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, 2009 AND DECEMBER 31, 2008
AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

CONTENTS

PRICEWATERHOUSECOOPERS

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have reviewed the accompanying interim condensed consolidated balance sheet of OJSC Novolipetsk Steel and its subsidiaries ("the Group") as at September 30, 2009, 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, 2009 and September 30, 2008. These interim condensed consolidated financial statements are the responsibility of the Group's management.

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

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

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

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

ZAO PricewaterhouseCoopers Audit

Moscow, Russian Federation
December 2, 2009

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

	Note	As at September 30, 2009	As at December 31, 2008
ASSETS			
Current assets			
Cash and cash equivalents	2	1,641,568	2,159,989
Short-term investments		126,465	8,089
Accounts receivable and advances given, net	3	907,612	1,487,847
Inventories, net	4	1,052,255	1,555,762
Other current assets		92,768	99,960
Deferred income tax assets		33,087	-
Current assets held for sale	9	-	34,432
		3,853,755	**5,346,079**
Non-current assets			
Long-term investments, net		720,283	815,527
Property, plant and equipment, net	5	7,025,656	6,826,139
Intangible assets, net		211,031	235,283
Goodwill		603,140	613,668
Other non-current assets		36,281	33,546
Non-current assets held for sale	9	-	194,286
		8,596,391	**8,718,449**
Total assets		**12,450,146**	**14,064,528**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	6	997,412	1,879,213
Short-term borrowings	7	957,435	1,079,806
Current income tax liability		43,577	10,497
Current liabilities held for sale	9	-	10,959
		1,998,424	**2,980,475**
Non-current liabilities			
Deferred income tax liability		371,289	296,875
Long-term borrowings	7	1,571,184	1,929,772
Other long-term liabilities		116,227	128,944
Non-current liabilities held for sale	9	-	5,393
		2,058,700	**2,360,984**
Total liabilities		**4,057,124**	**5,341,459**
Commitments and contingencies		-	-
Stockholders' equity			
NLMK stockholders' equity			
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at September 30, 2009 and December 31, 2008		221,173	221,173
Statutory reserve		10,267	10,267
Additional paid-in capital		112,450	52,395
Accumulated other comprehensive loss		(738,260)	(549,879)
Retained earnings		8,876,890	8,956,013
		8,482,520	**8,689,969**
Non-controlling interest		**(89,498)**	**33,100**
Total stockholders' equity		**8,393,022**	**8,723,069**
Total liabilities and stockholders' equity		**12,450,146**	**14,064,528**

The interim condensed consolidated financial statements as set out on pages 4 to 22 were approved on December 2, 2009.

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

Chief Accountant
Sokolov A.A.

	Note	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
Sales revenue	14	**4,325,331**	**9,639,887**
Cost of sales			
Production cost		(2,672,718)	(4,507,769)
Depreciation and amortization		(348,684)	(379,690)
		(3,021,402)	**(4,887,459)**
Gross profit		**1,303,929**	**4,752,428**
General and administrative expenses		(233,276)	(308,521)
Selling expenses		(450,344)	(575,130)
Taxes other than income tax		(75,763)	(88,348)
Operating income		**544,546**	**3,780,429**
Loss on disposals of property, plant and equipment		(13,132)	(18,556)
(Losses) / gains on investments, net		(1,862)	25,243
Interest income		53,092	70,047
Interest expense		(131,886)	(136,494)
Foreign currency exchange loss, net		(77,683)	(29,183)
Other expenses, net		(72,589)	(38,988)
Income from continuing operations before income tax		**300,486**	**3,652,498**
Income tax expense	11	(131,536)	(853,768)
Income from continuing operations, net of income tax		**168,950**	**2,798,730**
Equity in net (losses) / earnings of associate		(344,093)	62,009
Net (loss) / income		**(175,143)**	**2,860,739**
Less: Net loss / (income) attributable to the non-controlling interest		**96,020**	**(101,370)**
Net (loss) / income attributable to NLMK stockholders		**(79,123)**	**2,759,369**
(Loss) / income per share – basic and diluted:			
(Loss) / income from continuing operations attributable to NLMK stockholders per share (US dollars)		(0.0132)	0.4604
Net (loss) /income attributable to NLMK stockholders per share (US dollars)	10	(0.0132)	0.4604
Weighted-average shares outstanding, basic and diluted (in thousands)		5,993,227	5,993,227

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

(thousands of US dollars)

	Note	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income		**(175,143)**	**2,860,739**
Adjustments to reconcile net (loss) / income to net cash provided by operating activities:			
Depreciation and amortization		348,684	379,690
Loss on disposals of property, plant and equipment		13,132	18,556
Losses / (gains) on investments, net		1,862	(25,243)
Equity in net losses / (earnings) of associate		344,093	(62,009)
Deferred income tax expense / (benefit)		36,829	(91,922)
(Gains) / losses on unrealized forward contracts		(315,096)	123,049
Other		19,616	(22,965)
Changes in operating assets and liabilities			
Decrease / (increase) in accounts receivable		504,158	(17,931)
Decrease / (increase) in inventories		420,804	(341,985)
Decrease in other current assets		4,865	14,889
Increase / (decrease) in accounts payable and other liabilities		16,690	(1,014,425)
Increase in current income tax payable		30,556	67,617
Net cash provided by operating activities		**1,251,050**	**1,888,060**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		10,403	7,819
Purchases and construction of property, plant and equipment		(707,652)	(1,447,755)
Settlement of abandoned acquisition	17(b)	(234,000)	-
Withdrawal of bank deposits and proceeds from sale of other investments and loans settled		502,047	94,337
Placement of bank deposits and purchases of other investments		(511,188)	(32,317)
Loans issued		(333,500)	-
Acquisitions of stake in existing subsidiaries		-	(160,493)
Payment for acquisition of interests in new subsidiaries	12(b)	-	(299,928)
Net cash received in acquisition of interests in new subsidiaries	12(c)	-	297,905
Movement of restricted cash		-	(11,645)
Net cash used in investing activities		**(1,273,890)**	**(1,552,077)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and notes payable		570,813	3,555,504
Repayment of borrowings and notes payable		(1,011,281)	(1,741,630)
Capital lease payments		(38,635)	(73,054)
Dividends to minority shareholders of existing subsidiaries		(4)	(11,696)
Dividends to shareholders		(1,116)	(364,506)
Net cash (used in) / provided by financing activities		**(480,223)**	**1,364,618**
Net (decrease) / increase in cash and cash equivalents		**(503,063)**	**1,700,601**
Effect of exchange rate changes on cash and cash equivalents		(15,358)	(119,814)
Cash and cash equivalents at the beginning of the period	2	2,159,989	1,154,641
Cash and cash equivalents at the end of the period	2	**1,641,568**	**2,735,428**

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

(thousands of US dollars)

	Note	NLMK stockholders							
		Common stock	Statutory reserve	Additional paid-in capital	Accumulated other comprehensive income / (loss)	Retained earnings	Non-controlling interest	Compre-hensive income / (loss)	Total stockholders' equity
Balance at December 31, 2007		**221,173**	**10,267**	**52,395**	**1,181,546**	**7,526,150**	**106,813**	**-**	**9,098,344**
Purchase of subsidiaries' shares from non-controlling interest		-	-	-	-	-	(79,068)	-	(79,068)
Change of non-controlling interest due to finalization of PPE appraisal in acquired subsidiaries		-	-	-	-	-	24,942	-	24,942
Comprehensive income:									
Net income		-	-	-	-	2,759,369	101,370	2,860,739	2,860,739
Other comprehensive loss:									
Dividends to minority shareholders of existing subsidiaries		-	-	-	-	-	(12,383)	(12,383)	(12,383)
Cumulative translation adjustment		-	-	-	(356,152)	-	(1,412)	(357,564)	(357,564)
Comprehensive income								2,490,792	**2,490,792**
Dividends to shareholders	10	-	-	-	-	(848,878)	-	-	(848,878)
Balance at September 30, 2008		**221,173**	**10,267**	**52,395**	**825,394**	**9,436,641**	**140,262**	**-**	**10,686,132**
Balance at December 31, 2008		**221,173**	**10,267**	**52,395**	**(549,879)**	**8,956,013**	**33,100**	**-**	**8,723,069**
Comprehensive loss:									
Net loss	1	-	-	-	-	(79,123)	(96,020)	(175,143)	(175,143)
Other comprehensive loss:									
Cumulative translation adjustment		-	-	-	(188,381)	-	(11,686)	(200,067)	(200,067)
Comprehensive loss								(375,210)	**(375,210)**
Disposal of assets to an entity under common control	9	-	-	85,345	-	-	(40,182)	-	45,163
Change in non-controlling interest	13	-	-	(25,290)	-	-	25,290	-	-
Balance at September 30, 2009		**221,173**	**10,267**	**112,450**	**(738,260)**	**8,876,890**	**(89,498)**	**-**	**8,393,022**

1 BASIS OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARATION

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Open Joint Stock Company Novolipetsk Steel (the “Parent Company”, or “NLMK”) and its subsidiaries (together – the “Group”) audited consolidated financial statements as at and for the year ended December 31, 2008. The December 31, 2008 condensed consolidated balance sheet information has been derived from the audited consolidated financial statements, however, since it is presented on a condensed basis it does not include all disclosures required by accounting principles generally accepted in the United States of America for annual consolidated financial statements.

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

Functional and reporting currency

The Group’s principal functional currency is considered to be the Russian ruble. The functional currency of the foreign subsidiaries is their local currency. The accompanying interim condensed consolidated financial statements have been prepared using the US dollar as the Group’s reporting currency, utilizing period-end exchange rates for assets and liabilities, corresponding period quarterly weighted average exchange rates for consolidated statement of income accounts for the nine months ended September 30, 2009 (weighted average exchange rate for consolidated statement of income accounts for the nine months ended September 30, 2008) and historic rates for equity accounts.

The Central Bank of the Russian Federation’s closing rates of exchange ruling at September 30, 2009, December 31, 2008, September 30, 2008 and December 31, 2007 were 1 US dollar to 30.0922, 29.3804, 25.2464 and 24.5462 Russian rubles, respectively. The period weighted average exchange rates for the 1 quarter 2009, 2 quarter 2009 and 3 quarter 2009 were 33.9308, 32.2145 and 31.3276 Russian rubles to 1 US dollar, respectively. The period weighted average exchange rate for the nine months ended September 30, 2008 was 24.0454 Russian rubles to 1 US dollar.

Recent accounting pronouncements

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 160, *Non-controlling Interests in Consolidated Financial Statements – an amendment of Accounting Research Bulletin No. 51* (“SFAS No. 160”) (codified within ASC 810, Consolidation). This Statement provides new standards to govern the accounting and reporting for non-controlling (formerly known as minority) interests in partially owned consolidated subsidiaries and for the loss of control of subsidiaries. The Statement establishes that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 was effective as of January 1, 2009. As a result of the adoption of this Statement, the Group prospectively attributed the non-controlling interest its share of losses of $96,020 which resulted in a deficit non-controlling interest balance. The presentation and disclosure requirements of SFAS No. 160 were applied retrospectively.

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No.162* (SFAS No. 168) (codified within ASC 105, Generally Accepted Accounting Principles), which became effective for the Group from the interim period ended September 30, 2009. The Codification is the sole source of authoritative US GAAP to be applied by non-governmental entities and supersedes all non-SEC accounting and reporting standards existing on September 15, 2009. The issuance of SFAS No. 168 and the Codification does not change GAAP. All references to accounting standards in these interim condensed financial statements were updated to corresponding ASC references. Management has determined that the adoption of SFAS No. 168 had no impact on the Group’s interim condensed consolidated financial statements.

(thousands of US dollars)

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

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No.46(R)*. SFAS No. 167 amends FASB Interpretation No. 46 (Revised December 2003), *Consolidation of Variable interest entities – an interpretation of ARB No.51* (not yet included into Codification), which will become effective for the Group on January 1, 2010. This Standard requires the Group to perform an analysis to determine whether the Group's variable interest or interests give it a controlling financial interest in a variable interest entity. The Group is also required to assess whether it has an implicit financial responsibility to ensure that the variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity's economic performance. It is expected that the adoption of these Statement will have no material effect on the Group's results of operations, financial position or liquidity. Management is currently evaluating the potential impact of SFAS No. 167 on the Group's consolidated financial statements.

In August 2009, Accounting Standards Update (ASU) No. 2009-05, *Measuring Liabilities at Fair Value*, was issued and becomes effective for the Group on January 1, 2010. This ASU amends ASC 820, *Fair Value Measurements and Disclosures*, and provides additional guidance on how companies should measure liabilities at fair value. While reaffirming the existing definition of fair value, this ASU reintroduces the concept of entry value into the determination of fair value. Entry value is the amount an entity would receive to enter into an identical liability. Under the new guidance, the fair value of a liability is not adjusted to reflect the impact of contractual restrictions that prevent its transfer. Management is currently evaluating the potential impact of this ASU on the Group's consolidated financial statements.

2 CASH AND CASH EQUIVALENTS

	As at September 30, 2009	**As at December 31, 2008**
Cash – Russian rubles	59,993	75,561
Cash – US dollars	445,003	48,195
Cash – other currencies	84,201	31,493
Deposits – Russian rubles	27,406	317,772
Deposits – US dollars	978,428	1,591,632
Deposits – Euros	32,674	89,683
Deposits – other currencies	11,572	4,832
Other cash equivalents	2,291	821
	1,641,568	**2,159,989**

3 ACCOUNTS RECEIVABLE AND ADVANCES GIVEN

	As at September 30, 2009	**As at December 31, 2008**
Trade accounts receivable	677,107	964,257
Advances given to suppliers	130,995	123,588
Taxes receivable	281,318	489,352
Accounts receivable from employees	3,797	2,709
Other accounts receivable	130,499	178,996
	1,223,716	1,758,902
Allowance for doubtful debts	(316,104)	(271,055)
	907,612	**1,487,847**

As at September 30, 2009 and December 31, 2008, the Group had other accounts receivable of $98,173 and $95,033, respectively, from companies for which a 100% allowance was recorded. These accounts receivable were acquired by the Group through a business combination.

(thousands of US dollars)

4 INVENTORIES

	As at September 30, 2009	As at December 31, 2008
Raw materials	601,594	833,236
Work in process	218,644	326,168
Finished goods and goods for resale	277,778	480,135
	1,098,016	1,639,539
Provision for obsolescence	(45,761)	(83,777)
	1,052,255	**1,555,762**

As at September 30, 2009 and December 31, 2008, inventories of nil and $35,900, respectively, served as collateral for certain borrowings (Note 7).

5 PROPERTY, PLANT AND EQUIPMENT

	As at September 30, 2009	As at December 31, 2008
Land	114,172	91,553
Mineral rights	514,692	527,162
Buildings	1,385,017	1,385,103
Land and buildings improvements	1,220,922	1,213,582
Machinery and equipment	5,839,118	5,699,662
Vehicles	332,266	333,351
Construction in progress and advances for construction and acquisition of property, plant and equipment	2,555,639	2,355,259
Leased assets	292,853	310,534
Other	68,282	72,169
	12,322,961	11,988,375
Accumulated depreciation	(5,297,305)	(5,162,236)
	7,025,656	**6,826,139**

As at September 30, 2009 and December 31, 2008, property, plant and equipment of $46,230 and $272,678 (net book value), respectively, served as collateral for certain borrowings (Note 7).

6 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	As at September 30, 2009	As at December 31, 2008
Trade accounts payable	394,929	489,486
Advances received	133,035	54,127
Taxes payable other than income tax	79,363	81,966
Accounts payable and accrued liabilities to employees	126,814	129,724
Dividends payable	3,482	4,859
Short-term capital lease liability	25,519	35,722
Negative fair values of unrealized forward contracts (Note 8)	152,708	495,540
Other accounts payable	81,562	587,789
	997,412	**1,879,213**

Other accounts payable as at December 31, 2008 include payables to the company under common control for OJSC TMTP shares of $241,833 (Note 9) and $234,000 in respect of the settlement of the dispute with DBO Holdings Inc. (Note 17(b)).

(thousands of US dollars)

7 SHORT-TERM AND LONG-TERM BORROWINGS

	As at September 30, 2009	As at December 31, 2008
Parent Company		
Loans, RUR denominated, with interest rate 13.5% per annum	166,463	-
Loans, US$ denominated, with interest rates from LIBOR +1.2% to 7% per annum, mature 2009-2013	1,657,734	1,657,105
Maxi-Group		
Russian rubles		
Loans with interest rates from 12% to MosPrime1M +7% per annum, mature 2009-2013	462,892	908,002
Bonds with interest rates from 10% to 12% per annum	621	980
Other borrowings	57,637	56,065
US dollars		
Loans with interest rates from LIBOR (1 m) +3.75% to 7.1% per annum, mature 2009-2010	49,032	119,431
Euros		
Loans with interest rates from EURIBOR (6 m) +1.3% to14.25% per annum, mature 2009-2017	76,658	122,559
Other borrowings	12,909	19,631
	2,483,946	**2,883,773**
Other companies		
Loan, RUR denominated, with interest rate 10% per annum	26,124	81,825
Loan, EURO denominated, with interest rate of 5.38% per annum	18,548	43,711
Other borrowings	1	269
	2,528,619	**3,009,578**
Less: short-term loans and current maturities of long-term loans	(957,435)	(1,079,806)
Long-term borrowings	**1,571,184**	**1,929,772**

The Group's long-term borrowings at September 30, 2009 mature between 2 to 9 years.

As at September 30, 2009 and December 31, 2008, more than 26% and 40%, respectively, of total short-term and long-term borrowings of the Group are payable by Maxi-Group.

As at September 30, 2009 and December 31, 2008, loans of nil and $50,204, respectively, were collateralized with guarantee letters and other guarantees issued by companies which are the related parties of Maxi-Group (Note 16(e)). As at September 30, 2009 and December 31, 2008, loans of nil and $78,563, respectively, were collateralized with the shares of Maxi-Group companies.

New borrowings

The amount of loans received by the Group under new loan agreements concluded in the nine months ended September 30, 2009 and outstanding as at September 30, 2009 is $262,415.

(thousands of US dollars)

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

Major terms of loan agreements

Certain of the loan agreements contain debt covenants that impose restrictions on the purposes for which the loans may be utilized, covenants with respect to disposal of assets, incurrence of additional liabilities, issuance of loans or guarantees, obligations in respect of any future reorganizations procedures or bankruptcy of borrowers, and also require that borrowers maintain pledged assets to their current value and conditions. In addition, these agreements contain covenants with respect to compliance with certain financial ratios, 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 triggering by any failure of the borrower to fulfill contractual obligations.

8 FORWARD CONTRACTS

The Group holds or purchases derivative financial instruments for purposes other than trading to mitigate foreign currency exchange rate risk. The Group uses Euro and US dollar forward sales and purchases contracts with maturities no longer than 3 months to exchange Euros and US dollars to Russian rubles and back, to manage its exposure to foreign currencies price fluctuations.

Negative fair values of unrealized forward exchange contracts, amounting to $(152,708) and $(495,540) are included in the line “Accounts payable and other liabilities” in the interim condensed consolidated balance sheets as at September 30, 2009 and December 31, 2008, respectively (Note 6).

In accordance with ASC No. 820, the fair value of foreign currency derivatives is determined using Level 2 inputs, which are defined as “significant other observable” inputs. The inputs used include quoted prices for similar assets or liabilities in an active market. Fair value is determined as the sum of the differences between the discounted market forward rate in the settlement month prevailing at September 30, 2009 and the appropriate contract settlement rate, multiplied by the respective notional amount of the contract.

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

	As at September 30, 2009		**As at December 31, 2008**	
	Notional amount	Fair value	Notional amount	Fair value
US dollars	543,206	(93,775)	1,411,825	(353,169)
Euros	344,112	(58,933)	915,723	(142,371)
	887,318	**(152,708)**	**2,327,548**	**(495,540)**

9 DISPOSAL OF ASSETS

In December 2008, the Parent Company reached an agreement to sell, to an entity under common control, its full controlling share (69.41%) in OJSC TMTP and its subsidiaries (TMTP) for a total consideration of $258,182 (as at the date of payment). The transaction was closed in January 2009. An after-tax gain on this transaction of $85,345 was recognized by the Group, and included within the “Disposal of assets to an entity under common control” line in the interim condensed consolidated statements of stockholders’ equity and comprehensive income for the nine months ended September 30, 2009.

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

9 DISPOSAL OF ASSETS (continued)

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

Current assets	37,329
Non-current assets, including goodwill	182,558
Total assets	**219,887**
Current liabilities	(12,676)
Non-current liabilities	(5,254)
Total liabilities	**(17,930)**
Net assets	**201,957**

Information on TMTP's transactions for January 2009 is as follows:

Sales revenue	6,006
Net income	2,976

This transaction was carried out in line with the earlier announced strategy of the Group's further development. In accordance with a resolution passed by the Board of Directors in February 2006, the interest in OJSC TMTP and its subsidiaries was classified as a non-core asset.

10 EARNINGS PER SHARE

	For the nine months ended September 30, 2009	For the nine months ended September 30, 2008
Weighted average number of shares	5,993,227,240	5,993,227,240
Net (loss) / income (thousands of US dollars)	(79,123)	2,759,369
Basic and diluted net (loss) / income per share (US dollars)	**(0.0132)**	**0.4604**

Basic net (loss) / income per share of common stock is calculated by dividing net (loss) / 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.

No dividends were declared by the Parent Company for the nine months ended September 30, 2009.

In June 2009, the Parent Company declared dividends for the year ended December 31, 2008 of 2 Russian rubles per share for the total of $471,338 (at the historical rate), including interim dividends for the six months ended June 30, 2008 of 2 Russian ruble per share, declared in September 2008.

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 (at the historical rate), including interim dividends for the six months ended June 30, 2007 of 1.5 Russian ruble per share for the total of $360,142 (at the historical rate).

Dividends payable amounted to $3,482 and $4,859 as at September 30, 2009 and December 31, 2008, respectively (Note 6).

(thousands of US dollars)

11 INCOME TAX

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

For the nine months ended September 30, 2009, the Group recognized a net consolidated income tax expense of $131,536. In the context of the Group’s current structure, tax losses and current tax assets of different Group companies may not be offset against current taxable profits and tax liabilities of other Group companies and, accordingly, net taxes may accrue even where there is a consolidated tax loss. Included in the income tax expense for the nine months ended September 30, 2009, is $33,779 of income tax benefits related to the tax losses of certain subsidiaries of the Group. The Group’s management believes there is positive evidence to support the realizability of the deferred income tax assets.

12 BUSINESS COMBINATIONS

(a) Acquisition of Beta Steel Corp. shares

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

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

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

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

The revenues and net income of Beta Steel Corp. for the nine months ended September 30, 2008 were $362,074 and $7,678, respectively.

(thousands of US dollars)

12 BUSINESS COMBINATIONS (continued)

(b) Acquisition of OJSC Maxi-Group shares

In November 2007, the Parent Company entered into a binding agreement and a shareholder agreement in relation to the acquisition of a controlling stake in 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 Maxi-Group. In accordance with the formula defined in the share purchase agreement, the Group has estimated a preliminary purchase price of $558,515 as at the date of obtaining control and accrued the corresponding liability as at December 31, 2007. In January 2008, the Parent Company paid $299,928 of the purchase price (translated at the exchange rate at the date of payment). The final payment between the parties was required after completion of the Maxi-Group due diligence process and finalization of the corresponding price adjustment.

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

The acquired companies were consolidated for the first time as at the transfer of the ownership date of 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.

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

Current assets	561,301
Property, plant and equipment	1,936,953
Other non-current assets	531
Goodwill	281,183
Total assets acquired	**2,779,968**
Current liabilities	(1,154,228)
Non-current liabilities	(1,277,623)
Deferred income tax liability	(29,729)
Total liabilities assumed	**(2,461,580)**
Minority interest	(19,300)
Net assets acquired	**299,088**
Less: cash acquired	(25,047)
Net assets acquired, net of cash acquired	**274,041**

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

(thousands of US dollars)

12 BUSINESS COMBINATIONS (continued)

(c) 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). 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 share a single client base as their main asset, Group's management believes that it is more practical to disclose the information on assets and liabilities of the acquired entities in the consolidated format.

The following table summarizes the fair values of the assets acquired and liabilities assumed in this business combination, determined in accordance with ASC No. 805. Property, plant and equipment and intangible assets were recorded at fair values:

Current assets	866,137
Intangible assets	89,910
Other non-current assets	109
Goodwill	2,055
Total assets acquired	**958,211**
Current liabilities	(838,276)
Total liabilities assumed	**(838,276)**
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.

(d) Other acquisitions

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

13 CHANGE IN NON-CONTROLLING INTEREST OF MAXI-GROUP COMPANIES

In June 2009, the Parent Company acquired through a public auction for $44,572 interests of between 32% and 100% in three companies controlled by Maxi-Group.

In accordance with the Russian legislation concerning pledges and pledge contracts terms, the auction was conducted by an independent organizer in order to discharge Maxi-Group subsidiaries' pledge obligations under its loans taken prior to the date of acquisition (Note 12(b)). The auction's starting price was determined by an independent appraiser.

(thousands of US dollars)

13 CHANGE IN NON-CONTROLLING INTEREST OF MAXI-GROUP COMPANIES (continued)

In July 2009, the Parent Company acquired an additional interest of 25% in one of the abovementioned Maxi-Group companies and as a result increased its direct interest in this subsidiary to a controlling stake.

As a result of these transactions between Group companies, there was an increase of non-controlling interest by $25,290 with a corresponding decrease in the additional paid-in capital.

The above acquisitions were carried out for the purpose of more efficient management of the assets.

In July 2009, a minority shareholder of Maxi-Group initiated legal proceedings to contest the results of the public auction (Note 17(b)).

14 SEGMENTAL INFORMATION

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

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

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

Segmental information for the nine months ended September 30, 2009 and their assets as at September 30, 2009 is as follows:

	Steel	**Long products**	**Mining**	**Coke-chemical**	**All other**	**Totals**	**Inter-segmental operations and balances**	**Consolidated**
Revenue from external customers	3,707,774	414,263	72,542	125,870	4,882	4,325,331	-	4,325,331
Intersegment revenue	74,763	224,436	306,423	205,503	-	811,125	(811,125)	-
Gross profit	**1,009,452**	**40,826**	**160,579**	**64,061**	**2,248**	**1,277,166**	**26,763**	**1,303,929**
Operating income / (loss)	**427,921**	**(60,909)**	**121,172**	**31,124**	**1,680**	**520,988**	**23,558**	**544,546**
Income / (loss) from continuing operations, net of income tax	**796,390**	**(217,261)**	**106,690**	**22,227**	**3,030**	**711,076**	**(542,126)**	**168,950**
Segment assets, including goodwill	10,117,059	2,163,114	988,363	761,359	41,810	14,071,705	(1,621,559)	12,450,146

(thousands of US dollars)

14 SEGMENTAL INFORMATION (continued)

Segmental information for the nine months ended September 30, 2008 and their assets as at December 31, 2008 is as follows:

	Steel	Long products	Mining	Coke-chemical	All other	Totals	Inter-segmental operations and balances	Consolidated
Revenue from external customers	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, net of income tax	**2,886,412**	**166,139**	**395,525**	**114,410**	**18,016**	**3,580,502**	**(781,772)**	**2,798,730**
Segment assets, including goodwill	10,319,824	2,253,124	1,400,030	1,022,413	187,861	15,183,252	(1,118,724)	14,064,528

15 RISKS AND UNCERTAINTIES

(a) Operating environment of the Group

Russian Federation

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

The effects of the global financial crisis continued to have a severe effect on the Russian economy in 2009, including lower income from exports, lower domestic demand and steep increase in financing costs.

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

Impact of the ongoing global financial and economic crisis

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

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

The lower liquidity situation led to a reduction in demand for steel from ultimate customers and had a negative impact on debtors’ ability to repay their debts on a timely basis.

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

15 RISKS AND UNCERTAINTIES (continued)

(b) Convertibility of Russian ruble

Future movements in the exchange rate between the Russian ruble and the US dollar will affect the reported US dollar amounts related to the Russian ruble carrying values of the Group's assets and liabilities. Such movements may also affect the Group's ability to realize profitably assets presented in US dollars in these 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. Commencing in September 2008, the volatility in currency markets increased and in the fourth quarter of 2008 and the first quarter of 2009 the exchange rate of the Russian ruble to the US dollar substantially decreased. Subsequently, there has been a substantial recovery in the value of the Russian ruble.

(c) Commercial risks

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

The Group's sales outside the Russian Federation in monetary terms for the nine months ended September 30, 2009 and September 30, 2008 were 63% and 59% of the total sales, respectively.

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

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

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

16 RELATED PARTY TRANSACTIONS

Related parties relationships are determined with reference to ASC No. 850. Balances as at September 30, 2009 and December 31, 2008 and transactions for the nine months ended September 30, 2009 and September 30, 2008 with related parties of the Group consist of the following:

(a) Sales to and purchases from related parties

Sales

Sales to an associate (SIF S.A.) and its subsidiary were $292,723 and $379,635 for the nine months ended September 30, 2009 and September 30, 2008, respectively. Sales to other related parties were $6,323 and $11,984 for the nine months ended September 30, 2009 and September 30, 2008, respectively.

Related accounts receivable from SIF S.A. and its subsidiary equaled $126,518 and $193,875 as at September 30, 2009 and December 31, 2008, respectively. Accounts receivable from other related parties equaled $1,334 and $4,390 as at September 30, 2009 and December 31, 2008, respectively.

Purchases and services

Purchases of raw materials, technological equipment and management services from the companies under common control, were $5,601 and $2,298 for the nine months ended September 30, 2009 and September 30, 2008, respectively.

Accounts payable to related parties were $12,607 and $18,154 as at September 30, 2009 and December 31, 2008, respectively.

16 RELATED PARTY TRANSACTIONS (continued)

(b) Financial transactions

In May 2007, the Parent Company issued a loan of 100 million Euro to its associate (SIF S.A.) for the purpose of financing the acquisition of its new subsidiary Sharon Coating LLC (former Winner Steel LLC). In November 2008, the loan was increased to 109 million Euro. In the nine months ended September 30, 2009, the Parent Company issued loans of 211.5 million Euro and 50 million US dollars to SIF S.A. and its subsidiary. The carrying amount of these loans, including interest accrued, is $527,127 and $155,648 as at September 30, 2009 and December 31, 2008, respectively.

As at September 30, 2009 and December 31, 2008, the Group has issued guarantees for SIF S.A. and its subsidiaries amounting to $248,321 and $55,693, respectively.

Deposits and current accounts of the Group companies in banks under significant influence of the Group’s management (OJSC Bank Zenit and OJSC Lipetskcombank) amounted to $50,447 and $69,515 as at September 30, 2009 and December 31, 2008, respectively. Related interest income from deposits and current accounts for the nine months ended September 30, 2009 and September 30, 2008 amounted to $1,510 and $1,625, respectively.

The aggregate amount of interest free loans granted to management outstanding as at September 30, 2009 and December 31, 2008 was $133 and $204, 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, 2009 and September 30, 2008 amounted to nil and $2,746, respectively.

(c) Common control transfers

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

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

Total contributions to a non-governmental pension fund and charity fund amounted to $2,476 and $3,720 for the nine months ended September 30, 2009 and September 30, 2008, respectively. The Group has the right to appoint and dismiss top management of the non-governmental pension fund as the major contributor to its capital. The Group has no long-term commitments to provide funding, guarantees, or other support to the abovementioned funds.

(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 $1,874 and $7,397 as at September 30, 2009 and December 31, 2008, respectively.

Accounts payable

Accounts payable, including accounts payable from the related parties of OJSC Maxi-Group acquired in a business combination, were $33,833 and $35,959 as at September 30, 2009 and December 31, 2008, respectively.

16 RELATED PARTY TRANSACTIONS (continued)

Financial settlements

Short-term loans issued amounted to $2,840 and $2,715 as at September 30, 2009 and December 31, 2008, respectively.

As at September 30, 2009 and December 31, 2008, loans of nil and $50,204, respectively, were collateralized with guarantee letters and other guarantees issued by the related parties of OJSC Maxi-Group.

Short-term and long-term loans received amounted to $86 and $446 as at September 30, 2009 and December 31, 2008, respectively.

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

Short-term loans received from the minority shareholder of Maxi-Group amounted to $51,480 and $48,463 as at September 30, 2009 and December 31, 2008, respectively.

17 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 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.

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

In July 2009, the Parent Company and OJSC Maxi-Group received a claim filed in a court in Russia from the Maxi-Group's minority shareholder to invalidate and reverse the results of the public auction through which NLMK acquired shares in companies, controlled by Maxi-Group (Note 13). Subsequently in November 2009 Russian court of first instance ordered to adjudicate a claim from the Maxi-Group's minority shareholder. Accordingly, no adjustments in relation to this claim were made in these interim condensed consolidated financial statements.

(c) Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that the Group has met the Government's federal and regional requirements concerning environmental matters, therefore there are no significant liabilities for environmental damage or remediation.

17 COMMITMENTS AND CONTINGENCIES (continued)

(d) Insurance

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

(e) Capital commitments

Management estimates that the outstanding agreements in connection with equipment supply and construction works amounted to $2,174,898 and $1,510,813 as at September 30, 2009 and December 31, 2008, respectively.

(f) Social commitments

The Group makes contributions to mandatory and voluntary social programs. The Group's social assets, as well as local social programs, benefit the community at large and are not normally restricted to the Group's employees. The Group has transferred certain social operations and assets to local authorities, however, management expects that the Group will continue to fund certain social programs through the foreseeable future. These costs are recorded in the period they are incurred.

(g) Tax contingencies

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

As at September 30, 2009, management believes that its interpretation of the relevant legislation is appropriate and the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued for in these interim condensed consolidated financial statements.

(h) Financial guarantees issued

As at September 30, 2009 and December 31, 2008, the Group has issued guarantees amounting to $257,157 and $67,058, respectively, most of which were issued for related parties (Note 16(b)). No amount has been accrued in these interim condensed consolidated financial statements for the Group's obligation under these guarantees as the projected outflows from such guarantees are immaterial.

18 SUBSEQUENT EVENTS

In November 2009 the Parent Company issued bonds with a nominal value of 1,000 Russian rubles per each bond (total value of 10 billion Russian rubles), with a maturity period of 1092 days and a coupon rate of 10.75% per annum.