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 JUNE 30, 2008 AND DECEMBER 31, 2007 AND FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

CONTENTS

ZAO PricewaterhouseCoopers Audit
Kosmodamianskaya Nab. 52, Bldg. 5
115054 Moscow
Russia
Telephone +7 (495) 967 6000
Facsimile +7 (495) 967 6001

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors 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 June 30, 2008, the related interim condensed consolidated statements of income and cash flows and stockholders' equity and comprehensive income for each of the six-month periods ended June 30, 2008 and June 30, 2007. 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, 2007, the related consolidated statements of income and cash flows and stockholders' equity and comprehensive income for the year then ended (not presented herein), and in our report dated April 18, 2008, we expressed an unqualified opinion on such consolidated financial statements.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation

August 25, 2008

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

	Note	As at June 30, 2008	As at December 31, 2007
ASSETS			
Current assets			
Cash and cash equivalents	2	1,325,342	1,154,641
Short-term investments		180,813	153,462
Accounts receivable and advances given, net	3	1,822,499	1,696,451
Inventories, net	4	1,735,205	1,236,433
Other current assets	5	172,223	147,191
Restricted cash	2	12,789	-
		5,248,871	**4,388,178**
Non-current assets			
Long-term investments, net		893,998	818,590
Property, plant and equipment, net	6	7,347,584	6,449,877
Intangible assets, net		278,391	189,084
Goodwill		1,283,840	1,189,459
Other non-current assets		59,737	40,754
		9,863,550	**8,687,764**
Total assets		**15,112,421**	**13,075,942**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	7	1,757,393	1,394,934
Short-term borrowings	8	1,607,800	1,536,570
Current income tax liability		151,643	70,686
		3,516,836	**3,002,190**
Non-current liabilities			
Deferred income tax liability		551,728	585,567
Long-term borrowings	8	77,464	73,225
Other long-term liabilities		309,567	316,616
		938,759	**975,408**
Total liabilities		**4,455,595**	**3,977,598**
Commitments and contingencies	16	-	-
Minority interest		**52,706**	**106,813**
Stockholders' equity			
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at June 30, 2008 and December 31, 2007		221,173	221,173
Statutory reserve		10,267	10,267
Additional paid-in capital		52,395	52,395
Accumulated other comprehensive income		1,640,859	1,181,546
Retained earnings		8,679,426	7,526,150
		10,604,120	**8,991,531**
Total liabilities and stockholders' equity		**15,112,421**	**13,075,942**

The interim condensed consolidated financial statements as set out on pages 4 to 26 were approved on August 25, 2008.

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

Chief Accountant
Sokolov A.A.

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

	Note	For the six months ended June 30, 2008	For the six months ended June 30, 2007
Sales revenue	13	**5,883,616**	**3,609,079**
Cost of sales			
Production cost		(2,988,536)	(1,663,079)
Depreciation and amortization		(245,884)	(197,752)
		(3,234,420)	**(1,860,831)**
Gross profit		**2,649,196**	**1,748,248**
General and administrative expenses		(171,191)	(106,623)
Selling expenses		(343,663)	(211,848)
Taxes other than income tax		(64,626)	(39,582)
Accretion expense on asset retirement obligations		-	(6,070)
Operating income		**2,069,716**	**1,384,125**
Loss on disposals of property, plant and equipment		(580)	(19,791)
Gains / (losses) on investments, net		3,948	(3,442)
Interest income		45,369	44,778
Interest expense		(110,379)	(12,127)
Foreign currency exchange, net		36,449	15,325
Gain from disposal of subsidiaries	9(b)(c)	-	81,511
Other (expenses) / gains, net		(54,099)	1,682
Income from continuing operations before income tax and minority interest		**1,990,424**	**1,492,061**
Income tax	11	(474,960)	(423,979)
Income from continuing operations before minority interest		**1,515,464**	**1,068,082**
Minority interest		(27,422)	(12,067)
Equity in net earnings of associate		42,774	7,729
Income from continuing operations		**1,530,816**	**1,063,744**
Discontinued operations			
Gain from operations of discontinued subsidiary		-	1,236
Income from discontinued operations		**-**	**1,236**
Net income		**1,530,816**	**1,064,980**
Income from continuing operations per share (US dollars)			
basic and diluted		0.2554	0.1775
Income from discontinued operations per share (US dollars)			
basic and diluted		-	0.0002
Net income per share (US dollars)			
basic and diluted	10	0.2554	0.1777

(thousands of US dollars)

	Note	For the six months ended June 30, 2008	For the six months ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		**1,530,816**	**1,064,980**
Adjustments to reconcile net income to net cash provided by operating activities:			
Minority interest		27,422	13,148
Depreciation and amortization		245,884	197,752
Loss on disposals of property, plant and equipment		580	19,791
(Gains) / losses on investments, net		(3,948)	3,442
Gain from disposal of subsidiaries		-	(81,511)
Equity in net earnings of associate		(42,774)	(7,729)
Deferred income tax (benefit) / expense		(63,206)	47,524
Accretion expense on asset retirement obligations		-	6,070
Other		47,734	(1,510)
Changes in operating assets and liabilities			
Decrease / (increase) in accounts receivable		183,443	(17,551)
Decrease / (increase) in inventories		74,123	(80,258)
Increase in other current assets		(17,829)	(10,286)
Increase in loans provided by the subsidiary bank		-	(104,199)
(Decrease) / increase in accounts payable and other liabilities		(870,745)	338,080
Increase / (decrease) in current income tax payable		72,665	(20,826)
Net cash provided by operating activities		**1,184,165**	**1,366,917**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from adjustment of the original purchase price of subsidiaries		-	37,442
Proceeds from sale of property, plant and equipment		6,209	6,977
Purchases and construction of property, plant and equipment		(822,424)	(395,420)
Proceeds from sale of investments		19,671	6,449
Purchases of investments		(24,503)	(35,670)
Payment for acquisition of interests in new subsidiaries	12(a)	(299,928)	-
Acquisitions of stake in subsidiaries	12(c)	(126,144)	-
Net cash received in acquisition of interests in new subsidiaries	12(b)	297,905	-
Loan issued		-	(133,096)
Disposal of subsidiaries		-	(59,407)
Movement of restricted cash		(12,529)	(1,000)
Net cash used in investing activities		**(961,743)**	**(573,725)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and notes payable		937,238	30,118
Repayment of borrowings and notes payable		(976,767)	(225,372)
Capital lease payments		(53,374)	(1,522)
Proceeds from disposal of assets to the company under common control	9(a)	-	78,469
Dividends paid to minority shareholders of existing subsidiaries		(5,628)	(8,070)
Dividends to shareholders		(3,233)	(4,258)
Net cash used in financing activities		**(101,764)**	**(130,635)**
Net increase in cash and cash equivalents		**120,658**	**662,557**
Effect of exchange rate changes on cash and cash equivalents		50,043	20,786
Cash and cash equivalents at the beginning of the period	2	1,154,641	665,213
Cash and cash equivalents at the end of the period	2	**1,325,342**	**1,348,556**

(thousands of US dollars)

	Note	Common stock	Statutory reserve	Additional paid-in capital	Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
Balance at December 31, 2006		**221,173**	**10,267**	**1,812**	**589,986**	**5,986,204**	**6,809,442**
Comprehensive income:							
Net income		-	-	-	-	1,064,980	1,064,980
Other comprehensive income:							
Cumulative translation adjustment		-	-	-	148,355	-	148,355
Comprehensive income							**1,213,335**
Dividends to shareholders	10	-	-	-	-	(347,195)	(347,195)
Earnings from disposal of assets to the company under common control	15(c)	-	-	50,583	-	-	50,583
Balance at June 30, 2007		**221,173**	**10,267**	**52,395**	**738,341**	**6,703,989**	**7,726,165**
Balance at December 31, 2007		**221,173**	**10,267**	**52,395**	**1,181,546**	**7,526,150**	**8,991,531**
Comprehensive income:							
Net income		-	-	-	-	1,530,816	1,530,816
Other comprehensive income:							
Cumulative translation adjustment, attributable to foreign subsidiaries and associate		-	-	-	41,562	-	41,562
Cumulative translation adjustment		-	-	-	417,751	-	417,751
Comprehensive income							**1,990,129**
Dividends to shareholders	10	-	-	-	-	(377,540)	(377,540)
Balance at June 30, 2008		**221,173**	**10,267**	**52,395**	**1,640,859**	**8,679,426**	**10,604,120**

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, 2007. The December 31, 2007 condensed consolidated balance sheet information has been derived from 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 functional currency of the Parent Company and the major subsidiaries of the Group is considered to be 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, period weighted average exchange rates for interim condensed 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 June 30, 2008, December 31, 2007, June 30, 2007 and December 31, 2006 were 1 US dollar to 23.4573, 24.5462, 25.8162 and 26.3311 Russian rubles, respectively. The period weighted average exchange rates were 23.9440 and 26.0827 Russian rubles to 1 US dollar for the six months ended June 30, 2008 and June 30, 2007, respectively.

Recent accounting pronouncements

Accounting changes

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS No. 157"). This Statement defines fair value, establishes a framework for measuring fair value under other accounting pronouncements that permit or require fair value measurements, changes the methods used to measure fair value and expands disclosures about fair value measurements. SFAS No. 157 was initially effective as of January 1, 2008, but in February 2008, the FASB delayed the effectiveness date for applying this standard to nonfinancial assets and nonfinancial liabilities that are not currently recognized or disclosed at fair value in the financial statements. The effectiveness date of January 1, 2008 applies to all other assets and liabilities within the scope of this Statement. The adoption of SFAS No. 157 in 2008 did not have a material impact on the Group's interim condensed consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* ("SFAS No. 159"). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value and report unrealized gains and losses on these instruments in earnings, and is effective for the Group from January 1, 2008. The adoption of SFAS No. 159 in 2008 did not have a material impact on the Group's interim condensed consolidated financial statements.

In April 2007, the FASB issued FSP FIN 39-1, *Amendment of FASB Interpretation No. 39* ("FSP FIN 39-1"). FSP FIN 39-1 modifies FIN 39, *Offsetting of Amounts Related to Certain Contracts* and permits companies to offset cash collateral receivables or payables with net derivative positions under certain circumstances. FSP FIN 39-1 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted. The adoption of FSP FIN 39-1 in 2008 did not have a material impact on the Group's interim condensed consolidated financial statements.

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

New pronouncements

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements an Amendment of Accounting Research Bulletin No. 51* ("SFAS No. 160"). SFAS No. 160 requires all entities to report noncontrolling interests in subsidiaries (also 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 noncontrolling 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 noncontrolling owners. SFAS No. 160 also establishes accounting and reporting standards for changes in a parent's ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. This Statement is effective as of January 1, 2009. The Group is currently evaluating the potential impact, if any, that the adoption of SFAS No. 160 will have on its interim condensed consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), *Business Combinations* ("SFAS No. 141(R)"), which replaces SFAS No. 141. SFAS No. 141(R) requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction, establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed and requires the acquirer to disclose certain information related to the nature and financial effect of the business combination. SFAS No. 141(R) also establishes principles and requirements for how an acquirer recognizes any noncontrolling interest in the acquiree and the goodwill acquired in a business combination. SFAS No. 141(R) is effective on a prospective basis for business combinations for which the acquisition date is on or after January 1, 2009. Depending on the terms, conditions and details of the business combination, if any, that take place subsequent to January 1, 2009, SFAS No. 141(R) may have a material impact on the Group's interim condensed consolidated financial statements. SFAS 141(R) also amends SFAS No. 109, *Accounting for Income Taxes*, such that adjustments made to deferred taxes and acquired tax contingencies after January 1, 2009, even for business combinations completed before this date, will impact net income. This provision of SFAS No. 141(R) may have a material impact on the Group's consolidated financial statements. The Group is currently evaluating the potential impact, if any, that the adoption of SFAS No. 141(R) will have on its interim condensed consolidated financial statements.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities* ("SFAS No. 161"), which enhances the current disclosure framework contained in SFAS No. 133. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Group is currently evaluating the potential impact, if any, that the adoption of SFAS No. 161 will have on its interim condensed consolidated financial statements.

In February 2008, the FASB issued FSP No. FAS 140-3, *Accounting for Transfers of Financial Assets and Repurchase Financing Transactions* ("FSP No. FAS 140-3"). This FSP applies to a repurchase financing, which is a repurchase agreement that relates to a previously transferred financial asset between the same counterparties (or consolidated affiliates of either counterparty), that is entered into contemporaneously with, or in contemplation of, the initial transfer. The objective of this FSP is to provide guidance on accounting for a transfer of a financial asset and a repurchase financing. This FSP presumes that an initial transfer of a financial asset and a repurchase financing are considered part of the same arrangement (linked transaction) under Statement 140. However, if certain criteria are met, the initial transfer and repurchase financing shall not be evaluated as a linked transaction and shall be evaluated separately under Statement 140. This FSP is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Earlier application is not permitted. The Group is currently evaluating the potential impact, if any, that the adoption of FSP No. FAS 140-3 will have on its interim condensed consolidated financial statements.

(thousands of US dollars)

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

In February 2008, the FASB issued FSP No. FAS 157-1, *Application of FAS 157 to FAS 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under FAS 13* ("FSP No. FAS 157-1"). This FASB Staff Position (FSP) amends FASB Statement No. 157, Fair Value Measurements, to exclude FASB Statement No. 13, Accounting for Leases, and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under Statement 13. However, this scope exception does not apply to assets acquired and liabilities assumed in a business combination that are required to be measured at fair value under FASB Statement No. 141, Business Combinations, or No. 141 (revised 2007), Business Combinations, regardless of whether those assets and liabilities are related to leases. This FSP is effective upon the initial adoption of Statement 157. An enterprise that applied Statement 157 in a manner consistent with the provisions of this FSP would continue to apply the provisions of this FSP from the date of the initial adoption of Statement 157. However, an enterprise that did not apply Statement 157 in a manner consistent with the provisions of this FSP shall retrospectively apply the provisions in this FSP to the date of the initial adoption of Statement 157. The Group is currently evaluating the potential impact, if any, that the adoption of FSP No. FAS 157-1 will have on its interim condensed consolidated financial statements.

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* ("FSP No. FAS 142-3"). This FASB Staff Position (FSP) amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142, Goodwill and Other Intangible Asset. The intent of this FSP is to improve the consistency between the useful life of a recognized intangible asset under Statement 142 and the period of expected cash flows used to measure the fair value of the asset under FASB Statement No. 141 (revised 2007), Business Combinations, and other U.S. generally accepted accounting principles (GAAP). This FSP is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. Early adoption is prohibited. The Group is currently evaluating the potential impact, if any, that the adoption of FSP No. FAS 140-3 will have on its interim condensed consolidated financial statements.

2 CASH AND CASH EQUIVALENTS

	As at June 30, 2008	As at December 31, 2007
Cash – Russian rubles	100,672	124,773
Cash – other currencies	363,748	23,165
Deposits – Russian rubles	477,373	947,322
Deposits – US dollars	242,204	20,486
Deposits – Euros	137,898	38,656
Other cash equivalents	3,447	239
	1,325,342	**1,154,641**

Restricted cash balance as at June 30, 2008 totaled $12,789 represented deposits pledged against letters of credit by subsidiary.

(thousands of US dollars)

3 ACCOUNTS RECEIVABLE AND ADVANCES GIVEN

	As at June 30, 2008	As at December 31, 2007
Trade accounts receivable	889,199	996,669
Advances given to suppliers	315,949	313,550
Taxes receivable	597,449	416,696
Accounts receivable from employees	8,292	5,968
Other accounts receivable	254,365	207,181
	2,065,254	1,940,064
Allowance for doubtful debts	(242,755)	(243,613)
	1,822,499	**1,696,451**

As at December 31, 2007, the Group also had accounts receivable from Steelco Mediterranean Trading Ltd., Cyprus and Moorfield Commodities Company, UK, each of which exceeded 10% of the gross trade accounts receivable balances and amounts to $194,648 and $473,841, respectively.

As at June 30, 2008 and December 31, 2007 the Group had other accounts receivable of $80,439 and $73,051, respectively, from companies for which a 100% allowance was recorded. These accounts receivable were acquired by the Group through a business combination (Note 12(a)).

4 INVENTORIES

	As at June 30, 2008	As at December 31, 2007
Raw materials	904,469	756,983
Work in process	370,544	310,832
Finished goods and goods for resale	517,009	209,878
	1,792,022	1,277,693
Provision for obsolescence	(56,817)	(41,260)
	1,735,205	**1,236,433**

As at June 30, 2008 and December 31, 2007, inventories of $98,644 and $82,920, respectively, were pledged against borrowings (Note 8).

5 FORWARD CONTRACTS

Fair values of unrealized forward exchange and option contracts, amounting to $64,391 and $68,392, respectively, are included in other current assets as at June 30, 2008 and December 31, 2007. The table below summarizes by major currency the contractual amounts and fair values of the Group's unrealized forward exchange and option contracts in US dollars. Fair value is determined as the sum of the differences between the discounted market forward rate for the appropriate months prevailing at June 30, 2008 and the appropriate contract settlement rate, multiplied by the respective notional amount of the contract. The amounts recorded represent the US dollar equivalent of the commitments to sell foreign currencies during the next twelve months. There were no commitments to purchase foreign currencies in 2008 and 2007.

(thousands of US dollars)

5 FORWARD CONTRACTS (continued)

	As at June 30, 2008		As at December 31, 2007	
	Notional amount	Fair value	Notional amount	Fair value
US dollars	949,603	70,801	1,767,295	63,247
Euros	568,379	(6,410)	707,389	5,145
	1,517,982	**64,391**	**2,474,684**	**68,392**

During the six months, ended June 30, 2008 and June 30, 2007, gains from realized forward exchange and option contracts amounted to $52,501 and $4,438, respectively, these gains were included in "Foreign currency exchange, net" line.

6 PROPERTY, PLANT AND EQUIPMENT

	As at June 30, 2008	As at December 31, 2007
Land	96,595	88,353
Mineral rights	660,273	616,620
Buildings	1,527,370	1,428,223
Land and buildings improvements	1,440,642	1,339,274
Machinery and equipment	6,320,694	5,841,034
Vehicles	368,196	333,209
Construction in progress and advances for construction and acquisition of property, plant and equipment	2,775,272	2,197,131
Leased assets	488,069	457,191
Other	85,339	79,393
	13,762,450	12,380,428
Accumulated depreciation	(6,414,866)	(5,930,551)
	7,347,584	**6,449,877**

As at June 30, 2008 and December 31, 2007, property, plant and equipment of $747,147 and $717,024, respectively, were pledged against borrowings (Note 8).

7 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	As at June 30, 2008	As at December 31, 2007
Trade accounts payable	375,015	266,640
Advances received	281,236	165,624
Taxes payable other than income tax	122,357	65,322
Accounts payable and accrued liabilities to employees	179,485	159,578
Dividends payable	391,648	4,877
Short-term capital lease liability	63,394	32,273
Other accounts payable	344,258	700,620
	1,757,393	**1,394,934**

(thousands of US dollars)

8 SHORT-TERM AND LONG-TERM BORROWINGS

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

	As at June 30, 2008	As at December 31, 2007
Parent Company		
Loans, RUR denominated, with interest rates of 8.5% - 12% per annum	-	203,933
Loan, US$ denominated, with interest rate of LIBOR +1.3% per annum	42,090	-
Maxi-Group		
Russian rubles		
Loans with interest rates of 10.3% - 16.5% per annum	966,769	602,456
Bonds with interest rates of 10% - 12% per annum	1,059	93,656
Other borrowings (Note 15(e),(f))	191,969	122,358
US dollars		
Loans with interest rates of LIBOR (1 m) +3.75% - 13.5% per annum	161,450	282,394
Other borrowings	4,000	10,250
Euros		
Loans with interest rates of EURIBOR (6 m) +1.3% - 13.75% per annum	240,635	256,701
Other borrowings	3,531	4,094
	1,611,503	**1,575,842**
Other companies		
Loans, RUR denominated, with interest rates of 8.5% - 9.55% per annum	2,220	14,124
Loan, US$ denominated, with interest rate of 5% per annum	23,133	19,677
Loan, EURO denominated, with interest rate of 5.38% per annum	48,188	-
Other borrowings	220	152
	1,685,264	**1,609,795**
Less: short-term loans and current maturities of long-term loans	(1,607,800)	(1,536,570)
Long-term borrowings	**77,464**	**73,225**

The Group's long-term borrowings at June 30, 2008 mature between 2 to 8 years.

As at June 30, 2008 and December 31, 2007 more than 93% and 85%, respectively, of total short-term and long-term borrowings of the Group are payable by Maxi-Group.

As at June 30, 2008 and December 31, 2007 loans of $296,652 and $339,469, 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 June 30, 2008 and December 31, 2007 loans of $264,776 and $281,081, respectively, were collateralized with the shares of Maxi-Group companies.

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

New borrowings, received in the reporting period

The amount of loans, received by the Group in the first half of 2008, and outstanding as at June 30, 2008, is $552,100.

Such loan agreements contain certain debt covenants that impose restrictions on the purposes for which the loans may be utilized, 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 subjective acceleration clauses in relation to unfavorable economic conditions and performance of the borrowers, as well as covenants triggered by any failure of the borrower to fulfill the contractual obligations.

Loans covenants and restructuring of Maxi-Group's borrowings

Loans covenants

Due to the breach of certain restrictive covenants and terms of the pledge agreements long-term loans of $95,715 were reclassified to short-term loans. As a result of this breach the lenders can request payment of $655,319 of short-term loans upon notice, including loans with original short-term maturities of $559,603. After the reporting date and until the date of these interim condensed consolidated financial statements Maxi-Group companies have settled a number of loans totaling $197,000 against which breaches of certain restrictive covenants and terms of the pledge agreements existed as at June 30, 2008.

None of the bank loans where the breach of loan's covenants existed at June 30, 2008 has been called by the lenders either at June 30, 2008 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(a)) the Parent Company commenced the restructuring of the borrowings of the Maxi-Group entities which is presently continuing.

For the purpose of borrowings' refinancing Maxi-Group companies' have entered into the following major loan agreements:

- June 2008, with the participation of two leading Russian banks an agreement for rendering services on setting up a Russian ruble denominated syndicated loan totaling $510,000 with an option to additionally increase the amount. Maturity – three years after the loan issuance.
- August 2008, 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.

The Group's management expects to complete the restructuring of Maxi-Group credit portfolio in the second half of 2008. 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.

(thousands of US dollars)

9 DISPOSALS OF ASSETS

(a) Disposal of energy assets

In February 2007, the Parent Company completed the sales to a company under common control of its full controlling interest in LLC Lipetskaya municipal energy company (51.00%) and minority interests in OJSC Lipetskenergo (14.11%), OJSC Lipetsk energy sales company (14.11%), OJSC Lipetsk mains systems (14.11%), OJSC TGK-4 (2.68%) and OJSC Lipetskoblgaz (19.39%). Share purchase agreements for the aforementioned assets were entered into in December 2006. Accordingly, for the two months ended February 28, 2007 the operations of LLC Lipetskaya municipal energy company and its subsidiary were recognized within discontinuing operations.

The carrying amounts of the major classes of assets and liabilities of LLC Lipetskaya municipal energy company and its subsidiary at February 28, 2007 were as follows (in relation to 100% stake):

Current assets	22,663
Non-current assets	7,067
Total assets	**29,730**
Current liabilities	(18,058)
Total liabilities	**(18,058)**
Net assets	**11,672**

Information on LLC Lipetskaya municipal energy company and its subsidiary transactions, for the two months ended February 28, 2007 is as follows:

Sales revenue	28,860
Net income (less income tax of $486)	2,403

These transactions were carried out in line with the Group's strategic development planned for 2007 to 2011. In accordance with a resolution passed by the Board of Directors in February 2006, the interests in the energy companies were classified as none-core assets.

The aforementioned assets were disposed of at the following prices (as at the transaction date):
- LLC Lipetskaya municipal energy company, a share of 51.00% in stake – $3.76 million;
- OJSC Lipetskenergo, an interest of 14.11%, ordinary shares – $15.85 million;
- OJSC Lipetsk energy sales company, an interest of 14.11%, ordinary shares – $0.42 million;
- OJSC TGK-4, an interest of 2.68%, ordinary shares – $39.23 million;
- OJSC Lipetsk mains systems, an interest of 14.11%, ordinary shares – $3.63 million;
- OJSC Lipetskoblgaz, an interest of 19.39%, ordinary shares – $15.79 million.

Prior to the conclusion of the sales agreements, an independent appraisal of market value of the Parent Company's interests in the regional energy companies was conducted, most of which displayed low liquidity and were not marketable. All the abovementioned assets were sold with a 10% premium to their appraised values.

(thousands of US dollars)

9 DISPOSALS OF ASSETS (continued)

(b) Disposal of Prokopyevskugol group

In March 2007, a subsidiary of the Parent Company – Kuzbass Asset Holdings Limited – entered into an agreement with the MUE Municipal Sustenance Department, owned by the Administration of Prokopyevsk (Kemerovo Region), for the sales of the Group's coal producing companies, the Prokopyevskugol group. Under the agreement, the total consideration for the assets transferred was one US dollar. The closing of the transaction was completed in the beginning of April 2007. A pre-tax gain on this transaction of $57,577 was recognized by the Group, and included within the "Gain from disposal of subsidiaries" line in the interim condensed consolidated statement of income for the six months ended June 30, 2007.

Due to the high level of production cost at those companies and the inability of the Group to significantly cut costs without closing down loss-making mines and operations and, hence, implement personnel lay offs the Group took a decision to sell the Prokopyevskugol group. Given the fact that proper attention to social aspects is a key issue of such restructuring, the Group management accepted the offer referred to above.

During 2006, the Parent Company granted an interest-free loan to Prokopyevskugol group companies in the total amount of approximately $140,000. In February 2007, the Parent Company assigned its rights under the loan to a third party for a total amount of $30,000. In March 2007 the third party waived its right to claim the loan from Prokopyevskugol group entirely (a related income tax effect of $33,413 was accrued by the Group and included in the "Income tax" line). A net pre-tax gain on this operation of $30,028 was recognized by the Group, and included within the "Other expenses, net" line in the interim condensed consolidated statement of income for the six months ended June 30, 2007.

During December 2006 and January 2007 the Group entered into supply agreements for coal concentrate with the Prokopyevskugol group companies for the period up to the end of 2007 and continued later. Accordingly, the operations of Prokopyevskugol group companies in these interim condensed consolidated financial statements are recognized within continuing operations of the Group within other segments.

The carrying amounts of the major classes of assets and liabilities of Prokopyevskugol group companies at April 2, 2007 were as follows (in relation to 100% stake):

Current assets	44,364
Non-current assets	114,401
Total assets	**158,765**
Current liabilities	(40,947)
Non-current liabilities	(175,395)
Total liabilities	**(216,342)**
Negative net assets	**(57,577)**

Information on the Prokopyevskugol group companies' transactions, before intercompany eliminations, for the period from January 1, 2007 to April 2, 2007 is as follows:

Sales revenue	37,865
Net income (including gain, less tax, on entire waiving by a third party of the right to claim the loan totaled $106,400)	74,412

9 DISPOSALS OF ASSETS (continued)

(c) Disposal of subsidiary bank

In June 2007, the Group completed the sale, to a related party (OJSC Bank Zenit) (Note 15(c)), of its full share in OJSC Lipetskcombank (54.88%) for a total consideration of $47,662. A pre-tax gain on this transaction of $24,097 was recognized by the Group, and included within the "Gain from disposal of subsidiaries" line in the interim condensed consolidated statement of income for the six months ended June 30, 2007.

Due to the fact that a significant part of the Group's cash transactions is carried out through OJSC Lipetskcombank, including employees' payroll bank accounts servicing for several Group companies, the Group's management assumes operations with this bank might be continued in the future. Accordingly, operations of OJSC Lipetskcombank in these interim condensed consolidated financial statements are recognized within continuing operations of the Group within other segments.

The carrying amounts of the major classes of assets and liabilities of OJSC Lipetskcombank at June 29, 2007 are as follows (in relation to the 100% stake):

Current assets	509,508
Non-current assets	86,031
Total assets	**595,539**
Current liabilities	(507,642)
Non-current liabilities	(44,759)
Total liabilities	**(552,401)**
Net assets	**43,138**

Information on OJSC Lipetskcombank transactions, for the period from January 1, 2007 to June 29, 2007 is as follows:

Income	33,823
Net loss	(237)

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 Lipetskcombank was classified as a none-core asset.

10 EARNINGS PER SHARE

	For the six months ended June 30, 2008	For the six months ended June 30, 2007
Weighted average number of shares	5,993,227,240	5,993,227,240
Net income (thousands of US dollars)	1,530,816	1,064,980
Basic and diluted net income per share (US dollars)	**0.2554**	**0.1777**

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, after giving retroactive effect to any stock splits. The Parent Company does not have potentially dilutive shares outstanding.

(thousands of US dollars)

10 EARNINGS PER SHARE (continued)

In June 2008 the Parent Company declared dividends for the year ended December 31, 2007 of 3 Russian rubles per share for the total of $737,682, including interim dividends for the six months ended June 30, 2007 of 1.5 Russian ruble per share for the total of $360,142. Dividends payable amount to $391,648 at June 30, 2008 (Note 7).

In June 2007 the Parent Company declared dividends for the year ended December 31, 2006 of 3 Russian rubles per share for the total of $683,267, including interim dividends for the six months ended June 30, 2006 of 1.5 Russian ruble per share for the total of $336,072.

11 INCOME TAX

The corporate income tax rate dominantly applicable to the Group is 24%.

Income before income tax is reconciled to the income tax expense as follows:

	For the six months ended June 30, 2008	For the six months ended June 30, 2007
Income from continuing operations before income tax	1,990,424	1,492,061
Income tax at applicable tax rate	477,702	358,095
Decrease in income tax resulting from:		
changing from 9% to 0% of the tax rate applicable to income received in form of dividends since January 1, 2008	(82,472)	-
Increase in income tax resulting from:		
non-deductible expenses	79,730	65,884
Total income tax expense	474,960	423,979

12 BUSINESS COMBINATIONS

(a) 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 in these interim condensed consolidated financial statements. The Parent Company is in the process of negotiating purchase price adjustment which may be significant relative to the purchase price, but which cannot be reasonably determined at the date of these interim condensed consolidated financial statements. 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 will be transferred after completion of the Maxi-Group due diligence process and finalization of the corresponding price adjustment. 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 is in the process of completing the 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 preliminary fair values of the assets acquired and liabilities assumed in this business combination. The resulting goodwill primarily reflects the control premium paid for the acquisition:

Current assets	648,687
Property, plant and equipment	1,717,073
Other non-current assets	530
Preliminary goodwill	592,171
Total assets acquired	**2,958,461**
Current liabilities	(1,095,333)
Non-current liabilities	(1,334,052)
Deferred income tax liability	(4,217)
Total liabilities assumed	**(2,433,602)**
Minority interest	33,656
Net assets acquired	**558,515**
Less: cash acquired	(25,047)
Net assets acquired, net of cash acquired	**533,468**

(b) Acquisition of international traders

In December 2007 the Group reached an agreement to acquire 100% of the shares in trading companies Novexco (Cyprus) Ltd. and Novex Trading (Swiss) S.A., which from December 2007 conduct the business previously operated by Moorfield Commodities Company, UK, Steelco Mediterranean Trading Ltd., Cyprus, and Tuscany Intertrade (UK) (Note 14(c)). The acquired companies were consolidated by the Group for the first time as at the effective date of obtaining control, which management considers to be May 2008. The amount paid to the seller was $119,935.

This acquisition is in line with the Group’s strategy to establish an international trading structure. This acquisition will also give the Group better control over export sales and further enhance its presence in core markets.

As both companies were acquired within one share-purchase agreement and intangible assets’ appraisal and goodwill valuation related to each company is not completed as at June 30, 2008 Group’s management believes that it is more practical to disclose the information on assets and liabilities of the acquired entities in the aggregated format.

The Group is in the process of completing the purchase price allocation of Novex Trading (Swiss) S.A. and Novexco (Cyprus) Ltd. The following table summarizes the preliminary fair values of the assets acquired and liabilities assumed in this business combination:

(thousands of US dollars)

12 BUSINESS COMBINATIONS (continued)

Current assets	1,160,092
Non-current assets	109
Intangible assets and preliminary goodwill	91,965
Total assets acquired	**1,252,166**
Current liabilities	(1,132,231)
Total liabilities assumed	**(1,132,231)**
Net assets acquired	**119,935**
Less: cash acquired	(417,840)
Net assets acquired, net of cash acquired	**(297,905)**

The revenues and net income of Novex Trading (Swiss) S.A. and Novexco (Cyprus) Ltd. for the six months ended June 30, 2008 were $2,286,473 and $39,999, respectively.

(c) Other acquisitions

In the first half of 2008 the Parent Company made a number of immaterial acquisitions of stock in existing subsidiaries for the total consideration of $126,144.

13 SEGMENTAL INFORMATION

Following the acquisition of Maxi-Group, 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 does not exceed the quantitative thresholds is primarily attributable to three operating segments of the Group. Those segments include the trade seaport services business, finance business, comprising banking and insurance services, and coal mining and refining. None of these segments has met any of the quantitative thresholds for determining reportable segment. Rendering banking services and operations on coal mining and refining were ceased in the first half of 2007.

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 before minority interest.

Information on segmental transactions for the six months ended June 30, 2008 and their assets as at June 30, 2008 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	4,698,091	756,828	41,198	346,089	41,410	5,883,616	-	5,883,616
Intersegment revenue	152,419	232,106	491,411	223,265	2,490	1,101,691	(1,101,691)	-
Gross profit	**1,989,721**	**323,579**	**353,154**	**128,849**	**20,674**	**2,815,977**	**(166,781)**	**2,649,196**
Operating income	**1,605,598**	**224,062**	**315,562**	**74,263**	**20,697**	**2,240,182**	**(170,466)**	**2,069,716**
Income from continuing operations before minority interest	**2,082,845**	**43,934**	**268,755**	**47,317**	**15,859**	**2,458,710**	**(943,246)**	**1,515,464**
Segment assets, including goodwill	11,227,548	3,349,312	1,842,940	1,111,242	333,968	17,865,010	(2,752,589)	15,112,421

Information on segmental transactions for the six months ended June 30, 2007 and their assets as at December 31, 2007 is as follows:

	Steel	Long products	Mining	Coke-chemical	All other	Totals	Inter-segmental operations and balances	Consolidated
Revenue from external customers	3,278,368	-	43,102	243,152	44,457	3,609,079	-	3,609,079
Intersegment revenue	11,750	-	387,950	46,848	38,653	485,201	(485,201)	-
Gross profit	**1,385,323**	**-**	**284,762**	**52,305**	**24,407**	**1,746,797**	**1,451**	**1,748,248**
Operating income / (loss)	**1,131,367**	**-**	**254,797**	**8,502**	**(11,464)**	**1,383,202**	**923**	**1,384,125**
Income from continuing operations before minority interest	**787,086**	**-**	**211,132**	**73**	**135,724**	**1,134,015**	**(65,933)**	**1,068,082**
Segment assets, including goodwill	7,904,615	2,898,515	1,953,223	1,034,930	328,219	14,119,502	(1,043,560)	13,075,942

14 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 tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently.

Whilst there have been improvements in the economic trends, 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 and political developments.

(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 assets presented in US dollars in these interim condensed 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.

(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 Russian Federation in monetary terms for the six months ended June 30, 2008 and June 30, 2007 were 59% and 62% of the Group's 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 is strongly affected by the prices of ferrous metal products set in the international metal trading market that are subject to significant fluctuations.

In the first half of 2007 the Group was selling to three international traders that account for the majority of its sales outside Russia. During the six months ended June 30, 2007 Steelco Mediterranean Trading Ltd., Cyprus, Tuscany Intertrade (UK), and Moorfield Commodities Company, UK, purchased 23%, 13% and 32% of the Group's sales outside Russia, respectively.

In 2007 Novexco (Cyprus) Ltd. and Novex Trading (Swiss) S.A. acquired the trading business of Steelco Mediterranean Trading Ltd., Cyprus, Tuscany Intertrade (UK) and Moorfield Commodities Company, UK, the international traders that were major export traders of the Group's products for several years. All business operations related to these trading companies and the client base of the abovementioned companies were transferred to the acquirers (Note 12(b)).

Price fluctuations of sales to these companies 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 June 30, 2008 and December 31, 2007 and transactions for the six months ended June 30, 2008 and June 30, 2007 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 $203,146 and $77,532 for the six months ended June 30, 2008 and June 30, 2007. Sales to other related parties were $8,810 and $2,558 for the six months ended June 30, 2008 and June 30, 2007, respectively.

Related accounts receivable from associate (SIF S.A.) and its subsidiary equaled $40,389 and $18,953 as at June 30, 2008 and December 31, 2007, respectively. Accounts receivable from other related parties equaled $4,978 and $1,993 as at June 30, 2008 and December 31, 2007, respectively.

Purchases and services

Purchases of raw materials, technological equipment and management services from the Companies under common control, were $1,657 and $5,216 for the six months ended June 30, 2008 and June 30, 2007, 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 $21,411 and $30,269 for the six months ended June 30, 2008 and June 30, 2007, respectively.

Accounts payable to the related parties were $42,749 and $27,958 as at June 30, 2008 and December 31, 2007, 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). The carrying amount of the loan is $167,888 and $151,473 as at June 30, 2008 and December 31, 2007, 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 in the first half of 2008 and OJSC Bank Zenit in the first half of 2007) amounted to $173,263 and $257,615 as at June 30, 2008 and December 31, 2007, respectively. Related interest income from these deposits and current accounts for the six months ended June 30, 2008 and June 30, 2007 amounted to $2,702 and $3,692, respectively.

The aggregate amount of interest free loans granted to management outstanding as at June 30, 2008 and December 31, 2007 was $55 and $151, 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 six months ended June 30, 2008 and June 30, 2007 amounted to $2,500 and $16, respectively.

(c) Common control transfers and disposal of investments

In June 2007, the Parent Company sold, to a related party (OJSC Bank Zenit), its all shares in subsidiary bank for $47,662 and recorded income, less corresponding tax, of $15,895 on this transaction in interim condensed statement of income (Note 9(c)).

In February 2007, the Parent Company sold, to a common control company, its full interests in various energy companies for $78,683 and recorded net income of $50,583 on this transaction in additional paid-in capital.

15 RELATED PARTY TRANSACTIONS (continued)

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

Total contributions to a non-governmental pension fund and charity fund amounted to $2,456 and $7,888 for the six months ended June 30, 2008 and June 30, 2007, 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.

(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 $24,298 and $37,116 as at June 30, 2008 and December 31, 2007, respectively.

Accounts payable

Accounts payable, including accounts payable from the Related parties of OJSC Maxi-Group acquired in a business combination, were $36,068 and $64,808 as at June 30, 2008 and December 31, 2007, respectively.

Financial settlements

Short-term loans issued amount to $17,583 and $4,093 as at June 30, 2008 and December 31, 2007, respectively.

As at June 30, 2008 and December 31, 2007 loans of $296,652 and $339,469, 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 $12,883 and $23,406 as at June 30, 2008 and December 31, 2007, respectively.

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

Short-term loans received from the minority shareholder of Maxi-Group amount to $60,095 as at June 30, 2008.

As at June 30, 2008 and December 31, 2007 the Group had preliminary estimated accounts payable of $268,892 and $555,578, respectively, to minority shareholder of OJSC Maxi-Group in respect of the purchase from him of his shares in OJSC Maxi-Group, which is included in other accounts payable.

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 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 interim condensed consolidated financial statements.

16 COMMITMENTS AND CONTINGENCIES (continued)

(c) Environmental matters

The enforcement of environmental regulation in 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

The Russian insurance market is in a developing stage and some forms of insurance protection common in other parts of the world are not yet generally available in the Russian Federation.

The Group has insurance contracts to insure property, plant and equipment, land transport, and aircraft and purchased accident and health insurance, inter-city motor vehicle passenger insurance and medical insurance for employees, and directors and officers liability insurance (D&O). Furthermore, the Group has purchased 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 $1,795,043 and $1,635,623 as at June 30, 2008 and December 31, 2007, 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 June 30, 2008 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 June 30, 2008 and December 31, 2007 the Group has issued guarantees to third parties amounting to $23,302 and $118,619, 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

(a) Acquisition of John Maneely Company

In August 2008 the Group announced that it reached the definitive agreement to acquire the U.S. steel pipe and tube manufacturer John Maneely Company (JMC) approximately for $3.53 billion (gross purchase price assuming no debt and cash). The transaction is subject to approval by regulatory authorities. The deal is expected to close in the fourth quarter of 2008. The transaction will be financed from loan facilities including 5-year syndicated loan totaling $1.6 billion received in August 2008.

(b) Acquisition of minority stake in existing subsidiaries

In July 2008 the Parent Company completed the acquisition of ordinary shares in OJSC StAGDoK, OJSC Dolomit and OJSC Altai-Koks for a total amount of $12,283, thus increasing its share to 100% in each company.

(c) Maxi-Group companies' loans refinancing

In July-August 2008 Maxi-Group companies' have entered into a number of loan agreements for the purpose of borrowings' refinancing (Note 8).

(d) Dividends

In August 2008, the Board of Directors of the Parent Company proposed interim dividends for the six-month period ended June 30, 2008 of 2 Russian rubles per share in the total amount of Russian rubles 11,986,454 thousand ($510,990 at the exchange rate as at June 30, 2008). The final amount of dividends is subject to the approval by an extraordinary General Stockholders' Meeting.