

ОАО Severstal and subsidiaries

Consolidated interim condensed financial statements
for the three months ended March 31, 2010 and 2009

OAO Severstal and subsidiaries

Consolidated interim condensed financial statements for the three months ended March 31, 2010 and 2009

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Independent Auditors' Report

Board of Directors

OA O Severstal

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of OA O Severstal (the "Company") and its subsidiaries (the "Group") as at 31 March 2010, the consolidated interim condensed income statements, consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three-month periods ended 31 March 2010 and 2009, and selected explanatory notes (the "consolidated interim condensed financial information"). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our reviews.

Scope of Reviews

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

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 31 March 2010 and for the three-month periods ended 31 March 2010 and 2009 is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

ZAO KPMG

ZAO KPMG

12 May 2010

OAO Severstal and subsidiaries

Consolidated interim condensed income statements

Three months ended March 31, 2010 and 2009

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

	Three months ended March 31,	
	2010	2009
Note	(unaudited)	(unaudited)*
Sales		
Sales - external	3,095,562	2,295,929
Sales - to related parties	5 46,211	46,707
	4 3,141,773	2,342,636
Cost of sales	(2,440,930)	(2,281,014)
Gross profit	700,843	61,622
General and administrative expenses	(169,059)	(166,251)
Distribution expenses	(195,884)	(168,554)
Other taxes and contributions	(38,696)	(32,573)
Share of associates' income	2,085	3,759
Loss from securities operations	(3,514)	(5,693)
Profit/(loss) on disposal of property, plant and equipment	1,189	(2,411)
Net other operating income/(expenses)	693	(10,439)
Profit/(loss) from operations	297,657	(320,540)
Impairment of non-current assets	(63,720)	(26,753)
Net other non-operating expenses	(10,242)	(11,096)
Profit/(loss) before financing and taxation	223,695	(358,389)
Interest income	34,338	24,074
Interest expense	(195,089)	(136,579)
Foreign exchange difference	119,901	(379,186)
Profit/(loss) before income tax	182,845	(850,080)
Income tax (expense)/benefit	(105,915)	223,632
Profit/(loss) from continuing operations	76,930	(626,448)
Loss from discontinued operation	3 (854,784)	(60,100)
Loss for the period	(777,854)	(686,548)
Attributable to:		
shareholders of OAO Severstal	(785,352)	(655,838)
non-controlling interests	7,498	(30,710)
Weighted average number of shares outstanding during the period (millions of shares)	1,005.2	1,005.2
Basic and diluted loss per share (US dollars)	(0.78)	(0.65)
Basic and diluted profit/(loss) per share - continuing operations (US dollars)	0.07	(0.59)

* These amounts reflect adjustments made in connection with the completion of purchase price allocations and the presentation of the discontinued operation

These consolidated interim condensed financial statements were approved by the Board of Directors on May 12, 2010.

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

OA0 Severstal and subsidiaries

Consolidated interim condensed statements of comprehensive income

Three months ended March 31, 2010 and 2009

(Amounts expressed in thousands of US dollars)

	Three months ended March 31,	
	2010 (unaudited)	2009 (unaudited)*
Loss for the period	<u>(777,854)</u>	<u>(686,548)</u>
Other comprehensive income/(loss)		
Foreign exchange difference	45,363	(689,542)
Changes in fair value of cash flow hedges	(4,637)	(7,088)
Deferred tax on changes in fair value of cash flow hedges	1,776	2,711
Revaluation of available-for-sale investments	2,274	11,969
Deferred tax on revaluation of available-for-sale investments	58	(3,747)
Other comprehensive income/(loss) for the period, net of tax	<u>44,834</u>	<u>(685,697)</u>
Total comprehensive loss for the period	<u><u>(733,020)</u></u>	<u><u>(1,372,245)</u></u>
Attributable to:		
shareholders of OAO Severstal	(743,323)	(1,318,046)
non-controlling interests	<u>10,303</u>	<u>(54,199)</u>

* These amounts reflect adjustments made in connection with the completion of purchase price allocations

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

OAO Severstal and subsidiaries

Consolidated interim condensed statements of financial position

March 31, 2010 and December 31, 2009

(Amounts expressed in thousands of US dollars)

	<u>Note</u>	<u>March 31, 2010</u> <u>(unaudited)</u>	<u>December 31, 2009</u>
Assets			
Current assets:			
Cash and cash equivalents		2,233,018	2,853,376
Short-term bank deposits		89,827	95,533
Short-term financial investments		169,891	73,129
Trade accounts receivable		1,213,933	1,457,651
Accounts receivable from related parties	6	20,320	26,716
Inventories		2,581,099	2,974,227
VAT recoverable		281,020	288,032
Income tax recoverable		85,883	106,019
Other current assets		307,145	285,453
Assets held for sale	3	2,337,099	24,415
Total current assets		<u>9,319,235</u>	<u>8,184,551</u>
Non-current assets:			
Long-term financial investments		115,180	128,616
Investments in associates and joint ventures		247,268	143,857
Property, plant and equipment		8,100,769	9,485,480
Intangible assets		1,302,282	1,369,204
Restricted cash		16,375	17,541
Deferred tax assets		156,306	239,835
Other non-current assets		83,624	74,802
Total non-current assets		<u>10,021,804</u>	<u>11,459,335</u>
Total assets		<u>19,341,039</u>	<u>19,643,886</u>
Liabilities and shareholders' equity			
Current liabilities:			
Trade accounts payable		1,017,519	1,378,300
Accounts payable to related parties	6	19,417	16,656
Short-term debt finance	7	1,104,056	1,478,301
Income tax payable		40,046	34,150
Other taxes and social security payable		174,350	209,084
Dividends payable		5,819	5,704
Other current liabilities		535,873	693,844
Liabilities related to assets held for sale	3	1,925,191	11,979
Total current liabilities		<u>4,822,271</u>	<u>3,828,018</u>
Non-current liabilities:			
Long-term debt finance	7	5,499,664	5,748,559
Deferred tax liabilities		403,906	394,990
Retirement benefit liabilities		680,867	787,714
Other non-current liabilities		410,131	508,266
Total non-current liabilities		<u>6,994,568</u>	<u>7,439,529</u>
Equity:			
Share capital		3,311,288	3,311,288
Treasury shares		(26,303)	(26,303)
Additional capital		1,165,530	1,165,530
Foreign exchange differences		(10,106)	(52,478)
Retained earnings		2,746,991	3,436,270
Other reserves		43,257	43,600
Total equity attributable to shareholders of parent		<u>7,230,657</u>	<u>7,877,907</u>
Non-controlling interests		<u>293,543</u>	<u>498,432</u>
Total equity		<u>7,524,200</u>	<u>8,376,339</u>
Total equity and liabilities		<u>19,341,039</u>	<u>19,643,886</u>

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

OAO Severstal and subsidiaries

Consolidated interim condensed statements of cash flows Three months ended March 31, 2010 and 2009 (Amounts expressed in thousands of US dollars)

	Three months ended March 31,	
	2010	2009
	(unaudited)	(unaudited)*
Operating activities:		
Profit/(loss) before financing and taxation	223,695	(358,389)
Adjustments to reconcile profit/(loss) to cash generated from operations:		
Depreciation and amortization	195,918	201,164
Impairment of non-current assets	63,720	26,753
Movements in provision for inventories, receivables and other provisions	(17,034)	(123,278)
(Profit)/loss on disposal of property, plant and equipment	(1,189)	2,411
Loss on remeasurement and disposal of financial investments	3,514	5,693
Share of associates' results less dividends from associates	(2,085)	(3,759)
Changes in operating assets and liabilities:		
Trade accounts receivable	(223,801)	176,278
Amounts receivable from related parties	25,612	14,908
VAT recoverable	(49,812)	(10,211)
Inventories	(244,373)	547,367
Trade accounts payable	96,215	(96,773)
Amounts payable to related parties	(14,861)	(23,862)
Other taxes and social security payables	25,782	6,223
Other non-current liabilities	4,868	4,072
Assets held for sale	-	(5,550)
Net other changes in operating assets and liabilities	(90,796)	(104,864)
Cash (used in)/from operating activities - continuing operations	(4,627)	258,183
Interest paid	(147,729)	(149,709)
Income tax paid	(67,062)	(14,287)
Net cash (used in)/from operating activities - continuing operations	(219,418)	94,187
Net cash (used in)/from operating activities - discontinued operations	(64,847)	53,769
Net cash (used in)/from operating activities	(284,265)	147,956
Investing activities:		
Additions to property, plant and equipment	(195,775)	(224,715)
Additions to intangible assets	(10,216)	(3,029)
Net (increase)/decrease in short-term bank deposits	(2,673)	308,022
Additions to financial investments and associates	(238,466)	(44,317)
Acquisitions of non-controlling interests	(113,297)	(242)
Net cash outflow on acquisitions of subsidiaries	(4,029)	-
Proceeds from disposal of property, plant and equipment	4,751	10,052
Proceeds from disposal of financial investments	40,970	80,344
Interest received	33,999	29,951
Dividends received	-	3,900
Cash (used in)/from investing activities - continuing operations	(484,736)	159,966
Cash used in investing activities - discontinued operations	(21,632)	(30,393)
Cash (used in)/from investing activities	(506,368)	129,573
Financing activities:		
Proceeds from debt finance	1,717,506	1,021,880
Repayment of debt finance	(1,175,201)	(1,432,090)
Repayments under lease obligations	(831)	(5,207)
Dividends paid	(55)	(111,567)
Cash from/(used in) financing activities - continuing operations	541,419	(526,984)
Cash used in financing activities - discontinued operations	(17,643)	(44,395)
Cash from/(used in) financing activities	523,776	(571,379)
Effect of exchange rates on cash and cash equivalents	(960)	(89,532)
Net decrease in cash and cash equivalents	(267,817)	(383,382)
Less cash and cash equivalents of discontinued operations and assets held for sale at end of the period	(352,541)	-
Cash and cash equivalents at beginning of the period	2,853,376	2,653,742
Cash and cash equivalents at end of the period	2,233,018	2,270,360

* These amounts reflect adjustments made in connection with the completion of purchase price allocations and the presentation of the discontinued operation

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

OAO Severstal and subsidiaries

Consolidated interim condensed statements of changes in equity Three months ended March 31, 2010 and 2009 (Amounts expressed in thousands of US dollars)

	Attributable to shareholders of OAO Severstal						Non- controlling interests	Total	
	Share capital	Treasury shares	Additional capital	Foreign exchange differences	Retained earnings	Other reserves			Total
Balances at December 31, 2008	3,311,288	(26,303)	1,165,530	84,987	4,488,396	27,601	9,051,499	501,117	9,552,616
Loss for the period (unaudited)*	-	-	-	-	(655,838)	-	(655,838)	(30,710)	(686,548)
Foreign exchange difference (unaudited)*	-	-	-	(660,226)	-	-	(660,226)	(29,316)	(689,542)
Changes in fair value of cash flow hedges (unaudited)	-	-	-	-	-	(6,167)	(6,167)	(921)	(7,088)
Deferred tax on changes in fair value of cash flow hedges (unaudited)	-	-	-	-	-	2,359	2,359	352	2,711
Revaluation of available-for-sale investments (unaudited)	-	-	-	-	-	2,950	2,950	9,019	11,969
Deferred tax on revaluation of available-for-sale investments (unaudited)	-	-	-	-	-	(1,124)	(1,124)	(2,623)	(3,747)
Total comprehensive loss for the period (unaudited)*	-	-	-	-	-	-	(1,318,046)	(54,199)	(1,372,245)
Dividends (unaudited)	-	-	-	-	-	-	-	(733)	(733)
Effect of acquisitions and disposals (unaudited)	-	-	-	-	(803)	-	(803)	(556)	(1,359)
Balances at March 31, 2009 (unaudited)*	3,311,288	(26,303)	1,165,530	(575,239)	3,831,755	25,619	7,732,650	445,629	8,178,279
Balances at December 31, 2009	3,311,288	(26,303)	1,165,530	(52,478)	3,436,270	43,600	7,877,907	498,432	8,376,339
(Loss)/profit for the period (unaudited)	-	-	-	-	(785,352)	-	(785,352)	7,498	(777,854)
Foreign exchange difference (unaudited)	-	-	-	42,372	-	-	42,372	2,991	45,363
Changes in fair value of cash flow hedges (unaudited)	-	-	-	-	-	(4,451)	(4,451)	(186)	(4,637)
Deferred tax on changes in fair value of cash flow hedges (unaudited)	-	-	-	-	-	1,776	1,776	-	1,776
Revaluation of available-for-sale investments (unaudited)	-	-	-	-	-	2,274	2,274	-	2,274
Deferred tax on revaluation of available-for-sale investments (unaudited)	-	-	-	-	-	58	58	-	58
Total comprehensive (loss)/profit for the period (unaudited)	-	-	-	-	-	-	(743,323)	10,303	(733,020)
Effect of acquisitions and disposals (unaudited)	-	-	-	-	96,073	-	96,073	(215,192)	(119,119)
Balances at March 31, 2010 (unaudited)	3,311,288	(26,303)	1,165,530	(10,106)	2,746,991	43,257	7,230,657	293,543	7,524,200

* These amounts reflect adjustments made in connection with the completion of purchase price allocations

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

OA0 Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements

Three months ended March 31, 2010 and 2009

(Amounts expressed in thousands of US dollars)

1. Accounting policies and estimates

These consolidated interim condensed financial statements of OA0 Severstal and subsidiaries ('the Group') have been prepared in accordance with International Financial Reporting Standards ('IFRS'), IAS 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board.

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended December 31, 2009, except that the Group has adopted those new/revised standards mandatory for financial annual periods beginning on January 1, 2010. The adoption of the pronouncements did not have a significant impact on the Group's consolidated interim condensed financial statements except for those discussed below.

Change in accounting policy for business combinations

The Group has adopted revised IFRS 3 *Business Combinations* and amended IAS 27 *Consolidated and Separate Financial Statements*, which became effective as at 1 January 2010.

Revised IFRS 3 and amended IAS 27 incorporate the following changes that are relevant to the Group's operations:

- The definition of a business has been broadened, which results in more acquisitions being treated as business combinations.
- Transaction costs, other than share and debt issue costs, are expensed as incurred.
- Total comprehensive income/loss is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Revised IFRS 3 and amended IAS 27 have been applied prospectively and therefore there is no impact on prior periods in the Group's 2010 consolidated financial statements.

Change in presentation of the statement of changes in equity

The Group applied amended IAS 1 *Presentation of Financial Statements*, which became effective as at 1 January 2010. The amended standard requires presentation in the statement of changes in equity of a reconciliation, for each component of equity, between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from profit or loss, each item of other comprehensive income and transactions with owners. The amendment was applied retrospectively by re-presenting the comparative information.

OA0 Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Three months ended March 31, 2010 and 2009 (Amounts expressed in thousands of US dollars)

2. Seasonality

There are no material seasonal effects in the business activities of the Group.

3. Discontinued operation and assets held for sale

The Group's discontinued operation is the Lucchini segment which is classified as held for sale as at March 31, 2010.

The results of the discontinued operation were as follows:

	Three months ended March 31,	
	2010 (unaudited)	2009 (unaudited)
Revenue	577,436	453,694
Expenses	(634,194)	(541,285)
Loss on remeasurement of the Lucchini disposal group to fair value less costs to sell	(802,335)	-
Loss before income tax	(859,093)	(87,591)
Income tax benefit	4,309	27,491
Loss for the period	(854,784)	(60,100)
Attributable to:		
shareholders of OAO Severstal	(854,784)	(47,960)
non-controlling interests	-	(12,140)

Furthermore, there was a cumulative net income US\$ 46.7 million recognized in other comprehensive income as at March 31, 2010 in relation to foreign exchange differences and changes in cash flow hedges for the Lucchini segment.

As at March 31, 2010 the Lucchini disposal group was measured at fair value less costs to sell using a combination of valuation techniques. The valuation is sensitive to changes in certain assumptions, including Lucchini's forecasted operating results, market prices of equity instruments of Lucchini's peer group as well as other inputs related to current and future market conditions.

OAO Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements

Three months ended March 31, 2010 and 2009

(Amounts expressed in thousands of US dollars)

The Group's assets held for sale as at March 31, 2010 primarily consisted of the Lucchini segment and Northern Steel Group, a group of companies within the Severstal North America segment. Management committed to a plan to sell the Lucchini segment and Northern Steel Group within 12 months after the reporting date.

The major classes of assets and liabilities of the disposal groups measured at the lower of carrying amount and fair value less costs to sell at March 31, 2010 and December 31, 2009 were as follows:

	March 31, 2010	December 31,
	(unaudited)	2009
Current assets:		
Cash and cash equivalents	352,541	1,267
Short-term financial investments	610	-
Trade accounts receivable	523,406	5,868
Inventories	666,765	1,617
VAT recoverable	49,010	263
Income tax recoverable	9,546	-
Other current assets	31,942	1,627
Total current assets	1,633,820	10,642
Non-current assets:		
Long-term financial investments	7,670	-
Investments in associates	2,371	-
Property, plant and equipment	598,888	13,773
Intangible assets	20,138	-
Deferred tax assets	72,789	-
Other non-current assets	1,423	-
Total non-current assets	703,279	13,773
Total assets	2,337,099	24,415
Current liabilities:		
Trade accounts payable	491,941	2,870
Accounts payable to related parties	1,714	-
Short-term debt finance	188,064	-
Income tax payable	5,732	-
Other taxes and social security payable	55,507	111
Other current liabilities	95,824	8,360
Total current liabilities	838,782	11,341
Non-current liabilities:		
Long-term debt finance	900,575	-
Deferred tax liabilities	1,339	-
Retirement benefit liabilities	119,633	-
Other non-current liabilities	64,862	638
Total non-current liabilities	1,086,409	638
Total liabilities	1,925,191	11,979

OAO Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Three months ended March 31, 2010 and 2009 (Amounts expressed in thousands of US dollars)

4. Sales

Sales by product were as follows:

	Three months ended March 31,	
	2010 (unaudited)	2009 (unaudited)
Hot-rolled strip and plate	987,770	643,447
Galvanized and other metallic coated sheet	528,943	394,971
Cold-rolled sheet	483,325	352,654
Large diameter pipes	202,905	127,730
Metalware products	193,285	190,804
Shipping and handling costs billed to customers	138,139	116,541
Gold	134,377	105,882
Coal and coking coal concentrate	121,013	51,716
Other tubes and pipes, formed shapes	65,916	47,202
Long products	62,589	95,904
Color coated sheet	51,107	48,637
Pellets and iron ore	46,280	34,433
Semifinished products	22,813	57,900
Scrap	12,836	8,057
Other	90,475	66,758
	3,141,773	2,342,636

Sales by delivery destination were as follows:

	Three months ended March 31,	
	2010 (unaudited)	2009 (unaudited)
North America	1,328,016	1,005,141
Russian Federation	1,211,136	657,654
Europe	378,562	344,824
China and Central Asia	75,162	209,790
Central and South America	71,535	20,852
The Middle East	47,573	36,123
Africa	23,367	32,841
South-East Asia	6,422	35,411
	3,141,773	2,342,636

OA O Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements
Three months ended March 31, 2010 and 2009
(Amounts expressed in thousands of US dollars)

5. Related party transactions

	Three months ended March 31,	
	2010	2009
	(unaudited)	(unaudited)
Sales to related parties:		
Sales to associates	7,630	-
Sales to joint ventures	28,203	-
Sales to other related parties	10,378	46,707
Interest income	5,698	3,314
	<u>51,909</u>	<u>50,021</u>
Purchases from related parties:		
Purchases from associates:		
Non-capital expenditures	23,379	10,631
Purchases from joint ventures:		
Non-capital expenditures	-	10,231
Purchases from other related parties:		
Non-capital expenditures	12,280	34,331
Capital expenditures	2,861	5,951
	<u>38,520</u>	<u>61,144</u>

OAO Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements Three months ended March 31, 2010 and 2009 (Amounts expressed in thousands of US dollars)

6. Related party balances

	March 31, 2010 (unaudited)	December 31, 2009
Joint ventures' balances		
Short-term trade accounts receivable	4,475	-
Short-term trade accounts payable	8,560	6,136
Associates' balances		
Short-term trade accounts receivable	2,990	-
Short-term trade accounts payable	6,216	-
Long-term loans to associates	19,547	21,804
Other related party balances		
Cash and cash equivalents at related party bank and pension fund	492,210	335,539
Short-term deposits with related party bank and pension fund	22,780	26,803
Accounts receivable from other related parties:		
Trade accounts receivable	4,618	12,560
Advances paid	6,079	10,606
Other accounts receivable	2,158	3,550
Short-term loans	15,426	12,697
Short-term promissory notes	3,546	4,940
Long-term loans	-	3,563
Available-for-sale securities	8,521	-
	40,348	47,916
Short-term trade accounts payable to other related parties:		
Trade accounts payable	2,409	7,972
Advances received	295	600
Other accounts payable	1,937	1,948
	4,641	10,520
Debt finance includes the following balances with other related parties:		
Short-term debt finance	7,369	1,324
Long-term debt finance	20	20
	7,389	1,344

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

OA0 Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements

Three months ended March 31, 2010 and 2009

(Amounts expressed in thousands of US dollars)

7. Debt finance

In February 2009, the Group repaid its US\$ 325 million Eurobonds – 2009, upon maturity.

In February 2010, the Group issued US\$ 525 million bonds denominated in US dollars maturing in 2018. These bonds bear an interest rate of 10.25% per annum, which is payable semi-annually in February and August each year, beginning in August 2010. The proceeds from the bonds issuance were used to refinance outstanding debt obligations originally incurred to finance construction at Severstal Columbus LLC.

In February 2010, the Group issued US\$ 498 million bonds denominated in Russian rubles maturing in 2013. These bonds bear an interest rate of 9.75% per annum, which is payable semi-annually in February and August each year, beginning in August 2010. The proceeds from the bonds issuance will be used for optimization of the credit portfolio and refinancing of short-term loan facilities.

8. Acquisitions and disposals

In February 2010, the Group acquired a 26.59% stake in Crew Gold Corporation for a total consideration of US\$ 90.3 million. Crew Gold Corporation is a mining company based in London, UK. CGC owns and operates a gold mining project in Guinea, West Africa.

In March 2010, the Group acquired a 20.2% stake in Lucchini SpA from a Lucchini family company for a total consideration of € 82.5 million (US\$ 113.3 million at the transaction date exchange rate). After the acquisition, the Group's share in the capital of Lucchini SpA became 100%.

9. Segmental information

The Group has four reportable segments: Severstal Resource, Russian Steel, Severstal North America and Lucchini (discontinued, see Note 3).

Severstal Resource has its extraction facilities in Russia, Kazakhstan, USA, Burkina Faso and Lyberia producing iron ore, coal and gold.

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

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

Lucchini comprises several plants and service centers, located in Western Europe, primarily in Italy and France. It produces special and high quality steel and quality and specialty long products. This segment also includes its distribution network companies, which are located primarily in Western Europe.

OAO Severstal and subsidiaries

Notes to the consolidated interim condensed financial statements

Three months ended March 31, 2010 and 2009

(Amounts expressed in thousands of US dollars)

The following is an analysis of the Group's sales and profit/(loss) before financing and taxation by segment (the discontinued operation is excluded):

	Three months ended March 31,	
	2010 (unaudited)	2009 (unaudited)
Sales		
Severstal Resource	594,359	364,742
Russian Steel	1,664,022	1,157,110
Severstal North America	1,169,761	972,071
Intersegment transactions	(286,369)	(151,287)
	3,141,773	2,342,636
Profit/(loss) before financing and taxation		
Severstal Resource	107,367	(43,454)
Russian Steel	323,234	19,218
Severstal North America	(197,810)	(331,377)
Intersegment transactions	(9,096)	(2,776)
	223,695	(358,389)

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

	March 31, 2010 (unaudited)	December 31, 2009
	Total segment assets	
Severstal Resource	3,646,399	3,305,156
Russian Steel	15,135,571	14,206,573
Severstal North America	5,233,147	5,249,649
Lucchini (discontinued)	2,968,504	3,185,267
Intersegment balances	(7,642,582)	(6,302,759)
	19,341,039	19,643,886

10. Capital commitments

As of March 31, 2010 the Group had capital commitments of US\$ 1,618 million (December 31, 2009: US\$ 1,142 million).

11. Subsequent event

In May 2010, the Group acquired a 16.5% stake in Core Mining Limited ("CML") for a total consideration of US\$ 15 million. CML is a private company registered in the Isle of Man focused on the exploration, development and operation of iron ore projects in Central and Western Africa, mainly in Republic of Congo (Brazzaville) and Republic of Gabon.