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 MARCH 31, 2012 AND DECEMBER 31, 2011
AND FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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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 March 31, 2012, and the related interim condensed consolidated statements of income, of cash flows, of comprehensive income and of stockholders' equity for each of the three-month periods ended March 31, 2012 and March 31, 2011. 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 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, 2011, 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 24, 2012, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as at December 31, 2011, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

ZAO PricewaterhouseCoopers Audit

May 15, 2012

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

	Note	As at March 31, 2012	As at December 31, 2011
ASSETS			
Current assets			
Cash and cash equivalents	2	925,712	797,169
Short-term investments		10,789	227,279
Accounts receivable and advances given, net	3	1,786,206	1,572,641
Inventories, net	4	2,903,925	2,828,433
Other current assets		63,306	59,355
Deferred income tax assets		23,913	18,887
		5,713,851	**5,503,764**
Non-current assets			
Long-term investments		8,545	8,420
Property, plant and equipment, net	5	11,664,334	10,569,828
Intangible assets, net		158,678	158,611
Goodwill		802,476	760,166
Deferred income tax assets		243,895	237,113
Other non-current assets		16,736	19,274
		12,894,664	**11,753,412**
Total assets		**18,608,515**	**17,257,176**
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable and other liabilities	6	1,783,419	1,622,679
Short-term borrowings	7	1,780,954	1,306,263
Current income tax liability		12,463	10,994
		3,576,836	**2,939,936**
Non-current liabilities			
Deferred income tax liability		762,420	713,666
Long-term borrowings	7	2,693,315	3,073,535
Other long-term liabilities		424,756	424,878
		3,880,491	**4,212,079**
Total liabilities		**7,457,327**	**7,152,015**
Commitments and contingencies	13	-	-
Stockholders' equity			
NLMK stockholders' equity			
Common stock, 1 Russian ruble par value – 5,993,227,240 shares issued and outstanding at March 31, 2012 and December 31, 2011		221,173	221,173
Statutory reserve		10,267	10,267
Additional paid-in capital		306,391	306,391
Accumulated other comprehensive loss		(612,952)	(1,489,442)
Retained earnings		11,271,538	11,098,635
		11,196,417	**10,147,024**
Non-controlling interest		**(45,229)**	**(41,863)**
Total stockholders' equity		**11,151,188**	**10,105,161**
Total liabilities and stockholders' equity		**18,608,515**	**17,257,176**

	Note	For the three months ended March 31, 2012	For the three months ended March 31, 2011
Revenue	10	**3,094,341**	**2,358,878**
Cost of sales			
Production cost		(2,209,677)	(1,465,767)
Depreciation and amortization		(177,090)	(124,044)
		(2,386,767)	**(1,589,811)**
Gross profit		**707,574**	**769,067**
General and administrative expenses		(136,023)	(85,084)
Selling expenses		(280,086)	(186,446)
Taxes other than income tax		(36,394)	(34,128)
Operating income		**255,071**	**463,409**
Loss on disposals of property, plant and equipment		(116)	(5,867)
Gains / (losses) on investments, net		173	(3,330)
Interest income		6,374	9,479
Interest expense		(341)	-
Foreign currency exchange gain, net		20,514	23,032
Other expenses, net		(31,061)	(14,037)
Income before income tax		**250,614**	**472,686**
Income tax expense		(77,073)	(107,206)
Income, net of income tax		**173,541**	**365,480**
Equity in net earnings of associates		87	15,421
Net income		**173,628**	**380,901**
Add: Net loss / (income) attributable to the non-controlling interest		**(725)**	**11,474**
Net income attributable to NLMK stockholders		**172,903**	**392,375**
Income per share – basic and diluted:			
Net income attributable to NLMK stockholders per share (US dollars)		0.0288	0.0655
Weighted-average shares outstanding, basic and diluted (in thousands)	8	5,993,227	5,993,227

(thousands of US dollars)

Interim condensed consolidated statements of comprehensive income

	Net income	Cumulative translation adjustment	**Comprehensive income**	Non-controlling interest	**Comprehensive income attributable to NLMK stockholders**
For the three months ended March 31, 2011	380,901	666,420	**1,047,321**	(20,510)	**1,067,831**
For the three months ended March 31, 2012	173,628	872,399	**1,046,027**	(3,366)	**1,049,393**

Interim condensed consolidated statements of stockholders' equity

	NLMK stockholders						
	Common stock	**Statutory reserve**	**Additional paid-in capital**	**Accumulated other compre-hensive loss**	**Retained earnings**	**Non-controlling interest**	**Total stockholders' equity**
Balance at December 31, 2010	**221,173**	**10,267**	**98,752**	**(916,901)**	**10,261,214**	**(120,691)**	**9,553,814**
Net income / (loss)	-	-	-	-	392,375	(11,474)	380,901
Cumulative translation adjustment	-	-	-	675,456	-	(9,036)	666,420
Balance at March 31, 2011	**221,173**	**10,267**	**98,752**	**(241,445)**	**10,653,589**	**(141,201)**	**10,601,135**
Balance at December 31, 2011	**221,173**	**10,267**	**306,391**	**(1,489,442)**	**11,098,635**	**(41,863)**	**10,105,161**
Net income	-	-	-	-	172,903	725	173,628
Cumulative translation adjustment	-	-	-	876,490	-	(4,091)	872,399
Balance at March 31, 2012	**221,173**	**10,267**	**306,391**	**(612,952)**	**11,271,538**	**(45,229)**	**11,151,188**

(thousands of US dollars)

	Note	For the three months ended March 31, 2012	For the three months ended March 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		**173,628**	**380,901**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization		177,090	124,044
Loss on disposals of property, plant and equipment		116	5,867
(Gains) / losses on investments, net		(173)	3,330
Equity in net earnings of associates		(87)	(15,421)
Deferred income tax (income) / expense		(5,453)	11,489
Gains on unrealized forward contracts		-	(7,591)
Other		5,002	4,906
Changes in operating assets and liabilities			
(Increase) / decrease in accounts receivable		(57,933)	53,869
Decrease / (increase) in inventories		194,871	(87,895)
Decrease / (increase) in other current assets		1,796	(8,597)
Increase in accounts payable and other liabilities		13,071	71,361
Increase in current income tax payable		381	6,033
Net cash provided by operating activities		**502,309**	**542,296**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases and construction of property, plant and equipment		(357,546)	(386,561)
Proceeds from sale of property, plant and equipment		2,956	5,290
Purchases of investments and placement of bank deposits		(7,821)	(250,874)
Withdrawal of bank deposits, proceeds from sale of other investments and loans settled		239,173	428,814
Net cash used in investing activities		**(123,238)**	**(203,331)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings and notes payable		86,256	14,677
Repayment of borrowings and notes payable		(264,259)	(122,554)
Capital lease payments		(4,818)	(12,880)
Dividends to shareholders		(133)	(117)
Net cash used in financing activities		**(182,954)**	**(120,874)**
Net increase in cash and cash equivalents		**196,117**	**218,091**
Effect of exchange rate changes on cash and cash equivalents		(67,574)	11,280
Cash and cash equivalents at the beginning of the year	2	797,169	747,979
Cash and cash equivalents at the end of the period	2	**925,712**	**977,350**

(thousands of US dollars)

1 BASIS OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS PREPARATION

These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Open Joint Stock Company Novolipetsk Steel (the “Parent Company”, or “NLMK”) and its subsidiaries (together – the “Group”) as at and for the year ended December 31, 2011. The December 31, 2011 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

Functional currency of the majority of the Group entities 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 interim condensed consolidated statement of income accounts and historic rates for equity accounts.

The Central Bank of the Russian Federation’s Russian ruble to US dollar closing rates of exchange as of the reporting dates and the period weighted average exchange rates for corresponding reporting periods are indicated below.

	RUR / USD
As at December 31, 2010	30.4769
For the 1st quarter of 2011	29.2695
As at March 31, 2011	28.4290
As at December 31, 2011	32.1961
For the 1st quarter of 2012	30.2642
As at March 31, 2012	29.3282

Recent accounting pronouncements

In June 2011, the FASB issued ASU 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. Under these amendments an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. These amendments eliminate the option to present the components of other comprehensive income as part of the statement of changes in stockholders’ equity. ASU 2011-05 is effective for the Group from January 1, 2012. The Group believes the adoption of ASU 2011-05 impacted only the presentation of comprehensive income.

In December 2011, the FASB issued ASU 2011-12: *Comprehensive Income (Topic 220)*. The amendments in this Update supersede certain pending paragraphs in Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*, to effectively defer only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. The amendments will be temporary to allow the Board time to redeliberate the presentation requirements for reclassifications out of accumulated other comprehensive income for annual and interim financial statements for public, private, and non-profit entities. Taking into account that Update 2011-05 had no significant impact on the Group‘s financial position and results of operations, the Update 2011-12 also had no significant impact on the Group‘s financial position and results of operations.

(thousands of US dollars)

2 CASH AND CASH EQUIVALENTS

	As at March 31, 2012	As at December 31, 2011
Cash – Russian rubles	116,510	54,448
Cash – US dollars	93,864	45,820
Cash – other currencies	199,713	66,561
Deposits – Russian rubles	245,158	173,644
Deposits – US dollars	170,436	290,854
Deposits – Euros	99,619	165,806
Other cash equivalents	412	36
	925,712	**797,169**

3 ACCOUNTS RECEIVABLE AND ADVANCES GIVEN

	As at March 31, 2012	As at December 31, 2011
Trade accounts receivable	1,087,651	944,250
Advances given to suppliers	159,811	154,622
VAT and other taxes receivable	591,773	511,118
Accounts receivable from employees	3,680	2,799
Other accounts receivable	94,129	87,710
	1,937,044	1,700,499
Allowance for doubtful debts	(150,838)	(127,858)
	1,786,206	**1,572,641**

As at March 31, 2012 and December 31, 2011, accounts receivable of $360,921 and $297,902, respectively, served as collateral for certain borrowings (Note 7).

4 INVENTORIES

	As at March 31, 2012	As at December 31, 2011
Raw materials	1,298,944	1,215,944
Work in process	722,451	685,472
Finished goods and goods for resale	969,485	1,021,828
	2,990,880	2,923,244
Provision for obsolescence	(86,955)	(94,811)
	2,903,925	**2,828,433**

As at March 31, 2012 and December 31, 2011, inventories of $650,227 and $641,654, respectively, served as collateral for certain borrowings (Note 7).

(thousands of US dollars)

5 PROPERTY, PLANT AND EQUIPMENT

	As at March 31, 2012	As at December 31, 2011
Land	222,696	201,852
Mineral rights	573,678	522,577
Buildings	1,968,936	1,748,813
Land and buildings improvements	1,405,709	1,280,211
Machinery and equipment	8,039,523	7,336,243
Vehicles	376,401	324,953
Construction in progress and advances for construction and acquisition of property, plant and equipment	5,243,679	4,630,558
Leased assets	116,448	125,897
Other	132,245	125,585
	18,079,315	16,296,689
Accumulated depreciation	(6,414,981)	(5,726,861)
	11,664,334	**10,569,828**

As at March 31, 2012 and December 31, 2011, property, plant and equipment of $222,184 and $541,928 (net book value), respectively, served as collateral for certain borrowings (Note 7).

The amounts of interest capitalized are $68,497 and $41,293 for the three months ended March 31, 2012 and March 31, 2011, respectively.

6 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	As at March 31, 2012	As at December 31, 2011
Trade accounts payable	860,502	818,729
Advances received	167,301	133,402
Taxes payable other than income tax	160,314	143,379
Accounts payable and accrued liabilities to employees	260,936	199,300
Dividends payable	2,122	2,061
Short-term capital lease liability	15,420	14,757
Other accounts payable	316,824	311,051
	1,783,419	**1,622,679**

Other accounts payable as at March 31, 2012 and December 31, 2011 include short-term part of payables to the Duferco Group for SIF S.A. shares of $150,380 and $145,631, respectively (Note 9).

(thousands of US dollars)

7 SHORT-TERM AND LONG-TERM BORROWINGS

	As at March 31, 2012	As at December 31, 2011
Parent Company		
Loans, EURO denominated, with interest rates from EURIBOR (6 m) +1.5% to EURIBOR (3 m) +3.5% per annum, mature 2012-2019	740,747	757,788
Loan, RUR denominated, with interest rate 8.5% per annum, mature 2013	341,365	310,958
Bonds, RUR denominated, with interest rate from 7.75% to 10.75% per annum, mature 2012-2014	1,576,326	1,416,108
Loans, US$ denominated, with interest rates from LIBOR +1.2% to 3.86% per annum, mature 2012-2013	577,738	678,077
Companies of the Foreign rolled products segment		
Loans, US$ denominated, with interest rates LIBOR +1.625% and PRIME +0.625% per annum, mature 2012-2016	116,529	51,347
Loans, EURO denominated, with interest rates from EURIBOR +0.5% to EURIBOR +3.5% and 4.3% per annum, mature 2012-2020	957,538	1,014,160
Other borrowings	2	2
Other companies		
Loans, EURO denominated, with interest rates from EURIBOR (6 m) +0.9% to EURIBOR (6 m) +1.3% per annum, mature 2012-2020	115,222	107,119
Loans, EURO denominated, with interest rate EURIBOR (6 m) +5.5% per annum, mature 2012-2013	1,537	1,648
Loan, RUR denominated, with interest rate 10% per annum	34,389	30,771
Other borrowings	12,876	11,820
	4,474,269	**4,379,798**
Less: short-term loans and current maturities of long-term loans	(1,780,954)	(1,306,263)
Long-term borrowings	**2,693,315**	**3,073,535**

The Group’s long-term borrowings as at March 31, 2012 mature between 2 to 8 years.

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, clauses in relation to performance of the borrowers, including cross default provisions, as well as legal claims in excess of certain amount, where reasonable expectations of a negative outcome exist, and covenants triggered by any failure of the borrower to fulfill contractual obligations. The Group companies are in compliance with debt covenants as of March 31, 2012.

8 EARNINGS PER SHARE

	For the three months ended March 31, 2012	For the three months ended March 31, 2011
Weighted average number of shares	5,993,227,240	5,993,227,240
Net income (thousands of US dollars)	172,903	392,375
Basic and diluted net income per share (US dollars)	**0.0288**	**0.0655**

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. The Parent Company does not have potentially dilutive shares outstanding.

9 BUSINESS COMBINATIONS

In July 2011, the Group has acquired a controlling interest in SIF S.A. The total purchase consideration that includes fair value of purchase consideration for 50% acquired as a result of business combination and the fair value of the previously held 50% interest amounted to $867 million. Management has preliminarily determined that resulting goodwill of $290 million primarily reflects the control premium paid for the acquisition and future synergies from using SIF S.A. assets for marketing the Group’s metal products in both Europe and the USA.

As a result of this business combination the Group recognized deferred tax assets on SIF S.A. losses carried forward of approximately $200 million. Most of these losses are in jurisdictions where there is an indefinite carry-forward period. The management anticipates utilization of these losses starting from 2013 and believes these assets will be recovered in the future.

10 SEGMENT INFORMATION

Starting from July 2011 the Group changed the composition and the presentation of its reportable segments as a result of a change in the Group’s structure (Note 9) and internal organization. Comparative financial information has been adjusted to conform to the presentation of current period amounts.

The Group has four reportable business segments: steel, foreign rolled products, long products and mining. Results of the production of coke and coke-chemical products are now presented within the steel segment in these interim condensed consolidated financial statements. These segments are combinations of subsidiaries, have separate management teams and offer different products and services. The above four segments meet the 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 two operating segments of the Group. Those segments include insurance and other services. None of these segments has met any of the quantitative thresholds for determining a reportable segment. The investments in equity method investee and equity in net earnings / (losses) of associates are included in the steel 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, net of income tax.

Segmental information for the three months ended March 31, 2012 and their assets as at March 31, 2012 is as follows:

(thousands of US dollars)

10 SEGMENT INFORMATION (continued)

	Steel	Foreign rolled products	Long products	Mining	All other	Totals	Inter-segmental operations and balances	Consolidated
Revenue from external customers	1,794,650	988,979	275,043	35,669	-	3,094,341	-	3,094,341
Intersegment revenue	422,622	-	72,865	280,584	-	776,071	(776,071)	-
Gross profit / (loss)	**377,729**	**17,442**	**54,456**	**227,665**	**(13)**	**677,279**	**30,295**	**707,574**
Operating income / (loss)	**78,203**	**(62,773)**	**7,169**	**202,636**	**(459)**	**224,776**	**30,295**	**255,071**
Income / (loss), net of income tax	**113,140**	**(63,054)**	**(22,573)**	**126,807**	**(596)**	**153,724**	**19,817**	**173,541**
Segment assets, including goodwill	14,280,605	4,329,353	2,769,109	2,217,368	58,699	23,655,134	(5,046,619)	18,608,515

Segmental information for the three months ended March 31, 2011 and their assets as at December 31, 2011 is as follows:

	Steel	Foreign rolled products	Long products	Mining	All other	Totals	Inter-segmental operations and balances	Consolidated
Revenue from external customers	1,836,773	242,420	259,590	20,095	-	2,358,878	-	2,358,878
Intersegment revenue	106,353	-	111,276	274,195	-	491,824	(491,824)	-
Gross profit	**484,239**	**14,752**	**61,099**	**209,945**	**(48)**	**769,987**	**(920)**	**769,067**
Operating income / (loss)	**255,942**	**3,671**	**6,553**	**196,372**	**(334)**	**462,204**	**1,205**	**463,409**
Income / (loss), net of income tax	**266,809**	**(1,346)**	**(56,635)**	**160,831**	**201**	**369,860**	**(4,380)**	**365,480**
Segment assets, including goodwill	13,060,968	4,225,510	2,471,958	1,870,993	45,774	21,675,203	(4,418,027)	17,257,176

11 RISKS AND UNCERTAINTIES

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 international sovereign debt crisis, stock market volatility and other risks could have a negative effect on the Russian financial and corporate sectors. Management considered impairment provisions by taking into account the economic situation and outlook at the end of the reporting period.

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

The major financial risks inherent to the Group’s operations are those related to market risk, credit risk and liquidity risk. The objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimize operational and legal risks.

12 RELATED PARTY TRANSACTIONS

Related parties relationships are determined with reference to ASC No. 850. Balances as at March 31, 2012 and December 31, 2011 and transactions for the three months ended March 31, 2012 and March 31, 2011 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 one of its subsidiaries were $201,612 for the three months ended March 31, 2011. Sales to other related parties were $2,455 and $3,980 for the three months ended March 31, 2012 and March 31, 2011, respectively.

Accounts receivable from related parties equaled $18,153 and $45,978 as at March 31, 2012 and December 31, 2011, respectively.

Purchases

Purchases from subsidiary of an associate (SIF S.A.) were $50 for the three months ended March 31, 2011. Purchases from the companies under common control were $170,737 and $46,559 for the three months ended March 31, 2012 and March 31, 2011, respectively.

Accounts payable to the related parties were $8,510 and $3,453 as at March 31, 2012 and December 31, 2011, respectively.

(b) Financial transactions

Deposits and current accounts of the Group companies in banks under significant influence of the Group's controlling shareholder (OJSC Bank ZENIT and OJSC Lipetskcombank) amounted to $104,903 and $56,395 as at March 31, 2012 and December 31, 2011, respectively. Related interest income from these deposits and current accounts for the three months ended March 31, 2012 and March 31, 2011 amounted to $156 and $278, respectively.

13 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 accompanying interim condensed consolidated financial statements.

In January 2010, the Parent Company received a claim from the non-controlling shareholder of OJSC Maxi-Group filed with the International Commercial Arbitration Court at the Russian Federation Chamber of Commerce and Industry (hereinafter, ICA Court) to enforce the additional payment by the Parent Company for the shares of OJSC Maxi-Group in accordance with the binding agreement. This claim is based on the non-controlling shareholder's interpretation of the binding agreement. In February 2010, as a result of due diligence of Maxi-Group entities, the Parent Company filed a counter-claim to ICA Court seeking collection from the non-controlling shareholder of OJSC Maxi-Group of excessively paid amounts for the acquired shares.

13 COMMITMENTS AND CONTINGENCIES (continued)

In March 2011, the ICA Court partially (in the amount of about $326 million, at the exchange rate as of March 31, 2012) satisfied the claims of Maxi-Group's non-controlling shareholder against the Parent Company. After this decision the non-controlling shareholder initiated court cases in certain European courts to enforce payment of this claim. In April 2011, the Group's management initiated proceedings to challenge the resolution of the ICA Court, sending an application to the Arbitration Court of Moscow (the court of the first instance). In June 2011, the Arbitration Court of Moscow cancelled the respective resolution of the ICA Court. In August 2011, the Federal Arbitration Court of the Moscow Circuit initiated proceedings regarding cassation appeal filed by the non-controlling shareholder of OJSC Maxi-Group on revocation of the ICA Court decision. In September 2011, Federal Arbitrage Court of Moscow region adjudicated not to change the June decision of the Arbitration Court of Moscow. In November 2011, the Supreme Commercial Court of the Russian Federation registered a claim from the non-controlling shareholder of OJSC Maxi-Group for a supervisory review of the judicial acts of the corresponding courts. In January 2012, the Board of the Supreme Commercial Court adjudicated to refuse for a supervisory review. Accordingly, no accruals 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 reasonably estimated. 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) Capital commitments

Management estimates the outstanding agreements in connection with equipment supply and construction works amounted to $1,270,410 and $1,396,561 as at March 31, 2012 and December 31, 2011, respectively.

(e) 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.

(f) 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, including certain operation of intercompany financing of Russian subsidiaries within the Group, that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed, and certain expenses used for profit tax calculation may be excluded from tax returns. 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.

13 COMMITMENTS AND CONTINGENCIES (continued)

Russian transfer pricing legislation was amended starting from January 1, 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international principles. The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (defined by applicable legislation), provided that the transaction price is not arm’s length. Management exercises its judgment about whether or not the transfer pricing documentation that the entity has prepared, as required by the new legislation, provides sufficient evidence to support the entity’s tax positions. Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group’s transfer prices cannot be reliably estimated; however, it may be significant to the financial position and the results of operations of the Group.

As at March 31, 2012, management believes that its interpretation of the relevant legislation is appropriate and the Group’s tax, currency and customs positions will be sustained.

14 SUBSEQUENT EVENTS

In April 2012, the Board of Directors of the Parent Company proposed dividends for the year ended December 31, 2011 of 2 Russian rubles per share in the total amount of Russian rubles of 11,986,454 thousand ($408,701 at the exchange rate as at March 31, 2012, including interim dividends for the six months ended June 30, 2011 of 1.4 Russian ruble per share for the total of $263,704, translated at the historical date). The final amount of dividends is subject to the approval by an Annual General Stockholders’ Meeting.

The Group’s management has performed an evaluation of subsequent events through the period from April 1, 2012 to May 15, 2012, which is the date when these interim condensed consolidated financial statements were available to be issued.