

OAO Severstal and subsidiaries

Consolidated interim condensed financial statements
for the six months ended June 30, 2013 and 2012

OAO Severstal and subsidiaries

Consolidated interim condensed financial statements for the six months ended June 30, 2013 and 2012

Contents

	<u>Page</u>
Auditors' Report	1
Consolidated interim condensed income statements	3
Consolidated interim condensed statements of comprehensive income	4
Consolidated interim condensed statements of financial position	5
Consolidated interim condensed statements of cash flows	6
Consolidated interim condensed statements of changes in equity	7
Notes to the consolidated interim condensed financial statements	8 – 17
1. Accounting policies and estimates	8
2. Discontinued operations	11
3. Revenue	12
4. Finance costs	13
5. Related party transactions	13
6. Related party balances	14
7. Debt finance	15
8. Acquisitions and disposal	15
9. Segment information	16
10. Capital commitments	17
11. Dividends	17



ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Auditors' Report on Review of Consolidated Interim Condensed Financial Statements

Board of Directors

ОАО Severstal

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OAO Severstal (the "Company") and its subsidiaries (the "Group") as at 30 June 2013, the related consolidated interim condensed income statements and consolidated interim condensed statements of comprehensive income for the three- and six-month periods ended 30 June 2013 and 2012, the related consolidated interim condensed statements of changes in equity and cash flows for the six-month periods ended 30 June 2013 and 2012, and notes to the consolidated interim condensed financial statements (the "consolidated interim condensed financial statements"). Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

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

Audited entity: OAO Severstal

Registered by decree #1150 of Cherepovets' council on 24 September 1993.

Registered in the Unified State Register of Legal Entities on 31 July 2002 by the Vologda regional Tax Inspectorate of Ministry for Taxes and Duties of Russian Federation for Cherepovets, Registration No. 1023501236901, Certificate series 35 No. 000782100.

30, Mira Street, Cherepovets, Vologodskaya oblast, Russia, 162608

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial statements as at 30 June 2013 and for the three- and six-month periods ended 30 June 2013 and 2012 are not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Mr. Altukhov K.V.

Director, power of attorney dated 1 October 2010 No. 24/10

ZAO KPMG

28 August 2013

Moscow, Russian Federation

OAO Severstal and subsidiaries

Consolidated interim condensed income statements Six months ended June 30, 2013 and 2012

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

	Note	Six months ended June 30,		Three months ended June 30,	
		2013 (unaudited)	2012 (unaudited)*	2013 (unaudited)	2012 (unaudited)*
Revenue					
Revenue - third parties		6,661,243	7,286,795	3,375,911	3,664,133
Revenue - related parties	5	74,400	109,847	37,689	53,722
	3	6,735,643	7,396,642	3,413,600	3,717,855
Cost of sales		(5,303,217)	(5,552,204)	(2,678,540)	(2,736,553)
Gross profit		1,432,426	1,844,438	735,060	981,302
General and administrative expenses		(356,915)	(338,819)	(173,364)	(174,432)
Distribution expenses		(496,619)	(577,617)	(244,867)	(286,939)
Other taxes and contributions		(76,634)	(66,142)	(37,179)	(29,589)
Share of associates' and joint ventures' (loss)/profit		(9,118)	9,095	(6,780)	3,314
(Loss)/profit on disposal of property, plant and equipment and intangible assets		(2,554)	(14,095)	3,900	(8,751)
Net other operating income		9,528	15,561	1,466	152
Profit from operations		500,114	872,421	278,236	485,057
Impairment of non-current assets		(4,949)	(13,669)	(4,830)	(570)
Net other non-operating expenses		(42,576)	(39,295)	(22,737)	(24,454)
Profit before financing and taxation		452,589	819,457	250,669	460,033
Finance costs	4	(189,449)	(191,347)	(96,670)	(93,982)
Foreign exchange differences		(241,311)	(21,022)	(226,493)	(143,086)
Profit/(loss) before income tax		21,829	607,088	(72,494)	222,965
Income tax (expense)/benefit		(17,626)	(125,085)	26,970	(49,260)
Profit/(loss) from continuing operations		4,203	482,003	(45,524)	173,705
Profit/(loss) from discontinued operations	2	-	147,038	-	(6,759)
Profit/(loss) for the period		4,203	629,041	(45,524)	166,946
Attributable to:					
shareholders of OAO Severstal		(163)	582,124	(44,623)	155,124
non-controlling interests		4,366	46,917	(901)	11,822
Basic weighted average number of shares outstanding during the period (millions of shares)		810.6	869.4	810.6	812.3
Basic earnings/(loss) per share (US dollars)		-	0.67	(0.06)	0.19
Basic earnings/(loss) per share - continuing operations (US dollars)		-	0.52	(0.06)	0.20
Basic earnings/(loss) per share - discontinued operations (US dollars)		-	0.15	-	(0.01)
Diluted weighted average number of shares outstanding during the period (millions of shares)		835.5	869.4	835.5	812.3
Diluted earnings/(loss) per share (US dollars)		-	0.67	(0.06)	0.19
Diluted earnings/(loss) per share - continuing operations (US dollars)		-	0.52	(0.06)	0.20
Diluted earnings/(loss) per share - discontinued operations (US dollars)		-	0.15	-	(0.01)

* These amounts reflect adjustments made in connection with the change in presentation described in Note 1 of these consolidated interim condensed financial statements.

These consolidated interim condensed financial statements were approved by the Board of Directors on August 28, 2013.

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

OAO Severstal and subsidiaries

Consolidated interim condensed statements of comprehensive income

Six months ended June 30, 2013 and 2012

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

	Six months ended June 30,		Three months ended June 30,	
	2013 (unaudited)	2012 (unaudited)	2013 (unaudited)	2012 (unaudited)
Profit/(loss) for the period	4,203	629,041	(45,524)	166,946
Other comprehensive loss:				
Items that will not be reclassified to profit or loss				
Actuarial losses	(8,477)	(5,104)	(47)	(5,116)
Foreign exchange differences	(226,226)	(67,458)	(156,279)	(617,749)
Total items that will not be reclassified to profit or loss	(234,703)	(72,562)	(156,326)	(622,865)
Items that may be reclassified subsequently to profit or loss				
Foreign exchange differences	(22,086)	24,349	41,199	21,760
Changes in fair value of cash flow hedges	(2,965)	1,027	-	286
Deferred tax on changes in fair value of cash flow hedges	422	-	-	-
Changes in fair value of available-for-sale financial assets	(569)	4,887	363	(752)
Deferred tax on changes in fair value of available-for-sale financial assets	467	150	(72)	183
Total items that may be reclassified subsequently to profit or loss	(24,731)	30,413	41,490	21,477
Items that were reclassified to profit or loss				
Realised gains on disposal of available-for-sale financial assets	(1,756)	-	-	-
Reclassification of the Gold segment's reserves to profit/(loss) from discontinued operations (Note 2)	-	(76,089)	-	-
Total items that were reclassified to profit or loss	(1,756)	(76,089)	-	-
Other comprehensive loss for the period, net of tax	(261,190)	(118,238)	(114,836)	(601,388)
Total comprehensive (loss)/income for the period	(256,987)	510,803	(160,360)	(434,442)
Attributable to:				
shareholders of OAO Severstal	(259,328)	454,866	(159,218)	(430,353)
non-controlling interests	2,341	55,937	(1,142)	(4,089)

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

OAO Severstal and subsidiaries

Consolidated interim condensed statements of financial position June 30, 2013 and December 31, 2012

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

	Note	June 30, 2013 (unaudited)	December 31, 2012
Assets			
Current assets:			
Cash and cash equivalents		1,494,060	1,726,275
Short-term financial investments		44,959	23,778
Trade accounts receivable		1,335,537	1,040,567
Accounts receivable from related parties	6	17,362	15,468
Inventories		1,881,913	2,352,898
VAT recoverable		159,236	214,419
Income tax recoverable		36,193	21,169
Other current assets		224,157	302,120
Total current assets		5,193,417	5,696,694
Non-current assets:			
Long-term financial investments		84,105	108,060
Investments in associates and joint ventures		304,562	316,503
Property, plant and equipment		8,189,265	8,462,711
Intangible assets		832,583	820,935
Restricted financial assets		36,319	32,970
Deferred tax assets		88,229	100,796
Other non-current assets		166,368	168,546
Total non-current assets		9,701,431	10,010,521
Total assets		14,894,848	15,707,215
Liabilities and shareholders' equity			
Current liabilities:			
Trade accounts payable		1,028,177	1,057,621
Accounts payable to related parties	6	28,908	36,234
Short-term debt finance	7	1,196,498	1,382,128
Income taxes payable		21,703	16,604
Other taxes and social security payable		165,961	152,590
Dividends payable		12,173	86,538
Other current liabilities		486,101	637,947
Total current liabilities		2,939,521	3,369,662
Non-current liabilities:			
Long-term debt finance	7	4,257,616	4,327,412
Deferred tax liabilities		334,637	338,078
Retirement benefit liabilities		198,086	201,552
Other non-current liabilities		266,446	255,268
Total non-current liabilities		5,056,785	5,122,310
Equity:			
Share capital		2,752,728	2,752,728
Treasury shares		(235,657)	(235,657)
Additional capital		315,922	315,922
Foreign exchange differences		(657,945)	(411,658)
Retained earnings		4,708,213	4,767,325
Other reserves		1,399	5,800
Total equity attributable to shareholders of OAO Severstal		6,884,660	7,194,460
Non-controlling interests		13,882	20,783
Total equity		6,898,542	7,215,243
Total equity and liabilities		14,894,848	15,707,215

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

OAO Severstal and subsidiaries

Consolidated interim condensed statements of cash flows Six months ended June 30, 2013 and 2012

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

	Six months ended June 30,	
	2013 (unaudited)	2012 (unaudited)*
Operating activities:		
Profit before financing and taxation	452,589	819,457
Adjustments to reconcile profit to cash generated from operations:		
Depreciation and amortization	392,932	347,364
Impairment of non-current assets	4,949	13,669
Movements in provision for inventories, receivables and other provisions	(2,937)	71,548
Loss on disposal of property, plant and equipment and intangible assets	2,554	14,095
Loss/(gain) on disposal of subsidiaries and associates	1,451	(8,090)
Share of associates' and joint ventures' results less dividends from associates and joint ventures	11,556	(9,095)
Changes in operating assets and liabilities:		
Trade accounts receivable	(358,890)	(57,683)
Amounts receivable from related parties	(2,263)	328
VAT recoverable	47,994	(57,524)
Inventories	381,312	200,734
Trade accounts payable	21,048	(155,097)
Amounts payable to related parties	(7,676)	7,125
Other taxes and social security payable	29,137	25,063
Other non-current liabilities	(17,316)	(8,814)
Net other changes in operating assets and liabilities	(79,113)	(48,304)
Cash generated from operations	877,327	1,154,776
Interest paid	(202,856)	(218,990)
Income tax paid	(9,519)	(106,365)
Net cash from operating activities - continuing operations	664,952	829,421
Net cash used in operating activities - discontinued operations	-	(8,253)
Net cash from operating activities	664,952	821,168
Investing activities:		
Additions to property, plant and equipment	(520,109)	(603,779)
Additions to intangible assets	(41,839)	(45,449)
Additions to financial investments and associates	(24,392)	(30,008)
Proceeds from disposal of subsidiary	3,628	-
Proceeds from disposal of property, plant and equipment	11,803	757
Proceeds from disposal of financial investments	13,525	342,076
Interest received	17,306	74,825
Dividends received	720	4,191
Cash used in investing activities - continuing operations	(539,358)	(257,387)
Cash used in investing activities - discontinued operations	-	(42,518)
Cash used in investing activities	(539,358)	(299,905)
Financing activities:		
Proceeds from debt finance	1,481,782	656,103
Repayment of debt finance	(1,684,745)	(901,672)
Repayments under lease obligations	(1,848)	(2,759)
Dividends paid	(132,662)	(107,840)
Repurchase of issued shares	-	(10,847)
Acquisitions of non-controlling interests	(1,412)	(72,936)
Cash used in financing activities	(338,885)	(439,951)
Effect of exchange rates on cash and cash equivalents	(18,924)	(44,134)
Net (decrease)/increase in cash and cash equivalents	(232,215)	37,178
Less change in cash and cash equivalents of discontinued operations	-	42,168
Cash and cash equivalents at beginning of the period	1,726,275	1,863,538
Cash and cash equivalents at end of the period	1,494,060	1,942,884

* These amounts reflect adjustments made in connection with the change in presentation described in Note 1 of these consolidated interim condensed financial statements.

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

OAO Severstal and subsidiaries

Consolidated interim condensed statements of changes in equity Six months ended June 30, 2013 and 2012

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

	Attributable to shareholders of OAO Severstal						Non- controlling interests	Total	
	Share capital	Treasury shares	Additional capital	Foreign exchange differences	Retained earnings	Other reserves	Total		
Balances at December 31, 2011	3,311,288	(1,586,293)	1,165,530	(642,228)	4,386,461	44,738	6,679,496	387,827	7,067,323
Profit for the period (unaudited)	-	-	-	-	582,124	-	582,124	46,917	629,041
Foreign exchange differences (unaudited)	-	-	-	(52,281)	-	-	(52,281)	9,172	(43,109)
Other comprehensive loss (unaudited)	-	-	-	(31,130)	(4,952)	(39,045)	(75,127)	(152)	(75,279)
Deferred tax on other comprehensive loss (unaudited)	-	-	-	-	-	150	150	-	150
Total comprehensive (loss)/income for the period (unaudited)	-	-	-	(83,411)	577,172	(38,895)	454,866	55,937	510,803
Repurchase of issued shares (unaudited)	-	(13,324)	-	-	-	-	(13,324)	-	(13,324)
Dividends (unaudited)	-	-	-	-	(189,754)	-	(189,754)	-	(189,754)
Gold segment separation (unaudited) (Note 2)	-	(103,849)	-	-	-	-	(103,849)	(274,892)	(378,741)
Effect of acquisitions without a change in control (unaudited)	-	-	-	-	(86,877)	-	(86,877)	(50,442)	(137,319)
Balances at June 30, 2012 (unaudited)	<u>3,311,288</u>	<u>(1,703,466)</u>	<u>1,165,530</u>	<u>(725,639)</u>	<u>4,687,002</u>	<u>5,843</u>	<u>6,740,558</u>	<u>118,430</u>	<u>6,858,988</u>
Balances at December 31, 2012	2,752,728	(235,657)	315,922	(411,658)	4,767,325	5,800	7,194,460	20,783	7,215,243
(Loss)/profit for the period (unaudited)	-	-	-	-	(163)	-	(163)	4,366	4,203
Foreign exchange differences (unaudited)	-	-	-	(246,287)	-	-	(246,287)	(2,025)	(248,312)
Other comprehensive loss (unaudited)	-	-	-	-	(8,477)	(5,290)	(13,767)	-	(13,767)
Deferred tax on other comprehensive loss (unaudited)	-	-	-	-	-	889	889	-	889
Total comprehensive (loss)/income for the period (unaudited)	-	-	-	(246,287)	(8,640)	(4,401)	(259,328)	2,341	(256,987)
Dividends (unaudited)	-	-	-	-	(58,269)	-	(58,269)	-	(58,269)
Effect of acquisitions and disposals without a change in control (unaudited)	-	-	-	-	7,797	-	7,797	(9,242)	(1,445)
Balances at June 30, 2013 (unaudited)	<u>2,752,728</u>	<u>(235,657)</u>	<u>315,922</u>	<u>(657,945)</u>	<u>4,708,213</u>	<u>1,399</u>	<u>6,884,660</u>	<u>13,882</u>	<u>6,898,542</u>

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

OAo Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Six months ended June 30, 2013 and 2012

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

1. Accounting policies and estimates

These consolidated interim condensed financial statements of OAO Severstal and subsidiaries ('the Group') have been prepared in accordance with International Financial Reporting Standards ('IFRS'), IAS 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board. The Group additionally prepared IFRS consolidated interim condensed financial statements presented in Russian rubles and in the Russian language in accordance with the Federal Law No. 208-FZ *On consolidated financial reporting*.

Adoption new and amended IFRS

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended December 31, 2012, except that the Group has adopted those new and amended standards that are mandatory for financial annual periods beginning on January 1, 2013.

<u>Standards</u>	<u>Effective for annual periods beginning on or after</u>
IAS 1 (Amended) "Presentation of Financial Statements"	July 1, 2012, January 1, 2013
IAS 16 (Amended) "Property, Plant and Equipment"	January 1, 2013
IAS 27 (Amended) "Separate Financial Statements"	January 1, 2013
IAS 28 (Amended) "Investments in Associates and Joint ventures"	January 1, 2013
IAS 32 (Amended) "Financial Instruments: Presentation"	January 1, 2013
IAS 34 (Amended) "Interim Financial Reporting"	January 1, 2013
IFRS 1 (Amended) "First-time Adoption of International Financial Reporting Standards"	January 1, 2013
IFRS 7 (Amended) "Financial Instruments: Disclosure"	January 1, 2013
IFRS 10 (Amended) "Consolidated Financial Statements"	January 1, 2013
IFRS 11 (Amended) "Joint Arrangements"	January 1, 2013
IFRS 12 (Amended) "Disclosure of Interests in Other Entities"	January 1, 2013
IFRS 13 "Fair Value Measurement"	January 1, 2013

Amended IAS 1 *Presentation of Financial Statements* requires a separate presentation of items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Items that will not be reclassified to profit or loss mainly include foreign exchange differences of the Group's entities where functional currency is the Russian ruble. The amendment was applied retrospectively by re-presenting the comparative information.

Amended IAS 16 *Property, Plant and Equipment* clarifies the recognition of spare parts, stand-by equipment and servicing equipment either as property, plant and equipment, when they meet the definition of property, plant and equipment, or as inventory. Amended IAS 16 did not have a significant effect on the Group's consolidated interim condensed financial statements.

Amended IAS 32 *Financial Instruments: Presentation* clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with IAS 12 *Income Taxes*. Amended IAS 32 did not have a significant effect on the Group's consolidated interim condensed financial statement.

Amended IAS 34 *Interim Financial Reporting* requires a separate presentation of total assets and liabilities for a particular reportable segment if such amounts are regularly provided to the Group's management and if there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendment was applied retrospectively by re-presenting the comparative information.

OA0 Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements

Six months ended June 30, 2013 and 2012

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

Amended IFRS 1 *First-time Adoption of International Financial Reporting Standards* introduces how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. The amendments mirror the requirements for existing IFRS preparers in relation to the application of amendments made to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* in relation to accounting for government loans. Amended IFRS 1 did not have effect on the Group's consolidated interim condensed financial statements, since the Group is not a first-time adopter of IFRS.

Amended IFRS 7 *Financial Instruments: Disclosures* provides minimum disclosure requirements related to financial assets and financial liabilities, set off in the statement of financial position or a subject to enforceable master netting arrangements or similar agreements. The amendments requires disclosure of tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position. Amended IFRS 7 did not have a significant effect on the Group's consolidated interim condensed financial statements.

Amended IFRS 10 *Consolidated Financial Statements* provides a single control model and replaces the parts of the previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements. IFRS 10 changes the definition of control such that an investor controls an investee if and only if the investor has the power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. Amended IFRS 10 did not have a significant effect on the Group's consolidated interim condensed financial statements.

Amended IFRS 11 *Joint Arrangements* supersedes IAS 31 *Interests in Joint Ventures* and provides the definition of joint arrangements as an arrangement over which there is joint control. IFRS classifies joint arrangements into two types: joint operations whereby the parties with joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement and joint ventures whereby the parties with joint control have rights to the net assets of the arrangement. IFRS 11 removes the option to account for joint ventures using proportionate consolidation; the equity method is applied in accordance with IAS 28 *Investments in Associates and Joint Ventures*. Amended IFRS 11 was applied retrospectively.

Amended IFRS 12 *Disclosures of Interests in Other Entities* requires extended disclosures for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Amended IFRS 12 did not have a significant effect on the Group's consolidated interim condensed financial statements.

IFRS 13 *Fair Value Measurement* establishes a single source of guidance under IFRS and provides a revised definition of fair value, sets out a framework for measuring fair value and requires expanded disclosures about fair value measurements. IFRS 13 did not have a significant effect on the Group's consolidated interim condensed financial statements.

New accounting pronouncements

A number of new Standards, amendments to Standards and Interpretations were not yet effective for the six months ended June 30, 2013, and have not been applied in these consolidated interim condensed financial statements.

OAO Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Six months ended June 30, 2013 and 2012

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

Standards and Interpretations	Effective for annual periods beginning on or after
IAS 27 (Amended) "Separate Financial Statements"	January 1, 2014
IAS 32 (Amended) "Financial Instruments: Presentation"	January 1, 2014
IAS 36 (Amended) "Impairment of assets"	January 1, 2014
IAS 39 (Amended) "Financial Instruments: Recognition and Measurement"	January 1, 2014
IFRS 7 (Amended) "Financial Instruments: Disclosure"	January 1, 2015
IFRS 9 (Amended) "Financial Instruments"	January 1, 2015
IFRS 10 (Amended) "Consolidated Financial Statements"	January 1, 2014
IFRS 12 (Amended) "Disclosure of Interests in Other Entities"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

The adoption of the pronouncements listed above is not expected to have a significant impact on the Group's consolidated financial statements in future periods except for those discussed below.

IFRS 9 *Financial Instruments* becomes effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in several phases and is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement*. Amended IFRS 7 *Financial Instruments: Disclosure* requires additional disclosure on transition from IAS 39 to IFRS 9. The first and second phases of IFRS 9 were finalised in November 2009 and October 2010, respectively, and relate to the recognition and measurement of financial assets and liabilities. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Group's consolidated financial statements.

Restatements

During the current year the Group changed classification of income and expenses related to finance operations between general and administrative expenses, loss on remeasurement and disposal of financial investments and finance costs to more appropriately reflect their nature.

In order to conform to the current period's presentation the following reclassifications to the prior period were made:

Consolidated interim condensed income statements:

	Six months ended June 30, 2012 (unaudited)	Three months ended June 30, 2012 (unaudited)
Decrease in general and administrative expenses	2,225	1,043
Decrease in loss on remeasurement and disposal of financial investments	4,379	2,714
Increase in finance costs	(6,604)	(3,757)

Consolidated interim condensed statements of cash flows:

	Six months ended June 30, 2012 (unaudited)
Decrease in loss on remeasurement and disposal of financial investments	(4,379)
Increase in profit before financing and taxation	6,604
Increase in interest paid	(2,225)

OAO Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Six months ended June 30, 2013 and 2012

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

2. Discontinued operations

The Group's discontinued operations represented the Gold segment.

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

The effect of the Gold segment separation was recognized in equity as an increase in treasury shares in the amount of US\$ 1,560.0 million as at 31 December, 2011 and in the amount of US\$ 103.8 million in the six months ended June 30, 2012 as a result of a further increase in the Group's share in the Gold segment's net assets compared to December 31, 2011.

The results of the discontinued operations were as follows:

	Six months ended June 30,		Three months ended June 30,	
	2013 (unaudited)	2012 (unaudited)	2013 (unaudited)	2012 (unaudited)
Revenue	-	161,072	-	-
Expenses	-	(73,252)	-	-
Profit before income tax	-	87,820	-	-
Income tax expense	-	(10,112)	-	-
Profit, net of income tax	-	77,708	-	-
Net gain/(loss) on disposal	-	69,330	-	(6,759)
Profit/(loss) for the period	-	147,038	-	(6,759)
Attributable to:				
shareholders of OAO Severstal	-	130,272	-	(6,759)
non-controlling interests	-	16,766	-	-

A summary of assets and liabilities disposed during the six months ended June 30, 2013 and 2012 is presented below:

	Six months ended June 30,		Three months ended June 30,	
	2013 (unaudited)	2012 (unaudited)	2013 (unaudited)	2012 (unaudited)
Assets held for sale	-	(2,827,037)	-	-
Liabilities related to assets held for sale	-	536,649	-	-
Net identifiable assets	-	(2,290,388)	-	-
Foreign exchange differences and other reserves	-	76,089	-	-
Consideration:				
Consideration in other financial assets	-	(6,759)	-	(6,759)
Net gain/(loss) on disposal	-	69,330	-	(6,759)

OAO Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Six months ended June 30, 2013 and 2012

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

3. Revenue

Revenue by product was as follows:

	Six months ended June 30,		Three months ended June 30,	
	2013 (unaudited)	2012 (unaudited)	2013 (unaudited)	2012 (unaudited)
Hot-rolled strip and plate	2,278,619	2,466,810	1,146,107	1,146,014
Galvanized and other metallic coated sheet	960,786	1,063,336	494,883	551,305
Cold-rolled sheet	650,418	703,152	318,078	353,945
Metalware products	466,697	488,611	239,686	253,326
Shipping and handling costs billed to customers	431,162	481,920	211,379	245,309
Pellets and iron ore	338,335	335,940	180,872	195,999
Coal and coking coal concentrate	284,007	357,367	126,591	171,283
Long products	264,105	231,944	148,520	140,915
Large diameter pipes	255,911	289,756	124,274	135,656
Other tubes and pipes, formed shapes	246,207	235,857	129,568	125,476
Colour-coated sheet	232,565	190,538	130,434	107,443
Semi-finished products	120,685	344,399	61,749	183,023
Scrap	4,919	10,309	2,133	3,733
Others	201,227	196,703	99,326	104,428
	6,735,643	7,396,642	3,413,600	3,717,855

Revenue by delivery destination was as follows:

	Six months ended June 30,		Three months ended June 30,	
	2013 (unaudited)	2012 (unaudited)	2013 (unaudited)	2012 (unaudited)
Russian Federation	3,007,465	3,158,482	1,594,043	1,630,161
North America	1,949,578	2,342,705	985,142	1,123,081
Europe	966,458	1,010,190	462,310	569,929
China and Central Asia	266,284	330,321	92,242	186,410
Central and South America	185,974	262,250	110,571	111,467
The Middle East	170,675	144,786	100,997	68,860
South-East Asia	156,110	86,851	44,878	13,868
Africa	33,099	61,057	23,417	14,079
	6,735,643	7,396,642	3,413,600	3,717,855

OAO Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Six months ended June 30, 2013 and 2012

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

4. Finance costs

	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Interest expense	(199,360)	(220,652)	(99,335)	(109,990)
Interest income	18,142	35,909	8,127	19,765
Loss on remeasurement and disposal of financial investments	(6,434)	(4,379)	(4,693)	(2,714)
Other finance costs	(1,797)	(2,225)	(769)	(1,043)
	<u>(189,449)</u>	<u>(191,347)</u>	<u>(96,670)</u>	<u>(93,982)</u>

5. Related party transactions

	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Revenue - related parties:				
Revenue - associates	24,060	59,046	12,058	17,565
Revenue - joint ventures	29,994	28,505	14,833	25,001
Revenue - other related parties	20,346	22,296	10,798	11,156
Interest income from related parties:				
Interest income from joint ventures	2,969	1,420	1,519	700
Interest income from other related parties	5,334	16,054	2,511	7,467
	<u>82,703</u>	<u>127,321</u>	<u>41,719</u>	<u>61,889</u>
Purchases from related parties:				
Purchases from associates:				
Non-capital expenditures	66,078	65,807	38,582	38,730
Purchases from joint ventures:				
Non-capital expenditures	94,781	111,425	39,484	59,081
Purchases from other related parties:				
Non-capital expenditures	18,810	15,109	10,418	7,508
Capital expenditures	45	28	21	17
Interest expense	47	26	10	16
	<u>179,761</u>	<u>192,395</u>	<u>88,515</u>	<u>105,352</u>

OAO Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Six months ended June 30, 2013 and 2012

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

6. Related party balances

	June 30, 2013 (unaudited)	December 31, 2012
Joint ventures' balances		
Short-term trade accounts receivable	5,931	4,557
Short-term loans	24,381	-
Long-term loans	36,252	53,550
Long-term promissory notes	20,704	19,900
Short-term trade accounts payable	10,115	21,886
Associates' balances		
Short-term trade accounts receivable	4,573	5,136
Short-term loans	602	-
Long-term loans	3,327	5,446
Short-term trade accounts payable	16,311	11,392
Other related party balances		
Cash and cash equivalents at related party banks	225,686	561,946
Accounts receivable from other related parties:		
Trade accounts receivable	6,173	4,852
Advances paid	564	625
Other receivables	121	298
Short-term loans	337	1,027
Short-term promissory notes	707	2,407
Available-for-sale financial assets	701	812
	8,603	10,021
Short-term trade accounts payable to other related parties:		
Trade accounts payable	1,906	1,909
Advances received	265	433
Other accounts payable	311	614
	2,482	2,956
Debt financing includes the following balances with other related parties:		
Long-term debt financing	4,097	4,391
	4,097	4,391

The amounts outstanding are expected to be settled in cash. The Group did not hold any collateral for amounts owed by related parties.

OAo Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements

Six months ended June 30, 2013 and 2012

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

7. Debt finance

In March 2013, the Group issued US\$ 600.0 million bonds denominated in US dollars maturing in 2018. These bonds bear an interest rate of 4.45% per annum, which is payable semi-annually in March and September each year, beginning in September 2013. The proceeds from the bonds issuance will be used for general corporate purposes, including refinancing of debt maturing in 2013.

8. Acquisitions and disposal

Acquisitions of non-controlling interests

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

In April 2012, the Group acquired an additional 38.5% stake in Severstal Liberia Iron Ore Ltd for a total consideration of US\$ 115.0 million, increasing its ownership interest up to 100%.

Disposal of associate

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

Dilution of Group's ownership

On June 15, 2012, ZAO Mine Vorgashorskaya 2 was merged into OAO Vorkutaugol. As a result of this merger, the Group's ownership interest in OAO Vorkutaugol reduced from 88.1% to 84.2%.

OAO Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Six months ended June 30, 2013 and 2012

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

9. Segment information

As at June 30, 2013 the Group had three reportable segments: Severstal Resources, Severstal Russian Steel and Severstal International.

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

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

Severstal International produces high-quality flat-rolled products, including hot-rolled, cold-rolled, electrogalvanized and hot-dip galvanized steel, for customers in the automotive, converter, container, pipe and tube, building and construction and other markets in the North America region. Severstal International's production facilities are located in the USA.

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

	<u>Six months ended June 30,</u>		<u>Three months ended June 30,</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>	<u>(unaudited)</u>
Revenue				
Severstal Resources	1,390,222	1,597,448	706,707	785,966
Severstal Russian Steel	4,123,073	4,434,574	2,093,055	2,208,711
Severstal International	1,883,249	2,158,169	953,448	1,062,771
Intersegment transactions	(660,901)	(793,549)	(339,610)	(339,593)
	<u>6,735,643</u>	<u>7,396,642</u>	<u>3,413,600</u>	<u>3,717,855</u>
Profit/(loss) before financing and taxation				
Severstal Resources*	266,548	1,037,301	145,914	764,434
Severstal Russian Steel	194,941	245,735	111,318	170,164
Severstal International	(2,892)	57,232	(5,698)	34,745
Intersegment transactions*	(6,008)	(520,811)	(865)	(509,310)
	<u>452,589</u>	<u>819,457</u>	<u>250,669</u>	<u>460,033</u>

*Profit before financing and taxation of Severstal Resources for the six and three months ended June 30, 2012 included a US\$ 537.3 million gain on transfer of OAO Severstal shares and GDR's, received as a result of the Gold segment separation, to Severstal Russian Steel, subsequently eliminated within Intersegment transactions.

OA O Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Six months ended June 30, 2013 and 2012

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

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

	June 30, 2013 (unaudited)	December 31, 2012
Total assets		
Severstal Resources*	6,085,619	6,174,092
Severstal Russian Steel	14,274,856	15,201,942
Severstal International	3,964,974	4,086,731
Intersegment balances	(9,430,601)	(9,755,550)
	<u>14,894,848</u>	<u>15,707,215</u>

*Total assets of Severstal Resources at June 30, 2013 and December 31, 2012 included a US\$ 210.0 million treasury shares of Severstal measured at the Groups's share in the Gold segment's net assets as at the date of its separation.

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

	June 30, 2013 (unaudited)	December 31, 2012
Total liabilities		
Severstal Resources	1,589,851	1,518,178
Severstal Russian Steel	7,519,367	8,351,997
Severstal International	2,701,696	2,764,393
Intersegment balances	(3,814,608)	(4,142,596)
	<u>7,996,306</u>	<u>8,491,972</u>

10. Capital commitments

As of June 30, 2013 the Group had contractual capital commitments of US\$ 678.9 million (December 31, 2012: US\$ 777.0 million).

11. Dividends

On June 28, 2012 the Meeting of Shareholders approved an annual dividend of RUB 3.56 (US\$ 0.11 at June 28, 2012 exchange rate) per share and per GDR for the year 2011 and an interim dividend of RUB 4.07 (US\$ 0.12 at June 28, 2012 exchange rate) per share and per GDR for the first quarter of 2012.

On June 13, 2013 the Meeting of Shareholders approved an annual dividend of RUB 1.89 (US\$ 0.06 at June 13, 2013 exchange rate) per share and per GDR for the year 2012 and an interim dividend of RUB 0.43 (US\$ 0.01 at June 13, 2013 exchange rate) per share and per GDR for the first quarter of 2013.