

# **Severstal**

Consolidated condensed interim financial statements  
for the six months ended June 30, 2007

# Severstal

## Consolidated condensed interim financial statements for the six months ended June 30, 2007

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## **Independent Auditors' Report**

Board of Directors

OA0 Severstal

### **Report on Review of Interim Financial Information**

#### *Introduction*

We have reviewed the accompanying consolidated condensed interim balance sheet of OA0 Severstal (the "Company") and its subsidiaries (the "Group") as at 30 June 2007, and the related consolidated condensed interim statements of income for the three- and six-month periods ended 30 June 2007 and the related consolidated condensed interim statements of changes in equity and cash flows for the six-month period ended 30 June 2007 (the "consolidated interim financial information"). Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

#### *Scope of Review*

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

#### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information as at 30 June 2007 and for the three- and six-month periods then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

*KPMG Limited.*

KPMG Limited

30 August 2007

# Severstal

## Consolidated condensed interim income statement Six months ended June 30, 2007

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

	Note	Six months ended June 30,		Three months ended June 30,	
		2007 (unaudited)	2006 (unaudited)	2007 (unaudited)	2006 (unaudited)
<b>Sales</b>					
Sales - external		7,323,034	5,553,811	3,810,255	2,978,305
Sales - to related parties	5	387,518	329,682	223,050	180,491
	3	7,710,552	5,883,493	4,033,305	3,158,796
Cost of sales		(5,361,609)	(4,329,974)	(2,750,892)	(2,353,374)
<b>Gross profit</b>		2,348,943	1,553,519	1,282,413	805,422
Selling, general and administrative expenses		(325,201)	(318,588)	(154,533)	(170,258)
Distribution expenses		(457,560)	(319,419)	(237,065)	(168,197)
Indirect taxes and contributions		(74,663)	(75,721)	(39,032)	(47,407)
Share of associates' (loss)/profit		(7,031)	3,532	(5,126)	2,271
Net income from bank lending operations		6,453	3,900	2,998	1,096
Net income from securities operations		11,788	13,797	8,402	11,868
Loss on disposal of property, plant and equipment		(26,293)	(27,678)	(17,306)	(16,456)
Net other operating income/(expenses)		7,113	(13,423)	8,170	(13,344)
<b>Profit from operations</b>		1,483,549	819,919	848,921	404,995
Impairment of property, plant and equipment		(11,638)	(7,169)	(10,546)	(4,976)
Negative goodwill/(goodwill impairment), net		633	(2,485)	-	(2,968)
Net other non-operating income/(expenses)		7,799	(27,885)	25,796	(13,630)
<b>Profit before financing and taxation</b>		1,480,343	782,380	864,171	383,421
Net financing expense		(57,158)	(65,246)	(26,834)	(20,793)
<b>Profit before income tax</b>		1,423,185	717,134	837,337	362,628
Income tax expense		(384,006)	(269,729)	(216,092)	(146,772)
<b>Profit for the period</b>		1,039,179	447,405	621,245	215,856
Attributable to:					
shareholders of OAO Severstal		999,389	425,685	603,756	208,955
minority interest		39,790	21,720	17,489	6,901
Weighted average number of shares outstanding during the period (millions of shares)		1,007.7	917.4	1,007.7	917.6
Basic and diluted earnings per share (US dollars)		0.99	0.46	0.60	0.23

These consolidated condensed interim financial statements were approved by the Board of Directors on August 30, 2007.

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

# Severstal

## Consolidated condensed interim balance sheet

June 30, 2007

(Amounts expressed in thousands of US dollars)

	Note	June 30, 2007 (unaudited)	December 31, 2006
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents		1,838,559	1,700,295
Short-term bank deposits		1,433,145	1,147,270
Short-term financial investments		452,975	321,842
Trade accounts receivable		1,536,494	1,324,097
Amounts receivable from related parties	4	138,732	127,513
Inventories		2,148,500	2,239,647
VAT recoverable		240,748	338,122
Income tax recoverable		44,912	35,856
Assets held for sale		114,134	-
Other current assets		262,557	258,404
<b>Total current assets</b>		<b>8,210,756</b>	<b>7,493,046</b>
<b>Non-current assets:</b>			
Long-term financial investments		213,789	199,940
Investment in associates		434,113	326,047
Investment in joint ventures		24,979	28,859
Property, plant and equipment		10,553,272	10,549,219
Intangible assets		190,600	61,666
Assets held for sale		-	113,516
Deferred tax assets		45,604	29,926
Other non-current assets		12,417	3,844
<b>Total non-current assets</b>		<b>11,474,774</b>	<b>11,313,017</b>
<b>Total assets</b>		<b>19,685,530</b>	<b>18,806,063</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Trade accounts payable		1,056,838	1,038,338
Bank customer accounts		68,469	31,143
Amounts payable to related parties	4	214,358	170,423
Short-term debt finance		949,475	954,048
Income taxes payable		136,183	44,322
Other taxes and social security payable		212,147	199,798
Dividends payable		138,071	23,243
Liabilities related to assets held for sale		74	-
Other current liabilities		522,010	494,222
<b>Total current liabilities</b>		<b>3,297,625</b>	<b>2,955,537</b>
<b>Non-current liabilities:</b>			
Long-term debt finance		1,919,550	2,048,035
Deferred tax liabilities		1,360,990	1,381,785
Retirement benefit liability		419,799	442,954
Liabilities related to assets held for sale		-	1,792
Other non-current liabilities		288,400	298,101
<b>Total non-current liabilities</b>		<b>3,988,739</b>	<b>4,172,667</b>
<b>Equity:</b>			
Share capital		3,311,288	3,311,288
Additional capital		1,165,530	1,165,530
Revaluation reserve		3,005,033	3,185,281
Foreign exchange differences		980,867	786,822
Retained earnings		3,468,166	2,602,345
<b>Total equity attributable to shareholders of parent</b>		<b>11,930,884</b>	<b>11,051,266</b>
<b>Minority interest</b>		<b>468,282</b>	<b>626,593</b>
<b>Total equity</b>		<b>12,399,166</b>	<b>11,677,859</b>
<b>Total equity and liabilities</b>		<b>19,685,530</b>	<b>18,806,063</b>

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

# Severstal

## Consolidated condensed interim statement of cash flows Six months ended June 30, 2007 (Amounts expressed in thousands of US dollars)

	<b>Six months ended June 30</b>	
	<b>2007 (unaudited)</b>	<b>2006 (unaudited)</b>
<b>Operating activities:</b>		
Profit before financing and taxation	1,480,343	782,380
Adjustments to reconcile profit to cash generated from operations:		
Depreciation and amortization	583,941	455,278
Impairment of property, plant and equipment	11,638	7,169
Provision against inventories, receivables and other provisions	(9,677)	3,265
Negative goodwill/(goodwill impairment), net	(633)	2,485
Loss on disposal of property, plant and equipment	26,293	27,678
Gain on disposal of subsidiary	(42,332)	-
Gain on remeasurement and disposal of financial investments	(11,788)	(13,797)
Dividends from associates less share of associates' income	7,031	(3,532)
Changes in operating assets and liabilities:		
Trade accounts receivable	(272,489)	(174,177)
Amounts receivable from related parties	(6,906)	47,897
VAT recoverable	117,448	32,730
Inventories	77,284	(11,272)
Trade accounts payable	39,870	63,690
Bank customer accounts	34,345	(80,567)
Amounts payable to related parties	152,542	111,900
Other taxes and social security payables	(11,807)	(79,071)
Other non-current liabilities	(34,811)	(6,879)
Assets held for sale	1,687	-
Net other changes in operating assets and liabilities	(5,433)	17,401
<b>Cash generated from operations</b>	<b>2,136,546</b>	<b>1,182,578</b>
Interest paid (excluding banking operations)	(133,905)	(113,683)
Income tax paid	(348,661)	(296,016)
<b>Net cash from operating activities</b>	<b>1,653,980</b>	<b>772,879</b>
<b>Investing activities:</b>		
Additions to property, plant and equipment	(574,002)	(635,752)
Additions to intangible assets	(5,445)	(4,942)
Net (increase)/decrease in short-term bank deposits	(261,557)	339,546
Additions to financial investments and associates	(601,253)	(830,807)
Acquisition of minority interests	(170,865)	(15,253)
Net cash outflow on acquisitions of subsidiaries	(145,311)	(47,853)
Net cash inflow on disposals of subsidiaries	148,334	-
Proceeds from disposal of property, plant and equipment	5,832	13,306
Proceeds from disposal of financial investments	338,107	245,695
Interest received (excluding banking operations)	68,047	37,584
<b>Cash from investing activities</b>	<b>(1,198,113)</b>	<b>(898,476)</b>
<b>Financing activities:</b>		
Proceeds from debt finance	503,026	414,602
Proceeds from share issue	-	162,179
Repayment of debt finance	(646,373)	(548,532)
Dividends paid	(191,877)	(78,099)
Minority capital contributions	-	4,200
<b>Cash from financing activities</b>	<b>(335,224)</b>	<b>(45,650)</b>
Effect of exchange rates on cash and cash equivalents	17,621	60,207
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>138,264</b>	<b>(111,040)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,700,295</b>	<b>1,327,430</b>
<b>Cash and cash equivalents at end of the period</b>	<b>1,838,559</b>	<b>1,216,390</b>

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

# Severstal

## Consolidated condensed interim statement of changes in equity Six months ended June 30, 2007 (Amounts expressed in thousands of US dollars)

	Attributable to the shareholders of OAO Severstal					Total	Minority interest	Total
	Share capital	Additional capital	Revaluation reserve	Foreign exchange differences	Retained earnings			
Balances at December 31, 2005	3,311,254	60,367	3,093,608	28,073	1,376,103	7,869,405	527,699	8,397,104
Profit for the period (unaudited)	-	-	-	-	425,685	425,685	21,720	447,405
Realization of revaluation reserve:						-		-
Disposals (unaudited)	-	-	(33,687)	-	33,687	-	-	-
Depreciation (unaudited)	-	-	(217,714)	-	217,714	-	-	-
Deferred tax on realization (unaudited)	-	-	59,065	-	(59,065)	-	-	-
Foreign exchange differences (unaudited)	-	-	-	481,780	-	481,780	28,935	510,715
Total recognized income and expenses (unaudited)						907,465	50,655	958,120
Dividends (unaudited)	-	-	-	-	(82,122)	(82,122)	-	(82,122)
Share issues (unaudited)	5	162,174	-	-	-	162,179	-	162,179
Effect of acquisitions and disposals (unaudited)	-	-	-	-	6,847	6,847	(7,420)	(573)
Balances at June 30, 2006 (unaudited)	<u>3,311,259</u>	<u>222,541</u>	<u>2,901,272</u>	<u>509,853</u>	<u>1,918,849</u>	<u>8,863,774</u>	<u>570,934</u>	<u>9,434,708</u>
Balances at December 31, 2006	3,311,288	1,165,530	3,185,281	786,822	2,602,345	11,051,266	626,593	11,677,859
Profit for the period (unaudited)	-	-	-	-	999,389	999,389	39,790	1,039,179
Realization of revaluation reserve:						-		-
Disposals (unaudited)	-	-	(7,922)	-	7,922	-	-	-
Depreciation (unaudited)	-	-	(229,278)	-	229,278	-	-	-
Deferred tax on realization (unaudited)	-	-	56,952	-	(56,952)	-	-	-
Foreign exchange differences (unaudited)	-	-	-	194,045	-	194,045	13,915	207,960
Total recognized income and expenses (unaudited)						1,193,434	53,705	1,247,139
Dividends (unaudited)	-	-	-	-	(295,011)	(295,011)	(9,307)	(304,318)
Acquisition of minority interests (unaudited)	-	-	-	-	(18,805)	(18,805)	(202,709)	(221,514)
Balances at June 30, 2007 (unaudited)	<u>3,311,288</u>	<u>1,165,530</u>	<u>3,005,033</u>	<u>980,867</u>	<u>3,468,166</u>	<u>11,930,884</u>	<u>468,282</u>	<u>12,399,166</u>

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

# Severstal

**Notes to the consolidated condensed interim financial statements  
for the six months ended June 30, 2007**  
*(Amounts expressed in thousands of US dollars, except as otherwise stated)*

## **1. Accounting policies**

These consolidated condensed interim financial statements for the OAO Severstal Group ('the Group') are prepared in accordance with International Financial Reporting Standards ('IFRS'), IAS 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board.

As of January 1, 2007, the Group adopted all of the new and revised IFRS and interpretations adopted by IASB that are relevant to its operations and effective for the accounting periods beginning on January 1, 2007, summarized as follows:

- IFRS 7 Financial Instruments: Disclosures, which is effective for annual periods beginning on or after 1 January 2007. The Standard requires comprehensive disclosure in respect of the Group's financial instruments.
- Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures, which is effective for annual periods beginning on or after 1 January 2007. The Standard requires extended disclosure in respect of the Parent Company's capital.

All of the Group's significant accounting policies will be updated to reflect the requirements of the new and revised standards and interpretations adopted by the IASB when the full set of consolidated financial statements of the Group is prepared for the year ending December 31, 2007.

The new and revised IFRS and interpretations have no effect on the Group's interim financial statements.

The accounting policies and methods of computation applied by the Group in these consolidated condensed interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended December 31, 2006.

## **2. Seasonality**

There are no material seasonal effects in the business activities of the Group.



# Severstal

**Notes to the consolidated condensed interim financial statements  
for the six months ended June 30, 2007**  
*(Amounts expressed in thousands of US dollars, except as otherwise stated)*

## 3. Sales

Sales by product were as follows:

	<b>Six months ended June 30,</b>		<b>Three months ended June 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Hot-rolled strip and plate	1,941,484	1,629,934	998,457	892,832
Long products	1,615,772	1,101,299	841,794	595,589
Galvanized and other metallic coated sheet	680,577	539,139	346,892	267,305
Cold-rolled sheet	633,963	665,496	322,694	343,970
Semifinished products	591,228	471,342	309,934	232,455
Metalware products	490,150	357,851	271,527	209,383
Rails, wheels and axles	190,994	179,722	90,260	90,472
Others tubes and pipes, formed shapes	188,776	135,819	100,268	71,974
Coal and coking coal concentrate	157,416	116,489	77,675	81,970
Pellets and iron ore	132,729	86,841	64,659	27,793
Color coated sheet	148,506	34,373	81,362	28,974
Large diameter pipes	150,173	-	87,115	-
Shipping and handling costs billed to customers	322,132	262,549	168,767	155,846
Others	466,652	302,639	271,901	160,233
	<b>7,710,552</b>	<b>5,883,493</b>	<b>4,033,305</b>	<b>3,158,796</b>

Sales by delivery destination were as follows:

	<b>Six months ended June 30,</b>		<b>Three months ended June 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
Russian Federation	3,263,489	2,002,248	1,838,768	1,119,656
Europe	2,745,780	2,123,543	1,361,628	1,133,857
North America	1,043,764	1,401,648	515,224	701,568
The Middle East	203,788	114,343	85,811	75,137
South-East Asia	146,865	40,010	90,755	5,393
Central & South America	104,905	48,286	49,191	24,202
China and Central Asia	169,779	112,303	82,324	85,893
Africa	32,182	41,112	9,604	13,090
	<b>7,710,552</b>	<b>5,883,493</b>	<b>4,033,305</b>	<b>3,158,796</b>

# Severstal

**Notes to the consolidated condensed interim financial statements  
for the six months ended June 30, 2007**  
*(Amounts expressed in thousands of US dollars, except as otherwise stated)*

## 4. Related party balances

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
	<b>(unaudited)</b>	
	<u>                    </u>	<u>                    </u>
<b>Associates' balances</b>		
Trade accounts payable	19,612	11,976
	<u>                    </u>	<u>                    </u>
<b>Other related party balances</b>		
Amounts receivable from other related parties:		
Trade accounts receivable	88,849	80,134
Advances paid	27,179	34,275
Other receivables	22,704	13,104
	<u>                    </u>	<u>                    </u>
	<u>138,732</u>	<u>127,513</u>
	<u>                    </u>	<u>                    </u>
Short-term financial investments include the following balances with other related parties:		
Loans	100,993	75,699
Loans to bank customers	30,574	29,166
Trading securities - promissory notes	6,089	5,198
	<u>                    </u>	<u>                    </u>
	<u>137,656</u>	<u>110,063</u>
	<u>                    </u>	<u>                    </u>
Long-term financial investments include the following balances with other related parties:		
Loans	77,580	76,528
Accounts at financial institutions	52,162	50,147
Held to maturity securities	11,042	6,090
Loans to bank customers	12,011	7,078
	<u>                    </u>	<u>                    </u>
	<u>152,795</u>	<u>139,843</u>
	<u>                    </u>	<u>                    </u>
Amounts payable to other related parties:		
Trade accounts payable	38,658	74,227
Advances received	813	699
Other accounts payable	12,019	8,898
Bank demand deposits and customer accounts	19,788	58,719
Bank term deposits	123,468	15,904
	<u>                    </u>	<u>                    </u>
	<u>194,746</u>	<u>158,447</u>
	<u>                    </u>	<u>                    </u>
Short-term other financing from related parties	<u>44,056</u>	<u>-</u>
	<u>                    </u>	<u>                    </u>
Long-term other financing from related parties	<u>7,751</u>	<u>2,952</u>
	<u>                    </u>	<u>                    </u>

# Severstal

**Notes to the consolidated condensed interim financial statements  
for the six months ended June 30, 2007**  
*(Amounts expressed in thousands of US dollars, except as otherwise stated)*

## 5. Related party transactions

	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Sales and income received from other related parties:				
Sales	387,518	329,682	223,050	180,491
Interest income	8,724	4,753	55	2,686
Banking income	952	953	439	395
	<u>397,194</u>	<u>335,388</u>	<u>223,544</u>	<u>183,572</u>
Purchases from related parties:				
Purchases from associates:				
Non-capital expenditures	80,790	44,964	42,440	29,730
Purchases from joint ventures:				
Non-capital expenditures	25,902	22,807	13,471	11,110
Purchases from other related parties:				
Non-capital expenditures	407,065	354,834	216,930	189,529
Capital expenditures	6,801	109,290	1,773	61,070
Bank expenses	1,207	-	924	-
	<u>521,765</u>	<u>531,895</u>	<u>275,538</u>	<u>291,439</u>

## 6. Contingent liabilities and commitments

There were no significant changes in the Group's contingent liabilities for the six months ended June 30, 2007.

As of June 30, 2007, the Group had capital commitments of US\$ 521.9 million (December 31, 2006: US\$ 291.1 million).

# Severstal

## Notes to the consolidated condensed interim financial statements for the six months ended June 30, 2007 (Amounts expressed in thousands of US dollars, except as otherwise stated)

### 7. Acquisitions and disposals

In January 2007, the Group completed the acquisition of 84.8% of the share capital of ZAO Vtorchermet and its wholly-owned subsidiaries and certain related companies for a total consideration of US\$ 45.4 million. ZAO Vtorchermet is a scrap processing and wholesale company, and the majority of its operations is located in Saint Petersburg. The acquisition was conducted to secure a reliable source of scrap for the Russian steel mill in case of future changes in the Russian scrap market. Management has not yet completed the estimation of fair values of the acquired assets and liabilities and, accordingly, does not currently possess all necessary information to disclose the effect of this acquisition on the Group's financial position or results of operations. Final purchase price allocation is expected to be completed before December 31, 2007.

In May 2007, the Group completed the acquisition of 100% of a stevedore company, ZAO Neva-Metal, for US\$ 98.7 million and 100% of the shipping agency ZAO Neva-Metal-Trans for US\$ 1.3 million. The majority of their operations are located in Saint Petersburg. The acquisition was conducted to secure a self-supporting export logistic chain. Management has not yet completed the estimation of fair values of the acquired assets and liabilities and, accordingly, does not currently possess all necessary information to disclose the effect of the acquisition on the Group's financial position or results of operations. Final purchase price allocation is expected to be completed before December 31, 2007.

The acquirees' profit since the acquisition dates included in the Group's profit for the period, as well as the revenue and profit of the acquired entities from the beginning of the period to the dates of acquisition, individually and in the aggregate, are insignificant to the Group's revenue and profit for the period.

On March 14, 2007 the Group purchased 100% of the share capital of Siderco SpA from the Lucchini family for € 1.35 million. Management determined that the fair value of the net identifiable assets and liabilities acquired was substantially the same as the book value.

In May 2007, the Group acquired an additional 9% stake in Lucchini SpA from a Lucchini family company for a total consideration of €85.2 million (US\$ 114.8 million at May 23, 2007 exchange rate). After the acquisition, the Group's share in the capital of Lucchini SpA is 79.8%.

In May 2007, the Group acquired a 25.01% stake in ZAO Severgal for a total consideration of US\$ 20 million. Management estimates the fair values of the acquired share of assets and liabilities at US\$ 23 million. After the acquisition, the Group's share in the capital of ZAO Severgal is 100%.

On June 6, 2007 the Group sold its 100% participation in Lucchini Sidermeccanica SpA and its wholly owned subsidiaries (Lucchini UK Ltd, Lucchini Sweden AB and Lucchini Poland Spzoo) to members of the founding Lucchini family for a total consideration of €127.8 million (US\$ 172.5 million at June 6, 2007). To support this transaction an independent fairness opinion of the transaction was obtained from a properly qualified Italian bank.

On March 30, 2007 the Group acquired 2.01%, 0.04%, 0.05% stake in OAO Karelsky Okatysh, OAO Olkon, OAO Vorkutaugol for a total consideration of US\$ 35.4 million, US\$ 0.1 million, US\$ 0.4 million, respectively.

# Severstal

**Notes to the consolidated condensed interim financial statements  
for the six months ended June 30, 2007**  
*(Amounts expressed in thousands of US dollars, except as otherwise stated)*

On June 19, 2007 the Group acquired 1.94%, 0.62%, 3.56%, 1.23%, 1.02% stake in OAO Karelsky Okatysh, OAO Olkon, OAO Vorkutaugol, OAO Shakhta Vorgashorskaya, OAO Shakhta Berezovskaya for a total consideration of US\$ 23.5 million, US\$ 1.9 million, US\$ 29.3 million, US\$ 0.6 million, US\$ 0.7 million, respectively.

## 8. Segmental information – Income statement

	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
<b>Sales</b>				
Steel segment - Russia	3,989,833	2,829,987	2,097,887	1,565,745
Steel segment - USA	904,474	1,062,609	456,142	528,334
Steel segment - Lucchini	1,996,127	1,673,917	1,018,558	864,176
ITZ	158,664	-	95,606	-
Mining segment	1,033,502	684,191	549,850	366,529
Metalware segment	497,085	359,329	272,984	213,785
Intersegmental transactions	(869,133)	(726,540)	(457,722)	(379,773)
<b>Total</b>	<u><u>7,710,552</u></u>	<u><u>5,883,493</u></u>	<u><u>4,033,305</u></u>	<u><u>3,158,796</u></u>
<b>Profit before financing and taxation :</b>				
Steel segment - Russia	1,043,799	503,620	613,754	266,612
Steel segment - USA	51,791	62,006	19,875	30,387
Steel segment - Lucchini	230,959	124,334	132,798	59,334
ITZ	28,052	(1,870)	23,992	(3,488)
Mining segment	117,841	79,696	54,232	35,138
Metalware segment	14,941	9,393	15,830	7,054
Financing segment	3,275	3,878	1,753	1,192
Intersegmental transactions	(10,315)	1,323	1,937	(12,808)
<b>Total</b>	<u><u>1,480,343</u></u>	<u><u>782,380</u></u>	<u><u>864,171</u></u>	<u><u>383,421</u></u>

# Severstal

**Notes to the consolidated condensed interim financial statements  
for the six months ended June 30, 2007**  
*(Amounts expressed in thousands of US dollars, except as otherwise stated)*

## **9. Subsequent events**

### ***Disposal of Nitruvid SAS***

On July 6, 2007 the Group sold 100% of Nitruvid SAS to an independent third party for €6.5 million (US\$ 8.9 million at July 6, 2007 exchange rate). The net assets of Nitruvid as at June 30, 2007 were €4.3 million (US\$ 5.9 million at June 30, 2007 exchange rate).

### ***Environmental issue***

On July 26, 2007 Lucchini SpA received notice by the Tuscan regional fiscal authorities for storing waste from the steel making process in the Piombino steel making facilities. In the notice the authorities specified the potential amount of penalties of €52.5 million (US\$ 71.6 million at June 30, 2007 exchange rate). Management of Lucchini is extensively working on evaluating and mitigating the exposure and is of the belief that the final outcome of the case might be substantially lower. Due to significant uncertainties in the determination of that amount management is unable to reliably estimate the potential obligation which may arise as a result of final decision by the relevant authority. Consequently, these financial statements do not contain any provisions in respect of this proceeding.

### ***Acquisition of stake in Celtic Resources***

In August 2007, the Group acquired a 22% stake in Celtic Resources Holdings Plc. from Aton International Ltd. for the total consideration of US\$ 54.4 million.