OJSC NOVOLIPETSK STEEL

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

AS AT SEPTEMBER 30, 2008 AND DECEMBER 31, 2007 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

CONTENTS

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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 September 30, 2008, the related interim condensed consolidated statements of income, of cash flows, and of stockholders' equity and comprehensive income for each of the nine-month periods ended September 30, 2008 and September 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, of cash flows, and of 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.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2007, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation

December 5, 2008

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

	Note	As at September 30, 2008	As at December 31, 2007
ASSETS			
Current assets			
Cash and cash equivalents	2	2,735,428	1,154,641
Short-term investments		14,089	153,462
Accounts receivable and advances given, net	3	1,779,496	1,696,451
Inventories, net	4	2,033,011	1,236,433
Other current assets	5	129,111	147,191
Restricted cash	2	11,091	-
		6,702,226	**4,388,178**
Non-current assets			
Long-term investments, net		1,022,437	818,590
Property, plant and equipment, net	6	7,304,906	6,449,877
Intangible assets, net		252,813	189,084
Goodwill		1,161,434	1,189,459
Other non-current assets		74,899	40,754
		9,816,489	**8,687,764**
Total assets		**16,518,715**	**13,075,942**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	7	1,723,855	1,394,934
Short-term borrowings	8	1,344,975	1,536,570
Current income tax liability		139,240	70,686
		3,208,070	**3,002,190**
Non-current liabilities			
Deferred income tax liability		509,234	585,567
Long-term borrowings	8	1,991,941	73,225
Other long-term liabilities		123,338	316,616
		2,624,513	**975,408**
Total liabilities		**5,832,583**	**3,977,598**
Commitments and contingencies		-	-
Minority interest		**140,262**	**106,813**
Stockholders' equity			
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at September 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		825,394	1,181,546
Retained earnings		9,436,641	7,526,150
		10,545,870	**8,991,531**
Total liabilities and stockholders' equity		**16,518,715**	**13,075,942**

The interim condensed consolidated financial statements as set out on pages 4 to 25 were approved on December 5, 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 nine months ended September 30, 2008	For the nine months ended September 30, 2007
Sales revenue	13	**9,639,887**	**5,545,557**
Cost of sales			
Production cost		(4,507,769)	(2,525,207)
Depreciation and amortization		(379,690)	(297,161)
		(4,887,459)	**(2,822,368)**
Gross profit		**4,752,428**	**2,723,189**
General and administrative expenses		(308,521)	(158,550)
Selling expenses		(575,130)	(318,006)
Taxes other than income tax		(88,348)	(58,997)
Accretion expense on asset retirement obligations		-	(6,115)
Operating income		**3,780,429**	**2,181,521**
Loss on disposals of property, plant and equipment		(18,556)	(24,575)
Gains / (losses) on investments, net		25,243	(3,542)
Interest income		70,047	68,241
Interest expense		(136,494)	(14,840)
Foreign currency exchange, net		(29,183)	55,889
Gain from disposal of subsidiaries	9(b)(c)	-	82,116
Other expenses, net		(38,988)	(3,197)
Income from continuing operations before income tax and minority interest		**3,652,498**	**2,341,613**
Income tax	11	(853,768)	(641,168)
Income from continuing operations before minority interest		**2,798,730**	**1,700,445**
Minority interest		(101,370)	(18,429)
Equity in net earnings / (losses) of associate		62,009	(25,829)
Income from continuing operations		**2,759,369**	**1,656,187**
Discontinued operations			
Gain from operations of discontinued subsidiary		-	1,245
Income from discontinued operations		**-**	**1,245**
Net income		**2,759,369**	**1,657,432**
Income from continuing operations per share (US dollars)			
basic and diluted		0.4604	0.2764
Income from discontinued operations per share (US dollars)			
basic and diluted		-	0.0002
Net income per share (US dollars)			
basic and diluted	10	0.4604	0.2766

(thousands of US dollars)

	Note	For the nine months ended September 30, 2008	For the nine months ended September 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		**2,759,369**	**1,657,432**
Adjustments to reconcile net income to net cash provided by operating activities:			
Minority interest		101,370	19,518
Depreciation and amortization		379,690	297,161
Loss on disposals of property, plant and equipment		18,556	24,575
(Gains) / losses on investments, net		(25,243)	3,542
Gain from disposal of subsidiaries		-	(82,116)
Gain from operations of discontinued subsidiary		-	(1,245)
Equity in net (earnings) / losses of associate		(62,009)	25,829
Deferred income tax (benefit) / expense		(91,922)	57,045
Accretion expense on asset retirement obligations		-	6,115
Other		(22,965)	4,441
Changes in operating assets and liabilities			
Increase in accounts receivable		(17,931)	(61,538)
Increase in inventories		(341,985)	(152,130)
Decrease / (increase) in other current assets		14,889	(42,847)
Increase in loans provided by the subsidiary bank		-	(104,973)
(Decrease) / increase in accounts payable and other liabilities		(891,376)	349,209
Increase / (decrease) in current income tax payable		67,617	(20,978)
Net cash provided by operating activities		**1,888,060**	**1,979,040**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from adjustment of the original purchase price of subsidiaries		-	37,720
Proceeds from sale of property, plant and equipment		7,819	7,256
Purchases and construction of property, plant and equipment		(1,447,755)	(616,015)
Proceeds from sale of investments and loans settled		94,337	6,422
Purchases of investments		(32,317)	(45,039)
Payment for acquisition of interests in new subsidiaries	12(a)	(299,928)	-
Acquisitions of stake in subsidiaries	12(c)	(160,493)	-
Net cash received in acquisition of interests in new subsidiaries	12(b)	297,905	-
Loan issued		-	(136,520)
Disposal of subsidiaries		-	(59,848)
Movement of restricted cash		(11,645)	(1,007)
Net cash used in investing activities		**(1,552,077)**	**(807,031)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and notes payable		3,555,504	39,956
Repayment of borrowings and notes payable		(1,741,630)	(259,029)
Capital lease payments		(73,054)	(2,059)
Proceeds from disposal of assets to the company under common control	9(a)	-	78,469
Dividends to minority shareholders of existing subsidiaries		(11,696)	(21,553)
Dividends to shareholders		(364,506)	(347,595)
Net cash provided by / (used in) financing activities		**1,364,618**	**(511,811)**
Net increase in cash and cash equivalents		**1,700,601**	**660,198**
Effect of exchange rate changes on cash and cash equivalents		(119,814)	63,057
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	**2,735,428**	**1,388,468**

(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		-	-	-	-	1,657,432	1,657,432
Other comprehensive income:							
Cumulative translation adjustment		-	-	-	448,286	-	448,286
Comprehensive income							**2,105,718**
Dividends to shareholders	10	-	-	-	-	(707,337)	(707,337)
Earnings from disposal of assets to the company under common control	15(c)	-	-	50,583	-	-	50,583
Balance at September 30, 2007		**221,173**	**10,267**	**52,395**	**1,038,272**	**6,936,299**	**8,258,406**
Balance at December 31, 2007		**221,173**	**10,267**	**52,395**	**1,181,546**	**7,526,150**	**8,991,531**
Comprehensive income:							
Net income		-	-	-	-	2,759,369	2,759,369
Other comprehensive income:							
Cumulative translation adjustment, attributable to foreign subsidiaries and associate		-	-	-	28,058	-	28,058
Cumulative translation adjustment		-	-	-	(384,210)	-	(384,210)
Comprehensive income							**2,403,217**
Dividends to shareholders	10	-	-	-	-	(848,878)	(848,878)
Balance at September 30, 2008		**221,173**	**10,267**	**52,395**	**825,394**	**9,436,641**	**10,545,870**

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 September 30, 2008, December 31, 2007, September 30, 2007 and December 31, 2006 were 1 US dollar to 25.2464, 24.5462, 24.9493 and 26.3311 Russian rubles, respectively. The period weighted average exchange rates were 24.0454 and 25.8905 Russian rubles to 1 US dollar for the nine months ended September 30, 2008 and September 30, 2007, respectively.

Recent accounting pronouncements

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.

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.

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

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 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 principles generally accepted in the US (US 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 142-3 will have on its interim condensed consolidated financial statements.

In September 2008, FASB issued FSP No. FAS 133-1 and FIN 45-4, *Disclosures about Credit Derivatives and Certain Guarantees: An Amendment of FASB Statement No. 133 and FASB Interpretation No. 45; and Clarification of the Effective Date of FASB Statement No. 161*. This FSP applies to credit derivatives within the scope of FASB Statement No. 133, hybrid instruments that have embedded credit derivatives, and guarantees within the scope of Interpretation 45. This FSP's amendment to Statement No. 133 also pertains to hybrid instruments that have embedded credit derivatives and requires a seller of credit derivatives shall disclose information about its credit derivatives and hybrid instruments that have embedded credit derivatives to enable users of financial statements to assess their potential effect on its financial position, financial performance, and cash flows. Amendment to Disclosure Requirements of Interpretation 45 states the disclosures for sellers of credit derivatives are substantially similar to those currently required for guarantors under paragraph 13 of Interpretation 45 except for the disclosure about the current status of the payment / performance risk of the credit derivative. To have similar disclosures for instruments with similar risks and rewards, this FSP amends paragraph 13(a) of Interpretation 45 to require disclosure of the current status of the payment / performance risk of the guarantee. The provisions of this FSP that amend Statement 133 and Interpretation 45 shall be effective for reporting periods (annual or interim) ending after November 15, 2008. The FSP clarifies the Board's intent about the effective date of FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*, to be any reporting period beginning after November 15, 2008. The Group does not expect any material impact on the Group's interim condensed consolidated financial statements relating to the adoption of this FSP.

In October 2008, FASB issued FSP No. FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active*, which clarifies the application of FASB Statement No. 157, *Fair Value Measurements*, in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. Application issues include: (a) how the reporting entity's own assumptions (that is, expected cash flows and appropriately risk-adjusted discount rates) should be considered when measuring fair value when relevant observable inputs do not exist, (b) how available observable inputs in a market that is not active should be considered when measuring fair value; (c) how the use of market quotes (for example, broker quotes or pricing services for the same or similar financial assets) should be considered when assessing the relevance of observable and unobservable inputs available to measure fair value. This FSP shall be effective upon issuance, including prior periods for which financial statements have not been issued. The adoption of FSP FIN 157-3 in October 2008 did not have a material impact on the Group's interim condensed consolidated financial statements.

(thousands of US dollars)

2 CASH AND CASH EQUIVALENTS

	As at September 30, 2008	As at December 31, 2007
Cash – Russian rubles	97,756	124,773
Cash – other currencies	142,493	23,165
Deposits – Russian rubles	311,686	947,322
Deposits – US dollars	2,031,696	20,486
Deposits – Euros	107,022	38,656
Deposits – other currencies	37,581	-
Other cash equivalents	7,194	239
	2,735,428	**1,154,641**

Restricted cash balance as at September 30, 2008 totaled $11,091 represented deposits pledged against letters of credit by subsidiary.

3 ACCOUNTS RECEIVABLE AND ADVANCES GIVEN

	As at September 30, 2008	As at December 31, 2007
Trade accounts receivable	913,853	996,669
Advances given to suppliers	255,964	313,550
Taxes receivable	647,288	416,696
Accounts receivable from employees	7,019	5,968
Other accounts receivable	223,161	207,181
	2,047,285	1,940,064
Allowance for doubtful debts	(267,789)	(243,613)
	1,779,496	**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 September 30, 2008 and December 31, 2007, the Group had other accounts receivable of $110,546 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)).

(thousands of US dollars)

4 INVENTORIES

	As at September 30, 2008	As at December 31, 2007
Raw materials	1,036,372	756,983
Work in process	410,164	310,832
Finished goods and goods for resale	634,725	209,878
	2,081,261	1,277,693
Provision for obsolescence	(48,250)	(41,260)
	2,033,011	**1,236,433**

As at September 30, 2008 and December 31, 2007, inventories of $45,765 and $82,920, respectively, served as collateral for certain borrowings (Note 8).

5 FORWARD CONTRACTS

Positive fair values of unrealized forward exchange and option contracts, amounting to $15,968 and $68,392, respectively, are included in other current assets as at September 30, 2008 and December 31, 2007. Negative fair values of unrealized forward exchange and option contracts, amounting to $66,670 are included in other accounts payable as at September 30, 2008 (these amounts are immaterial as at December 31, 2007). Fair value is determined as the sum of the differences between the discounted market forward rate for the appropriate months prevailing at September 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 and purchase foreign currencies during the next fifteen months (no commitments to purchase foreign currencies as at December 31, 2007). The table below summarizes by major currency the contractual amounts and positive fair values of the Group's unrealized forward exchange and option contracts in US dollars.

	As at September 30, 2008		As at December 31, 2007	
	Notional amount	Fair value	Notional amount	Fair value
US dollars	401,046	4,012	1,767,295	63,247
Euros	760,927	11,956	707,389	5,145
	1,161,973	**15,968**	**2,474,684**	**68,392**

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

	As at September 30, 2008	
	Notional amount	Fair value
US dollars	1,644,065	(57,087)
Euros	726,602	(9,583)
	2,370,667	**(66,670)**

During the nine months, ended September 30, 2008 and September 30, 2007, gains from realized forward exchange and option contracts amounted to $66,711 and $15,016, respectively, these gains were included in "Foreign currency exchange, net" line in interim condensed consolidated statements of income.

(thousands of US dollars)

6 PROPERTY, PLANT AND EQUIPMENT

	As at September 30, 2008	As at December 31, 2007
Land	105,407	88,353
Mineral rights	613,483	616,620
Buildings	1,591,665	1,428,223
Land and buildings improvements	1,398,876	1,339,274
Machinery and equipment	6,190,638	5,841,034
Vehicles	388,042	333,209
Construction in progress and advances for construction and acquisition of property, plant and equipment	2,557,658	2,197,131
Leased assets	304,352	457,191
Other	80,073	79,393
	13,230,194	12,380,428
Accumulated depreciation	(5,925,288)	(5,930,551)
	7,304,906	**6,449,877**

As at September 30, 2008 and December 31, 2007, property, plant and equipment of $497,800 and $717,024, respectively, were pledged against borrowings (Note 8).

7 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	As at September 30, 2008	As at December 31, 2007
Trade accounts payable	331,128	266,640
Advances received	205,855	165,624
Taxes payable other than income tax	120,134	65,322
Accounts payable and accrued liabilities to employees	167,344	159,578
Dividends payable	488,446	4,877
Short-term capital lease liability	12,949	32,273
Other accounts payable (Note 5)	397,999	700,620
	1,723,855	**1,394,934**

(thousands of US dollars)

8 SHORT-TERM AND LONG-TERM BORROWINGS

	As at September 30, 2008	As at December 31, 2007
Parent Company		
Loans, RUR denominated, with interest rates of 8.5% - 12% per annum	-	203,933
Loans, US$ denominated, with interest rate of LIBOR +1.2% and 1.3%per annum	1,650,456	-
Maxi-Group		
Russian rubles		
Loans with interest rates of 10.5% - 15% per annum	1,211,913	602,456
Bonds with interest rates of 10% - 12% per annum	763	93,656
Other borrowings (Note 15(e),(f))	91,727	122,358
US dollars		
Loans with interest rates of LIBOR (1 m) +3.75% - 13.5% per annum	75,096	282,394
Other borrowings	-	10,250
Euros		
Loans with interest rates of EURIBOR (6 m) +1.3% - 13% per annum	148,147	256,701
Other borrowings	2,136	4,094
	3,180,238	**1,575,842**
Other companies		
Loans, RUR denominated, with interest rates of 8.5% - 9.55% per annum	89,357	14,124
Loan, US$ denominated, with interest rate of 5% per annum	23,397	19,677
Loan, EURO denominated, with interest rate of 5.38% per annum	43,647	-
Other borrowings	277	152
	3,336,916	**1,609,795**
Less: short-term loans and current maturities of long-term loans	(1,344,975)	(1,536,570)
Long-term borrowings	**1,991,941**	**73,225**

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

As at September 30, 2008 and December 31, 2007, more than 46% and 85%, respectively, of total short-term and long-term borrowings of the Group are payable by Maxi-Group.

As at September 30, 2008 and December 31, 2007, loans of $118,467 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 September 30, 2008 and December 31, 2007, loans of $96,280 and $281,081, respectively, were collateralized with the shares of Maxi-Group companies.

New borrowings, received in the reporting period

The amount of loans, received by the Group under the new loan agreements concluded in the nine months ended September 30, 2008, and outstanding as at September 30, 2008, is $2,882,222.

Such loan agreements contain certain debt covenants that impose restrictions on the purposes for which the loans may be utilized, covenants with respect to disposal of assets, incurrence of additional liabilities, issuance of loans or guarantees, obligations in respect of any future reorganizations procedures or bankruptcy of borrowers, and also require that borrowers maintain pledged assets to their current value and conditions. In addition, these agreements contain covenants with respect to compliance with certain financial ratios, subjective acceleration clauses in relation to unfavorable economic conditions and performance of the borrowers as well as legal claims in excess of certain amount, where reasonable expectation of negative outcome exist and covenants triggered by any failure of the borrower to fulfill the contractual obligations.

(thousands of US dollars)

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

Loans covenants and restructuring of Maxi-Group's 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.

Loans covenants

Due to the breach of certain restrictive covenants and terms of the pledge agreements long-term loans of $54,948 were reclassified to short-term loans. As a result of this breach the lenders can request payment of $284,912 of short-term loans upon notice, including loans with original short-term maturities of $229,964.

None of the bank loans where the breach of loan's covenants existed at September 30, 2008 has been called by the lenders either at September 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:

- 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.
- September 2008, nonrevolving Russian ruble denominated credit lines agreements with a leading Russian bank and a subsidiary of a European bank totaling approximately $178,000 and $20,000 and maturing in September 8, 2013 and September 23, 2011, respectively.

The Group's management expects to continue the restructuring of Maxi-Group credit portfolio in the forth quarter of 2008 and the first half of 2009. The restructuring is expected to reduce the numbers of providers of credit, to lengthen the maturity periods and to change favorably the covenants applying to loans received. As previously reported the Group engaged two leading Russian banks for rendering services on setting up a Russian ruble denominated syndicated loan totaling $510,000, however finally satisfactory financial terms have not been achieved and as a result no transaction was consummated.

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 several other investees for $78,469.

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**

(thousands of US dollars)

9 DISPOSALS OF ASSETS (continued)

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.

(b) Disposal of Prokopyevskugol group

In April 2007, a subsidiary of the Parent Company – Kuzbass Asset Holdings Limited – sold to MUE Municipal Sustenance Department, owned by the Administration of Prokopyevsk (Kemerovo Region), the Group's coal producing companies, the Prokopyevskugol group, for one US dollar. A pre-tax gain on this transaction of $57,577 was recognized by the Group, and included in "Gain from disposal of subsidiaries" line.

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.

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 nine months ended September 30, 2007.

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 nine months ended September 30, 2008	For the nine months ended September 30, 2007
Weighted average number of shares	5,993,227,240	5,993,227,240
Net income (thousands of US dollars)	2,759,369	1,657,432
Basic and diluted net income per share (US dollars)	**0.4604**	**0.2766**

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 September 2008, the Parent Company declared interim dividends for the six months ended June 30, 2008 of 2 Russian rubles per share for the total of $471,338. Dividends payable amount to $488,446 at September 30, 2008 (Note 7).

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.

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 nine months ended September 30, 2008	For the nine months ended September 30, 2007
Income from continuing operations before income tax	3,652,498	2,341,613
Income tax at applicable tax rate	876,600	561,987
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	(81,469)	-
Increase in income tax resulting from:		
non-deductible expenses	58,637	79,181
Total income tax expense	**853,768**	**641,168**

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 adjusted fair values of the assets acquired and liabilities assumed in this business combination. The fair values of property, plant and equipment and intangible assets were based on estimates of independent appraiser. The resulting goodwill primarily reflects the control premium paid for the acquisition:

Current assets	561,301
Property, plant and equipment	1,936,950
Other non-current assets	531
Preliminary goodwill	540,613
Total assets acquired	**3,039,395**
Current liabilities	(1,154,228)
Non-current liabilities	(1,277,623)
Deferred income tax liability	(29,729)
Minority interest	(19,300)
Total liabilities assumed	**(2,480,880)**
Net assets acquired	**558,515**
Less: cash acquired	(25,047)
Net assets acquired, net of cash acquired	**533,468**

The major differences between preliminary purchase price allocations, previously disclosed as at December 31, 2007, and adjusted purchase price allocations are primarily due to the accomplishment of independent appraisal of property, plant and equipment and adjustment of the fair value of assets acquired and liabilities assumed as a consequence of the purchase price adjustment.

(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 September 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 nine months ended September 30, 2008 were $3,931,351 and $43,014, respectively.

In the course of initially conducted consolidation of international traders one-off change in the Group's operating assets and liabilities has occurred with the reflection of corresponding effects in operating activities in interim condensed consolidated statement of cash flow.

(c) Other acquisitions

For the nine months ended September 30, 2008, the Parent Company made a number of immaterial acquisitions of stock in existing and new subsidiaries for the total consideration of $160,493.

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 nine months ended September 30, 2008 and their assets as at September 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	7,807,105	1,119,899	50,694	599,467	62,722	9,639,887	-	9,639,887
Intersegment revenue	216,174	518,724	748,714	398,469	4,433	1,886,514	(1,886,514)	-
Gross profit	**3,423,711**	**560,832**	**525,739**	**248,842**	**32,167**	**4,791,291**	**(38,863)**	**4,752,428**
Operating income	**2,790,708**	**351,134**	**474,293**	**162,162**	**25,827**	**3,804,124**	**(23,695)**	**3,780,429**
Income from continuing operations before minority interest	**2,886,412**	**166,139**	**395,525**	**114,410**	**18,016**	**3,580,502**	**(781,772)**	**2,798,730**
Segment assets, including goodwill	13,048,724	3,183,611	1,584,997	1,181,242	303,337	19,301,911	(2,783,196)	16,518,715

Information on segmental transactions for the nine months ended September 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	5,049,271	-	71,495	358,493	66,298	5,545,557	-	5,545,557
Intersegment revenue	18,542	-	575,063	95,197	40,291	729,093	(729,093)	-
Gross profit	**2,153,139**	**-**	**431,429**	**99,596**	**36,625**	**2,720,789**	**2,400**	**2,723,189**
Operating income / (loss)	**1,772,952**	**-**	**384,500**	**32,067**	**(5,622)**	**2,183,897**	**(2,376)**	**2,181,521**
Income from continuing operations before minority interest	**1,312,039**	**-**	**325,122**	**18,171**	**139,875**	**1,795,207**	**(94,762)**	**1,700,445**
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

Russian Federation

The Russian Federation's economy continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that in practice is not freely convertible in most countries outside the Russian Federation and relatively high inflation. The tax, currency and customs legislation within the Russian Federation is subject to varying interpretations, and changes, which can occur frequently. 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.

Recent volatility in global and Russian financial markets

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and higher interbank lending rates and very high volatility in stock markets. The uncertainty in the global financial market has also led to bank failures and bank rescues in the United States of America, European Union and Russian Federation. Such circumstances could affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. The debtors of the Group may also be affected by the lower liquidity situation which could in turn impact their ability to repay their amounts owed. Deteriorating operating conditions may also have an impact on cash flow management and assessment of the impairment of financial and non-financial assets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

(b) Convertibility of Russian ruble

Future movements in the exchange rate between the Russian ruble and the US dollar will affect the reported US dollar amounts related to the Russian ruble carrying values of the Group's assets and liabilities. Such movements may also affect the Group's ability to realize 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 nine months ended September 30, 2008 and September 30, 2007 were 59% and 61% 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.

During the nine months ended September 30, 2007 the Group was selling to three international traders that account for the majority of its sales outside Russia. During the nine months ended September 30, 2007 Steelco Mediterranean Trading Ltd., Cyprus, Tuscany Intertrade (UK), and Moorfield Commodities Company, UK, purchased 23%, 9% and 37% 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 September 30, 2008 and December 31, 2007 and transactions for the nine months ended September 30, 2008 and September 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 $379,635 and $155,985 for the nine months ended September 30, 2008 and September 30, 2007. Sales to other related parties were $11,984 and $4,741 for the nine months ended September 30, 2008 and September 30, 2007, respectively.

Related accounts receivable from associate (SIF S.A.) and its subsidiary equaled $64,757 and $18,953 as at September 30, 2008 and December 31, 2007, respectively. Accounts receivable from other related parties equaled $2,680 and $1,993 as at September 30, 2008 and December 31, 2007, respectively.

Purchases and services

Purchases from subsidiary of an associate (SIF S.A.) were $10,089 for the nine months ended September 30, 2008. Purchases of raw materials, technological equipment and management services from the Companies under common control, were $2,298 and $6,078 for the nine months ended September 30, 2008 and September 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 $22,272 and $45,621 for the nine months ended September 30, 2008 and September 30, 2007, respectively.

Accounts payable to subsidiary of an associate (SIF S.A.) were $3,143 as at September 30, 2008. Accounts payable to other related parties were $43,393 and $27,958 as at September 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, including interest accrued, is $156,072 and $151,473 as at September 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 during the nine months of 2008 and OJSC Bank Zenit during the nine months of 2007) amounted to $87,179 and $257,615 as at September 30, 2008 and December 31, 2007, respectively. Related interest income from these deposits and current accounts for the nine months ended September 30, 2008 and September 30, 2007 amounted to $1,625 and $6,475, respectively.

The Group granted interest free loans to management in the total amount of $250 for the nine months ended September 30, 2008. The aggregate amount of interest free loans granted to management outstanding as at September 30, 2008 and December 31, 2007 was $238 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 nine months ended September 30, 2008 and September 30, 2007 amounted to $2,746 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), all of its shareholding in a 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 $3,720 and $8,939 for the nine months ended September 30, 2008 and September 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 $16,390 and $37,116 as at September 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 $41,305 and $64,808 as at September 30, 2008 and December 31, 2007, respectively.

Financial settlements

Short-term loans issued amount to $11,799 and $4,093 as at September 30, 2008 and December 31, 2007, respectively.

As at September 30, 2008 and December 31, 2007, loans of $118,467 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 $1,985 and $23,406 as at September 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 $55,837 as at September 30, 2008.

As at September 30, 2008 and December 31, 2007, the Group had preliminary estimated accounts payable of $249,837 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

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

(e) Capital commitments

Management estimates the outstanding agreements in connection with equipment supply and construction works amounted to $1,503,441 and $1,635,623 as at September 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 September 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 September 30, 2008 and December 31, 2007, the Group has issued guarantees to third parties amounting to $15,171 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 a definitive agreement (the “Merger Agreement”) to acquire the U.S. steel pipe and tube manufacturer John Maneely Company (“JMC”) for approximately $3.53 billion (gross purchase price assuming no debt and cash).

On October 15, 2008 a lawsuit was brought against NLMK by DBO Holdings Inc., the parent company of JMC. The lawsuit was filed in the United States District Court for the Southern District of New York. It alleges that NLMK breached the terms of the Merger Agreement and seeks to obtain damages in an amount to be determined at a trial, an order to compel NLMK to fulfill its obligations under the Merger Agreement, and an award of costs and such other relief as the court may grant. On November 13, 2008 NLMK terminated the Merger Agreement.

By way of background information, the Merger Agreement contains various provisions relating to liability and damages in the event of termination and/or breach, including an overall cap on damages of $529 million.

At this time, NLMK is vigorously defending against the claims in the lawsuit, and due to uncertainties inherent in any litigation is currently unable to predict the outcome of these matters.

(b) Acquisition of Beta Steel Corp.

In October 2008, the Parent Company completed the acquisition of 100% interest in Beta Steel Corp. a U.S. hot-rolled steel producer for cash consideration of $350 million (on a debt free, cash free basis). The acquisition of Beta Steel Corp. was made consistent with the Group’s strategy of product diversification and increasing sales of finished products in its core markets.

(c) Situation on the metal market

The metallurgical industry in the Russian Federation like in other countries is sensitive to adverse fluctuations in economic conditions and may occasionally experience significant volatility in market prices, which took place in the fourth quarter 2008.

As a result of significant decline in demand and metals prices caused by the recent changes in the global economic environment the Parent Company announced temporary reductions in its production output. Currently, management of the Group is implementing a cost-cutting and production optimization plan as well as adjusting the investing programme previously announced.

Financial effects of these factors can not be reliably estimated as of the date of these interim condensed consolidated financial statements.