting period. The Parent Company does not have potentially dilutive shares outstanding.

10 CHANGE IN NON-CONTROLLING INTERESTS IN COMPANIES OF LONG PRODUCT SEGMENT

In February 2013, the Parent Company acquired through a public auction for \$9,609 a stake of 35.59% in OJSC NSMMZ. As a result of this transaction, there was a decrease in the additional paid-in capital by \$49,469 with a corresponding change of non-controlling interest.

11 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Group holds or purchases derivative financial instruments for purposes other than trading to mitigate foreign currency exchange rate risk. Forward contracts were short-term with maturity dates in January, February and November 2013.

In 2012, the Group entered into Russian ruble / US dollar cross-currency interest rate swap agreements in conjunction with Russian ruble denominated bonds issued by the Group. As a result, the Group pays US dollars at fixed rates varying from 3.11% to 3.15% per annum and receives Russian rubles at a fixed rate of 8.95% per annum. Maturity of the swaps is linked to the Russian ruble denominated bonds redemption, maturing on November 2014.

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 of forwards is determined as the sum of the differences between the market forward rate in the settlement month prevailing at March 31, 2014 and the appropriate contract settlement rate, multiplied by discounted notional amounts of the corresponding contracts. Fair value of swaps is determined as the sum of the discounted contractual cash flows in Russian rubles and US dollars as at March 31, 2014.

11 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

During the three months ended March 31, 2014 and March 31, 2013 gains from forward exchange contracts amounted to nil and \$721, respectively. These gains and losses were included in "Foreign currency exchange gain / (loss), net" line in the interim condensed consolidated statements of income.

The table below summarizes the contractual amounts and positive fair values of the Group's unrealized cross-currency interest rate swap agreements in US dollars.

	As at March 31, 2014		As at December 31, 2013	
	Notional amount	Fair value	Notional amount	Fair value
US dollars	-	-	83,258	573

The table below summarizes the contractual amounts and negative fair values of the Group's unrealized cross-currency interest rate swap agreements in US dollars.

	As at March 31, 2014		As at December 31, 2013	
	Notional amount	Fair value	Notional amount	Fair value
US dollars	76,357	(5,911)	-	-

During the three months ended March 31, 2014 and March 31, 2013 losses from cross-currency interest rate swap agreements amounted to \$(6,571) and \$(775), respectively, and were included in "Foreign currency exchange gain / (loss), net" line in the interim condensed consolidated statements of income.

The Group has recognized a liability in respect of the options related to Societe Wallonne de Gestion et de Participations S.A. (SOGEPA)'s 20.5% stake in NLMK Belgium Holdings S.A., based on their fair value in the amount of \$30.0 million as at March 31, 2014. Respective liability was included in other long-term liabilities.

12 SEGMENT INFORMATION

The Group has four reportable business segments: steel, foreign rolled products, long products and mining. 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.

Revenue from segments that does not exceed the quantitative thresholds is primarily attributable to two operating segments of the Group. Those segments include insurance and other services. None of these segments has met any of the quantitative thresholds for determining a reportable segment. The investments in equity method investee and equity in net earnings / (losses) of associates are included in the steel and foreign rolled products segments.

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, net of income tax.

Segmental information for the three months ended March 31, 2014 and their assets as at March 31, 2014 is as follows:

	Steel	Foreign rolled products	Long products	Mining	All other	Totals	Inter- segmental operations and balances	Consolidated
Revenue from external customers	1,742,414	470,561	337,078	87,740	36	2,637,829	-	2,637,829
Intersegment revenue	295,909	-	57,040	228,776	-	581,725	(581,725)	-
Gross profit / (loss)	406,036	31,570	20,847	225,717	(243)	683,927	(70,156)	613,771
Operating income / (loss)	128,107	2,796	(21,632)	192,811	(817)	301,265	(32,312)	268,953
Income / (loss), net of income tax	101,170	(6,515)	(57,508)	204,339	(379)	241,107	(23,740)	217,367
Segment assets, including goodwill	12,193,679	1,969,227	2,549,899	2,401,934	114,548	19,229,287	(3,980,740)	15,248,547

12 SEGMENT INFORMATION (continued)

Segmental information for the three months ended March 31, 2013 and their assets as at December 31, 2013 is as follows:

	Steel	Foreign rolled products	Long products	Mining	All other	Totals	Inter- segmental operations and balances	Consolidated
Revenue from external customers	1,659,062	816,028	288,444	91,981	307	2,855,822	-	2,855,822
Intersegment revenue	346,147	559	59,054	244,626	-	650,386	(650,386)	-
Gross profit	259,502	(6,382)	46,374	231,769	146	531,409	(7,591)	523,818
Operating income / (loss)	(36,305)	(74,008)	(1,748)	196,867	(381)	84,425	26,408	110,833
Income / (loss), net of income tax	(38,801)	(91,358)	(35,852)	163,972	32	(2,007)	37,334	35,327
Segment assets, including goodwill	13,046,727	1,925,216	2,781,821	2,374,010	62,838	20,190,612	(3,906,531)	16,284,081

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. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations.

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.

The detailed information for the operating environment of the Group, including recent relevant political developments, is presented in the consolidated financial statements of the Group as at and for the year ended December 31, 2013.

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

The major financial risks inherent to the Group's operations are those related to market risk, credit risk and liquidity risk. The objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

(b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: interest rate risk, foreign currency risk and commodity price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. To manage this risk the Group analyzes interest rate risks on a regular basis. The Group reduces its exposure to this risk by having a balanced portfolio of fixed and variable rate loans.

13 RISKS AND UNCERTAINTIES (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The export-oriented companies of the Group are exposed to foreign currency risks. To minimize foreign currency risks the export program is designed taking into account potential (forecast) major foreign currencies' exchange fluctuations. The Group diversifies its revenues in different currencies. In its export contracts the Group controls the balance of currency positions: payments in foreign currency are settled with export revenues in the same currency. At the same time standard hedging instruments to manage foreign currency risk might be used.

Commodity price risk

Commodity price risk is a risk arising from possible changes in price of raw materials and metal products, and their impact on the Group's future performance and the Group's operational results.

The Group minimizes its risks, related to production distribution, 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, 2014 and March 31, 2013 were 61% and 63% of the total sales, respectively.

One of the commodity price risk management instruments is vertical integration. A high degree of vertical integration allows cost control and effective management of the entire process of production: from mining of raw materials and generation of electric and heat energy to production, processing and distribution of metal products.

(c) Credit risk

Credit risk is the risk when counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management.

The Group structures the levels of credit risk it undertakes by assessing the degree of risk for each counterparty or groups of parties. Such risks are monitored on a revolving basis and are subject to a quarterly, or more frequent, review.

The Group's management reviews ageing analysis of outstanding trade receivables and follows up on past due balances.

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources.

The Group monitors its risk to a shortage of funds using a regular cash flow forecast. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases. To provide for sufficient cash balances required for settlement of its obligations in time the Group uses detailed budgeting and cash flow forecasting instruments.

13 RISKS AND UNCERTAINTIES (continued)

(e) Insurance

To minimize risks the Group concludes insurance policies which cover property damages and business interruptions, freightage, general liability and vehicles. In respect of legislation requirements, the Group purchases compulsory motor third party liability insurance and insurance of civil liability of organizations operating hazardous facilities. The Group also buys directors and officers liability insurance, civil liability insurance of the members of self-regulatory organizations, voluntary health insurance for employees of the Group.

14 RELATED PARTY TRANSACTIONS

Related parties relationships are determined with reference to ASC No. 850, Related Party Disclosures. Balances as at March 31, 2014 and December 31, 2013 and transactions for the three months ended March 31, 2014 and March 31, 2013 with related parties of the Group consist of the following:

(a) Sales to and purchases from related parties

Sales

Sales to related parties were \$260,899 (including sales to NBH group companies of \$259,306) and \$2,858 for the three months ended March 31, 2014 and March 31, 2013, respectively.

NBH group companies' accounts receivable equaled \$375,441 and \$294,213 as at March 31, 2014 and December 31, 2013, respectively. Accounts receivable and advances given to related parties for transportation services rendered by companies of Universal Cargo Logistics Holding group equaled \$26,651 and \$34,616 as at March 31, 2014 and December 31, 2013, respectively. Accounts receivable from the other related parties equaled \$2,953 and \$2,158 as at March 31, 2014 and December 31, 2013, respectively.

Purchases

Purchases from companies under common control (mostly transportation services rendered by companies of Universal Cargo Logistics Holding group) were \$112,005 and \$104,360 for the three months ended March 31, 2014 and March 31, 2013, respectively.

Accounts payable to the related parties were \$14,846 and \$21,512 as at March 31, 2014 and December 31, 2013, respectively.

(b) Financial transactions

Loans, issued to NBH group companies and accounted for under short-term and long-term investments, amounted to \$254,390 and 185,595 as at March 31, 2014 and December 31, 2013, respectively.

Deposits and current accounts of the Group companies in banks under significant influence of the Group's controlling shareholder (OJSC Bank ZENIT and OJSC Lipetskcombank) amounted to \$63,899 and \$92,449 as at March 31, 2014 and December 31, 2013, respectively. Related interest income from these deposits and current accounts for the three months ended March 31, 2014 and March 31, 2013 amounted to \$716 and \$805, respectively.

(c) Financial guarantees issued

As at March 31, 2014 and December 31, 2013 guarantees issued by the Group for borrowings of NBH group companies' amounted to \$788,311 and \$790,618, respectively, which is the maximum potential amount of future payments. No amount has been accrued in these consolidated financial statements for the Group's obligation under these guarantees as the Group assesses probability of cash outflows, related to these guarantees, as low.

15 COMMITMENTS AND CONTINGENCIES

(a) Anti-dumping investigations

The Group's export trading activities are subject from time to time to compliance reviews of importers' regulatory authorities. The Group's export sales were considered within several anti-dumping investigation frameworks. The Group takes steps to address negative effects of the current and potential anti-dumping investigations and participates in the settlement efforts coordinated through the Russian authorities. No provision arising from any possible agreements as a result of anti-dumping investigations has been made in the accompanying interim condensed consolidated financial statements.

(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 accompanying interim condensed consolidated financial statements.

Initiated in January 2010 by the non-controlling shareholder of OJSC Maxi-Group court proceeding at the International Commercial Arbitration Court at the Chamber of Commerce and Industry of the Russian Federation (hereinafter, ICA Court) regarding the enforcement of the additional payment by the Parent Company for the shares of OJSC Maxi-Group ended in January 2012 in favor to the Parent Company.

Initiated in December 2012 by the non-controlling shareholder of OJSC Maxi-Group court proceeding at ICA Court regarding the loss of assets in connection with a share-purchase agreement ended in January 2014. Arbitrators stated that ICA Court lacks jurisdiction to adjudicate the claim of Maxi-Group's non-controlling shareholder against the Parent Company and terminated examinations.

No further appeal is possible in these claims.

Recently there are still few court proceedings initiated by the non-controlling shareholder of OJSC Maxi-Group going on in certain European courts and related to the claim filed to ICA Court in January 2010. In April 2014 the French court decided to execute a decision of the court of Russia (which was cancelled in Russia) on the territory of France. Group management is currently collecting arguments to appeal. The Group's management considers the probability of unfavorable outcome and cash outflow in connection with these court proceedings is low and accordingly, no accruals in relation to these claims were made in these interim condensed consolidated financial statements.

(c) Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. 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 reasonably estimated. 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) Capital commitments

Management estimates the outstanding agreements in connection with equipment supply and construction works amounted to \$453,427 and \$498,557 as at March 31, 2014 and December 31, 2013, respectively.

15 COMMITMENTS AND CONTINGENCIES (continued)

(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, including certain operation of intercompany financing of Russian subsidiaries within the Group, that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed, and certain expenses used for profit tax calculation may be excluded from tax returns. 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.

Russian transfer pricing legislation was amended starting from January 1, 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international principles. The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (defined by applicable legislation), provided that the transaction price is not arm's length. Management exercises its judgment about whether or not the transfer pricing documentation that the entity has prepared, as required by the new legislation, provides sufficient evidence to support the Group's tax positions. Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may be significant to the financial position and the results of the Group's operations.

As at March 31, 2014, management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained.

16 SUBSEQUENT EVENTS

In April 2014, the Board of Directors of the Parent Company proposed dividends for the year ended December 31, 2013 of 0.67 Russian rubles per share in the total amount of Russian rubles of 4,015,462 thousand (\$112,519 at the exchange rate as at March 31, 2014). The final amount of dividends is subject to the approval by an Annual General Stockholders' Meeting.

The Group's management has performed an evaluation of subsequent events and did not find any, except mentioned above, through the period from April 1, 2014 to May 19, 2014, which is the date when these interim condensed consolidated financial statements were available to be issued.