OJSC NOVOLIPETSK STEEL

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

AS AT MARCH 31, 2009 AND DECEMBER 31, 2008,
AND FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008

CONTENTS

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have reviewed the accompanying interim condensed consolidated balance sheet of OJSC Novolipetsk Steel and its subsidiaries ("the Group") as at March 31, 2009, the related interim condensed consolidated statements of income, of cash flows, and of stockholders' equity and comprehensive income for each of the three-month periods ended March 31, 2009 and March 31, 2008. These interim condensed consolidated financial statements are the responsibility of the Group's management.

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

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

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Group as at December 31, 2008, the related consolidated statements of income, of cash flows, and of stockholders' equity and comprehensive income for the year then ended (not presented herein), and in our report dated March 23, 2009, we expressed an unqualified opinion on such consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2008, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

ZAO PricewaterhouseCoopers Audit

Russian Federation
May 28, 2009

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

	Note	As at March 31, 2009	As at December 31, 2008
ASSETS			
Current assets			
Cash and cash equivalents	2	1,546,145	2,159,989
Short-term investments		338,301	8,089
Accounts receivable and advances given, net	3	1,187,166	1,487,847
Inventories, net	4	1,050,121	1,555,762
Other current assets		90,417	99,960
Deferred income tax assets		59,020	-
Current assets held for sale	9	-	34,432
		4,271,170	**5,346,079**
Non-current assets			
Long-term investments, net		718,793	815,527
Property, plant and equipment, net	5	6,031,938	6,826,139
Intangible assets, net		210,751	235,283
Goodwill		530,080	613,668
Other non-current assets		34,473	33,546
Non-current assets held for sale	9	-	194,286
		7,526,035	**8,718,449**
Total assets		**11,797,205**	**14,064,528**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	6	1,162,047	1,879,213
Short-term borrowings	7	1,090,067	1,079,806
Current income tax liability		26,532	10,497
Current liabilities held for sale	9	-	10,959
		2,278,646	**2,980,475**
Non-current liabilities			
Deferred income tax liability		288,402	296,875
Long-term borrowings	7	1,709,451	1,929,772
Other long-term liabilities		113,158	128,944
Non-current liabilities held for sale	9	-	5,393
		2,111,011	**2,360,984**
Total liabilities		**4,389,657**	**5,341,459**
Commitments and contingencies		-	-
Stockholders' equity			
NLMK stockholders' equity			
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at March 31, 2009 and December 31, 2008		221,173	221,173
Statutory reserve		10,267	10,267
Additional paid-in capital		137,740	52,395
Accumulated other comprehensive loss		(1,659,412)	(549,879)
Retained earnings		8,762,192	8,956,013
NLMK stockholders' equity		**7,471,960**	**8,689,969**
Non-controlling interest		**(64,412)**	**33,100**
Total stockholders' equity		**7,407,548**	**8,723,069**
Total liabilities and stockholders' equity		**11,797,205**	**14,064,528**

The interim condensed consolidated financial statements as set out on pages 4 to 22 were approved on May 28, 2009.

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

Acting Chief Accountant
Zarubina O.G.

	Note	For the three months ended March 31, 2009	For the three months ended March 31, 2008
Sales revenue	13	**1,293,326**	**2,353,260**
Cost of sales			
Production cost		(874,389)	(1,194,925)
Depreciation and amortization		(96,625)	(119,354)
		(971,014)	**(1,314,279)**
Gross profit		**322,312**	**1,038,981**
General and administrative expenses		(89,810)	(79,923)
Selling expenses		(110,849)	(151,416)
Taxes other than income tax		(22,562)	(31,230)
Operating income		**99,091**	**776,412**
(Loss) / gain on disposals of property, plant and equipment		(2,104)	6,097
(Losses) / gains on investments, net		(1,472)	6,421
Interest income		17,897	32,578
Interest expense		(53,968)	(55,466)
Foreign currency exchange, net		(113,004)	28,958
Other expenses, net		(56,913)	(32,059)
(Loss) / income from continuing operations before income tax		**(110,473)**	**762,941**
Income tax benefit / (expense)	11	1,439	(128,282)
(Loss) / income from continuing operations, net of income tax		**(109,034)**	**634,659**
Equity in net losses of associate		(142,638)	(7,841)
Net (loss) / income		**(251,672)**	**626,818**
Less: Net loss / (income) attributable to the non-controlling interest		**57,851**	**(9,094)**
Net (loss) / income attributable to OJSC Novolipetsk Steel stockholders		**(193,821)**	**617,724**
(Loss) / income per share – basic and diluted:			
(Loss) / income from continuing operations attributable to OJSC Novolipetsk Steel stockholders per share (US dollars)		(0.0323)	0.1031
Net (loss) / income attributable to OJSC Novolipetsk Steel stockholders per share (US dollars)	10	(0.0323)	0.1031
Weighted-average shares outstanding, basic and diluted (in thousands)		5,993,227	5,993,227

(thousands of US dollars)

	Note	For the three months ended March 31, 2009	For the three months ended March 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income		**(251,672)**	**626,818**
Adjustments to reconcile net (loss) / income to net cash provided by operating activities:			
Depreciation and amortization		96,625	119,354
Loss / (gain) on disposals of property, plant and equipment		2,104	(6,097)
Losses / (gains) on investments, net		1,472	(6,421)
Equity in net losses of associate		142,638	7,841
Deferred income tax benefit		(26,778)	(70,379)
Loss on forward contracts	8	16,780	-
Other		10,072	4,600
Changes in operating assets and liabilities			
Decrease / (increase) in accounts receivable		98,258	(260,800)
Decrease / (increase) in inventories		294,444	(229,482)
Increase in other current assets		(4,082)	(14,716)
(Decrease) / increase in accounts payable and other liabilities		(15,205)	60,175
Increase in current income tax payable		17,507	19,173
Net cash provided by operating activities		**382,163**	**250,066**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,559	4,178
Purchases and construction of property, plant and equipment		(203,038)	(355,244)
Settlement of abandoned acquisition	16	(234,000)	-
Proceeds from sale of investments and loans settled		34	21,238
Purchases of investments		(306,526)	(19,255)
Acquisitions of stake in existing subsidiaries		-	(28,169)
Payment for acquisition of interests in new subsidiaries	12(b)	-	(299,928)
Loan issued		(128,532)	-
Net cash used in investing activities		**(870,503)**	**(677,180)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and notes payable		262,905	853,254
Repayment of borrowings and notes payable		(320,770)	(438,492)
Capital lease payments		(17,647)	(8,980)
Dividends to minority shareholders of existing subsidiaries		(4)	(21)
Dividends to shareholders		(916)	(252)
Net cash (used in) / provided by financing activities		**(76,432)**	**405,509**
Net decrease in cash and cash equivalents		**(564,772)**	**(21,605)**
Effect of exchange rate changes on cash and cash equivalents		(49,072)	48,338
Cash and cash equivalents at the beginning of the period	2	2,159,989	1,154,641
Cash and cash equivalents at the end of the period	2	**1,546,145**	**1,181,374**

(thousands of US dollars)

	Note	Common stock	Statutory reserve	Additional paid-in capital	Accumulated other comprehensive income / (loss)	Retained earnings	Non-controlling interest	Compre-hensive income	Total stockholders equity
		OJSC Novolipetsk Steel stockholders							
Balance at December 31, 2007		**221,173**	**10,267**	**52,395**	**1,181,546**	**7,526,150**	**106,813**	**-**	**9,098,344**
Purchase of subsidiaries shares from non-controlling interest		-	-	-	-	-	(25,833)	-	(25,833)
Comprehensive income:									
Net income / loss		-	-	-	-	617,724	9,094	626,818	626,818
Other comprehensive income:									
Cumulative translation adjustment		-	-	-	436,499	-	4,020	440,519	440,519
Comprehensive income								1,067,337	**1,067,337**
Balance at March 31, 2008		**221,173**	**10,267**	**52,395**	**1,618,045**	**8,143,874**	**94,094**	**-**	**10,139,848**
Balance at December 31, 2008		**221,173**	**10,267**	**52,395**	**(549,879)**	**8,956,013**	**33,100**	**-**	**8,723,069**
Comprehensive loss:									
Net loss	1	-	-	-	-	(193,821)	(57,851)	(251,672)	(251,672)
Other comprehensive loss:									
Cumulative translation adjustment		-	-	-	(1,109,533)	-	521	(1,109,012)	(1,109,012)
Comprehensive loss								(1,360,684)	**(1 360 684)**
Disposal of assets to an entity under common control	9	-	-	85,345	-	-	(40,182)	-	45,163
Balance at March 31, 2009		**221,173**	**10,267**	**137,740**	**(1,659,412)**	**8,762,192**	**(64,412)**	**-**	**7,407,548**

1 BASIS OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARATION

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Open Joint Stock Company Novolipetsk Steel (the "Parent Company", or "NLMK") and its subsidiaries (together – the "Group") audited consolidated financial statements as at and for the year ended December 31, 2008. The December 31, 2008 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 period reported herein are not necessarily indicative of future financial results.

Functional and reporting currency

The Group's principal functional currency is considered to be the Russian ruble. The functional currency of the foreign subsidiaries is their local currency. The accompanying interim condensed consolidated financial statements have been prepared using the US dollar as the Group's reporting currency, utilizing period-end exchange rates for assets and liabilities, corresponding period quarterly weighted average exchange rates for consolidated statement of income accounts and historic rates for equity accounts in accordance with the relevant provisions of SFAS No. 52, *Foreign Currency Translation*.

The Central Bank of the Russian Federation's closing rates of exchange ruling at March 31, 2009, December 31, 2008 and March 31, 2008 were 1 US dollar to 34.0134, 29.3804 and 23.5156 Russian rubles, respectively. The period weighted average exchange rates were 33.9308 and 24.2601 Russian rubles to 1 US dollar for the three months ended March 31, 2009 and March 31, 2008, respectively.

Recent accounting pronouncements

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Non-controlling Interests in Consolidated Financial Statements – an amendment of Accounting Research Bulletin No. 51* ("SFAS No 160"). SFAS No 160 requires all entities to report non-controlling interests in subsidiaries (formerly known as minority interests) as a separate component of equity in the consolidated statement of financial position, to clearly identify consolidated net income attributable to the parent and to the non-controlling interest on the face of the consolidated statement of income, and to provide sufficient disclosure that clearly identifies and distinguishes between the interest of the parent and the interests of non-controlling owners. SFAS No 160 also establishes accounting and reporting standards for changes in a parent's ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. SFAS No 160 was effective as of January 1, 2009. As a result of adoption of this Statement the Group prospectively attributed the non-controlling interest its share of losses of $57,851, which resulted in a deficit non-controlling interest balance. The presentation and disclosure requirements of SFAS No 160 were applied retrospectively.

In January 2009, the FASB issued FASB Staff Position (FSP) No. EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20*, which amends the impairment guidance in EITF Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets*, to achieve more consistent determination of whether an other-than-temporary impairment has occurred. The FSP also retains and emphasizes the objective of an other-than-temporary impairment assessment and the related disclosure requirements in FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and other related guidance. The FSP shall be effective for interim and annual reporting periods ending after December 15, 2008, and shall be applied prospectively. Retrospective application is not permitted. The Group does not expect any material impact on the Group's interim condensed consolidated financial statements relating to the adoption of this FSP.

On April 1, 2009, the FASB issued FSP FAS No. 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies*, to address application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This FSP applies to all assets acquired and liabilities assumed in a business combination that arise from contingencies in a business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Group does not expect any material impact on the Group's interim condensed consolidated financial statements relating to the adoption of this FSP.

(thousands of US dollars)

1 BASIS OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARATION (continued)

On April 9, 2009, the FASB issued FSP No. 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods. This FSP shall be effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. This FSP should be applied prospectively. The Group does not expect any material financial statements implications relating to the adoption of this FSP.

On April 9, 2009, the FASB issued FSP No. FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. This FSP relates to determining fair values when there is no active market or where the price inputs being used represent distressed sales. Specifically, it reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. This FSP is effective for interim and annual periods ending after June 15, 2009 and should be applied prospectively. The Group does not expect any material financial statement implications relating to the adoption of this FSP.

2 CASH AND CASH EQUIVALENTS

	As at March 31, 2009	**As at December 31, 2008**
Cash – Russian rubles	41,973	75,561
Cash – other currencies	381,135	79,688
Deposits – Russian rubles	312,838	317,772
Deposits – US dollars	684,543	1,591,632
Deposits – Euros	108,621	89,683
Deposits – other currencies	4,015	4,832
Other cash equivalents	13,020	821
	1,546,145	**2,159,989**

3 ACCOUNTS RECEIVABLE AND ADVANCES GIVEN

	As at March 31, 2009	**As at December 31, 2008**
Trade accounts receivable	857,385	964,257
Advances given to suppliers	90,042	123,588
Taxes receivable	375,121	489,352
Accounts receivable from employees	2,405	2,709
Other accounts receivable	129,776	178,996
	1,454,729	1,758,902
Allowance for doubtful debts	(267,563)	(271,055)
	1,187,166	**1,487,847**

As at March 31, 2009 and December 31, 2008, the Group had other accounts receivable of $83,149 and $95,033, respectively, from companies for which a 100% allowance was recorded. These accounts receivable were acquired by the Group through a business combination.

As at March 31, 2009 and December 31, 2008, accounts receivable of $10,900 and nil, respectively, served as collateral for certain borrowings (Note 7).

(thousands of US dollars)

4 INVENTORIES

	As at March 31, 2009	As at December 31, 2008
Raw materials	530,480	833,236
Work in process	243,464	326,168
Finished goods and goods for resale	323,714	480,135
	1,097,658	1,639,539
Provision for obsolescence	(47,537)	(83,777)
	1,050,121	**1,555,762**

As at March 31, 2009 and December 31, 2008, inventories of $19,900 and $35,900, respectively, served as collateral for certain borrowings (Note 7).

5 PROPERTY, PLANT AND EQUIPMENT

	As at March 31, 2009	As at December 31, 2008
Land	81,981	91,553
Mineral rights	455,357	527,162
Buildings	1,208,607	1,385,103
Land and buildings improvements	1,052,707	1,213,582
Machinery and equipment	4,998,039	5,699,662
Vehicles	288,281	333,351
Construction in progress and advances for construction and acquisition of property, plant and equipment	2,135,061	2,355,259
Leased assets	271,427	310,534
Other	63,225	72,169
	10,554,685	11,988,375
Accumulated depreciation	(4,522,747)	(5,162,236)
	6,031,938	**6,826,139**

As at March 31, 2009 and December 31, 2008, property, plant and equipment of $222,227 and $272,678, respectively, (net book value) served as collateral for certain borrowings (Note 7).

(thousands of US dollars)

6 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	As at March 31, 2009	As at December 31, 2008
Trade accounts payable	362,904	489,486
Advances received	54,243	54,127
Taxes payable other than income tax	73,707	81,966
Accounts payable and accrued liabilities to employees	99,575	129,724
Dividends payable	3,268	4,859
Short-term capital lease liability	21,817	35,722
Negative fair values of unrealized forward contracts (Note 8)	450,611	495,540
Other accounts payable	95 922	587,789
	1,162,047	**1,879,213**

Other accounts payable as at December 31, 2008 include payables to the company under common control for OJSC TMTP shares of $241,833 (Note 9) and $234,000 in respect of the settlement of the dispute with DBO Holdings Inc. (Note 16).

7 SHORT-TERM AND LONG-TERM BORROWINGS

	As at March 31, 2009	As at December 31, 2008
Parent Company		
Loans, US$ denominated, with interest rate of LIBOR +1.2% - 7% per annum, mature 2009-2013	1,655,358	1,657,105
Maxi-Group		
Russian rubles		
Loans with interest rates of 10.3% - 25% per annum, mature 2009-2013	754,158	908,002
Bonds with interest rates of 10% - 12% per annum	557	980
Other borrowings	49,144	56,065
US dollars		
Loans with interest rates of LIBOR (1 m) +3.75% - 17% per annum, mature 2009-2010	107,497	119,431
Euros		
Loans with interest rates of EURIBOR (6 m) +1.3% - 14.25% per annum, mature 2009-2017	137,221	122,559
Other borrowings	15,821	19,631
	2,719,756	**2,883,773**
Other companies		
Loans, RUR denominated, with interest rates of 8% - 25% per annum	20,620	81,825
Loan, US$ denominated, with interest rate of LIBOR + 3.25% per annum	19,054	-
Loan, EURO denominated, with interest rate of 5.38% per annum	39,908	43,711
Other borrowings	180	269
	2,799,518	**3,009,578**
Less: short-term loans and current maturities of long-term loans	(1,090,067)	(1,079,806)
Long-term borrowings	**1,709,451**	**1,929,772**

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

Included in short-term loans and current maturities of long-term loans of $1,090,067 above are loans with breaches of certain covenants of $109,531.

The Group's long-term borrowings at March 31, 2009 mature between 2 to 9 years.

As at March 31, 2009 and December 31, 2008, more than 38% and 40%, respectively, of total short-term and long-term borrowings of the Group are payable by Maxi-Group.

As at March 31, 2009 and December 31, 2008, loans of $27,195 and $50,204, respectively, were collateralized with guarantee letters and other guarantees issued by companies which are the related parties of OJSC Maxi-Group (Note 15(e)). As at March 31, 2009 and December 31, 2008, loans of $60,544 and $78,563, respectively, were collateralized with the shares of Maxi-Group companies.

New borrowings, received in the reporting period

The amount of loans, received by the Group under the new loan agreements concluded in the three months ended March 31, 2009, and outstanding as at March 31, 2009, is $138,359.

Major terms of loan agreements

Such loan agreements contain certain 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, subjective acceleration clauses in relation to unfavorable economic conditions and performance of the borrowers as well as legal claims in excess of certain amount, where reasonable expectation of negative outcome exist, and covenants triggered by any failure of the borrower to fulfill contractual obligations.

Loans covenants and restructuring of Maxi-Group's borrowings

In 2007, the Group acquired a controlling stake in OJSC Maxi-Group (Note 12(b)). The Maxi-Group companies had certain debts which were in breach of restrictive covenants.

Loans covenants – Maxi-Group

Due to the breach of certain restrictive covenants and terms of the pledge agreements long-term loans of $33,855 were reclassified to short-term loans as at March 31, 2009 ($56,048 as at December 31, 2008). As a result of this breach the lenders can request payment of $109,531 of short-term loans upon notice, including loans with original short-term maturities of $75,675.

None of the bank loans where the breach of loan's covenants existed at March 31, 2009 has been called by the lenders either at March 31, 2009 or during the subsequent period through to the date of these interim condensed consolidated financial statements.

The Group's management believes that measures undertaken and preliminary agreements achieved will allow the Group to avoid further breaches of covenants and ensure future compliance with the terms of the loan agreements.

Restructuring of borrowings

Immediately following the acquisition of the Maxi-Group (Note 12(b)) the Parent Company commenced the restructuring of the borrowings of the Maxi-Group entities which is presently continuing.

(thousands of US dollars)

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

For the purpose of the refinancing Maxi-Group companies have entered into the following major loan agreements (at historical rates):

– August 2008, a nonrevolving Russian ruble denominated credit lines agreements with a number of leading Russian banks totaling approximately $82,000 and $150,000 and maturing in February 17, 2010 and August 14, 2013, respectively.
– September 2008, a nonrevolving Russian ruble denominated credit lines agreements with a leading Russian bank and a subsidiary of a European bank totaling approximately $178,000 and $20,000 and maturing in September 8, 2013 and September 23, 2011, respectively.
– December 2008, a nonrevolving Russian ruble denominated credit line agreement with a leading Russian bank totaling approximately $30,054 and maturing in November 28, 2013.

The Group's management expects to continue the restructuring of the Maxi-Group's credit portfolio in the first half of 2009. The restructuring is expected to reduce the numbers of providers of credit, to lengthen the maturity periods and to change favorably the covenants applying to loans received.

8 FORWARD CONTRACTS

The Group holds or purchases derivative financial instruments for purposes other than trading to mitigate foreign currency exchange rate risk. The Group uses Euro and US dollar forward sales and purchases contracts with maturities no longer than 12 months to exchange Euros and US dollars to Russian rubles and back, to manage its exposure to foreign currencies price fluctuations.

Positive fair values of unrealized forward exchange contracts, amounting to $5,830 and nil respectively, are included in other current assets as at March 31, 2009 and December 31, 2008. Negative fair values of unrealized forward exchange contracts, amounting to $(450,611) and $(495,540) are included in other accounts payable as at March 31, 2009 and December 31, 2008, respectively.

In accordance with SFAS No. 157, the fair value of foreign currency derivatives is determined using Level 2 inputs, which are defined as "significant other observable" inputs. The inputs used include quoted prices for similar assets or liabilities in an active market. Fair value is determined as the sum of the differences between the discounted market forward rate in the settlement month prevailing at March 31, 2009 and the appropriate contract settlement rate, multiplied by the respective notional amount of the contract.

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

	As at March 31, 2009		As at December 31, 2008	
	Notional amount	Fair value	Notional amount	Fair value
US dollars	519,968	5,830	-	-
Euros	-	-	-	-
	519,968	**5,830**	**-**	**-**

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

	As at March 31, 2009		As at December 31, 2008	
	Notional amount	Fair value	Notional amount	Fair value
US dollars	835,144	(288,676)	1,411,825	(353,169)
Euros	601,979	(161,935)	915,723	(142,371)
	1,437,123	**(450,611)**	**2,327,548**	**(495,540)**

(thousands of US dollars)

8 FORWARD CONTRACTS (continued)

During the three months, ended March 31, 2009 and March 31, 2008 (losses) / gains from realized forward exchange and option contracts amounted to $(150,822) and $31,910, respectively. These gains and losses were included in the “Foreign currency exchange, net” line in interim condensed consolidated statements of income.

9 DISPOSALS OF ASSETS

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

Management of the Group plans to continue to use the shipping services provide by TMTP. Accordingly, operations of TMTP until the date of disposal in these interim condensed consolidated financial statements are reflected within continuing operations of the Group within other segments.

The carrying amounts of the major classes of assets and liabilities of TMTP at January 15, 2009 are as follows (in relation to the 100% stake):

Current assets	37,329
Non-current assets, including goodwill	182,558
Total assets	**219,887**
Current liabilities	(12,676)
Non-current liabilities	(5,254)
Minority interest, related to OJSC TMTP subsidiaries	(573)
Total liabilities	**(18,503)**
Net assets	**201,384**

Information on OJSC TMTP transactions, for the period from January 1, 2009 to January 15, 2009 is as follows:

Sales revenue	6,006
Net income	2,976

This transaction was carried out in line with the earlier announced strategy of the Group’s further development. In accordance with a resolution passed by the Board of Directors in February 2006, the interest in OJSC TMTP and its subsidiaries was classified as a none-core asset.

10 EARNINGS PER SHARE

	For the three months ended March 31, 2009	For the three months ended March 31, 2008
Weighted average number of shares	5,993,227,240	5,993,227,240
Net (loss) / income (thousands of US dollars)	(193,821)	617,724
Basic and diluted net (loss) / income per share (US dollars)	**(0.0323)**	**0.1031**

Basic net (loss) / 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, after giving retroactive effect to any stock splits. The Parent Company does not have potentially dilutive shares outstanding.

During the three months ended March 31, 2009 and March 31, 2008 dividends have not been declared (Note 17).

Dividends payable amounted to $3,268 and $4,859 as at March 31, 2009 and December 31, 2008, respectively (Note 6).

11 INCOME TAX

The corporate income tax rate applicable to the Group is predominantly 20%, prior to January 1, 2009 - 24%.

In the first quarter of 2009 the Group recognized a net consolidated income tax benefit of $1,439 at an effective rate of 20%. In the context of the Group's current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, net taxes may accrue even where there is a consolidated tax loss. Included in the first quarter of 2009 income tax benefit is $25,339 of income tax expense related to the taxable profits of certain subsidiaries of the Group, which generated profits. The Group's management believes there is positive evidence to support the realizability of the deferred income tax assets.

12 BUSINESS COMBINATIONS

(a) Acquisition of Beta Steel Corp. shares

In October 2008, the Group acquired a 100% of interest in Beta Steel Corp. The acquired company was consolidated by the Group for the first time as at the effective date of obtaining control, which management considers to be October 2008. The initial amount paid to the sellers $190,442 is subject to adjustment in accordance with the terms of the share purchase agreement. The remaining amount of the purchase price totaled $161,023 was paid to certain banks as repayments of Beta Steel Corp.'s loans in accordance with the share-purchase agreement provisions.

The acquisition of Beta Steel Corp. was made as a part of the Group's strategy of product diversification and increasing sales of finished products in its core markets.

The Group is in the process of completing the purchase price allocation, including the assessment of the fair value of property, plant and equipment and intangible assets. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed in this business combination. The fair values of property, plant and equipment and intangible assets were based on estimates of independent appraiser. The resulting goodwill primarily reflects the control premium paid for the acquisition:

(thousands of US dollars)

12 BUSINESS COMBINATIONS (continued)

Current assets	60,356
Intangible assets	15,900
Property, plant and equipment	301,591
Other non-current assets	36
Preliminary goodwill	35,727
Total assets acquired	**413,610**
Current liabilities	(52,075)
Non-current liabilities	(269)
Deferred income tax liability	(9,801)
Total liabilities assumed	**(62,145)**
Net assets acquired	**351,465**
Less: cash acquired	(3,308)
Net assets acquired, net of cash acquired	**348,157**

(b) Acquisition of OJSC Maxi-Group shares

In November 2007, the Parent Company entered into a binding agreement and a shareholder agreement in relation to the acquisition of a controlling stake in OJSC Maxi-Group as well as agreements granting short-term loans (secured by a pledge of shares in companies of Maxi-Group) of $398,152, half of which was granted before the acquisition date.

In December 2007, in accordance with the terms of the agreement the Parent Company acquired a 50% plus one share interest in OJSC Maxi-Group. In accordance with the formula defined in the share purchase agreement, the Group has estimated a preliminary purchase price of $558,515 as at the date of obtaining control and accrued the corresponding liability as at December 31, 2007. In January 2008, the Parent Company paid $299,928 of the purchase price (translated at the exchange rate at the date of payment). The final payment between the parties was required after completion of the Maxi-Group due diligence process and finalization of the corresponding price adjustment.

Considering that the one-year deadline to settle the purchase price allocation passed in December 2008, the Group's management prepared its best estimate of the Maxi-Group shares purchase price of $299,088 (as at the transfer of the ownership date).

The acquired companies were consolidated for the first time as at the transfer of the ownership date of OJSC Maxi-Group's shares, which management considers to be December 2007.

This acquisition is in line with the Group's strategy to expand its operations in the Russian market. The acquisition will give the Group a significant share of the domestic long products market and lead to full self-sufficiency in steel scrap.

(thousands of US dollars)

12 BUSINESS COMBINATIONS (continued)

The Group completed the best estimated purchase price allocation including assessment of fair value of property, plant and equipment, intangible assets and tax, legal, environmental and other contingencies. The following table summarizes the fair values of the assets acquired and liabilities assumed in this business combination. The fair values of property, plant and equipment and intangible assets were based on estimates of independent appraiser. The resulting goodwill primarily reflects the control premium paid for the acquisition:

Current assets	561,301
Property, plant and equipment	1,936,953
Other non-current assets	531
Goodwill	281,183
Total assets acquired	**2,779,968**
Current liabilities	(1,154,228)
Non-current liabilities	(1,277,623)
Deferred income tax liability	(29,729)
Minority interest	(19,300)
Total liabilities assumed	**(2,480,880)**
Net assets acquired	**299,088**
Less: cash acquired	(25,047)
Net assets acquired, net of cash acquired	**274,041**

The purchase price negotiation is not finalized and is still under discussion between the parties, however Group's management believes that the final adjustment, if any, will not be material.

13 SEGMENTAL INFORMATION

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

Revenue from segments that not exceed the quantitative thresholds is primarily attributable to three operating segments of the Group. Those segments include the trade seaport services business (Note 9), insurance and other services. None of these segments has met any of the quantitative thresholds for determining a reportable segment.

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

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

(thousands of US dollars)

13 SEGMENTAL INFORMATION (continued)

	Steel	Long products	Mining	Coke-chemical	All other	Totals	Inter-segmental operations and balances	Consolidated
Revenue from external customers	1,136,296	102,466	12,482	37,957	4,125	1,293,326	-	1,293,326
Intersegment revenue	18,233	49,690	76,670	43,073	-	187,666	(187,666)	-
Gross profit	**267,638**	**6,253**	**34,122**	**6,613**	**1,837**	**316,463**	**5,849**	**322,312**
Operating income / (loss)	**91,246**	**(25,625)**	**23,977**	**(3,415)**	**1,757**	**87,940**	**11,151**	**99,091**
Income / (loss) from continuing operations, net of income tax	**(63,033)**	**(97,128)**	**25,039**	**8,240**	**2,448**	**(124,434)**	**15,400**	**(109,034)**
Segment assets, including goodwill	9,046,798	1,934,169	1,232,205	820,105	34,203	13,067,480	(1,270,275)	11,797,205

Segmental information for the three months ended March 31, 2008 and their assets as at December 31, 2008 is as follows:

	Steel	Long products	Mining	Coke-chemical	All other	Totals	Inter-segmental operations and balances	Consolidated
Revenue from external customers	1,779,491	348,460	20,889	184,280	20,140	2,353,260	-	2,353,260
Intersegment revenue	85,047	35,768	245,010	75,240	984	442,049	(442,049)	-
Gross profit	**703,535**	**76,094**	**175,188**	**68,513**	**10,275**	**1,033,605**	**5,376**	**1,038,981**
Operating income	**529,196**	**36,977**	**156,390**	**39,130**	**11,163**	**772,856**	**3,556**	**776,412**
Income / (loss) from continuing operations, net of income tax	**423,380**	**(25,468)**	**128,524**	**23,901**	**6,963**	**557,300**	**77,359**	**634,659**
Segment assets, including goodwill	12,113,175	2,253,124	1,400,030	1,022,413	187,861	16,976,603	(2,912,075)	14,064,528

14 RISKS AND UNCERTAINTIES

(a) Operating environment of the Group

Russian Federation

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

Due to deteriorating economic conditions in the Russian Federation against the background of financial and economic crisis a number of measures have been undertaken by the Government to support financial markets, including investment into domestic financial instruments, support for refinancing of international loans by Russian borrowers, and provision of short-term non-securitized loans to Russian banks.

14 RISKS AND UNCERTAINTIES (continued)

Impact of the ongoing global financial and economic crisis

The ongoing global liquidity and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and higher interbank lending rates and very high volatility in stock and currencies markets. The uncertainty in the global financial market has also led to bank failures and bank rescues in the United States of America, European Union, Russian Federation and other countries.

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

The lower liquidity situation in the fourth quarter 2008 led to a reduction in demand for steel from ultimate customers and had a negative impact on debtors' ability to repay their debts on timely basis. These circumstances were aggregated by the downturn in metal prices and led to an increase in the allowance for doubtful debts (Note 3), increase in provision for obsolescence in inventories and a decline in the value of certain inventories classes to market value (Note 4).

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

(b) Convertibility of Russian ruble

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

(c) Commercial risks

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

The Group's sales outside the Russian Federation in monetary terms for the three months ended March 31, 2009 and March 31, 2008 were 69% and 58% of the total sales, respectively.

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

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

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

15 RELATED PARTY TRANSACTIONS

Related parties relationships are determined with reference to SFAS No. 57, *Related Party Disclosures*. Balances as at March 31, 2009 and December 31, 2008 and transactions for the three months ended March 31, 2009 and March 31, 2008 with related parties of the Group consist of the following:

(a) Sales to and purchases from related parties

Sales

Sales to an associate (SIF S.A.) and its subsidiary were $111,163 and $68,149 for the three months ended March 31, 2009 and March 31, 2008, respectively. Sales to other related parties were $1,893 and $1,372 for the three months ended March 31, 2009 and March 31, 2008, respectively.

Related accounts receivable from associate (SIF S.A.) and its subsidiary equaled $180,798 and $193,875 as at March 31, 2009 and December 31, 2008, respectively. Accounts receivable from other related parties equaled $2,340 and $4,390 as at March 31, 2009 and December 31, 2008, respectively.

Purchases and services

Purchases of raw materials, technological equipment and management services from the companies under common control, were $169 and $886 for the three months ended March 31, 2009 and March 31, 2008, respectively. Purchases of energy from the companies under significant influence of the Group's management (OJSC Lipetsk energy sales company and other companies, which originated from reorganization of OJSC Lipetskenergo), were $560 and $20,391 for the three months ended March 31, 2009 and March 31, 2008, respectively.

Accounts payable to other related parties were $15,736 and $18,154 as at March 31, 2009 and December 31, 2008, respectively.

(b) Financial transactions

In May 2007, the Parent Company issued a loan of 100 million euro to its associate (SIF S.A.) for the purpose of financing the acquisition of its new subsidiary Sharon Coating LLC (former Winner Steel LLC). In November 2008, the loan was increased to 109 million euro. In the first quarter of 2009 the Parent Company issued loans of 72 million euro and 30 million US dollars to its associate (SIF S.A.) and its subsidiary. The carrying amount of the loans, including interest accrued, is $271,351 and $155,648 as at March 31, 2009 and December 31, 2008, respectively.

Deposits and current accounts of the Group companies in banks under significant influence of the Group's management (OJSC Bank Zenit and OJSC Lipetskcombank) amounted to $59,098 and $69,515 as at March 31, 2009 and December 31, 2008, respectively. Related interest income from deposits and current accounts for the three months ended March 31, 2009 and March 31, 2008 amounted to $351 and $4,788, respectively.

The aggregate amount of interest free loans granted to management outstanding as at March 31, 2009 and December 31, 2008 was $118 and $250, respectively.

Agent fees paid to a company under significant influence of the Group's management for services connected with the purchase of shares in subsidiaries during the three months ended March 31, 2009 and March 31, 2008 amounted to nil and $563, respectively.

(c) Common control transfers

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

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

Total contributions to a non-governmental pension fund and charity fund amounted to $785 and $1,342 for the three months ended March 31, 2009 and March 31, 2008, respectively. The Group has the right to appoint and dismiss top management of the non-governmental pension fund as the major contributor to its capital. The Group has no long-term commitments to provide funding, guarantees, or other support to the abovementioned funds.

15 RELATED PARTY TRANSACTIONS (continued)

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

Accounts receivable

Accounts receivable less provision, including accounts receivable from the related parties of OJSC Maxi-Group acquired in a business combination, equaled $5,348 and $7,397 as at March 31, 2009 and December 31, 2008, respectively.

Accounts payable

Accounts payable, including accounts payable from the related parties of OJSC Maxi-Group acquired in a business combination, were $30,212 and $35,959 as at March 31, 2009 and December 31, 2008, respectively.

Financial settlements

Short-term loans issued amount to $2,444 and $2,715 as at March 31, 2009 and December 31, 2008, respectively.

As at March 31, 2009 and December 31, 2008, loans of $27,195 and $50,204, respectively, were collateralized with guarantee letters and other guarantees issued by the related parties of OJSC Maxi-Group.

Short-term and long-term loans received amount to $94 and $446 as at March 31, 2009 and December 31, 2008, respectively.

(f) Outstanding balances with minority shareholder of Maxi-Group

Short-term loans received from the minority shareholder of Maxi-Group amount to $43,076 and $48,463 as at March 31, 2009 and December 31, 2008, respectively.

16 COMMITMENTS AND CONTINGENCIES

(a) Anti-dumping investigations

The Group’s export trading activities are subject to from time to time 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 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 interim condensed consolidated financial statements.

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

16 COMMITMENTS AND CONTINGENCIES (continued)

(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 estimated but could be material. In the current enforcement climate under existing legislation, management believes that the Group has met the Government's federal and regional requirements concerning environmental matters, therefore there are no significant liabilities for environmental damage or remediation.

(d) Insurance

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

(e) Capital commitments

Management estimates the outstanding agreements in connection with equipment supply and construction works amounted to $1,247,971 and $1,510,813 as at March 31, 2009 and December 31, 2008, respectively.

(f) 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.

(g) Tax contingencies

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

As at March 31, 2009, management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these interim condensed consolidated financial statements.

(h) Financial guarantees issued

As at March 31, 2009 and December 31, 2008, the Group has issued guarantees to third parties amounting to $78,522 and $67,058, respectively. No amount has been accrued in these interim condensed consolidated financial statements for the Group's obligation under these guarantees as the projected outflows from such guarantees are immaterial.

17 SUBSEQUENT EVENTS

In April 2009, the Board of Directors of the Parent Company proposed, considering the previously declared interim dividends for the six months ended June 30, 2008 of 2 Russian rubles per share in the total amount of $471,338 (at the historical rate), that no dividends to be declared for the second half of 2008. The final amount of dividends is subject to approval by the Annual General Stockholders' Meeting.