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 SEPTEMBER 30, 2011 AND DECEMBER 31, 2010
AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

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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 September 30, 2011, and the related interim condensed consolidated statements of income, of cash flows, and of stockholders' equity and comprehensive income for each of the nine-month periods ended September 30, 2011 and September 30, 2010. 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 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, 2010, 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 30, 2011, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as at December 31, 2010, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

ZAO PricewaterhouseCoopers Audit

November 14, 2011

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

	Note	As at September 30, 2011	As at December 31, 2010
ASSETS			
Current assets			
Cash and cash equivalents	2	830,031	747,979
Short-term investments	3	58,853	422,643
Accounts receivable and advances given, net	4	1,693,607	1,259,596
Inventories, net	5	2,939,463	1,580,068
Other current assets		69,132	51,994
Deferred income tax assets		53,013	43,069
		5,644,099	**4,105,349**
Non-current assets			
Long-term investments	3	8,523	687,665
Property, plant and equipment, net	6	10,275,196	8,382,478
Intangible assets, net		172,753	181,136
Goodwill		727,928	494,654
Deferred income tax assets		245,177	21,387
Other non-current assets		10,438	26,356
		11,440,015	**9,793,676**
Total assets		**17,084,114**	**13,899,025**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	7	2,098,176	1,107,434
Short-term borrowings	8	1,030,852	525,559
Current income tax payable		33,834	18,803
		3,162,862	**1,651,796**
Non-current liabilities			
Deferred income tax liability		705,250	400,601
Long-term borrowings	8	2,790,963	2,098,863
Other long-term liabilities		353,207	193,951
		3,849,420	**2,693,415**
Total liabilities		**7,012,282**	**4,345,211**
Commitments and contingencies	15	-	-
Stockholders' equity			
NLMK stockholders' equity			
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at September 30, 2011 and December 31, 2010		221,173	221,173
Statutory reserve		10,267	10,267
Additional paid-in capital	9	306,391	98,752
Accumulated other comprehensive loss		(1,390,631)	(916,901)
Retained earnings		10,945,204	10,261,214
		10,092,404	**9,674,505**
Non-controlling interest		**(20,572)**	**(120,691)**
Total stockholders' equity		**10,071,832**	**9,553,814**
Total liabilities and stockholders' equity		**17,084,114**	**13,899,025**

	Note	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
Revenue	12	**8,675,117**	**6,084,636**
Cost of sales			
Production cost		(5,617,718)	(3,457,088)
Depreciation and amortization		(459,988)	(357,160)
		(6,077,706)	**(3,814,248)**
Gross profit		**2,597,411**	**2,270,388**
General and administrative expenses		(365,567)	(202,626)
Selling expenses		(690,591)	(517,319)
Taxes other than income tax		(117,781)	(90,005)
Operating income		**1,423,472**	**1,460,438**
Loss on disposals of property, plant and equipment		(23,234)	(17,919)
Gains / (losses) on investments, net		68,981	(10,384)
Interest income		19,852	34,313
Interest expense		-	(23,871)
Foreign currency exchange gain / (loss), net		44,834	(53,615)
Other income, net		3,948	13,177
Income before income tax		**1,537,853**	**1,402,139**
Income tax expense		(400,047)	(301,517)
Income, net of income tax		**1,137,806**	**1,100,622**
Equity in net earnings / (net losses) of associates	3	54,048	(18,862)
Net income		**1,191,854**	**1,081,760**
Add: Net loss attributable to the non-controlling interest		**12,309**	**24,736**
Net income attributable to NLMK stockholders		**1,204,163**	**1,106,496**
Income per share – basic and diluted:			
Net income attributable to NLMK stockholders per share (US dollars)		0.2009	0.1846
Weighted-average shares outstanding, basic and diluted (in thousands)	10	5,993,227	5,993,227

(thousands of US dollars)

	Note	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		**1,191,854**	**1,081,760**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		459,988	357,160
Loss on disposals of property, plant and equipment		23,234	17,919
(Gains) / losses on investments, net		(68,981)	10,384
Equity in (net earnings) / net losses of associates	3	(54,048)	18,862
Deferred income tax expense		34,284	27,783
Losses / (gains) on unrealized forward contracts		4,819	(3,230)
Other, net		91,913	10,219
Changes in operating assets and liabilities			
Decrease / (increase) in accounts receivable		23,118	(283,986)
Increase in inventories		(489,604)	(438,261)
Decrease / (increase) in other current assets		11,116	(4,309)
Increase in accounts payable and other liabilities		244,176	195,072
Increase in current income tax payable		13,080	17,271
Net cash provided by operating activities		**1,484,949**	**1,006,644**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases and construction of property, plant and equipment		(1,528,985)	(983,324)
Proceeds from sale of property, plant and equipment		15,958	14,693
Purchases of investments and placement of bank deposits		(270,589)	(730,798)
Withdrawal of bank deposits, proceeds from sale of other investments and loans settled		691,308	147,736
Prepayment for acquisition of interests in new subsidiaries net of cash acquired of $112,806	3	(41,751)	-
Net cash used in investing activities		**(1,134,059)**	**(1,551,693)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and notes payable		829,950	819,647
Repayment of borrowings and notes payable		(1,171,552)	(673,877)
Capital lease payments		(29,805)	(36,734)
Proceeds from disposal of assets to the company under common control	9	313,246	-
Dividends to shareholders		(247,286)	(42,965)
Net cash provided by / (used in) financing activities		**(305,447)**	**66,071**
Net increase / (decrease) in cash and cash equivalents		**45,443**	**(478,978)**
Effect of exchange rate changes on cash and cash equivalents		36,609	11,861
Cash and cash equivalents at the beginning of the year	2	747,979	1,247,048
Cash and cash equivalents at the end of the period	2	**830,031**	**779,931**

(thousands of US dollars)

	Note	NLMK stockholders: Common stock	NLMK stockholders: Statutory reserve	NLMK stockholders: Additional paid-in capital	NLMK stockholders: Accumulated other compre-hensive loss	NLMK stockholders: Retained earnings	Non-controlling interest	Compre-hensive income / (loss)	Total stockholders' equity
Balance at December 31, 2009		**221,173**	**10,267**	**112,450**	**(796,756)**	**9,171,068**	**(108,334)**	**-**	**8,609,868**
Comprehensive income:									
Net income / (loss)		-	-	-	-	1,106,496	(24,736)	1,081,760	1,081,760
Other comprehensive income:									
Cumulative translation adjustment		-	-	-	(89,736)	-	4,781	(84,955)	(84,955)
Comprehensive income								996,805	**996,805**
Change in non-controlling interest	11	-	-	(13,698)	-	-	13,698	-	-
Dividends to shareholders	10	-	-	-	-	(164,897)	-	-	(164,897)
Balance at September 30, 2010		**221,173**	**10,267**	**98,752**	**(886,492)**	**10,112,667**	**(114,591)**	**-**	**9,441,776**
Balance at December 31, 2010		**221,173**	**10,267**	**98,752**	**(916,901)**	**10,261,214**	**(120,691)**	**-**	**9,553,814**
Comprehensive income:									
Net income / (loss)		-	-	-	-	1,204,163	(12,309)	1,191,854	1,191,854
Other comprehensive income:									
Cumulative translation adjustment		-	-	-	(473,730)	-	18,862	(454,868)	(454,868)
Comprehensive income								736,986	**736,986**
Disposal of assets to an entity under common control	9	-	-	207,639	-	-	-	-	207,639
Change in non-controlling interest in deconsolidated subsidiaries		-	-	-	-	-	93,566	-	93,566
Dividends to shareholders	10	-	-	-	-	(520,173)	-	-	(520,173)
Balance at September 30, 2011		**221,173**	**10,267**	**306,391**	**(1,390,631)**	**10,945,204**	**(20,572)**	**-**	**10,071,832**

1 BASIS OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARATION

These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Open Joint Stock Company Novolipetsk Steel (the "Parent Company", or "NLMK") and its subsidiaries (together – the "Group") as at and for the year ended December 31, 2010. The December 31, 2010 condensed consolidated balance sheet information has been derived from the audited consolidated financial statements, however, since it is presented on a condensed basis it does not include all disclosures required by accounting principles generally accepted in the United States of America for annual consolidated financial statements.

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

Functional and reporting currency

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

The Central Bank of the Russian Federation's closing rates of exchange as at September 30, 2011, December 31, 2010, September 30, 2010 and December 31, 2009 were 1 US dollar to 31.8751, 30.4769, 30.4030 and 30.2442 Russian rubles, respectively. The period weighted average exchange rates were: 29.2695 and 29.8903 Russian rubles to 1 US dollar for the 1st quarter 2011 and 2010, respectively, 27.9857 and 30.2430 Russian rubles to 1 US dollar, for the 2nd quarter 2011 and 2010, respectively, and 29.0461 and 30.6200 Russian rubles to 1 US dollar, for the 3rd quarter 2011 and 2010, respectively.

Recent accounting pronouncements

In December 2010, the FASB issued ASU 2010-28, *Intangibles – Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* (ASU 2010-28). For the reporting units with zero or negative carrying value, an entity is required to perform the goodwill impairment test if it is more likely than not that a goodwill impairment exists. An entity should consider any adverse qualitative factors indicating that an impairment may exist. The Group adopted ASU 2010-28 from January 1, 2011. The adoption of ASU 2010-28 did not have an impact on the Group's consolidated financial position and results of operations.

In December 2010, the FASB issued ASU 2010-29, *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations* (ASU 2010-29). ASU 2010-29 specifies that an entity should disclose revenue and earnings of the combined entity in comparative period as though the business combination had occurred as of the beginning of the comparable prior annual reporting period. ASU 2010-29 also expands the supplemental pro forma disclosures. The Group adopted ASU 2010-29 for business combinations occurred from January 1, 2011. The adoption of ASU 2010-29 did not have an impact on the Group's consolidated financial position and results of operations.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 modifies the fair value measurement requirements and updates the wording to converge with IFRS. ASU 2011-04 becomes effective for the Group on January 1, 2012. Management is currently evaluating the potential impact of these changes on the Group's consolidated financial position and results of operations.

(thousands of US dollars)

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

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income* (ASU 2011-05). Under these amendments an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. These amendments eliminate the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. ASU 2011-05 becomes effective for the Group on January 1, 2012. The Group believes the adoption of ASU 2011-05 will impact only the presentation of comprehensive income.

In September 2011, the FASB approved ASU 2011-08: *Testing Goodwill for Impairment - Intangibles – Goodwill and Other (Topic 350).* The amendments in ASU 2011-08 will allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under these amendments, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. ASU 2011-08 will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Earlier adoption is permitted. Management is currently evaluating the potential impact of these changes on the Group's consolidated financial position and results of operations.

2 CASH AND CASH EQUIVALENTS

	As at September 30, 2011	As at December 31, 2010
Cash – Russian rubles	85,330	131,555
Cash – US dollars	143,107	117,343
Cash – other currencies	124,708	45,353
Deposits – Russian rubles	277,837	151,426
Deposits – US dollars	97,863	210,743
Deposits – Euros	100,962	91,147
Deposits – other currencies	-	3
Other cash equivalents	224	409
	830,031	**747,979**

3 INVESTMENTS

Balance sheet classification of investments:

	As at September 30, 2011	As at December 31, 2010
Short-term investments and current portion of long-term investments		
Bank deposits	51,954	405,784
Loans	6,431	-
Other	468	16,859
	58,853	**422,643**
Long-term investments		
Loans to related parties (Note 14(b))	-	515,264
Investments in associates	7,758	170,192
Other	765	2,209
	8,523	**687,665**
Total investments	**67,376**	**1,110,308**

(thousands of US dollars)

3 INVESTMENTS (continued)

Investments in associates

	As at September 30, 2011 Ownership	As at December 31, 2010 Ownership	As at September 30, 2011	As at December 31, 2010
Steel Invest & Finance (Luxembourg) S.A.	100.00%	50.00%	-	164,009
TBEA & NLMK (Shenyang) Metal Product Co., Ltd.	50.00%	50.00%	7,758	6,183
			7,758	**170,192**

Acquisition of Steel Invest & Finance (Luxembourg) S.A. shares

In July 2011, the Group exercised its call option to acquire the remaining 50% of SIF S.A. shares from Duferco Group. This acquisition is aimed to enhance the Group's competitive strengths on the global market through the expansion of vertical integration of assets, optimization of a product portfolio and geographic diversification.

The purchase price is $600 million. The first tranche of $150 million was paid on June 30, 2011. The remaining tranches are payable in arrears in three equal annual installments. Management has preliminarily assessed fair value of the purchase consideration for 50% acquired as a result of business combination as $522 million.

Management has preliminarily assessed fair value of 50% shares in SIF S.A. held before the business combination as $269 million. Fair value was based on values of assets and liabilities of SIF S.A. determined by an independent appraiser. A gain of $85 million as a result of remeasuring to fair value the previously held equity interest was recognized and included in the line "Gains / (losses) on investments, net" in the statement of income.

The total purchase consideration, that includes fair value of purchase consideration for 50% acquired as a result of business combination and fair value of previously hold interest amounted to $791 million.

The Group also recognized deferred tax assets on SIF S.A. losses carried forward as of approximately $200 million as the result of this consolidation. Most of these losses are in jurisdictions where there is an indefinite carry-forward period. The management believes these assets could be recovered in the future.

The following table summarizes the preliminary estimated 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 determined by an independent appraiser. The resulting goodwill primarily reflects the control premium paid for the acquisition and future synergies from using SIF S.A. assets for marketing Group metal products in Europe and USA.

Accounts receivable and advances given, net	685,842
Inventories, net	1,128,687
Other current assets	139,680
Intangible assets	11,597
Property, plant and equipment	1,715,287
Deferred tax assets	270,670
Other non-current assets	787
Total assets acquired	**3,952,550**
Accounts payable and other liabilities	(1,130,196)
Other current liabilities	(860,231)
Non-current liabilities	(1,065,347)
Deferred income tax liability	(359,088)
Total liabilities assumed	**(3,414,862)**
Net assets acquired	**537,688**
Purchase consideration	790,802
Goodwill	**253,114**

(thousands of US dollars)

3 INVESTMENTS (continued)

For the period from the date of acquisition to September 30, 2011 SIF S.A. has contributed to the Group revenue and net income of $776,820 and $(149,075), respectively. If the acquisition had occurred on January 1, 2011, the Group's revenue and profit for the nine months ended September 30, 2011 would have been $9,557,377 and $1,171,083, respectively. If the acquisition had occurred on January 1, 2010, the Group's revenue and profit for the nine months ended September 30, 2010 would have been $7,668,831 and $982,613, respectively.

4 ACCOUNTS RECEIVABLE AND ADVANCES GIVEN

	As at September 30, 2011	As at December 31, 2010
Trade accounts receivable	1,110,768	728,153
Advances given to suppliers	144,439	201,745
VAT and other taxes receivable	431,956	416,833
Accounts receivable from employees	5,125	4,035
Other accounts receivable	158,695	148,964
	1,850,983	1,499,730
Allowance for doubtful debts	(157,376)	(240,134)
	1,693,607	**1,259,596**

As at September 30, 2011 and December 31, 2010 accounts receivable of $378,586 and $15,373 served as collateral for certain borrowings (Note 8).

As at September 30, 2011 and December 31, 2010, the Group had other accounts receivable of $4,140 and $88,951, respectively, from companies for which a 100% allowance was recorded. These accounts receivable were mostly acquired by the Group through a business combination in 2007.

5 INVENTORIES

	As at September 30, 2011	As at December 31, 2010
Raw materials	1,285,724	870,160
Work in process	696,025	332,284
Finished goods and goods for resale	1,042,812	445,961
	3,024,561	1,648,405
Provision for obsolescence	(85,098)	(68,337)
	2,939,463	**1,580,068**

As at September 30, 2011 and December 31, 2010, inventories of $425,204 and $27,898, respectively, served as collateral for certain borrowings (Note 8).

(thousands of US dollars)

6 PROPERTY, PLANT AND EQUIPMENT

	As at September 30, 2011	As at December 31, 2010
Land	191,300	154,225
Mineral rights	511,013	534,445
Buildings	1,829,590	1,532,788
Land and buildings improvements	1,283,436	1,322,321
Machinery and equipment	7,996,818	6,150,022
Vehicles	323,689	364,107
Construction in progress and advances for construction and acquisition of property, plant and equipment	4,343,214	3,519,758
Leased assets	101,476	372,405
Other	154,146	72,168
	16,734,682	14,022,239
Accumulated depreciation	(6,459,486)	(5,639,761)
	10,275,196	**8,382,478**

As at September 30, 2011 and December 31, 2010, property, plant and equipment of $511,968 and $19,654 (net book value), respectively, served as collateral for certain borrowings (Note 8).

The amounts of interest capitalized are $114,402 and $101,246 for the nine months ended September 30, 2011 and September 30, 2010, respectively.

7 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	As at September 30, 2011	As at December 31, 2010
Trade accounts payable	963,480	466,988
Advances received	157,213	199,407
Taxes payable other than income tax	151,207	120,287
Accounts payable and accrued liabilities to employees	199,876	149,827
Dividends payable	265,694	2,102
Short-term capital lease liability	13,976	38,430
Other accounts payable	346,730	130,393
	2,098,176	**1,107,434**

(thousands of US dollars)

8 SHORT-TERM AND LONG-TERM BORROWINGS

	As at September 30, 2011	As at December 31, 2010
Parent Company		
Loans, EURO denominated, with interest rates from EURIBOR (6 m) +1.5% to EURIBOR (3 m) +3.5% per annum, mature 2011-2019	786,841	582,192
Loan, RUR denominated, with interest rate 6.55% per annum, mature 2011	156,919	-
Bonds, RUR denominated, with interest rates from 7.75% to 10.75% per annum, mature 2012-2013	804,588	835,059
Loans, US$ denominated, with interest rates from LIBOR +1.2% to 3.86% per annum, mature 2011-2013	778,300	1,104,707
SIF		
Loan, US$ denominated, with interest rates from LIBOR to LIBOR +2.75% per annum	125,050	-
Loan, EURO denominated, with interest rates from EURIBOR +0.5% to 4.34% per annum	1,036,194	-
Other companies		
Loan, RUR denominated, with interest rate 10% per annum	30,513	29,019
Loan, US$ denominated, with interest rate 5.25% per annum	19,570	28,819
Loans, EURO denominated, with interest rates from EURIBOR (6 m) +0.9% to 8% per annum	68,424	26,495
Other borrowings	15,416	18,131
	3,821,815	**2,624,422**
Less: short-term loans and current maturities of long-term loans	(1,030,852)	(525,559)
Long-term borrowings	**2,790,963**	**2,098,863**

The Group's long-term borrowings as at September 30, 2011 mature between 2 to 9 years.

Major terms of loan agreements

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

9 DISPOSAL OF ASSETS

In June 2011, the Parent Company has completed disposal of 100% of its interest in NTK LLC and its subsidiaries (hereinafter, NTK) to an entity under common control for a cash consideration of $325 million (as at the date of payment). An after-tax gain on this transaction of $207,639 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 nine months ended September 30, 2011.

The carrying amounts of the major classes of assets and liabilities of NTK as at the date of disposal are as follows:

Current assets	105,861
Non-current assets	264,069
Total assets	**369,930**
Current liabilities	(131,281)
Non-current liabilities	(181,350)
Total liabilities	**(312,631)**
Net assets	**57,299**

Information on NTK's transactions up to the date of disposal is as follows:

Sales revenue	243,685
Net income	31,346

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 Strategic Planning Committee in April 2010, the interest in NTK was classified as a non-core asset.

The Group continues using the transportation services provided by NTK after the disposal. Accordingly, operations of NTK in these interim condensed consolidated financial statements are reflected within continuing operations of the Group within the steel segment.

10 EARNINGS PER SHARE

	For the nine months ended September 30, 2011	**For the nine months ended September 30, 2010**
Weighted average number of shares	5,993,227,240	5,993,227,240
Net income (thousands of US dollars)	1,204,163	1,106,496
Basic and diluted net income per share (US dollars)	**0.2009**	**0.1846**

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

In September 2011, the Parent Company declared dividends for the six months ended June 30, 2011 of 1.4 Russian rubles per share for the total of $263,704 (at the historical rate).

10 EARNINGS PER SHARE (continued)

In June 2011, the Parent Company declared dividends for the year ended December 31, 2010 of 1.82 Russian rubles per share for the total of $378,687, including interim dividends for the six months ended June 30, 2010 of 0.62 Russian ruble per share for the total of $122,218 (at the historical rate).

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

Dividends payable amounted to $265,694 and $2,102 as at September 30, 2011 and December 31, 2010, respectively.

11 CHANGES IN NON-CONTROLLING INTERESTS IN COMPANIES OF LONG PRODUCTS SEGMENT

In May 2010, the Parent Company acquired for $20,246 an interest of 100% in a company included in the long products segment. As a result of this transaction between Group companies, there was an increase of non-controlling interest by $13,698 with a corresponding decrease in the additional paid-in capital.

In accordance with the Russian legislation concerning pledges and pledge contracts terms, the auction was conducted by an independent organizer in order to discharge OJSC Maxi-Group subsidiaries' pledge obligations under its loans taken prior to the date of acquisition. The auction's starting price was determined by an independent appraiser.

In August 2011 the Moscow Arbitrage Court ruled to recognize OAO Maxi-Group as a bankrupt and appointed temporary management for six months in accordance with Russian bankruptcy law. Management of the Group concluded that this bankruptcy procedure resulted in the loss of control and therefore deconsolidated Maxi Group from the date of the court decision. Deconsolidation resulted in a loss of $18,156, included in "Gains / (losses) from investments, net" line in these interim condensed consolidated financial statements. Deconsolidation of Maxi-Group resulted in derecognition of minority deficit of $149,194.

12 SEGMENT INFORMATION

Starting from July 2011 the Group changed the composition and the presentation of its reportable segments as a result of a change in the Group's structure (Note 3) and internal organization. Comparative financial information has been adjusted to conform to the presentation of current period amounts.

The Group has four reportable business segments: steel, foreign rolled products, long products and mining. Results of the production of coke and coke-chemical products are now presented within the steel segment in these interim condensed consolidated financial statements. These segments are combinations of subsidiaries, have separate management teams and offer different products and services. The above four segments meet the criteria for reportable segments. Subsidiaries are consolidated by the segment to which they belong based on their products and management.

Revenue from segments that does not exceed the quantitative thresholds is primarily attributable to two operating segments of the Group. These segments include insurance and other services. None of these segments has met any of the quantitative thresholds for determining a reportable segment. The amount of investments in equity method investee and equity in net losses of associates are included in the steel segment (Note 3).

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

(thousands of US dollars)

12 SEGMENT INFORMATION (continued)

Segmental information for the nine months ended September 30, 2011 and their assets as at September 30, 2011 is as follows:

	Steel	Long products	Mining	Foreign rolled products	All other	Totals	Inter-segmental operations and balances	Consolidated
Revenue from external customers	6,156,675	894,807	147,758	1,475,179	698	8,675,117	-	8,675,117
Intersegment revenue	653,909	514,211	931,007	196	-	2,099,323	(2,099,323)	-
Gross profit / (loss)	**1,729,889**	**179,186**	**808,672**	**(37,658)**	**266**	**2,680,355**	**(82,944)**	**2,597,411**
Operating income / (loss)	**918,352**	**10,030**	**746,266**	**(174,716)**	**(780)**	**1,499,152**	**(75,680)**	**1,423,472**
Income / (loss), net of income tax	**953,069**	**(153,013)**	**662,140**	**(171,478)**	**(145)**	**1,290,573**	**(152,767)**	**1,137,806**
Segment assets, including goodwill	13,034,682	2,518,311	1,751,232	4,423,400	47,712	21,775,337	(4,691,223)	17,084,114

Segmental information for the nine months ended September 30, 2010 and their assets as at December 31, 2010 is as follows:

	Steel	Long products	Mining	Foreign rolled products	All other	Totals	Inter-segmental operations and balances	Consolidated
Revenue from external customers	4,868,685	629,061	60,540	525,489	862	6,084,636	-	6,084,636
Intersegment revenue	270,095	371,964	605,038	-	17	1,247,114	(1,247,114)	-
Gross profit	**1,695,538**	**154,424**	**432,901**	**14,893**	**295**	**2,298,051**	**(27,663)**	**2,270,388**
Operating income / (loss)	**1,082,529**	**30,841**	**388,697**	**(13,511)**	**(598)**	**1,487,958**	**(27,520)**	**1,460,438**
Income / (loss), net of income tax	**1,105,295**	**(131,187)**	**308,643**	**(31,786)**	**1,343**	**1,252,308**	**(151,686)**	**1,100,622**
Segment assets, including goodwill	12,582,911	2,276,364	1,195,472	652,647	43,092	16,750,486	(2,851,461)	13,899,025

13 RISKS AND UNCERTAINTIES

(a) Operating environment of the Group

The Russian Federation’s economy continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that in practice is not freely convertible in most countries outside the Russian Federation and relatively high inflation.

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

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

(b) 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 nine months ended September 30, 2011 and September 30, 2010 were 60% and 62% 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.

14 RELATED PARTY TRANSACTIONS

Related parties relationships are determined with reference to ASC No. 850. Balances as at September 30, 2011 and December 31, 2010 and transactions for the nine months ended September 30, 2011 and September 30, 2010 with related parties of the Group consist of the following:

(a) Sales to and purchases from related parties

Sales

Sales to an associate (SIF S.A.) and one of its subsidiaries were $726,627 and $584,927 for the nine months ended September 30, 2011 and September 30, 2010, respectively. Sales to other related parties were $9,889 and $8,761 for the nine months ended September 30, 2011 and September 30, 2010, respectively.

Related accounts receivable from associate (SIF S.A.) and its subsidiary equaled $215,649 as at December 31, 2010. Accounts receivable from other related parties equaled $14,277 and $5,559 as at September 30, 2011 and December 31, 2010 respectively.

Purchases and services

Purchases from subsidiary of an associate (SIF S.A.) were $978 and nil for the nine months ended September 30, 2011 and September 30, 2010, respectively. Purchases from the companies under common control were $264,975 and $15,746 for the nine months ended September 30, 2011 and September 30, 2010, respectively.

Accounts payable to subsidiary of an associate (SIF S.A.) were $7,500 as at December 31, 2010. Accounts payable to the related parties were $394 and $72,072 as at September 30, 2011 and December 31, 2010, respectively.

14 RELATED PARTY TRANSACTIONS (continued)

(b) Financial transactions

The carrying amount of loans issued to SIF S.A. and its subsidiary, including interest accrued, is $515,264 as at December 31, 2010.

As at December 31, 2010, the Group issued guarantees for SIF S.A. and its subsidiaries amounting to $217,496. These guarantees were mostly issued in favor of banks.

Deposits and current accounts of the Group companies in banks under significant influence of the Group's controlling shareholder (OJSC Bank ZENIT and OJSC Lipetskcombank) amounted to $91,387 and $94,147 as at September 30, 2011 and December 31, 2010, respectively. Related interest income from these deposits and current accounts for the nine months ended September 30, 2011 and September 30, 2010 amounted to $776 and $985, respectively.

During the nine months ended September 30, 2010, the company under significant influence of the Group's controlling shareholder (OJSC Bank ZENIT) purchased bonds issued by the Parent Company of $11,731 (as at the date of issue).

15 COMMITMENTS AND CONTINGENCIES

(a) Anti-dumping investigations

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

(b) Litigation

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

In January 2010, the Parent Company received a claim from the non-controlling shareholder of OJSC Maxi-Group filed with the International Commercial Arbitration Court at the Russian Federation Chamber of Commerce and Industry (hereinafter, ICA Court) to enforce the additional payment by the Parent Company for the shares of OJSC Maxi-Group in accordance with the binding agreement. This claim is based on the non-controlling shareholder's interpretation of the binding agreement. In February 2010, as a result of due diligence of Maxi-Group entities, the Parent Company filed a counter-claim to ICA Court seeking collection from the non-controlling shareholder of OJSC Maxi-Group of excessively paid amounts for the acquired shares.

In March 2011, the ICA Court partially (in the amount of about $300 million, at the exchange rate as of September 30, 2011) satisfied the claims of the Maxi-Group's non-controlling shareholder against the Parent Company. After this decision the non-controlling shareholder initiated court cases in certain European courts to enforce payment of this claim. In April 2011, the Group's management initiated proceedings to challenge the resolution of the ICA Court, sending an application to the Arbitration Court of Moscow (the court of the first instance). In June 2011 the Arbitration Court of Moscow cancelled the respective resolution of the ICA Court. In August 2011, the Federal Arbitration Court of the Moscow Circuit initiated proceedings regarding cassation appeal filed by the non-controlling shareholder of OJSC Maxi-Group on revocation of the ICA Court decision. In September 2011 Federal Arbitrage Court of Moscow region adjudicated not to change the June decision of the Arbitration Court of Moscow. In November 2011 the Supreme Commercial Court of the Russian Federation registered a claim from the non-controlling shareholder of OJSC Maxi-Group for a supervisory review of the judicial acts of the corresponding courts. Management believes that it is less than probable that the Group will have to pay a material amount as a result of this claim, and therefore no adjustments in relation to this claim were made in these interim condensed consolidated financial statements.

15 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

The outstanding agreements in connection with equipment supply and construction works amounted to $1,178,397 and $1,973,043 as at September 30, 2011 and December 31, 2010, 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 September 30, 2011, 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 September 30, 2011 and December 31, 2010, the Group has issued guarantees amounting to nil and $218,553, respectively, which equals to their maximum potential amount of future payments. Most of these guarantees were issued for related parties (Note 14(b)). No amount has been accrued in these interim condensed consolidated financial statements for the Group's obligation under these guarantees as the projected outflows from such guarantees are immaterial.

16 SUBSEQUENT EVENTS

In October 2011 Board of Directors of the Parent Company approved a decision to issue bonds with a total value of 50 billion Russian rubles and a maturity period of 10 years.

In November 2011 the Parent Company closed the order book for issuing bonds with a nominal value of 1,000 Russian rubles per each bond (total value of 10 billion Russian rubles), with a maturity period of 1092 days and a coupon rate of 8.95% per annum.

The Group's management has performed an evaluation of subsequent events through the period from October 1, 2011 to November 14, 2011, which is the date when these interim condensed consolidated financial statements were available to be issued.