

ОАО Severstal and subsidiaries

Consolidated interim condensed financial statements
for the three months ended March 31, 2012 and 2011

OAQ Severstal and subsidiaries

Consolidated interim condensed financial statements for the three months ended March 31, 2012 and 2011

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Independent Auditors' Report on review of Consolidated Interim Condensed Financial Statements

Board of Directors

OA O Severstal

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OA O Severstal (the "Company") and its subsidiaries (the "Group") as at 31 March 2012, and the related consolidated interim condensed income statements, consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three-month periods ended 31 March 2012 and 2011, and notes to the consolidated interim condensed financial statements (the "consolidated interim condensed financial statements"). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 31 March 2012 and for the three-month periods ended 31 March 2012 and 2011 is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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22 May 2012

OAO Severstal and subsidiaries

Consolidated interim condensed income statements Three months ended March 31, 2012 and 2011

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

	Note	Three months ended March 31,	
		2012 (unaudited)	2011 (unaudited)*
Revenue			
Revenue - third parties		3,622,662	3,458,228
Revenue - related parties	4	56,125	24,401
	3	3,678,787	3,482,629
Cost of sales		(2,815,651)	(2,381,793)
Gross profit		863,136	1,100,836
General and administrative expenses		(165,569)	(173,489)
Distribution expenses		(290,678)	(235,300)
Other taxes and contributions		(36,553)	(37,131)
Share of associates' and joint ventures' profit/(loss)		5,781	(1,437)
Loss on remeasurement and disposal of financial investments		(1,665)	(2,126)
Loss on disposal of property, plant and equipment and intangible assets		(5,344)	(3,882)
Net other operating income/(expenses)		15,409	(4,675)
Profit from operations		384,517	642,796
(Impairment)/reversal of impairment of non-current assets		(13,099)	11
Net other non-operating expenses		(14,841)	(4,207)
Profit before financing and taxation		356,577	638,600
Interest income		16,144	12,201
Interest expense		(110,662)	(111,756)
Foreign exchange differences		122,064	155,351
Profit before income tax		384,123	694,396
Income tax expense		(75,825)	(153,829)
Profit from continuing operations		308,298	540,567
Profit from discontinued operations	2	153,797	18,645
Profit for the period		462,095	559,212
Attributable to:			
shareholders of OAO Severstal		427,000	519,080
non-controlling interests		35,095	40,132
Weighted average number of shares outstanding during the period (millions of shares)			
		926.5	1,005.2
Basic and diluted earnings per share (US dollars)			
Basic and diluted earnings per share - continuing operations (US dollars)		0.46	0.52
Basic and diluted earnings/(loss) per share - discontinued operations (US dollars)		0.31	0.53
		0.15	(0.01)

* These amounts reflect adjustments made in connection with the presentation of the discontinued operations, with the completion of purchase price allocation and the early adoption of the revised IAS 19 "Employee benefits".

These consolidated interim condensed financial statements were approved by the Board of Directors on May 22, 2012.

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

OAO Severstal and subsidiaries

Consolidated interim condensed statements of comprehensive income Three months ended March 31, 2012 and 2011

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

	Three months ended March 31,	
	2012 (unaudited)	2011 (unaudited)*
Profit for the period	462,095	559,212
Other comprehensive income		
Foreign exchange differences	552,880	339,452
Changes in fair value of cash flow hedges	741	476
Changes in fair value of available-for-sale financial assets	5,639	5,311
Deferred tax on changes in fair value of available-for-sale financial assets	(33)	(814)
Actuarial gains/(losses)	12	(957)
Reclassification of Gold segment's reserves to net profit from discontinued operations (Note 2)	(76,089)	-
Other comprehensive income for the period, net of tax	483,150	343,468
Total comprehensive income for the period	945,245	902,680
Attributable to:		
shareholders of OAO Severstal	885,219	852,046
non-controlling interests	60,026	50,634

* These amounts reflect adjustments made in connection with the completion of purchase price allocation and the early adoption of the revised IAS 19 "Employee benefits".

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

OAO Severstal and subsidiaries

Consolidated interim condensed statements of financial position

March 31, 2012 and December 31, 2011

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

	Note	March 31, 2012 (unaudited)	December 31, 2011
Assets			
Current assets:			
Cash and cash equivalents		2,244,001	1,863,538
Short-term financial investments		15,985	10,500
Trade accounts receivable		1,305,679	1,219,961
Accounts receivable from related parties	5	34,765	27,349
Inventories		2,393,582	2,519,154
VAT recoverable		256,210	193,885
Income tax recoverable		75,735	90,916
Other current assets		426,026	327,163
Assets held for sale	2	-	2,677,310
Total current assets		6,751,983	8,929,776
Non-current assets:			
Long-term financial investments		174,684	182,262
Investments in associates and joint ventures		324,483	301,315
Property, plant and equipment		8,007,127	7,463,394
Intangible assets		813,896	770,454
Restricted financial assets		24,213	22,638
Deferred tax assets		96,372	99,651
Other non-current assets		140,320	140,301
Total non-current assets		9,581,095	8,980,015
Total assets		16,333,078	17,909,791
Liabilities and shareholders' equity			
Current liabilities:			
Trade accounts payable		1,073,927	1,115,110
Accounts payable to related parties	5	33,573	1,583,031
Short-term debt finance		1,772,678	1,185,467
Income tax payable		18,883	28,086
Other taxes and social security payable		167,534	141,353
Dividends payable		6,843	111,208
Other current liabilities		638,188	655,420
Liabilities related to assets held for sale	2	-	550,123
Total current liabilities		3,711,626	5,369,798
Non-current liabilities:			
Long-term debt finance		4,270,782	4,790,631
Deferred tax liabilities		300,827	287,126
Retirement benefit liabilities		171,219	161,734
Other non-current liabilities		253,342	233,179
Total non-current liabilities		4,996,170	5,472,670
Equity:			
Share capital		3,311,288	3,311,288
Treasury shares		(1,690,674)	(1,586,293)
Additional capital		1,165,530	1,165,530
Foreign exchange differences		(145,462)	(642,228)
Retained earnings		4,803,127	4,386,461
Other reserves		5,812	44,738
Total equity attributable to shareholders of OAO Severstal		7,449,621	6,679,496
Non-controlling interests		175,661	387,827
Total equity		7,625,282	7,067,323
Total equity and liabilities		16,333,078	17,909,791

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

OAO Severstal and subsidiaries

Consolidated interim condensed statements of cash flows Three months ended March 31, 2012 and 2011

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

	Three months ended March 31,	
	2012 (unaudited)	2011 (unaudited)*
Operating activities:		
Profit before financing and taxation	356,577	638,600
Adjustments to reconcile profit to cash generated from operations:		
Depreciation and amortization	173,146	154,484
Impairment/(reversal of impairment) of non-current assets	13,099	(11)
Movements in provision for inventories, receivables and other provisions	53,925	19,737
Loss on disposal of property, plant and equipment and intangible assets	5,344	3,882
Gain on disposal of subsidiaries and associates	(8,116)	(10,429)
Loss on remeasurement and disposal of financial investments	1,665	2,126
Share of associates' and joint ventures' results less dividends from associates and joint ventures	(5,781)	1,441
Changes in operating assets and liabilities:		
Trade accounts receivable	(17,255)	(417,251)
Amounts receivable from related parties	(2,953)	(49,258)
VAT recoverable	(69,295)	11,631
Inventories	229,071	(161,563)
Trade accounts payable	(100,390)	201,402
Amounts payable to related parties	(101)	18,853
Other taxes and social security payables	10,750	52,299
Other non-current liabilities	(3,737)	(11,639)
Assets held for sale	-	3,140
Net other changes in operating assets and liabilities	(68,718)	(65,461)
Cash generated from operations	567,231	391,983
Interest paid	(137,497)	(132,128)
Income tax paid	(67,383)	(115,182)
Net cash from operating activities - continuing operations	362,351	144,673
Net cash (used in)/from operating activities - discontinued operations	(8,253)	75,361
Net cash from operating activities	354,098	220,034
Investing activities:		
Additions to property, plant and equipment	(257,960)	(304,926)
Additions to intangible assets	(19,810)	(15,565)
Net decrease in short-term bank deposits	-	713
Additions to financial investments and associates	(5,848)	(16,705)
Proceeds from disposals of subsidiaries	-	96,994
Proceeds from disposal of property, plant and equipment	88	37
Proceeds from disposal of financial investments	341,942	8,461
Interest received	57,433	9,466
Net cash from/(used in) investing activities - continuing operations	115,845	(221,525)
Net cash used in investing activities - discontinued operations	(42,518)	(63,752)
Cash from/(used in) investing activities	73,327	(285,277)
Financing activities:		
Proceeds from debt finance	305,699	248,941
Repayment of debt finance	(337,502)	(411,530)
Repayments under lease obligations	(1,757)	(20)
Dividends paid	(107,732)	(11,042)
Acquisitions of non-controlling interests	(7,732)	(3,020)
Cash used in financing activities - continuing operations	(149,024)	(176,671)
Cash used in financing activities - discontinued operations	-	(62,230)
Cash used in financing activities	(149,024)	(238,901)
Effect of exchange rates on cash and cash equivalents	59,894	69,702
Net increase/(decrease) in cash and cash equivalents	338,295	(234,442)
Less change in cash and cash equivalents of discontinued operation	42,168	-
Cash and cash equivalents at beginning of the period	1,863,538	2,012,662
Cash and cash equivalents at end of the period	2,244,001	1,778,220

* 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

Three months ended March 31, 2012 and 2011

(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, 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)*	-	-	-	-	519,080	-	519,080	40,132	559,212
Foreign exchange differences (unaudited)	-	-	-	328,950	-	-	328,950	10,502	339,452
Other comprehensive (loss)/income (unaudited)*	-	-	-	-	(957)	5,787	4,830	-	4,830
Deferred tax on other comprehensive (loss)/income (unaudited)	-	-	-	-	-	(814)	(814)	-	(814)
Total comprehensive income for the period (unaudited)*	-	-	-	328,950	518,123	4,973	852,046	50,634	902,680
Effect of acquisitions without a change in control (unaudited)	-	-	-	-	(3,243)	-	(3,243)	(31,417)	(34,660)
Effect of disposals with a change in control (unaudited)	-	-	-	41,567	33,719	(21,414)	53,872	-	53,872
Balances at March 31, 2011 (unaudited)*	3,311,288	(26,303)	1,165,530	73,298	3,353,831	59,970	7,937,614	333,931	8,271,545
Balances at December 31, 2011	3,311,288	(1,586,293)	1,165,530	(642,228)	4,386,461	44,738	6,679,496	387,827	7,067,323
Profit for the period (unaudited)	-	-	-	-	427,000	-	427,000	35,095	462,095
Foreign exchanges difference (unaudited)	-	-	-	527,896	-	-	527,896	24,984	552,880
Other comprehensive (loss)/income (unaudited)	-	-	-	(31,130)	379	(38,893)	(69,644)	(53)	(69,697)
Deferred tax on other comprehensive (loss)/income (unaudited)	-	-	-	-	-	(33)	(33)	-	(33)
Total comprehensive income/(loss) for the period (unaudited)	-	-	-	496,766	427,379	(38,926)	885,219	60,026	945,245
Gold segment separation (unaudited) (Note 2)	-	(104,381)	-	-	-	-	(104,381)	(274,892)	(379,273)
Effect of acquisitions without a change in control (unaudited)	-	-	-	-	(10,713)	-	(10,713)	2,700	(8,013)
Balances at March 31, 2012 (unaudited)	3,311,288	(1,690,674)	1,165,530	(145,462)	4,803,127	5,812	7,449,621	175,661	7,625,282

* These amounts reflect adjustments made in connection with the completion of purchase price allocation and with the early adoption of the revised IAS 19 "Employee benefits".

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

OA0 Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Three months ended March 31, 2012 and 2011

(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, 2011, except that the Group has adopted those amended standards mandatory for financial annual periods beginning on January 1, 2012.

<u>Standards and Interpretations</u>	<u>Effective for annual periods beginning on or after</u>
IAS 12 (Amended) "Income taxes"	January 1, 2012
IFRS 1 (Amended) "First-time adoption of international financial reporting standards"	July 1, 2011
IFRS 7 (Amended) "Financial instruments: disclosures"	July 1, 2011
IFRIC 20 "Stripping costs in the production phase of a surface mine"	January 1, 2013

Amended IAS 12 *Income taxes* provided an exception to the general principles of IAS 12 for investment property measured using fair value model. For the purpose of measuring deferred tax, the amendments introduced a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The amendment also introduced similar guidance for measuring deferred tax on non-depreciable assets measured using the revaluation model in IAS 16. These requirements were previously included into SIC-21 *Income taxes-recovery of revalued non-depreciable assets*. Amended IAS 12 did not have a significant effect on the Group's consolidated interim condensed financial statements.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* replaced references to a fixed date of '1 January 2004' with 'the date of transition to IFRSs', thus eliminating the need for companies adopting IFRSs for the first time to reconstruct transactions that occurred before the date of transition to IFRSs. The standard also provided guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when its functional currency was subject to severe hyperinflation. Amended IFRS 1 did not have a significant effect on the Group's consolidated interim condensed financial statements.

IFRS 7 *Financial Instruments: disclosures* introduces additional disclosure requirements for transfers of financial assets in situations where assets are not derecognized in their entirety or where the assets are derecognized in their entirety but a continuing involvement in the transferred assets is retained. The amendments help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position and promote transparency in the reporting of transfer transactions, particularly those that involve securitization of financial assets. Amended IFRS 7 did not have a significant effect on the Group's consolidated interim condensed financial statements.

OA0 Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Three months ended March 31, 2012 and 2011

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

In January 2012, the Group made an early adoption of IFRIC 20 *Stripping costs in the production phase of a surface mine*. IFRIC 20 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 requires prospective application to production stripping costs incurred on or after the beginning of the earliest period presented.

New accounting pronouncements

A number of new Standards and amendments to Standards were not yet effective for the three months ended March 31, 2012, and have not been applied in these consolidated interim condensed financial statements.

<u>Standards</u>	<u>Effective for annual periods beginning on or after</u>
IAS 1 (Amended) "Presentation of financial statements"	July 1, 2012
IAS 27 (Amended) "Separate financial statements"	January 1, 2013
IAS 28 (Amended) "Investments in associates and joint ventures"	January 1, 2013
IAS 32 (Amended) "Financial instruments: presentation"	January 1, 2014
IFRS 1 (Amended) "First-time adoption of international financial reporting standards"	January 1, 2013
IFRS 7 (Amended) "Financial instruments: disclosure"	January 1, 2013
IFRS 9 (Amended) "Financial instruments"	January 1, 2015
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

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.

IFRS 9 *Financial Instruments* becomes effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in several phases and is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

The first and second phases of IFRS 9 were finalised in November 2009 and October 2010, respectively, and relate to the recognition and measurement of financial assets and liabilities. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.

OA0 Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Three months ended March 31, 2012 and 2011

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

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.

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:

	Three months ended March 31, 2011
Decrease in additions to financial investments and associates	314,571
Decrease in proceeds from disposal of financial investments	(314,571)

OAO Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements
Three months ended March 31, 2012 and 2011
(Amounts expressed in thousands of US dollars, except as otherwise stated)

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 Severstal International (formerly Severstal North America) reporting segment, and the Gold segment, following the management's decision to dispose these businesses.

The results of the discontinued operations were as follows:

	Three months ended March 31,	
	2012	2011
	(unaudited)	(unaudited)
Revenue	161,072	1,011,436
Expenses	(73,252)	(1,060,183)
Profit/(loss) before income tax	87,820	(48,747)
Income tax expense	(10,112)	(14,313)
Profit/(loss) net of tax	77,708	(63,060)
Net gain on disposal	76,089	81,705
Profit for the period	153,797	18,645
Attributable to:		
shareholders of OAO Severstal	137,031	(10,140)
non-controlling interests	16,766	28,785

Lucchini segment and North America disposal group

In June 2010, the Group sold its 50.8% stake in Lucchini S.p.A. to the Majority Shareholder for a total consideration of €1 (US\$ 1.2 at the transaction date exchange rate). The Group continued to consolidate the Lucchini segment primarily due to a call option exercisable within the following five years and a contractual entitlement, for the benefit of the Group, to any gain on a subsequent sale of this stake to a third party. In view of the projected disposal the Group classified the Lucchini segment as assets held for sale and discontinued operations.

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. 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\$ nil and US\$ 116.1 million, respectively, with the difference on re-measuring to fair value recognized within the net profit from discontinued operations.

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Notes to the consolidated interim condensed financial statements
Three months ended March 31, 2012 and 2011
(Amounts expressed in thousands of US dollars, except as otherwise stated)

Gold segment

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

The effect of the Gold segment separation on the Group's treasury shares is presented below:

	Treasury shares
Balance before Gold segment separation	26,303
Gold segment's net identifiable assets	2,290,388
Net identifiable assets attributable to non-controlling interests	(274,892)
Disposal costs	13,039
Intercompany debts	(364,164)
Balances at March 31, 2012	1,690,674
recognized at December 31, 2011	1,559,990
recognized for the period*	104,381

* Related to a further increase in the Group's share in the Gold segment's net assets compared to December 31, 2011.

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

	Three months ended March 31,	
	2012	2011
	(unaudited)	(unaudited)
Assets held for sale	(2,827,037)	(3,599,109)
Liabilities related to assets held for sale	536,649	3,495,149
Net identifiable assets	(2,290,388)	(103,960)
Foreign exchange differences and other reserves	76,089	(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	-	(12,000)
Net gain on disposal	76,089	81,705
Net change in cash and cash equivalents	-	84,094

OAO Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Three months ended March 31, 2012 and 2011

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

The Group's assets held for sale represent the Gold segment that is classified as held for sale as at December 31, 2011.

The major classes of assets and liabilities of the disposal groups at March 31, 2012 and December 31, 2011 were as follows:

	March 31, 2012 (unaudited)	December 31, 2011
Current assets:		
Cash and cash equivalents	-	217,133
Short-term financial investments	-	3,596
Trade accounts receivable	-	367
Accounts receivable from related parties	-	594
Inventories	-	387,590
VAT recoverable	-	57,031
Income tax recoverable	-	3,051
Other current assets	-	73,301
Total current assets	-	742,663
Non-current assets:		
Long-term financial investments	-	86,370
Investments in associates and joint ventures	-	4,775
Property, plant and equipment	-	582,709
Intangible assets	-	1,252,227
Deferred tax assets	-	2,812
Other non-current assets	-	5,754
Total non-current assets	-	1,934,647
Total assets	-	2,677,310
Current liabilities:		
Trade accounts payable	-	95,190
Short-term debt finance	-	58,811
Income tax payable	-	18,176
Other taxes and social security payable	-	25,496
Other current liabilities	-	76,961
Total current liabilities	-	274,634
Non-current liabilities:		
Deferred tax liabilities	-	200,930
Other non-current liabilities	-	74,559
Total non-current liabilities	-	275,489
Total liabilities	-	550,123

OA0 Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Three months ended March 31, 2012 and 2011

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

3. Revenue

Revenue by product was as follows:

	Three months ended March 31,	
	2012	2011
	(unaudited)	(unaudited)
Hot-rolled strip and plate	1,320,796	1,110,755
Galvanized and other metallic coated sheet	512,031	454,550
Cold-rolled sheet	349,207	408,528
Shipping and handling costs billed to customers	236,611	149,079
Metalware products	235,285	231,641
Coal and coking coal concentrate	186,084	222,213
Semi-finished products	161,376	137,985
Large diameter pipes	154,100	283,707
Pellets and iron ore	139,941	92,322
Other tubes and pipes, formed shapes	110,381	117,672
Long products	91,029	119,901
Colour-coated sheet	83,095	53,274
Scrap	6,576	21,914
Other	92,275	79,088
	<u>3,678,787</u>	<u>3,482,629</u>

Revenue by delivery destination was as follows:

	Three months ended March 31,	
	2012	2011
	(unaudited)	(unaudited)
Russian Federation	1,528,321	1,776,045
North America	1,219,624	845,900
Europe	440,261	582,885
Central and South America	150,783	26,689
China and Central Asia	143,911	106,902
The Middle East	75,926	102,765
South-East Asia	72,983	19,280
Africa	46,978	22,163
	<u>3,678,787</u>	<u>3,482,629</u>

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Notes to the consolidated interim condensed financial statements Three months ended March 31, 2012 and 2011 (Amounts expressed in thousands of US dollars, except as otherwise stated)

4. Related party transactions

	Three months ended March 31,	
	2012	2011
	(unaudited)	(unaudited)
Sales to related parties:		
Sales to associates	41,481	18,061
Sales to other related parties	11,140	6,340
Sales to joint ventures	3,504	-
Interest income from related parties:		
Interest income from joint ventures	720	-
Interest income from other related parties	8,587	4,320
	<u>65,432</u>	<u>28,721</u>
Purchases from related parties:		
Purchases from associates:		
Non-capital expenditures	12,231	14,385
Capital expenditures	82	-
Purchases from joint ventures:		
Non-capital expenditures	67,190	27,523
Purchases from other related parties:		
Non-capital expenditures	7,601	11,672
Capital expenditures	11	404
Interest expense	10	-
	<u>87,125</u>	<u>53,984</u>

OAO Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements
Three months ended March 31, 2012 and 2011
(Amounts expressed in thousands of US dollars, except as otherwise stated)

5. Related party balances

	March 31, 2012 (unaudited)	December 31, 2011
Joint ventures' balances		
Short-term trade accounts receivable	5,380	8,048
Short-term loans	1,122	-
Long-term loans	35,528	35,821
Short-term trade accounts payable	23,579	26,284
Other accounts payables	436	-
	436	-
Associates' balances		
Short-term trade accounts receivable	21,841	10,040
Long-term loans	2,088	3,965
Long-term trade accounts receivable	7,297	8,859
Short-term trade accounts payable	7,774	8,760
	7,774	8,760
Other related party balances		
Cash and cash equivalents at related party banks and pension fund	1,161,458	689,388
Accounts receivable from other related parties:		
Trade accounts receivable	5,847	3,040
Advances paid	1,220	5,506
Other receivables	477	715
Short-term loans	869	1,741
Short-term promissory notes	959	207
Long-term loans	-	2,490
Available-for-sale financial assets	515	5,434
	9,887	19,133
Short-term trade accounts payable to other related parties:		
Trade accounts payable	1,108	705
Advances received	409	208
Liability related to Gold segment separation	-	1,546,951
Other accounts payable	267	123
	1,784	1,547,987
Debt financing includes the following balances with other related parties:		
Short-term debt financing	485	19
Long-term debt financing	4,516	4,104
	5,001	4,123

The amounts outstanding are expected to be settled in cash, except liability related to Gold segment separation (*Note 2*). The Group did not hold any collateral for amounts owed by related parties.

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Notes to the consolidated interim condensed financial statements Three months ended March 31, 2012 and 2011

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

6. Acquisitions and disposals

Investments in associates and other equity investments

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

Acquisitions of non-controlling interests

In March 2011, the Group acquired an additional 49.0% stake in Severstal-Ukraine LLC for a total consideration of US\$ 3.0 million, increasing its ownership interest up to 100%.

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

Disposal of associates

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

Disposal of subsidiaries (other than discontinued operations)

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

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

	Three months ended March 31,	
	2012	2011
	(unaudited)	(unaudited)
Assets held for sale	-	(13,375)
Liabilities related to assets held for sale	-	11,316
Net identifiable assets	-	(2,059)
Consideration in cash	-	12,900
Net gain on disposal	-	10,841
Net change in cash and cash equivalents	-	12,900

Transactions within discontinued operations

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%.

OA O Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Three months ended March 31, 2012 and 2011

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

7. Segment information

As at March 31, 2012 the Group had three reportable segments: Severstal Resources (formerly Steel Resources), Severstal Russian Steel (formerly Russian Steel) and Severstal International (formerly Severstal North America).

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

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

Severstal International 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 International's production facilities are located in the USA.

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

	Three months ended March 31,	
	2012	2011
	(unaudited)	(unaudited)
Revenue		
Severstal Resources	811,482	764,418
Severstal Russian Steel	2,225,863	2,408,849
Severstal International	1,095,398	757,495
Intersegment transactions	(453,956)	(448,133)
	<u>3,678,787</u>	<u>3,482,629</u>
Profit before financing and taxation		
Severstal Resources	272,795	269,721
Severstal Russian Steel	72,818	350,893
Severstal International	22,465	18,095
Intersegment transactions	(11,501)	(109)
	<u>356,577</u>	<u>638,600</u>

OA O Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Three months ended March 31, 2012 and 2011

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

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

	March 31, 2012 (unaudited)	December 31, 2011
Total assets		
Severstal Resources*	5,775,934	4,782,766
Severstal Russian Steel	15,532,175	15,077,510
Severstal International	4,315,223	4,481,838
Gold (discontinued)	-	2,680,066
Intersegment balances	(9,290,254)	(9,112,389)
	<u>16,333,078</u>	<u>17,909,791</u>

*Total assets of Severstal Resources at March 31, 2012 included treasury shares of Severstal measured at the Group's share in the Gold segment's net assets as at the date of its separation.

8. Capital commitments

As of March 31, 2012 the Group had capital commitments of US\$ 990.7 million (December 31, 2011: US\$ 1,085.9 million).

9. Subsequent events

In April 2012, the Group acquired an additional 38.5% stake in Severstal Liberia Iron Ore Ltd for a total consideration of US\$ 127.9 million, of which US\$ 62.9 million are payable during the next three years, increasing its ownership interest up to 100%.

In April 2012, the Extraordinary Meeting of Shareholders approved the reduction of the Parent Company's share capital by buy-back and cancellation of its shares of up to 170,000,000 shares.