Annual Report and Accounts 2009

Bridging the Infrastructure Gap

Contents

I. Company Overview

The American Recovery and Reinvestment Act of 2009 revealed plans to spend US$27.5 billion on highway and bridge construction projects.

Evraz's North American division is one of the world's largest producers of infrastructure plate which is used for the construction of roads and bridges.

Evraz supplied the steel used to build the infrastructure for the APEC-2012 summit to be staged on Russky Island, off the coast of Vladivostok, in the Far East of Russia. The rebars, channels and sheet piles will be utilised in various projects including runway reconstruction at Vladivostok International Airport and the construction of a bridge from Vladivostok to Russky Island across the Eastern Bosphorus strait.

Who We Are

Evraz Group is a vertically-integrated steel, mining and vanadium business and, based on 2009 crude steel production volumes, is ranked the 14th largest steel company in the world.

Our Business

Evraz is a global industrial enterprise that spans four continents and employs approximately 110,000 people. During 2009, Evraz produced 15.3 million tonnes of crude steel and sold 14.3 million tonnes of steel products. Self-coverage in relation to the Company's iron ore and coking coal requirements amounted to 96% and 74% respectively.

Our principal activities include the manufacture and sale of steel and steel products, iron ore mining and enrichment, coal production and processing, the manufacture and sale of vanadium products, trading and logistics.

As a leading supplier to major industrial sectors, Evraz operates in all infrastructure-related steel markets. Evraz is the world's largest producer of rails and one of the leading producers of construction steel.

Our Vision

Evraz remains focused on its primary objective of sustaining the Company's position as one of the most cost-efficient integrated steel producing and mining enterprises in the world.

Evraz's strategy is focused on achieving ongoing improvements in operating efficiency, cost control and synergies derived from asset consolidation, while maintaining the Company's prime positions in the railway and construction steel products markets in Russia and the CIS, the flat products markets in Europe and the US and the global vanadium market.

The consistent implementation of these strategic objectives continued throughout 2009.

Our Story

Originally founded in 1992 as a small metal trading company in Russia, Evraz has developed into a multinational corporation through progressively extending its steel and mining operations around the globe.

We believe our greatest responsibility to our shareholders, our employees, our customers, the communities that we operate within and other relevant constituencies is to deliver maximum value while aligning our activities to a framework of sustainability that is integral to the ongoing development of our business.

Key Events

2009

January An Extraordinary Shareholders' Meeting approved the modification of the method of payment of the 2008 interim dividend. As a result, 9,755,347 new shares were issued in favour of those shareholders who supported the 2008 partial scrip interim dividend payment.

February Evraz sold 49% of NS Group to TMK for US$508 million, thereby completing the transfer of IPSCO's former US tubular and pipe businesses.

April Highveld agreed to sell 26% of Mapochs Mine to local partners in accordance with the South African Government's Black Economic Empowerment programme and South African legislation in respect of the mining industry.

May The Annual General Meeting of shareholders approved the proposal not to pay a final dividend for 2008. Dividend payments will only resume upon sustainable market recovery and progress in deleveraging.

June Evraz's steelmaking capacity utilisation in Russia was restored to 100% following the resumption of operations at Blast Furnace No. 3, idled in October 2008, at the Zapsib steel mill, Novokuznetsk, Russia.

July Evraz raised US$965 million through the issue of US$650 million 7.25% convertible bonds due 2014 and US$315 million of new equity. The conversion price for the bonds is US$21.12 per GDR, while the issue price of the new equity was US$16.50 per GDR.

August Evraz announced the lapse of the option to raise its stake in Delong Holdings Ltd., the Singapore-listed Chinese steel manufacturer, from the current 15% to 51%.

September Evraz Inc. NA received a significant Large Diameter Pipe order from TransCanada Corporation in relation to the Keystone Gulf Coast Expansion Project (Keystone XL).

October Evraz's subsidiary, OOO Sibmetinvest, launched a 20 billion Rouble (approx. US$680 million) five-year bond issue at an annual rate of 13.5%.

Evraz acquired Carbofer Metall, one of the largest steel distributors in Russia, in order to increase direct sales of the Company's steel products to domestic customers.

November Evraz exercised control over Vanady-Tula. As of 31 December 2009, the Company's nominal ownership interest in Vanady-Tula was 84.84%

November-December Lenders under syndicated loan facilities and holders of Evraz notes due 2013, 2015 and 2018 approved amendments of debt covenants, allowing appropriate headroom and flexibility to progress Evraz's current strategy.

December Evraz repaid to "Vnesheconombank" ("VEB") the US$800 million loan granted in December 2008.

Evraz secured a US$225 million four-year committed revolving credit facility in respect of Evraz Inc. NA., its wholly-owned US subsidiary.

2010

March Evraz won the licence to develop the Mezhegey coking coal deposit (estimated category A+B+C1 reserves of 213.5 million tonnes of hard coking coal) in the Republic of Tyva, Russia.

Evraz's subsidiary, OOO EvrazHolding Finance, announced the issue of a 15 billion Rouble-denominated bond (approx. US$506 million) at an annual rate of 9.25% due in 2013.

April Evraz sold the Koksovaya coal mine, a subsidiary of Evraz's Yuzhkuzbassugol, to the Raspadskaya coal company in order to derive maximum synergies from the future development of the coal field.

May At the Company's AGM, shareholders approved the Board's proposal not to pay a dividend in respect of 2009. The number of directors was reduced from ten to nine. Details of the Board's composition can be found in the Corporate Governance section.

Evraz fully repaid a US$1,007 million loan to VEB utilising a US$950 million loan from Gazprombank which will mature in 2015.

Corporate Structure

Key subsidiaries and jointly controlled entities as of 31 December 2009	STEEL	IRON ORE	COAL / COKE	VANADIUM	SALES, SERVICES AND LOGISTICS
North America 	Evraz Inc. NA*[a] 100% Evraz Inc. NA Canada*[b] 100%			Stratcor*[e] 72.84%	
Europe 	NTMK 100% Palini e Bertoli 100% Vítkovice* 100% DMZ 96.03%	KGOK 100% VGOK 100% Sukha Balka 99.42%	Dneprokoks 98.65% Bagleykoks 94.37% DKHZ 93.86%	Nikom 100%	TC EvrazHolding 100% Evraztrans[f] 76% East Metals 100% EvrazMetall 100%
Asia 	Zapsib 100% NKMK 100%	Evrazruda 100%	Yuzhkuzbassugol 100% Raspadskaya[d] 40%	Vanady-Tula[g] 84.84%	Nakhodka Sea Port 100% EvrazEK 100% Sinano 100% MEF 100%
Africa 	Highveld*[c] 85.12%				

*** Interests in subsidiaries marked with an asterisk (*) are held directly by Evraz Group S.A., the parent company**

a Evraz Inc. NA headquartered in Portland (Oregon, USA) incorporates steel manufacturing facilities in Portland, Pueblo (Colorado, USA), Claymont (Delaware, USA), Camrose (Alberta, Canada), and General Scrap business (Canada, USA).

b Evraz Inc. NA Canada, formerly IPSCO's Canadian plate and pipe business, comprises a steelmaking and rolling mill in Regina (Saskatchewan), tubular operations in Regina, Calgary and Red Deer (Alberta), a cut-to-length processing centre in Surrey (British Columbia) and a sales office in Calgary.

c Highveld Steel and Vanadium Corporation produces both steel and vanadium products. Highveld's shares have a primary listing on the Johannesburg Stock Exchange.

d 40% interest in Raspadskaya is held by its management, while 20% is free float.

e Strategic Minerals Corporation comprises two divisions: Stratcor, Hot Springs (Arkansas, USA) and Vametco Alloys, Brits (South Africa).

f The remaining 24% in EvrazTrans is held by its management.

g 84.84% is the Company's nominal ownership interest while effective interest is 100%

Major Assets

Dnepropetrovsk Iron and Steel Works ("DMZ"), Ukraine, an integrated steel mill specialising in the manufacture of pig iron, steel and rolled products.

Evraz Inc. NA together with **Evraz Inc. NA Canada** represents one of the most diversified steel manufacturers in North America. Evraz's facilities in the USA and Canada, established in 2008 through the combination of Evraz Oregon Steel Mills, Claymont Steel and IPSCO's Canadian plate and pipe business, produce higher margin specialty and commodity steel products.

EvrazMetall (formerly known as Carbofer Metall), Russian steel distribution network.

Evraz Highveld Steel and Vanadium Corporation Limited ("Highveld"), one of the largest steel producers in South Africa with primary positions in medium and heavy structural sections and ultra thick plate and a leading producer of vanadium slag.

Evraz Palini e Bertoli in northern Italy produces customised, high-quality steel plate products.

Evraz Vitkovice Steel, the largest producer of steel plates in the Czech Republic.

Evrazruda Iron Ore Mining and Processing Complex ("Evrazruda") produces iron ore concentrate and sinter, operating mines in Kemerovo region, the Republic of Khakassia and south Krasnoyarsk Krai.

Kachkanarsky Ore Mining and Processing Enterprise Vanady ("KGOK") produces sinter, pellets and concentrate from vanadium-rich iron ore.

Nakhodka Commercial Sea Port ("NMTP"), one of the largest ports in the Far East of Russia, from where Evraz ships the majority of its exports.

Nizhny Tagil Iron and Steel Plant ("NTMK"), an integrated steel plant that primarily produces railway and construction long products, pipe blanks and semi-finished products.

Novokuznetsk Iron and Steel Plant ("NKMK") specialises in the production of rolled long metal products for the railway sector and semi-finished products.

Strategic Minerals Corporation ("Stratcor"), one of the world's leading producers of vanadium alloys and chemicals for the steel and chemical industries.

Sukha Balka Iron Ore Mining and Processing Complex ("Sukha Balka") operates two underground mines in Ukraine for the production of lumping iron ore.

Vanady-Tula, the largest Russian producer and one of the leading world producers of vanadium products.

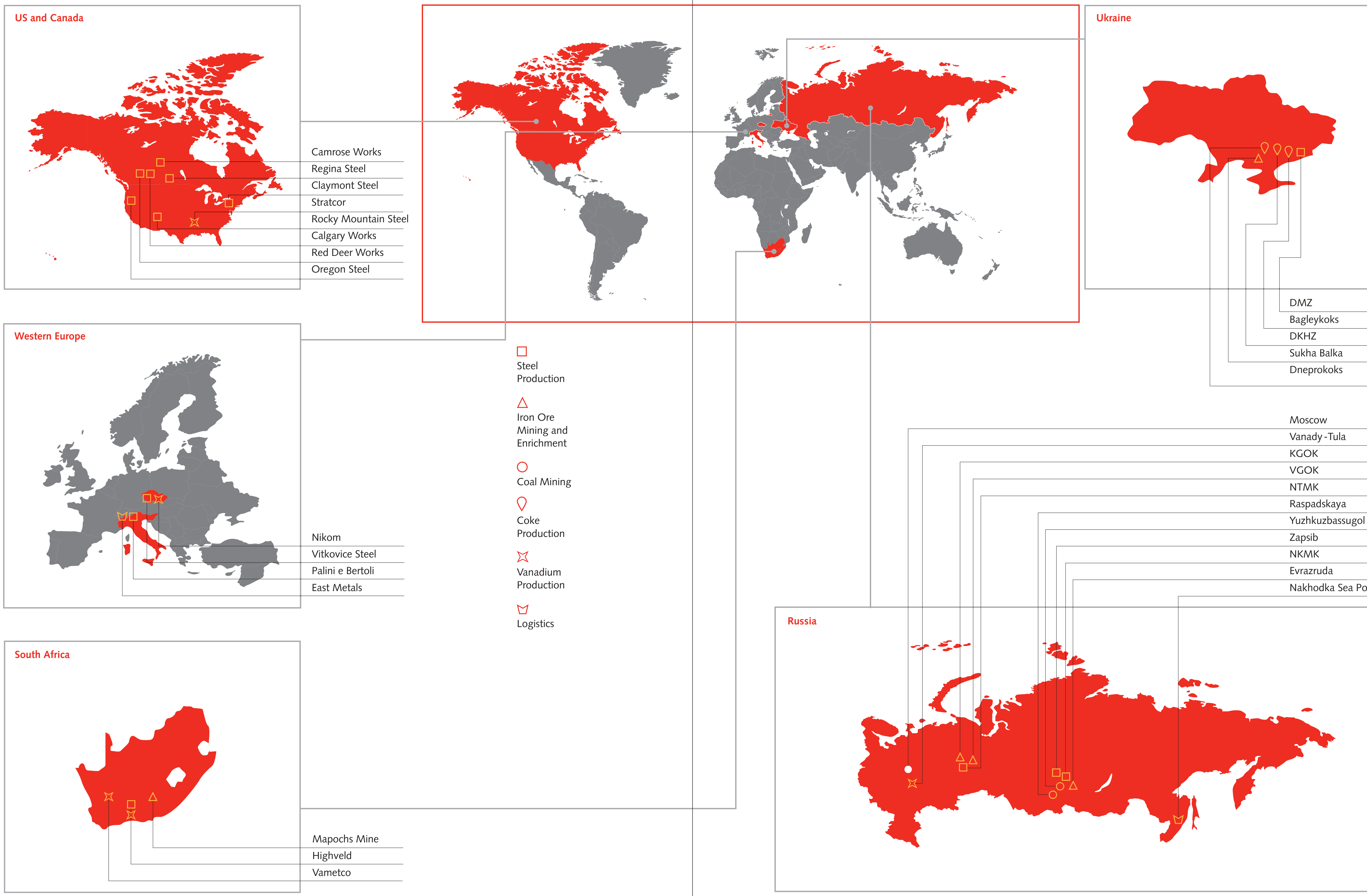
Vysokogorsky Ore Mining and Processing Enterprise ("VGOK") produces sinter from its iron ore resources, as well as iron ore concentrate, limestone, crushed stone and other products.

West Siberian Iron and Steel Plant ("Zapsib"), an integrated steel plant that primarily produces construction long products and semi-finished products.

Yuzhkuzbassugol Coal Company ("Yuzhkusbassugol"), one of the largest coal companies in Russia that produces both coking and steam coal.

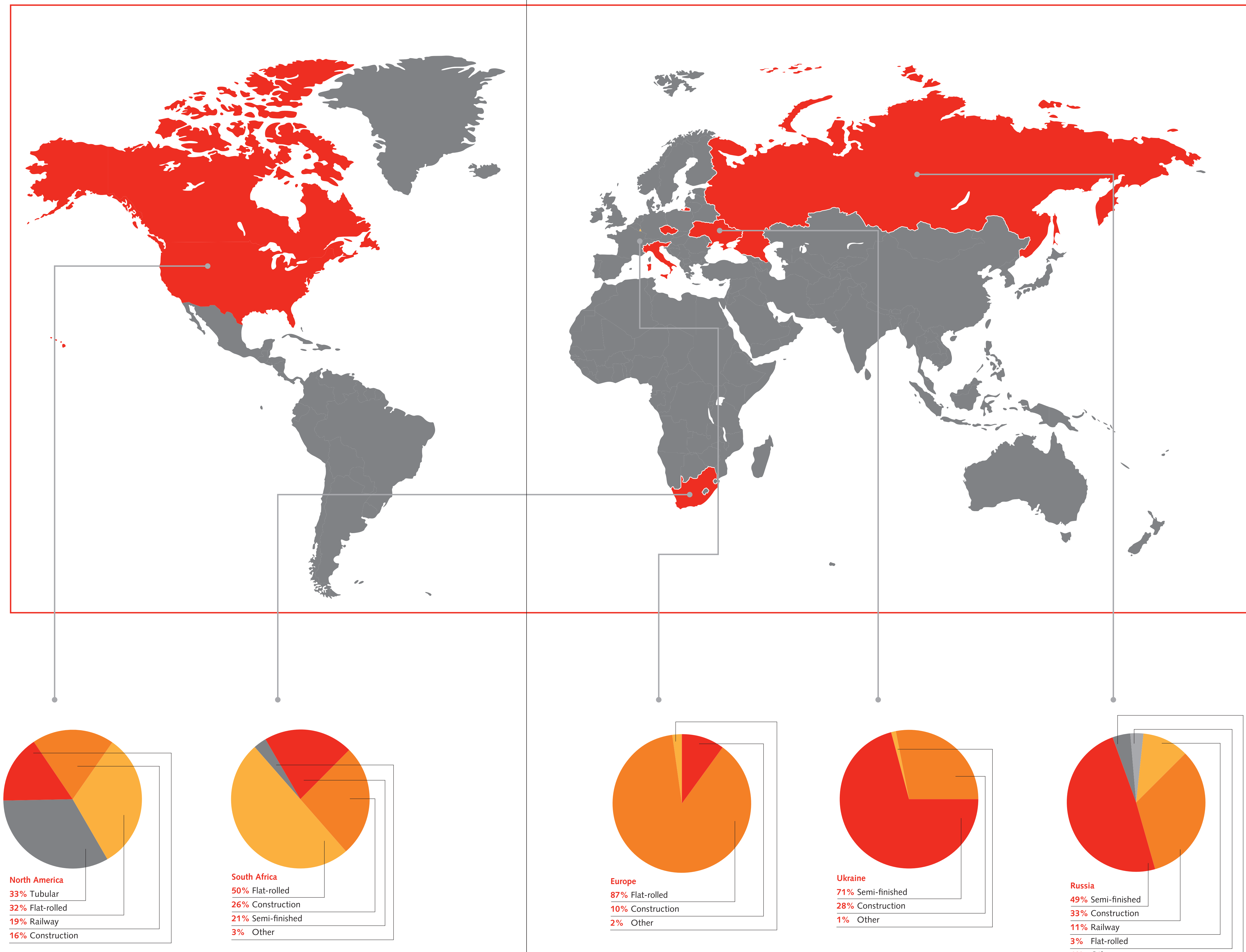
Ukrainian coking plants – **Bagleykoks Coke Chemical Plant ("Bagleykoks"), Dnepropetrovsk Coke Chemical Plant ("Dneprokoks")** and **Dneprodzerzhinsk Coke Chemical Plant ("DKHZ")** – supply their coke production to DMZ and various local steelmakers in Eastern Europe.

Operations Map



Production by Region

(share of Evraz's production of steel rolled products in the region)



Production, Mining
and Vadanium Segments
(thousand tonnes,
unless indicated otherwise)

Russia
Mining segment:
Iron ore concentrate 5,648
Sinter 4,077
Pellets 5,515
Coking coal mined 10,300
Steam coal mined 4,146
Vanadium segment*:
Vanadium in slag 11,871
Vanadium in alloys
and chemicals 1,014

Ukraine
Mining segment:
Lumping ore 1,678

Europe
Vanadium segment*:
Vanadium in alloys
and chemicals 1,381

North America
Vanadium segment*:
Vanadium in alloys
and chemicals 1,654

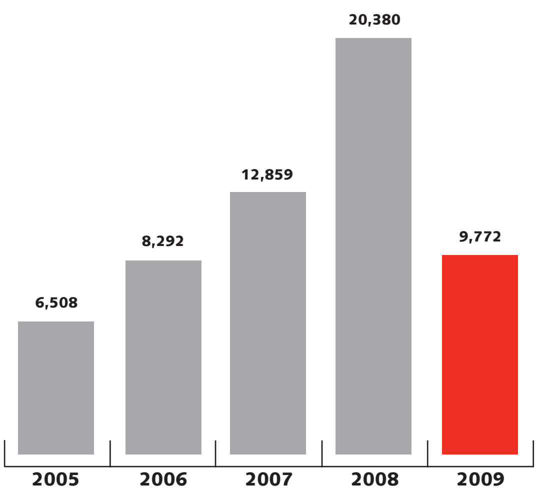
South Africa
Mining segment:
Iron ore fines 490
Vanadium segment*:
Vanadium in alloys
and chemicals 6,653

* Tonnes, calculated in pure vanadium equivalent

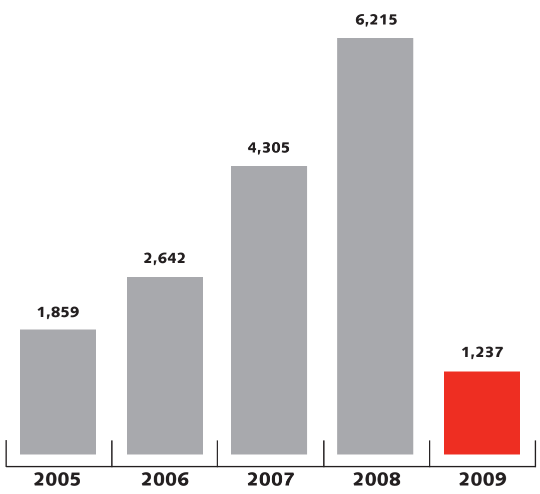
All information concerning production volumes of the enterprises only relates to the period of operation within Evraz Group. The total volume of rolled steel products excludes those re-rolled at other group's plants.

Key Performance Indicators 2005–2009

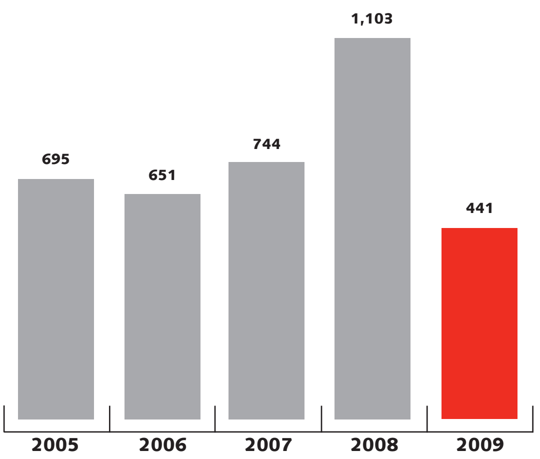
Revenues *(US$ million)*



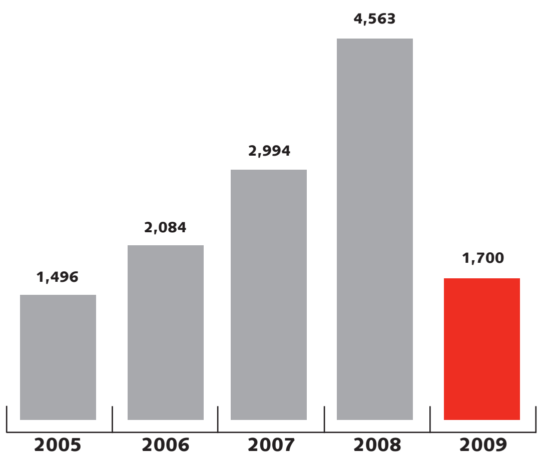
Adjusted EBITDA *(US$ million)*



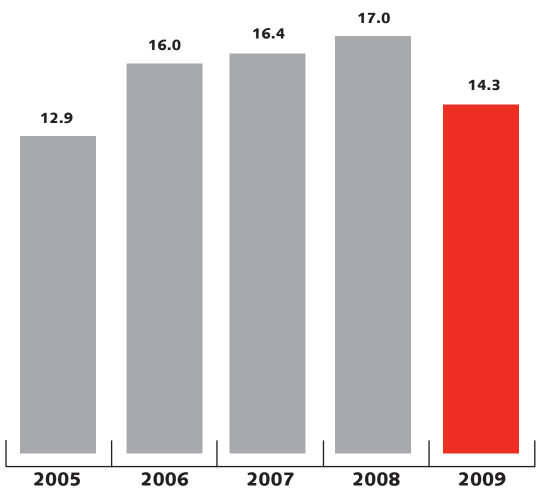
CAPEX*(US$ million)*



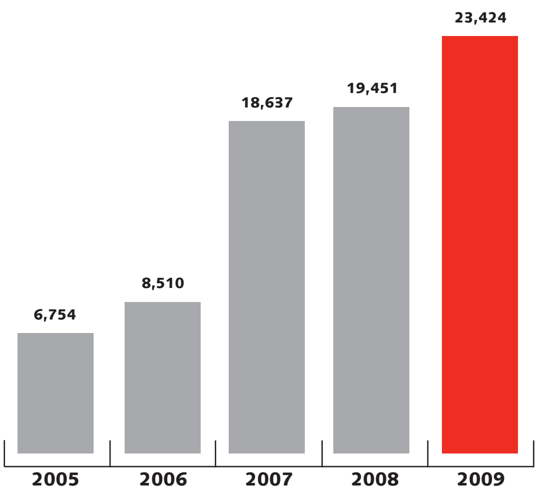
Operating Cash Flow *(US$ million)*



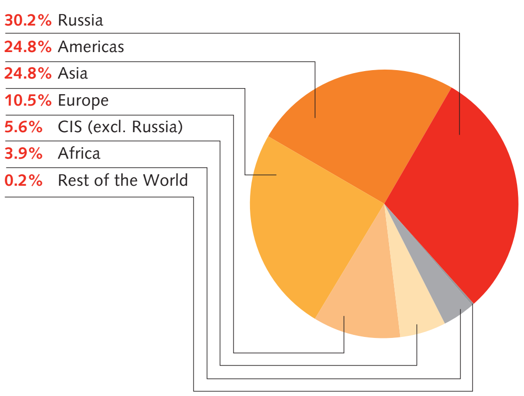
Steel Sales Volumes *(million tonnes)*



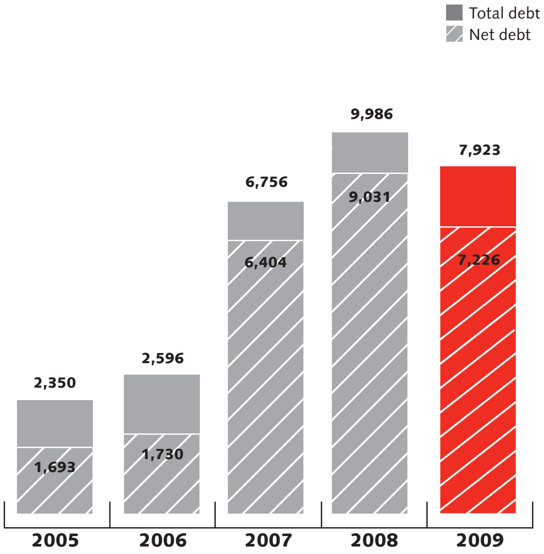
Assets *(US$ million)*

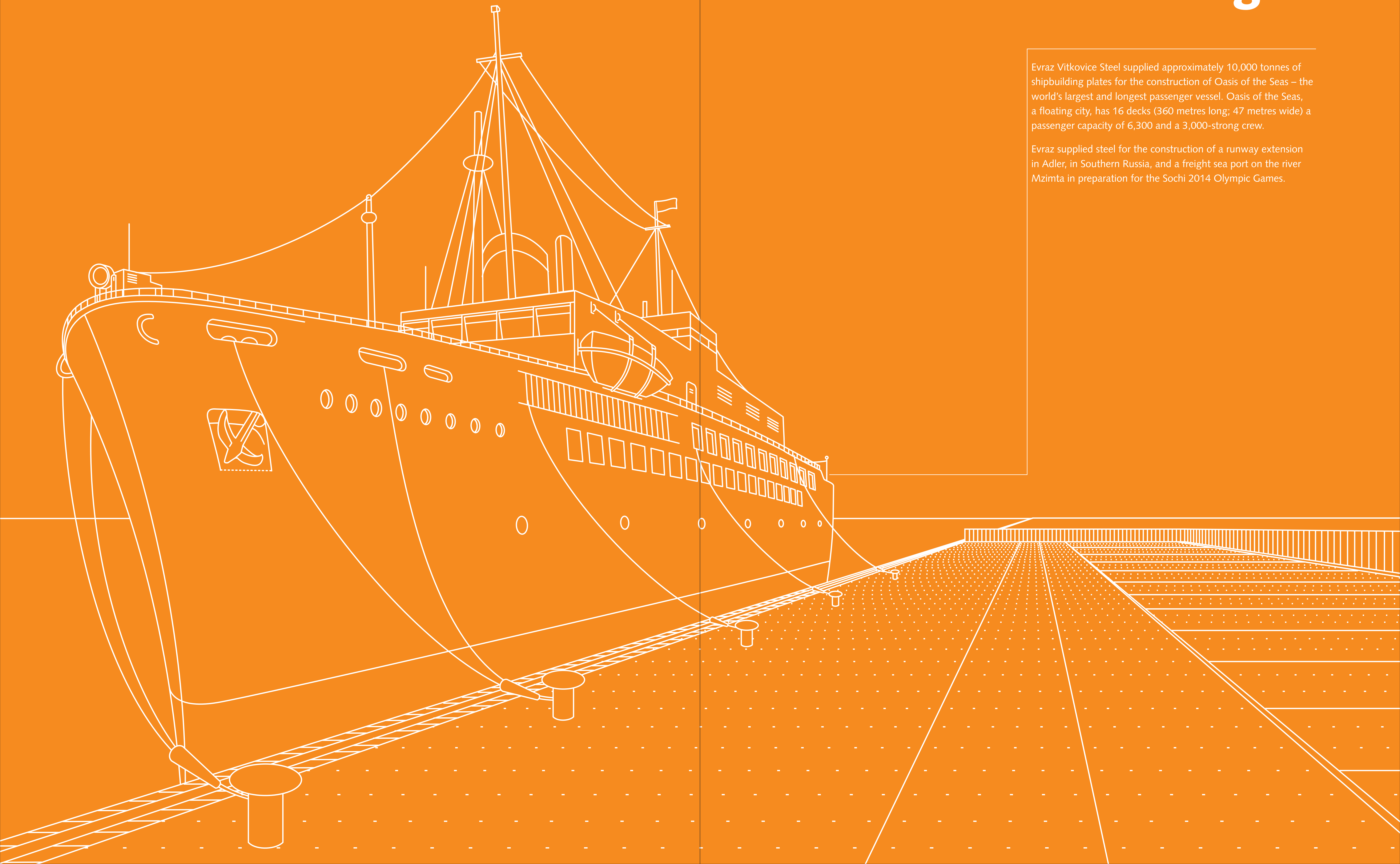


Revenues by Region 2009



Debt *(US$ million)*





II. Messages

Evraz Vitkovice Steel supplied approximately 10,000 tonnes of shipbuilding plates for the construction of Oasis of the Seas – the world's largest and longest passenger vessel. Oasis of the Seas, a floating city, has 16 decks (360 metres long; 47 metres wide) a passenger capacity of 6,300 and a 3,000-strong crew.

Evraz supplied steel for the construction of a runway extension in Adler, in Southern Russia, and a freight sea port on the river Mzimta in preparation for the Sochi 2014 Olympic Games.

Chairman's Statement

Dear Stakeholders,

To describe 2009 as a challenging year for the global steel sector, of which Evraz is an integral part, might be perceived as something of an understatement. Many of the events that accompanied the worldwide financial and economic downturn, which commenced in the late summer of 2008, were unprecedented, enveloping entire sectors of industry, including sectors that represented the steel industry's customer base. Against this background, we were most notably affected by the abrupt slow-down in infrastructure spending in the markets where our production facilities are located.

These circumstances called for swift and decisive actions on the part of Evraz's management. I am pleased to report that we stood up to the challenge and took the opportunity to improve efficiency, reduce costs and reorganise our business. Since mid-2009 we have seen a measured recovery in the global economy which, in turn, led to an increase in steel demand. This has allowed us to fully utilise our steelmaking capacities. It should be emphasised, however, that market visibility remains low.

Our key strategic priorities remain unchanged: cost leadership, an appropriate level of vertical integration into raw materials, geographic diversification, a manufacturing focus on infrastructure and the development of downstream operations in regions where value added products enjoy high consumption.

Despite current volatility, there is widespread acknowledgement of the long-term growth potential inherent in infrastructure markets. The need for new construction in the emerging world and reconstruction in the developed world encompasses the unfolding industrialisation and urbanisation processes in China, India and other emerging economies and the US$2 trillion worth of repair work estimated to be required in both North America and Europe: all drivers of world demand for industrial steel.

Tens of billions of dollars are dedicated to the construction of roads, bridges and other transportation projects, with particular emphasis on high-speed rail networks. At Evraz, our preparations for the ongoing development of high-speed rail facilities include a large-scale modernisation of our rail mills.

Our products are used in a number of recent and ongoing landmark infrastructure projects, including the Soccer World Cup stadiums and the associated infrastructure in South Africa, the 2014 Olympic Games site in Sochi, Russia, and the construction of the infrastructure required to host the Asia-Pacific Economic Cooperation summit in the Russian Far East in 2012, including a bridge from the city of Vladivostok to Russky Island across the Eastern Bosphorus strait.

Energy and ecology represent other important sources of demand. Ongoing shale gas exploration and extraction projects in Western Canada and other parts of North America have led to substantial demand for Evraz's casing and tubing products manufactured at our North American operations. Our steel also features in a number of "green" energy projects including wind turbines used throughout much of Europe.

Evraz remains totally committed to its corporate principles in respect of safe, sustainable and socially responsible development. We constantly endeavour to mitigate any negative impacts on the environment and good progress was achieved in 2009 with the closure of the most harmful production units with regard to air pollution. Evraz's key environmental objectives include consistent reductions in emissions and energy consumption, the appropriate treatment of gaseous and liquid waste and the effective processing of by-products.

Ongoing improvements in the standards of health and safety in relation to the well-being of our employees remain at the forefront of our priorities. Evraz continues to address the occupational and social needs of its employees and support social projects for the benefit of the residents of those regions in which we operate.

Evraz has always taken the view that employees represent our most important asset and are integral to the Company's long-term success. It is clear that our achievements would not have been possible without the hard work and commitment of our employees around the world and I would like to take this opportunity to thank each of them for their invaluable contributions.

We are determined to grow shareholder value, continue to meet the objectives of our stakeholders and serve the communities in each region and location in which we operate.

I am confident that we will succeed in these endeavours and successfully overcome those challenges that lie ahead.

Alexander Abramov
Chairman of the Board

Chief Executive's Report

Dear Stakeholders,

Despite the serious challenges faced by Evraz and the global steel industry in 2009, we successfully navigated the downturn and ended the year with relatively high operating rates across our key production facilities.

Our strategic disciplines of cost leadership, vertical integration, geographic diversification and product mix improvement, in concert with high efficiency, proved critical at a time of global recession.

Earlier years represented periods of rapid growth: upstream vertical integration accompanied by downstream geographical expansion. Now is the time to focus on our operations, improve efficiency and integrate the acquired assets.

Low-cost production has always represented a cornerstone of our corporate strategy, the key rationale behind much of our decision making. This has been achieved through the production of semi-finished steel at the most cost-efficient locations and the expansion of our activities into raw materials. Our focus on cost leadership and efficiency became all the more important as the need to improve competitiveness gathered momentum in the face of the global economic downturn.

In order to implement our strategy of operating in regions synonymous with the consumption of high value-added products we had acquired a number of "profitability champions," operating in mature markets, which possessed the inherent asset qualities and operational flexibility to enable them to overcome any short-term reversals.

At the onset of the global economic crisis during the second half of 2008, management developed and executed an action plan specifically designed to reduce the Company's cost structure and reinforce its balance sheet. We have delivered on these priorities and, at the same time, the Company has significantly strengthened its operating base.

We succeeded in reducing our cost of revenue by 35% compared with the level of 2008. Selling, general and administrative expenses were reduced by 28%. Our cost saving efforts benefited from the devaluation of the Russian Rouble, the Ukrainian Hryvnia, the Czech Koruna and certain other operating currencies against the US dollar. Our continued focus on prudent financial management allowed us to release US$654 million from working capital. We also decreased our capital expenditure to effective maintenance levels of US$441 million.

Our Russian steelmaking operations have been running at full capacity since 1 July 2009 reflecting the improved demand for steel products from South East Asia, the Middle East and North Africa. This, coupled with increased prices, helped to raise our EBITDA margin from 10% in the first half of 2009 to 15% in the second half.

Prices for semi-finished and finished products rose steadily during the second half of 2009, in line with higher raw material prices. This trend continued into the first four months of 2010. Benefiting in part from the significant scale of our vertical integration, Group EBITDA margins increased, although further gains in the fourth quarter of 2009 and first quarter of 2010 were limited by global increases in scrap prices.

The rapid expansion of our business during recent years was partially financed through borrowings which resulted in a relatively high debt level at the onset of 2009. We emphasised deleveraging as a key priority and a US$2 billion reduction in indebtedness during the course of 2009 bears witness to our resolute approach in this regard.

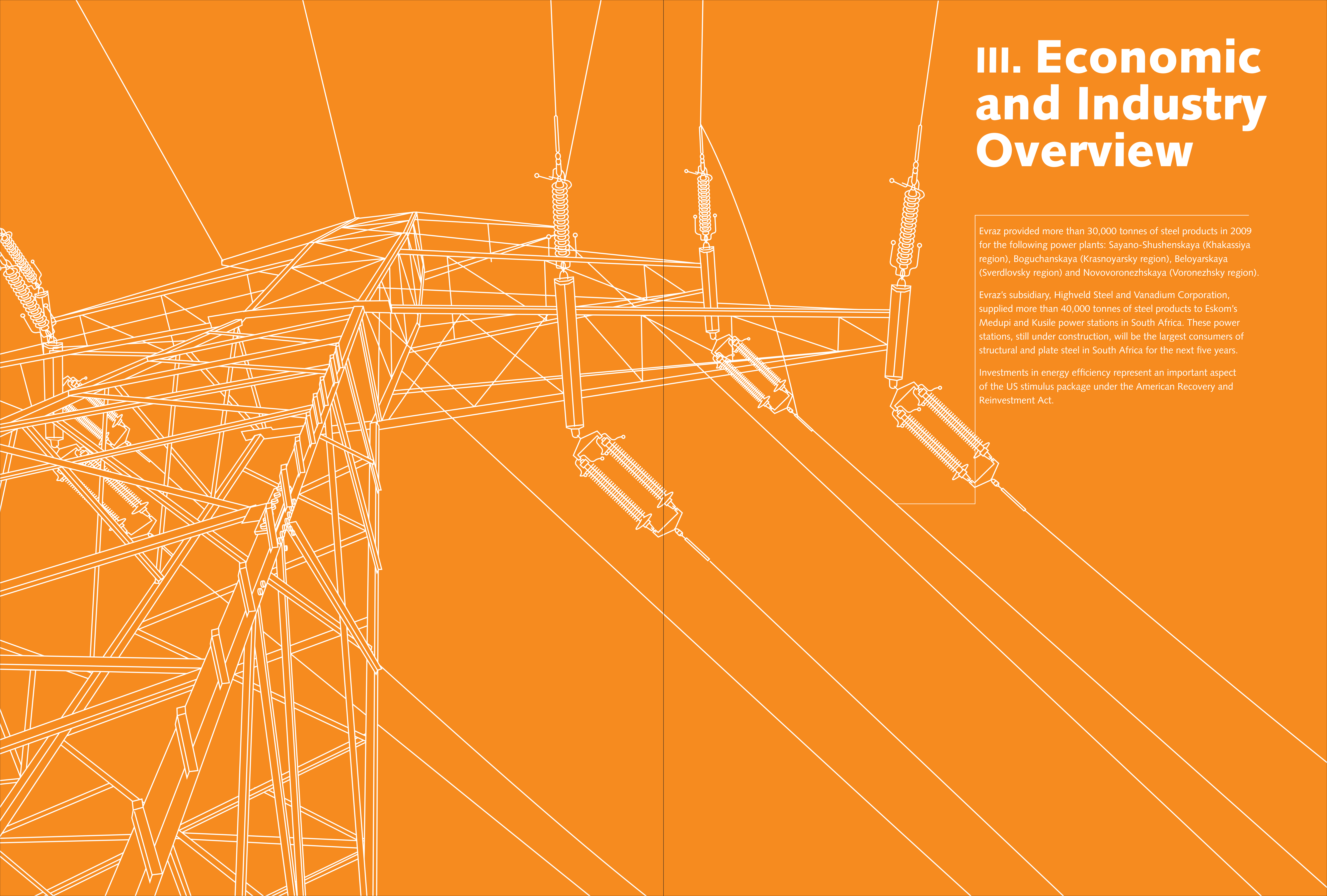
The refinancing of short-term debt through longer-term maturities was another priority and short-term indebtedness has been reduced. A successful capital raising transaction in July 2009, Rouble bond placements in October 2009 and March 2010 and the overwhelming approval of debt covenant amendments by our bondholders and syndicate bank lenders in November 2009, reflected the confidence of investors and debtholders alike in the Company's prospects.

During 2010 we will continue to focus on achieving efficiency gains and operational improvements. We are embarking on a major reconstruction of our Russian rail mills which will herald the production of higher margin products, including the manufacture of 100 metre high-speed rails. The introduction of a pulverised coal injection process, scheduled for completion in 2012, will increase our energy efficiency, eliminate the need for natural gas and reduce our coking coal consumption by almost 20%.

The wider global economy and, in turn, the steel industry, continue to face challenges and despite positive pricing and volume dynamics in certain markets, the pattern and resilience of the global economic recovery remain questionable.

We are, however, strongly of the opinion that the quality of Evraz Group's asset base, the competitive advantages derived from vertical integration and our geographic breadth leaves the Company, under the stewardship of a highly experienced management team, well positioned to maximise the benefits of more favourable markets in the future.

Alexander Frolov
Chief Executive Officer



III. Economic and Industry Overview

Evraz provided more than 30,000 tonnes of steel products in 2009 for the following power plants: Sayano-Shushenskaya (Khakassiya region), Boguchanskaya (Krasnoyarsky region), Beloyarskaya (Sverdlovsky region) and Novovoronezhskaya (Voronezhsky region).

Evraz's subsidiary, Highveld Steel and Vanadium Corporation, supplied more than 40,000 tonnes of steel products to Eskom's Medupi and Kusile power stations in South Africa. These power stations, still under construction, will be the largest consumers of structural and plate steel in South Africa for the next five years.

Investments in energy efficiency represent an important aspect of the US stimulus package under the American Recovery and Reinvestment Act.

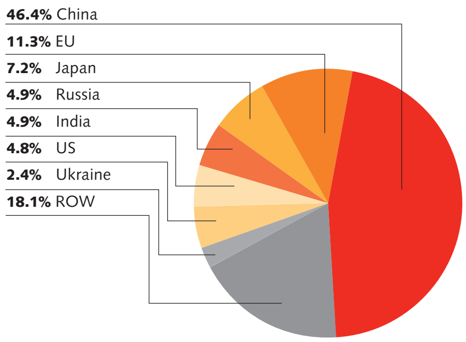
Global Macroeconomic Environment

The year 2009 witnessed the most severe global economic recession in 60 years, with global real GDP declining by 1.9%. The US and the European Union posted declines in real GDP of 2.4% and 4.2% respectively. Russia was heavily impacted by the global recession and real GDP declined by circa 8% in 2009.

Although the economic crisis originated in the banking sector, it quickly spread to the real economy reflecting the shortage of credit and weakening consumer confidence. Industrial production declined by 9% across the globe in 2009 (US –9.7%, EU –3.3%, Russia –10.8%). The steel industry, being one of the basic suppliers of raw materials to the automotive, construction and other industrial and consumer sectors, was significantly affected by the rate of economic and industrial decline.

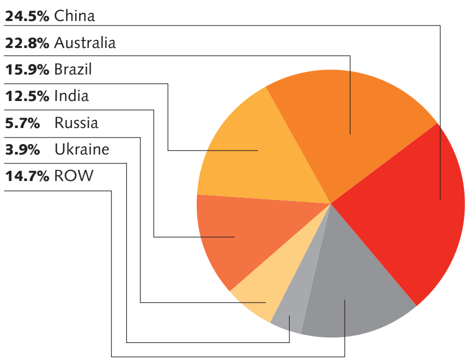
The global economy started to recover in the fourth quarter of 2009 (+0.5% in real GDP), helped by government announcements of stimulus packages, particularly with regard to the measures taken by the US and China. Swift action by the Asian authorities in response to the global malaise proved highly effective in stimulating domestic demand and the Asian economies – led by China – were the first to reach the turning point of the economic downturn. China achieved impressive growth of 8.7% in real GDP in 2009.

Share of World Crude Steel Production
Source: Worldsteel



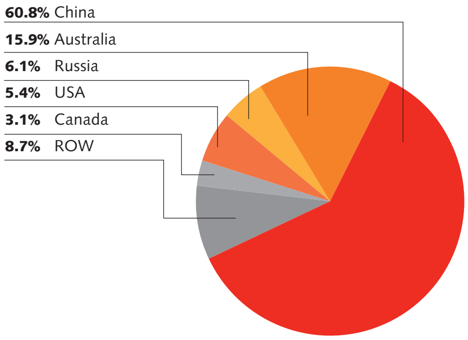
Total Production: 1,224 mt

Share of Iron Ore Production
Source: Morgan Stanley Research, March 2010



Total Production: 1,675 mt

Share of Coking Coal Production
Source: CRU Coking Coal Market Outlook, October 2009



Total Production: 695.3 mt

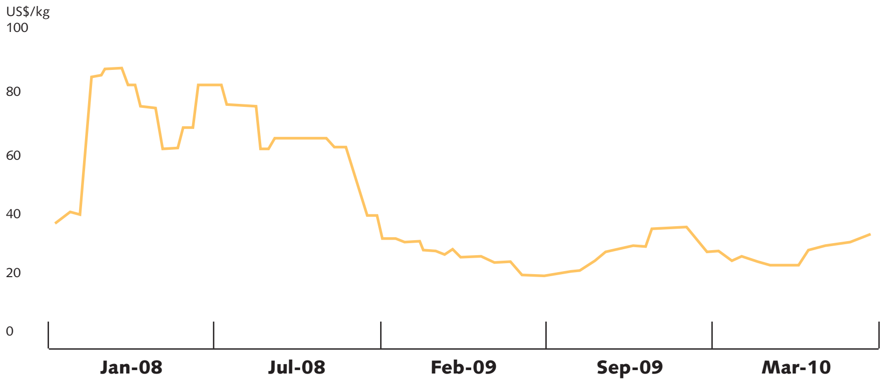
Vanadium Market

Almost 90% of vanadium is traded in the form of ferrovanadium, which is used as an additive to increase the strength of steel. The market, therefore, closely correlates to the steel industry.

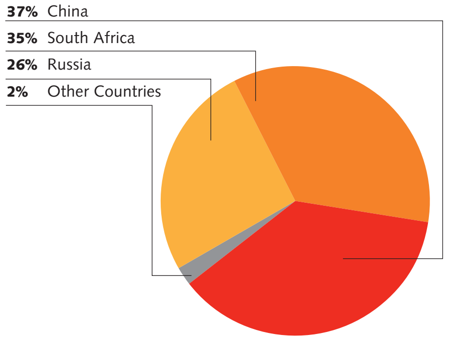
World resources of vanadium exceed 63 mt with output in 2009 totalling 54,000 tonnes of vanadium content (–3% versus 2008). Production is highly concentrated in three countries: China (20 kt), South Africa (19 kt) and Russia (14 kt).

In the wake of the downturn in the steel industry, the price of FeV fell sharply from a high of around US$90/kg in March 2008 to US$20/kg in December 2009. The price subsequently recovered to US$32/kg as of March 2010.

Price of FeV 80 CIF
Source: Datastream

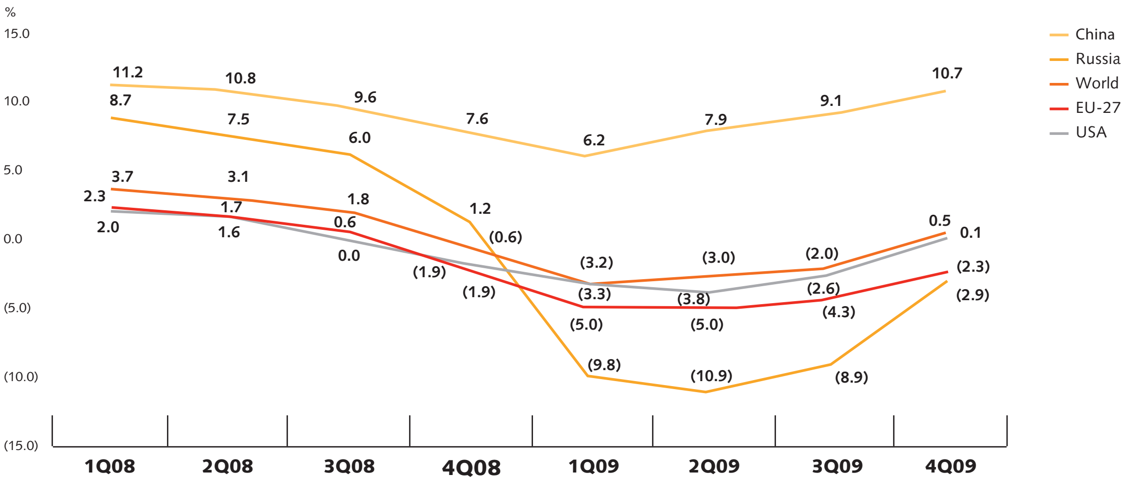


Vanadium Production Breakdown
Source: US Geological Survey

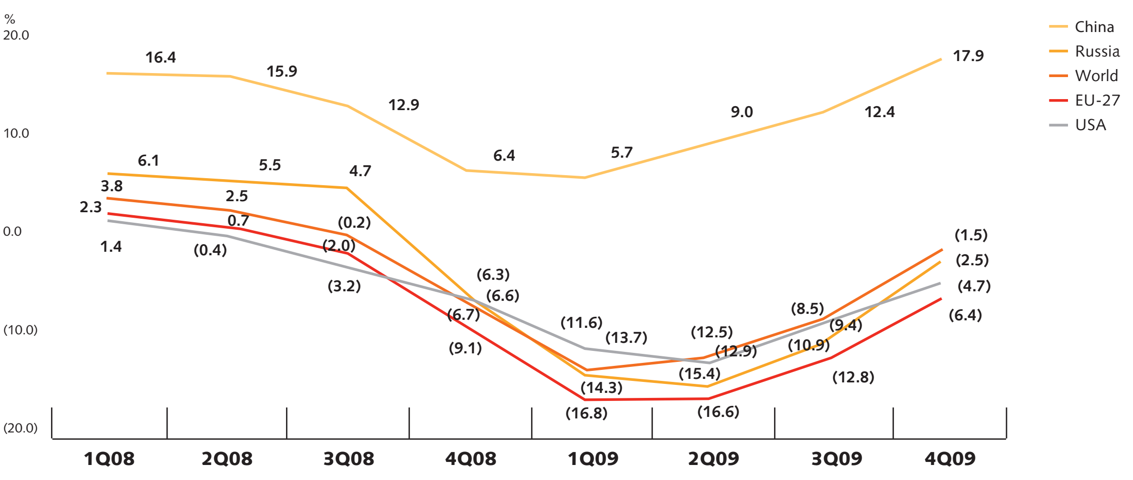


Total Production: 54,000 t of Vanadium Content

Real GDP Growth
Source: Global Insight, March 2010



Industrial Production Dynamics
Source: Global Insight, March 2010



Steel Industry

Crude steel output, according to Worldsteel, decreased by 7.9% in 2009 from 1,329 mt in 2008 to 1,224 mt. In contrast, the fourth quarter of 2009 brought a 22.2% increase in crude steel production compared with the same period in 2008, indicating recovery in the wider economy.

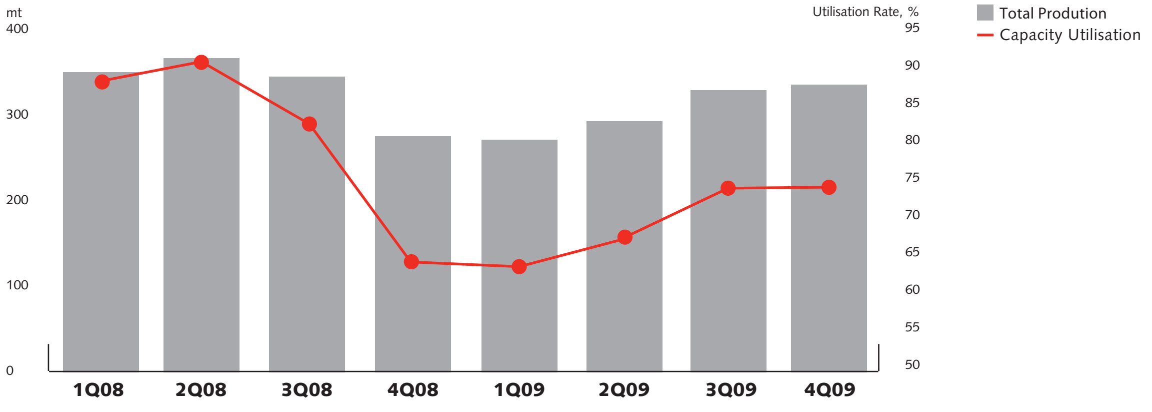
Among the principal crude steel producers, China achieved a staggering 13.5% increase in output to 567.8 mt in 2009 compared with 2008. However, the EU: 138.8 mt (–29.9%), Japan: 87.5 mt (–26.3%), Russia: 59.9 mt (–12.5%) and the US: 58.2 mt (–36.3%) reported steep production declines in 2009. India and the Middle East recorded positive growth for the year. As a result, China's share of global crude steel production increased significantly from 38% in 2008 to almost 46% in 2009, while the respective shares of Europe, Japan, the US and Russia all declined.

In line with the macroeconomy, demand for steel began to recover in the second half of 2009. Capacity utilisation ratios recovered to 72% in December 2009, having reached a low of 58% in December 2008.

The trend in steel prices during 2009 mirrored the trend in demand, recovering during the second half of the year having fallen during the first two quarters. On average, semi-finished steel prices were significantly lower in 2009 than in 2008 (e.g. average CIS export FOB Black Sea Port prices for slabs fell by 52% from US$761/t to US$366/t, while prices for billets fell by 48% from US$745/t to US$391/t).

Source: Worldsteel, CRU

Global Crude Steel Production
Source: Worldsteel



Iron Ore Market

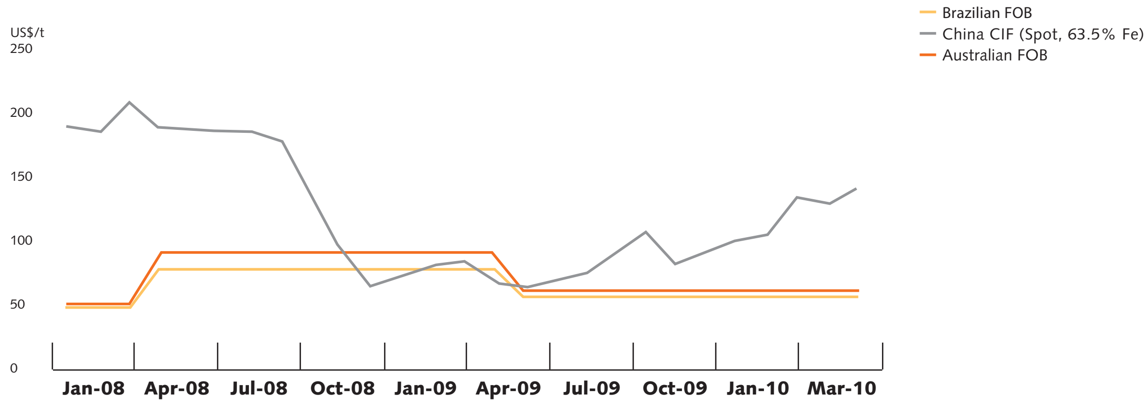
Global iron ore production fell by 3% to 1,675 mt in 2009. The major iron ore producers – China: 411 mt (+12% versus 2008), Australia: 382 mt (+9%), Brazil: 266 mt (–23%) and India: 210 mt (–2%) – accounted for 76% of total production worldwide.

In addition to being the world's largest producer of iron ore, China was also the world's largest iron ore importer, with estimated purchases of 560 mt in 2009 (+26% versus 2008) equivalent to half the volume of global imports.

The three largest producers in the industry were Vale (20% market share), Rio Tinto (13%) and BHP Billiton (8%).

Iron ore industry revenue slumped by around 38% in 2009 reflecting reduced demand for iron ore and the fall in prices. Spot price (China CIF, 63.5% Fe) reached a two-year low of US$65/t in November 2009, even lower than the contract prices negotiated for the year. Prices remained depressed until May 2009 when they began a steady climb to reach US$105/t by December 2009, almost 77% higher than contract prices.

Iron Ore Spot Prices vs. Negotiated Contract Prices
Source: CRU Steelmaking Raw Materials Monitor, March 2010



Coking Coal Market

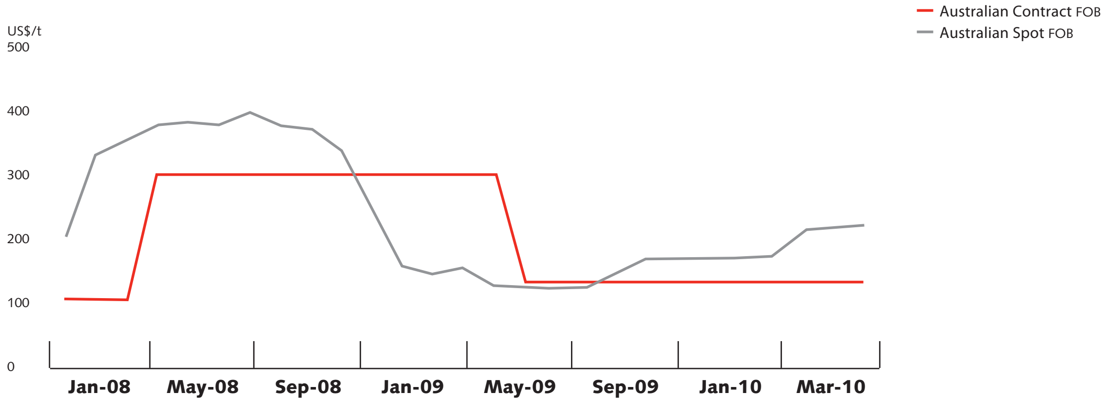
Global coking coal production fell by 8% to 695 mt in 2009. The principal coking coal producers – China: 423 mt (+5.7% versus 2008), Australia: 111 mt (+1.3%), the US: 38 mt (–23%) and Russia: 42 mt (–7.6%) – accounted for 88% of total production worldwide.

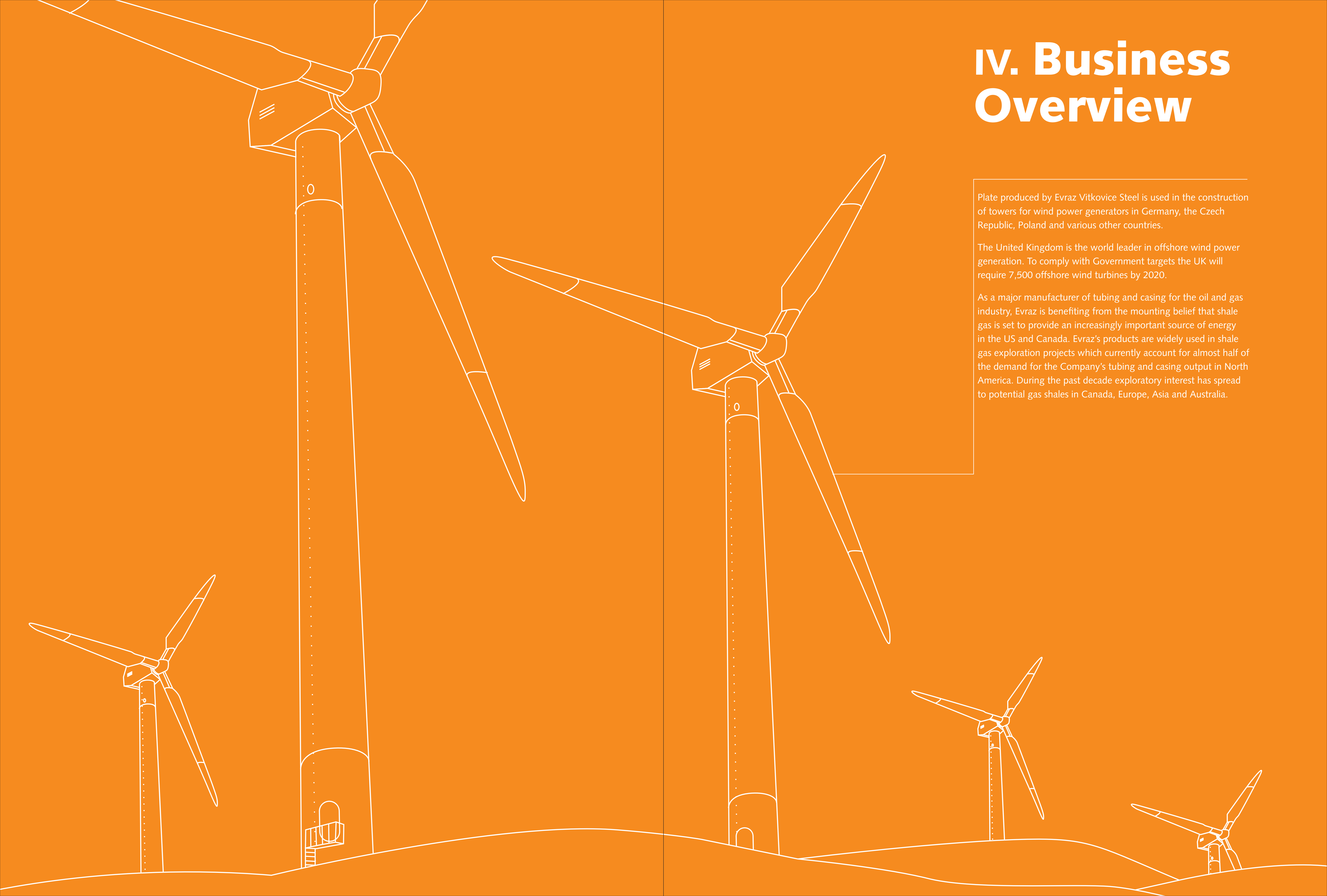
In Russia, coking coal production, following the drop in steel production, bottomed out in December 2008 at 3.1 mt. During the course of 2009, coking coal production volumes gradually recovered to reach 5.8 mt by December 2009, a year-on-year increase of 84%.

As with iron ore, the coking coal spot price (Australian spot) reached its low in May 2009 (US$115/t), lower than the negotiated contract price. The price subsequently recovered by almost 48% to reach US$170/t in December 2009.

The key driver behind the surge in coking coal prices was the growth in Chinese steel production. China, having been a modest net importer of coking coal (less than 4 mt in 2008), emerged as the world's second largest importer of coking coal in 2009 with net imports of approximately 33 mt due to the continuing increase in domestic steel production and limited growth in coking coal output.

Spot vs. Contract Hard Coking Coal Prices
Source: CRU Steelmaking Raw Materials Monitor, March 2010





IV. Business Overview

Plate produced by Evraz Vitkovice Steel is used in the construction of towers for wind power generators in Germany, the Czech Republic, Poland and various other countries.

The United Kingdom is the world leader in offshore wind power generation. To comply with Government targets the UK will require 7,500 offshore wind turbines by 2020.

As a major manufacturer of tubing and casing for the oil and gas industry, Evraz is benefiting from the mounting belief that shale gas is set to provide an increasingly important source of energy in the US and Canada. Evraz's products are widely used in shale gas exploration projects which currently account for almost half of the demand for the Company's tubing and casing output in North America. During the past decade exploratory interest has spread to potential gas shales in Canada, Europe, Asia and Australia.

Our Strategy

Advance Long and Rail Product Leadership in Russia and the CIS

Evraz's key markets in long and railway products are significantly influenced by infrastructure development. Given that infrastructure has suffered from a prolonged period of under-investment in both Russia and North America, Evraz is well positioned to benefit from any recovery in demand.

In Russia, the government has focused on various infrastructure initiatives, encompassing construction and railway modernisation, in order to support economic growth targets. These projects, which will have a direct bearing on the demand for long and railway products, include:

• National "Affordable Housing" project in Russia that foresees the construction of up to 80 million square metres of residential property per annum

• Sochi 2014 Winter Olympic Games and 2012 APEC (Asia-Pacific Economic Cooperation) Summit

• Russian Railways modernisation programme with an investment budget in excess of US$10 billion through 2020

In North America, demand for rail products is set to benefit from President Obama's plans which envisage expenditure of more than US$13 billion on high speed railway expansion through 2015.

As Russia's largest producer of construction steel products and the major supplier to Russian Railways, Evraz is committed to meeting consumers' requirements for innovative products and has announced an investment programme focused on the modernisation of the Company's domestic rail production facilities.

Enhance Cost Leadership Position

In addition to Evraz's strategic location in the lowest cost regions for steel production (Russia and Ukraine), management is constantly focused on ways in which to enhance the Company's cost leadership position through maximisation of internal resources and the introduction of improved procedures. The prospective benefits are perceived as a key driver in terms of future competitiveness.

Evraz continued to implement measures designed to cut costs and improve productivity throughout 2009. These included:

• Production chain restructuring
• Product portfolio optimisation
• Reduction of fixed costs and adoption of best management practices
• Deployment of operational improvement programmes
• Programmes designed to increase labour productivity

Such measures, which are ongoing, also included programmes designed to optimise capital expenditure such as:

• Project selection based on capital rationing: early payback period, high profitability index and low CAPEX
• Project selection based on strategic targets: cost reduction/increased productivity
• Elaboration of alternative investment projects
• Constant focus on potential for reduction in project CAPEX and timescale

As a low cost steel producer, Evraz was able to take advantage of a strategic opportunity to increase profitable export sales and capitalise on the premium prices commanded by semi-finished products on the global steel markets.

Expand Presence in International Flat and Tubular Markets

Evraz has succeeded in acquiring high-quality asset portfolios in Europe and North America in relation to the manufacture of plate and welded pipes. These assets are well-positioned to benefit from the growth of infrastructure and energy systems.

Evraz's product mix in North America is significantly exposed to infrastructure expenditure which is strongly supported by the US government within the framework of the approved anti-recession programme. Such expenditure is also perceived as politically and economically desirable following a decade of under-investment. These markets, which are protected and historically stable, possess the potential for superior growth and could emerge as key drivers of future profitability.

In order to improve its position as a flat steel producer, Evraz intends to optimise global slab flows. In response to international demand for flat products, Evraz's Russian plants are constantly increasing their range of steel grades, particularly the grades for high margin products, e.g. API-grade slab. Internally produced API-grade slab (used for large diameter pipe production) will be shipped from Russia to Evraz's North American and European operations, enhancing overall slab flows and reflecting the benefits of vertical integration.

Evraz's global reach as a flat producer permits the monitoring of local markets, the utilisation of diversified sales channels and the shipment of high margin rolled steel products to appropriate outlets.

Complete Vertical Integration and Grow Competitive Mining Platform

Evraz has emerged as one of the world's 'Big Three' steel producers based on the scale of vertical integration in terms of iron ore, coking coal and coke. This degree of vertical integration allows Evraz to benefit from any surge in raw material prices, courtesy of higher steel prices, while enjoying fixed costs in respect of its consumption of coking coal and iron ore.

The enhancement of vertical integration processes proved a key driver behind the production levels and financial performance of the mining division.

Current demand for raw materials and the anticipated levels of future demand adds impetus to further expansion of the Company's mining platform. In order to secure raw material supplies in the long term, Evraz is planning to develop certain strategic mining projects in Russia: the Mezhegey high-quality hard coking coal deposit (Tyva region) and the Sobstvenno-Kachkanarskoye iron ore deposit (Ural).

Achieve World Leadership in Vanadium Operations

The increase in demand for vanadium is supported by several fundamental macroeconomic drivers. These are:

- the anticipated increase in worldwide steel production when the global economy recovers from the 2008-2009 reversal;

- the anticipated increase in vanadium usage rates by the steel production sector in emerging markets (China, CIS, etc.) to the levels associated with industrially developed countries (North America, Western Europe).

The vanadium division's strategic activities in 2009 included:

- the acquisition of Vanady-Tula, the largest Russian producer and one of the world's leading producers of ferrovanadium, thus finalising the vertical integration of Evraz's vanadium assets;

- significant cost reductions while expanding the range of vanadium products and maintaining high quality;

- management of production and inventories to match market demand and reduce volatility in world market pricing;

- an increase in the overall share of the vanadium market as the result of an aggressive sales strategy.

Having optimised productivity, while maintaining key personnel, Evraz is currently one of the lowest cost vanadium producers in the world.

Further expansion of Evraz's presence in the world vanadium market is envisaged in 2010 with the Company's competitive advantage expected to find reflection in increased production and sales. This will entail maximising the conversion of vanadium steel slags and "in-house" marketing of the final products made from such slags.

Our Business

Evraz is a global vertically integrated steel and mining business.

The Company has three principal operating segments: Steel, Mining and Vanadium.

Evraz's manufacturing facilities produce a wide range of products focused on infrastructure related products.

In 2009, the Company's share of the Russian market in beams, channels and rebars totalled 89%, 50% and 20% respectively. Evraz accounts for 100% of rail sales in Russia and ranks second in the country's rail wheel market.

Evraz is also a major supplier of semi-finished products, slabs and billets to world markets.

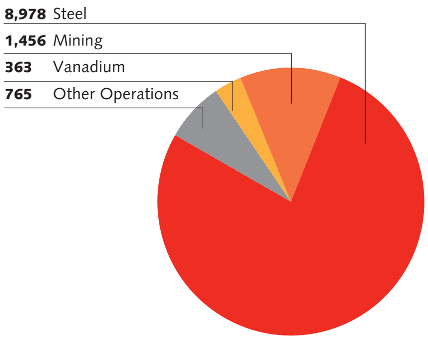
Evraz is a prominent player in the European plate market.

Evraz is the No 1 producer of rails in the USA, the second largest producer of plate in terms of capacity and is acknowledged as a primary North American producer of tubular products, particularly in respect of LD pipes and OCTG pipes.

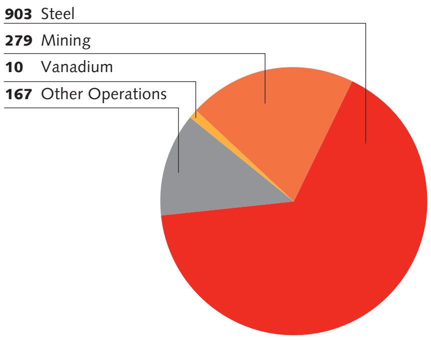
Evraz's mining operations ensure high levels of self-sufficiency in respect of supplies of iron ore and coking coal required for the Company's steelmaking processes.

The Company is the leader in the world vanadium market and produces various vanadium products including ferrovanadium, Nitrovan® vanadium and vanadium oxides and chemicals that are used in steelmaking and other applications.

Revenues by Segment 2009
(US$ million)



Adjusted EBITDA by Segment 2009
(US$ million)



Steel

Steel: Russia

General Overview 2009
The year 2009 was marked by a significant decrease in demand for steel products and consequent price declines.

The economic downturn that commenced in 2008 and continued through the first half of 2009 made the tasks of maintaining sales, reducing costs and controlling working capital more important than ever. The closure of inefficient production facilities (such as open-hearth furnaces at NTMK) has allowed Evraz to reduce costs substantially and run the Company's remaining facilities at full capacity. Other measures, such as staff reduction and the improvement of labour productivity, have further reduced costs. Evraz managed (to some extent) to pass on the negative price trend to its suppliers and negotiate better payment terms with its counterparties. All this helped to maintain the Company's status as a low-cost producer.

Selected Initiatives:

• Production chain optimisation at NTMK
All open-hearth furnaces and the related production units (two old blast furnaces, two coke batteries and blooming) at NTMK were closed by the end of 2008. As a result of the closure of inefficient facilities and the consequent reduction in costs, Evraz managed to partially compensate for the reduction in capacity through enhanced production processes. The improvements in blast furnace and convertor shop operations saw NTMK's annual steel production capacity expand to 4.0 million tonnes in 2009.

• Restart of blast furnace No. 3 at Zapsib
In July 2009 Blast Furnace No. 3, idled in October 2008 to match production with market demand, was restarted at the Company's Zapsib plant, increasing total pig iron capacity by 2.16 million tonnes per annum. This signalled the return of Evraz's Russian steelmaking division to full capacity. As a result, Evraz was able to increase exports of semi-finished products (slabs and billets) in response to the demand in Asian markets.

• Upgrade of NTMK wheel shop
Reconstruction of a wheel shop at NTMK continued. Having upgraded the wheel rolling mill and installed new turning lathes in previous years, Evraz commenced the replacement of NTMK's quenching equipment. The first phase of the project was successfully accomplished in 2009 enabling Evraz to produce 'hard' wheels (with hardness up to 320 HB under Russian Railways classification). Following completion of the project in 2010, NTMK's wheel shop will be the most advanced facility of its kind in Russia and the CIS.

• Continued reconstruction of NTMK BOF shop
Evraz embarked on the modernisation of the NTMK converter shop, involving the replacement of all four converters, in 2006. Due to improved technology the initial capacity target was reached in 2008 following the replacement of three out of the four converters. In order to further increase converter shop capacity, the replacement of the fourth converter will now be accompanied by the refurbishment of the continuous caster No. 3 and the commissioning of a new ladle furnace.

The project, expected to be completed by the end of 2010, is designed to increase NTMK's converter shop capacity to 4.5 million tonnes of steel per annum.

• API-grade slabs
NTMK launched a project that will enable the plant to produce American Petroleum Institute certified (API quality) slabs for Evraz Vitkovice Steel in the Czech Republic and for the Group's North American operations. NTMK has been supplying slab to other Evraz plants for a considerable time but completion of the project in 2010 will enable NTMK to produce API slabs in industrial quantities. This cooperation is scheduled to expand in terms of both volume and complexity (more demanding steel grades) through 2010.

• Utilisation of waste at Zapsib
To reduce costs Zapsib started to use skip coke for cast iron production and ferriferous waste rather than long-range concentrate. The savings derived from these initiatives amounted to approximately US$12 million.

• NKMK energy saving programme
The programme included measures such as the restriction of maximum energy consumption per hour, the optimisation of equipment utilisation and reductions in

energy losses, compressed air losses and levels of fuel consumption etc.

• Non-core asset optimisation programme at Zapsib and NKMK

The optimisation of service facilities and non-core assets served to focus managerial efforts on core assets. A joint enterprise was created to rationalise Zapsib's and NKMK's respective service centres in relation to equipment maintenance.

• Blast furnace and coke production was concentrated at Zapsib

To improve Zapsib's and NKMK's respective production units it was decided to allocate blast furnace and coke production to Zapsib and concentrate rail production at NKMK.

• Coke production optimisation at Siberian plants

Coke production in respect of NKMK and Zapsib was merged into a single unit with subordination to Zapsib as the main supplier. This aspect of rationalisation effectively led to the creation of a separate business unit that improved efficiency and allowed management to focus on other issues.

Environmental projects continued to represent key priorities at Evraz throughout 2009.

Key Targets 2010

Cost reduction and enhanced productivity will command the same priority status in 2010 as was the case during 2009.

NTMK is set to meet these goals through the introduction of further technological improvements and best management practices. It is vital for NTMK to increase its steel making capacity and delivery of the BOF reconstruction project on time is therefore a key priority.

Evraz faces the need to strengthen its market position and several initiatives have been launched to achieve this objective. In 2010 NTMK will extend its product range with new beams (40K, 60, 70), channels and other long products. The wheel shop upgrade should allow NTMK to certify wheels in Europe and the USA and enter new markets. NTMK will also expand its production of API-grade slabs thereby entering the market for premium slabs.

Zapsib will focus on productivity and capacity increases through various debottlenecking measures which, following the restart of blast furnace No.3 in July 2009, will bring about an increase in steel production in 2010 compared to the level achieved in 2009. Some of the key tasks for Zapsib will be to increase the productivity of sintering and blast furnace plants, relaunch the oxygen converter plant and raise the productivity of light section mills through the introduction of slitting and short changeover processes.

Early in 2010 Evraz's Board of Directors approved the Group's major investment project – the US$440 million reconstruction of the NKMK rail workshop. When the reconstruction is completed in 2012, NKMK will be able to produce 25-metre and 100-metre high-speed rails. The rail mill capacity is expected to reach approximately one million tonnes of high-speed rails, including 450,000 tonnes of 100-metre rails, a length of rail that is not currently produced in Russia. The installation of a new automatic rail rolling mill as well as rail hardening and straightening equipment will lead to a significant improvement in rail quality and will meet international requirements in relation to surface and latent defects and straightness.

Environmental projects will retain prioritiy status at Evraz throughout 2010 and beyond.

Steel: Ukraine

General Overview 2009

Improvements in the efficiency and reliability of the main production chain were the priorities at Dnepropetrovsk Iron and Steel Works ("DMZ") in Ukraine. Various repairs were implemented during the year, including 'third grade' repairs in respect of two blast furnaces and complex repairs with regard to the oxygen converter workshop and rolling mill No. 1. All in all, approximately 70% of equipment involved in the main production chain underwent improvements during 2009.

DMZ expanded its product range through the introduction of two new products – contact rail for underground and angle 125, thus increasing Mill 550's share of high margin products and effectively doubling its capacity by the end of the year.

Increasing the efficiency of the blast furnace process led to considerable improvements in key indicators such as the average daily production of pig iron and coke and iron ore consumption per tonne of pig iron.

Key Targets 2010

Ongoing cost reductions and greater productivity will remain key priorities.

Specific focus will be brought to bear on improvements in blast furnace efficiency in terms of production indicators, coke consumption and iron losses. The repair work will be finalised in 2010 with benefits set to flow from the complete renewal of Mill 550 where the production of channels, with the necessary requirements to enter European markets, is due to commence.

Steel: North America, Western Europe and South Africa

The year 2009 saw the continuous integration of Evraz Group's international assets. The integration agenda was inevitably affected by the downturn in all of the Company's key markets. However, Evraz's business model, based on the vertical integration of strong businesses that enjoy a high degree of geographical diversification, has proved sustainable in the face of exceptional economic adversity. Our international focus on the production of a selective range of infrastructure related steel products has benefited from increased spending on the part of national governments intent on upgrading domestic infrastructure within programmes designed to stimulate economic activity in order to combat the global financial crisis and economic downturn.

It has become clear that the geographic spread of Evraz's manufacturing operations proved highly advantageous with turbulence in certain markets offset, in varying measure, by more robust economic environments elsewhere. The stronger steel markets of North America, which proved the last to enter the downturn, enabled us to mitigate the adverse conditions encountered in the CIS during the first quarter of 2009. Similarly, recovering markets in Asia in the second quarter of 2009 served to counterbalance the worsening markets of Central and Western Europe and North America.

Against this background the focus was on cost reduction and working capital management. Our businesses in Europe, North America and South Africa are characterised by a variable cost dominated structure which provides a certain level of protection against fluctuations in demand. Management's drive to capitalise on increased global infrastructure spending supported by efficient cost structures served to significantly reduce the negative effect of the global economic downturn on the Company's international operations.

North America

While addressing various challenges attendant to the decline in demand faced by Evraz and the entire steel industry, the Company's North American division, Evraz Inc. NA (EINA), focused on the integration of Evraz's previously independent assets in North America and the identification and extraction of potential synergies. Such focus will be further reinforced in 2010.

Evraz Inc. NA lost no time in adjusting its production model to accommodate the radically altered economic scenario. Several mills (i.e. Evraz Camrose and Evraz Regina Steel 2 inch pipe mill) were closed, while others operated on reduced shifts. In the wake of the recovery currently under way, management recently reversed the process and more shifts have been added to the plate mill in Portland and the pipe mills in Evraz Red Deer and Evraz Calgary.

Despite tough economic conditions, Evraz ensured full utilisation of its flagship large-diameter pipe mill – Regina Spiral. Courtesy of a large TransCanada order, the mill will run at full capacity through 2010.

A targeted reduction programme saw the stock of raw materials and finished goods reduced by almost 50% during the course of 2009.

In view of the scale of the asset base there is still significant potential for further integration within Evraz North America. The benefits of consolidated purchasing practices became evident in 2009, while the finance function has been brought together at the Portland headquarters.

Evraz Inc. NA has already utilised some notable synergies, particularly with regard to sourcing. Evraz Regina Steel qualified as a supplier of military armour grade slabs to the Portland rolling mill and also became an alternative supplier of commodity slabs. In turn, the Portland plate mill became a primary supplier of Evraz Surrey cut-to-length facility, which was historically supplied by Evraz Regina. The Portland rolling mill also became an alternative supplier to Evraz's ERW pipe facilities in Canada.

Due to logistical factors and complementary technology, Evraz's Russian steel mill NTMK is a natural supplier of slabs to the Portland rolling mill and, during 2009, the two mills established strong technological ties and combined supply chain management. The API project at NTMK, launched to ensure a stable supply of slabs for API quality linepipe application, will therefore benefit EINA in addition to Evraz Vitkovice Steel in Europe.

Special management attention was given to improving the safety and environmental situation at Evraz Claymont Steel.

Key Targets 2010

The year 2010 will herald further integration of Evraz's North American operations with particular focus on the following:

• Further development of cross border operations between the US and Canada. Creation of product-centric divisions: Flat, Tubular and Long products

• Supply chain optimisation encompassing reduction of inventory levels and optimising product mix in each division. Under this initiative Evraz Inc. NA will continue its efforts to optimise the procurement function and production planning processes

• The API-grade slab sourcing initiative will remain a priority for Evraz Inc. NA, with the focus moving ahead to the supply of higher quality products and the development of new products to meet North American demand

• Tubular Division will focus on winning new deals for the LD pipe business and endeavour to capitalise on expectations of strong OCTG and ERW markets

• Environmental Commitment will continue to be a priority for management underlined by the successful completion of the clean-up project at Claymont and the commencement of another project to upgrade the Air Pollution Control system

Western Europe

Evraz Palini e Bertoli

The recent economic turmoil had extremely negative consequences for the European steel market and demand from both stockholders and end users proved exceptionally weak during 2009. Major industrial customers, encompassing construction, machinery, yellow goods, etc., slowed down production. Plate prices in Europe decreased by more than 50% compared with the levels of 2008. As a result, the optimisation of costs and working capital represented a major challenge for our Italian mill.

Evraz Palini e Bertoli has close links with NTMK which was the principal supplier of slabs to the mill in 2009. The integration of NTMK and Evraz Palini e Bertoli into a seamless supply chain allowed us to dramatically decrease raw material stocks and cut the cost per tonne of slab production.

During 2009 the investment focus was on relatively small projects with short payback periods. Three such projects (involving a thickness and width gauger, an oxycutter and a new overhead crane) will be implemented in 2010.

Evraz Vitkovice Steel

In addition to the adverse market factors common throughout Europe in 2009, issues transpired between Evraz Vitkovice Steel and ArcelorMittal Ostrava (AMO) in relation to the supply of pig iron. AMO, being the sole supplier of pig iron to Evraz Vitkovice Steel and therefore enjoying a monopolistic position, endeavoured to raise the price of the product to levels that proved detrimental to Evraz Vitkovice Steel's operational profitability.

Due to low domestic demand, Evraz Vitkovice Steel had to look for market opportunities outside the Czech Republic. Integration of the European sales force with Evraz Palini e Bertoli under the leadership of Evraz East Metals S.A. served to strengthen Evraz Vitkovice Steel's presence in other European markets. Evraz Vitkovice Steel's products (primarily sheet piles) were also supplied to Russia and, in 2010, supplies of quality sheet piles for construction of the Sochi 2014 Olympics infrastructure will be ongoing.

Evraz Vitkovice Steel has embarked on the development of API quality linepipe plate which will be produced from its own steel and also rolled from slabs sourced internally, i.e. from Evraz's NTMK steel mill in the Urals.

Evraz Vitkovice Steel also launched a global project focused on cost optimisation. This extensive programme, which covers operational procedures, transportation, energy, maintenance and the utilisation of labour, will continue in 2010 and is targeted to generate savings in excess of $20 million.

Key targets 2010

Although the European steel market is slowly recovering, Evraz remains focused on achieving further cost reductions. Evraz Vitkovice Steel's two principal goals are: extensive reductions in key costs associated with pig iron, energy, technical gases and transportation and a complete restructure of the maintenance organisation with the aim of reducing costs, improving the reliability of equipment and enhancing the transparency of the maintenance budgeting process. Major operational developments approved for 2010 include an investment in an ultrasonic testing line to facilitate the production of API-grade quality plates and the recently completed reconstruction of the heavy section mill which will raise output by around 10%.

Evraz Palini e Bertoli remains one of Evraz's most efficient mills and management is currently preparing a major extension of operations with the potential to boost output by as much as 30%.

South Africa

South Africa's economy proved far from immune to the financial and industrial malaise synonymous with 2009. Domestic demand was limited, while opportunities in Sub-Saharan Africa were few and far between. Evraz Highveld reacted to the challenges by adjusting its operational model and looking for new sales opportunities outside its traditional markets.

Evraz Highveld controls its resource base through its ownership of the Mapochs Mine (Proprietary) Limited – iron ore complex in South Africa – and is thus competitive in both local and global markets. Evraz uses its global sales network to facilitate exports of Evraz Highveld's products and, in the first half of 2009, around 50% of output took the form of semi-finished products (slabs) for export. During the second half of 2009, Evraz's sales force focused on opportunities in South and North American markets that subsequently saw exports of slabs give way to exports of higher value finished products such as plates and structural steel.

Particular attention was paid to inventory levels with certain obsolete/slow moving inventory items (i.e. excess scrap) sold. The Work in Progress inventory level was reduced as was its composition.

Key targets 2010

Having successfully adjusted its operational model in response to market challenges, one of the priorities for Evraz Highveld's management team, recently strengthened through the appointments of a new Chief Executive and a new Chief Operating Officer, will be to maintain stable output and full utilisation of the mill.

Two major investments, aimed at maintaining high output, have been approved: the relaunch of a billet caster in March 2010, and the start of the induction furnace (already under way).

Achieving compliance with the current environmental legislation remains a priority.

Mining

Mining: Coal

General Overview 2009

Throughout 2009 the operational activities of Yuzhkuzbassugol, our Siberian coal mining division, were focused on the task of meeting the demand for coal from Evraz's facilities. Coking coal output increased by 13.6% compared with 2008.

Given the difficult economic environment, significant attention was paid to cost reduction: the implementation of energy saving programmes; the optimisation of repairs and services; cuts in administrative expenses.

An infrastructure upgrade was carried out in 2009 to support the maintenance of production capacities at required levels. This included: reconstruction of the pump and filter plant at the Abashevskaya mine, construction of an energy complex for heat supply to the mine works at the Ulianovskaya mine (2nd stage), construction of a gas suction plant at the Yubileinaya mine, construction of a ground mobile pumping station and ground gas suction ventilation system at the branch of the Gramoteinskaya mine and the reconstruction and repair of surface buildings and facilities on the Kusheyakovskaya mine branch. The introduction of a defrosting unit at the Kuznetskaya enrichment plant served to further increase production during the winter months.

Plant operations were complicated by mining and geological breakdowns resulting in output losses and gas profusion that constrained drivage. Reduced mine workings led, in turn, to disruptions at the front of the working face. Degasification activities are carried out to minimise the impact of gas on the mine works.

In 2009 Yuzhkuzbassugol acquired the right to develop mineral resources in the Alardinsky Novy field. The new field is an extension of the Alardinskaya mine and, after the resources have been extracted from the old field, the mine works will continue in the new field.

Key Targets 2010

In 2010 Yuzhkuzbassugol plans to increase both coal production volumes and developed reserves. To this end, degasification and optimisation programmes are under preparation.

Cost optimisation programmes will continue in 2010. The emphasis will be on 1) the development of recycling programmes to cut drivage costs; 2) optimisation of equipment to reduce repair costs; 3) further implementation of energy-saving programmes; 4) improved methodology, incorporating total cost of ownership estimates, in respect of inventory purchasing.

Operational growth during 2010 will effectively underwrite increased levels of production.

Several projects due to be realised in 2010 to further reinforce vertical integration will serve to ensure a stable supply of raw materials to Evraz's metallurgical plants.

Geological exploration works in the Yerunakovsky area, a preliminary to the planned construction of the Yerunakovskaya VIII mine, will continue through 2010 with the first GZh coal scheduled to be mined in 2015.

The health and safety of employees will remain a constant priority.

Taking a 7-10 year perspective, the purchase of high-quality coal stock will allow the Company to gradually replace the coal stock currently provided by Yuzhkuzbassugol. In March 2010, Evraz won the tender to develop the Mezhegey coal deposit for a consideration of US$32 million. This deposit is located 800 km east of the city of Novokuznetsk, in the central part of the Republic of Tyva, East Siberia. It is a world class deposit with estimated category A+B+C1 reserves totalling 213.5 million tonnes of hard coking coal (grade Zh under Russian classification). Due to the long-term nature of the project there will be no requirement for substantial capital expenditure over the next two years, a factor that complements the Company's current cash management policy.

Mining: Iron Ore

General Overview 2009
Despite the difficult market conditions of 2009, Evraz's iron ore facilities succeeded in maintaining production output for shipment to the Group's metallurgical plants while, at the same time, initiating various measures designed to cut costs and improve quality.

Evraz's production within its Iron Ore segment accounted for 96% of the Company's metallurgical requirements.

Key investment projects during 2009 were focused on lowering operational costs, reducing losses and enhancing the quality of iron ore feedstock for steel production.

• Modernisation of indurating machine No.1 at Kachkanarsky Ore Mining and Processing Enterprise ("KGOK") which resulted in lower gas consumption rates in pellet production

• Modernisation of dry magnetic separation (DMS) at KGOK's enrichment plant which resulted in a 10% reduction in iron tailing losses during DMS and higher pellet output without the additional input of raw materials

• Implementation of automated informative electric power accounting system (AIEPAS) at KGOK. This will enable KGOK to reduce overall electrical-energy consumption by 3.4% resulting in an estimated annual saving of more than US$3 million

• Optimisation of ventilation air heating system at the Magnetitovaya mine at Vysokogorsky Ore Mining and Processing Enterprise (VGOK) and optimisation of boiler compartment work at VGOK's enrichment plant, both of which will result in lower gas and energy consumption. The project will be finalised in 2010

• Implementation of smooth-start system for the main compressors at VGOK's Yestuninskaya and Yuzhnaya mines in order to reduce energy consumption and prevent premature equipment amortisation

• Partial reconstruction of the Mundybashevskaya enrichment plant at the Evrazruda Iron Ore Mining and Processing Complex ("Evrazruda") resulted in raising the iron concentration in the commercial concentrate to 61%(+3 b.p.)

• Implementation of prevention technology for iron ore concentrate with lime at the Abagursky enrichment plant served to stabilise Evrazruda's production volumes during the winter period while also increasing the metallurgical value of the concentrate supplied to Zapsib

Key Targets 2010
• Exploration of KGOK's Sobstvenno-Kachkanarskoye field designed to sustain iron ore production and facilitate further increases in volume in order to match heightened demand from the Company's metallurgical operations

• Production of lime-prevention concentrate at VGOK will facilitate supplies to consumers throughout the year and avoid the costly construction of a drying complex

• Reconstruction of Evrazruda's Abagurskaya enrichment plant will increase the iron concentration in the commercial concentrate from 60.3% to 61.7%

• Investments in the development of Evrazruda's Sheregeshsky, Abakansky and Kazsky open pits designed to increase annual production capacity

• Enlargement of the iron ore enrichment facilities at the Yubileynaya mine, within the Sukha Balka Iron Ore Mining and Processing Complex ("Sukha Balka"), using the unique technology of dry magnetic separation of martite-hematite ores

• Development of railway infrastructure at the Sukha Balka mines to match the increasing volumes of commercial production

A major goal at Mapochs Mine (Proprietary) Limited, the iron ore complex in South Africa, is to achieve production levels that would not only guarantee supplies to Evraz Highveld and other local clients but would also permit the partial export of iron ore output. Meanwhile, a new mining plan is being created in line with an exploration programme which will significantly aid estimates of available ore resources.

Vanadium

General Overview 2009

The vanadium segment mirrored the steel industry's problems in 2009 and experienced a sharp decrease in demand reflecting the global economic reversal. The vanadium business, in particular, was characterised by irregular and unpredictable demand.

The principal operational challenges faced by Evraz's management team during the first half of 2009 included high inventories of finished products which, against a background of low market demand, exacerbated the need to operate all facilities at intermittent and below capacity levels while, at the same time, retaining key personnel and focusing on cost controls. Demand improved at the mid-year stage and, as inventories were brought in line to match consumption, the focus switched to restarting the facilities and regaining pre-crisis levels of capacity and operational efficiency. By the end of 2009 much of the vanadium industry was operating at near normal levels.

Evraz, capitalising on its low cost competitive position and ability to accelerate production in response to customer requirements, succeeded in increasing its share of the world vanadium market as the year progressed. The product range was expanded with the emphasis, in response to European demand, on certain higher quality vanadium products such as low-manganese and low-aluminum FeV grades and powder FeV for wire production.

The acquisition of Vanady-Tula towards the end of 2009 effectively finalises Evraz's vertical integration of its vanadium assets within the CIS. The acquisition is expected to yield significant synergies and will leave the Company well positioned to further expand its share of the global vanadium market.

Having lowered expenses, optimised productivity and retained key personnel, Evraz remains one of the lowest cost producers of vanadium in the world.

In addition to this competitive edge, the Company is now positioned to leverage its international presence through its expanded range of high quality vanadium products.

Key Targets 2010

During 2010 the Company will seek to utilise its competitive advantages in order to further expand its presence in the world vanadium market. The principal areas of focus will include:

- Maximising vanadium output at all of the Company's production facilities

- Furthering market penetration and focus through the consolidation of all steel sector sales through one channel: Evraz's East Metals S.A.

- Improving sales to the steel industry through increased conversion of vanadium slag to final FeV products

- Enhanced marketing of Evraz's value added Nitrovan® product for the steel industry

- Increasing market share of high value vanadium products to chemical and titanium / aerospace industries via Evraz Strategic Minerals Corporation's operation in North America

- Ongoing cost optimisation and improvements in efficiency at all facilities

Evraz is confident that the advantages of constant supplies of vanadium slag from Evraz Highveld and NTMK, a low cost and efficient operational base and focused marketing expertise, will enable the Company to offer its enhanced range of vanadium products at highly competitive prices.

Outlook for 2010

Between January and May 2010 we have seen improvements in demand in all our markets. Steel prices rose globally, hand in hand with raw material prices, primarily iron ore, coal and scrap. This trend will translate into improved results for the Company due to our high level of vertical integration. We note, however, that the growth trend has reversed recently following a correction in prices that commenced in May 2010.

The Russian market has shown encouraging signs during 2010; demand is gradually recovering and construction steel sales volumes and prices are higher than in 2009. We believe that a softening of the market in the summer of 2010, largely reflecting export trends, is unlikely to persist in the longer term.

The North American market has also demonstrated marked improvements since the start of the year and this, in turn, will allow us to increase capacity utilisation rates at our US and Canadian plants.

In the medium-term we expect global demand for long steel and structural flat products to remain volatile, although infrastructure investments, driven by an array of government initiated economic stimulus packages, should provide underlying strength.

We are confident that our vertical integration model will continue to underwrite the fundamental strength of our business.

Evraz Group's EBITDA for the first quarter of 2010 amounted to US$424 million. Reflecting the further growth in steel prices, second quarter EBITDA is expected to be in the range of US$725-825 million.

Short-term debt as of 30 June 2010 is expected to approximate US$1.6-1.7 billion, following a series of refinancing activities during the first half of 2010.

Due to the high volatility and low visibility of the market, we cannot commit to any firm guidance regarding the second half of 2010 and full year 2010 financial results.

Key Investment Projects 2010

CAPEX in 2010 is expected to be around US$800 million vs. US$441 million in 2009.

Approximately US$450 million of 2010 CAPEX to be directed to increasing productivity and development projects, key projects being:

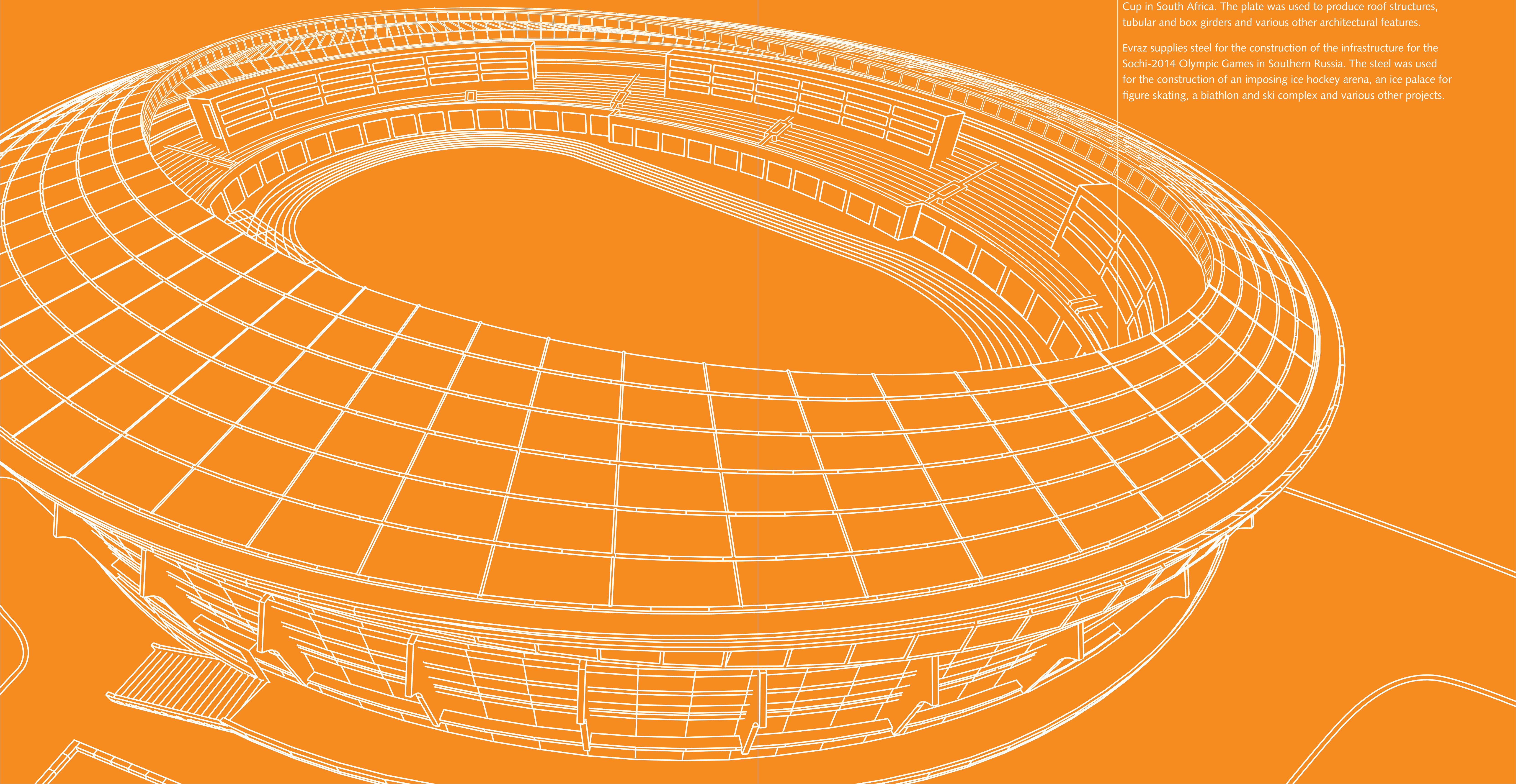
Project	Total CAPEX	Cumulative CAPEX by 31.12.09	2010 CAPEX	Project Targets
Reconstruction of rail mill at NKMK	US$440m	US$30m	US$220m	• Capacity of 950k tonnes of high-speed rails, including 450k tonnes of 100 metre rails • On-stream by 2013
Reconstruction of rail mill at NTMK	US$55m	US$28m	US$27m	• Production of higher-quality rails • 550k tonnes capacity • On-stream by 2012
Pulverised coal injection (PCI) at NTMK and ZSMK	US$320m	US$0m	US$10m	• Lower coke consumption from 420 to 320 kg/tonne • No need for gas consumption • On-stream by 2013
BOF workshop reconstruction at NTMK	US$260m	US$230m	US$20m	• Modernisation of production • Increasing capacity from 3.8 to 4.2 mtpa • On-stream by 2010
Reconstruction of CCM Slab No. 3 at NTMK	US$60m	US$5m	US$40m	• Modernisation of production • Further increase in steelmaking capacity from 4.2 to 4.5 mtpa • On-stream by 2010
Reconstruction of wheel and tyre mill (heat treatment shop) at NTMK	US$100m	US$87m	US$13m	• Production of higher-quality wheels • On-stream by 2010
Development of Mezhegey coal deposit	TBD	US$1m	Less than US$50m, including license cost	• Maintaining self-sufficiency in high-quality hard coking coal after depletion of existing deposits • On-stream by 2015

IV

v. Corporate Responsibility

Plate, produced by Evraz Highveld Steel and Vanadium Corporation, was used to construct the new stadiums for the 2010 Soccer World Cup in South Africa. The plate was used to produce roof structures, tubular and box girders and various other architectural features.

Evraz supplies steel for the construction of the infrastructure for the Sochi-2014 Olympic Games in Southern Russia. The steel was used for the construction of an imposing ice hockey arena, an ice palace for figure skating, a biathlon and ski complex and various other projects.



Introduction

We believe that Evraz's commitment to maximising shareholder value is synonymous with the sustainability of our business which, in turn, is dependent on the manner in which the Company's activities impact the environment, consumers, employees, economies, the communities we work within and all other stakeholders.

Evraz has defined the following priorities in relation to corporate responsibility:

- Economic – contributing to the sustainability of regional and national economies

- Environmental – endeavouring to reduce the adverse environmental impact of the Company's activities

- Social – focusing on the safety and development of employees and support for local communities

The Company's Code of Business Conduct and Code of Ethics constitute the framework for the management of sustainable development at Evraz, while our social funding and community activities are governed by the Social Investment Guidelines. In addition, individual entities within the Group have their own specific policies in relation to health, safety and the environment which are fully compliant with, and in many instances go beyond, local legislation.

Evraz understands that its business activities are capable of having significant effects on the areas in which it operates, in relation to people and the regional and ultimately global environment, and the Company's objective is to ensure that such effects are as beneficial as possible. Evraz believes that it can be a positive force in the lives of those associated with the Company and that through good stewardship and innovative industrial practices it can help to safeguard the planet for future generations.

An underlying aspect of our corporate philosophy is the belief that respect for the well-being of people and places impacted by the Group's operations is consistent with the creation of a profitable enterprise. The Company believes that the implementation of sound financial, environmental, social, health and safety and quality attentive management policies will serve to enhance profitability and underwrite future success. Consequently, Evraz is committed to encouraging innovation throughout the Group in order to continue to improve the quality of its products and the efficiency of its manufacturing processes. In the pursuit of these objectives, Evraz is pleased to endorse the principles of the International Council on Mining and Metals Sustainable Development Framework.

Engagement with stakeholders

We recognise the importance of an ongoing and consistent dialogue with our employees and customers, local communities and authorities and suppliers and partners in order to form constructive mutually beneficial relationships.

Our people are committed to acting in a professional manner, with integrity and in compliance with legal and regulatory requirements and good governance. We endeavour to meet and surmount market challenges by achieving continuous improvements in performance.

Through sustainable compliance with internal, local and international regulations, Evraz endeavours to make a positive contribution to society.

Economic Prosperity

The profitability of our Company does not merely represent the means to reward shareholders and develop the business. Our steel production and mining activities contribute to the economic sustainability of the regions where we operate, support local communities and fund corporate social programmes.

Economic Contribution

Steel is one of the basic materials used in the construction of buildings and infrastructure with more than 50% of steel applications related to the construction industry. As often as not, steel represents the ultimate solution, with no viable alternatives, to various aspects of construction with consumption closely related to economic development (fixed asset investment) and urbanisation.

Evraz's role as a leading supplier to major industrial sectors is illustrated by an average daily output from our plants of 42,000 tonnes of crude steel and 39,000 tonnes of rolled products during 2009. All of Evraz's steelmaking facilities and Strategic Minerals Corporation (Stratcor), our US based vanadium producer, have established certified quality management systems in accordance with ISO 9001 standard and hold certificates of compliance with various international and local standards in relation to separate products such as slabs, rails, tubular goods and plates.

In 2009, Evraz's CAPEX totalled US$441 million, including US$264 million in respect of its steel segment and US$148 million in respect of its mining segment. As a major employer and corporate taxpayer, Evraz contributes to all the economies within which the Company operates.

Community Support

Evraz is strongly committed to its social investment programmes which are reviewed by the Board of Directors on an annual basis. These policies are designed to ensure that Evraz contributes in a direct and meaningful way to local communities in the areas where we operate. Many of the tangible steps that the Company takes to protect the environment and improve the well-being of employees will not be immediately apparent to local communities, irrespective of the fact that they can be expected to ultimately benefit from such measures. We take the view that actions speak louder than words and Evraz's commitment to social investment seeks to redress any imbalance in perception and demonstrate the Group's respect for the communities within which we operate.

Social investment priorities:

- Youth: initiatives and projects which assist in the development of young people
- Education: enabling individuals of all ages to acquire new knowledge, abilities and skills
- Citizenship: fostering favourable neighbourhood values and safe environments in local communities

Total social and social infrastructure expenditure, which includes such items as maintenance of medical centres, recreational centres, employee holiday allowances and the sponsorship of sports teams and charitable events, amounted to US$53 million in 2009.

Evraz seeks an active dialogue with the residents of the areas in which it operates in order to discuss specific projects within the priority areas of Evraz's Social Investment Programme. The Company has established local Supervisory Boards, including representatives from the community, which decide which projects would be most appropriate and should therefore receive funding. To further communication with local communities with regard to social investment spending, Evraz has established corporate charity funds at certain operating locations. Our employees are also involved in various charitable initiatives and are active members of local business communities.

In 2009, Evraz's community investments in Russia amounted to approximately US$8.5 million (RUB269.8 million). Evraz is involved in various national and civil projects together with charity undertakings. Most of the projects are focused on stimulating sport and education initiatives, supporting and enriching children's lives, the advancement of living conditions in the towns where Evraz's subsidiaries are situated and improving the quality of life of the Group's employees and citizens. Some of the most important social projects include "Yards" and "New Year in Every House". The "Beloved Children" programme seeks to organise medical and educational assistance, as well as psychological support, for children with infantile cerebral paralysis with help also available to parents.

Evraz Vitkovice Steel established the Evraz Charity Fund in the Czech Republic in 2006 to support the long-term development of the Moravian-Silesian region. During 2009, the Fund supported 39 projects in association with non-profit organisations in the region and made donations totalling approximately US$471,500 (CZK9 million). The Fund's focus was on regional projects providing medical, educational and psychological assistance to children with various diseases. Evraz Vitkovice Steel also joined Evraz Group's "Beloved Children" charity programme in 2009.

Evraz plays an active role in a wide range of social support programmes in North America and Canada. The focus is primarily on the well-being of young children, youth and underprivileged families. The importance of such programmes cannot be overestimated and we believe that such support helps people to achieve certain goals and encourages them in their endeavours to turn hope into reality. In 2009, Evraz Inc. NA's charitable contributions totalled US$481,345. The most important of the aforementioned programmes are: "One Life Makes a Difference" – direct funding to post-secondary educational institutions, "The Lieutenant Governor's Leadership Forum", "Breakfast for Learning", "The Nexen Discovery Fund" (Evraz Regina Steel & Tubular, Canada); "Junior Achievement of Southern Alberta" (Evraz Red Deer Tubular Works, Canada); "Hearts of Steel", "Junior Achievement", "Hispanic Education – in support of the Pueblo Hispanic Education Foundation's scholarship programme" (Evraz Rocky Mountain Steel, USA); "In the Spirit of the Season" (Evraz Claymont Steel, USA) and "School Gift Drive, Boy Scouts" (Evraz Oregon Steel & Tubular, USA).

The charitable organisations supported by Strategic Minerals Corporation in South Africa are largely focused on the provision of medical resources and youth development schemes for sick and underprivileged children. The charities that Stratcor regularly contributes to in the US include: the American Cancer Society, the Arkansas Children's Hospital, the Arkansas Santa Train and Boy Scout of America, Garland County Local Area Schools.

The primary focus of Evraz's support activities in South Africa related to Black Economic Empowerment and resulted in the transfer of a 26% equity interest in Mapochs Mine (Proprietary) Limited to local partners (as announced in April 2009). Highveld Steel and Vanadium Corporation is extensively engaged in community support, including the furtherance of educational programmes. Highveld is also involved in tackling the problems associated with HIV and AIDS and supports the anti-HIV programme under which Highveld's employees and their spouses receive treatment. Contributions to such causes from Highveld in 2009 amounted to some US$150,000 (ZAR1.3 million).

Health and Safety

The health and safety of Evraz's employees is of paramount importance. Much of the Company's business, in relation to the manufacture of steel and mining operations, involves production. Such activity can prove hazardous and, against this background, the health and safety of employees remains the ultimate priority at all times. To endeavour to ensure employees' safety the Company acts in compliance with the health and safety laws and regulations applicable in the countries in which it operates and constantly seeks ways to improve the well-being of its employees.

Investments into occupational health and safety in Russia totalled approximately US$42 million (RUB1.3 billion) in 2009.

As of 2009, Evraz's Russian subsidiaries have implemented the Occupational Health and Safety management system.

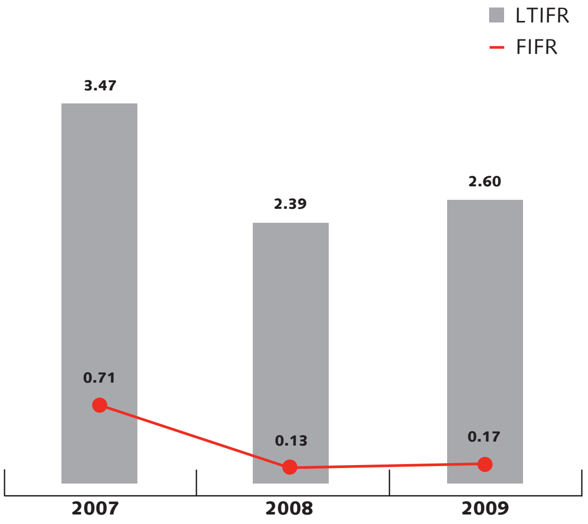
The Company carefully monitors any signs of risks and strongly encourages employees to immediately report the slightest signs of danger to the management and to suggest any course of action which might make their jobs safer.

The Company consistently seeks to improve working conditions, carries out timely inspections of equipment associated with the health and safety of employees and organises relevant training for employees and management. Some of the measures taken in 2009 included the installation of a large ventilator and gas suction system at the Alardinskaya mine in order to improve aeration and facilitate degasification. Underground wireless communication systems were installed at three mines: "Yubileynaya 2", "Tomusinskaya 5-6" and "Yerunakovskaya-8". A similar wireless communication system was installed at the Yesaulskaya mine in 2010 and further installations at other assets are ongoing.

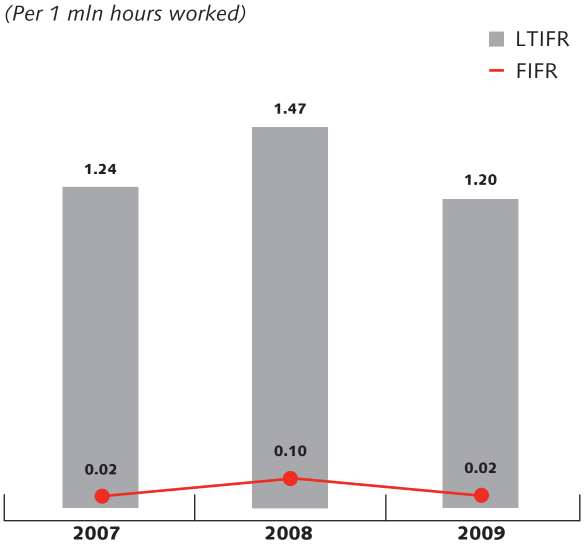
During the past two years the Company has implemented numerous precautionary measures designed to improve industrial safety at Yuzhkuzbassugol. Approximately US$13 million (RUB400 million) was invested in preventative measures focused on the aeration and degasification of the mines. Some US$8 million (RUB250 million) was invested in alarm and control systems, while US$1.5 million (RUB50 million) was variously utilised in the interests of collective and personal safety.

In May 2010 Evraz introduced a safety monitoring system at Yuzhkuzbassugol Coal Company. This system essentially tracks the effectiveness of current safety precautions and procedures and produces monthly data to facilitate any

Lost Time Incident Frequency Rate/ Fatalities Rate of the Group
(Per 1 mln hours worked)



Lost Time Incident Frequency Rate/ Fatalities Rate at Steel Assets
(Per 1 mln hours worked)



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adjustments or additions to the range of safety measures currently in place at Yuzhkuzbassugol. The monthly findings are based on an analysis of various indicators ranging from data regarding the implementation of specific safety measures to the performance of supervisory bodies.

During the same month Evraz installed a new gas suction system – designed to extract mixtures of methane-air from the working face – at Yuzhkuzbassugol's Abashevskaya mine. In addition to the overall monitoring precautions, the gas suction system possesses an "anti-blowing" gas exhaust network.

Evraz's Zapsib, Yesaulskaya mine and Abashevskaya central enrichment plant were estimated the best in Novokuznetsk in 2009 with regard to the industrial safety of employees.

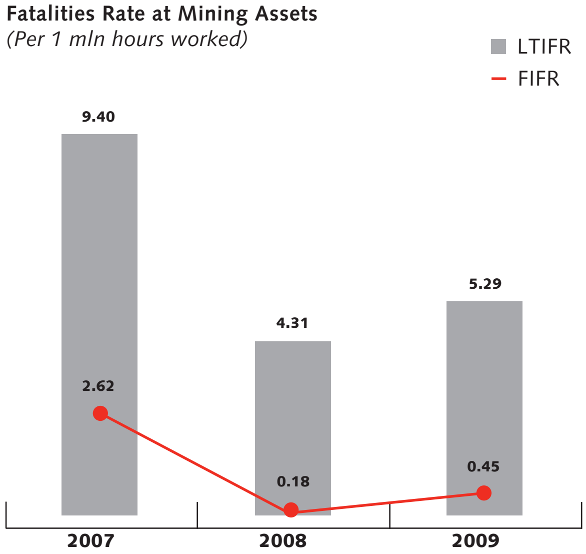
The Yestyuninskaya Mine

In December 2009 an industrial accident occurred at the Yestyuninskaya mine in the Ural Mountains in Russia due to explosives detonating while being transported through the mine shaft in trolleys.

The Company was quick to respond with specific measures designed to improve health and safety systems. The situation has been carefully monitored and the Company has taken all necessary steps to minimise the possibility of any recurrence of such an accident, including:

- in-depth investigations;
- several institutional arrangements have been changed to ensure safe delivery and handling of explosives; further improvement of monitoring systems; design of a dedicated underground car to transport explosives;
- Russian scientific research institute NIIOGR was employed to carry out an independent assessment, compile a programme of actions designed to improve safety and develop new systems to monitor industrial safety in line with international best practices;
- administrative proceedings against senior managers and employees for failing to provide adequate safety arrangements;
- implementation of intense safety training for employees and the introduction of unscheduled monitoring checks.

Lost Time Incident Frequency Rate/ Fatalities Rate at Mining Assets
(Per 1 mln hours worked)



Environment

Evraz employs its best endeavors to comply with all environmental laws and regulations applicable in the territories within which it operates. The Group is aware of the possible environmental consequences of its production processes and energy consumption and pays constant attention to various aspects of the environment with a view to the prevention or minimisation of any adverse influences. One of Evraz's key objectives is to achieve a consistent reduction in waste emissions alongside the introduction of modern, environmentally-friendly technologies. A significant amount of obsolete equipment, which failed to meet environmental standards, has already been withdrawn as part of the modernisation of Evraz's production facilities and, by the end of 2008, closure of all open-hearth furnaces at the Russian steel plants had been completed. This commitment to eco-friendly technology is ongoing and, in 2009, environmental expenses at Evraz's Russian assets exceeded US$130 million (RUB4 billion).

Switching NKMK's steel production from blast furnaces to electric arch furnaces reduced the negative environmental effects. Repairs to NKMK's coke-oven batteries and gas-handling equipment, the optimisation of coking processes, the cleansing of coke gas and further hermetic sealing of equipment all served to improve the plant's ecological parameters.

Zapsib's gas and dust handling equipment also proved the subject of major capital repairs. The reconstruction of the filter area of coke production, involving the chemical cleansing of the steam and air station and certain technological adjustments in relation to reverse-flow regeneration, resulted in a significant improvement in water management.

The supervisory inspections in respect of the Company's steel plants in 2009 confirmed that they fulfill all environmental requirements.

Evraz strives to implement environmental policies that are fully compliant with ISO 14001. Steelmaking facilities NTMK and Zapsib in Russia, the Sukha Balka iron ore complex in Ukraine, Evraz Vitkovice Steel in the Czech Republic and Highveld in South Africa have established environmental management systems in accordance with ISO 14001 and received relevant certificates of compliance.

The Company's commitment to the well-being of the environment is fully shared by its employees and 2009 saw several of the Group's subsidiaries undertake voluntary projects, ranging from river bank protection to garbage collection, for the benefit of the natural surroundings and local communities.

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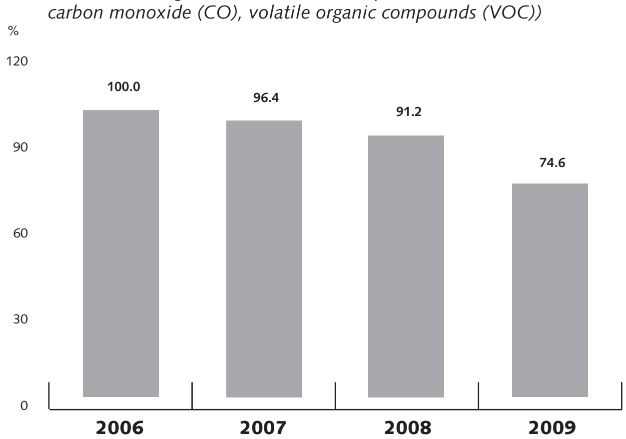
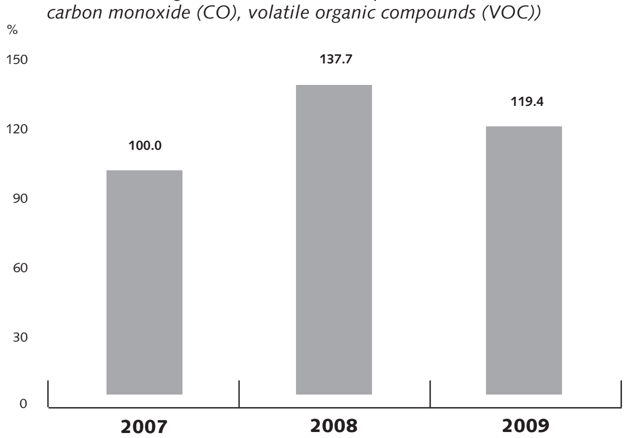
Russian and Ukrainian Assets: Emissions Dynamics*
(oxides of nitrogen (NOx), oxides of sulphur (SOx), carbon monoxide (CO), volatile organic compounds (VOC))



* 2006–2007 data do not include Ukrainian assets

North American Assets: Emissions Dynamics*
(oxides of nitrogen (NOx), oxides of sulphur (SOx), carbon monoxide (CO), volatile organic compounds (VOC))



* 2007 data do not include Canadian assets

Our People

Our employees represent the Company's most important asset and, as such, are vital to its success. Evraz's human resources team endeavours to attract, develop and retain the best possible talents drawn from many parts of the world. We are helped in this regard by the Company's emphasis on the creation of a transparent corporate culture which encourages open dialogue between employees and management.

The Group's employees totalled approximately 110,000 as of 31 December 2009.

HR Strategy

Evraz's focus on the efficient utilisation of labour continued during 2009. The Company's global priorities included further improvements in the efficiency of the Group's facilities through optimising staff costs, eliminating duplications and implementing strategic outsourcing programmes. The criterion was to retain talent while deploying adequate manpower to operate at reduced production rates.

Hand in hand with the global nature of the Company's activities goes the challenge of integrating the Group's various assets.

One of the most important aspects of Evraz's human resource policy is employee development through regular training programmes designed to improve employees' qualifications and managerial skills and facilitate talent recognition. Assessments and appraisal sessions are held regularly to provide management with feedback on individual progress and to share information with regard to best practices.

Hiring the Best

Evraz Group constantly endeavours to employ 'the best': talented people with the qualifications and skill sets that will benefit the Company and serve to underwrite individual career prospects. To this end the Company recruits from various universities, offers competitive salaries and places considerable importance on the need to provide employees with opportunities to further their education.

The Company's recruitment focus is as much on youth as it is on experienced market professionals, the all important factor being ability.

Against this background the Company liaises with various institutions in Russia such as the Moscow State University, the Higher School of Economics, the Moscow Institute of Steel and Alloys and the Moscow State Mining University. In South Africa, Vametco Alloys provides bursaries to several universities including the Ramadikela School in the Rankotea community.

Evraz is an active participant in various career fairs and internship opportunities are available to students.

Care of People

Evraz has assets in numerous parts of the world and employs people of various races and nationalities. The Company is committed to the principle of equality of treatment and opportunity for all employees, irrespective of his/her race, nationality, political beliefs, age, sex or religion, while ensuring the provision of a work environment free from any form of discrimination or harassment as outlined in the Company's Code of Ethics.

The Black Economic Empowerment (BEE) programme, designed to support historically disadvantaged people and local communities, remains our key priority in South Africa. The transfer of a 26% interest in Mapochs Mine (Proprietary) Limited to local partners in April 2009 represented an important step in relation to the BEE programme's objectives. The Transformation Committee, led by Bheki Shongwe, the Chairman of the Board of Evraz Highveld Steel and Vanadium Corporation, is responsible for the development and implementation of the BEE transformation agenda, including the recruitment, training and promotion of employees drawn from black communities.

Evraz Group has utilised all possible measures to support those employees who were made redundant. These included early retirement incentives, financial compensation, training grants, start-up business incentives, health insurance and, in Russia for example, mortgage support programmes. Similarly, Evraz Highveld employed instructors and invested approximately US$5 million (ZAR40 million) in training schemes. Due to the shortage of skilled individuals in the country, Evraz Highveld has continued to train apprentices and multi-skilled workers in preparation for a market recovery.

Social Support Programmes

Despite difficult economic conditions Evraz continued to invest substantial sums in social support programmes during 2009.

Benefits provided by Evraz and the scale of such benefits differ according to the country in which the Company's operations are located. The most popular forms of benefit include: medical insurance, dental insurance, life insurance, short- and long-term disability insurance, educational assistance, paid vacation entitlement, paid holidays, travel allowances, health programmes and pension schemes.

Choices with regard to insurance policies, some of which extend to family members, and pension plans are normally available and such schemes are usually subsidised by the employer alongside employee contributions. Disability benefits provide a proportion of income replacement in the event of illness or disability, while payments with regard to vacations are made in accordance with the labour laws applicable to the relevant jurisdiction.

Recreational activities, sporting events and team building exercises are regular occurrences throughout the Group. Certain activities were frozen in 2009 as a result of the Company's global cost cutting agenda but will be reinstated when appropriate.

The global economic downturn led to lower demand for steel, lower production and, in turn, lower wages for many employees who, as a result, encountered difficulties in meeting their liabilities. To alleviate such hardship Evraz pledged to offer interest-free loans to employees in relation to certain commitments and necessities such as mortgages, education and medical treatment.

Cooperation with Labour Unions

Evraz Group respects the right of each employee to openly discuss any concerns and make relevant suggestions to the Company's management. In keeping with this, Evraz Group supports a constructive and mutually beneficial dialogue with the labour unions associated with the Company's employees. The events of 2009 led to closer cooperation between the labour unions and the Company and more frequent meetings, many of which were also attended by state and municipal authorities. The Company's interaction with labour unions is conducted on a non-discriminatory basis with total integrity and in compliance with all regulations.

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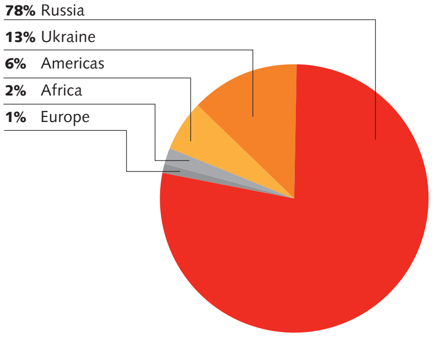
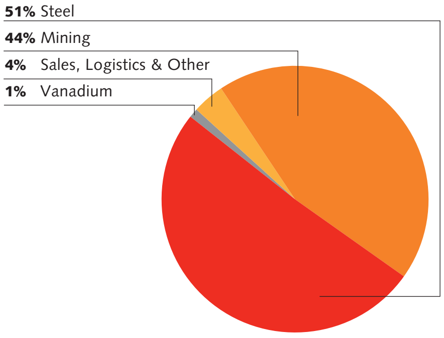
Number of Employees according to Geographical Location
2009



Number of Employees by Segment
2009



VI. Corporate Governance

Russian Railways intends to build high-speed railway networks between Nizhny Novgorod, Moscow, St Petersburg and Helsinki in addition to the link between Moscow and Adler in Southern Russia for the Sochi Olympic Games 2014.

US President Barack Obama announced that US$8 billion of economic recovery funds plus US$1 billion a year for the next five years will be dedicated to intercity passenger rail projects with high-speed rail the priority.

Evraz is the largest producer of rails in the world, being the only producer in Russia and the CIS and the largest producer in North America.

Introduction

Evraz Group S.A., incorporated as a société anonyme under the laws of the Grand Duchy of Luxembourg, operates in accordance with Luxembourg law and adheres to all applicable laws and regulations incumbent upon the Company, attendant to the listing of its Global Depositary Receipts on the Official List of the UK Listing Authority, with particular regard to the UK Corporate Governance Code (formerly the Combined Code).

Evraz Group endeavours to constantly enhance its corporate governance procedures in order to maximise shareholder value, provide for business prosperity over the long-term and maintain the trust and goodwill of the Company's internal and external stakeholders. These key objectives represent central aspects of our corporate culture.

An ongoing dialogue with stakeholders is an essential aspect of corporate activity. We use various communication channels including, in terms of financial calendar reporting and disclosure, announcements made via the London Stock Exchange (the LSE), the Annual Report and Accounts, the Annual General Meeting (the AGM) and the Company's website www.evraz.com. The Chairman of the Board, the Chief Executive, senior management and the investor relations team regularly engage with institutional investors to discuss the Company's operations and a wide range of issues including governance. Approximately 300 individual/group meetings, conferences and other public events involving the investment community took place during 2009.

In addition to the Evraz Group S.A. Articles of Association and internal rules and regulations, our governance principles are detailed in the Company's Corporate Governance Code adopted by the Board in April 2007. Certain issues such as corporate responsibility, sustainable development, and relations with business partners and stakeholders are also covered in our Code of Business Conduct and Code of Ethics.

The Board of Directors and Senior Management

The following table lists the Company's directors and senior management as of 31 May 2010

Name		Initially elected or appointed
Alexander Abramov	Director Chairman of the Board Member of the Remuneration Committee	Director since April 2005 Chairman since December 2008
Alexander Frolov	Director Chief Executive Officer	Director since April 2005 Chief Executive Officer since January 2007
Otari Arshba	Non-executive director	May 2005
Karl Gruber	Independent non-executive director	May 2010
Olga Pokrovskaya	Non-executive director Member of the Audit Committee	August 2006
Terry Robinson	Independent non-executive director Chairman of the Audit Committee Member of the Strategy Committee	April 2005
Eugene Shvidler	Non-executive director	August 2006
Eugene Tenenbaum	Non-executive director Member of the Remuneration Committee	August 2006
Gordon Toll	Independent non-executive director	May 2010
Leonid Kachur	Senior Vice President	June 2002
Pavel Tatyanin	Senior Vice President	November 2004
Alexey Agoureev	Vice President	August 2009
Giacomo Baizini	Vice President	August 2006
Vladimir Bruev	Vice President	March 2006
Igor Gaponov	Vice President	March 2006
Daniel Harris	Vice President	November 2007
Natalia Ionova	Vice President	June 2006
Alexey Ivanov	Vice President	June 2009
Alexander Kuznetsov	Vice President	July 2009
Konstantin Lagutin	Vice President	January 2010
Igor Markov	Vice President	April 2008
Dmitry Sotnikov	Vice President	June 2009
Timur Yanbukhtin	Vice President	February 2007

Dmitry Melnikov has been Secretary to the Board since 2007.

The Board

Elected on 17 May 2010

Alexander Abramov

Director, Chairman of the Board
Member of the Remuneration Committee

Born in 1959.

In 1992, Mr Abramov founded EvrazMetal company, a predecessor of Evraz Group.

CEO of Evraz Group until 1 January 2006, Chairman of the Board until 1 May 2006. Served as non-executive director until his re-appointment as Chairman of the Board on 1 December 2008.

A director of OOO Invest AG, a member of the Bureau of the Board of Directors and a member of the Board of Directors of the Russian Union of Industrialists and Entrepreneurs, an independent non-governmental organisation.

Graduated with honours from the Moscow Institute of Physics and Technology in 1982 and holds a Ph.D. in Physics and Mathematics.

Alexander Frolov

Director, Chief Executive Officer

Born in 1964.

Mr Frolov joined EvrazMetal, a predecessor of Evraz Group, in 1994 and subsequently held various positions within the Company. Chairman of the Board from 1 May 2006 until 1 December 2008.

A director of OAO Raspadskaya and ZAO Raspadskaya Coal Company, OAO OUK Yuzhkuzbassugol and ZAO Yuzhkuzbassugol Coal Company, ZAO Kazankovskaya Coal Company, Evraz Vitkovice Steel, Evraz Inc. NA and Highveld Steel and Vanadium Corporation.

Graduated with honours from the Moscow Institute of Physics and Technology in 1987 and received a Ph.D. in Physics and Mathematics in 1991 from the Moscow Institute of Physics and Technology.

Otari Arshba

Non-executive director

Born in 1955.

Mr Arshba joined Evraz in 1998 and served as Evraz's Senior Vice President for Corporate Communications until December 2003 when he was elected a Deputy of the State Duma of the Russian Federation.

He currently serves as a Deputy of the State Duma of the RF Federal Assembly and Chair of the State Duma Committee on Rules of Procedure and Administration.

Graduated with distinction from the Felix Dzerzhinsky KGB Higher School and holds a Ph.D. in Political Science from the Russian Academy of Government Service.

Karl Gruber

Independent non-executive director

Born in 1952.

Mr Gruber joined Evraz's Board in May 2010 following the AGM.

He has extensive experience in the international metallurgical plant business. Mr Gruber held various management positions, including eight years as a member of the Managing Board of VOEST-ALPINE Industrieanlagenbau (VAI), first as Executive Vice President of VAI and then as Vice Chairman of the Managing Board of Siemens VAI. He also served as Chairman on the Boards of Metals Technologies (MT) Germany and MT Italy.

Graduated from Technical High School in 1973 with a diploma in mechanical engineering.

Olga Pokrovskaya

Non-executive director
Member of the Audit Committee

Born in 1969.

Ms Pokrovskaya held several key finance positions in Sibneft post 1997, including serving as Head of Corporate Finance from 2004 until 2006. From 1991 until 1997, she worked as a senior audit manager at Arthur Andersen.

She is Head of Corporate Finance at Millhouse LLC and a director of Highland Gold Mining Ltd.

Graduated with honours from the State Financial Academy in 1991.

Terry Robinson

Independent non-executive director
Chairman of the Audit Committee
Member of the Strategy Committee
Chairman of the Group Risk Committee

Born in 1944.

Mr Robinson served for 20 years at Lonrho PLC, where he was a main Board director for the last 10 years. Since 1992 he has been variously occupied with international business recovery engagements and investment projects including natural resources in the UK, Russia, the CIS and Brazil.

He is an independent non-executive director and Deputy Chairman of Katanga Mining Ltd., and an Independent and the Senior non-executive director of Highland Gold Mining Ltd. He is a Fellow of the Institute of Chartered Accountants of England and Wales.

Eugene Shvidler

Non-executive director

Born in 1964.

Mr Shvidler was appointed a Senior Vice President of Sibneft in 1995 and served as President of Sibneft from 1998 through 2005.

He is Head of Millhouse LLC and a director of Highland Gold Mining Ltd.

Graduated from the I.M. Gubkin Moscow Institute of Oil and Gas with a Master's degree in Applied Mathematics. He holds an MBA in Finance and an M.Sc. in International Taxation from Fordham University.

Eugene Tenenbaum

Non-executive director
Member of the Remuneration Committee

Born in 1964.

Mr Tenenbaum served as the Head of Corporate Finance for Sibneft in Moscow from 1998 through 2001. During 1994-1998 he was a corporate finance director at Salomon Brothers. Prior to that, he was engaged in corporate finance with KPMG in Toronto, Moscow and London, including three years as national director at KPMG International in Moscow. He was an accountant in the Business Advisory Group at Price Waterhouse in Toronto from 1987 until 1989.

He is Managing Director of MHC (Services) Ltd., a director of Highland Gold Mining Ltd., and a director of Chelsea FC Plc.

A Canadian Chartered Accountant with a Bachelor's degree in Commerce and Finance from the University of Toronto.

Gordon Toll

Independent non-executive director

Born in 1947.

Mr Toll joined Evraz's Board in May 2010 following the AGM.

Mr Toll is Chairman of Ferrous Resources Limited, an iron ore development company in Brazil. His career has included the roles of Deputy Chairman, Ivanhoe Mines, Group Mining Executive, Rio Tinto and key positions with BHP Iron Ore, followed by executive appointments with Texasgulf Inc and Atlantic Richfield Coal. Mr Toll was formerly Chairman of Fortescue Metals Group Limited. He is a member of the Australian Institute of Mining and Metallurgy and a member of the Institute of Directors, UK.

Graduated from University of Queensland, Australia in 1968 with a degree in Mining Engineering and received a Master's degree in Business Science in 1981 from Columbia University, New York.

Departures

Gennady Bogolyubov

James W. Campbell

Philippe Delaunois

Senior Management

As of 31 May 2010

Alexander Frolov
Chief Executive Officer

Born in 1964.

Mr Frolov joined EvrazMetal, a predecessor of Evraz Group, in 1994, and subsequently held various positions within the Company. Elected Chairman of the Board effective 1 May 2006 and continued to serve as Chairman of the Board until 1 December 2008.

Graduated with honours from the Moscow Institute of Physics and Technology in 1987 and received a Ph.D. in Physics and Mathematics in 1991 from the Moscow Institute of Physics and Technology.

A director of OAO Raspadskaya and ZAO Raspadskaya Coal Company, ZAO Yuzhkuzbassugol Coal Company and OAO OUK Yuzhkuzbassugol, ZAO Kazankovskaya Coal Company, Evraz Vitkovice Steel, Evraz Inc NA and Highveld Steel and Vanadium Corporation.

Leonid Kachur
Senior Vice President, Business Support and Interregional Relations

Born in 1961.

Mr Kachur joined Evraz in 1993 and, as Vice President for Business Support and Interregional Relations, is responsible for safety and security issues within the Group.

Prior to his appointment as Head of Business Support and Interregional Relations in 2000, Mr Kachur held various positions within the Group. From 1995 to 2000 he was Chief Executive of security enterprise, Interlock, and was responsible for security matters within Evraz. Between 1993 and 1995 he was Deputy Chief Executive, with responsibility for general issues, at EvrazMetal, a predecessor of Evraz.

Prior to joining Evraz, Mr Kachur was involved in production and process management at the Russian Automobile Plant ZIL.

Mr Kachur graduated from Moscow State Industrial University in 1979 with a degree in Engineering.

Pavel Tatyanin
Senior Vice President, Head of International Business

Born in 1974.

Mr Tatyanin was appointed Senior Vice President and Head of International Business in July 2009. His responsibilities include the financial performance of Evraz's steel and mining operations in North America, Europe and Africa together with the global vanadium business. He is also responsible, in an international context, for trading in steel and other commodities, strategic development and M&A transactions.

Mr Tatyanin joined Evraz in April 2001 and, between 2002 and 2004, held the posts of Deputy Chief Financial Officer and Director for Corporate Finance. He served as Senior Vice President and Chief Financial Officer from 2004 to 2009.

Before joining Evraz, Mr Tatyanin held various positions in the financial sector. He was Vice President of Adamant Financial Corporation, responsible for M&A transactions and asset restructuring, between 1999 and 2001 and, during the period 1997 to 1999, was Vice President of United Financial Group, Deutsche Bank's Investment Banking division.

Mr Tatyanin graduated with honours from Moscow State University in 1995 with a degree in Accounting and Economics and studied Economics in Ruhr-Universität Bochum, Germany. He received a Master's degree with honours in International Business from Moscow State University in 1997.

Giacomo Baizini
Vice President, Corporate Affairs and Chief Financial Officer

Born in 1970.

Mr Baizini is responsible for finance, treasury, controlling, reporting, IR, taxation, insurance, legal matters, IT and environmental policy. Before taking over as CFO in July 2009 he was responsible for business development in Asia-Pacific, sales and operations planning and coordinating aspects of international integration.

Between 1998 and 2005, Mr Baizini was a consultant with McKinsey's Milan and Tokyo offices where his principal focus was on electric utilities. He also co-led the successful development of McKinsey's IT consulting arm in Japan.

From 1994 to 1998 Mr Baizini was a consultant with JMAC, the Japanese consulting firm, where he specialised in cost reduction and operational efficiency programmes in relation to both manufacturing and service industries.

Mr Baizini holds a degree in Physics from Oxford University.

Alexander Kuznetsov
Vice President, Strategic and Operational Planning

Born in 1978.

Mr Kuznetsov joined Evraz in 2002 and was appointed Vice President for Strategic and Operational Planning in July 2009 with responsibilities for strategic development, sales and operational planning, project management and valuation.

Prior to this Mr Kuznetsov held various positions within the Company and served as Director for Strategic Planning and Investment Analysis between 2008-2009. He was formerly Head of the Financial Analysis and Valuation Department with responsibilities for financial analysis, the valuation of investment projects and M&A transactions (2006-2008). During the years 2002-2006 Mr Kuznetsov was Manager of the Capital Markets and International Investments Department and was involved in all of the Company's M&A transactions.

Mr Kuznetsov graduated with honours from the Moscow Institute of Physics and Technology in 2001 with a degree in Applied Mathematics and Physics. He also received a Master's degree in Economics from the New Economic School in 2002.

Igor Gaponov
Vice President, Information Technologies

Born in 1974.

Mr Gaponov joined Evraz in 2002 and, prior to his appointment as Vice President, Information Technologies in 2006, he combined the positions of Vice President for IT of Evraz Group with Director for IT at ZSMK, NKMK and Evrazruda. Between 2003 and 2005 he served as Director for Information Technologies. He was the former Head of Evraz Group's Enterprise Resource Planning System department and was also responsible for IT business projects at NTMK.

Before joining Evraz, Mr Gaponov was responsible for IT projects with Deltek Systems Inc., the State contractors based in McLean, USA (1999-2000) and prior to that he worked with UNICON/MS Consulting Group (1995-1999).

Mr Gaponov graduated from the Moscow State Academy of Management in 1997 with a degree in Economics and Mathematics from the Faculty of Economic Cybernetics.

Alexey Ivanov
Vice President, Head of the Siberia Division

Born in 1975.

Mr Ivanov joined Evraz in 2002. Prior to his appointment as Head of the Siberia Division in May 2009, he served as Senior Deputy CFO responsible for supervising Controlling and Treasury functions (2008-2009) and was Director of Controlling through 2002-2009.

Between 1998 and 2002 Mr Ivanov held various positions in Liggett-Ducat where his responsibilities included production, controlling and logistics. He was formerly Head of the Credit Department at Inkombank (1997-1998).

Mr Ivanov graduated from INSEAD in 2002. He holds a degree in Finance from the Financial Academy of the Government of the Russian Federation and has been a member of the Chartered Institute of Management Accountants since 2004. In 2008 Mr Ivanov received a diploma in Human Resources from the Australian Professional Association.

Konstantin Lagutin
Vice President, Head of Iron Ore Division

Born in 1966.

Mr Lagutin joined Evraz in January 2010 having served, during the preceding five years, as an executive director of Belon which, in 2006, was the first coal producer in Russia to go public. During that period Mr Lagutin was responsible for the company's day-to-day operations and key investment projects.

Mr Lagutin was twice awarded the Order of the Honour by the Governor of Kuzbass for his achievements in the region while at Belon.

Prior to this Mr Lagutin held executive positions in the Russian oil and energy sector where his experience encompassed operations management, production, marketing and sales of non-fuel petroleum products.

In 1998-2000 he was General Director of the Ryazan Refinery, in 2000-2001 and 1995-1998 he held various positions at Alfa-Eco and previously served as Head of the Moscow office of Global Natural Resources, Inc.

Mr Lagutin graduated with honours from the Military Institute of the RF Ministry of Defence in 1990. He received an Executive MBA degree from the Fuqua School of Business, Duke University, North Carolina, USA, in 2003.

Natalia Ionova
Vice President, Human Resources

Born in 1966.

Ms Ionova joined Evraz in 2006 as Vice President for Human Resources and is responsible for all issues related to human resources within the Group.

Prior to joining Evraz, Ms Ionova served as Head of Human Resources at NDK Merkury where her responsibilities included analysis of the holding company's personnel structure and the implementation of more effective work systems (2003-2006). Ms Ionova previously held the positions of Deputy Head of Human Resources (1999-2003) and Manager for Human Resources (1997-1999) at NDK Merkury. Between 1995 and 1997 Ms Ionova served as Manager for Human Resources at Russian Gold.

Ms Ionova was voted Russia's Best Human Resources Director at the Aristos Awards 2009.

Ms Ionova graduated from the Management Faculty of the Russian State University of Physical Training, Sports and Tourism in 1987 and holds a Ph.D. in Psychology.

Dmitry Sotnikov
Vice President, Head of the Urals Division

Born in 1979.

Mr Sotnikov joined Evraz in 2002 and, prior to his appointment as Vice President, Head of the Urals Division in May 2009, he held various positions within Evraz.

From January 2009 to May 2009 he was Deputy Vice President, Evraz Steel Divison. Between 2006 and 2009 he served as Director for Project Management, EvrazHolding and before this he was Director for Development, NTMK (2005-2006) and Director for Development, Kachkanarsky GOK "Vanady" (2004-2005). From 2002 to 2004 Mr Sotnikov was Head of Project Financing and Investment Project Analysis at EvrazHolding, Evraz's managing company.

Mr Sotnikov received a degree in Economics from the Moscow State University and the New Economic School in Russia and a Ph.D. in Economics from the Moscow State University.

Daniel Harris
Vice President, Vanadium Assets

Born in 1954.

Mr Harris has held the post of Vice President, Vanadium Assets since 2007 when he joined Evraz following the acquisition of Strategic Minerals Corporation. He was appointed President of Strategic Minerals Corporation in September 2009.

Mr Harris has 32-years' experience in the vanadium sector and was formerly Vice President in charge of operations at Strategic Minerals Corporation, in the US, a position he held since 2002.

Prior to this he served as Vice President and Chief Financial Officer of Strategic Minerals Corporation (2000-2002) and was Managing Director of Vametco Minerals Corporation, the South African subsidiary of Strategic Minerals (1997-2000). Mr Harris also held various management positions during his 16 years at Stratcor's Hot Springs, Arkansas plant, commencing in 1977. These included General Manager for Vanadium Operations, Plant Manager for Hot Springs Operations and Project and Process Engineer for Vanadium Operations.

Mr Harris graduated from the University of Nevada, Mackey School of Mines, with a degree in Chemical Engineering in 1977.

Timur Yanbukhtin
Vice President, Business Development, International Business

Born in 1964.

Mr Yanbukhtin, who was appointed Vice President, Business Development, International Business in October 2009, joined Evraz in 2002. Between 2002 and 2005 he served as Head of Capital Markets at EvrazHolding. Mr Yanbukhtin was appointed Vice President and Head of Corporate Finance in 2005, and Vice President for Strategy and Business Development in 2007. During these years Mr Yanbukhtin was actively involved in various corporate finance transactions including the Company's IPO, Eurobond issues and global M&A activity.

Before joining Evraz Mr Yanbukhtin was Director for Business Development at Yandex (2000-2002) and prior to this he held various positions in Corporate Finance at Pioneer Investments, Salomon Brothers and Alfa Bank.

Mr Yanbukhtin graduated from the Moscow State University in 1986 with a degree in Economics. In 1994 he received a Master's degree in International and Development Economics from Yale University.

Alexey Agoureev
Vice President, Public Relations

Born in 1962.

Mr Agoureev joined Evraz in August 2009 as Group Vice President for Public Relations, responsible for all issues related to the media and public relations. His other responsibilities include liaison with governmental authorities and internal communications throughout the Group.

Prior to joining Evraz, Mr Agoureev held various positions in public relations. From 2003 to 2009 he served as Deputy Director General for PR and Social Affairs at JSC Volga (Balakhna Paper Mill) and as Head of Information Projects at the Ost-West Group.

Between 1984 and 2003 he held various positions in Russia and abroad within the ITAR-TASS News Agency and was appointed Deputy Chief Editor for International Relations in 1999.

Mr Agoureev graduated with honours from the Moscow State Linguistic University in 1984 with a degree in Linguistics.

Igor Markov
Vice President,
Commercial Affairs

Born in 1965.

Mr Markov was appointed Vice President for Commercial Affairs in 2008 responsible for sales and distribution.

Prior to this Mr Markov, who joined EvrazMetal, a predecessor of Evraz Group, in 1995, held various positions within the Company.

Between 2006 and 2008 he served as Procurement Director responsible for the provision of equipment, machinery and raw materials for the Group's plants. During the period 2003-2006 Mr Markov was Head of EvrazResource responsible for the Company's coal business.

Before joining the Group Mr Markov worked at the Kurchatov Institute of Atomic Energy.

Mr Markov graduated from the Moscow Institute of Electronics and Mathematics in 1988.

Senior Management Changes
1 January 2009 – 31 May 2010

Appointments

Alexey Agoureev
Vice President, Public Relations

Giacomo Baizini
Vice President, Corporate Affairs and Chief Financial Officer

Alexey Ivanov
Vice President, Head of the Siberia Division

Alexander Kuznetsov
Vice President, Strategic and Operational Planning

Konstantin Lagutin
Vice President, Head of Iron Ore Division

Dmitry Sotnikov
Vice President, Head of the Urals Division

Pavel Tatyanin
Senior Vice President, Head of International Business

Departures

Natalia Cheltsova
Vice President, Legal Affairs

Maxim Kuznetsov
Vice President, Metallurgical Assets

Giuseppe Mannina
Vice President, International Operations and Logistics

Role of the Board

Through its broad powers and frequent meetings the Board is deeply involved in managerial decision-making procedures. Such involvement covers different areas of Evraz Group's management activities and reporting. Save for matters specifically reserved for the Annual General Meeting (e.g. election of the new Board members, amendments to the Articles of Association, appointment of auditors, etc.) the Articles of Evraz Group S.A. limits the unilateral decision-making of the Company's officers and vests the Board of Directors with ultimate decision-making powers.

The Board is vested with broad powers to effectively oversee the business of Evraz, map out its strategic goals and review management performance. The Board may grant special powers and delegate daily management to the CEO and senior managers of Evraz Group S.A. and/or its subsidiaries and affiliates; in so doing, the Board is responsible for overseeing their performance to ensure that shareholders' interests are met and that Evraz complies with applicable laws and regulations. Transactions valued at more than EUR30 million and related party transactions are within the Board of Director's competence.

The agenda of the Board meeting is determined by the Chairman. Any director may suggest reasonable items to be included in the agenda. The final agenda is sent to the Board members not later than five days prior to the Board meeting.The Secretary to the Board assists in convening Board meetings and general shareholders' meetings and prepares and distributes related papers and the minutes of meetings.

The Board establishes the agenda of the general shareholders' meeting. Any shareholder holding at least five percent of the Company's share capital may suggest to the Board items for inclusion on the agenda of the Annual General Meeting. Such suggestions and proposals should reach the Board at least two months prior to the meeting.

The Board exercises its powers based on the highest corporate governance standards and on what the directors believe to be in the best interests of Evraz and its shareholders to whom it is accountable: discharge of the directors' liability is subject to shareholders' approval each year at the Annual General Meeting. The members of the Board have access to all information necessary for the exercise of their duties.

Members of the Board are elected for a one-year term for an unlimited number of times by a simple majority of shareholders' votes at the Annual General Meeting which is held on 15 May of each calendar year or on the following Monday should 15 May of a particular year fall on a weekend. The practice of Evraz Group S.A. is to have at least three independent directors matching the independence criteria set out by the corporate governance principles applicable to listed companies. The criteria in respect of the independence of the Group's directors can be found on the Company's website under the Policy Governing the Board of Directors.

Any shareholder holding at least five percent of the Company's share capital may propose a candidate or candidates for election to the Board. Such suggestions and proposals should reach the Board at least two months prior to the meeting. The selection of directors is based on the contributions they can make to Evraz's business. Directors should display integrity, represent diverse professional backgrounds and combine a broad spectrum of experience and expertise. Evraz provides new directors with an orientation programme to familiarise them with Evraz's business, strategy, co-directors, managers and other relevant aspects of the Company. The Chairman is responsible for creating a climate of trust within the Board, and ensures that continuing education is available, so that directors can improve and update their knowledge and skills in any area the Board thinks necessary.

The Policy Governing the Board of Directors can be found on the Company's website.

Board Meetings in 2009

Month	Scheduled Board Meetings	Circular Board Meetings
January	January 22	–
February	February 17	–
March	March 24	–
April	April 27	–
May	May 21	May 28
June	–	June 4, June 22
July	July 28	–
August	August 27	August 4, August 11
September	–	September 14
October	October 8	October 28, October 30
November	November 10	November 13
December	December 15	–

Board Meetings' Attendance 2009*

	Meetings Attended
Abramov	10
Arshba	4
Bogolyubov	3
Campbell	10
Delaunois	10
Frolov	10
Pokrovskaya	10
Robinson	10
Shvidler	10
Tenenbaum	9

* Attendance records are not applicable to Circular Board Meetings in view of the fact that, under Luxembourg law, a director is required to sign the protocol even if he/she did not participate in such a meeting

Directors' Interests

Mr Alexander Abramov, Chairman of Evraz Group, has a 24.15% beneficial interest in the Company and Mr Alexander Frolov, Chief Executive of Evraz Group, has a 12.05% beneficial interest in the Company. Mr Shvidler, a non-executive director, has a beneficial interest in approximately 3.43% of the Company's outstanding shares.

Board and Management Remuneration

The Company's remuneration policy in respect of the Board of Directors is based on the following principles: the Chairman of the Remuneration Committee proposes the level of fees at a meeting of the Committee and, subject to approval, the proposal is put forward for the Board to consider. Subject to Board approval the proposed fees are put to shareholders at the AGM for final approval. Apart from an increase in the fee for the chairmanship of the Audit Committee, there has been no revision of fees since 2005.

Independent directors serve on the Board pursuant to agreements. These agreements have a one-year term and provide for identical levels of remuneration and the reimbursement of certain expenses.

A director's remuneration consists of an annual salary of US$150,000 and a payment for committee membership (US$24,000) or chairmanship (US$100,000 in respect of the Audit Committee chairmanship and US$50,000 for the chairmanship of other committees). The fees payable for the chairmanship of a committee exclude the right to claim the membership fee, and any director elected chairman of more than one committee is only entitled to receive fees in respect of one chairmanship. Mr Arshba, as a member of the Russian Parliament, is not entitled to any remuneration.

The Chairman of the Board and the CEO are also entitled to a performance-related bonus, which is paid at the sole discretion of the Board and is linked to the key performance indicators.

Mr Alexander Frolov, as the Chief Executive Officer and Member of the Board of Directors, is entitled to the following remuneration: 1) the director's fee as stated above plus any applicable fees for participation in the work of the Board committees; 2) a bonus subject to the discretion of the Remuneration Committee of the Company and approval by the Board of Directors of the Company. The bonus is subject to the achievement of a performance condition based on the target value figures set out by the Board of Directors.

Mr Arshba, as a member of the Russian Parliament, is not entitled to any remuneration.

The remuneration of Evraz Group's senior management consists of:

- a fixed base salary according to the unified scale, with grades defined for all job categories;

- a variable performance-based bonus.

Annual management bonuses are based on Key Performance Indicators and targets which are defined at the beginning of each year. Some of these targets and indicators may be linked to a measure of team or corporate performance, as well as individual performance, depending upon the employee's position. Targets are reviewed by a senior management committee to ensure equity and alignment with corporate objectives. Exceptional performance against goals can result in the actual bonus exceeding 100% of the target bonus. Unsatisfactory performance in relation to any particular goal can result in no bonus being paid in respect of that goal. Bonuses are calculated and paid each calendar year following finalisation of the previous year's financial statements depending on the Company's annual results.

The Company is not currently operating any valid stock option plans. The Company's former employee stock option plans comprised:

1) the 2005 Programme valid 2005-2009 (56 participants); and

2) the 2006 Programme valid 2006-2009 (60 participants).

Participants in the stock option programmes included directors and senior employees who, at the time of allotment, had worked at Evraz Group for more than a year. (For further details See Note 24 to the FS.)

Share Ownership by Senior Management

As of 1 April 2010, the following senior managers had beneficial interests in Evraz stock held as GDRs*:

Name	Total holding, GDRs
Leonid Kachur	915,450
Pavel Tatyanin	89,475
Timur Yanbukhtin	42,300

* Including GDRs awarded under the Company's stock option plans

Key management personnel* totalled 58, 60 and 48 persons as of 31 December 2009, 2008 and 2007 respectively. Total remuneration received by these individuals consisted of the following:

US$ million	2009	2008	2007
Salary	**$ 18**	$ 22	$ 25
Performance bonuses	**10**	29	20
Social security taxes	**1**	1	1
Share-based payments	**3**	18	3
Termination benefits	**–**	–	10
Other benefits	**1**	1	–
	$ 33	$ 71	$ 59

* Key management personnel include the following positions within the Group:
- directors of Evraz Group S.A.,
- top managers of major subsidiaries

Out of this amount the Board of Directors remuneration in relation to performing the Board of Directors responsibilities did not exceed US$3 million in 2007-2009.

The CEO of Evraz Group is not granted any specific non-material remuneration.

For more information regarding remuneration please see the Company's Management Remuneration Policy.

Committees

In 2009, the Board had the following standing committees: the Remuneration Committee, the Audit Committee and the Strategy Committee.

Board Committee Reports

Audit Committee

(As of 31 January 2010)
The Audit Committee report to the shareholders of Evraz Group S.A. encompasses the committee's activities from the date of the last report as of 6 April 2009 to 31 January 2010.

As stated in the aforementioned report of 6 April 2009, Evraz Group's internal controls have demonstrated significant resilience and reliability, notwithstanding the severity of the global recession, the respective impacts on financial and commercial markets and the consequent challenges experienced by the Company, albeit in common with other constituents of the metals and mining sector. The relatively sedate pace of economic recovery serves to underline the ongoing importance of dependable business and financial controls and timely reporting and forecasting procedures in order to underwrite effective risk management.

Against this background, the Audit Committee has maintained its vigilance in exercising its oversight role in respect of financial reporting, internal controls and risk management.

In performing this duty, the committee has been assisted by the competence of the restructured management team, the financial management team and the internal audit department.

Role of the Committee

The Board has delegated to the committee the responsibility for oversight of Evraz Group's financial and operational internal controls and the Group's financial statements.

In relation to these responsibilities the committee has:

- Reviewed its Board mandate and the Internal Audit Charter. (The Company's Internal Audit Charter can be found on the Company's website.)

- Reviewed the form, content and integrity of the Company's and Group's published financial statements;

- Monitored and reviewed arrangements to ensure the objectivity, scope and effectiveness of both the external and internal audit functions;

- Established the terms of reference of the Group's Risk Committee, an executive committee composed of the Group's senior functional and operational executives, including the Group Chief Executive, and co-opted the Chairman of the Audit Committee as Chairman of the Group's Risk Committee. John Heywood, a member of the Audit Committee, has also been co-opted to the Group's Risk Committee.

Composition of the Committee

The composition of the Audit Committee during the period was:

- Terry Robinson (Chairman), a financially qualified independent non-executive director;

- Olga Pokrovskaya, a financially qualified non-executive director;

- John Heywood, a financially qualified, Board-nominated (not being a director of Evraz) member of the Committee. In addition to the Audit Committee papers, Mr Heywood receives copies of all Board minutes and has access to all Board papers.

Alexey Melnikov, Head of the Group's internal audit, served as the Committee's Secretary.

The composition of the Audit Committee is not compliant with the Combined Code in that membership of the committee is not drawn wholly from the Board's resource of independent non-executive directors. The Board continues to ensure the Audit Committee's independence through a rigorous regard of the committee's mandate and its independent authority.

Report of the Committee's Activities in 2009

Meetings and attendance: six meetings of the Audit Committee, attended by all members, were held during the 10-month period.

The external auditor, Ernst and Young, the internal auditors and the Group's Senior Vice President and Chief Financial Officer, and additionally on his appointment as Senior Vice

President, Head of International Business, attended all six regular meetings. Post his appointment, the Vice President, Corporate Affairs and Chief Financial Officer attended two meetings. At various additional meetings the committee received presentations from the Head of Accounting and Reporting, senior members of the Group's finance team and the Director of Investor Relations.

Principal activities and issues considered during the period from 6 April 2009 to 31 January 2010 were:

• Review of the 2008 Financial Statements, the Management Report, the preliminary results press and stock exchange release and the analysts' presentation.

• Review of the external auditor's management letter following their full year 2008 audit, together with the Company's management response and intended action.

• Review of the interim financial results and the interim results statement and analysts' business and financial presentation together with the associated presentations as with the annual financial statements referred to above.

• Review of the methodology and result of the Property, Plant and Equipment revaluation.

• In connection with the review of the 2008 full year and 2009 interim accounts, the committee carefully enquired as to related party transactions. With the exception of raw material purchases from an associate enterprise, Raspadskaya, and Yuzhny GOK, a Ukraine iron ore producer enterprise in which Lanebrook holds a 46% beneficial interest but does not have management control; a transaction fee related to the acquisition of the Ukraine Steel and Iron Ore interests, approved by the independent non-executive directors, and the sale agent fees of a minority shareholder in Stratcor, other related party transactions are minimal.

• Reviewed internal audit reports, discussed deficiencies and agreed management action and corrective action timelines.

• Review of the Group's incidence of fraud and activity in hand to manage and reduce such future incidence. Instigated a Group Fraud and Security Committee with agreed terms of reference.

• Reviewed the follow-up actions consequential from matters raised via the Group's 'whistleblowing' facilities.

• Reviewed the manpower resource and organisation of the Group's internal audit function.

In addition, the Audit Committee reviewed and discussed all the programmed internal audit reports concerned with the business and financial internal controls and processes together with initial reviews of the functional internal controls in respect of the acquired subsidiaries.

The committee has met with the external auditors, Evraz's management and with the internal audit team separately for individual discussions.

Non-Audit Services
As reported in previous years, the Group engages accountancy firms for due diligence work in connection with acquisitions and listing documentation and for tax advice. Where such services are provided by the external auditors, the committee has agreed fee limits with management in respect of non-audit services. When these limits have been exceeded, prior approval to such engagements, together with fee mandates, have been requested by management and approved on proper enquiry by the Audit Committee.

In the year to 31 December 2009, the interim review and year-end audit fees totalled US$6,926,861; other audit-related services amounted to US$374,276, while non-audit fees were US$123,296.

Audit Committee Self-Assessment
The Audit Committee undertook a self-assessment of its own activity and conducted assessments with the external auditors, the internal audit function and with Evraz's management.

For more information on the Audit Committee and Audit Committee's activities please visit the Company's website.

Remuneration Committee

(As of 31 December 2009)

More detailed information on the remuneration policy and the Committee's duties and responsibilities can be found on the Company's website.

Articles of Association as of 31 July 2009:	article 10
Corporate Governance Code:	article 6.5
Policy Governing the Board of Directors:	article 6 and 7
Management Remuneration Policy	

In 2009, the Remuneration Committee consisted of the following members:

- Philippe Delaunois, Chairman of the Committee, Independent non-executive director;
- James W. Campbell, Independent non-executive director;
- Eugene Tenenbaum, Non-executive director;
- Alexander Abramov, Chairman of the Board;
- Natalia Ionova, Vice President, Human Resources.
- Alexander Frolov, CEO, attends the meetings.
- Dmitry Melnikov, Secretary to the Board, acts as Secretary to the Committee.

The principal objectives are to attract, retain and motivate high quality senior management with a competitive package of incentives and awards linked to performance and the interests of shareholders. The committee seeks to ensure that management is rewarded fairly, taking into account all elements of the remuneration package and in the light of the Group's performance.

The Remuneration Committee met five times in 2009.

The committee approved some changes at the CEO-1 level.

Given the economic situation that the Company faced in 2009, the committee decided to offer participants of the 2007 stock option programme a cash compensation spread over the following three years instead of vesting them the shares in the Company (represented by GDRs).

The committee decided on the bonuses of the CEO-1 level for the year 2008, as well as the bonuses for the CEO.

With regard to the remuneration of the independent directors, the Chairman of the Board is responsible and makes recommendations as to the amount of such remuneration to shareholders at the Annual General Meeting.

The Remuneration Committee, which usually meets before a Board meeting, always presents its conclusion to the Board for final approval.

Strategy Committee

In 2009, the Strategy Committee consisted of the following members:

- James W. Campbell, Chairman of the Committee;
- Terry Robinson, Independent director;
- Pavel Tatyanin, Senior Vice President, Head of International Business;
- Timur Yanbukhtin, Vice President, Business Development, International Business.

During a year when the Group was intent on deleveraging and reinforcing its balance sheet, the Committee's functions effectively mirrored the Board's focus on financial management, particularly with regard to debt refinancing, working capital reductions and investments designed to enhance returns from existing production systems.

It is pleasing to note that, notwithstanding the rigorous financial constraints, the Board approved significant investments in new capital projects with a view to the Group fully capitalising, in the long term, on the prospective growth of certain market sectors.

The Strategy Committee meetings were basically integrated with the meetings of the Board of Directors.

For more information on the Strategy Committee please visit the Company's website.

Risk Management

The Group's business and operations are exposed to various business risks. While a number of these risks are operational or procedural in nature, several of these risks are inherent in the character and jurisdiction of the Group's international business activities, while others relate to changes in the global economy and are largely outside management's control.

With regard to risk management disciplines, the Group's executives seek to ensure management awareness and appropriate risk mitigation planning and actions, defined and monitored within an enterprise risk management process (ERM). As a structured and coordinated Group-wide governance approach, the Group's executives have created an ERM process designed to identify, quantify, respond to and monitor the consequences of an executive agreed risk schedule that encompasses both internal and external critical risks. This process is consistent with the listing rules published by the UK Financial Services Authority and is based on the Turnbull Guidance on Internal Control.

The ERM process is fully supported by Evraz Group's Board, the Audit Committee and executive management.

Senior management, tasked with the development of the ERM process, identified key risk elements and, in order to further risk management accountability, assigned ownership of the relevant risk areas to senior managers according to their designated functions.

As a result of the ERM process, a Risk Committee, under the chairmanship of the Audit Committee Chairman and including within its membership the Group CEO and Vice Presidents, is established and mandated to have oversight of the Group's risk profile and supervise the entire risk management process including response procedures.

During 2009, the Risk Committee reviewed and updated the Group's risk matrix with related risk mitigating actions. The Group's executive management is charged with embedding the agreed internal controls and mitigating actions throughout the entirety of the Group's business and operations and through all levels of management and supervisory personnel. Such practices serve to encourage a risk conscious business culture.

The Risk Committee and the Audit Committee share a common goal of codifying a Group-wide set of risk management and internal control policies and procedures.

We apply the following core principles to the identification, monitoring and management of risk throughout the organisation:

- Risks are identified, documented, assessed, monitored, tested and the risk profile communicated to the relevant risk management team on a regular basis;

- Business management and the risk management team are primarily responsible for ERM and accountable for all risks assumed in their operations;

- The Board, the Audit Committee and the Risk Committee have an oversight role to determine that appropriate risk management processes are in place and that these processes are adequate and effective;

- The Board is responsible for assessing the optimum balance of risk through the alignment of business strategy and risk tolerance on an enterprise-wide basis.

In 2009, principal risks and uncertainties facing the Group were:

i) External compliance

a. Borrowing covenants

Compliance with financial covenants in respect of loans and borrowings were at risk as a result of the market downturn. The Group effectively mitigated such risk through its financial planning process. At the year end 2009 management had successfully reset certain of the Group's borrowing covenants with its lenders and bondholders.

b. Fiscal

The tax compliance and tax management process in each of the tax jurisdictions within which the Group conducts its business or has any potential exposure is controlled to ensure that the Group, with the assistance of its own inhouse tax advisers and, where appropriate, with external advice, is in full compliance with the taxation submissions and returns demanded by the taxation legislation and legal precedents in the various pertinent tax jurisdictions. The Group mitigates such risk by maintaining comprehensive tax registers detailing tax liabilities, timelines and tax risks and with a process active management and technical review.

c. Reporting timelines

Statutory Financial Statements and Tax reporting. The risk of failure with regard to these processes is managed through careful planning in respect of each reporting project, daily monitoring of the actual closing process by management, and timely concentration of available resources on areas where issues are anticipated.

ii) Reputation

Risk of loss of business and trading reputation.

The Group pro-actively addressed and managed situations which directly and indirectly related to its reputation.

iii) Operational

a. Risk of plant and equipment stoppages and downtime

i. The Group is focused on standardisation, streamlining and automation of the production processes. The Group has developed a critical incident response process.

ii. The Group continues to improve its operational motivation system, the emphasis being on safe production, the reduction of stoppage incidents and downtime, and the on-going training of personnel in emergency response.

iii. The Group has improved equipment maintenance procedures through the acceleration of repair schedules. Planned investment in the replacement of non-optimal production equipment has been effected on the basis of best industry practice.

iv. The Group has specific and various disaster recovery and business continuity plans in position or in formulation.

b. Environment

Environmental risks expose companies to potentially significant obligations. The exposure is twofold: (1) obligation to third parties for bodily injury or property damage caused by pollution and (2) obligation to governments or third parties for the cost of removing pollutants together with severe punitive damages. The Group mitigates these risks through the provision of all essential regulatory documentation and compliance with all operating permissions in respect of all environmental impact activities in 2010 and beyond, regulatory standards for air pollutant emissions, regulatory standards for water pollutant dumping and fixed limits for waste disposal.

c. Security and fraud

Risk of management fraud, employee fraud, and illegal and unauthorised acts, any or all of which could lead to reputation degradation in the marketplace, loss of assets and/or financial losses. Security function is responsible for the prevention and detection of illegal actions and filing confirmed cases with the law enforcement authorities. Fraud risk factors and causes are communicated to functional management for corrective and preventive control measures.

iv) Liquidity

Risk that the Group fails to generate from trading or externally secure, on acceptable business terms, adequate liquidity to meet its financial obligations or business needs consistent with the Group's overall commercial objectives.

The Group mitigates this risk through its financial planning process to ensure sufficient and appropriate liquidity and/or funding for its operating and investing activities.

v) Market Volatility

a. Competitor actions. Risk that major competitors or new entrants to the market take actions to establish and sustain competitive advantage over the Group or threaten its ability to survive.

b. Industry cyclicality. Risk that the industry will lose its attractions due to changes in the key factors for competitive success within the industry, the capabilities of existing and potential competitors and the Group's strengths and weaknesses relative to competitors.

The Group mitigated this risk through enhanced strategic planning which drew on information and analytical support with regard to strategic goals, marketing, peer group analysis, SWOT and a portfolio of strategic initiatives.

vi) Cost competitiveness

Risk that increases in the costs of raw materials, labour transportation and energy will prevent the Group from realising its competitive advantage.

The Group managed this risk through the development and implementation of the energy savings programme, further vertical integration investment in relation to its raw material inputs, monitoring the effectiveness of the purchasing process, reviewing the maintenance and performance metrics of key production, plant and equipment, recycling waste materials, an on-going review and renegotiation of transport tariffs and improved productivity initiatives supported by appropriate investment.

vii) Human Resources

Risk of ineffective leadership with the result that managers and employees receive inadequate or inappropriate directives as to the scope of their individual responsibilities and/or business aims and do not receive the appropriate training or resources necessary to make effective decisions in a required manner.

a. Leadership risk. The Group mitigated this risk through improvement of communication practices, enhancement of the corporate culture in accordance with the Group's codes of conduct and ethics and development of the motivation system through the provision of proper training and succession planning.

b. Excessive headcount and low productivity. The Group mitigated this risk through initiatives designed to reduce the cost of labour per unit of production, including personnel motivation, lean management, technological improvement and a reduction in lost working hours.

c. Industrial relations. Despite the availability of various forms of social partnership and a relatively stable enterprise climate, the potential for tension within labour groups exists. Constraints associated with the Group's financial position in 2009 served to limit the provision of social support to employees. The Group mitigated this risk through the introduction of social programmes which demonstrated the financial contributions made by the Group as a socially responsible employer, participation in industry associations in order to ensure effective internal and external communication and the promotion of employer's interests and by concluding collective bargaining agreements with various trade unions.

viii) Political

The risk of adverse consequences from specific or general political actions in a country in which the Group has a significant business investment and/or has a significant volume of business, or where the Group has entered into an agreement with a counterparty subject to the laws of that country. The Group conducts its business with a proper understanding of the various national political environments and considers this risk to be low.

Internal Control

Consistent with its governance policies, the Group continues to improve the process through which the effectiveness of its internal control system can be regularly reviewed as required by provision C.2.1 of the UK Corporate Governance Code (former Combined Code).

Evraz's Head of Internal Audit has attended all the meetings of the Audit Committee and addressed any reported deficiencies in internal control as required by the Audit Committee. The Audit Committee engaged with executive management during the year to monitor the effectiveness of internal control. Deficiencies that occurred and management's response to deficiencies were considered by the Audit Committee during the year, together with agreement regarding follow up response and action in respect of critical internal control deficiencies.

The annual internal audit programme is predominately risk-based and in 2009 incorporated particular assignments and priorities agreed by the Audit Committee. Further, the scope of the 2009 annual internal audit included a review of the internal control systems of newly acquired subsidiaries as considered appropriate for effective risk management.

The Company's internal audit is structured on a regional basis, reflecting the developing geographic diversity of the Group's operations. In the light of this the head office internal audit function has furthered implementation of common internal audit practices throughout the Group. During 2009 the internal audit function worked in close cooperation with Ernst & Young, Evraz's external auditor, on a joint review of internal controls and an appraisement of the general competence, independence and professional objectivity of the Group's internal audit resource.

For more information on the Company's Internal Control processes please visit the Company's website.

Shareholder Information

Share Capital

Evraz has an authorised capital of €514,408,652 represented by 257,204,326 shares of €2 each.

The Company's subscribed share capital is fixed at €291,914,242 represented by 145,957,121 ordinary shares with a nominal value of €2 each.

All shares have the same rights and are equal. The Company, as of 31 December 2009, does not have any other class of shares, either authorised or outstanding, nor are any of the Company's shares party to any cross shareholding arrangements. The Company held no Treasury shares as of 31 December 2009.

Global Depositary Receipts (GDRs), valued on the basis of one GDR equating to one third of one ordinary share, are listed on the London Stock Exchange. GDRs, as of 31 December 2009, represented 28.76% of the Company's issued share capital.

In 2009, the Company issued convertible bonds. Evraz's controlling shareholder Lanebrook (together with an affiliate) subscribed for US$200 million of convertible bonds. The remaining bonds were acquired by more than 100 international investors. The bonds can be converted into the Company's global depositary receipts (GDRs) at the option of bondholders with effect from 11 September 2009 until 6 July 2014.

Shareholder Structure

Shareholder	% of shares (as of 31 December 2009)
Lanebrook Limited	71.24%
BNY (Nominees) Limited*,	28.76%**
including shares owned by Lanebrook Limited in the form of GDRs	1.15%
TOTAL (145,957,121 shares)	**100%**

* The Bank of New York Mellon serves as Depositary for the Company's GDR programme
** One share is represented by three GDRs

Major Shareholders

Lanebrook Limited has informed the Company that Lanebrook is controlled by Greenleas International Holdings Limited and Crosland Global Limited. Mr Alexander Abramov, Evraz's Chairman of the Board of Directors, has a beneficial interest in 66.7% of Crosland Global Limited (which represents a 24.15% beneficial interest in the Company) and Mr Alexander Frolov, Evraz's Chief Executive Officer and member of the Board of Directors, has a beneficial interest in 33.3% of Crosland Global Limited (which represents a 12.05% beneficial interest in the Company). Crosland Global Limited has a beneficial interest in 50% of Lanebrook (which represents a 36.20% beneficial interest in the Company). Mr Shvidler, a non-executive director, has a beneficial interest in approximately 3.43% of the outstanding shares of Evraz through an indirect interest in Lanebrook.

None of the Company's current shareholders has voting rights which differ from those of any other holders of the Company's shares.

Changes to Evraz Group's Issued Share Capital

Date	Issued shares	Total number of shares	Notes
31 December 2005		**116,904,326**	
	595,280	117,499,606	Employee stock option plan
31 December 2006		**117,499,606**	
	810,047	118,309,653	Employee stock option plan
31 December 2007		**118,309,653**	
9 September 2008	4,195,150	122,504,803	Acquisition of Ukrainian assets
31 December 2008		**122,504,803**	
January 2009	9,755,347	132,260,150	Partial scrip (2008 interim) dividend
July 2009	6,363,638	138,623,788	Equity offering (incl. over-allotment)
12 August 2009	7,333,333	145,957,121	In favour of Lanebrook (under equity and convertible bond offerings)
31 December 2009		**145,957,121**	

GDRs Performance in 2009

Evraz's GDR price rose steadily during 2009 and touched a 12-month high of US$32.15 before ending the year at US$28.25, +228% compared with 2008's close of US$8.60, thereby outperforming the majority of both its peers and respective markets.

This performance reflected the upturn in equity and commodity markets with second half strength benefiting from the improved outlook for global commodity demand.

Price Growth vs. Market

Since last year's close	%
Evraz	+ 228
Indexes	
RTS Index	+ 129
MICEX Index	+ 121
BE500 Steel Index	+ 74
Russian Steel Peers	
Mechel	+ 371
Severstal	+ 247
NLMK	+ 201

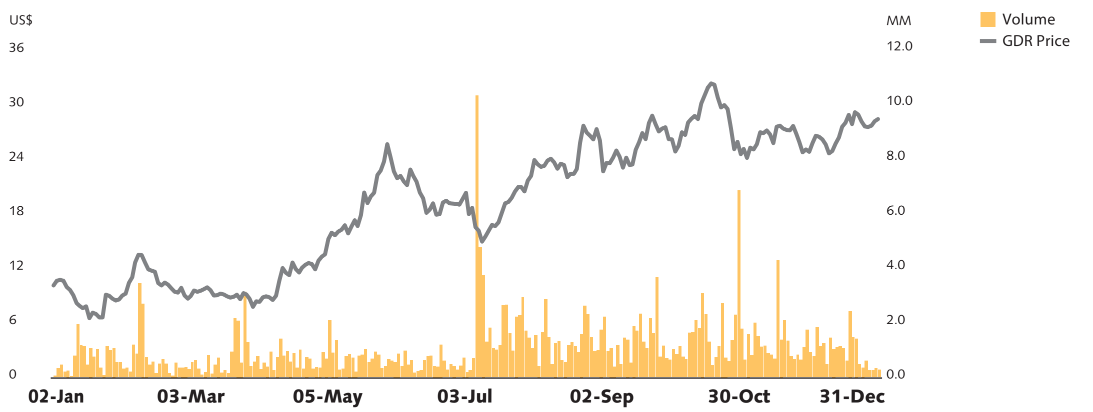
Evraz GDR Listing

Bloomberg Ticker	EVR LI	
Reuters Ticker	EVR-LN	
LSE Ticker	EVR	
	2009	**2008**
GDR Price		
At Year End (US$)	28.25	8.60
Low (US$)	6.40	3.90
High (US$)	32.15	114.09
Daily Average Volume (000s)	1,061.0	883
Total GDRs Outstanding (MM)	437.9	367.5
Market Cap. at Year End (US$ MM)	12,369.9	3,160.6

Evraz Credit Rating

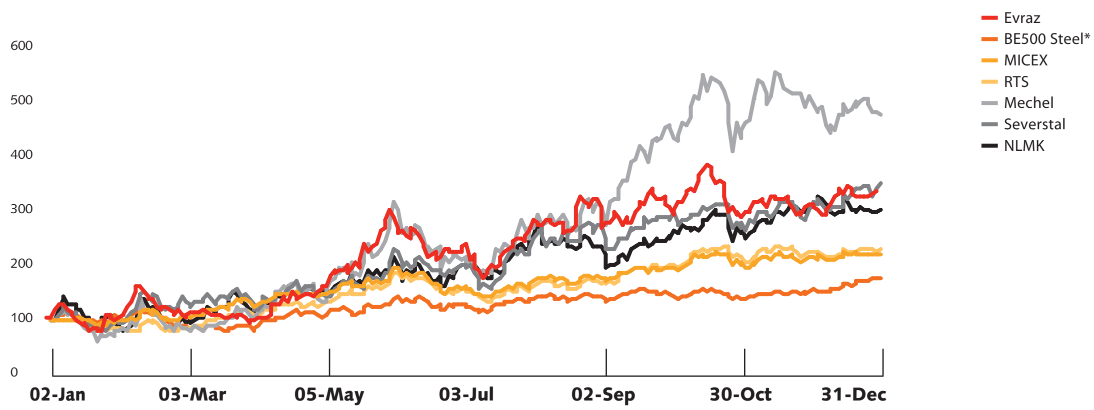
Rating Agency	Outlook	Type	Rating as of 31 May 2009
Moody's		Outlook	Stable
	Stable	Long-Term Rating	B1
	Stable	Senior Unsecured Debt	B2
		Probability of Default	B1
Standard & Poor's		LT Foreign Issuer Credit	B
	Stable	LT Local Issuer Credit	B
Fitch	Watch Negative	LT Issuer Default Rating	B+
	Watch Negative	Senior Unsecured Debt	B+
		ST Issuer Default Rating	B

GDR Price on LSE in 2009



Relative Price Performance vs. Peers and Indexes

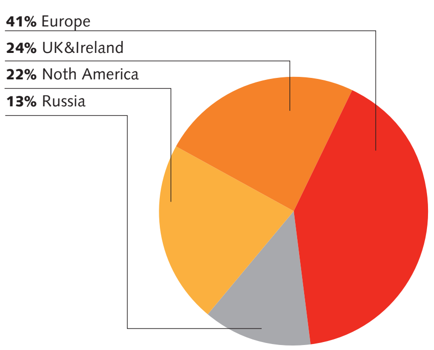
Rebased to 100



* The Bloomberg Europe Steel Index (BE500 Steel) includes all steel companies in the Bloomberg Europe 500 Index

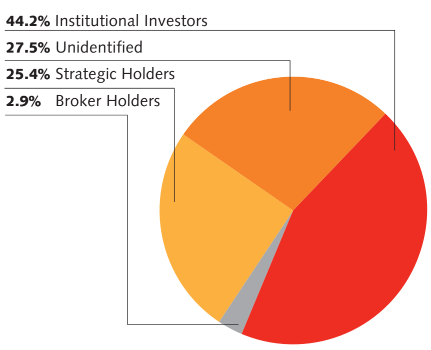
Institutional GDR Holders – Geographic Distribution

(As at January 2010)



GDR Holders by Type

(As at January 2010)



VI

Annual General Meeting

The annual shareholders meetings are held in Luxembourg on the date set by the Articles of Association of Evraz Group S.A. Currently, the date is 15 May. If the day is a legal holiday, the annual general meeting will be held on the next following business day. All other general shareholders meetings are deemed to be extraordinary shareholders meetings. The extraordinary shareholders meetings can be convened by the Board on dates other than the annual shareholders meeting as often as the Board deems necessary, and/or determined by business needs. In addition, one or more shareholders jointly holding at least five percent of the share capital may request that a general shareholders meeting be convened.

The Policy governing the Annual General Meeting can be found on the Company's website.

In 2009, two extraordinary general meetings were held. The EGM convened on 30 January 2009 approved the modification of the method of payment of the 2008 interim dividends, proposed by the Board of Directors in December 2008. Following the EGM decision, 9,755,347 new shares were issued in favour of those shareholders who supported 2008's partial scrip interim dividend.

Following the successful placement by Evraz Group of convertible bonds and shares, the extraordinary general meeting of Evraz's shareholders held on 31 July 2009 resolved, among other issues, to increase the authorised share capital of Evraz Group S.A. to €514,408,652, represented by 257,204,326 shares of €2.0 each, from €314,408,652.

The 2009 AGM was held on 17 May 2010. All resolutions were accepted. Shareholders approved the Directors' Report and the consolidated financial statements for the year ending 31 December 2009, the new composition of the Board of Directors, determined the level of the directors' and CEO's remuneration and re-appointed Ernst & Young as Evraz's external auditor.

The Company and shareholders express their gratitude to non-executive independent directors Mr Delaunois and Mr Campbell for their valuable contribution to the Company's development.

Copies of the AGM documents are available to download from the corporate website.

Dividend Information

In December 2008 the Board of Directors approved changes in Evraz's dividend policy. Evraz announced that, beginning with the final dividend for 2008, dividend payments would not exceed 25% of its consolidated net income, as calculated under IFRS. Since the Company's initial public offering in June 2005, the Company's dividend policy had been to pay no less than 25% of its consolidated net income through the cycle. The change reflects the Company's intention to ensure prudent cash management in the current challenging market environment.

The Company did not recommend any dividends in respect of the year to 31 December 2009. Future dividends will depend on the Company's performance, the deleveraging process and the pace of market recovery.

2010 Investor Calendar

15 January	Publication of 4th Quarter 2009 and Full Year 2009 Operational Results
27-28 January	Deutsche Bank 8th Annual Russia One-on-One Conference, London
3-5 February	Troika Dialog: The Russia Forum 2010, Moscow
25-26 February	Morgan Stanley Basic Materials Conference, New York
31 March	Publication of 2009 Financial Results; Investor/Analyst Conference Call
April	Non-Deal Roadshow, Europe and the USA
14-17 April	Raiffeisen Institutional Investors Conference, Zuers
15 April	Publication of 1st Quarter 2009 Operational Results
21-22 April	ING Metals and Mining Forum, London
26-27 April	Morgan Stanley EMEA Conference, London
28-29 April	Morgan Stanley EMEA Conference, New York
11-13 May	Merrill Lynch Global Metals & Mining Conference, Miami
17 May	Annual General Meeting of Shareholders, Luxembourg
17 May	Publication of 1st Quarter 2010 Trading Update
24 May	Barclays Capital Emerging Markets Credit Conference
25 May	Uralsib Capital Metals and Mining Mini-conference, London
10 June	BCP Securities Annual Investor Conference, Moscow
28-30 June	Renaissance Capital 14th Annual Investor Conference, Moscow
15 July	Publication of 2nd Quarter 2010 Operational Results
2 September	Publication of 1st Half 2010 Financial Results
September	Non-Deal Roadshow, Europe and the USA
8-9 September	HSBC's 10th Annual CEEMEA Investor Forum, London
13-14 September	Unicredit EMEA Conference, London
15-17 September	Deutsche Bank Global Equity Markets Conference, New York
22-23 September	Credit Suisse Steel & Mining Conference, London
15 October	Publication of 3rd Quarter 2010 Operational Results
15 November	Publication of 3rd Quarter 2010 Trading Update
29 November-1 December	Goldman Sachs EEMEA Conference, London

VII. Management Report and Financial Statements

Management Report

Responsibility Statement of the Directors in Respect of the Annual Report and the Financial Statements

We confirm that to the best of our knowledge:

- the consolidated financial statements of Evraz Group S.A., prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of Evraz Group S.A. and the undertakings included in the consolidation taken as a whole (the "Group");

- the management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Alexander Frolov
Chief Executive Officer
Evraz Group S.A.

21 April 2010

Selected Consolidated Financial Information

The selected consolidated financial information set forth below shows historical consolidated financial information and other operating information of Evraz Group S.A. as of December 31, 2009 and 2008 and for the years then ended. The selected consolidated financial information has been extracted without material adjustment from, and should be read in conjunction with, the consolidated financial statements for the year ended December 31, 2009, prepared in accordance with IFRS. The amounts shown here do not correspond to the 2008 financial statements and reflect adjustments made in connection with the completion of initial accounting (Note 4 to the 2009 consolidated financial statements). The selected consolidated financial information should also be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

Evraz's operating results for the periods presented were affected by the Company's acquisitions and disposals of assets. The operating results of businesses acquired are, in the majority of instances, included in Evraz's consolidated financial statements for the periods post the respective dates of acquisition.

***US$ million,* except for WANOS and per share data**	**Year ended December 31,**	
	2009	**2008**
CONSOLIDATED INCOME STATEMENT DATA		
Revenues	9,772	20,380
Cost of revenues	(8,756)	(13,463)
Gross profit	**1,016**	**6,917**
Selling and distribution expenses	(623)	(856)
General and administration expenses	(645)	(895)
Other operating expenses, net	(795)	(1,534)
Profit from operations	**(1,047)**	**3,632**
Non-operating income and expense, net	(553)	(581)
Profit before tax	**(1,600)**	**3,051**
Income tax expense	339	(1,192)
Net profit	**(1,261)**	**1,859**
Net profit attributable to equity holders of the parent entity	**(1,251)**	**1,797**
Net profit attributable to minority interests	(10)	62
Net income per share	(9.30)	14.55
Weighted average number of ordinary shares outstanding	134,457,386	123,495,726
Steel segment income statement data		
Revenues[(1)]	8,978	17,925
Cost of revenues[(1)]	(8,122)	(12,662)
Gross profit	856	5,263
Selling and distribution expenses	(617)	(777)
General and administration expenses	(372)	(472)
Other operating (expenses) income, net	(707)	(1,268)
Profit from operations	**(840)**	**2,746**
Vanadium segment income statement data		
Revenues[(1)]	363	1,206
Cost of revenues[(1)]	(362)	(922)
Gross profit	1	284
Selling and distribution expenses	(20)	(82)
General and administration expenses	(25)	(33)
Other operating expenses, net	(4)	1
Profit from operations	**(48)**	**170**
Mining segment income statement data		
Revenues[(1)]	1,456	3,634
Cost of revenues[(1)]	(1,368)	(2,387)
Gross profit	88	1,247
Selling and distribution expenses	(59)	(40)
General and administration expenses	(90)	(138)
Other operating expenses, net	(153)	(98)
Profit from operations	**(214)**	**971**

US$ million, except for WANOS and per share data	Year ended December 31,	
	2009	2008
Other operations income statement data		
Revenues[1]	765	1,022
Cost of revenues[1]	(552)	(749)
Gross profit	213	273
Selling and distribution expenses	(80)	(119)
General and administration expenses	(27)	(44)
Other operating expenses, net	(29)	(27)
Profit from operations	**77**	**83**
CONSOLIDATED BALANCE SHEET DATA (at period end)		
Total assets	23,424	19,451
Equity attributable to equity holders of the parent entity	10,284	4,672
Minority interests	324	245
Long term debt, net of current portion	5,931	6,064
CONSOLIDATED CASH FLOWS DATA		
Net cash flows from operating activities	1,700	4,563
Net cash flows from (used in) investing activities	183	(3,736)
Net cash flows from (used in) financing activities	(2,149)	(127)
OTHER MEASURES		
Consolidated Adjusted EBITDA[2]	1,237	6,215
Steel segment Adjusted EBITDA[2]	903	4,671
Vanadium segment Adjusted EBITDA[2]	10	200
Mining segment Adjusted EBITDA[2]	279	1,395
Other operations Adjusted EBITDA[2]	167	150
Net Debt[3]	7,226	9,031

Notes:
(1) Segment revenues and cost of revenues include inter-segment sales and purchases.
(2) Adjusted EBITDA represents profit from operations plus depreciation, depletion and amortisation, impairment of assets, loss (gain) on disposal of property, plant and equipment, foreign exchange loss (gain) and revaluation deficit. Evraz presents Adjusted EBITDA because Evraz considers Adjusted EBITDA to be an important supplemental measure of its operating performance and Evraz believes Adjusted EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the same industry. Adjusted EBITDA is not a measure of financial performance under IFRS and it should not be considered as an alternative to net profit as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Evraz's calculation of Adjusted EBITDA may be different from the calculation used by other companies and therefore comparability may be limited. Adjusted EBITDA has limitations as an analytical tool and potential investors should not consider it in isolation, or as a substitute for analysis of our operating results as reported under IFRS. Some of these limitations include:

- Adjusted EBITDA does not reflect the impact of financing or financing costs on Evraz's operating performance, which can be significant and could further increase if Evraz were to incur more debt.
- Adjusted EBITDA does not reflect the impact of income taxes on Evraz's operating performance.
- Adjusted EBITDA does not reflect the impact of depreciation, depletion and amortisation on Evraz's operating performance. The assets of Evraz's businesses which are being depreciated and/or amortised will have to be replaced in the future and such depreciation and amortisation expense may approximate the cost to replace these assets in the future. Adjusted EBITDA, due to the exclusion of this expense, does not reflect Evraz's future cash requirements for these replacements. Adjusted EBITDA also does not reflect the impact of a loss on disposal of property, plant and equipment.

Reconciliation of Adjusted EBITDA to profit (loss) from operations is as follows:

US$ million	Year ended December 31,	
	2009	2008
Consolidated Adjusted EBITDA reconciliation		
(Loss) profit from operations	(1,047)	3,632
Add:		
Depreciation, depletion and amortisation	1,632	1,195
Impairment of assets	163	880
Loss on disposal of property, plant & equipment	81	37
Foreign exchange (gain) loss	(156)	471
Revaluation deficit	564	–
Consolidated Adjusted EBITDA	**1,237**	**6,215**
Steel segment Adjusted EBITDA reconciliation		
(Loss) profit from operations	(840)	2,746
Add:		
Depreciation and amortisation	1,151	751
Impairment of assets	168	821
Loss on disposal of property, plant & equipment	56	11
Foreign exchange (gain) loss	(54)	342
Revaluation deficit	422	–
Steel segment Adjusted EBITDA	**903**	**4,671**

US$ million	Year ended December 31,	
	2009	2008
Vanadium segment Adjusted EBITDA reconciliation		
(Loss) profit from operations	(48)	170
Add:		
Depreciation and amortisation	54	31
Foreign exchange gain	–	(1)
Revaluation deficit	4	–
Vanadium segment Adjusted EBITDA	**10**	**200**
Mining segment Adjusted EBITDA reconciliation		
(Loss) profit from operations	(214)	971
Add:		
Depreciation, depletion and amortisation	368	363
Impairment of assets	(5)	56
Loss on disposal of property, plant & equipment	19	15
Foreign exchange gain	(1)	(10)
Revaluation deficit	112	–
Mining segment Adjusted EBITDA	**279**	**1,395**
Other operations Adjusted EBITDA reconciliation		
Profit from operations	77	83
Add:		
Depreciation and amortisation	58	49
Impairment of assets	–	3
Loss on disposal of property, plant & equipment	6	11
Foreign exchange loss	–	4
Revaluation deficit	26	–
Other operations Adjusted EBITDA	**167**	**150**

Note:
(3) Net Debt represents long-term loans, net of current portion, plus short-term loans and current portion of long-term loans less cash and cash equivalents and short-term bank deposits (excluding restricted deposits). Net Debt is not a balance sheet measure under IFRS and it should not be considered as an alternative to other measures of financial position. Evraz's calculation of Net Debt may be different from the calculation used by other companies and therefore comparability may be limited.
Net Debt is a measure of Evraz's operating performance that is not required by, or presented in accordance with, IFRS. Although Net Debt is a non-IFRS measure, it is widely used to assess liquidity and the adequacy of a company's financial structure. Evraz believes Net Debt provides an accurate indicator of its ability to meet its financial obligations, represented by gross debt, from its available cash. Net Debt allows Evraz to show investors the trend in its net financial condition over the periods presented. However, the use of Net Debt effectively assumes that gross debt can be reduced by cash. In fact, it is unlikely that Evraz would use all of its cash to reduce its gross debt all at once, as cash must also be available to pay employees, suppliers and taxes, and to meet other operating needs and capital expenditure requirements. Net Debt and its ratio to equity, or leverage, are used to evaluate Evraz's financial structure in terms of sufficiency and cost of capital, level of debt, debt rating and funding cost, and whether Evraz's financial structure is adequate to achieve its business and financial targets. Evraz's management monitors the Net Debt and leverage or similar measures as reported by other companies in Russia or abroad in order to assess Evraz's liquidity and financial structure relative to such companies. Evraz's management also monitors the trends in its Net Debt and leverage in order to optimise the use of internally-generated funds versus funds from third parties.

Net Debt has been calculated as follows:

US$ million	Year ended December 31,	
	2009	2008
Net Debt Calculation		
Add:		
Long-term loans, net of current portion	5,931	6,064
Short-term loans and current portion of long-term loans	1,992	3,922
Less:		
Short term bank deposits	(22)	(25)
Cash and cash equivalents	(675)	(930)
Net Debt	**7,226**	**9,031**

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of Evraz's financial condition and results of operations should be read in conjunction with the consolidated financial statements as of December 31, 2009 and 2008 and for the years then ended. This section contains forward looking statements that involve risks and uncertainties. Evraz's actual results may differ materially from those discussed in such forward looking statements due to various factors.

Overview

Evraz is a large vertically integrated steel, mining and vanadium business with operations based in the Russian Federation, the United States, Canada, Ukraine, the Czech Republic, Italy and South Africa. Evraz produced approximately 15.3 million tonnes and 17.7 million tonnes of crude steel in 2009 and 2008 respectively. According to the World Steel Association, Evraz was ranked the 15th largest steel producer in the world based on its 2008 crude steel production. Management estimates that Evraz ranks as the largest producer of steel by volume in Russia and is the largest Russian producer of long products such as beams, rebars and rails, by volume. Evraz also sold 18.4 thousand tonnes of vanadium equivalent in 2009 (including inter-segment sales of 0.3 thousand tonnes of vanadium equivalent). Evraz listed global depositary receipts (**"GDRs"**), representing approximately 8.3% of its issued share capital, on the Official List of the London Stock Exchange on June 2, 2005. Each GDR represents an interest of one-third of one share. The total number of GDRs listed on the LSE represented approximately 29% of the Company's issued share capital as of December 31, 2009.

Evraz's principal assets comprise nine integrated steel plants: NTMK, Zapsib, NKMK, Evraz Vitkovice Steel, Rocky Mountain Steel and Claymont Steel (both are parts of Evraz Inc. NA), Evraz Inc NA Canada (formerly IPSCO Canada, acquired in June 2008), Dnepropetrovsk Iron and Steel Works (DMZ) and Highveld Steel and Vanadium Corporation; Highveld is also a leading vanadium producer; three steel rolling mills: Evraz Palini e Bertoli, Oregon Steel Portland and Camrose Pipe Corporation (both are parts of Evraz Inc. NA); five iron ore mining and processing facilities: KGOK, VGOK and Evrazruda in Russia, Sukha Balka in Ukraine and Mapochs Mine in South Africa; coal mining asset Yuzhkuzbassugol; one of the world's leading producers of vanadium alloys and chemicals for the steel, chemical, and titanium industries: Strategic Mineral Corporation (Stratcor); the largest Russian ferrovanadium producer Vanady-Tula (acquired in November 2009); together with various trading and logistical assets. Evraz also owns a 40% equity interest in a coking coal producer Raspadskaya. In 2009, Evraz's consolidated revenues amounted to $9,772 million, while the net loss attributable to equity holders of the parent entity totalled $1,251 million.

Reorganisation and Formation of the Company

Evraz Group S.A. ("The Company") was incorporated, under the laws of the Grand Duchy of Luxembourg, on December 31, 2004 as the holding company for Evraz's assets. Prior to August 3, 2006, the Company's parent was Crosland Global Limited ("CGL"), an entity under the control of Mr. Alexander Abramov. On August 3, 2006, CGL transferred all its ownership interest in the Company to Lanebrook Limited (Cyprus) which became the ultimate controlling party from that date.

The Company's interests in its subsidiaries are held either directly: Evraz Vitkovice Steel a.s., Evraz Palini e Bertoli S.p.A., Strategic Minerals Corporation, Evraz Inc. NA Canada and Ukrainian assets, or through its ownership of Mastercroft Limited ("Mastercroft"), a limited liability company registered in Cyprus.

Business Structure

Segments

Evraz's business is divided into three principal segments:

- the steel production segment, comprising the production and sale of semi-finished and finished steel products, coke and coking products, and refractory products;
- the mining segment, comprising the production, enrichment and sale of iron ore and coal; and
- the vanadium segment, comprising the production and sale of vanadium products.

Other operations include management, logistics (including the Nakhodka Sea Port) and supporting activities.

Inter-Segment Sales

Evraz is a vertically integrated steel and mining group. In 2009, Evraz's mining segment supplied approximately 77% and 58% of the steel segment's total iron ore and coking coal requirements respectively. The coking coal supplies include purchases from JV Raspadskaya. The steel segment supplies grinding balls, mining uprights and coke to the mining segment for use in operations. Evraz's inter-segmental product sales are based on prices equivalent to those that could be commanded from unrelated third parties. Inter-company transactions are eliminated for the purpose of the preparation of Evraz's consolidated financial statements but are included in the presentation of respective segments.

Summary of Acquisitions

Evraz has sought to develop an integrated steel and mining business through the purchase of assets that it believes offer significant value creation potential, particularly in the light of the Company's implementation of improved working practices and operational methods.

The following is a summary of the terms of Evraz's principal steel, mining and vanadium acquisitions. Unless otherwise stated, each acquisition was accounted for using the 'purchase method' of accounting. Accordingly, the operational results of each such acquisition are included in Evraz's consolidated income statements from the date the Company acquired control. In certain cases, where Evraz acquired its interests over a period of time, the relevant businesses were accounted for using the equity method until such interests amounted to a controlling financial interest. Evraz's investment in Raspadskaya is currently accounted for under the equity method.

Acquisitions / Start-Ups Prior to 2009

• *Nizhny Tagil Iron and Steel Plant.* NTMK is an integrated steel plant that primarily produces railway and construction long products, pipe blanks and semi-finished products. During 1997-2005, Evraz acquired a 92.38% interest in NTMK for a total consideration of $379 million. Evraz acquired a further 2.62% interest for a consideration of $79 million in 2006. In 2007, in accordance with Russian legislation, Evraz conducted a mandatory buy-out of the minority shares of NTMK that increased its total holding to 100%.

• *West Siberian Iron and Steel Plant.* Zapsib is an integrated steel plant that primarily produces construction long products and semi-finished products. During 2001-2005, Evraz acquired a 96.67% interest in Zapsib for a total consideration of $139 million. In 2007, in accordance with Russian legislation, Evraz conducted a mandatory buy-out of the minority shares of Zapsib that increased its total holding to 100%.

• *Novokuznetsk Iron and Steel Plant.* NKMK is an integrated steel plant that specialises in the production of rolled long metal products for the railway sector as well as semi-finished products. NKMK, formed in May 2003, commenced steel operations in October 2003 having acquired certain property, plant and equipment from OAO Kuznetsk Iron and Steel Plant ("KMK") for a consideration of $45 million subsequent to the dissolution of the latter in bankruptcy proceedings in June 2003. The Company's effective interest in NKMK as of December 31, 2009 amounted to 100%.

• *Vysokogorsky Mining and Processing Integrated Works.* VGOK is an iron ore mining and processing complex that produces sinter from its iron ore resources and from iron ore purchased from other producers. During 1998-2005, Evraz acquired an 87.39% interest in VGOK for a consideration of $2 million. In 2007, in accordance with Russian legislation, Evraz conducted a mandatory buy-out of the minority shares of VGOK that increased its total holding to 100%.

• *Nakhodka Commercial Sea Port.* The Nakhodka Sea Port is located in the Far East of Russia from where Evraz ships the majority of its export sales. By the end of 2005, Evraz had acquired an ownership interest of 93.61% in Nakhodka Sea Port for a total consideration of $17 million. In 2006, Evraz acquired additional minority interests in Nakhodka Sea Port amounting to 0.6%. In 2007, in accordance with Russian legislation, Evraz conducted a mandatory buy-out of the minority shares of the Nakhodka Sea Port that raised its total holding to 100%.

• *East Metals S.A.* East Metals S.A. ("East Metals") is an export trader that sells Evraz's steel products overseas. Principal markets of the traders are South-East Asia, North America and the Middle East. The Company's effective interest in East Metals S.A., as of December 31, 2009, amounted to 100%.

• *Raspadskaya.* Raspadskaya, which produces coking coal, is one of the largest coal mines in Russia. On March 10, 2004, as part of a joint venture agreement, Evraz acquired a 50% interest in Corber Enterprises Limited ("Corber"), a joint venture created for the purpose of exercising joint control over the business activities of Raspadskaya, in which Corber owned 72.03% of the ordinary shares, and other subsidiaries of Corber. Evraz acquired its interest for a total consideration of $140 million. Corber acquired a further 4.90% interest in Raspadskaya during 2004-2005 for a total consideration of $6.8 million. On May 31, 2006, Corber acquired a 100% ownership interest in Mezhdurechenskaya Ugolnaya Company - 96 ("MUK–96") from Adroliv, one of Corber's shareholders, in exchange for 7,200 of its newly issued ordinary shares and 4,800 preferred shares with a par value of 1 US dollar. As part of the consideration, Corber paid preferred dividends of $318 million to Adroliv. The total cost of the business transaction, including the cash consideration and fair value of equity instruments exchanged, amounted to $770 million. On May 31, 2006, Evraz acquired 3,600 newly issued ordinary shares in Corber for a cash consideration of $225 million and retained its 50% ownership interest in Corber. The Company's effective interest in Raspadskaya as of December 31, 2009 amounted to 40%.

• *Kachkanarsky Ore Mining and Processing Enterprise "Vanady".* KGOK is an iron ore mining and processing complex that produces sinter, pellets and concentrate from high-vanadium iron ore. On May 21, 2004, Evraz acquired 83.59% of the ordinary shares of KGOK for a consideration of $190.3 million and purchased restructured debts of KGOK with a fair value of RUB597.0 million (approximately $20.6 million based on the exchange rate as at the date of transaction), the nominal value being RUB1,283.0 million (approximately $44.3 million as at the date of transaction). Evraz acquired further interests in KGOK amounting to 14.12% of the ordinary shares during 2004-2005 for a total consideration of $32 million. In 2007, in accordance with Russian legislation, Evraz conducted a mandatory buy-out of the minority shares in KGOK which raised its total holding to 100%.

• *Evrazruda.* Evrazruda is an iron ore mining and processing complex that produces iron ore concentrate and sinter. In March 2005, Evraz acquired a 99.90% interest in Evrazruda for a consideration of $32 million from entities under common control with Evraz and a 0.10% interest from third parties for an additional $32,000. This has resulted in Evrazruda being consolidated with Evraz with effect from December 31, 2001 as it existed at such date, with acquisitions by Evrazruda subsequent to December 31, 2001 being accounted for by Evraz under the purchase method. The Company's effective interest in Evrazruda as of December 31, 2009 amounted to 100%.

• *Evraz Palini e Bertoli ("Palini").* Palini produces customised, high-quality steel plate products and is located in northern Italy. In August 2005, Evraz acquired a 75% plus one share interest in Clama S.r.l., which owns 100% of Palini. The total cash consideration amounted to $112 million, including transaction costs of $3 million. At the same date, Evraz and Clama's minority shareholders entered into a put and call option agreement under which Clama's minority shareholders had a put option and Evraz had a corresponding call option, exercisable in the period from 2007 to 2010, in respect of a 25% less one share interest in Clama. On October 23, 2007 Evraz executed this call option and as a result, effectively acquired a 100% ownership interest in Clama. The consideration paid for the shareholding was set at approximately EUR76 million ($107 million at the exchange rate as of the date of the transaction).

• *Evraz Vitkovice Steel ("Vitkovice").* Evraz Vitkovice Steel is the largest producer of steel plates in the Czech Republic. In November 2005, Evraz acquired 98.96% of the shares in the former Vitkovice Steel for a cash consideration of CZK7,428 million (approximately $298 million based on the exchange rate as at the date of the transaction). The Company's effective interest in Vitkovice as of December 31, 2009 amounted to 100%.

• *Yuzhkusbassugol ("YuKU").* Yuzhkusbassugol, which produces coking and steam coal, is one of the largest coal mines in Russia. On December 30, 2005, Evraz acquired a 50% ownership interest in YuKU for a cash consideration of $675 million payable to Crondale Overseas Limited, an entity under common control with Evraz. On June 8, 2007, Evraz acquired an additional 50% ownership interest in YuKU for a cash consideration of $871 million, including transaction costs of $9 million, increasing its ownership interest in YuKU to 100%.

• *Strategic Minerals Corporation ("Stratcor").* Stratcor is one of the world's leading producers of vanadium alloys and chemicals for the steel and chemical industries. Stratcor encompasses two wholly owned subsidiaries – Stratcor, Inc. with a mill in Hot Springs, Arkansas, USA, and Vametco Minerals Corporation with a mine and a mill in Brits, South Africa. On August 23, 2006, Evraz acquired 72.84% of the ordinary shares of Stratcor, including 69% of the voting shares, for a purchase consideration of $125 million, including transaction costs of $6 million and fair value of the contingent consideration amounting to $21 million. The Company's effective interest in Stratcor as of December 31, 2009 amounted to 72.84%.

• *Evraz Inc. NA ("Evraz Inc. NA", formerly Evraz Oregon Steel Mills).* Headquartered in Portland, Oregon, Evraz Inc. NA is one of the most diversified steel operations in North America. Due to a wide range of manufacturing capabilities the company can produce more than 1.5 million metric tonnes of higher margin specialty and commodity steel products (plate, coiled plate, welded and seamless pipe for oil and gas applications, structural tubing, rail and wire rod/bar) annually. Its predecessor, Oregon Steel Mills, Inc., was a public company and its shares were traded on the New York Stock Exchange from 1988 until the onset of 2007. In January 2007, following a successful tender offer by Evraz Group, the company became a wholly owned subsidiary of Evraz with the name changed to Evraz Oregon Steel Mills, Inc. ("EOSM"). Total cash consideration for the acquisition of 100% ownership interest in EOSM amounted to $2,276 million, including $10 million of transaction costs. Subsequently, EOSM's securities were delisted and registration was withdrawn from the NYSE.

On January 16, 2008, Evraz acquired approximately 93.4% of the outstanding ordinary shares of Claymont Steel, a US-based plate producer, through a tender offer. Following the acquisition of shares in Claymont Steel, the company was merged with the Group's wholly owned subsidiary and untendered shares were converted into the right to receive $23.50 in cash which is the same price per share paid during the tender offer. The total cash consideration for the acquisition of a 100% ownership interest in Claymont Steel amounted to approximately $420 million.

In June 2008, Evraz acquired the outstanding voting stock of General Scrap Inc. (GSI) for $25 million. GSI collects, processes, recycles, trades and brokers metal, both ferrous (such as iron and steel) and nonferrous (such as aluminum, copper, stainless steel, nickel, brass, tin, titanium and others). Post acquisition GSI was absorbed into Evraz Oregon Steel Mills, Inc.

In June 2008, after the acquisition of Claymont Steel Holdings, Inc. and General Scrap Inc., Evraz consolidated Evraz Oregon Steel Mills, Inc. and certain newly acquired subsidiaries under the new name of *Evraz Inc. NA.*

• *Highveld Steel and Vanadium Corporation Limited ("Highveld").* Highveld is one of the largest steel producers in South Africa and a leading producer of vanadium products. Initially, on July 13, 2006, Evraz acquired a 24.9% ownership interest in Highveld from Anglo American plc for a cash consideration of $216 million, including $10 million of transaction costs and entered into share option agreements with the major shareholders of Highveld to increase this stake to 79% within 24 months. On February 20, 2007, the European Commission approved the proposed acquisition of the controlling interest in Highveld, subject to certain conditions. Evraz was obliged to divest Highveld's vanadium extraction, vanadium oxides and vanadium chemicals plants located at the Vanchem site in Witbank, Republic of South Africa (collectively referred to as the Vanchem operations) along with an equity interest or a portion of the Mapoch iron and vanadium ore mine which guarantees supply of ore to the Vanchem operations. The divestment package also included a ferrovanadium smelter located on the site of the Highveld steel facility and Highveld's 50% shareholding in SAJV, a joint venture between Highveld and two Japanese partners which own another ferrovanadium smelter at the same site. On April 26, 2007, Evraz obtained the regulatory approvals of the South African competition authorities and the share options became exercisable. Consequently, the financial position and the results of Highveld's operations were included in Evraz's consolidated financial statements with effect from April 26, 2007, the date at which the Company effectively exercised control over Highveld's operations. On May 4, 2007, Evraz exercised its option and acquired a 29% ownership interest in Highveld for a cash consideration of $238 million from Anglo American plc. In addition, Evraz paid transaction costs amounting to $3 million. In accordance with South African legislation, an acquirer that purchases 35% of the acquiree's share capital is obliged to make an offer to acquire the shares held by minority shareholders. In line with this requirement, the Group made an offer, on June 4, 2007, to acquire the entire share capital of Highveld, other than those shares already held by the Group, at a price of $11.40 per share. On July 16, 2007, the Group increased the offer price from the South African Rands equivalent of $11.40 per share to 93 South African Rands ($13.03 based on the exchange rate as of June 4, 2007) which represented an increase of approximately 14% over the previous offer price. As a result of this offer, the Group acquired 1,880,750 shares in Highveld (1.91% of the share capital) for 175 million South African Rands ($25 million based on the exchange rates as at the dates of the transactions). On September 28, 2007, the Credit Suisse option for the acquisition of a 24.9% ownership interest in Highveld was exercised by the Group for $219 million.

In 2008, Evraz purchased an additional 4,162,606 common shares in Highveld Steel and Vanadium Corporation Limited at a cost of 535 million South African Rands ($69 million based on the exchange rates as at the dates of the transactions). This purchase increased Evraz's shareholding by 4.2%.

In July 2007, Evraz sold Transalloys, a business unit of Highveld Steel and Vanadium Corporation, to Renova group for $139 million. The plant produced some 50,000 tonnes of medium-carbon ferro-manganese per annum and 160,000 tonnes of silicon-manganese per annum.

In February 2008, Evraz sold Rand Carbide, a business unit of Highveld Steel and Vanadium Corporation, to Silicon Smelters, a subsidiary of FerroAtlantica (Spain), for $39 million. Rand Carbide produced some 55,000 tonnes of ferro-silicon per annum at three electric furnaces and accounted for approximately 50% of the local market. In August 2008, Evraz completed the disposal of vanadium assets in South Africa in accordance with the conditions attached to the approval by the European Commission and South African competition authorities of its acquisition of a majority interest in Highveld Steel and Vanadium Corporation. Under the agreements, Evraz sold Highveld's Vanchem operations, its 50% shareholding in South Africa Japan Vanadium (Proprietary) Limited and a non-dividend bearing equity interest in Highveld`s Mapochs Mine (Proprietary) Limited. The disposal was implemented with effect from August 29, 2008. The transfer of the assets of the Mapochs Mine from Highveld into Mapochs Mine (Proprietary) Limited remained subject to the conversion of the old order mining rights which Highveld held in relation to the mine, and the consent of the Minister of Minerals and Energy for the transfer thereof. On April 9, 2009, Highveld concluded an agreement to transfer 26% of the ordinary equity interest in Mapochs Mine (Proprietary) Limited to local partners. This agreement is a part of the Black Economic Empowerment government programme and was signed in order to comply with South African legislation for the mining industry. As of December 31, 2009, the Company's effective interest in Highveld amounted to 85.12%.

• *Nikom, a.s ("Nikom").* On December 20, 2007, Evraz acquired a 100% interest in Nikom, a ferrovanadium producer located in the Czech Republic, for a cash consideration of $46 million.

• *IPSCO's Canadian plate and pipe business ("Evraz Inc. NA Canada", formerly "IPSCO Canada").* In March 2008, Evraz entered into an agreement with SSAB, a Swedish steel company, to acquire IPSCO's Canadian plate and pipe business. IPSCO is a leading North American producer of steel plates and pipes for the oil and gas industry.

Under the structure of the transaction, Evraz and OAO TMK ("TMK"), Russia's leading tubular player, acquired plate and pipe businesses for $4,211 million (excluding transaction costs and any working capital adjustment to the purchase consideration paid by TMK) comprising certain Canadian plate and pipe businesses, a US metal scrap company (together – "IPSCO Inc.") and US tubular and pipe businesses. Evraz also entered into a back-to-back agreement with TMK and its affiliates, which consisted of an on-sale of the acquired US tubular and pipe businesses, including a 51% interest in NS Group, to TMK for $1,250 million.

In addition, Evraz signed an option agreement that gave it the right to sell and gave TMK the right to buy 49% in NS Group for approximately $511 million plus interest at an annual rate ranging from 10% to 12% accrued from June 12, 2008 to the date of exercise of the option. The option to buy 49% in NS Group was exercised in January 2009 for approximately $508 million.

The acquisition was completed on June 12, 2008. As a result, the net cost to Evraz of the acquisition of 100% of IPSCO Inc. amounted to $2,450 million, including transaction costs of $65 million and $25 million of working capital adjustment to the purchase consideration paid in October 2008. The financial position and the results of operations of IPSCO Inc. were included in Evraz's consolidated financial statements with effect from June 12, 2008. In 2008, following upon the acquisition of the Canadian operations, Evraz decided to change the name of its subsidiary from "IPSCO Canada" to "Evraz Inc. NA Canada".

• *Palmrose Limited (Acquisition of Ukrainian assets).* In September 2008, Evraz completed the acquisition, from entities under common control with the Company, of 100% of Palmrose Limited, a Cyprus-based holding company, in respect of the following assets in Ukraine:

- a 95.57% shareholding in Dnepropetrovsk Iron and Steel Works, OAO ("DMZ"). Dnepropetrovsk Iron and Steel Works is a steel producer with a total annual capacity of 1.8 million tonnes of pig iron and 1.23 million tonnes of crude steel.
- a 99.25% shareholding in Sukha Balka, OAO ("Sukha Balka"). Sukha Balka is an iron ore mining and processing complex with a total annual production capacity of 3.75 million tonnes of iron ore.
- a 94.37%, 98.65% and 93.86% shareholding in *Bagleykoks, OAO ("Bagleykoks"), Dneprokoks, OAO ("Dneprokoks")* and *Dneprodzerzhinsk Coke Chemical Plant, OAO ("DKHZ")* respectively. The three Ukrainian coking plants have a total annual capacity of 3.52 million tonnes of metallurgical coke.

The acquisition was accomplished in two stages. In April 2008, Evraz completed the acquisition of a 51.4% shareholding in Palmrose Limited for a cash consideration of $1,110 million. The second stage, in September 2008, saw Evraz issue 4,195,150 shares in favour of Lanebrook Limited (Cyprus), the ultimate controlling party in respect of Evraz's assets, in exchange for a 48.6% interest in Palmrose Limited. As a result, Evraz became the owner of a 100% interest in Palmrose Limited with effect from September 2008.

Purchase of controlling interests in Palmrose from entities under common control was accounted for using the pooling of interests method. Palmrose and its subsidiaries were included in the consolidated financial statements of Evraz as from December 11, 2007 – the date when Lanebrook Limited obtained control over those entities.

Acquisitions in 2009

• *Vanady-Tula.* On December 20, 2007, Evraz signed an option agreement with OOO SGMK-Engineering ("SGMK") in respect of shares of OAO Vanady-Tula ("Vanady-Tula"), the largest producer of ferrovanadium in Russia. Under the agreement, Evraz had the right to acquire (the call option) and SGMK had the right to sell (the put option) 90.84% of shares in Vanady-Tula for RUB3,140 million ($108 million based on the exchange rate as of November 2, 2009, the date of the business combination). The options, the exercise of which was conditional upon the approval of the regulatory authorities, were extended to December 31, 2009. To secure the put option, Evraz provided SGMK with a non-interest bearing deposit in the amount of RUB3,091 million ($121 million based on the exchange rate as at the payment date and $105 million based on the exchange rate as of December 31, 2008) – Note 13 to the 2009 consolidated financial statements. The deposit would have been repayable to Evraz if neither the call option nor the put option were exercised before their expiration.

During 2008 and 2009, Evraz purchased minority shares in Vanady-Tula and immediately prior to the business combination held a 1.88% ownership interest in the entity. The consideration paid for these shares was $2 million.

On November 2, 2009, Evraz obtained the necessary regulatory approvals. The share options became exercisable and economic benefits have been effectively transferred to the Company since that date. As a result, the financial position and results of Vanady-Tula's operations were included in the consolidated financial statements of the Company with effect from November 2, 2009, since when Evraz has effectively exercised control over the entity's operations.

• *Carbofer.* On October 15, 2009, Evraz acquired a 100% interest in a holding company owning steel dealers throughout Russia (formerly known as Carbofer). *Carbofer*, with six steel trading companies and 35 steel service centres located throughout the country, is one of the largest steel distribution networks in Russia. The purchase consideration amounted to $11 million.

Results of Operations for the Years Ended December 31, 2009 and 2008

The following table sets out the Company's consolidated income statement data for the years ended December 31, 2009 and 2008 in absolute terms and as a percentage of revenues.

US$ million	Year ended December 31,					
	2009		2008		2009 vs 2008	
Income statement data	Amount	Percentage of revenues	Amount	Percentage of revenues	Change	% Change
Revenues[1]	9,772	100%	20,380	100%	(10,608)	(52.1)%
Cost of revenues	(8,756)	(89.6)%	(13,463)	(66.1)%	4,707	(35.0)%
Gross profit	**1,016**	**10.4%**	**6,917**	**33.9%**	**(5,901)**	**(85.3)%**
Selling and distribution costs	(623)	(6.4)%	(856)	(4.2)%	233	(27.2)%
General and administrative expenses	(645)	(6.6)%	(895)	(4.4)%	250	(29.9)%
Other operating income and expenses, net	(795)	(8.1)%	(1,534)	(7.5)%	739	(48.2)%
(Loss) profit from operations	**(1,047)**	**(10.7)%**	**3,632**	**17.8%**	**(4,679)**	**n/m**
Non-operating income and expenses, net	(553)	(5.7)%	(581)	(2.9)%	28	(4.8)%
(Loss) profit before tax	**(1,600)**	**(16.4)%**	**3,051**	**15.0%**	**(4,651)**	**n/m**
Income tax expense	339	3.5%	(1,192)	(5.8)%	1,531	n/m
Net (loss) profit	**(1,261)**	**(12.9)%**	**1,859**	**9.1%**	**(3,120)**	**n/m**
Net profit attributable to equity holders of the parent entity	(1,251)	(12.8)%	1,797	8.8%	(3,048)	n/m
Net profit attributable to minority interests	(10)	(0.1)%	62	0.3%	(72)	n/m

Note:
(1) Includes service revenues of $267 million and $390 million for the years ended December 31, 2009 and 2008 respectively. Sales of services consist primarily of heat and electricity supply, port charges, transportation and steel coating.

In 2009 approximately 0.3% of Evraz's revenues were generated through transactions with related parties compared to 0.4% in 2008. In addition, Evraz made significant purchases from related parties. (See *Note 16 to the Consolidated Financial Statements*.)

Revenues

Evraz's consolidated revenues in 2009 totalled $9,772 million, a 52.1% decrease compared to revenues of $20,380 million in 2008. Steel segment sales accounted for the majority of the decrease in revenues due to the lower average prices and sales volumes of steel products. Evraz's sales volumes of steel products to third parties decreased from 17.0 million tonnes in 2008 to 14.3 million tonnes in 2009.

The decrease in steel sales volumes primarily reflects a decline in demand for construction products in Russia with overall sales on the Russian market down by –2.4 million tonnes. Sales volumes in Ukraine declined by –0.1 million tonnes. These decreases on the domestic markets were partially offset by the growth in export sales volumes from the Russian and Ukrainian operations, which showed a total increase of 0.8 million tonnes. Sales volumes of the European and South African operations declined by –0.3 million tonnes and –0.1 million tonnes respectively. The Canadian operations, which were acquired in June 2008, achieved approximately the same steel sales volumes in 2009 as in 2008 post acquisition, while sales at the US operations decreased by –0.6 million tonnes. These decreases were a direct result of the general slowdown experienced by steel markets in 2009 and related cuts in production volumes.

The following table shows the average price trends of Evraz's principal products in 2009 and 2008 (encompassing semi-annual breakdowns of both the Russian and non-CIS export markets), which illustrates an uneven distribution of revenues during the periods under consideration:

US$ million	Year ended December 31,				% change	
	2009		2008		2nd half 2009 vs 1st half 2009	2nd half 2009 vs 2nd half 2008
	2nd half	1st half	2nd half	1st half		
	Average Russian and CIS prices for Evraz's Russian and Ukrainian products(1)					
Construction products						
Rebars	442	371	869	810	19.1%	(49.1)%
H-Beams	750	700	1,328	1,155	7.1%	(43.5)%
Channels	545	502	1,021	903	8.6%	(46.6)%
Angles	503	450	1,000	831	11.8%	(49.7)%
Wire rods	432	362	963	804	19.3%	(55.1)%
Wire	533	440	971	885	21.1%	(45.1)%
Railway products						
Rails	554	519	802	775	6.7%	(30.9)%
Wheels	1,164	1,099	1,570	1,635	5.9%	(25.9)%
Flat-rolled products						
Plates	511	445	1,050	888	14.8%	(51.3)%
Semi-finished products						
Slabs	394	301	972	721	30.9%	(59.5)%
Pig Iron	271	245	739	522	10.6%	(63.3)%
Pipe blanks	451	409	1,109	733	10.3%	(59.3)%
Other steel products						
Grinding balls	598	559	1,210	854	7.0%	(50.6)%
Rounds	438	384	951	789	14.1%	(53.9)%
	Average non-CIS export prices for Evraz's Russian and Ukrainian products(2)					
Construction products						
H-beams	490	423	516	735	15.8%	(5.0)%
Rebars	481	432	851	606	11.3%	(43.5)%
Wire rods	475	393	367	686	20.9%	29.4%
Semi-finished products						
Billets	414	344	486	701	20.3%	(14.8)%
Slabs	399	382	893	660	4.5%	(55.3)%
Pig Iron	334	275	341	492	21.5%	(2.1)%
Flat-rolled products						
Plates	683	680	769	725	0.4%	(11.2)%
	Average prices for Evraz's non-CIS operations products(3)					
Construction products						
SA operations - H-beams	723	673	1,113	961	7.4%	(35.0)%
Flat-rolled products						
European operations – plates	576	680	1,315	1,121	(15.3)%	(56,2)%
NA operations – commodity plates	657	638	1,426	1,010	3.0%	(53,9)%
NA operations – speciality plates	915	1,059	1,848	1,782	(13.6)%	(50.5)%
SA operations – commodity plates	799	797	1,154	863	0.3%	(30.8)%
Tubular products						
NA operations – large diameter pipes	1,248	1,589	1,799	1,450	(21.5)%	(30,6)%

Notes:
(1) Prices for sales denominated in Roubles and UAH are converted into US dollars at the average monthly exchange rate to the US dollar as stated by the CBR and National Bank of Ukraine. Average US dollar prices are calculated as a weighted average of sales prices in the relevant semi-annual period.
(2) Average price data relates to sales by East Metals S.A.
(3) Prices for sales denominated in Euros, Czech Korunas, South African Rands and Canadian dollars are converted into US dollars at the average exchange rate to the US dollar for the period under consideration as stated by the relevant Central bank.

The following table presents Evraz's consolidated revenues by segment for 2009 and 2008:

US$ million	Year ended December 31,			
			2009 vs 2008	
Revenues by segment	2009	2008	Change	% Change
Steel segment				
To third parties	8,855	17,623	(8,768)	(49.8)%
To mining segment	83	178	(95)	(53.4)%
To vanadium segment	–	28	(28)	(100)%
To other operations	40	96	(56)	(58.3)%
Total steel segment	**8,978**	**17,925**	**(8,947)**	**(49.9)%**
Vanadium segment				
To third parties	354	1,201	(847)	(70.5)%
To steel segment	9	5	4	80.0%
Total vanadium segment	**363**	**1,206**	**(843)**	**(69.9)%**
Mining segment				
To third parties	435	1,290	(855)	(66.3)%
To steel segment	1,017	2,340	(1,323)	(56.5)%
To other operations	4	4	–	0.0%
Total mining segment	**1,456**	**3,634**	**(2,178)**	**(59.9)%**
Other operations				
To third parties	128	266	(138)	(51.9)%
To steel segment	508	588	(80)	(13.6)%
To mining segment	129	168	(39)	(23.2)%
Total other operations	**765**	**1,022**	**(257)**	**(25.1)%**
Eliminations	(1,790)	(3,407)	1,617	(47.5)%
Consolidated revenues	**9,772**	**20,380**	**(10,608)**	**(52.1)%**
% from steel segment	90.6%	86.5%		
% from vanadium segment	3.6%	5.9%		
% from mining segment	4.5%	6.3%		
% from other operations	1.3%	1.3%		

The following table presents the geographic breakdown of Evraz's consolidated revenues in 2009 and 2008 (based on location of customer) in monetary terms and as a percentage of total revenues.

US$ million	Year ended December 31,					
					2009 vs 2008	
Revenues by segment	2009	Percentage of total revenues	2008	Percentage of total revenues	Change	% Change
Russia	2,950	30.2%	7,575	37.2%	(4,625)	(61.1)%
Americas	2,428	24.8%	4,538	22.3%	(2,110)	(46.5)%
Asia	2,423	24.8%	3,217	15.8%	(794)	(24.7)%
Europe	1,028	10.5%	2,862	14.0%	(1,834)	(64.1)%
CIS	543	5.6%	1,429	7.0%	(886)	(62.0)%
Africa	381	3.9%	720	3.5%	(339)	(47.1)%
Rest of the World	19	0.2%	39	0.2%	(20)	(51.3)%
Total	**9,772**	**100%**	**20,380**	**100%**	**(10,608)**	**(52.1)%**

Revenues from sales in Russia decreased as a proportion of total revenues. The principal driver of the higher proportion of revenues outside Russia in 2009 compared with 2008 was the re-orientation of sales of the Russian operations to export markets in view of weak demand on the domestic market.

Steel Segment

Steel segment revenues decreased by 49.9% to $8,978 million in 2009 compared with $17,925 million in 2008. Steel segment revenues were affected by the negative price dynamic for steel products and lower sales volumes as described above.

The following table provides a breakdown of Evraz's steel segment sales by major product groups in 2009 and 2008.

US$ million	Year ended December 31,					
	2009		2008		2009 vs 2008	
	Steel segment sales	Percentage of total	Steel segment sales	Percentage of total	Change	% Change
Construction products(1)	2,189	24.4%	4,958	27.7%	(2,769)	(55.8)%
Railway products(3)	1,117	12.4%	2,226	12.4%	(1,109)	(49.8)%
Flat-rolled products(2)	1,450	16.2%	3,239	18.1%	(1,789)	(55.2)%
Tubular products(4)	1,008	11.2%	1,753	9.8%	(745)	(42.5)%
Semi-finished products(5)	2,018	22.5%	3,512	19.6%	(1,494)	(42.5)%
Other steel products(6)	255	2.8%	607	3.4%	(352)	(58.0)%
Other products(7)	941	10.5%	1,630	9.1%	(689)	(42.3)%
TOTAL	**8,978**	**100%**	**17,925**	**100%**	**(8,947)**	**(49.9)%**

Notes:
(1) Includes rebars, wire rods, wire, H-beams, channels and angles.
(2) Includes plates and coils.
(3) Includes rails and wheels.
(4) Includes large diameter, ERW, seamless pipes and casing.
(5) Includes billets, slabs, pig iron, pipe blanks and blooms.
(6) Includes rounds, grinding balls, mine uprights and strips.
(7) Includes coke and coking products, refractory products, ferroalloys and resale of coking coal.

The proportion of revenue attributable to sales of construction products decreased as the result of a significant decline in the sales volumes of construction products in the Russian Federation.

The proportion of revenue attributable to sales of railway products was unchanged despite a decrease in the proportion of volumes. This is explained by the fact that prices of railway products decreased to a lesser extent than other steel products.

The proportion of revenues attributable to sales of flat-rolled products (primarily plates) decreased due to an above average decline in sales volumes compared to other steel products, particularly in Europe.

The proportion of revenues attributable to sales of tubular products increased due to the fact that prices for tubular products in North America were relatively stable at the end of 2008 and the onset of 2009 and the average price decline was therefore less in comparison with other steel products.

The proportion of revenues attributable to sales of semi-finished products increased due to higher sales volumes of semis sold by the Russian and Ukrainian operations to export markets.

Revenues from sales of other steel products (mainly rounds, grinding balls and mine uprights sold in Russia) decreased slightly as a proportion of steel segment revenues due to a decline in sales volumes.

Revenues attributable to non-steel sales increased as a proportion of steel segment sales due to the relative stability of prices and volumes in comparison with steel products.

Steel segment sales to the mining segment totalled $83 million in 2009 compared with $178 million in 2008. The decrease is attributable to lower sales prices as well as volumes.

Revenues from sales in Russia amounted to approximately 30% of steel segment revenues in 2009, compared with 39% in 2008. The decreased share of revenues from sales in Russia is primarily attributable to the reallocation of steel volumes from the Russian market to Asian export markets in 2009.

Vanadium Segment

Vanadium segment revenues fell by 69.9% to $363 million in 2009 compared with $1,206 million in 2008. This reflected significantly lower prices and sales volumes in respect of vanadium products in 2009 compared with the previous year. Sales volumes of the vanadium segment decreased from 26.4 thousand tonnes of pure Vanadium in 2008 to 18.4 thousand tonnes of pure Vanadium in 2009.

The following table shows a breakdown of Evraz's vanadium segment sales in 2009 and 2008.

US$ million	Year ended December 31,					
	2009		2008		2009 vs 2008	
	Vanadium segment sales	Percentage of total	Vanadium segment sales	Percentage of total	Change	% Change
Vanadium in slag	60	16.5%	290	24.1%	(230)	(79.3)%
Vanadium in alloys & chemicals	298	82.1%	913	75.7%	(615)	(67.4)%
Other revenues	5%	1.4%	3%	0.2%	2	66.7%
TOTAL	**363**	**100%**	**1,206**	**100%**	**(843)**	**(69.9)%**

The following table shows the average price trends of Evraz's vanadium products from 2008 through 2009 (encompassing semi-annual breakdowns):

US$ per tonne of pure vanadium in the products	Year ended December 31,				% change	
	2009		2008		% change 2nd half 2009 vs 1st half 2009	% change 2nd half 2009 vs 2nd half 2008
	2nd half	1st half	2nd half	1st half		
	Average prices for Evraz's vanadium products(1)					
NTMK – Vanadium in slag	10,919	6,836	25,152	31,771	59.7%	(56.6)%
Highveld – Vanadium in alloys	26,282	22,501	57,167	55,026	16.8%	(54.0)%
Stratcor – Vanadium in alloys	28,072	28,979	53,359	54,550	(3.1)%	(47.4)%

Notes:
(1) Prices for sales denominated in Roubles are converted into US dollars at the average monthly exchange rate to the US dollar as stated by the CBR. Average US dollar prices are calculated as a weighted average of sales prices in the relevant semi-annual period.
(2) Prices for sales denominated in South African Rands are converted into US dollars at the average exchange rate to the US dollar for the period under consideration as stated by the South African Reserve Bank.

Mining Segment

Mining segment revenues fell by 59.9% to $1,456 million in 2009 compared to $3,634 million in 2008. This primarily reflected the lower average prices of iron ore and coal in 2009 compared with 2008.

Sales volumes of iron ore products decreased by –15.7% in 2009 compared to 2008. Excluding the effect of the resale of iron ore products from UGOK (a related party) in 2008, sales volumes of iron ore in 2009 decreased by only –1.1% compared with the previous year. Sales volumes of steam coal products decreased by –8.2% in 2009 compared with 2008, while sales volumes of coking coal increased by 3.7%.

The following table shows a breakdown of Evraz's mining segment sales in 2009 and 2008:

US$ million	Year ended December 31,					
	2009		2008		2009 vs 2008	
	Mining segment sales	Percentage of total	Mining segment sales	Percentage of total	Change	% Change
Iron ore products	**840**	**57.7%**	**2,213**	**60.9%**	**(1,373)**	**(62.0)%**
Iron ore concentrate	311	21.4%	625	17.2%	(314)	(50.2)%
of which resale of related party products	*n/a*	*n/a*	*316*	*8.7%*	*(316)*	*(100)%*
Sinter	158	10.9%	885	24.4%	(727)	(82.1)%
of which resale of related party products	*n/a*	*n/a*	*57*	*1.6%*	*(57)*	*(100)%*
Pellets	238	16.3%	566	15.6%	(328)	(58.0)%
Other	133	9.1%	137	3.8%	(4)	(2.9)%
Coal products	**562**	**38.6%**	**1,251**	**34.4%**	**(689)**	**(55.1)%**
Coking coal	137	9.4%	259	7.1%	(122)	(47.1)%
Coal concentrate	268	18.4%	719	19.8%	(451)	(62.7)%
Steam coal	124	8.5%	265	7.3%	(141)	(53.2)%
Steam coal concentrate	33	2.3%	8	0.2%	25	312.5%
Other revenues	**54**	**3.7%**	**170**	**4.7%**	**(116)**	**(68.2)%**
TOTAL	**1,456**	**100%**	**3,634**	**100%**	**(2,178)**	**(59.9)%**

The following table shows the average price trends of the mining segment's iron ore products in 2009 and 2008 with half-yearly breakdowns:

US$ per tonne	Year ended December 31,				% change	
	2009		2008		2nd half 2009 vs 1st half 2009	2nd half 2009 vs 2nd half 2008
	2nd half	1st half	2nd half	1st half		
	Average prices for Evraz's mining segment products(1)					
Iron ore products						
Concentrate	61	47	86	95	29.8%	(29.1)%
Sinter	50	48	108	116	4.2%	(53.7)%
Pellets	46	41	103	111	12.2%	(55.3)%
Coal products						
Coking coal	41	29	87	79	41.4%	(52.9)%
Coal concentrate	81	59	168	157	37.3%	(51.8)%
Steam coal	36	37	32	38	(2.7)%	12.5%
Steam concentrate	75	68	89	79	10.3%	(15.7)%

Note:
(1) Prices for sales denominated in Roubles and Hryvnia are converted into US dollars at the average semi-annual exchange rate of the Rouble and Hryvnia to the US dollar as stated by the CBR and the National Bank of Ukraine respectively.

Evraz also holds a 40.0% equity method accounted interest in Raspadskaya coking coal mine. Revenue attributable to Raspadskaya is therefore not consolidated in Evraz's financial statements and the Company's share of its net profits is accounted for as "Share of profits (losses) of joint ventures and associates". (See *"Non-operating income and expense"*).

Mining segment sales to the steel segment amounted to $1,017 million (69.8% of mining segment sales) in 2009 compared with $2,340 million (64.4% of mining segment sales) in 2008.

Approximately 77% of Evraz's iron ore requirements were met by the mining segment in 2009 compared with 73% in 2008. Around 58% of Evraz's coking coal requirements were satisfied by supplies from Raspadskaya and YuKU in 2009, as against 55% in 2008.

Approximately 51% of third party sales by the mining segment in 2009 were to customers in Russia compared with 29% in 2008. The higher share of third party sales outside Russia in 2008 was primarily attributable to the resale of iron ore from UGOK, a related party, to export markets. There were no such resales in 2009.

Other operations

Evraz's revenues in respect of the other operations segment decreased by 25.1% to $765 million in 2009 compared to $1,022 million in 2008. Revenues were largely derived from the following operations (sales figures shown below include sales within the same segment):

- Nakhodka Sea Port. Sales at Nakhodka Sea Port, which provides various seaport services, amounted to $82 million in 2009 against $81 million in 2008. Intra-group sales accounted for 56% and 26% of such revenues in 2009 and 2008 respectively.

- Evraztrans acts as a railway forwarder for Evraz's steel segment. Sales at Evraztrans amounted to $83 million in 2009 compared with $98 million in 2008. Evraztrans derives the majority of its revenues from intra-group sales which accounted for 92% and 77% of revenues in 2009 and 2008 respectively.

- Metallenergofinance ("MEF") supplies electricity to Evraz's steel and mining segments and to third parties. MEF's sales amounted to $299 million in 2009 compared with $457 million in 2008. Intra-group sales accounted for 80.2% and 83.1% of MEF's revenues in 2009 and 2008 respectively.

- Sinano Shipmanagement ("Sinano") provides sea freight services to Evraz's steel segment. Sinano's sales totalled $92 million in 2009 compared with $144 million in 2008. Sinano derives the majority of its revenues from inter-segment sales.

- Evro-Aziatskaya Energy Company ("EvrazEK") is an energy generating company which supplies natural gas, steam and electricity to the steel and mining segments. In 2009, EvrazEK generated revenues of $133 million compared to $169 million in 2008. Intra-group sales accounted for 94% and 81% of its revenues in 2009 and 2008 respectively.

- West Siberian Heat and Power Plant ("Zapsib Power Plant") is an energy generating branch of Zapsib which supplies electricity and heat to Zapsib and external customers. The revenues of Zapsib Power Plant amounted to $70 million in 2009 compared with $90 million in 2008. Intra-group sales accounted for 82% and 35% of revenues in 2009 and 2008 respectively.

External sales in respect of the other operations segment, primarily comprising sales of energy by MEF, EvrazEK and Zapsib Power Plant and the provision of port services by Nakhodka Sea Port, decreased from $266 million in 2008 to $128 million in 2009.

Cost of revenues and gross profit

Evraz's consolidated cost of revenues amounted to $8,756 million, representing 89.6% of consolidated revenues, in 2009 compared with $13,463 million, representing 66.1% of consolidated revenues, in 2008. This steep reduction in gross profit margin primarily resulted from the fall in steel and vanadium prices and production cuts in response to weaker demand on the principal steel markets in 2009. An additional factor related to a 65% increase in the steel segment's 2009 depreciation charge compared with 2008 due to a revaluation of Russian steel assets.

The effect of the weakening of local currencies against the US dollar contributed to the decrease in costs in 2009 compared with 2008. The table below shows the declines in the average exchange rates of currencies relevant to Evraz's subsidiaries against the US dollar in 2009 against 2008:

Currency	Effect	Operations
Russian Rouble	(22)%	Russian operations
Czech Koruna	(10)%	Evraz Vitkovice Steel
Euro	(5)%	Evraz Palini e Bertoli
South African Rand	(2)%	Highveld Steel and Vanadium
Ukrainian Hryvnia	(32)%	Ukrainian operations
Canadian Dollar	(2)%	Evraz Inc. N.A. Canada

The table below sets forth cost of revenues and gross profit by segment for 2009 and 2008, including percentage of segment revenues.

US$ million	Year ended December 31,					
	2009		2008		2009 vs 2008	
	Amount	Percentage of segment revenues	Amount	Percentage of segment revenues	Change	% Change
Steel segment						
Cost of revenues	(8,122)	(90.5)%	(12,662)	(70.6)%	4,540	(35.9)%
Raw materials	*(4,077)*	*(45.4)%*	*(8,499)*	*(47.4)%*	*4,422*	*(52.0)%*
Transportation	*(551)*	*(6.1)%*	*(567)*	*(3.2)%*	*16*	*(2.8)%*
Staff costs	*(736)*	*(8.2)%*	*(1,012)*	*(5.6)%*	*276*	*(27.3)%*
Depreciation	*(970)*	*(10.8)%*	*(589)*	*(3.3)%*	*(381)*	*64.7%*
Energy	*(704)*	*(7.8)%*	*(904)*	*(5.0)%*	*200*	*(22.1)%*
Other(1)	*(1,084)*	*(12.1)%*	*(1,091)*	*(6.1)%*	*7*	*(0.6)%*
Gross profit	856	9.5%	5,263	29.4%	(4,407)	(83.7)%
Vanadium segment						
Cost of revenues	(362)	(99.7)%	(922)	(76.5)%	560	(60.7)%
Raw materials	*(163)*	*(44.9)%*	*(486)*	*(40.3)%*	*323*	*(66.5)%*
Transportation	*-*	*0.0%*	*(1)*	*(0.1)%*	*1*	*(100)%*
Staff costs	*(24)*	*(6.6)%*	*(65)*	*(5.4)%*	*41*	*(63.1)%*
Depreciation	*(48)*	*(13.2)%*	*(37)*	*(3.1)%*	*(11)*	*29.7%*
Energy	*(53)*	*(14.6)%*	*(58)*	*(4.8)%*	*5*	*(8.6)%*
Other(1)	*(74)*	*(20.4)%*	*(275)*	*(22.8)%*	*201*	*(73.1)%*
Gross profit	1	0.3%	284	23.5%	(283)	(99.6)%
Mining segment						
Cost of revenues	(1,368)	(94.0)%	(2,387)	(65.7)%	1,019	(42.7)%
Raw materials	*(119)*	*(8.2)%*	*(705)*	*(19.4)%*	*586*	*(83.1)%*
Transportation	*(126)*	*(8.7)%*	*(239)*	*(6.6)%*	*113*	*(47.3)%*
Staff costs	*(358)*	*(24.6)%*	*(501)*	*(13.8)%*	*143*	*(28.5)%*
Depreciation	*(351)*	*(24.1)%*	*(354)*	*(9.7)%*	*3*	*(0.8)%*
Energy(2)	*(193)*	*(13.3)%*	*(245)*	*(6.7)%*	*52*	*(21.2)%*
Other(3)	*(221)*	*(15.2)%*	*(343)*	*(9.4)%*	*122*	*(35.6)%*
Gross profit	88	6.0%	1,247	34.3%	(1,159)	(92.9)%
Other operations						
Cost of revenues	(552)	(72.2)%	(749)	(73.3)%	197	(26.3)%
Gross profit	213	27.8%	273	26.7%	(60)	(22.0)%
Unallocated						
Cost of revenues	4		(7)		11	(157.1)%
Gross profit	4		(7)		11	(157.1)%
Eliminations-cost of revenues	*1,644*		*3 264*		*(1,620)*	*(49.6)%*
Eliminations-gross profit	*(146)*		*(143)*		*(3)*	*2.1%*
Consolidated cost of revenues	**(8,756)**	**(89.6)%**	**(13,463)**	**(66.1)%**	**4,707**	**(35.0)%**
Consolidated gross profit	**1,016**	**10.4%**	**6,917**	**33.9%**	**(5,901)**	**(85.3)%**

Notes:
(1) Includes repairs and maintenance, auxiliary materials such as refractory products and effect of changes in work-in-progress and finished goods inventories.
(2) Includes electricity, heat, natural gas and fuel used in production processes, such as fuel oil.
(3) Includes auxiliary materials, repairs and maintenance and effect of changes in work-in-progress and finished goods inventories.

Steel segment

Steel segment cost of revenues decreased by 35.9% from $12,662 million in 2008 to $8,122 million in 2009. Cost of revenues amounted to 90.5% and 70.6% of steel segment revenues for 2009 and 2008 respectively.

The principal factors affecting the change in steel segment cost of revenues in monetary terms in 2009 compared with 2008 were as follows:

• Raw material costs decreased by 52.0% due to the decline in sales volumes and the lower prices of iron ore, coking coal, scrap, ferroalloys, pig iron and steel semis purchased by the steel operations.

• Transportation costs decreased by 2.8%. Railway tariffs in relation to the transportation of Evraz's steel products to the relevant ports, which represent a major aspect of these costs, increased as a result of the higher export sales volumes of steel products from Russia and growth in the average railway tariff in Rouble terms. These increases were more than offset by the decline in transport costs related to the deliveries of raw materials to Russian plants and the depreciation of local currencies against the US dollar.

• Staff costs decreased by 27.3%. Factors affecting the decrease were staff optimisation measures and the depreciation of local currencies against the US dollar.

• Depreciation costs increased by 64.7%. This increase is largely attributable to the revaluation of assets at Zapsib (growth of $216 million) and NTMK (growth of $124 million).

• Energy costs decreased by 22.1% due to the reduction in production volumes and the depreciation of local currencies against the US dollar.

• Other costs decreased by 0.6%. These costs consisted primarily of contractor services and materials for maintenance and repairs and also included the effects of changes in work-in-progress and finished goods inventories on the cost of revenues. There was a $75 million increase in other costs reflecting the contribution of the new Canadian operations and a $321 million increase due to release of work-in-progress and finished goods inventories in 2009. These increases were more than offset by the effect of cost cutting measures and the depreciation of local currencies against the US dollar.

Steel segment gross profit decreased by 83.7% from $5,263 million in 2008 to $856 million in 2009, while gross profit margin amounted to 9.5% of steel segment revenues in 2009 compared with 29.4% in 2008. The decrease in gross profit margin primarily reflected the decline in prices and volumes of steel products and higher depreciation expense in respect of the Russian operations.

Vanadium segment

Vanadium segment cost of revenues decreased by 60.7% from $922 million in 2008 to $362 million in 2009. The decrease was primarily attributable to lower sales volumes and the lower prices of raw materials. Cost of revenues amounted to 99.7% of vanadium segment revenues in 2009 compared with 76.5% in 2008.

Gross profit of the vanadium segment decreased by 99.6% from $284 million in 2008 to $1 million in 2009, the result being a gross profit margin of 0.3% of vanadium segment revenues in 2009 compared with 23.5% in 2008.

Mining segment

The mining segment cost of revenues decreased by 42.7% from $2,387 million in 2008 to $1,368 million in 2009, representing 94.0% and 65.7% of mining segment revenues in 2009 and 2008 respectively.

The principal factors affecting the change in mining segment cost of revenues between the periods were:

• Raw material costs decreased by 83.1%. Excluding the effect of the resale of iron ore products from UGOK in 2008, raw material costs decreased by 36%. This decrease resulted from the lower prices and volumes of external iron ore purchased by the mining segment for processing and the weakening of the average rates of the Russian Rouble and Ukrainian Hryvnia against the US dollar.

• Transportation costs decreased by 47.3% primarily due to lower export sales volumes of mining products and the weakening of the average rates of the Russian Rouble and Ukrainian Hryvnia against the US dollar.

• Staff costs decreased by 28.5%. Factors that affected the decrease were staff optimisation and the weakening of the average rates of the Russian Rouble and Ukrainian Hryvnia against the US dollar.

• Depreciation costs decreased by 0.8%.

• Energy costs decreased by 21.2%. The decrease is primarily attributable to the weakening of the average rates of the Russian Rouble and Ukrainian Hryvnia against the US dollar.

• Other costs decreased by 35.6%. These costs consisted primarily of contractor services and materials for maintenance and repairs and certain taxes. The decrease is attributable to cost reduction measures and the weakening of the average rates of the Russian Rouble and Ukrainian Hryvnia against the US dollar.

Mining segment gross profit decreased by 92.9% to $88 million in 2009 compared with $1,247 million in 2008, representing a gross profit margin of 6.0% of mining segment revenues in 2009 compared with 34.3% in 2008. The decrease in the gross profit margin largely reflected declines in the average prices of iron ore and coal in 2009 compared with the previous year.

Other operations

The other operations segment's cost of revenues decreased by 26.3% to $552 million, representing 72.2% of other operations segment's revenues, in 2009 compared with $749 million, representing 73.3% of other operations' revenues, in 2008.

The major components of cost of revenues at Nakhodka Sea Port are staff and inventory costs; the major component of Evraztrans' cost of revenues is rent and maintenance of railway cars; the major component of MEF's cost of revenues is the purchase of electricity from power generating companies; the major components of EvrazEK's cost of revenues are natural gas for resale to the steel segment and natural gas and steam coal for power generation; the major components of Zapsib Power Plant's cost of revenues are steam coal for power generation, depreciation and staff costs; while the major component of Sinano's cost of revenues is ship hire fees.

The gross profit of the other operations segment decreased by 22.0% from $273 million in 2008 to $213 million in 2009. This decrease was largely attributable to a decline in Sinano's revenues associated with freight services provided by third party ship owners. The corresponding decrease in the costs of these services was reflected in selling and distribution costs discussed below, thus largely affecting the gross profit margin with minimal impact on Sinano's operating profit.

Gross profit margin amounted to 27.8% of the other operations' revenues in 2009 compared with 26.7% in 2008.

Selling and distribution costs

Selling and distribution costs decreased by 27.2% to $623 million, amounting to 6.4% of consolidated revenues, in 2009 compared with $856 million, amounting to 4.2% of consolidated revenues, in 2008. Selling and distribution costs largely consist of transportation expenses related to Evraz's selling activities.

The following table presents selling and distribution costs by segment in 2009 and 2008, including as a percentage of segment revenues.

US$ million	Year ended December 31,					
	2009		2008		2009 vs 2008	
Selling and distribution costs by segment	Amount	Percentage of segment revenues	Amount	Percentage of segment revenues	Change	% Change
Steel segment	**(617)**	**(6.9)%**	**(777)**	**(4.3)%**	**160**	**(20.6)%**
Transportation costs	*(347)*	*(3.9)%*	*(448)*	*(2.5)%*	*101*	*(22.5)%*
Staff costs	*(48)*	*(0.5)%*	*(69)*	*(0,4)%*	*21*	*(30.4)%*
Bad debt expense	*(26)*	*(0.3)%*	*(13)*	*(0.1)%*	*(13)*	*100.0%*
Depreciation	*(113)*	*(1.3)%*	*(106)*	*(0.6)%*	*(7)*	*6.6%*
Other(1)	*(83)*	*(0.9)%*	*(141)*	*(0.8)%*	*58*	*(41.1)%*
Vanadium segment	**(20)**	**(5.5)%**	**(82)**	**(6.8)%**	**62**	**(75.6)%**
Transportation costs	*(6)*	*(1.7)%*	*(36)*	*(3.0)%*	*30*	*(83.3)%*
Staff costs	*(2)*	*(0.6)%*	*(6)*	*(0.5)%*	*4*	*(66.7)%*
Bad debt expense	*(1)*	*(0.3)%*	*–*	*0.0%*	*(1)*	*0.0%*
Depreciation	*(4)*	*(1.1)%*	*(4)*	*(0.3)%*	*–*	*0.0%*
Other(1)	*(7)*	*(1.9)%*	*(36)*	*(3.0)%*	*29*	*(80.6)%*
Mining segment	**(59)**	**(4.1)%**	**(40)**	**(1.1)%**	**(19)**	**47.5%**
Transportation costs	*(39)*	*(2.7)%*	*(22)*	*(0.6)%*	*(17)*	*77.3%*
Staff costs	*(1)*	*(0.1)%*	*(2)*	*(0.1)%*	*1*	*(50.0)%*
Bad debt expense	*(10)*	*(0.7)%*	*(3)*	*(0.1)%*	*(7)*	*233.3%*
Other(1)	*(9)*	*(0.6)%*	*(13)*	*(0.4)%*	*4*	*(30.8)%*
Other operations	**(80)**	**(10.5)%**	**(119)**	**(11.6)%**	**39**	**(32.8)%**
Eliminations	153		162		(9)	(5.6)%
Total	**(623)**	**(6.4)%**	**(856)**	**(4.2)%**	**233**	**(27.2)%**

Note:
(1) Includes auxiliary materials such as packaging, port services and customs duties.

Steel segment

Selling and distribution costs amounted to 6.9% and 4.3% of steel segment revenues in 2009 and 2008 respectively. The primary factors affecting the changes in the steel segment selling and distribution costs between the periods were:

- Transportation costs decreased by 22.5% primarily due to the depreciation of local currencies against the US dollar.

- Staff costs decreased by 30.4%. This decrease is largely attributable to staff optimisation measures and depreciation of the average rates of local currencies against the US dollar.

- Bad debt expense increased by 100.0% from $13 million in 2008 to $26 million in 2009, largely attributable to provision made against receivables from Russian customers.

- Depreciation costs increased by 6.6% mainly reflecting the contribution of the new Canadian operations.

- Other selling costs decreased by 41.1%, primarily due to cost cutting measures and depreciation of the average rates of local currencies against the US dollar.

Vanadium segment

Selling and distribution costs decreased by 75.6% to $20 million in 2009 compared with $82 million in 2008, representing 5.5% and 6.8% of vanadium segment revenues in 2009 and 2008 respectively. The decrease was primarily due to reductions in freight services, customs duties and sales commissions.

Mining segment

Selling and distribution costs amounted to 4.1% of the mining segment's revenues in 2009 compared with 1.1% in 2008. The principal factors affecting the changes in the mining segment's selling and distribution costs between the periods were:

• Transportation costs increased by 77.3% largely due to changes in cost allocation between the steel and mining segments in the 2009 Financial Statement compared with 2008.

• Staff costs decreased by approximately 50% in 2009 primarily due to changes in the classification of staff costs at YuKU in the 2009 Financial Statement compared with 2008.

• Bad debt expense increased from $3 million in 2008 to $10 million in 2009 largely due to the write-off of unrecoverable accounts receivable.

• Other selling costs decreased by 30.8% largely due to lower sales commissions and depreciation of the average rates of local currencies against the US dollar.

Other operations

Selling and distribution costs amounted to 10.5% of other operations' revenues in 2009 compared with 11.6% in 2008. The decrease in selling and distribution costs was largely attributable to lower external freight and port services of Sinano (See amplification of the gross profit margin of other operations segment above).

General and administrative expenses

General and administrative expenses decreased by 27.9% to $645 million, representing 6.6% of consolidated revenues, in 2009 compared with $895 million, representing 4.4% of consolidated revenues, in 2008.

The following table presents general and administrative expenses by segment for 2009 and 2008, including as a percentage of segment revenues.

US$ million	Year ended December 31,					
	2009		2008		2009 vs 2008	
General and administrative expenses by segment	Amount	Percentage of segment revenues	Amount	Percentage of segment revenues	Change	% Change
Steel segment	**(372)**	**(4.1)%**	**(472)**	**(2.6)%**	**100**	**(21.2)%**
Staff costs	*(126)*	*(1.4)%*	*(193)*	*(1.1)%*	*67*	*(34.7)%*
Taxes, other than on income	*(82)*	*(0.9)%*	*(90)*	*(0.5)%*	*8*	*(8.9)%*
Other(1)	*(164)*	*(1.8)%*	*(189)*	*(1.1)%*	*25*	*(13.2)%*
Vanadium segment	**(25)**	**(6.9)%**	**(33)**	**(2.7)%**	**8**	**(24.2)%**
Staff costs	*(13)*	*(3.6)%*	*(18)*	*(1.5)%*	*5*	*(27.8)%*
Taxes, other than on income	*(1)*	*(0.3)%*	*(2)*	*(0.2)%*	*1*	*(50.0)%*
Other(1)	*(11)*	*(3.0)%*	*(13)*	*(1.1)%*	*2*	*(15.4)%*
Mining segment	**(90)**	**(6.2)%**	**(138)**	**(3.8)%**	**48**	**(34.8)%**
Staff costs	*(43)*	*(3.0)%*	*(66)*	*(1.8)%*	*23*	*(34.8)%*
Taxes, other than on income	*(14)*	*(1.0)%*	*(17)*	*(0.5)%*	*3*	*(17.6)%*
Other(2)	*(33)*	*(2.3)%*	*(55)*	*(1.5)%*	*22*	*(40.0)%*
Other operations	**(27)**	**(3.5)%**	**(44)**	*(4.3)%*	**17**	**(38.6)%**
Unallocated(3)	(138)		(211)		73	(34.6)%
Eliminations	7		3		4	(133.3)%
Total	**(645)**	**(6.6)%**	**(895)**	**(4.4)%**	**250**	**(27.9)%**

Notes:
(1) Includes depreciation, insurance and bank and other service costs.
(2) Includes rent, insurance, bank and other service costs.
(3) Relates principally to staff costs.

Steel segment

General and administrative expenses amounted to 4.1% of the steel segment's revenues in 2009 compared with 2.6% in 2008. The principal factors affecting the changes in the steel segment's general and administrative expenses between the periods were:

- Staff costs decreased by 34.7%. This decrease is mainly attributable to staff optimisation measures and appreciation of the average exchange rates of local currencies against the US dollar.

- Taxes, other than on income, including property, land and local taxes, decreased by 8.9%. The decrease primarily reflected depreciation of the average exchange rates of local currencies against the US dollar.

- Other general and administrative expenses decreased by 13.2%. The decrease is largely attributable to depreciation of the average exchange rates of local currencies against the US dollar.

Vanadium segment

General and administrative expenses decreased by 24.2% to $25 million, representing 6.9% of vanadium segment revenues, in 2009 compared with $33 million, representing 2.7% of vanadium segment revenues, in 2008. The decrease in the general and administrative expenses is primarily attributable to staff optimisation measures and depreciation of the average exchange rates of local currencies against the US dollar.

Mining segment

General and administrative expenses decreased by 34.8% to $90 million, representing 6.2% of mining segment revenues, in 2009 compared with $138 million, representing 3.8% of mining segment revenues, in 2008. The principal factors affecting the changes in the mining segment's general and administrative expenses between the periods were:

- Staff costs decreased by 34.8%. The decrease was primarily attributable to staff optimisation measures and depreciation of the average exchange rates of local currencies against the US dollar.

- Taxes, other than on income, decreased by 17.6% mainly due to depreciation of the average exchange rates of local currencies against the US dollar.

- Other expenses decreased by 40.0% largely due to cost cutting measures and depreciation of the average exchange rates of local currencies against the US dollar.

Other operations

General and administrative expenses decreased by 40.0% to $27 million, representing 3.5% of other operations segment's revenues, in 2009 compared with $44 million, representing 4.3% of other operations segment's revenues, in 2008. The decrease in general and administrative expenses is primarily attributable to staff optimisation measures and depreciation of the average exchange rates of local currencies against the US dollar.

Unallocated

Unallocated general and administrative expenses are mainly attributable to costs associated with EvrazHolding and OUS (a subsidiary which provides accounting services to Evraz's operations in Russia and Ukraine). Most of EvrazHolding's general and administrative costs relate to wages and salaries in respect of its employees, including Evraz's senior management.

Unallocated general and administrative expenses decreased by 34.6% to $138 million in 2009 compared with $211 million in 2008. This decrease is attributable to cost cutting, staff optimisation measures and depreciation of the average exchange rates of local currencies against the US dollar.

Other operating income and expenses

Other operating expenses, net of other operating income, decreased to $795 million, representing 8.1% of consolidated revenues, in 2009 compared with $1,534 million, representing 7.5% of consolidated revenues, in 2008. Other operating income and expenses consist primarily of social and social infrastructure expenses, gain (loss) on the disposal of property, plant and equipment, impairment of assets, gain (loss) in respect of foreign exchange rates and a revaluation deficit on property, plant and equipment. Social and social infrastructure expenses include such items as maintenance of medical centres, recreational centres, employee holiday allowances, sponsorship of sports teams and charitable events.

The following table presents other operating income and expenses by segment for 2009 and 2008, including as a percentage of segment revenues.

US$ million	Year ended December 31,					
	2009		2008		2009 vs 2008	
Other operating income and expenses by segment	Amount	Percentage of segment revenues	Amount	Percentage of segment revenues	Change	% Change
Steel segment						
Social and social infrastructure maintenance expenses	(43)	(0.5)%	(91)	(0.5)%	48	(52.7)%
Loss on disposal of property, plant and equipment	(56)	(0.6)%	(11)	(0.1)%	(45)	409.1%
Impairment of assets	(168)	(1.9)%	(821)	(4.6)%	653	(79.5)%
Foreign exchange gain (loss)	54	(0.6)%	(342)	(1.9)%	396	(115.8)%
Revaluation deficit on property, plant and equipment	(422)	(4.7)%	–	0.0%	(422)	0.0%
Other income (expense), net	(72)	(0.8)%	(3)	0.0%	(69)	n/a
Total	(707)	(7.9)%	(1,268)	(7.1)%	561	(44.2)%
Vanadium segment						
Foreign exchange gain (loss)	–	0.0%	1	0.1%	(1)	(100.0)%
Revaluation deficit on property, plant and equipment	(4)	(1.1)%	–	0.0%	(4)	0.0%
Total	(4)	(1.1)%	1	0.1%	(5)	n/a
Mining segment						
Social and social infrastructure maintenance expenses	(6)	(0.4)%	(18)	(0.5)%	12	(66.7)%
Loss on disposal of property, plant and equipment	(19)	(1.3)%	(15)	(0.4)%	(4)	26.7%
Impairment of assets	5	0.3%	(56)	(1.5)%	61	(108.9)%
Foreign exchange gain (loss)	1	0.1%	10	0.3%	(9)	(90.0)%
Revaluation deficit on property, plant and equipment	(112)	(7.7)%	–	0.0%	(112)	0.0%
Other income (expense), net	(22)	(1.5)%	(19)	(0.5)%	(3)	15.8%
Total	(153)	(10.5)%	(98)	(2.7)%	(55)	56.1%
Other operations						
Social and social infrastructure maintenance expenses	(1)	(0.1)%	(2)	(0.2)%	1	(50.0)%
Loss on disposal of property, plant and equipment	(6)	(0.8)%	(11)	(1.1)%	5	(45.5)%
Impairment of assets	–	0.0%	(3)	(0.3)%	3	(100)%
Foreign exchange gain (loss)	–	0.0%	(4)	(0.4)%	4	(100)%
Revaluation deficit on property, plant and equipment	(26)	(3.4)%	–	0.0%	(26)	0.0%
Other income (expense), net	4	0.5%	(7)	(0.7)%	11	(157.1)%
Total	(29)	(3.8)%	(27)	(2.6)%	(2)	7.4%
Unallocated	98		(141)		239	(169.5)%
Eliminations	–		(1)		1	(100)%
Total other operating income and expenses, net	**(795)**	**(8.1)%**	**(1,534)**	**(7.5)%**	**739**	**(48.2)%**

Total social and social infrastructure expenses decreased by 53.5% from $114 million in 2008 to $53 million in 2009. The decrease was largely attributable to social and social infrastructure expenses in relation to the Russian steel and mining operations.

The total revaluation deficit on property, plant and equipment amounted to $564 million in 2009 and related to application of the revaluation model to the valuation of certain items of property, plant and equipment, which resulted in additional charges recognised in the statement of operations. (See Note 2 to the 2009 Financial Statements).

Total loss on the disposal of property, plant and equipment amounted to $81 million in 2009 compared with $37 million in 2008. The increase in 2009 was primarily related to the revaluation of property, plant and equipment.

Total impairment of assets amounted to $163 million in 2009 compared with $880 million in 2008. Impairment was largely attributable to impairment of goodwill in the amount of $135 million in 2009 and $756 million in 2008 in relation to the acquisition of new operations in North America and Ukraine. Evraz also recognised impairment of assets, other than goodwill, in the amounts of $28 million in 2009 and $124 million in 2008, including impairment due to the closure of certain obsolete and inefficient Russian production facilities.

The total foreign exchange gain (loss) amounted to $156 million in 2009 compared with $(471) million in 2008. The foreign exchange loss in 2008 was due to the depreciation of the local currencies of Evraz's Russian, European, Canadian and South African subsidiaries against the US dollar between December 31, 2007 and December 31, 2008. The majority of Evraz's credit portfolio is maintained in US dollars. Consequently, the depreciation of the local currencies against the US dollar resulted in foreign exchange losses being sustained by Evraz's subsidiaries in relation to bank loans denominated in US dollars. The total foreign exchange loss also included Evraz's losses in respect of inter-company loans issued to subsidiaries, in particular to Evraz Inc NA Canada, in local currencies.

The foreign exchange gain in 2009 largely related to the effect of the appreciation of the Canadian dollar against the US dollar, between December 31, 2008 and December 31, 2009, on the inter-company loans issued by Evraz Group to Evraz Inc NA Canada in Canadian dollars (gain at Evraz Group) and in US dollars (gain at Evraz Inc NA Canada). Losses on US dollar denominated borrowings at the Russian operations, due to the depreciation of the Russian Rouble against the US dollar between December 31, 2008 and December 31, 2009, were largely offset by gains in respect of inter-company loans issued by Russian subsidiaries to Mastercroft Finance Ltd (a Cyprus-based subsidiary of Evraz Group) in Russian Roubles.

Profit from Operations

Profit (loss) from operations recorded a loss of $(1,047) million, amounting to –10.7% of consolidated revenues, in 2009 compared to a profit of $3,632 million, amounting to 17.8% of consolidated revenues, in 2008. The change in profit (loss) from operations is attributable to the decline in consolidated gross profit margin in 2009.

The following table presents profit (loss) from operations by segment for 2009 and 2008, including as a percentage of segment revenues.

US$ million	Year ended December 31,					
	2009		2008		2009 vs 2008	
Profit (loss) from operations by segment	Amount	Percentage segment of revenues	Amount	Percentage segment of revenues	Change	% Change
Steel segment	(840)	(9.4)%	2,746	15.3%	(3,586)	(130.6)%
Vanadium segment	(48)	(13.2)%	170	14.1%	(218)	(128.2)%
Mining segment	(214)	(14.7)%	971	26.7%	(1,185)	(122.0)%
Other operations	77	10.1%	83	8.1%	(6)	(7.2)%
Unallocated	(36)		(358)		322	(89.9)%
Eliminations	14		20		(6)	(30.0)%
Total	**(1,047)**	**(10.7)%**	**3,632**	**17.8%**	**(4,679)**	**(128.8)%**

Steel Segment

Steel segment profit (loss) from operations recorded a loss of $(840) million, representing –9.4% of steel segment revenues, in 2009 compared with a profit of $2,746 million, representing 15.3% of steel segment revenues, in 2008. The change in the operating profit margin of the steel segment is attributable to the decline in gross profit margin in 2009.

Vanadium Segment

Vanadium segment profit (loss) from operations decreased to a loss of $(48) million in 2009 compared with a profit of $170 million in 2008. The change in the operating profit of the vanadium segment is attributable to the decline in gross profit.

Mining Segment

Mining segment profit (loss) from operations decreased to a loss of $(214) million in 2009 compared with a profit of $971 million in 2008. The decrease in the operating profit of the mining segment is attributable to the decline in gross profit and the revaluation deficit on property, plant and equipment in 2009.

Other Operations

The other operations segment's profit from operations decreased by 7.2% to $77 million in 2009 compared with $83 million in 2008. Profit from operations as a percentage of other operations segment's revenues increased from 8.1% in 2008 to 10.1% in 2009.

Non-Operating Income and Expense

Non-operating income and expense includes interest income, interest expense, share of profits (losses) of associates and joint ventures, gains (losses) on financial assets and liabilities and other non-operating gains (losses). The table below presents these items for 2009 and 2008, including as a percentage of consolidated revenues.

US$ million	Year ended December 31,					
	2009		2008		2009 vs 2008	
	Amount	Percentage of revenues	Amount	Percentage of revenues	Change	% Change
Interest income	40	0.4%	57	0.3%	(17)	(29.8)%
Interest expense	(677)	(6.9)%	(655)	(3.2)%	(22)	3.4%
Share of profits (losses) of associates and joint ventures, net	(8)	(0.1)%	194	1.0%	(202)	(104.1)%
Gain/(loss) on financial assets and liabilities, net	(6)	(0.1)%	(209)	(1.0)%	203	(97.1)%
Loss on disposal of assets held for sale	(19)	(0.2)%	(43)	(0.2)%	24	(55.8)%
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	10	0.1%	0	0.0%	10	0.0%
Gain/(loss) on extinguishment of debts	103	1.1%	80	0.4%	23	28.8%
Other non-operating gain (loss), net	4	0.0%	(5)	0.0%	9	(180.0)%
Total	**(553)**	**(5.7)%**	**(581)**	**(2.9)%**	**28**	**(4.8)%**

Interest income decreased by 29.8% from $57 million in 2008 to $40 million in 2009. This primarily comprised interest on bank accounts and deposits.

Interest expense showed a slight increase of 3.4% to $677 million in 2009 compared with $655 million in 2008. The increase primarily reflected higher interest on liabilities relating to employee benefits.

Share of profits (losses) of associates and joint ventures in 2009 and 2008 largely related to income (loss) attributable to Evraz's interest in Raspadskaya and Kazankovskaya mine (associate of YuKU).

Net loss on financial assets and liabilities amounted to $6 million in 2009 compared with $209 million in 2008. In 2008, this loss largely related to revaluation of the investment in Delong ($144 million) and Cape Lambert ($21 million). It also included loss on trading in Raspadskaya shares ($27 million).

Income Tax Expense (Benefit)

Income tax benefit amounted to $339 million in 2009 compared with an income tax expense of $1,192 million in 2008. Evraz's effective tax rate, defined as income tax expense (benefit) as a percentage of profit (loss) before tax, decreased from 39.1% in 2008 to 21.2% in 2009.

Net Profit (Loss) Attributable to Equity Holders of the Parent Entity

As a result of the factors set forth above, Evraz's net profit (loss) attributable to equity holders of the parent entity decreased from a profit of $1,797 million in 2008 to a loss of $1,251 million in 2009.

Net Profit (Loss) Attributable to Minority Interests

Net loss attributable to minority interests amounted to $10 million, representing 0.8% of total net loss, in 2009 compared with $62 million, representing 3.3% of total net profit, in 2008. The decrease in the relative share of net profit (loss) attributable to minority interests largely reflected the offset of losses against profits attributable to different minority shareholders in 2009. Evraz's strategy is to reduce the level of minority interests in its subsidiaries.

The following table presents the Company's effective ownership interests in its major subsidiaries as of December 31, 2009 and 2008:

Subsidiary	Effective ownership interest as of December 31, %		Business activity	Location
	2009	2008		
NTMK	100.00	100.00	Steel production	Russia
Zapsib	100.00	100.00	Steel production	Russia
NKMK	100.00	100.00	Steel production	Russia
DMZ	96.03	96.03	Steel production	Ukraine
Palini	100.00	100.00	Steel production	Italy
Vitkovice	100.00	100.00	Steel production	Czech Republic
Evraz Inc. NA	100.00	100.00	Steel production	USA
Evraz Inc. NA Canada	100.00	100.00	Steel production	Canada
Highveld	85.12	85.12	Steel and vanadium production	S.Africa
Stratcor	72.84	72.84	Vanadium production	USA, S.Africa
Vanady-Tula	100.00	–	Vanadium production	Russia
KGOK	100.00	100.00	Iron ore mining and processing	Russia
Evrazruda	100.00	100.00	Iron ore mining and processing	Russia
VGOK	100.00	100.00	Iron ore mining and processing	Russia
Sukhaya Balka	99.42	99.42	Iron ore mining and processing	Ukraine
Yuzhkuzbassugol	100.00	100.00	Coal mining	Russia
Dneprokoks	98.65	98.65	Coke production	Ukraine
Bagleykoks	94.37	94.37	Coke production	Ukraine
DKHZ	93.86	93.86	Coke production	Ukraine
Nakhodka Sea Port	100.00	100.00	Seaport services	Russia
Evraztrans	76.00	76.00	Freight-forwarding	Russia
Sinano	100.00	100.00	Freight	Cyprus
EvrazEK	100.00	100.00	Utilities supply	Russia
Metallenergofinance	100.00	100.00	Utilities supply	Russia

Liquidity and Capital Resources

Capital Requirements

In addition to meeting its working capital requirements, Evraz expects that repayments of outstanding debt, capital expenditure and acquisitions will represent the Company's most significant use of funds for a period of several years. The amount and term of Evraz's obligations in respect of outstanding debt are described under "Contractual obligations and commercial commitments".

Evraz's capital expenditure programme is focused on the reconstruction and modernisation of its existing production facilities in order to reduce costs, improve process flows and expand its product range. Evraz also plans to utilise capital expenditure to increase its production, sales and market shares of higher margin products.

In 2009, Evraz's total capital expenditure amounted to approximately $441 million, including $264 million in respect of the steel segment, $148 million in respect of the mining segment and $2 million in respect of the vanadium segment. Evraz's capital expenditure plans are subject to change depending, among other things, on the evolution of market conditions and the cost and availability of funds.

Evraz's acquisitions of new subsidiaries (net of cash acquired) totalled $16 million in 2009, while purchases of minority interests amounted to $8 million.

Capital Resources

Historically, Evraz has relied on cash flow provided by operations and short-term debt to finance its working capital and capital requirements. Management expects that such sources of funding will continue to be important in the future. At the same time, Evraz intends to increasingly substitute short-term debt for longer-term debt in order to better match its capital resources to its planned expenditure. Evraz does not currently make use of any off-balance sheet financing arrangements.

Net cash provided by operating activities amounted to $1,700 million in 2009 compared with $4,563 million in 2008. The decrease in net cash provided by operating activities in 2009 was primarily caused by decreased profit margins consequent to the global financial crisis. Cash provided by operating activities before working capital adjustments decreased from $4,726 million in 2008 to $1,046 million in 2009. Working capital movement in 2009 was largely driven by the decrease in inventories.

Net cash from investing activities totalled $183 million in 2009 compared with $3,736 million of net cash used in investing activities in 2008. Substantially all the cash used in investing activities related to purchases of property, plant and equipment, shares in subsidiaries and an interest in a joint venture.

Net cash used in financing activities amounted to $2,149 million in 2009 compared with $127million in 2008.

In 2009 and 2008, the most significant credit facilities obtained by Evraz directly from capital markets and from international and Russian banks to finance its capital requirements included:

- **Evraz Inc. N.A.**
  On December 18, 2009, Evraz Inc. NA signed an agreement with GE Capital for a revolving credit line of $225 million with a maturity date of December 18, 2013. The loan is secured with pledge of Evraz Inc. N.A. revenue and bears an annual interest rate of 6.25%.

- **Gazprombank**
  On October 23, 2009, NTMK, Zapsib and NKMK signed agreements with Gazprombank for revolving credit lines of US$300 million, US$500 million and US$150 million respectively, with maturity dates of July 23, 2013. The loans are secured with pledge of 50% less one share of KGOK and bear an annual interest rate of 9.5%.

- **Rouble-denominated bonds**
  On October 23, 2009, NTMK, Zapsib and NKMK signed agreements with Gazprombank for revolving credit lines of $300 million, $500 million and $150 million respectively, with maturity dates of July 23, 2013. The loans are secured with pledge of 50% less one share of KGOK and bear an annual interest rate of 9.5%.

- **Evraz convertible bonds**
  On July 13, 2009, Evraz Group S.A. issued convertible bonds for the total amount of $650 million, due in 2014. The bonds bear a quarterly coupon at an annual rate of 7.25% and are convertible into Evraz GDRs at an initial conversion price of $21.20 (adjustable in respect of dividends and stock splits). Unless previously converted or repurchased, the convertible Bonds will be redeemed at their principal amount on July 13, 2014. The proceeds from the issue of the convertible bonds were used to refinance Evraz's short-term debt. Evraz's bonds are admitted to the Official List of the U.K. Listing Authority and to trading on the Regulated Market of the London Stock Exchange.

- **VEB Facilities**
  On November 21, 2008, Evraz Group S.A. entered into a $1,006.5 million loan agreement with Russia's State Corporation Bank for Development and Foreign Economic Affairs "Vnesheconombank" (VEB). The loan is granted in 5 tranches of $201.3 million each to partially refinance the Company's principal installments falling due in 2008 and 2009 under the $3,214 million syndicated loan borrowed in November 2007. The loan is secured with pledge of 100% of Zapsib shares and assignment of receivables under certain Zapsib and NTMK export contracts, and bears interest at 12-month LIBOR plus a margin of 5% per annum. Each tranche is repayable on the first anniversary of its respective disbursement date, with the final repayment scheduled for December 2010.

  In November 2009, the maturity of the VEB loan facility was extended for another twelve months. Subsequent to the reporting date, in January 2010, Evraz Group S.A. signed an amendment to the loan agreement with VEB. Under the revised agreement, the extension of the four tranches was cancelled. At the maturity dates, the Company is going to conclude separate agreements with VEB for the extension of each tranch. The interest rate will be fixed at one year LIBOR defined on two business days preceding the date of the extension agreement plus 5%.

- **Evraz Eurobonds**
  On April 24 and May 27, 2008, Evraz Group S.A. issued notes for the total amount of $1,300 million due in 2013 and notes for the total amount of $700 million due in 2018. The notes due in 2013 bear semi-annual coupon at the annual rate of 8.875% and must be redeemed at their principal amount on April 24, 2013. The notes due in 2018 bear semi-annual coupon at the annual rate of 9.5% and must be redeemed at their principal amount on April 24, 2018. The proceeds from the issue of the notes were used for financing a portion of the cost of the acquisition of IPSCO Inc. Both Evraz Bonds 2013 and Evraz Bonds 2018 are admitted to the Official List of the U.K. Listing Authority and to trading on the Regulated Market of the London Stock Exchange.

Liquidity

As the table below illustrates, Evraz's estimated liquidity, defined as cash and cash equivalents, amounts available under credit facilities and short-term bank deposits with original maturity of more than three months, totalled approximately $1,997 million as of December 31, 2009 and approximately $2,634 million as of December 31, 2008.

As of December 31, 2009, Evraz had unutilised borrowing facilities in the amount of $1,345 million, including $864 million of committed facilities and $481 million of uncommitted facilities.

Committed facilities consisted of credit facilities available for Russian, North American and European operations in the amounts of $778 million, $79 million and $7 million respectively.

Uncommitted facilities consisted of revolving credit lines of $296 million with western banks for export trade financing at East Metals S.A. and credit facilities available for European, South African, and North American operations in the amounts of $139 million, $42 million and $4 million respectively.

Evraz's current ratio, defined as current assets divided by current liabilities, increased from 0.96 as of December 31, 2008 to 1.13 as of December 31, 2009.

Evraz's corporate treasury monitors the financial requirements of Evraz's various subsidiaries and has various instruments at its disposal to ensure that each subsidiary has sufficient liquidity to meet its obligations and capital requirements.

US$ million	As of December 31, 2009	As of December 31, 2008
Estimated Liquidity		
Cash and cash equivalents(1)	675	930
Amount available under credit facilities	1,300	1,679
Short-term bank deposits	22	25
Total estimated liquidity	**1,997**	**2,634**

Note:
(1) Since December 31, 2009, Evraz has used or agreed to use cash in several ways other than in the ordinary course of business. In March 2010, the Group won the tender to develop the Mezhegey coal deposit located in East Siberia, Russia. The Group offered RUB950 million (approximately $32 million) in the tender held by the Russian State Mineral Resources Agency.

Contractual Obligations and Commercial Commitments

The following table sets forth the amount of Evraz's obligations in respect of loans and borrowings as of December 31, 2009 and December 31, 2008 by period:

US$ million	As of December 31, 2009					As of December 31, 2008				
Obligations in respect of borrowings	Total	Less than 1 year	1–2 years	2–5 years	More than 5 years	Total	Less than 1 year	1–2 years	2–5 years	More than 5 years
Short-term loans and borrowings (including current portion of long-term borrowings)	**1,909**	1,909	–	–	–	**3,841**	3,841	–	–	–
Long-term loans and borrowings	**6,249**	–	1,834	3,283	1,132	**6,152**	-	1,565	3,240	1,347
Unamortised debt issue costs(1)	**(196)**	(4)	(192)	–	–	**(94)**	(2)	(92)	–	–
Difference between the nominal amount and liability component of convertible bonds (Note 20)	**(126)**	–	–	(126)	–	**–**	–	–	–	–
Interest payable	**87**	87	–	–	–	**87**	83	4	–	–
Total	**7,923**	**1,992**	**1,642**	**3,157**	**1,132**	**9,986**	**3,922**	**1,477**	**3,240**	**1,347**

Note:
(1) Unamortised debt issue costs represent commissions and arrangement costs paid by the Company's subsidiaries in relation to the arrangement of long-term loans and the issuance of notes.

Subsequent to December 31, 2009, Evrazholding-Finance (a subsidiary of Evraz Group) issued and placed on Moscow Interbank Currency Exchange (MICEX) Rouble-denominated bonds for an amount of RUB15 billion (approximately $509 million at the exchange rate as of March 24, 2010). Proceeds from this placement will be fully utilised to refinance existing debt obligations.

As of December 31, 2009 and December 31, 2008, Evraz possessed equipment with a carrying value of $11 million and $1,131 million respectively, pledged as collateral under loans to the Company. In addition, Evraz had pledged finished goods with a carrying value of $81 million as of December 31, 2009 and $648 million as of December 31, 2008. In addition, as of December 31, 2009, 100% of the shares of Zapsib were pledged as collateral under bank loans. This subsidiary represents 15% of the consolidated assets and 9% of the consolidated revenues of the Group. At December 31, 2009, the net assets (including intra-group balances) of Zapsib were $3,162 million. In addition, at the end of the reporting period, 50% less one share of KGOK was pledged as collateral under an unutilised bank loan.

As of December 31, 2009 and December 31, 2008, Evraz had incurred liabilities in respect of post-employment benefits that the Company provides to employees of certain of its subsidiaries pursuant to collective bargaining agreements and defined benefit plans of $307 million and $292 million respectively. These amounts represent the present value of Evraz's defined benefit obligation less the fair value of plan assets and adjusted for unrecognised actuarial gains (losses) and past service costs, discounted to present value.

Evraz also makes defined contributions to Russia's state social fund at the statutory regressive rate in force, based on gross salary payments. Evraz is only required to make these contributions as they fall due and the Company does not retain any legal or constructive obligation to pay future benefits. These contributions are expensed as incurred.

As of December 31, 2009, Evraz had contractual commitments for the purchase of production equipment and construction works for approximately $324 million.

Future minimum lease payments as of December 31, 2009 were as follows:

US$ million	2009		2008	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Not later than one year	**$24**	**$17**	$20	$15
Later than one year and not later than five years	**65**	**51**	41	34
Later than five years	**7**	**7**	8	6
	96	**75**	69	55
Less: amounts representing finance charges	**(21)**	**–**	(14)	–
	$ 75	**$ 75**	**$ 55**	**$55**

Evraz is also involved in a number of social programmes designed to support education, healthcare and the development of the social infrastructure in certain towns where the Company's assets are located. In 2010, Evraz plans to spend approximately $94 million under these programmes.

Evraz has a constructive obligation to reduce environmental pollution and contamination in accordance with an environmental protection programme. During the period 2010 to 2014, Evraz is obligated to spend approximately $167 million on the replacement of old machinery and equipment which will result in reduced pollution.

Tax Contingencies

The Russian government has initiated reforms of the tax system that have brought some improvement in the tax climate. Many tax laws and related regulations have been introduced, some of which are subject to varying interpretation and inconsistent enforcement due to the fact that they are not clearly defined. Instances of inconsistent opinions between local, regional and federal tax authorities are not unusual. Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, Evraz has accrued tax liabilities based on management's best estimates. Possible liabilities, which were identified by management at the balance sheet date as those that can be subject to different interpretations of the tax laws and regulations and are not accrued in the consolidated financial statements as of December 31, 2009, could total up to approximately $38 million.

Inflation

While Evraz's revenues depend substantially on international prices for metallurgical products, its costs are closely linked to domestic cost factors. Inflation moderated in Russia during recent years; however it reached its lowest levels of 8.8% in 2009 compared with 13.3% in 2008. In the first three quarters of 2008, overall price trends were generally positive, with steel prices growing faster than many relevant cost factors such as raw materials, railway transportation charges, natural gas prices, electricity costs and the general consumer price index. The fourth quarter of 2008 brought a significant drop in prices and demand for metallurgical goods in both Russian and global markets caused by the deepening of the recession and the weakening in international trade. However, stabilisation of the economic situation due to government stimulus programmes post the first quarter of 2009 was followed by a year-long gradual recovery in the prices of metallurgical goods driven by a revival of demand and increased business activity. The table below presents changes in consumer price indices from 2005 to 2009 in countries where Evraz has production facilities.

	2005	2006	2007	2008	2009	2005 to 2009	Source
Russian Consumer Price Index, change in RUB(1)	10.9%	9.0%	11.9%	13.3%	8.8%	66.7%	Fedstat
Ukrainian Consumer Price Index, change in UAH(1)	13.5%	9.1%	12.8%	25.2%	15.9%	102.7%	State Statistics Committee of Ukraine
US Consumer Price Index, change in USD(1)	3.4%	2.5%	4.1%	0.1%	2.7%	13.4%	Bureau of Labor Statistics
Canadian Consumer Price Index, change in CAD(1)	2.2%	2.0%	2.2%	2.3%	0.3%	9.3%	Statistics Canada
Italian Consumer Price Index, change in EUR(1)	2.0%	2.1%	1.8%	3.3%	0.8%	10.4%	Eurostat, Istat, OECD.Stat
Czech Consumer Price Index, change in CZK(1)	1.9%	2.5%	2.8%	6.3%	1.0%	15.3%	Czech Statistical Office
South African Consumer Price Index, change in ZAR(1)	3.6%	5.8%	9%	9.6%	6.3%	39.2%	Statistics South Africa

Note:
(1) Represents the change from December 31 of the prior year to December 31 of the indicated year.

The table below presents changes in the nominal exchange rates of national currencies against the US dollar from 2005 to 2009 in countries where Evraz has production facilities.

	2004	2005	2006	2007	2008	2009	2005 to 2009	Source
Nominal RUB/$ exchange rate, change(1)	6.1%	(3.6%)	9.3%	7.3%	(16.4)%	(2.8)%	(8.2)%	CBR
Nominal UAH/$ exchange rate, change(1)	0.5%	5.1%	0%	0%	(34.4)%	(3.6)%	(33.6)%	National Bank of Ukraine
Nominal CAD/$ exchange rate, change(1)	7.4%	3.2%	0.1%	17.9%	(18.9)%	15.9%	14.5%	Bank of Canada
Nominal EUR/$ exchange rate, change(1)	7.8%	(13.4)%	11.6%	11.8%	(5.5)%	3.5%	5.8%	The European Central Bank
Nominal CZK/$ exchange rate, change(1)	14.7%	(9.0)%	17.8%	15.5%	(6.6)%	5.3%	21.76%	Czech National Bank
Nominal ZAR/$ exchange rate, change(1)	18.1%	(10.8)%	(9.4)%	2.8%	(27.1)%	26.2%	(23.6)%	The South African Reserve Bank

Note:
(1) Represents the change from December 31 of the prior year to December 31 of the indicated year.

Seasonality

Seasonal effects have a relatively limited impact on Evraz. Nonetheless, a slowing of demand and a consequent reduction in sales volumes, accompanied by an increase in inventories, is typically evident in the first and fourth quarters of the financial year reflecting the general reduction in economic activity associated with the New Year holiday period in Russia and elsewhere. The Russian construction market, in particular, experiences reduced activity in the winter months and export markets generally tend to slow down during the first and second quarters of the year.

Quantitative and Qualitative Disclosures in Respect of Market Risk

Overview

In the ordinary course of its business Evraz is exposed to risks related to changes in exchange rates, interest rates, commodity prices and energy and transportation tariffs. Evraz does not usually enter into hedging or forward contracts in respect of any of these risks. However, after the RUB20 billion issue of Rouble-denominated bonds in 2009 which bear interest of 13.50% per annum, Evraz concluded swap contracts to manage some of the transaction exposures. Under these arrangements the Company agreed to deliver $325 million at an interest rate of 7.50% per annum in exchange for RUB9,441 million of the principal amount plus the accrued interest, and $50 million at an interest rate of 7.90% per annum in exchange for RUB1,450 million of the principal amount plus the accrued interest. The exchange will be made on the same dates as the payments under the bonds. These swap contracts were not designated as cash flow or fair value hedge.

Exchange and Interest Rate Risk

Evraz's presentation currency is the US dollar. The functional currency of Evraz's Russian subsidiaries is the Rouble, while the functional currencies of Evraz's subsidiaries located in other countries are the Czech Koruna in respect of Vitkovice, the Euro in respect of Palini, the Rand in respect of Highveld and the South African operations of Stratcor, the Hryvnia in respect of the Ukrainian subsidiaries, the Canadian dollar in respect of Evraz Inc. N.A. Canada and the US dollar in respect of other subsidiaries.

The Rouble is not a fully convertible currency outside the territory of the Russian Federation. Within the Russian Federation, official exchange rates are determined daily by the Central Bank of the Russian Federation (the "CBR"). Market rates may differ from the official rates but the differences are, generally, within narrow parameters monitored by the CBR.

Evraz's products are typically priced in local currencies in respect of domestic sales of Evraz's operations and US dollars and Euros in respect of international sales. Evraz's direct costs, including raw materials, labour and transportation, are incurred primarily in the local currencies of the subsidiaries. Other costs, such as interest expense, are incurred largely in Roubles, US dollars and Euros.

The mix of Evraz's revenues and costs is such that appreciation in real terms of the local currencies of its subsidiaries against the US dollar tends to result in an increase in Evraz's costs relative to its revenues, while depreciation of the local currencies against the US dollar in real terms tends to result in a decrease in Evraz's costs relative to its revenues. For example, the Rouble appreciated in real terms against the US dollar by 15% in 2007 and depreciated by (1.1)% in 2008 and by (0.4)% in 2009 according to the CBR.

In addition, nominal depreciation of the local currencies against the US dollar results in a decrease in the reported US dollar value of Evraz's assets (and liabilities) denominated in local currencies, while nominal appreciation of the local currencies against the US dollar results in an increase in the reported US dollar value of Evraz's assets (and liabilities) denominated in local currencies. Moreover, nominal appreciation/depreciation of the local currencies against the US dollar has a similar effect when the income statements of Evraz's subsidiaries are translated into US dollars in connection with the preparation of Evraz's consolidated financial statements. For example, the average exchange rate of the Rouble against the US dollar appreciated by 6.3% and 3.1% in 2007 and 2008 respectively, but experienced a significant depreciation of 21.7% in nominal terms during 2009, according to the CBR.

The following table summarises Evraz's outstanding interest bearing debt, including loans and other borrowings, by currency and interest rate method as of December 31, 2009 and December 31, 2008 (as opposed to the obligations in respect of borrowings in "Contractual obligations and commercial commitments", this table excludes interest payable, difference between the nominal amount and liability component of convertible bonds and unamortised debt issue costs):

US$ million	As of December 31, 2009					As of December 31, 2008				
	US dollar-denominated	Rouble-denominated	Euro-denominated	Denominated in other currencies	Total	US dollar-denominated	Rouble-denominated	Euro-denominated	Denominated in other currencies	Total
Total debt, of which	*7,173*	*684*	*287*	*14*	*8,159*	*9,267*	*360*	*343*	*23*	*9,993*
Fixed-rate debt	4,080	677	55	-	4,812	4,112	342	134	-	4,589
Variable-rate debt	3,093	8	232	14	3,347	5,155	18	209	23	5,405

A hypothetical, instantaneous and simultaneous 10% appreciation of the Rouble, Euro and Czech Koruna against the US dollar as of December 31, 2009 would have resulted in an increase of approximately $110 million in borrowings denominated in Roubles, Euros and Czech Korunas held as of December 31, 2009. For sensitivity analysis to reasonably possible changes in the respective currencies please refer to page 228.

The Group incurs interest rate risk on liabilities with variable interest rates. In case of changes in the current market fixed or variable interest rates, management may consider the refinancing of a particular debt on more favourable terms. Due to the ongoing world liquidity crisis the Group has a limited ability to negotiate interest rates. For cash flow sensitivity analysis for variable rate instruments please refer to page 226.

Commodity Price Risk

Evraz's revenue is exposed to the market risk of price fluctuations related to the sale of its steel products. The prices of the steel products sold by Evraz both within Russia and abroad are generally determined by market forces. These prices may be influenced by factors such as supply and demand, production costs (including the costs of raw material inputs) and global and Russian economic growth. The prices of the mined products that Evraz sells to third parties are also affected by supply and demand and global and Russian economic growth. Adverse changes in respect of any of these factors may reduce the revenue that Evraz receives from the sale of its steel or mined products.

Evraz's costs are also exposed to fluctuations in prices for the purchase, processing and production of iron ore, coking coal, ferroalloys, scrap and other raw material inputs. Evraz's exposure to fluctuations in the price of iron ore and coking coal is limited due to its ability to obtain these products from its own production facilities. Where Evraz obtains these products from internal sources, the effect of price fluctuations is accounted for as an inter-segment transfer and eliminated on consolidation. In addition, any increase in prices for coking coal sourced from Raspadskaya is partially reflected as an increase in Evraz's income from affiliates.

As Evraz increases the proportion of raw materials acquired from internal sources, the Company's exposure to commodity price risk associated with the purchase and sale of these products will decline. Evraz's ongoing process of vertical integration is an important element in the Company's drive to reduce its exposure to input and output commodity price risk.

Tariff Risk

Evraz is also exposed to uncertainty with regard to the prices of the electricity and natural gas that it consumes in the production of steel and the mining of iron ore and coal. Prices in respect of both electricity and natural gas in Russia and Ukraine are currently below market prices in Western Europe and are regulated by government authorities in both countries, thereby limiting Evraz's exposure to fluctuations in the cost of these products.

Russian Operations

The Russian electricity sector is currently characterised by distinctly limited competition and regulated prices. Pricing policy is determined by the Federal Tariffs Service, a governmental agency authorised to regulate prices in respect of the power generated by regional electricity companies, power transmission, dispatch services and inter-regional trade, and is influenced by regional energy commissions that are authorised to regulate prices within a specific region. Power may also be purchased from the Federal Wholesale Electricity Market ("FOREM"). Most sellers of power on the domestic market are regional generation companies and most participants in FOREM are regional generating companies that seek to sell a power surplus to regional generating companies with supply deficits as well as industrial companies granted special access to FOREM. Evraz's subsidiary MEF has been granted such access to FOREM.

In 2008 and in 2009, Evraz's Russian operations purchased approximately 8,620 million kWh and 5,903 million kWh of electricity, representing approximately 80% and 75% of their respective requirements, from local electricity companies, former subsidiaries of UES. The latter was the government controlled national holding company for the Russian power sector restructured and liquidated in June 2008. The Government is currently implementing a liberalisation plan for electricity pricing aimed at increasing the proportion of electricity sales made via a market based pricing system. Moreover, according to the Russian Government's Macroeconomic Long-term Forecast, electricity tariffs for industrial users will reach 6.5-6.7 US cents per kWh by 2010. Evraz's average cost of electricity in Russia was 4.62 US cents per kWh in 2008 and 4.63 US cents per kWh in 2009. Assuming a price of 6.7 US cents per kWh, Evraz's Russian operations would have incurred additional costs of approximately $190 million and $124 million in the years ended December 31, 2008 and 2009 respectively. Assuming a price of 6.7 US cents per kWh, Evraz's Russian operations would have incurred additional costs of approximately $190 million and $124 million in the years ended December 31, 2008 and 2009 respectively. Further electricity price increases may occur in the future as the industry is restructured and controlled to a greater extent by the private sector.

Evraz's Russian operations also purchase significant amounts of natural gas, primarily for the production of electricity and heat energy at the Company's facilities, from Gazprom's subsidiaries. Gazprom is a state controlled company and is the dominant producer and monopoly distributor of natural gas within Russia. Domestic natural gas prices are regulated by the government and have been rising during recent years. Evraz's average price for natural gas in Russia reached RUB1,943 per thousand cubic metres and RUB2,067 per thousand cubic metres in 2008 and 2009 respectively. Despite these recent price increases, natural gas prices in Russia remain significantly below western European levels, a factor that helps to provide Evraz with a cost advantage over its competitors. According to the Russian Government's Macroeconomic Long-term Forecast, domestic gas prices for industrial users will reach $96-99 per thousand cubic metres by 2010. Assuming a price of $99 per thousand cubic metres, Evraz's Russian operations would have incurred additional costs of approximately $60 million and $93 million in 2008 and 2009 respectively.

Ukrainian Operations

Evraz, through the purchase of DMZ, DKHZ, Dneprokoks, Bagleykoks and Sukha Balka in 2008, has extended its operations to Ukraine where the electricity and natural gas markets are also characterised by regulated prices.

Natural gas prices have been a matter of negotiation between the Russian state-owned monopoly Gazprom and the Ukrainian Government since winter 2005-2006. The latest announced indicative Russian natural gas price level for Ukraine in 2010 is between $300-330 which, on the one hand, represents a 15-25% increase in Ukrainian prices compared with 2009 but, on the other hand, is compatible with current price levels in Eastern European Countries (e.g. Czech Republic). In 2009 Evraz's Ukrainian operations purchased approximately 115 million cubic metres of natural gas at an average price of UAH2,050 or $263 per thousand cubic metres. Assuming a price of $330 per thousand cubic metres, Evraz's Ukrainian operations would have incurred additional costs of approximately $8 million in 2009.

Higher natural gas prices, inflation and other factors will encourage the authorities to also increase electricity prices. The estimated mid-term indicative price level for the Ukrainian electricity market of 12 US cents per kWh corresponds to inflation trends and to current price levels in Eastern European Countries (e.g. Czech Republic). Evraz's Ukrainian operations purchased approximately 465 million kWh of electricity at an average price of 6.1 US cents per kWh in 2009. Assuming a price of 12 US cents per kWh, Evraz's Ukrainian operations would have incurred additional costs of approximately $27 million in 2009.

Transportation

Evraz is also exposed to fluctuations in transportation costs. Transportation costs influence Evraz's financial results directly as a component of raw material costs and the costs of transporting finished products to Nakhodka Sea Port or another designated off-take location. Although Evraz's customers in Russia generally pay the transportation costs of steel and mined products from the production site to the delivery location, the prices that Evraz receives may be adversely affected by transportation costs to the extent that Evraz must be able to reduce the prices that it can charge customers for its products in order to ensure that its products remain competitive with those of other producers that may be located closer to customers and are therefore less impacted by increases in transportation costs. In recent years, the Russian Government has indexed railway tariffs in line with inflation and Evraz expects this policy to continue in the immediate future. Consequently, Evraz does not currently expect fluctuations in railway tariffs to have a significant impact on margins.

Operational Outlook

The year 2009 was challenging for Evraz and for the global steel industry in general. The Company was particularly affected by the contraction in the Russian construction sector and the slowdown in infrastructure spending in the markets where Evraz's production facilities are located: North America, Europe and South Africa. However, Evraz's business model proved its viability. As the global economic crisis struck, management developed and executed an action plan designed to reduce the Company's cost base and strengthen its balance sheet.

Evraz's Russian steelmaking operations have been running at full capacity since July 1, 2009 in response to improved demand for steel products from South-East Asia, the Middle East and North Africa. This, together with higher prices, has helped to raise the Company's EBITDA margin from 10% in the first half of 2009 to 15% in the second half.

Since the beginning of 2010, Evraz has continued to experience improved demand in all its markets. Prices globally have risen further, in line with raw material prices, a factor that will translate into improved results for the Company due to its vertical integration. The Russian domestic market has displayed an encouraging trend during the early months of 2010, with sales volumes of construction steel registering steady growth to levels in excess of the highest monthly figures achieved in 2009. Export demand remains strong thereby allowing Evraz to continue running its Russian steelmaking capacity at full utilisation. The North American market has also demonstrated marked improvements since the beginning of the year and this has allowed the Company to increase utilisation rates in its US and Canadian plants.

In the medium-term, Evraz believes that global demand for long steel product and structural flat products will continue to strengthen in response to infrastructure investments. The Company's focus on raw material supply, which ensures that Evraz's steel plants are supplied with low extraction cost iron ore and coking coal, will remain integral to the fundamental strength of the business.

Evraz has made good progress in deleveraging and strengthening its balance sheet with total debt reduced by more than $2 billion during 2009. The issues of equity and five-year convertible bonds in July 2009, together with five-year Rouble bonds in October 2009 and three-year Rouble bonds in March 2010, significantly improved the current liquidity and maturity profile of the Company. In November 2009, Evraz reset certain financial covenants in relation to bank debt and bonds, to provide sufficient headroom even assuming pessimistic scenarios. At December 31, 2009, the Company was in compliance with all of its financial covenants. Taking into consideration the current market situation, Evraz's management anticipates that the Company will comply with all debt covenants during 2010.

Evraz Group S.A. Consolidated Financial Statements

Year Ended December 31, 2009

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Independent Auditor's report

To the Shareholders of Evraz Group S.A.
1, Allée Scheffer
L-2520 LUXEMBOURG

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 15 May 2009, we have audited the accompanying consolidated financial statements of Evraz Group S.A., which comprise the consolidated statement of financial position as at 31 December 2009, the consolidated statement of operations, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "réviseur d'entreprises"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Evraz Group S.A. as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

ERNST & YOUNG
Société Anonyme
Réviseur d'entreprises

Luxembourg, 29 March 2010

Thierry BERTRAND

Consolidated Statement of Operations

(In millions of US dollars, except for per share information)

		Year ended December 31,		
	Notes	2009	2008*	2007
Revenue				
Sale of goods	**3**	**$ 9,505**	$ 19,990	$ 12,627
Rendering of services	**3**	**267**	390	232
		9,772	20,380	12,859
Cost of revenue	**7**	**(8,756)**	(13,463)	(7,976)
Gross profit		**1,016**	6,917	4,883
Selling and distribution costs	**7**	**(623)**	(856)	(538)
General and administrative expenses	**7**	**(645)**	(895)	(682)
Social and social infrastructure maintenance expenses		**(53)**	(114)	(82)
Loss on disposal of property, plant and equipment		**(81)**	(37)	(26)
Impairment of assets	**5, 9, 10**	**(163)**	(880)	(7)
Revaluation deficit on property, plant and equipment	**9**	**(564)**	–	–
Foreign exchange gains/(losses), net		**156**	(471)	(55)
Other operating income		**38**	28	14
Other operating expenses	**7**	**(128)**	(60)	(39)
Profit/(loss) from operations		**(1,047)**	3,632	3,468
Interest income	**7**	**40**	57	41
Interest expense	**7**	**(677)**	(655)	(409)
Share of profits/(losses) of joint ventures and associates	**11, 13**	**(8)**	194	88
Gain/(loss) on financial assets and liabilities, net	**7**	**97**	(129)	(71)
Gain/(loss) on disposal groups classified as held for sale, net	**12**	**(19)**	(43)	(6)
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	**4**	**10**	–	10
Other non-operating gains/(losses), net		**4**	(5)	4
Profit/(loss) before tax		**(1,600)**	3,051	3,125
Income tax benefit/(expense)	**8**	**339**	(1,192)	(946)
Net profit/(loss)		**$ (1,261)**	**$ 1,859**	**$ 2,179**
Attributable to:				
Equity holders of the parent entity		**$ (1,251)**	$ 1,797	$ 2,103
Minority interests		**(10)**	62	76
		$ (1,261)	**$ 1,859**	**$ 2,179**
Earnings/(losses) per share:				
basic, for profit/(loss) attributable to equity holders of the parent entity, US dollars	**20**	**$ (9.30)**	$ 14.55	$ 17.62
diluted, for profit/(loss) attributable to equity holders of the parent entity, US dollars	**20**	**$ (9.30)**	$ 14.50	$ 17.49

* The amounts shown here do not correspond to the 2008 financial statements and reflect adjustments made in connection with the completion of initial accounting (Note 4).

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

Consolidated Statement of Comprehensive Income

(In millions of US dollars)

	Year ended December 31,			
	Notes	2009	2008*	2007
Net profit/(loss)		**$ (1,261)**	$ 1,859	$ 2,179
Other comprehensive income				
Effect of translation to presentation currency		**6**	(2,288)	510
Net gains/(losses) on available-for-sale financial assets *(Note 13)*		**12**	(150)	–
Net (gains)/losses on available-for-sale financial assets reclassified to profit or loss *(Notes 7 an 13)*		**(8)**	150	–
Income tax effect		**–**	–	–
		4	–	–
Deferred income tax benefit resulting from reduction in tax rate recognised in equity		**–**	7	–
Surplus on revaluation of property, plant and equipment of the Group's subsidiaries	**3,9**	**7,901**	–	–
Deficit on revaluation of property, plant and equipment recognised in other comprehensive income	**3,9**	**(38)**	–	–
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	**3,9**	**(98)**	–	–
Impairment losses reversed through other comprehensive income	**3,9**	**55**	–	–
Income tax effect	**8**	**(1,653)**	–	–
		6,167	–	–
Surplus on revaluation of property, plant and equipment of the Group's joint ventures and associates	**11**	**66**	–	–
Effect of translation to presentation currency	**11**	**(13)**	(116)	56
Share of other comprehensive income of joint ventures and associates accounted for using the equity method		**53**	(116)	56
Revaluation surplus on acquisition of a controlling interest in associates (Note 4)		**–**	–	280
Income tax effect		**–**	–	(69)
		–	–	211
Total other comprehensive income/(loss)		**6,230**	(2,397)	777
Total comprehensive income/(loss), net of tax		**$ 4,969**	**(538)**	**$ 2,956**
Attributable to:				
Equity holders of the parent entity		**$ 4,889**	(522)	$ 2,871
Minority interests		**80**	(16)	85
		$ 4,969	**(538)**	**$ 2,956**

* The amounts shown here do not correspond to the 2008 financial statements and reflect adjustments made in connection with the completion of initial accounting (Note 4).
The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

(In millions of US dollars)

		December 31,		
	Notes	2009	2008*	2007
ASSETS				
Non-current assets				
Property, plant and equipment	**9**	**$ 14,941**	$ 9,012	$ 10,107
Intangible assets other than goodwill	**10**	**1,098**	1,108	806
Goodwill	**5**	**2,211**	2,167	2,145
Investments in joint ventures and associates	**11**	**687**	551	592
Deferred income tax assets	**8**	**40**	44	22
Other non-current financial assets	**13**	**66**	118	93
Other non-current assets	**13**	**128**	160	147
		19,171	13,160	13,912
Current assets				
Inventories	**14**	**1,886**	2,416	1,619
Trade and other receivables	**15**	**1,001**	1,369	1,802
Prepayments		**134**	76	196
Loans receivable		**1**	108	48
Receivables from related parties	**16**	**107**	137	60
Income tax receivable		**58**	262	86
Other taxes recoverable	**17**	**258**	397	351
Other current assets	**18**	**120**	589	25
Cash and cash equivalents	**19**	**675**	930	327
		4,240	6,284	4,514
Assets of disposal groups classified as held for sale	**12**	**13**	7	211
		4,253	6,291	4,725
Total assets		**$ 23,424**	**$ 19,451**	**$ 18,637**
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	**20**	**$ 375**	$ 332	$ 320
Treasury shares	**20**	**–**	(9)	–
Additional paid-in capital	**20**	**1,739**	1,054	286
Revaluation surplus	**4,9**	**6,338**	218	211
Legal reserve	**20**	**36**	30	29
Unrealised gains and losses		**4**	–	–
Accumulated profits		**3,164**	4,377	4,108
Translation difference		**(1,372)**	(1,330)	996
		10,284	4,672	5,950
Minority interests		**324**	245	406
		10,608	4,917	6,356
Non-current liabilities				
Long-term loans	**21**	**5,931**	6,064	4,653
Deferred income tax liabilities	**8**	**2,537**	1,389	1,690
Finance lease liabilities	**22**	**58**	40	54
Employee benefits	**23**	**307**	292	347
Provisions	**25**	**176**	153	132
Other long-term liabilities	**26**	**68**	58	55
		9,077	7,996	6,931
Current liabilities				
Trade and other payables	**27**	**1,069**	1,479	1,242
Advances from customers		**112**	107	305
Short-term loans and current portion of long-term loans	**21**	**1,992**	3,922	2,103
Payables to related parties	**16**	**235**	322	1,204
Income tax payable		**108**	156	76
Other taxes payable	**28**	**140**	154	209
Current portion of finance lease liabilities	**22**	**17**	15	15
Provisions	**25**	**35**	63	55
Amounts payable under put options for shares of subsidiaries	**4**	**17**	–	6
Dividends payable by the parent entity to its shareholders		**–**	309	80
Dividends payable by the Group's subsidiaries to minority shareholders		**13**	11	16
		3,738	6,538	5,311
Liabilities directly associated with disposal groups classified as held for sale	**12**	**1**	–	39
		3,739	6,538	5,350
Total equity and liabilities		**$ 23,424**	**$ 19,451**	**$ 18,637**

* The amounts shown here do not correspond to the 2008 financial statements and reflect adjustments made in connection with the completion of initial accounting (Note 4).
The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(In millions of US dollars)

	Year ended December 31,		
	2009	2008*	2007
Cash flows from operating activities			
Net profit/(loss)	**$ (1,261)**	$ 1,859	$ 2,179
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Deferred income tax (benefit)/expense *(Note 8)*	**(524)**	(402)	(87)
Depreciation, depletion and amortisation *(Note 7)*	**1,632**	1,195	749
Loss on disposal of property, plant and equipment	**81**	37	26
Impairment of assets	**163**	880	7
Revaluation deficit on property, plant and equipment	**564**	–	–
Foreign exchange (gains)/losses, net	**(156)**	471	55
Interest income	**(40)**	(57)	(41)
Interest expense	**677**	655	409
Share of (profits)/losses of associates and joint ventures	**8**	(194)	(88)
(Gain)/loss on financial assets and liabilities, net	**(97)**	129	71
(Gain)/loss on disposal groups classified as held for sale, net	**19**	43	6
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	**(10)**	–	(10)
Other non-operating (gains)/losses, net	**(4)**	5	(4)
Bad debt expense	**41**	33	9
Changes in provisions, employee benefits and other long-term assets and liabilities	**(16)**	25	(8)
Expense arising from the share option plans *(Note 24)*	**6**	35	5
Share-based payments under cash-settled award *(Note 24)*	**(35)**	–	–
Other	**(2)**	12	2
	1,046	4,726	3,280
Changes in working capital:			
Inventories	**682**	(499)	(111)
Trade and other receivables	**438**	345	(80)
Prepayments	**(52)**	100	(66)
Receivables from/payables to related parties	**(162)**	165	–
Taxes recoverable	**238**	(355)	37
Other assets	**(56)**	(3)	3
Trade and other payables	**(353)**	238	(9)
Advances from customers	**1**	(203)	4
Taxes payable	**(73)**	51	(74)
Other liabillities	**(9)**	(2)	10
Net cash flows from operating activities	**1,700**	4,563	2,994
Cash flows from investing activities			
Issuance of loans receivable to related parties	**(28)**	(1)	(31)
Proceeds from repayment of loans issued to related parties, including interest	**40**	32	1
Issuance of loans receivable	**(3)**	(147)	(94)
Proceeds from repayment of loans receivable, including interest	**114**	33	58
Proceeds from the transaction with a 49% ownership interest in NS Group *(Note 18)*	**506**	–	–
Purchases of subsidiaries, net of cash acquired *(Notes 4 and 11)*	**(16)**	(1,914)	(4,755)
Purchases of minority interests	**(8)**	(120)	(421)
Purchases of other investments	**(67)**	(896)	(2)
Sale of other investments	**48**	99	1
Restricted deposits at banks in respect of investing activities	**(16)**	3	(1)
Short-term deposits at banks, including interest	**20**	29	24
Purchases of property, plant and equipment and intangible assets	**(441)**	(1,103)	(744)
Proceeds from disposal of property, plant and equipment	**6**	27	34
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs *(Note 12)*	**28**	161	223
Dividends received	**1**	70	57
Other investing activities, net	**(1)**	(9)	–
Net cash flows from/(used in) investing activities	**183**	(3,736)	(5,650)

* The amounts shown here do not correspond to the 2008 financial statements and reflect adjustments made in connection with the completion of initial accounting (Note 4).

Continued on the next page

Consolidated Statement of Cash Flows (continued)

(In millions of US dollars)

	Year ended December 31,		
	2009	2008*	2007
Cash flows from financing activities			
Issue of shares, net of transaction costs of $5 million, $1 million and $nil, respectively *(Notes 4, 20 and 24)*	**$ 310**	$ (1)	$ 35
Repurchase of vested share options *(Notes 20 and 24)*	**(3)**	(77)	(21)
Purchase of treasury shares *(Note 20)*	**(5)**	(197)	(8)
Sale of treasury shares *(Note 20)*	**7**	81	2
Contribution from/(distribution to) a shareholder (Note 4)	**65**	(68)	–
Dividends paid by the parent entity to its shareholders	**(90)**	(1,276)	(916)
Dividends paid by the Group's subsidiaries to minority shareholders	**(2)**	(81)	(48)
Proceeds from bank loans and notes	**3,427**	5,657	4,638
Repayment of bank loans and notes, including interest	**(4,987)**	(3,949)	(1,771)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**(794)**	(54)	212
Payments under covenants reset *(Note 21)*	**(85)**	–	–
Restricted deposits at banks in respect of financing activities	**1**	–	9
Proceeds from loans provided by related parties	**–**	–	3
Repayment of loans provided by related parties, including interest	**–**	(21)	(1)
Payments under finance leases, including interest	**(31)**	(20)	(22)
Payments of restructured liabilities, including interest	**–**	(121)	–
Proceeds from sale-leaseback	**38**	–	–
Net cash flows from/(used in) financing activities	**(2,149)**	(127)	2,112
Effect of foreign exchange rate changes on cash and cash equivalents	**11**	(97)	29
Net increase/(decrease) in cash and cash equivalents	**(255)**	603	(515)
Cash and cash equivalents at beginning of year	**930**	327	842
Cash and cash equivalents at end of year	**$ 675**	**$ 930**	**$ 327**
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	**$ (586)**	$ (565)	$ (392)
Interest received	**29**	44	42
Income taxes paid by the Group	**(141)**	(1,680)	(1,084)

* The amounts shown here do not correspond to the 2008 financial statements and reflect adjustments made in connection with the completion of initial accounting (Note 4).
The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(In millions of US dollars)

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Legal reserve	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Minority interests	Total Equity
At December 31, 2008 (as previously reported)	**$ 332**	**$ (9)**	**$ 1,054**	**$ 218**	**$ 30**	**$ –**	**$ 4,448**	**$ (1,344)**	**$ 4,729**	**$ 245**	**$ 4,974**
Adjustments to provisional values *(Note 4)*	**–**	**–**	**–**	**–**	**–**	**–**	**(71)**	**14**	**(57)**	**–**	**(57)**
At December 31, 2008 (as restated)	**332**	**(9)**	**1,054**	**218**	**30**	**–**	**4,377**	**(1,330)**	**4,672**	**245**	**4,917**
Net loss	**–**	**–**	**–**	**–**	**–**	**–**	**(1,251)**	**–**	**(1,251)**	**(10)**	**(1,261)**
Other comprehensive income/(loss)	**–**	**–**	**–**	**6,178**	**–**	**4**	**–**	**(42)**	**6,140**	**90**	**6,230**
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	**–**	**–**	**–**	**(58)**	**–**	**–**	**58**	**–**	**–**	**–**	**–**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**6,120**	**–**	**4**	**(1,193)**	**(42)**	**4,889**	**80**	**4,969**
Issue of share capital *(Note 20)*	**43**	**–**	**492**	**–**	**–**	**–**	**–**	**–**	**535**	**–**	**535**
Transaction costs in respect of the issue of shares *(Note 20)*	**–**	**–**	**(5)**	**–**	**–**	**–**	**–**	**–**	**(5)**	**–**	**(5)**
Equity component of convertible bonds *(Note 20)*	**–**	**–**	**133**	**–**	**–**	**–**	**–**	**–**	**133**	**–**	**133**
Derecognition of minority interests arising on acquisition of subsidiaries *(Note 4)*	**–**	**–**	**–**	**–**	**–**	**–**	**(5)**	**–**	**(5)**	**–**	**(5)**
Contribution from a shareholder *(Note 4)*	**–**	**–**	**65**	**–**	**–**	**–**	**–**	**–**	**65**	**–**	**65**
Purchase of treasury shares *(Note 20)*	**–**	**(5)**	**–**	**–**	**–**	**–**	**–**	**–**	**(5)**	**–**	**(5)**
Sale of treasury shares *(Note 20)*	**–**	**12**	**–**	**–**	**–**	**–**	**(6)**	**–**	**6**	**–**	**6**
Exercise of share options *(Note 20)*	**–**	**2**	**–**	**–**	**–**	**–**	**(3)**	**–**	**(1)**	**–**	**(1)**
Appropriation of net profit to legal reserve *(Note 20)*	**–**	**–**	**–**	**–**	**6**	**–**	**(6)**	**–**	**–**	**–**	**–**
Dividends declared by the Group's subsidiaries to minority shareholders *(Note 20)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
At December 31, 2009	**$ 375**	**$ –**	**$ 1,739**	**$ 6,338**	**$ 36**	**$ 4**	**$ 3,164**	**$ (1,372)**	**$ 10,284**	**$ 324**	**$ 10,608**

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

Consolidated Statement of Changes in Equity (continued)

(In millions of US dollars)

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Legal reserve	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Minority interests	Total Equity
At December 31, 2007	$ 320	$ –	$ 286	$ 211	$ 29	$ –	$ 4,108	$ 996	$ 5,950	$ 406	$ 6,356
Net profit*	–	–	–	–	–	–	1,797	–	1,797	62	1,859
Other comprehensive income/(loss)*	–	–	–	7	–	–	–	(2,326)	(2,319)	(78)	(2,397)
Total comprehensive income/(loss) for the period*	–	–	–	7	–	–	1,797	(2,326)	(522)	(16)	(538)
Issue of share capital *(Notes 4 and 20)*	12	–	746	–	–	–	–	–	758	–	758
Transaction costs in respect of the issue of shares *(Note 20)*	–	–	(1)	–	–	–	–	–	(1)	–	(1)
Acquisition of minority interests in existing subsidiaries *(Notes 4 and 6)*	–	–	21	–	–	–	(37)	–	(16)	(62)	(78)
Decrease in minority interests arising due to change in ownership within the Group	–	–	–	–	–	–	3	–	3	(3)	–
Distribution to a shareholder *(Note 4)*	–	–	–	–	–	–	(18)	–	(18)	–	(18)
Change in the fair value of liability to a shareholder *(Note 4)*	–	–	–	–	–	–	215	–	215	–	215
Equity-settled share-based payments *(Note 24)*	–	–	2	–	–	–	–	–	2	–	2
Purchase of treasury shares *(Note 20)*	–	(197)	–	–	–	–	–	–	(197)	–	(197)
Sale of treasury shares *(Note 20)*	–	108	–	–	–	–	(39)	–	69	–	69
Exercise of share options *(Note 20)*	–	80	–	–	–	–	(145)	–	(65)	–	(65)
Appropriation of net profit to legal reserve *(Note 20)*	–	–	–	–	1	–	(1)	–	–	–	–
Dividends declared by the parent entity to its shareholders *(Note 20)*	–	–	–	–	–	–	(1,506)	–	(1,506)	–	(1,506)
Dividends declared by the Group's subsidiaries to minority shareholders *(Note 20)*	–	–	–	–	–	–	–	–	–	(80)	(80)
At December 31, 2008*	**$ 332**	**$ (9)**	**$ 1,054**	**$ 218**	**$ 30**	**$ –**	**$ 4,377**	**$ (1,330)**	**$ 4,672**	**$ 245**	**$ 4,917**

* The amounts shown here do not correspond to the 2008 financial statements and reflect adjustments made in connection with the completion of initial accounting (Note 4).
The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity (continued)

(In millions of US dollars)

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Legal reserve	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Minority interests	Total Equity
At December 31, 2006	$ 318	$ –	$ 531	$ –	$ 28	$ –	$ 2,750	$ 439	$ 4,066	$ 169	$ 4,235
Net profit	–	–	–	–	–	–	2,103	–	2,103	76	2,179
Other comprehensive income/(loss)	–	–	–	211	–	–	–	557	768	9	777
Total comprehensive income/(loss) for the period	–	–	–	211	–	–	2,103	557	2,871	85	2,956
Acquisition of minority interests in existing subsidiaries *(Note 6)*	–	–	–	–	–	–	–	–	–	(10)	(10)
Minority interests arising on acquisition of subsidiaries *(Note 4)*	–	–	–	–	–	–	–	–	–	298	298
Minority interests arising on acquisition of a single asset entity *(Note 10)*	–	–	–	–	–	–	–	–	–	44	44
Decrease in minority interests arising due to change in ownership within the Group	–	–	–	–	–	–	5	–	5	(5)	–
Derecognition of minority interests in subsidiaries *(Notes 4 and 6)*	–	–	–	–	–	–	(151)	–	(151)	(305)	(456)
Recognition of minority interests in respect of the expired put options *(Note 4)*	–	–	–	–	–	–	78	–	78	170	248
Distribution to a shareholder *(Note 4)*	–	–	–	–	–	–	(50)	–	(50)	–	(50)
Change in the fair value of liability to a shareholder *(Note 4)*	–	–	–	–	–	–	76	–	76	–	76
Equity-settled share-based payments *(Note 24)*	–	–	5	–	–	–	–	–	5	–	5
Purchase of treasury shares *(Note 20)*	–	(8)	–	–	–	–	–	–	(8)	–	(8)
Exercise of share options *(Notes 20 and 24)*	2	8	33	–	–	–	(27)	–	16	–	16
Appropriation of net profit to legal reserve *(Note 20)*	–	–	–	–	1	–	(1)	–	–	–	–
Dividends declared by the parent entity to its shareholders *(Note 20)*	–	–	(283)	–	–	–	(675)	–	(958)	–	(958)
Dividends declared by the Group's subsidiaries to minority shareholders *(Note 20)*	–	–	–	–	–	–	–	–	–	(40)	(40)
At December 31, 2007	**$ 320**	**$ –**	**$ 286**	**$ 211**	**$ 29**	**$ –**	**$ 4,108**	**$ 996**	**$ 5,950**	**$ 406**	**$ 6,356**

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

Notes to the Consolidated Financial Statements

Year ended December 31, 2009

1. Corporate Information

These consolidated financial statements were authorised for issue in accordance with a resolution of the directors of Evraz Group S.A. on March 29, 2010.

Evraz Group S.A. ("Evraz Group" or "the Company") is a joint stock company registered under the laws of Luxembourg on December 31, 2004. The registered address of Evraz Group is 1, Allee Scheffer L-2520, Luxembourg.

Evraz Group, together with its subsidiaries (the "Group"), is involved in production and distribution of steel and related products. In addition, the Group produces vanadium products and owns and operates certain mining assets. The Group is one of the largest steel producers globally.

Lanebrook Limited (Cyprus) is the ultimate controlling party of Evraz Group.

The major subsidiaries included in the consolidated financial statements of Evraz Group were as follows at December 31:

Subsidiary	Effective ownership interest, %			Business activity	Location
	2009	2008	2007		
OAO Nizhny Tagil Iron & Steel Plant	100.00	100.00	100.00	Steel production	Russia
OAO West-Siberian Iron & Steel Plant	100.00	100.00	100.00	Steel production	Russia
OAO Novokuznetsk Iron & Steel Plant	100.00	100.00	100.00	Steel production	Russia
Evraz Vitkovice Steel a.s.	100.00	100.00	100.00	Steel production	Czech Republic
Highveld Steel and Vanadium Corporation*	85.12	85.12	80.92	Steel production	South Africa
Dnepropetrovsk Iron and Steel Works	96.03	96.03	95.57	Steel production	Ukraine
Evraz Inc. N.A.	100.00	100.00	100.00	Steel mill	USA
Evraz Inc. N.A. Canada	100.00	100.00	-	Steel mill	Canada
ZAO Yuzhkuzbassugol*	100.00	100.00	100.00	Coal mining	Russia
OAO Kachkanarsky Mining-and-Processing Integrated Works	100.00	100.00	100.00	Ore mining and processing	Russia
OAO Evrazruda	100.00	100.00	100.00	Ore mining	Russia
Sukha Balka	99.42	99.42	99.25	Ore mining	Ukraine

* Before the purchase of controlling interests in ZAO Yuzhkuzbassugol and Highveld Steel and Vanadium Corporation in 2007 (Note 4), these entities were accounted for under the equity method (Note 11).

At December 31, 2009, the Group employed approximately 110,000 eployees, excluding joint venture's and associates' employees.

Going Concern

These consolidated financial statements have been prepared on a going concern basis that contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business. The Group's activities in all of its operating segments have been adversely affected by uncertainty and instability in international financial, currency and commodity markets resulting from the global financial crisis. The Group reported net loss of $1,261 million for the year ended December 31, 2009.

As of December 31, 2009, the Group had unutilised bank loans in the amount of $1,345 million, including $864 million of committed facilities and $481 million of uncommitted facilities.

In the period from January 1, 2010 to the date of authorisation of issue of these consolidated financial statements, the Group received $596 million of new borrowings (including $506 million under the rouble-denominated bonds issue – Note 32) and repaid $239 million of current loans and borrowings. The remaining current maturities are expected to be covered by free cash flows and refinancing of current debts.

1. Corporate Information (continued)

Going Concern (continued)

In November 2009, the Group reset certain financial covenants and obtained waivers from its lenders (Note 21). At December 31, 2009, the Group was in compliance with all of its financial covenants (Note 21).

Taking into consideration the current market situation, the Board and the management anticipate that the Group will comply with all debt covenants during 2010.

2. Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared under historical cost convention, except as disclosed in the accounting policies below. Exceptions include, but are not limited to, certain categories of property, plant and equipment carried under revaluation model of IAS 16 "Property, Plant and Equipment" at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses, available for sale investments measured at fair value, assets classified as held for sale measured at the lower of their carrying amount or fair value less costs to sell and post-employment benefits measured at present value.

Completion of Initial Accounting

In 2009, the Group finalised its purchase price allocation for the acquisition of IPSCO Inc. As a result, the Group recognised adjustments to the provisional values of identifiable assets, liabilities and contingent liabilities of the entity at the date of acquisition and restated consolidated financial statements as of December 31, 2008 and for the year then ended (Note 4).

Changes in Accounting Policies

In the preparation of these consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the previous year, except for:

- the change in accounting policy in respect of the subsequent measurement of property, plant and equipment, i.e. the adoption of a revaluation model under IAS 16 "Property, Plant and Equipment" as of January 1, 2009;
- the adoption of new standards and interpretations and revision of the existing standards as of January 1, 2009.

Property, Plant and Equipment

Prior to January 1, 2009, the Group applied the cost model for the measurement of property, plant and equipment. The Group's property, plant and equipment were stated at purchase or construction cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment in value. Property, plant and equipment acquired in business combinations were measured at fair value at the dates of business combinations.

The ongoing global financial crisis has resulted in a devaluation and significant fluctuations of the Russian rouble and Ukrainian hryvnia, the functional currencies of subsidiaries, which constitute a significant part of the Group's business. As the assets and liabilities of these subsidiaries are translated into the US dollar, the presentation currency of the Group's consolidated financial statements, at the rate of exchange ruling at the end of the reporting periods, this resulted in a significant deviation of the US dollar denominated carrying value of property, plant and equipment from its replacement cost. Under these circumstances, the revaluation model for the measurement of property, plant and equipment became a tool, which provides reliable and more relevant information about the Group's assets. The Group made a voluntarily change in the accounting policies to account for the selected classes of property, plant and equipment – land, buildings and constructions, machinery and equipment – under the revaluation model instead of the cost model. The Group continued to apply the cost model for other classes of property, plant and equipment.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

Property, Plant and Equipment (continued)

As of January 1, 2009, the Group revalued the selected classes of assets based on valuation performed by an independent professionally qualified valuer. Since most of the assets subject to revaluation represent specialised items of property, plant and equipment that are rarely sold, except as part of a continuing business, the Group used the depreciated replacement cost approach as the main approach to valuation of buildings and constructions and machinery and equipment with the income approach used to support the results of the main approach. The Group used market based value approach as the main approach to valuation of land.

The significant assumptions applied in estimating the items' fair values were as follows:

The replacement cost was determined as follows:

- land – based on indicative market transactions;
- buildings and constructions – based on the relevant price books adjusted for the subsequent price changes;
- machinery and equipment – based on the related item's weight, where the cost per mass unit was determined in terms of the cost of materials components, labour, engineering and other costs for each specific type of equipment.

The remaining useful lives were determined based on the linear-age life method using the independent valuer's experience and data provided by technical specialists of the Group. The maximum physical depreciation level for main equipment was limited at the level of 65-90% depending on a specific type of equipment.

Functional obsolescence of assets with the excess capital costs was determined by the independent valuer based on cost-to-capacity analysis. The cost-to-capacity factor applied was 0.7.

The assumptions used for the income approach were as follows:

	Period of forecast, years	After-tax discount rate, %	Commodity	Average price of the commodity per ton in 2009
Russia				
Steel	5	12.86	steel products	$465-$544
Iron ore	12-19	14.75	iron ore	$59-$74
Coal	27	14.39	coal	$60-$82
Other	4	11.97	services	–
Ukraine				
Steel	5	13.12	steel products	$522
Coke	5	13.92	coke	$149-$174
Iron ore	26	15.20	iron ore	$43
Europe				
Steel	5	9.93-10.27	steel products	$510-$810
South Africa				
Steel	6	11.94	steel products	$593
Vanadium	6	11.94	vanadium products	$23,000-$28,000
North America				
Steel	8	9.3-10.7	steel products	$727-$2,266
Vanadium	6	9.69	vanadium products	$37,000

For the periods not covered by the forecasts cash flow projections have been estimated by extrapolating the respective business plans results using a zero real growth rate.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

Property, Plant and Equipment (continued)

The following accounting policy was adopted for the revalued classes of property, plant and equipment:

After recognition as an asset, an item of property, plant and equipment is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs is revalued.

If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred directly to retained earnings when the asset is retired or disposed of.

Deferred income taxes are charged or credited to other comprehensive income if they relate to revaluation of property, plant and equipment credited or charged to other comprehensive income. Deferred income taxes are charged or credited to profit or loss if they relate to revaluation of property, plant and equipment credited or charged to profit or loss.

The application of the revaluation model under IAS 16 has been accounted for prospectively. The adoption of the revaluation model resulted in additional charges recognised in the consolidated statement of operations for the year ended December 31, 2009:

- revaluation deficit in the amount of $420 million (net of income tax effect of $144 million),
- additional depreciation expense of $558 million (net of income tax effect of $148 million),
- impairment loss recognised as of the date of revaluation in respect of goodwill in the amount of $76 million,
- impairment loss recognised as of the date of revaluation in respect of classes of property, plant and equipment that were not subject to revaluation in the amount of $60 million (net of income tax effect of $16 million), and
- impairment losses recognised as of the date of revaluation in respect of intangible assets in the amount of $11 million (net of income tax effect of $4 million).

The revaluation surplus arising on revaluation of property, plant and equipment of $6,231 million, net of income tax effect of $1,670 million, cannot be distributed to shareholders.

New/Revised Standards and Interpretations Adopted in 2009

- IFRS 8 "Operating Segments"

This Standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The adoption of this Standard did not have any effect on the financial position or performance of the Group.

The Group determined operating segments based on information that is regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. As the comparative segment information is not available and the cost to develop it would be excessive, the segment information for the current period was presented on both the old basis and the new basis of segmentation. Segment disclosures are shown in Note 3.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

New/Revised Standards and Interpretations Adopted in 2009 (continued)

- IAS 1 (revised) "Presentation of Financial Statements"

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated Financial Statements" – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments to IFRS 1 allows an entity to determine the cost of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the statement of operations in the separate financial statements. The new requirements affect only separate financial statements and do not have any impact on the consolidated financial statements.

- Amendments to IFRS 2 "Share-based Payments" – Vesting Conditions and Cancellations

The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Improving Disclosures about Financial Instruments

The amended Standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. These additional disclosures are presented in Note 29.

- Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 (revised) "Presentation of Financial Statements" – Puttable instruments and obligations arising on liquidation

The Standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have any effect on the financial position or performance of the Group.

- IFRIC 13 "Customer Loyalty Programmes"

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The adoption of this interpretation did not have any effect on the financial position or performance of the Group.

- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

This interpretation provides guidance on the accounting for a hedge of a net investment. As such, it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group of the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The adoption of this interpretation did not have any effect on the financial position or performance of the Group.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

New/Revised Standards and Interpretations Adopted in 2009 (continued)

• IFRIC 18 "Transfer of Assets from Customers"

This interpretation provides guidance on how to account for items of property, plant and equipment received from customers, or cash that is received and used to acquire or construct specific assets. It is only applicable to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. The adoption of this interpretation did not have any effect on the financial position or performance of the Group.

• Certain amendments to standards following the May 2008 "improvement to IFRSs" project

These amendments clarify wording and remove inconsistencies in the standards. There are separate transitional provisions for each standard.

Standards Issued But Not Yet Effective

The Group has not applied the following standards and IFRIC Interpretations that have been issued but are not yet effective:

• IFRS 2 (revised) "Share-based Payment" – Group Cash-settled Share-based Payment Transactions (effective from January 1, 2010);
• IFRS 3 (revised) "Business Combinations" (effective for annual periods beginning on or after July 1, 2009);
• IAS 27 (revised) "Consolidated Financial Statements" (effective for annual periods beginning on or after July 1, 2009);
• IAS 24 (revised) "Related Party Disclosures" (effective for annual periods beginning on or after January 1, 2011);
• IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after January 1, 2013);
• IFRIC 17 "Distributions of Non-Cash Assets to Owners" (effective for annual periods beginning on or after July 1, 2009);
• IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after July 1, 2010);
• Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"– Eligible Hedged Items (effective for annual periods beginning on or after July 1, 2009);
• Amendment to IAS 32 "Financial Instruments: Presentation" (effective for annual periods beginning on or after February 1, 2010);
• Amendments to IFRIC 14/IAS 19 "Prepayments of a Minimum Funding Requirement" (effective for annual periods beginning on or after January 1, 2011);
• Amendments to standards following April 2009 "improvements to IFRS" project (separate transitional provisions for each standard).

The Group expects that the adoption of the pronouncements listed above will not have a significant impact on the Group's results of operations and financial position in the period of initial application.

Significant Accounting Judgements and Estimates

Accounting Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

• The Group determined that it obtained an access to the economic benefits associated with potential voting rights in respect of 54.1% shares of Highveld Steel and Vanadium Corporation on February 26, 2007 (Note 11).
• The Group determined that a 49% ownership interest in NS Group does not represent an investment in an associate (Note 4).
• For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost. Based on these criteria, in 2008, the Group identified an impairment of $150 million on available-for-sale investments – quoted shares, which is recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations for the year ended December 31, 2008 (Notes 7 and 13).

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2. Significant Accounting Policies (continued)
Significant Accounting Judgements and Estimates (continued)
Estimation Uncertainty (continued)

Impairment of Property, Plant and Equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. In 2009, 2008 and 2007, the Group recognised an impairment loss of $66 million, $117 million and $7 million, respectively (Note 9).

The determination of impairments of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists. The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the fair value and, ultimately, the amount of any impairment.

Useful Lives of Items of Property, Plant and Equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period.

In 2009, following the independent valuation, the Group changed its estimation of useful lives of property, plant and equipment, which resulted in a decrease in depreciation expense by $671 million as compared to the amount that would have been charged had no change in estimate occurred. In 2008, the change in estimates of useful lives of property, plant and equipment resulted in an additional depreciation expense of approximately $22 million. No such changes took place in 2007.

Fair Values of Assets and Liabilities Acquired in Business Combinations

The Group is required to recognise separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques which require considerable judgement in forecasting future cash flows and developing other assumptions.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of goodwill at December 31, 2009, 2008 and 2007 was $2,211 million, $2,167 million and $2,145 million, respectively. More details are provided in Note 5. In 2009 and 2008, the Group recognised an impairment loss in respect of goodwill in the amount of $135 million and $756 million, respectively (Note 5).

Mineral Reserves

Mineral reserves are a material factor in the Group's computation of depreciation, depletion and amortisation charge. The Group estimates its mineral reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). Estimation of reserves in accordance with JORC Code involves some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data, which also requires use of subjective judgement and development of assumptions.

2. Significant Accounting Policies (continued)
Significant Accounting Judgements and Estimates (continued)
Estimation Uncertainty (continued)

Site Restoration Provisions

The Group reviews site restoration provisions at each reporting date and adjusts them to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the end of the reporting period based on the requirements of the current legislation of the country where the respective operating assets are located. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable judgement is required in forecasting future site restoration costs.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision when there is sufficient objective evidence that they will occur.

Post-Employment Benefits

The Group uses actuarial valuation method for measurement of the present value of post-employment benefit obligations and related current service cost. This involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate, future salary and benefit levels, expected rate of return on plan assets, etc.).

In addition, post-employment benefit obligations were calculated taking into consideration that certain of the Group's subsidiaries discontinued to pay lump-sum amounts at retirement date during 2009 (Note 23).

Allowances

The Group makes allowances for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements. As of December 31, 2009, 2008 and 2007, allowances for doubtful accounts in respect of trade and other receivables have been made in the amount of $92 million, $89 million and $79 million, respectively (Notes 15 and 16).

The Group makes an allowance for obsolete and slow-moving raw materials and spare parts (Note 14). In addition, certain finished goods of the Group are carried at net realisable value (Note 14). Estimates of net realisable value of finished goods are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the end of the reporting period to the extent that such events confirm conditions existing at the end of the period.

Litigations

The Group exercises judgment in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. Revisions to the estimates may significantly affect future operating results. More details are provided in Note 31.

Current Taxes

Russian and Ukrainian tax, currency and customs legislation is subject to varying interpretations and changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group's entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group's entities may be assessed additional taxes, penalties and interest, which can be significant. In Russia and Ukraine the periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. More details are provided in Note 31.

2. Significant Accounting Policies (continued)
Significant Accounting Judgements and Estimates (continued)
Estimation Uncertainty (continued)

Deferred Income Tax Assets

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgments based on the expected performance. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that the assessment of future utilisation of deferred tax assets must be reduced, this reduction will be recognised in the statement of operations.

Foreign Currency Transactions

The presentation currency of the Group is the US dollar because the presentation in US dollars is convenient for the major current and potential users of the consolidated financial statements.

The functional currencies of the Group's subsidiaries are the Russian rouble, US dollar, euro, Czech koruna, South African rand, Canadian dollar and Ukrainian hryvnia. As at the reporting date, the assets and liabilities of the subsidiaries with the functional currency other than the US dollar, are translated into the presentation currency at the rate of exchange ruling at the end of the reporting period, and their statements of operations are translated at the exchange rates that approximate the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a subsidiary with the functional currency other than the US dollar, the deferred cumulative amount recognised in equity relating to that particular subsidiary is recognised in the statement of operations.

Transactions in foreign currencies in each subsidiary of the Group are initially recorded in the functional currency at the rate ruling at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. All resulting differences are taken to the statement of operations.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Basis of Consolidation

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than 50% of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Acquisition of Subsidiaries

The purchase method of accounting was used to account for the acquisition of subsidiaries by the Group.

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognises any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

Minority interest is that portion of the profit or loss and net assets of subsidiaries attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

2. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Acquisition of Subsidiaries (continued)

Minority interests at the end of the reporting period represent the minority shareholders' portion of the fair values of the identifiable assets and liabilities of the subsidiary at the acquisition date and the minorities' portion of movements in equity since the date of the combination.

Minority interests are presented in the consolidated statement of financial position within equity, separately from the parent's shareholders' equity.

Losses allocated to minority interests do not exceed the minority interest in the equity of the subsidiary. Any additional losses are allocated to the Group unless there is a binding obligation of the minority to fund the losses.

For the identifiable assets, liabilities and contingent liabilities initially accounted for at provisional values, the carrying amount of identifiable asset, liability or contingent liability that is recognised or adjusted as a result of completing the initial accounting is calculated as if its fair value or adjusted fair value at the acquisition date had been recognised from that date. Goodwill or any gain recognised when the acquired interest in net fair values of the identifiable assets, liabilities and contingent liabilities exceeds the cost of their acquisition is adjusted from the acquisition date by an amount equal to adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognised or adjusted.

Comparative information presented for the periods before the completion of initial accounting for the acquisition is presented as if the initial accounting had been completed from the acquisition date.

Increases in Ownership Interests in Subsidiaries

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases is either added to additional paid-in capital, if positive, or charged to accumulated profits, if negative, in the consolidated financial statements.

Purchases of Controlling Interests in Subsidiaries from Entities under Common Control

Purchases of controlling interests in subsidiaries from entities under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these financial statements at the historical cost of the controlling entity (the "Predecessor"). Related goodwill inherent in the Predecessor's original acquisition is also recorded in the financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to the shareholders' equity.

These financial statements, including corresponding figures, are presented as if a subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Put Options Over Minority Interests

The Group derecognises minority interests if minority shareholders have a put option over their holdings. The difference between the amount of the liability recognised in the statement of financial position over the carrying value of the derecognised minority interests is charged to accumulated profits.

Investments in Associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control.

Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost including goodwill. Subsequent changes in the carrying value reflect the post acquisition changes in the Group's share of net assets of the associate and goodwill impairment charges, if any. The Group's share of its associates' profits or losses is recognised in the statement of operations and its share of movements in reserves is recognised in equity. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obligated to make further payments to, or on behalf of, the associate.

Notes to the Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Investments in Associates (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Interest in Joint Ventures

The Group's interest in its joint ventures is accounted for under the equity method of accounting whereby an interest in jointly controlled entities is initially recorded at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of joint ventures. The statement of operations reflects the Group's share of the results of operations of joint ventures.

Property, Plant and Equipment

Before January 1, 2009, the Group's property, plant and equipment were stated at purchase or construction cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of plant and equipment when that cost is incurred and recognition criteria are met.

As discussed in *Changes in Accounting Policies above*, starting from January 1, 2009, the Group applies the revaluation model under IAS 16 "Property, Plant and Equipment" for certain classes of property, plant and equipment. These classes are stated at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The Group's property, plant and equipment include mining assets, which consist of mineral reserves, mine development and construction costs and capitalised site restoration costs. Mineral reserves represent tangible assets acquired in business combinations. Mine development and construction costs represent expenditures incurred in developing access to mineral reserves and preparations for commercial production, including sinking shafts and underground drifts, roads, infrastructure, buildings, machinery and equipment.

At each end of the reporting period management makes an assessment to determine whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is the higher of an asset's fair value less cost to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognised as impairment loss in the statement of operations or other comprehensive income. An impairment loss recognised for an asset in previous years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Land is not depreciated. Depreciation of property, plant and equipment, except for mining assets, is calculated on a straight-line basis over the estimated useful lives of the assets. The useful lives of items of property, plant and equipment and methods of their depreciation are reviewed, and adjusted as appropriate, at each fiscal year-end. The table below presents the useful lives of items of property, plant and equipment.

	Useful lives (years)	Weighted average remaining useful life (years)
Buildings and constructions	15-60	17
Machinery and equipment	4-45	12
Transport and motor vehicles	7-20	12
Other assets	3-15	6

The Group determines the depreciation charge separately for each significant part of an item of property, plant and equipment.

Depletion of mining assets including capitalised site restoration costs is calculated using the units-of-production method based upon proved and probable mineral reserves.

Maintenance costs relating to items of property, plant and equipment are expensed as incurred. Major renewals and improvements are capitalised, and the replaced assets are derecognised.

The Group has the title to certain non-production and social assets, primarily buildings and facilities of social infrastructure, which are carried at their recoverable amount of zero. The costs to maintain such assets are expensed as incurred.

2. Significant Accounting Policies (continued)

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised from the commencement of the lease term at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to interest expense.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets, which are owned. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of operations on a straight-line basis over the lease term.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on an acquisition of a subsidiary is included in intangible assets. Goodwill on an acquisition of an associate is included in the carrying amount of the investments in associates. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised but is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit or the group of cash generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operations within that unit are disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Sometimes the fair value of the Group's share of the net assets acquired in a business combination exceeds the cost of acquisition. Such excess is recognised in the consolidated statement of operations.

Intangible Assets Other Than Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditures on internally generated intangible assets, excluding capitalised development costs, are expensed as incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are reviewed at least at each year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortised, they are tested for impairment annually either individually or at the cash generating unit level.

Notes to the Consolidated Financial Statements (continued)

2. Significant Accounting Policies (continued)

Intangible Assets Other Than Goodwill (continued)

The table below presents the useful lives of intangible assets.

	Useful lives (years)	Weighted average remaining useful life (years)
Customer relationships	1-15	13
Trade names and trademarks	5	3
Water rights and environmental permits with definite lives	5	3
Patented and unpatented technology	5	3
Contract terms	1-49	47
Other	5-10	5

Certain water rights and environmental permits are considered to have indefinite lives as management believes that these rights will continue indefinitely.

The most part of the Group's intangible assets represents customer relationships arising on business combinations (Note 10).

Emission Rights

One of the Group's subsidiaries participates in the programme for emission reduction established by Kyoto protocol. Emission rights (allowances) for each compliance period (one year) are issued at the beginning of the year, actual emissions are verified after the end of the year.

Allowances, whether issued by government or purchased, are accounted for as intangible assets in accordance with IAS 38 "Intangible Assets". Allowances that are issued for less than fair value are measured initially at their fair value.

When allowances are issued for less than fair value, the difference between the amount paid and fair value is recognised as a government grant. Initially the grant is recognised as deferred income in the statement of financial position and subsequently recognised as income on a systematic basis over the compliance period for which the allowances were issued, regardless of whether the allowances are held or sold.

As emissions are made, a liability is recognised for the obligation to deliver allowances equal to emissions that have been made. This liability is a provision that is within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and it is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period being the present market price of the number of allowances required to cover emissions made up to the end of the reporting period.

Financial Assets

The Group classified its investments into the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity and available-for-sale. When investments are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its investments after initial recognition.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading and included in the category "financial assets at fair value through profit or loss". Investments which are included in this category are subsequently carried at fair value; gains or losses on such investments are recognised in income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Non-derivative financial assets with fixed or determinable payments and fixed maturity that management has the positive intent and ability to hold to maturity are classified as held-to-maturity. Held-to-maturity investments are carried at amortised cost using the effective yield method.

2. Significant Accounting Policies (continued)

Financial Assets (continued)

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the end of the reporting period or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of operations. Reversals of impairment losses in respect of equity instruments are not recognised in the statement of operations. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the statement of operations.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis or other valuation models.

All purchases and sales of financial assets under contracts to purchase or sell financial assets that require delivery of the asset within the time frame generally established by regulation or convention in the market place are recognised on the settlement date i.e. the date the asset is delivered by/to the counterparty.

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis and includes expenditure incurred in acquiring or producing inventories and bringing them to their existing location and condition. The cost of finished goods and work in progress includes an appropriate share of production overheads based on normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Accounts Receivable

Accounts receivable, which generally are short term, are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

The Group establishes an allowance for impairment of accounts receivable that represents its estimate of incurred losses. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar receivables in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Value Added Tax

The tax authorities permit the settlement of sales and purchases value added tax ("VAT") on a net basis.

The Group's subsidiaries located in Russia apply accrual method for VAT recognition, under which VAT becomes payable upon invoicing and delivery of goods or rendering services as well upon receipt of prepayments from customers. VAT on purchases, even not settled at the end of the reporting period, is deducted from the amount of VAT payable.

Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

2. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Borrowings

Borrowings are initially recognised at the fair value of consideration received, net of directly attributable transaction costs. After initial recognition borrowings are measured at amortised cost using the effective interest rate method; any difference between the amount initially recognised and the redemption amount is recognised as interest expense over the period of the borrowings.

Prior to 2008, borrowing costs were expensed as incurred. Since January 1, 2008 borrowing costs relating to qualifying assets are capitalised (Note 9).

Financial Guarantee Liabilities

Financial guarantee liabilities issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised.

Equity

Share Capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury Shares

Own equity instruments which are acquired by the Group (treasury shares) are deducted from equity. No gain or loss is recognised in statement of operations on the purchase, sale, issue or cancellation of the treasury shares.

Dividends

Dividends are recognised as a liability and deducted from equity at the end of the reporting period only if they are declared before or on the end of the reporting period. Dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period but before the financial statements are authorised for issue.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Provisions for site restoration costs are capitalised within property, plant and equipment.

2. Significant Accounting Policies (continued)

Employee Benefits

Social and Pension Contributions

Defined contributions are made by the Group to the Russian and Ukrainian state pension, social insurance, medical insurance and unemployment funds at the statutory rates in force (approximately 23%), based on gross salary payments. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits. Its only obligation is to pay contributions as they fall due. These contributions are expensed as incurred.

Employee Benefits

The Group companies provide pensions and other benefits to their employees. The entitlement to these benefits is usually conditional on the completion of a minimum service period. Certain benefit plans require the employee to remain in service up to retirement age. Other employee benefits consist of various compensations and non-monetary benefits. The amount of the benefits is stipulated in the collective bargaining agreements and/or in the plan documents.

The liability recognised in the statement of financial position in respect of post-employment benefits is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the benefits is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligations.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for each individual plan exceed 10% of the higher of defined benefit obligation and the fair value of plan assets. The excess of cumulative actuarial gains or losses over the 10% of the higher of defined benefit obligation and the fair value of plan assets are recognised over the expected average remaining working lives of the employees participating in the plan.

The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately. The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly.

The Group includes expected return on plan assets in interest expense caption of the consolidated statement of operations.

Other Costs

The Group incurs employee costs related to the provision of benefits such as health services, kindergartens and other services. These amounts principally represent an implicit cost of employment and, accordingly, have been charged to cost of sales.

Share-based Payments

In 2005 and 2006, the Group adopted share option plans, under which certain directors, senior executives and employees of the Group received remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with non-executive directors and employees is measured by reference to the fair value of options at the date on which they are granted. The fair value is determined using the Black-Scholes-Merton model, further details of which are given in Note 24. In valuing equity-settled transactions, no account is taken of any conditions, other than market conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity (additional paid-in capital), over the period in which service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in the statement of operations for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

2. Significant Accounting Policies (continued)

Share-based Payments (continued)

No expense is recognised for awards that do not ultimately vest. Once a share-settled transaction has vested no further accounting entries are made to reverse the cost already charged, even if the instruments that are the subject of the transaction are subsequently forfeited or, in the case of options, are not exercised. In this case, the Group makes a transfer between different components of equity.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Cash-settled share-based payment transactions represent transactions in which the Group acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of the Group's shares or other equity instruments. The extended portion of the options under Plan 2005 (Note 24) could be settled in cash.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes-Merton model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of operations.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (Note 20).

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

When goods are sold or services are rendered in exchange for dissimilar goods or services, the revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. The moment of transfer of the risks and rewards of ownership is determined by the contract terms.

Rendering of Services

The Group's revenues from rendering of services include electricity, transportation, port and other services. Revenue is recognised when services are rendered.

Interest

Interest is recognised using the effective interest method.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Rental Income

Rental income is accounted for on a straight-line basis over the lease term on ongoing leases.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of operations.

Deferred Income Tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3. Segment Information

The Group adopted IFRS 8 “Operating segments” starting from January 1, 2009. The Group did not restate the segment information for prior periods reported as comparative information in these consolidated financial statements, because the necessary information is not available and the cost to develop it would be excessive.

Consequently, the Group disclosed segment information for the current period on both the new basis of segmentation in accordance with IFRS 8 “Operating Segments” and the basis used in previous periods in accordance with IAS 14 “Segment Reporting”. The adoption of IFRS 8 did not result in a change in reportable segments previously disclosed by the Group.

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments:

- *Steel production* segment includes production of steel and related products at eleven steel mills.
- *Mining* segment includes iron ore and coal mining and enrichment.
- *Vanadium products* segment includes extraction of vanadium ore and production of vanadium products. Vanadium slag arising in steel-making process is also allocated to vanadium segment.
- *Other operations* include energy generating companies, seaports, shipping and railway transportation companies.

Management and investment companies were not allocated to any of the segments.

No operating segments have been aggregated to form the above reportable segments.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

Notes to the Consolidated Financial Statements (continued)

3. Segment Information (continued)

Management monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA. This performance indicator is calculated based on management accounts that differ from the IFRS consolidated financial statements for the following reasons:

1) for the last month of the reporting period, the statement of operations for each operating segment is prepared using a forecast for that month;
2) the statement of operations is based on local GAAP figures with the exception of depreciation expense which approximates the amount under IFRS.

Segment revenue is revenue reported in the Group's statement of operations that is directly attributable to a segment and the relevant portion of the Group's revenue that can be allocated on a reasonable basis to a segment, whether from sales to external customers or from transactions with other segments.

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to external counterparties and expenses relating to transactions with other segments.

Segment result is segment revenue less segment expense that is equal to earnings before interest, tax and depreciation and amortisation ("EBITDA").

Segment EBITDA is determined as segment's profit/(loss) from operations adjusted for impairment of assets, profit/(loss) on disposal of property, plant and equipment and intangible assets, foreign exchange gains/(losses), depreciation, depletion and amortisation expense and revaluation deficit on property, plant and equipment.

Segment assets and liabilities are not reviewed by the Group's chief operating decision maker and presented in these consolidated financial statements in accordance with the previous accounting policies in respect of segment information.

Segment assets are those operating assets that are employed by a segment in its operating activities and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets do not include income tax assets. As segment's segment result does not include interest or dividend income, its segment assets do not include the related receivables, loans, investments, or other income-producing assets.

Segment liabilities are those operating liabilities that result from the operating activities of a segment and that either are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment liabilities do not include income tax liabilities. As segment result does not include interest expense, segment liabilities do not include the related interest-bearing liabilities.

The following table presents measures of segment profit or loss based on management accounts in accordance with the new accounting policies in respect of segment information.

Year ended December 31, 2009

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 9,292	$ 188	$ 226	$ 117	$ –	$ 9,823
Inter-segment sales	129	1,160	36	439	(1,764)	–
Total revenue	9,421	1,348	262	556	(1,764)	9,823
Segment result – EBITDA	**$ 950**	**$ 179**	**$ 12**	**$ 110**	**$ –**	**$ 1,251**

Notes to the Consolidated Financial Statements (continued)

3. Segment Information (continued)

The following table shows a reconciliation of revenue and EBITDA used by management for decision making and revenue and profit or loss before tax per the consolidated financial statements prepared under IFRS.

Year ended December 31, 2009

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue	**$ 9,421**	**$ 1,348**	**$ 262**	**$ 556**	**$ (1,764)**	**$ 9,823**
Forecasted vs. actual revenue	**(54)**	**(2)**	**3**	**–**	**–**	**(53)**
Reclassifications and other adjustments	**(389)**	**110**	**98**	**209**	**(26)**	**2**
Revenue per IFRS financial statements	**$ 8,978**	**$ 1,456**	**$ 363**	**$ 765**	**$ (1,790)**	**$ 9,772**
EBITDA	**$ 950**	**$ 179**	**$ 12**	**$ 110**	**$ –**	**$ 1,251**
Forecasted vs. actual EBITDA	**(27)**	**–**	**–**	**–**	**–**	**(27)**
Exclusion of management services from segment result	**53**	**30**	**–**	**4**	**–**	**87**
Unrealised profits adjustment	**25**	**–**	**–**	**–**	**14**	**39**
Reclassifications and other adjustments	**(98)**	**70**	**(2)**	**53**	**–**	**23**
	(47)	**100**	**(2)**	**57**	**14**	**122**
EBITDA based on IFRS financial statements	**$ 903**	**$ 279**	**$ 10**	**$ 167**	**$ 14**	**$ 1,373**
Unallocated subsidiaries						**(136)**
						$ 1,237
Depreciation, depletion and amortisation expense	**(1,151)**	**(368)**	**(54)**	**(58)**		**$ (1,631)**
Impairment of goodwill	**(135)**	**–**	**–**	**–**		**(135)**
Impairment of property, plant and equipment and intangible assets	**(33)**	**5**	**–**	**–**		**(28)**
Gain/(loss) on disposal of property, plant and equipment and intangible assets	**(56)**	**(19)**	**–**	**(6)**		**(81)**
Revaluation deficit on property, plant and equipment	**(422)**	**(112)**	**(4)**	**(26)**		**(564)**
Foreign exchange gains/(losses), net	**54**	**1**	**–**	**–**		**55**
	$ (840)	**$ (214)**	**$ (48)**	**$ 77**	**$ 14**	**$ (1,147)**
Unallocated income/(expenses), net						**100**
Profit/(loss) from operations						**(1,047)**
Interest income/(expense), net						**$ (637)**
Share of profits/(losses) of joint ventures and associates						**(8)**
Gain/(loss) on financial assets and liabilities						**97**
Loss on disposal groups classified as held for sale						**(19)**
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition						**10**
Other non-operating gains/(losses), net						**4**
Profit/(loss) before tax						**$ (1,600)**

Notes to the Consolidated Financial Statements (continued)

3. Segment Information (continued)

Under the previous basis of segmentation in accordance with IAS 14 "Segment Reporting", the Group's primary reporting format was business segments and its secondary format was geographical segments. The following tables present revenue and profit information regarding business segments for the years ended December 31, 2009, 2008 and 2007 in accordance with the previous accounting policies in respect of segment information.

Year ended December 31, 2009

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 8,855	$ 435	$ 354	$ 128	$ –	$ 9,772
Inter-segment sales	123	1,021	9	637	(1,790)	–
Total revenue	8,978	1,456	363	765	(1,790)	9,772
Result						
Segment result	$ (840)	$ (214)	$ (48)	$ 77	$ 14	$ (1,011)
Unallocated expenses						(36)
Profit/(loss) from operations						$ (1,047)
Share of profits/(losses) of joint ventures and associates	(1)	(7)	–	–		(8)
Other income/(expenses), net						(545)
Income tax expense						339
Net profit/(loss)						$ (1,261)
Assets and liabilities						
Segment assets	$ 16,985	$ 3,933	$ 618	$ 855		22,391
Investments in joint ventures and associates	65	622	–	–		687
Unallocated assets						346
Total assets						$ 23,424
Segment liabilities	$ 1,373	$ 484	$ 155	$ 43		$ 2,055
Unallocated liabilities						10,761
Total liabilities						$ 12,816
Other segment information						
Additions to property, plant and equipment and intangible assets	$ 208	$ 150	$ 2	$ 33		$ $ 393
Property, plant and equipment and intangible assets acquired in business combinations	7	–	54	–		61
Depreciation, depletion and amortisation	(1,155)	(378)	(54)	(58)		(1,645)
Revaluation surplus	6,668	801	25	407		7,901
Revaluation deficit recognised in statement of operations	(422)	(112)	(4)	(26)		(564)
Revaluation deficit recognised in other comprehensive income	–	(38)	–	–		(38)
Impairment losses recognised in statement of operations	(217)	(74)	–	–		(291)
Impairment losses reversed through statement of operations	49	79	–	–		128
Impairment losses recognised in other comprehensive income	(86)	(12)	–	–		(98)
Impairment losses reversed through other comprehensive income	55	–	–	–		55

Notes to the Consolidated Financial Statements (continued)

3. Segment Information (continued)

Year ended December 31, 2008

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 17,623	$ 1,290	$ 1,201	$ 266	$ –	$ 20,380
Inter-segment sales	302	2,344	5	756	(3,407)	–
Total revenue	**17,925**	**3,634**	**1,206**	**1,022**	**(3,407)**	**20,380**
Result						
Segment result	**$ 2,746**	**$ 971**	**$ 170**	**$ 83**	**$ 20**	**$ 3,990**
Unallocated expenses						(358)
Profit/(loss) from operations						**$ 3,632**
Share of profits/(losses) of joint ventures and associates	–	194	–	–	–	194
Other income/(expenses), net						(775)
Income tax expense						(1,192)
Net profit/(loss)						**$ 1,859**
Assets and liabilities						
Segment assets	$ 12,794	$ 3,684	$ 478	$ 547		$ 17,503
Investments in joint ventures and associates	10	541	–	–		551
Unallocated assets						1,397
Total assets						**$ 19,451**
Segment liabilities	$ 1,881	$ 460	$ 101	$ 70		$ 2,512
Unallocated liabilities						12,022
Total liabilities						**$ 14,534**
Other segment information						
Additions to property, plant and equipment and intangible assets	$ 740	$ 415	$ 9	$ 30		$ 1,194
Property, plant and equipment and intangible assets acquired in business combinations	1,534	–	–	–		1,534
Depreciation, depletion and amortisation	(756)	(380)	(43)	(47)		(1,226)
Impairment losses recognised in statement of operations	(821)	(56)	–	(3)		(880)

Notes to the Consolidated Financial Statements (continued)

3. Segment Information (continued)

Year ended December 31, 2007

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 11,743	$ 371	$ 583	$ 162	$ –	$ 12,859
Inter-segment sales	165	1,532	–	621	(2,318)	–
Total revenue	**11,908**	**1,903**	**583**	**783**	**(2,318)**	**12,859**
Result						
Segment result	**$ 3,036**	**$ 444**	**$ 45**	**$ 87**	**$ 2**	**$ 3,614**
Unallocated expenses						(146)
Profit/(loss) from operations						**$ 3,468**
Share of profits/(losses) of joint ventures and associates	20	68	–	–		88
Other income/(expenses), net						(431)
Income tax expense						(946)
Net profit/(loss)						**$ 2,179**
Assets and liabilities						
Segment assets	$ 11,957	$ 4,473	$ 469	$ 692		$ 17,591
Investments in joint ventures and associates	4	588		–		592
Unallocated assets						454
Total assets						**$ 18,637**
Segment liabilities	$ 1,846	$ 421	$ 116	$ 41		$ 2,424
Unallocated liabilities						9,857
Total liabilities						**$ 12,281**
Other segment information						
Additions to property, plant and equipment and intangible assets	$ 460	$ 192	$ 7	$ 131		$ 790
Property, plant and equipment and intangible assets acquired in business combinations	3,339	3,175	–	306		6,820
Depreciation, depletion and amortisation	(478)	(213)	(30)	(36)		(757)
Impairment losses recognised in statement of operations	(4)	(2)	–	(1)		(7)

Notes to the Consolidated Financial Statements (continued)

3. Segment Information (continued)

The revenues from external customers for each group of similar products and services are presented in the following table:

US$ million	2009	2008	2007
Steel Production			
Construction products	**$ 2,184**	$ 4,949	$ 3,709
Flat-rolled products	**1,448**	3,236	1,966
Railway products	**1,113**	2,221	1,694
Tubular products	**1,008**	1,753	703
Semi-finished products	**2,018**	3,512	2,496
Other steel products	**236**	562	435
Other products	**729**	1,305	694
Rendering of services	**119**	85	46
	8,855	17,623	11,743
Mining			
Iron ore	**175**	708	145
Coal	**219**	461	165
Other products	**22**	84	37
Rendering of services	**19**	37	24
	435	1,290	371
Vanadium Products			
Vanadium in slag	**60**	290	167
Vanadium in alloys and chemicals	**290**	909	416
Other products	**3**	–	–
Rendering of services	**1**	2	–
	354	1,201	583
Other Operations			
Rendering of services	**128**	266	162
	128	266	162
	$ 9,772	**$ 20,380**	**$ 12,859**

Notes to the Consolidated Financial Statements (continued)

3. Segment Information (continued)

Distribution of the Group's revenues by geographical area based on the location of customers for the years ended December 31 was as follows:

US$ million	2009	2008	2007
Russia	**$ 2,950**	$ 7,575	$ 5,954
USA	**1,543**	3,232	1,964
Canada	**861**	1,283	91
China	**528**	172	72
United Arab Emirates	**415**	289	27
South Africa	**298**	649	319
Thailand	**285**	479	175
Philippines	**250**	149	144
Ukraine	**233**	913	186
Taiwan	**228**	504	373
Vietnam	**226**	234	82
Kazakhstan	**210**	327	380
Korea	**174**	760	400
Austria	**148**	415	173
Italy	**140**	343	361
Turkey	**130**	192	87
Czech Republic	**120**	295	277
Germany	**116**	417	263
Jordan	**101**	74	58
Poland	**93**	166	179
Indonesia	**74**	143	75
Syria	**62**	104	2
Slovakia	**51**	119	33
Great Britain	**25**	173	119
Other countries	**511**	1,373	1,065
	$ 9,772	**$ 20,380**	**$ 12,859**

None of the Group's customers amounts to 10% or more of the consolidated revenues.

3. Segment Information (continued)

Carrying amounts of the Group's assets by geographical area in which the assets are located at December 31 were as follows:

US$ million	2009	2008	2007
Russia	**$ 13,061**	$ 8,252	$ 8,813
USA	**2,905**	3,604	3,125
Canada	**2,671**	2,415	–
South Africa	**1,443**	1,052	1,515
Ukraine	**1,354**	1,533	3,399
Czech Republic	**807**	613	577
Switzerland	**512**	646	475
Italy	**377**	415	414
Cyprus	**148**	159	212
Luxembourg	**113**	723	39
Other countries	**33**	39	68
	$ 23,424	**$ 19,451**	**$ 18,637**

The additions to the property, plant and equipment and intangible assets based on the location of the Group's subsidiaries for the years ended December 31 were as follows:

US$ million	2009	2008	2007
Russia	**$ 293**	$ 971	$ 586
USA	**30**	50	39
South Africa	**26**	53	62
Canada	**15**	15	5
Czech Republic	**14**	19	13
Ukraine	**13**	84	81
Other countries	**3**	8	6
	$ 394	**$ 1,200**	**$ 792**

4. Business Combinations

Oregon Steel Mills

On January 12, 2007, the Group acquired approximately 90.65% of the outstanding shares of Oregon Steel Mills, Inc. ("OSM") through a tender offer. OSM, located in the United States and Canada, produces plates, pipes, rails and other long steel products.

In accordance with the US legislation, following the acquisition of the controlling interest in OSM, all the untendered shares were converted into the right to receive $63.25 in cash which is the same price per share paid during the tender offer. As a result, the Group effectively acquired a 100% ownership interest in OSM. On January 23, 2007, OSM was merged with the Group's wholly owned subsidiary and the merged entity was named as Evraz Oregon Steel Mills, Inc. In 2008, the subsidiary was renamed into Evraz Inc. N.A.

Total cash consideration for the acquisition of a 100% ownership interest in OSM amounted to $2,276 million, including transaction costs of $10 million.

4. Business Combinations (continued)

Oregon Steel Mills (continued)

As a result, the financial position and the results of operations of OSM were included in the Group's consolidated financial statements beginning January 12, 2007.

The table below sets forth the fair values of OSM's consolidated identifiable assets, liabilities and contingent liabilities at the date of acquisition:

US$ million	January 12, 2007
Property, plant and equipment	$ 1,038
Intangible assets	373
Other non-current assets	3
Inventories	442
Accounts and notes receivable	131
Cash	2
Total assets	**1,989**
Non-current liabilities	155
Deferred income tax liabilities	359
Current liabilities	235
Total liabilities	**749**
Minority interests	**46**
Net assets	**$ 1,194**
Purchase consideration	**$ 2,276**
Goodwill	**$ 1,082**

In 2007, cash flow on acquisition was as follows:

US$ million	
Net cash acquired with the subsidiary	$ 2
Cash paid	(2,269)
Net cash outflow	**$ (2,267)**

Certain transaction costs amounting to $4 million were paid in 2006. In 2008, the Group paid $3 million of the transaction costs outstanding at December 31, 2007.

For the period from January 12, 2007 to December 31, 2007, OSM reported net profit amounting to $49 million.

Highveld Steel and Vanadium Corporation

On July 13, 2006, the Group acquired a 24.9% ownership interest in Highveld Steel and Vanadium Corporation Limited ("Highveld"), one of the largest steel producers in South Africa and a leading producer of vanadium products. Cash consideration amounted to $216 million, including $10 million of transaction costs. In addition, the Group entered into option agreements with Anglo South Africa Capital (Proprietary) Limited ("Anglo") and Credit Suisse International ("Credit Suisse"), the major shareholders of Highveld, to increase this stake to 79% within the next 24 months should such a decision be made by the Board of directors of Evraz Group S.A. and subject to receipt of all necessary regulatory approvals.

On February 20, 2007, the European Commission approved the proposed acquisition of the controlling interest in Highveld, subject to certain conditions, and the directors resolved to proceed with the purchase transaction at the meeting held on February 26, 2007.

These conditions included divestment commitments in respect of certain business of Highveld (Note 12) and a commitment to maintain and strengthen the existing feedstock supply relationships with Vanady-Tula, Chussovskoy Metallurgical Plant, both located in Russia, and Treibacher (Austria) – the major consumers of the feedstock sold by the Group and Highveld.

4. Business Combinations (continued)

Highveld Steel and Vanadium Corporation (continued)

On April 26, 2007, the Group obtained the regulatory approvals of the South African competition authorities and the share options became exercisable. As a result, the financial position and results of operations of Highveld were included in the Group's consolidated financial statements beginning April 26, 2007 as the Group effectively exercised control over Highveld's operations since that date. In the period from July 13, 2006 to April 26, 2007, the Group accounted for its investment in Highveld under the equity method (Note 11).

The table below sets forth the fair values of Highveld's consolidated identifiable assets, liabilities and contingent liabilities at the date of business combination:

US$ million	Carrying amounts immediately before the business combination	April 26, 2007
Property, plant and equipment	$ 207	$ 431
Intangible assets	–	419
Other non-current assets	2	2
Inventories	70	81
Accounts and notes receivable	161	168
Cash and cash equivalents	75	75
Assets of disposal groups classified as held for sale (Note 12)	170	295
Total assets	**685**	**1,471**
Deferred income tax liabilities	36	181
Non-current liabilities	42	54
Current liabilities	316	329
Liabilities directly associated with disposal groups classified as held for sale (Note 12)	24	44
Total liabilities	**418**	**608**
Net assets	**$ 267**	**$ 863**

On April 26, 2007, the Group recognised revaluation surplus amounting to $27 million in respect of the change in fair values of identifiable assets, liabilities and contingent liabilities of Highveld allocated to the previously acquired stakes.

In 2007, cash flow on acquisition was as follows:

US$ million	
Net cash acquired with the subsidiary	$ 75
Cash paid	(254)
Net cash outflow	**$ (179)**

For the period from April 26, 2007 to December 31, 2007, Highveld reported net profit amounting to $101 million.

Notes to the Consolidated Financial Statements (continued)

4. Business Combinations (continued)

Highveld Steel and Vanadium Corporation (continued)

The acquisition of Highveld was achieved in stages. Cost of the business combination at each stage, the fair values of Highveld's identifiable consolidated assets, liabilities and contingent liabilities and goodwill are summarised in the table below:

US$ million	July 13, 2006 (Note 11)	February 26, 2007 (Note 11)	April 26, 2007	Total
Ownership interest acquired	24.9%	54.1%	0%	79%
Cost of business combination	216	442	–	658
Fair values of Highveld's identifiable consolidated assets, liabilities and contingent liabilities	731	802	863	–
Goodwill	34	8	–	–

Goodwill includes $16 million associated with the disposal group which, subsequent to July 13, 2006, was classified as held for sale (Note 12).

On May 4, 2007, the Group exercised its option and acquired a 29.2% ownership interest in Highveld for cash consideration of $238 million from Anglo. In addition, the Group incurred transaction costs amounting to $2 million.

In accordance with the South African legislation, an acquirer, which purchases 35% of the acquiree's share capital, is obliged to offer to minority shareholders to sell their holdings. Following this requirement, on June 4, 2007, the Group made an offer to acquire the entire share capital of Highveld, other than those shares already held by the Group, at a price of $11.40 per share.

The Group derecognised minority interests in the amount of $181 million representing 21% ownership interest in Highveld and accrued a liability to minority shareholders in the amount of $237 million. The liability was measured at a price of $11.40 per share. The excess of the amount of the liability over the carrying value of the derecognised minority interests amounting to $56 million was charged to accumulated profits. On July 16, 2007, the Group increased the offer price from the South African rands equivalent of $11.40 per share to 93 South African rands ($13.03 at the exchange rate as of June 4, 2007). Upon the increase of the offer price, the Group remeasured the liability to minority shareholders and recorded the increase amounting to $34 million as a loss in gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations for the year ended December 31, 2007.

As a result of this offer, the Group acquired 1,880,750 shares of Highveld (1.91% of the share capital) for 175 million South African rands ($25 million at the exchange rates as of the dates of the transactions). On August 6, 2007, upon the closing of the offer, the Group recognised minority interests in respect of the shares retained by minority shareholders. The difference between the carrying value of minority interests recognised and the liability to minority shareholders, which was derecognised at that date, amounting to $78 million was credited to accumulated profits.

On September 28, 2007, the Credit Suisse option for the acquisition of 24.9% ownership interest in Highveld was exercised by the Group for $219 million, comprising $207 million offset with the restricted deposit (Note 13) and a cash consideration of $12 million. As the liability under this put option was initially measured at $202 million, the Group recorded the increase amounting to $17 million as a loss in gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations for the year ended December 31, 2007.

West-Siberian Heat and Power Plant

On May 3, 2007, the Group acquired a 93.35% ownership interest in OAO West-Siberian Heat and Power Plant ("ZapSib Power Plant"), an energy generating company located in Novokuznetsk, the Russian Federation, for cash consideration of 5,945 million roubles ($231 million at the exchange rate as of the date of the transaction). In addition, the Group incurred transaction costs of $1 million. As a result, the financial position and the results of operations of ZapSib Power Plant were included in the Group's consolidated financial statements beginning May 3, 2007.

4. Business Combinations (continued)

West-Siberian Heat and Power Plant (continued)

The fair values of the identifiable assets, liabilities and contingent liabilities as at the date of acquisition were as follows:

US$ million	**May 3, 2007**
Property, plant and equipment	$ 306
Other non-current assets	1
Inventories	3
Accounts and notes receivable	2
Cash	13
Total assets	**325**
Non-current liabilities	1
Deferred income tax liabilities	60
Current liabilities	5
Total liabilities	**66**
Net assets	**$ 259**
Fair value of net assets attributable to 93.35% ownership interest	**$ 242**
Purchase consideration	**$ 232**
Goodwill	**$ –**
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	**$ (10)**

In 2007, cash flow on acquisition was as follows:

US$ million	
Net cash acquired with the subsidiary	$ 13
Cash paid	(228)
Net cash outflow	**$ (215)**

The difference between the cash portion of the purchase consideration ($232 million) and amounts paid on acquisition ($228 million) represents translation difference.

For the period from May 3, 2007 to December 31, 2007, ZapSib Power Plant reported net loss amounting to $9 million.

In accordance with the Russian legislation, an acquirer, which purchases at least 30% of the acquiree's share capital, is obliged to offer to other shareholders to sell their holdings ("obligatory offer"). Following this requirement, on June 4, 2007, the Group made an offer to minority shareholders of ZapSib Power Plant to sell their stakes to the Group at a price of 10.59 roubles per share ($0.41 at the exchange rate as of June 4, 2007). The total purchase consideration for the ownership interests that could be acquired amounts to 427 million Russian roubles ($17 million at the exchange rate as of June 4, 2007). The Group derecognised all minority interests in ZapSib Power Plant amounting to $17 million and accrued a liability to the minority shareholders in the amount of $17 million.

During the offer the Group acquired 4.44% shares of ZapSib Power Plant and became subject to the provisions of the Russian legislation allowing a shareholder owning more than 95% of a company to increase its stake to 100%. On November 12, 2007, the Group started the buy out of minority shares and completed the transaction in January 2008.

Yuzhkuzbassugol

On June 8, 2007, the Group acquired an additional 50% ownership interest in ZAO Yuzhkuzbassugol ("Yuzhkuzbassugol"), the Group's associate, increasing the Group's ownership interest in Yuzhkuzbassugol to 100%. Yuzhkuzbassugol is a vertically integrated group being one of the largest coking coal producers in Russia. Cash consideration amounted to $871 million, including transaction costs of $9 million.

4. Business Combinations (continued)

Yuzhkuzbassugol (continued)

As a result, the financial position and results of operations of Yuzhkuzbassugol were included in the Group's consolidated financial statements beginning June 8, 2007 as the Group effectively exercised control over Yuzhkuzbassugol's operations since that date. In the period from January 1, 2007 to June 8, 2007, the Group accounted for its investment in Yuzhkuzbassugol under the equity method (Note 11).

The table below sets forth the fair values of Yuzhkuzbassugol's consolidated identifiable assets, liabilities and contingent liabilities at date of acquisition of a controlling interest in the entity:

US$ million	Carrying amounts immediately before the business combination	June 8, 2007
Mineral reserves	$ 1,170	$ 1,661
Other property, plant and equipment	663	856
Investments in associates (Note 11)	154	18
Other non-current assets	45	45
Inventories	35	38
Accounts and notes receivable	97	105
Cash	17	17
Total assets	**2,181**	**2,740**
Non-current liabilities	180	196
Deferred income tax liabilities	298	462
Current liabilities	321	326
Total liabilities	**799**	**984**
Minority interests	**9**	**14**
Net assets	**$ 1,373**	**$ 1,742**
Fair value of net assets attributable to 50% ownership interest		**$ 871**
Purchase consideration		**$ 871**

On June 8, 2007, the Group recognised revaluation surplus amounting to $184 million in respect of the change in fair values of identifiable assets, liabilities and contingent liabilities of Yuzhkuzbassugol allocated to the previously acquired stake.

In 2007, cash flow on acquisition was as follows:

US$ million	
Net cash acquired with the subsidiary	$ 17
Cash paid	(871)
Net cash outflow	**$ (854)**

For the period from June 8, 2007 to December 31, 2007, Yuzhkuzbassugol reported net loss amounting to $96 million.

Steel and Mining Businesses in Ukraine

On December 11, 2007, Lanebrook Limited ("Lanebrook"), the ultimate parent of the Group, acquired majority shares in selected production assets in Ukraine which included the following:

- a 99.25% ownership interest in Sukha Balka iron ore mining and processing complex;
- a 95.57% ownership interest in Dnepropetrovsk Iron and Steel Works;
- three coking plants (Bagleykoks – 94.37%, Dneprokoks – 98.65%, and Dneprodzerzhinsk Coke Chemical Plant – 93.86% of shares outstanding).

4. Business Combinations (continued)

Steel and Mining Businesses in Ukraine (continued)

Lanebrook has acquired these production assets ("Palmrose") on the working capital free and debt free basis. Under the share purchase agreement, the seller had approximately three months (the "Settlement period") to settle the current assets, liabilities and debt that existed at the acquisition date and receive net settlement from Lanebrook. Total consideration for the acquisition of Palmrose amounted to $2,108 million, comprising cash in the amount of $1,060 million paid by the Group on behalf of Lanebrook and 4,195,150 Evraz Group's shares with the fair value at the date of acquisition of $1,048 million.

In December 2007, the Group signed an agreement with Lanebrook to acquire Palmrose. Under that agreement, total consideration for the acquisition of Palmrose from Lanebrook comprised cash in the amount of $1,110 million and 4,195,150 Evraz Group's shares that should have been issued for the settlement of this acquisition.

On April 14, 2008, the Group acquired a 51.4% share in Palmrose for cash consideration of $1,110 million. In June 2008, that agreement was amended increasing the cash portion of the consideration payable to Lanebrook by $18 million.

The Group obtained control over Palmrose on April 14, 2008. The acquisition of 51.4% and 48.6% ownership interests in Palmrose were considered as linked transactions and were accounted for as a single transaction in these financial statements. As a result, on April 14, 2008, the Group effectively acquired 100% ownership interest in Palmrose with a deferred consideration in respect of 48.6% ownership interest. In accordance with the accounting policy (Note 2), the Group accounted for this acquisition by applying the pooling of interests method and presented its consolidated financial statements as if the transfer of controlling interest in the subsidiary had occurred from the date of acquisition of the subsidiary by Lanebrook, which was December 11, 2007.

As a result, the financial position and the results of operations of Palmrose were included in the Group's consolidated financial statements beginning December 11, 2007.

The table below sets forth the fair values of Palmrose's consolidated identifiable assets, liabilities and contingent liabilities at the date of its acquisition by the predecessor:

US$ million	December 11, 2007
Mineral reserves	$ 429
Other property, plant and equipment	1,307
Receivables from the seller	822
Total assets	**2,558**
Non-current liabilities	57
Deferred income tax liabilities	377
Current liabilities	839
Total liabilities	**1,273**
Minority interests	**40**
Net assets	**$ 1,245**
Purchase consideration	**$ 2,108**
Goodwill	**$ 863**

In 2007, cash flow on acquisition was as follows:

US$ million	
Net cash acquired with the subsidiaries	$ –
Cash paid	(1,060)
Net cash outflow	**$ (1,060)**

4. Business Combinations (continued)

Steel and Mining Businesses in Ukraine (continued)

$68 million paid by the Group to Lanebrook in 2008 was recorded as a distribution to a shareholder in the consolidated statement of cash flows.

The excess of the consideration paid by the Group to its shareholder over the historical cost of net assets transferred to the Group, including the predecessor's goodwill, was charged to accumulated profits and recorded as a distribution to a shareholder in the amount of $18 million and $50 million in the consolidated statements of changes in equity for the years ended December 31, 2008 and 2007, respectively.

On September 9, 2008, the remaining 48.6% ownership interest in Palmrose was transferred to the Group in exchange for new shares issued by Evraz Group S.A. The liability to Lanebrook in respect of the 48.6% ownership interest in Palmrose was measured at the fair value of Evraz Group's shares and amounted to $972 million as of December 31, 2007. The change in the fair value of that liability was credited to accumulated profits in the amount of $215 million and $76 million in the consolidated statements of changes in equity for the years ended December 31, 2008 and 2007, respectively.

In addition, in 2008, the Group purchased minority interests in Dnepropetrovsk Iron and Steel Works (0.46%) and Sukha Balka (0.17%) for a total cash consideration of $3 million. The excess of the amounts of consideration over the carrying values of minority interests acquired amounting to $1 million was charged to accumulated profits.

For the period from December 11 to December 31, 2007, the newly acquired Ukrainian businesses reported net loss amounting to $7 million.

In 2009, the Group and Lanebrook Limited signed an amendment agreement under which the purchase price for the acquired businesses has been reduced by $65 million. This reduction in the purchase price was accounted for as a contribution from a shareholder in the consolidated statement of changes in equity.

Claymont Steel

On January 16, 2008, the Group acquired 16,415,722 shares of Claymont Steel Holdings, Inc. ("Claymont Steel") through a tender offer, representing approximately 93.4% of the outstanding ordinary shares of Claymont Steel. Claymont Steel is a plate producer located in the United States.

In accordance with the US legislation, following the acquisition of the controlling interest in Claymont Steel, all the untendered shares were converted into the right to receive $23.50 in cash which is the same price per share paid during the tender offer. The company then merged with the Group's wholly owned subsidiary. Total cash consideration for the acquisition of a 100% ownership interest in Claymont Steel amounted to $420 million, including transaction costs of $7 million.

As a result, the financial position and the results of operations of Claymont Steel were included in the Group's consolidated financial statements beginning January 16, 2008.

4. Business Combinations (continued)

Claymont Steel (continued)

The table below sets forth the fair values of identifiable assets, liabilities and contingent liabilities of Claymont Steel at the date of acquisition:

US$ million	January 16, 2008
Property, plant and equipment	$ 161
Intangible assets	40
Other non-current assets	–
Inventories	52
Accounts and notes receivable	44
Cash and cash equivalents	5
Total assets	**302**
Non-current liabilities	136
Deferred income tax liabilities	58
Current liabilities	59
Total liabilities	**253**
Net assets	**$ 49**
Purchase consideration	**$ 420**
Goodwill	**$ 371**

In 2008, cash flow on acquisition was as follows:

US$ million	
Net cash acquired with the subsidiaries	$ 5
Cash paid	(420)
Net cash outflow	**$ (415)**

For the period from January 16, 2008 to December 31, 2008, Claymont Steel reported net loss amounting to $4 million.

IPSCO Inc.

In March 2008, the Group entered into an agreement with SSAB, a Swedish steel company, to acquire IPSCO's Canadian plate and pipe business. IPSCO is a leading North American producer of steel plates, as well as pipes for the oil and gas industry.

Under the structure of the transaction, the Group and OAO TMK ("TMK"), the Russian leading tubular player, acquired plate and pipe businesses for $4,211 million (excluding transaction costs and working capital adjustment to purchase consideration paid by TMK, if any) comprising certain Canadian plate and pipe businesses, a US metal scrap company (together – "IPSCO Inc."), and US tubular and pipe businesses. The Group has also entered into a back-to-back agreement with TMK and its affiliates, which consisted of an on-sale of the acquired US tubular and pipe businesses, including 51% in NS Group, to TMK for $1,250 million.

In addition, the Group signed an option agreement that gave it the right to sell and gave TMK the right to buy 49% in NS Group for approximately $511 million plus interest at an annual rate ranging from 10% to 12% accrued from June 12, 2008 to the date when the option is exercised. The put option could be exercised by the Group in respect of the whole stake held by the Group and not earlier than October 22, 2009. The call option could be exercised by TMK in respect of any shareholding in NS Group starting from June 12, 2008.

On June 12, 2008, the acquisition was completed. As a result, the net cost of the acquisition of 100% of IPSCO Inc. for the Group amounted to $2,450 million, including transaction costs of $65 million.

Notes to the Consolidated Financial Statements (continued)

4. Business Combinations (continued)

IPSCO Inc. (continued)

The financial position and the results of operations of IPSCO Inc. were included in the Group's consolidated financial statements beginning June 12, 2008. At December 31, 2008, the acquisition of IPSCO Inc. was accounted for based on provisional values as the Group, at the date of authorisation of issue of the financial statements for the year ended December 31, 2008, did not complete purchase price allocation in accordance with IFRS 3 "Business Combinations".

In 2009, the Group finalised its purchase price allocation on the acquisition of IPSCO Inc. As a result, the Group recognised adjustments to the provisional values of identifiable assets, liabilities and contingent liabilities at the date of acquisition. The table below sets forth the fair values of IPSCO Inc.'s consolidated identifiable assets, liabilities and contingent liabilities at June 12, 2008:

US$ million	Provisional fair values	Final estimation of fair values
Property, plant and equipment	$ 726	$ 726
Intangible assets	362	607
Other non-current assets	18	18
Inventories	432	551
Accounts and notes receivable	184	186
Cash	2	2
Total assets	**1,724**	**2,090**
Non-current liabilities	4	4
Deferred income tax liabilities	221	319
Current liabilities	167	169
Total liabilities	**392**	**492**
Net assets	**$ 1,332**	**$ 1,598**
Purchase consideration	**$ 2,450**	**$ 2,450**
Goodwill	**$ 1,118**	**$ 852**

In 2008, cash flow on acquisition was as follows:

US$ million	
Net cash acquired with the subsidiaries	$ 2
Cash paid	(1,501)
Net cash outflow	**$ (1,499)**

$938 million of purchase consideration was paid by a bank on behalf of the Group directly to the seller. Transaction costs amounting to $10 million were paid in 2009. At December 31, 2009, accounts payable include $1 million of unpaid transaction costs.

For the period from June 12 to December 31, 2008, IPSCO Inc. reported net loss amounting to $87 million.

The investment in a 49% ownership interest in NS Group was included in short-term investments caption of the consolidated statement of financial position as of December 31, 2008. In 2009, TMK exercised its call option for a 49% ownership interest in NS Group (Note 18).

4. Business Combinations (continued)

Vanady-Tula

On December 20, 2007, the Group signed an option agreement with OOO SGMK-Engineering (the "Seller") in respect of shares of OAO Vanady-Tula ("Vanady-Tula"), a vanadium refinery located in Russia. Under the agreement, the Group had the right to acquire (the call option) and OOO SGMK-Engineering had the right to sell to the Group (the put option) 90.84% of shares of Vanady-Tula for 3,140 million roubles ($108 million at the exchange rate at November 2, 2009, the date of business combination). The options were extended to December 31, 2009. The exercise of the options was conditional upon the approval of the regulatory authorities. To secure the put option, the Group provided the seller with a non-interest bearing deposit in the amount of 3,091 million roubles ($121 million at the exchange rate as of the payment date and $105 million at the exchange rate as of December 31, 2008 – Note 13). The deposit would have been repayable to the Group if neither the call option nor the put option was exercised before their expiration.

During 2008 and 2009, the Group purchased minority shares of Vanady-Tula and immediately before the business combination had a 1.88% ownership interest in the entity. The consideration paid for these shares was $2 million.

On November 2, 2009, the Group obtained the regulatory approvals. The share options became exercisable and economic benefits have been effectively transferred to the Group since that date. As a result, the financial position and results of operations of Vanady-Tula were included in the Group's consolidated financial statements beginning November 2, 2009 as the Group effectively exercised control over the entity's operations since that date.

In December 2009, the option agreement was dissolved and the companies entered into a new agreement for the purchase of an 82.96% ownership interest in Vanady-Tula. The purchase consideration amounted to 2,854 million roubles ($95 million at the exchange rate as of the date of the transaction, which was completed on December 15, 2009).

The acquisition of the subsidiary was accounted for based on provisional values as the Group, at the date of authorisation of issue of these financial statements, has not completed purchase price allocation in accordance with IFRS 3 "Business Combinations".

The table below sets forth the provisional fair values of Vanady-Tula's consolidated identifiable assets, liabilities and contingent liabilities at the date of business combination:

US$ million	**November 2, 2009**
Property, plant and equipment	$ 54
Inventories	14
Accounts and notes receivable	16
Total assets	**84**
Deferred income tax liabilities	9
Current liabilities	31
Total liabilities	**40**
Net assets	**$ 44**
Fair value of net assets attributable to 92.72% ownership interest	**41**
Purchase consideration	**$ 110**
Goodwill	**$ 69**

In 2009, cash flow on acquisition was as follows:

US$ million	
Net cash acquired with the subsidiaries	$ –
Cash paid	(5)
Net cash outflow	**$ (5)**

At December 31, 2009, the Group's accounts receivable include $12 million due from the seller.

Notes to the Consolidated Financial Statements (continued)

4. Business Combinations (continued)

Vanady-Tula (continued)

For the period from November 2, 2009 to December 31, 2009, Vanady-Tula reported net profit amounting to $2 million.

In accordance with the Russian legislation, an acquirer, which purchases at least 30% of the acquiree's share capital, is obliged to offer to other shareholders to sell their holdings ("obligatory offer"). On December 15, 2009, the date when the Group became the legal owner of the shares under the new purchase agreement, the Group derecognised all minority interests in the entity and accrued a liability to the minority shareholders in the amount of $17 million. This transaction resulted in a $5 million charge to accumulated profits.

On February 18, 2010, the Group made an offer to minority shareholders of Vanady-Tula to sell their stakes to the Group at a price of 3,861.91 roubles per share ($127.69 at the exchange rate as of December 31, 2009). The total purchase consideration for the ownership interests, that could be acquired, amounts to 521 million Russian roubles ($17 million at the exchange rate as of December 31, 2009).

Steel Dealers

On October 15, 2009, the Group acquired 100% in a holding company owning steel dealers throughout Russia (previously known as Carbofer). Purchase consideration amounted to $11 million. The financial position and the results of operations of this holding were included in the Group's consolidated financial statements beginning October 15, 2009. The acquisition was accounted for based on provisional values as the Group, as of the date of authorisation of issue of these financial statements, has not completed purchase price allocation in accordance with IFRS 3 "Business Combinations".

The table below sets forth the provisional fair values of consolidated identifiable assets, liabilities and contingent liabilities at the date of acquisition:

US$ million	October 15, 2009
Property, plant and equipment	$ 7
Other non-current assets	7
Inventories	73
Accounts and notes receivable	45
Cash	8
Total assets	**140**
Current liabilities	119
Total liabilities	**119**
Net assets	**$ 21**
Purchase consideration	**$ 11**
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	**$ (10)**

In 2009, cash flow on acquisition was as follows:

US$ million	
Net cash acquired with the subsidiaries	$ 8
Cash paid	(9)
Net cash outflow	**$ (1)**

At December 31, 2009, unpaid purchase consideration was $2 million.

For the period from October 15, 2009 to December 31, 2009, steel dealers reported net loss amounting to $5 million.

Other Acquisitions

On December 20, 2007, the Group acquired 100% in Nikom, a.s., ("Nikom"), a ferrovanadium producer located in the Czech Republic, for cash consideration of $46 million. Goodwill of $40 million arising on the acquisition of Nikom was recorded in the consolidated statement of financial position as of December 31, 2007.

4. Business Combinations (continued)

Disclosure of Other Information in Respect of Business Combinations

As the acquired subsidiaries either did not prepare financial statements in accordance with IFRS before the business combinations or applied accounting policies that are significantly different from the Group's accounting policies, it is impracticable to determine revenues and net profit of the combined entity for each year presented on the assumption that all business combinations effected during each year had occurred at the beginning of the respective year.

Except for the relevant disclosures in respect of Yuzhkuzbassugol and Highveld, it is impracticable to determine the carrying amounts of each class of the acquirees' assets, liabilities and contingent liabilities, determined in accordance with IFRS, immediately before the combination, because the acquirees did not prepare financial statements in accordance with IFRS before acquisitions.

5. Goodwill

The table below presents movement in the carrying amount of goodwill.

US$ million	Gross amount	Impairment losses	Carrying amount
At December 31, 2006	**$ 112**	**$ –**	**$ 112**
Goodwill recognised on acquisitions of subsidiaries (Note 4)	1,122	–	1,122
Goodwill previously recognised in investments under the equity method (Note 11)	42	–	42
Goodwill allocated to disposal groups classified as held for sale (Note 11)	(16)	–	(16)
Goodwill in respect of subsidiaries acquired from entities under common control (Note 4)	863	–	863
Adjustment to contingent consideration	11	–	11
Translation difference	11	–	11
At December 31, 2007	**2,145**	**–**	**2,145**
Goodwill recognised on acquisitions of subsidiaries (Note 4)	1,223	–	1,223
Adjustment to contingent consideration	(2)	–	(2)
Impairment	–	(756)	(756)
Palmrose	–	*(466)*	*(466)*
Claymont Steel	–	*(187)*	*(187)*
OSM Tubular – Portland Mill	–	*(103)*	*(103)*
Translation difference	(443)	–	(443)
At December 31, 2008	**2,923**	**(756)**	**2,167**
Goodwill recognised on acquisitions of subsidiaries (Note 4)	69	–	69
Adjustment to contingent consideration	(5)	–	(5)
Impairment	–	(135)	(135)
Palmrose	–	*(100)*	*(100)*
Claymont Steel	–	*(15)*	*(15)*
OSM Tubular – Camrose	–	*(9)*	*(9)*
General Scrap	–	*(4)*	*(4)*
Evraz Inc. N.A. Canada (Surrey)	–	*(7)*	*(7)*
Translation difference	94	21	115
At December 31, 2009	**$ 3,081**	**$ (870)**	**$ 2,211**

5. Goodwill (continued)

Goodwill relates to the assembled workforce and synergy from integration of the acquired subsidiaries into the Group. The carrying amount of goodwill was allocated among cash generating units as follows at December 31:

US$ million	2009	2008	2007
Evraz Inc. N.A. (formerly Oregon Steel Mills)	**$ 1,155**	$ 1,183	$ 1,082
Oregon Steel Portland Mill	***412***	*412*	*412*
OSM Tubular – Portland Mill	**–**	–	*103*
Rocky Mountain Steel Mills	***410***	*410*	*410*
OSM Tubular – Camrose Mills	***148***	*157*	*157*
Claymont Steel	***169***	*184*	–
General Scrap (was a part of IPSCO at the time of IPSCO acquisition)	***16***	*20*	–
Evraz Inc. N.A. Canada (formerly IPSCO)	**801**	700	–
Calgary	***220***	*190*	–
Red Deer	***54***	*46*	–
Regina Steel	***376***	*327*	–
Regina Tubular	***130***	*112*	–
Others	***21***	*25*	–
Palmrose	**–**	99	863
Dnepropetrovsk Iron and Steel Works	**–**	*24*	*512*
Dneprodzerzhinsk Coke Chemical Plant	**–**	*27*	*114*
Bagleykoks	**–**	*32*	*151*
Dneprokoks	**–**	*16*	*86*
Palini e Bertoli	**82**	80	84
Vanady-Tula	**66**	–	–
Strategic Minerals Corporation	**39**	45	47
Nikom, a.s.	**40**	38	40
Highveld Steel and Vanadium Corporation	**27**	21	28
Evro-Aziatskaya Energy Company	**1**	1	1
	$ 2,211	**$ 2,167**	**$ 2,145**

The cash generating units within Evraz Inc. N.A. and Evraz Inc. N.A. Canada represent the smallest identifiable groups of assets, primarily individual mills, that generate cash flows that are largely independent from other assets or groups of assets.

Goodwill was tested for impairment as of December 31, 2009. Events and circumstances that led to recognition of impairment are disclosed in Note 31, *Operating Environment of the Group.*

For the purpose of the goodwill impairment testing the Group assessed the recoverable amount of each cash generating unit to which the goodwill relates. The recoverable amount has been determined based on value in use calculation using cash flows projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting time value of money and risks associated with respective cash generating units. For mining operations management business plans cover the full life of mines. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the respective business plans results using a zero real growth rate.

5. Goodwill (continued)

The key assumptions used by management in value-in-use calculation are presented in the table below.

US$ million	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of the commodity per ton in 2010
Evraz Inc. N.A	5	13.05–14.89	steel products	$ 770
Evraz Inc. N.A. Canada	5	12.96–13.37	steel products	$ 898
Palini e Bertoli	5	13.64	steel plates	€ 461
Vanady-Tula	5	15.38	vanadium products	$ 28,191
Strategic Minerals Corporation	5	15.92-16.10	ferrovanadium products	$ 32,944
Nikom, a.s.	5	14.60	ferrovanadium products	$ 30,206
Highveld Steel and Vanadium Corporation	5	15.92	ferrovanadium products	$ 24,481
			steel products	$ 618

In respect of cash generating units, for which an impairment loss was recognised in 2009, the discount rates used in the previous estimates of value in use were as follows:

US$ million	Pre-tax discount rate, %
Palmrose	
Dnepropetrovsk Iron and Steel Works	16.59
Coking plants	16.76-17.19
Evraz Inc. N.A.	
Claymont Steel	13.83
OSM Tubular – Camrose	14.95
General Scrap	14.95
Evraz Inc. N.A. Canada	
Surrey	13.57

The calculations of value-in-use are most sensitive to the following assumptions:

Discount Rates

Discount rates reflect the current market assessment of the risks specific to each cash generating unit. The discount rates have been determined using the Capital Asset Pricing Model and analysis of industry peers.

Reasonable changes in discounts rates could lead to further impairment of goodwill at Evraz Inc. N.A. and Evraz Inc. N.A. Canada cash generating units. A 10% increase in the discount rates would lead to an additional impairment of $202 million.

Sales Prices

The prices of the products sold by the Group were estimated using industry research. Average 2010 prices for steel products were assumed to be 6% higher than average 2009 prices. The Group expects that in 2011-2014 the nominal prices will grow on average by 9% and in 2014 and thereafter – by 3%. Reasonable changes in the assumptions for products prices could lead to an additional impairment at Evraz Inc. N.A. cash generating units. If the prices assumed for 2010 and 2011 in the impairment test were 10% lower, this would lead to an additional impairment of $21 million.

Sales Volumes

Management assumed that the sales volumes of steel products would increase on average by 18% during 2010 and would grow evenly during the following five years to reach normal asset capacity thereafter. Reasonable changes in sales volumes could lead to an additional impairment at Evraz Inc. N.A. cash generating units. If the sales volumes were 10% lower than those assumed for 2010 and 2011 in the impairment test, this would lead to an additional impairment of $11 million.

Notes to the Consolidated Financial Statements (continued)

5. Goodwill (continued)

Cost Control Measures

The recoverable amounts of cash generating units are based on the business plans approved by management. The reasonable deviation of cost from these plans could lead to an additional impairment at Evraz Inc. N.A. and Evraz Inc. N.A. Canada cash generating units. If the actual costs were 10% higher than those assumed for 2010 and 2011 in the impairment test, this would lead to an additional impairment of $43 million.

6. Acquisitions of Minority Interests in Subsidiaries

Buy Outs

At July 1, 2006, the Group was the owner of 96.68% shares of West-Siberian Iron and Steel Plant ("ZapSib") and 97.72% shares of Kachkanarsky Mining-and-Processing Integrated Works ("KGOK"). Under the Russian legislation, a shareholder owning 95% of the share capital is obliged to acquire the company's shares in case when the minority shareholders are willing to sell their stakes. On the other hand, such shareholder can initiate a forced disposal of the shares held by minority shareholders. Consequently, the Group obtained a call option and minority shareholders obtained a put option for the minority shares in the subsidiaries. At this date, the Group derecognised minority interests and accrued a liability to minority shareholders in the amount of $106 million. The liability was measured based on the highest price for the shares during the period of six months up to the date of its recognition, as required by the regulations.

In 2007, the liability to minority shareholders of ZapSib and KGOK as of December 31, 2006 was measured by independent experts. The excess of the new valuation over the liability to minority shareholders recognised as of December 31, 2006 amounting to $24 million was charged to accumulated profits in the consolidated statement of changes in equity for the year ended December 31, 2007. In addition, the Group derecognised minority interests in the amount of $3 million in respect of ZapSib's subsidiaries.

In March 2007, the Group made voluntary offers to minority shareholders of Nizhny Tagil Iron and Steel Plant ("NTMK"), Vysokogorsky Mining-and-Processing Integrated Works ("VGOK") and Nakhodka Trade Sea Port ("Nakhodka Port") to sell their stakes to the Group.

At the dates of voluntary offers, the Group derecognised minority interests in NTMK, VGOK and Nakhodka Port in the amount of $103 million and accrued a liability to minority shareholders in the amount of $174 million. The liabilities were measured based on the expected amounts to be paid to minority shareholders being the highest price for the shares during the period of six months up to the date of its recognition. The excess of the amount of the liability over the carrying value of the derecognised minority interests amounting to $71 million was charged to accumulated profits.

US$ million	Minority interests derecognised	Fair value of liability at the date of derecognition	Charged to accumulated profits
NTMK	$ 92	$ 162	$ 70
VGOK	9	9	–
Nakhodka Port	2	3	1
	$ 103	**$ 174**	**$ 71**

In the course of the voluntary offer, the Group acquired minority interests of 1.09%, 0.83% and 1.54% in NTMK, VGOK and Nakhodka Port, respectively, for cash consideration of $37 million, $2 million and $1 million, respectively. As a result, the Group has obtained in each of the above mentioned subsidiaries an ownership interest exceeding 95% of the share capital. Consequently, the Group became subject to the regulations that require a controlling shareholder to acquire the company's shares in case when the minority shareholders are willing to sell their stakes. On the other hand, the Group received the right to require the minority shareholders to sell their stakes.

In August 2007, the Group started the buy out of minority shares of its five Russian subsidiaries (NTMK, ZapSib, KGOK, VGOK and Nakhodka Port). The buy outs were successfully completed in October 2007.

6. Acquisitions of Minority Interests in Subsidiaries

LDPP

In 2007, the Group acquired an additional minority interest of 19.9% in OAO Large Diameter Pipe Plant ("LDPP") for cash consideration of $10 million, which approximates the carrying value of the net assets attributable to the acquired shares.

Highveld

In 2008, the Group acquired an additional minority interest of 4.2% in Highveld (Note 4) for cash consideration of $69 million. The excess of the amounts of consideration over the carrying values of minority interests acquired amounting to $35 million was charged to accumulated profits.

Exercise of Potential Voting Rights

In 2008, the Group exercised options in respect of the interests in Caplink Limited and Velcast Limited, which owned a slab casting workshop and equipment. Total cash consideration amounted to $6 million. The difference between the carrying values of minority interests acquired and the purchase consideration in the amount of $21 million was included in additional paid-in capital and $1 million was charged to accumulated profits.

7. Income and Expenses

Cost of revenues, distribution costs, administrative expenses and social infrastructure maintenance expenses include the following for the years ended December 31:

US$ million	2009	2008	2007
Cost of inventories recognised as expense	**$ (3,255)**	$ (6,408)	$ (4,892)
Staff costs, including social security taxes	**(1,499)**	(2,154)	(1,532)
Depreciation, depletion and amortisation	**(1,632)**	(1,195)	(749)

In 2009, the Group made a reversal of the allowance for net realisable value in the amount of $148 million. In 2008, the amount of a write-down of finished goods to net realisable value together with the allowance for obsolete and slow-moving inventories that were recognised as expense amounted to $314 million. In 2007, these write-downs and allowances were not significant.

The major components of other operating expenses were as follows:

US$ million	2009	2008	2007
Idling, reduction and stoppage of production, including termination benefits	**$ (70)**	$ (19)	$ (4)
Restoration works and casualty compensations in connection with accidents	**(1)**	(4)	(20)
Write-off of Mezhegey licence	**–**	(12)	–
Other	**(57)**	(25)	(15)
	$ (128)	**$ (60)**	**$ (39)**

In July 2008, the Group won the tender to develop the Mezhegey coal deposit located in Russia. The Group offered $725 million in the tender held by the Russian State Mineral Resources Agency. Due to significant deterioration of economic conditions in the second half of 2008, the Group made a decision not to proceed with the purchase of the licence. In 2008, a prepayment amounting to $12 million, which was used to secure the licence, was written off to other operating expenses. In 2010, a new tender was held by the Russian State Mineral Resources Agency and the Group won the licence to develop the Mezhegey coal deposit for $32 million (Note 32).

Notes to the Consolidated Financial Statements (continued)

7. Income and Expenses (continued)

Interest expense consisted of the following for the years ended December 31:

US$ million	2009	2008	2007
Bank interest	**$ (346)**	$ (392)	$ (285)
Interest on bonds and notes	**(268)**	(221)	(97)
Finance charges payable under finance leases	**(7)**	(7)	(8)
Interest on liabilities relating to employee benefits and expected return on plan assets	**(28)**	(17)	(10)
Discount adjustment on provisions	**(12)**	(9)	(4)
Interest on contingent consideration	**(2)**	(2)	(1)
Other	**(14)**	(7)	(4)
	$ (677)	**$ (655)**	**$ (409)**

Interest income consisted of the following for the years ended December 31:

US$ million	2009	2008	2007
Interest on bank accounts and deposits	$ 17	$ 37	$ 24
Interest on loans receivable	10	15	7
Interest on loans receivable from related parties	6	–	–
Interest on accounts receivable	7	1	9
Other	–	4	1
	$ 40	**$ 57**	**$ 41**

Gain/(loss) on financial assets and liabilities included the following for the years ended December 31:

US$ million	2009	2008	2007
Gain/(loss) on available-for-sale financial assets (Note 13)	**$ –**	$ (150)	$ –
Gain/(loss) on extinguishment of debts (Note 21)	**103**	80	–
Loss on trading with Raspadskaya shares	**(1)**	(27)	–
Change in the fair value of derivatives (Notes 18 and 26)	**1**	(10)	–
Impairment of financial instrument relating to the transaction with 49% ownership interest in NS Group (Note 18)	**(2)**	(3)	–
Remeasurement of liabilities to minority shareholders at fair value	**–**	–	(72)
Other	**(4)**	(19)	1
	$ 97	**$ (129)**	**$ (71)**

Notes to the Consolidated Financial Statements (continued)

7. Income and Expenses (continued)

Remeasurement of Liabilities to Minority Shareholders at Fair Value

In October 2007, the Group exercised its call option in respect of 25% less one share ownership interest in Palini for €76 million ($107 million at the exchange rate as of the date of the transaction). The change in the fair value of the liability to minority shareholders amounting to $21 million was recorded as a loss within gain/(loss) on financial assets and liabilities caption of the consolidated income statement for the year ended December 31, 2007.

In 2007, in connection with the acquisition of Highveld the Group recognised $51 million on the remeasurement of liabilities to minority shareholders (Note 4).

8. Income Taxes

The Group's income was subject to tax at the following tax rates:

	2009	2008	2007
Russia	**20.00%**	24.00%	24.00%
Canada	**29.00%**	29.00%	–
Cyprus	**10.00%**	10.00%	10.00%
Czech Republic	**20.00%**	21.00%	24.00%
Italy	**31.40%**	31.40%	37.25%
South Africa	**28.00%**	28.00%	29.00%
Switzerland	**12.10%**	10.04%	12.60%
Ukraine	**25.00%**	25.00%	25.00%
USA	**35.00%**	35.00%	35.00%

Ferrotrade Limited (Gibraltar) has a Taxation Exemption Certificate under which it is currently liable to tax at the fixed annual amount of £225. This certificate is valid through 2010.

In November 2008, a reduction of income tax rate from 24% to 20% was announced by the Russian government. The new rate became effective from January 1, 2009. As such, the respective deferred tax assets and liabilities at December 31, 2008 were measured using the announced tax rate.

Major components of income tax expense for the years ended December 31 were as follows:

US$ million	2009	2008	2007
Current income tax expense	**$ (179)**	$ (1,622)	$ (1,064)
Adjustment in respect of income tax of previous years	**(6)**	28	31
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**(1,145)**	302	82
Deferred income tax benefit relating to changes in tax rates	**16**	107	5
Less: deferred income tax recognised directly in other comprehensive income	**1,653**	(7)	–
Income tax benefit/(expense) reported in the consolidated statement of operations	**$ 339**	**$ (1,192)**	**$ (946)**

Notes to the Consolidated Financial Statements (continued)

8. Income Taxes (continued)

The major part of income taxes is paid in the Russian Federation. A reconciliation of income tax expense applicable to profit before income tax using the Russian statutory tax rate to income tax expense as reported in the Group's consolidated financial statements for the years ended December 31 is as follows:

US$ million	2009	2008	2007
Profit before income tax	**$ (1,600)**	$ 3,051	$ 3,125
At the Russian statutory income tax rate of 20% (2008 and 2007: 24%)	**320**	(732)	(750)
Deferred income tax benefit resulting from reduction in tax rate, net of amount recognised directly in other comprehensive income	**16**	100	5
Adjustment in respect of income tax of previous years	**(6)**	28	31
Effect of non-deductible expenses and other non-temporary differences	**(123)**	(430)	(93)
Effect of the difference in tax rates on dividend income from associates and joint ventures	**–**	23	31
Tax on dividends distributed by the Group's subsidiaries to parent company	**(1)**	(153)	(78)
Effect of the difference in tax rates in countries other than the Russian Federation	**119**	(100)	(37)
Deferred income tax provided for undistributed earnings of the Group's subsidiaries	**11**	43	(43)
Share of profits in joint ventures and associates	**(2)**	25	(12)
Utilisation of previously unrecognised tax losses	**5**	5	–
Benefit arising from early payment of income tax	**–**	6	–
Tax paid on dividends to minorities	**–**	(7)	–
Income tax expense reported in the consolidated statement of operations	**$ 339**	**$ (1,192)**	**$ (946)**

In 2008, the effect of non-deductible expenses included $(181) million in respect of impairment of goodwill and $(94) million in respect of non-deductible foreign exchange losses related to Canadian and Luxembourg entities.

8. Income Taxes (continued)

Deferred income tax assets and liabilities and their movements for the years ended December 31 were as follows:

US$ million	2009	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to business combinations	Translation difference	2008	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to business combinations	Translation difference	2007
Deferred income tax liabilities:											
Valuation and depreciation of property, plant and equipment	**$ 2,577**	**(349)**	**1,652**	**9**	**(9)**	**$ 1,274**	(221)	(7)	170	(268)	$ 1,600
Valuation and amortisation of intangible assets	**297**	**(47)**	**–**	**–**	**34**	**310**	(39)	–	177	(54)	226
Undistributed earnings of subsidiaries	**–**	**(11)**	**–**	**–**		**11**	(43)	–	–	–	54
Other	**96**	**36**	**–**	**–**	**2**	**58**	(85)	–	47	(10)	106
	2,970	**(371)**	**1,652**	**9**	**27**	**1,653**	(388)	(7)	394	(332)	1,986
Deferred income tax assets:											
Tax losses available for offset	**203**	**154**	**–**	**4**	**2**	**43**	14	–	10	(4)	23
Accrued liabilities	**124**	**(29)**	**–**	**–**	**6**	**147**	(3)	–	7	(15)	158
Impairment of accounts receivable	**22**	**(3)**	**–**	**2**	**(1)**	**24**	2	–	–	(7)	29
Other	**124**	**31**	**(1)**	**1**	**(1)**	**94**	1	–	–	(15)	108
	473	**153**	**(1)**	**7**	**6**	**308**	14	–	17	(41)	318
Net deferred income tax asset	**40**	**(5)**	**(3)**	**8**	**(4)**	**44**	**27**	**–**	**–**	**(5)**	**22**
Net deferred income tax liability	**$ 2,537**	**(529)**	**1,650**	**10**	**17**	**$ 1,389**	**(375)**	**(7)**	**377**	**(296)**	**$ 1,690**

As of December 31, 2009, 2008 and 2007, deferred income taxes have been provided for in respect of undistributed earnings of the Group's subsidiaries amounting to $nil, $199 million and $1,046 million, respectively, as management intended to dividend these amounts. Management does not intend to distribute other accumulated earnings in the foreseeable future.

At December 31, 2009, the Group has not recognised a deferred tax liability and deferred tax asset in respect of temporary differences of $8,870 million and $2,284 million, respectively (2008: $4,118 million and $2,826 million, respectively, 2007: $3,685 million and $857 million, respectively). These differences are associated with investments in subsidiaries and were not recognised as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

The current tax rate on intra-group dividend income varies from 0% to 10%.

Notes to the Consolidated Financial Statements (continued)

8. Income Taxes (continued)

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies, except for the companies registered in Cyprus where group relief can be applied. As of December 31, 2009, the unused tax losses carry forward approximated $2,757 million (2008: $803 million, 2007: $369 million). The Group recognised deferred tax asset of $203 million (2008: $43 million, 2007: $23 million) in respect of unused tax losses. Deferred tax asset in the amount of $463 million (2008: $78 million, 2007: $45 million) has not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. Tax losses of $1,873 million (2008: $463 million, 2007: $283 million) for which deferred tax asset was not recognised arose in companies registered in Luxembourg, Cyprus, Russia, Ukraine and Canada. Losses in the amount of $1,870 million (2008: $459 million, 2007: $270 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and $3 million (2008: $4 million, 2007: $13 million) will expire during 2016–2018.

9. Property, Plant and Equipment

Property, plant and equipment consisted of the following as of December 31:

US$ million	**2009**	**2008**	**2007**
Revalued amount or cost:			
Land	**$ 292**	$ 157	$ 147
Buildings and constructions	**13,596**	2,383	2,200
Machinery and equipment	**21,600**	4,971	5,153
Transport and motor vehicles	**446**	430	461
Mining assets	**2,619**	2,603	3,170
Other assets	**77**	98	115
Assets under construction	**538**	691	728
	39,168	11,333	11,974
Accumulated depreciation, depletion and impairment losses:			
Buildings and constructions	**(9,675)**	(570)	(324)
Machinery and equipment	**(13,835)**	(1,218)	(1,161)
Transport and motor vehicles	**(174)**	(133)	(98)
Mining assets	**(488)**	(359)	(237)
Other assets	**(50)**	(35)	(39)
	(24,222)	(2,315)	(1,859)
Government grants:			
Machinery and equipment, net	**(5)**	(6)	(8)
	$ 14,941	**$ 9,012**	**$ 10,107**

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $121 million, $145 million and $114 million as of December 31, 2009, 2008 and 2007, respectively.

Notes to the Consolidated Financial Statements (continued)

9. Property, Plant and Equipment (continued)

The movement in property, plant and equipment for the year ended December 31, 2009 was as follows:

US$ million	Land	Buildings and con-structions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At December 31, 2008, cost, net of accumulated depreciation and government grants (as previously reported)	$ 159	$ 1,808	$ 3,747	$ 296	$ 2,244	$ 67	$ 691	$ 9,012
Adjustments to provisional values	(2)	5	–	1	–	(4)	–	–
At December 31, 2008 (as adjusted)	**157**	**1,813**	**3,747**	**297**	**2,244**	**63**	**691**	**9,012**
Change in accounting policies: revaluation surplus (Note 2)	135	2,804	4,962	–	–	–	–	7,901
Change in accounting policies: revaluation deficit (Note 2)	(21)	(315)	(266)	–	–	–	–	(602)
Reclassifications between categories	6	34	(13)	(1)	6	(34)	2	–
Additions	–	–	10	–	11	–	372	393
Assets acquired in business combination	–	31	26	2	–	–	2	61
Assets put into operation	3	56	346	24	73	15	(517)	–
Disposals	(1)	(20)	(59)	(4)	(1)	(1)	(6)	(92)
Depreciation and depletion charge	–	(362)	(943)	(42)	(147)	(17)	–	(1,511)
Impairment losses recognised in statement of operations	–	(22)	(35)	(11)	(53)	(1)	(19)	(141)
Impairment losses reversed through statement of operations	–	9	21	10	66	1	11	118
Impairment losses recognised or reversed through other comprehensive income	(4)	(11)	(28)	–	–	–	–	(43)
Disposal of assets due to sale of a subsidiary	–	(1)	–	–	(10)	–	–	(11)
Transfer to/from assets held for sale	(1)	(21)	(1)	–	–	(2)	–	(25)
Change in site restoration and de-commissioning provision	–	5	6	–	3	–	–	14
Translation difference	18	(79)	(13)	(3)	(61)	3	2	(133)
At December 31, 2009, revalued amount or cost, net of accumulated depreciation and government grants	**$ 292**	**$ 3,921**	**$ 7,760**	**$ 272**	**$ 2,131**	**$ 27**	**$ 538**	**$ 14,941**
At December 31, 2009, the carrying amount that would have been recognised had the assets been carried under the cost model	$ 164	$ 1,745	$ 3,707	$ 272	$ 2,131	$ 27	$ 538	$ 8,584

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Notes to the Consolidated Financial Statements (continued)

9. Property, Plant and Equipment (continued)

The movement in property, plant and equipment for the year ended December 31, 2008 was as follows:

US$ million	Land	Buildings and con-structions	Machinery and equip-ment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At December 31, 2007, cost, net of accumulated depreciation and government grants	$ 147	$ 1,876	$ 3,984	$ 363	$ 2,933	$ 76	$ 728	$ 10,107
Reclassifications	–	160	(130)	(18)	(3)	(13)	4	–
Additions	–	1	27	3	32	–	1,135	1,198
Assets acquired in business combination	29	174	630	2	–	15	37	887
Assets put into operation	–	166	671	67	122	11	(1,037)	–
Disposals	(2)	(10)	(26)	(4)	(5)	(1)	(21)	(69)
Depreciation and depletion charge	–	(177)	(631)	(52)	(220)	(22)	–	(1,102)
Impairment losses recognised in statement of operations	–	(16)	(45)	(1)	(53)	–	(2)	(117)
Transfer to assets held for sale	2	1	6	–	–	1	–	10
Change in site restoration provision	–	5	15	–	21	–	–	41
Translation difference	(19)	(367)	(754)	(63)	(583)	(4)	(153)	(1,943)
At December 31, 2008, cost, net of accumulated deprecia-tion and government grants	**$ 157**	**$ 1,813**	**$ 3,747**	**$ 297**	**$ 2,244**	**$ 63**	**$ 691**	**$ 9,012**

The movement in property, plant and equipment for the year ended December 31, 2007 was as follows:

US$ million	Land	Buildings and con-structions	Machinery and equip-ment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At December 31, 2006, cost, net of accumulated depreciation and government grants	$ 62	$ 1,075	$ 1,497	$ 202	$ 314	$ 31	$ 474	$ 3,655
Reclassifications	(2)	(3)	–	–	–	–	5	–
Additions	–	2	9	12	34	–	665	722
Assets acquired in business combination	88	654	2,359	107	2,530	51	238	6,027
Assets put into operation	–	175	392	72	34	16	(689)	–
Disposals	(6)	(13)	(20)	(7)	(3)	(2)	(4)	(55)
Depreciation and depletion charge	–	(95)	(405)	(37)	(98)	(21)	–	(656)
Impairment losses recognised in statement of operations	–	(1)	(3)	–	(1)	–	(2)	(7)
Disposal of assets due to sale of a subsidiary	–	(2)	–	–	–	–	–	(2)
Transfer to assets held for sale	(1)	(12)	(8)	–	–	–	–	(21)
Translation difference	6	96	163	14	123	1	41	444
At December 31, 2007, cost, net of accumulated deprecia-tion and government grants	**$ 147**	**$ 1,876**	**$ 3,984**	**$ 363**	**$ 2,933**	**$ 76**	**$ 728**	**$ 10,107**

Impairment losses were identified in respect of certain items of property, plant and equipment that were recognised as functionally obsolete or as a result of the testing at the level of cash generating units.

The amount of borrowing costs capitalised during the year ended December 31, 2009 was $7 million (2008: $18 million, 2007: $nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 7%, which is the effective interest rate of the specific borrowings.

10. Intangible Assets Other Than Goodwill

Intangible assets consisted of the following as of December 31:

US$ million	2009	2008	2007
Cost:			
Customer relationships	**$ 1,276**	$ 1,117	$ 714
Trade names and trademarks	**31**	28	31
Water rights and environmental permits	**64**	63	63
Patented and unpatented technology	**9**	9	10
Contract terms	**42**	66	66
Other	**46**	56	46
	1,468	1,339	930
Accumulated amortisation:			
Customer relationships	**(307)**	(171)	(87)
Trade names and trademarks	**(19)**	(12)	(6)
Water rights and environmental permits	**(5)**	(3)	(2)
Patented and unpatented technology	**(6)**	(4)	(3)
Contract terms	**(2)**	(8)	–
Other	**(31)**	(33)	(26)
	(370)	(231)	(124)
	$ 1,098	**$ 1,108**	**$ 806**

As of December 31, 2009, 2008 and 2007, water rights and environmental permits with a carrying value $56 million had an indefinite useful life.

The movement in intangible assets for the year ended December 31, 2009 was as follows:

US$ million	Customer relation-ships	Trade names and trademarks	Water rights and environ-mental per-mits	Patented and unpatented technology	Contract terms	Other	Total
At December 31, 2008, cost, net of ac-cumulated amortisation (as previously reported)	**$ 722**	**$ 19**	**$ 60**	**$ 5**	**$ 59**	**$ 20**	**$ 885**
Adjustments to provisional values	**224**	**(3)**	**–**	**–**	**(1)**	**3**	**223**
At December 31, 2008, cost, net of ac-cumulated amortisation (as adjusted)	**946**	**16**	**60**	**5**	**58**	**23**	**1,108**
Additions	**–**	**–**	**–**	**–**	**–**	**1**	**1**
Amortisation charge	**(104)**	**(5)**	**(1)**	**(2)**	**(18)**	**(4)**	**(134)**
Emission allowances granted	**–**	**–**	**–**	**–**	**–**	**5**	**5**
Emission allowances used/sold for the period	**–**	**–**	**–**	**–**	**–**	**(11)**	**(11)**
Impairment loss recognised in statement of operations	**(15)**	**–**	**–**	**–**	**–**	**–**	**(15)**
Impairment losses reversed through statement of operations	**8**	**2**	**–**	**–**	**–**	**–**	**10**
Translation difference	**134**	**(1)**	**–**	**–**	**–**	**1**	**134**
At December 31, 2009, cost, net of accumulated amortisation	**$ 969**	**$ 12**	**$ 59**	**$ 3**	**$ 40**	**$ 15**	**$ 1,098**

Notes to the Consolidated Financial Statements (continued)

10. Intangible Assets Other Than Goodwill (continued)

The movement in intangible assets for the year ended December 31, 2008 was as follows:

US$ million	Customer relationships	Trade names and trade-marks	Water rights and environ-mental permits	Patented and unpatented technology	Contract terms	Other	Total
At December 31, 2007, cost, net of accumulated amortisation	$ 627	$ 25	$ 61	$ 7	$ 66	$ 20	$ 806
Additions	–	–	–	–	–	2	2
Assets acquired in business combination	613	–	–	–	27	7	647
Amortisation charge	(98)	(6)	(1)	(2)	(9)	(8)	(124)
Emission allowances granted	–	–	–	–	–	12	12
Emission allowances used for the period	–	–	–	–	–	(1)	(1)
Impairment loss recognised in statement of operations	–	(3)	–	–	–	(4)	(7)
Translation difference	(196)	–	–	–	(26)	(5)	(227)
At December 31, 2008, cost, net of accumulated amortisation	**$ 946**	**$ 16**	**$ 60**	**$ 5**	**$ 58**	**$ 23**	**$ 1,108**

The movement in intangible assets for the year ended December 31, 2007 was as follows:

US$ million	Customer relationships	Trade names and trade-marks	Water rights and environ-mental per-mits	Patented and unpatented technology	Contract terms	Other	Total
At December 31, 2006, cost, net of ac-cumulated amortisation	$ 6	$ 3	$ 6	$ 9	$ 1	$ 12	$ 37
Additions	–	–	–	–	65	5	70
Assets acquired in business combination	697	28	57	–	–	11	793
Amortisation charge	(87)	(6)	(1)	(2)	–	(6)	(102)
Emission allowances granted	–	–	–	–	–	1	1
Emission allowances used for the period	–	–	–	–	–	(4)	(4)
Impairment loss recognised in statement of operations	–	–	–	–	–	(1)	(1)
Translation difference	11	–	(1)	–	–	2	12
At December 31, 2007, cost, net of accumulated amortisation	**$ 627**	**$ 25**	**$ 61**	**$ 7**	**$ 66**	**$ 20**	**$ 806**

In 2007, the Group acquired a 51% ownership interest in Frotora Holdings Ltd. (Cyprus). This purchase did not qualify for a business combination as the acquired company does not constitute a business. The company's assets comprised only rights under a long-term lease of land to be used for a construction of a commercial sea port in Ukraine. These rights were valued at $65 million (at the exchange rate as of the date of the purchase) and included in contract terms category of the intangible assets.

11. Investments in Joint Ventures and Associates

The Group accounted for investments in joint ventures and associates under the equity method.

The movement in investments in joint ventures and associates was as follows:

US$ million	Corber	Yuzhkuzbassugol	Highveld	Streamcore	Kazankovskaya	Other associates	Total
Investment at December 31, 2006	**$ 577**	**$ 679**	**$ 231**	**$ –**	**$ –**	**$ 7**	**$ 1,494**
Additional investments	–	–	442	–	–	–	442
Share of profit/(loss)	82	(10)	20	–	(5)	1	88
Dividends paid	(120)	–	(15)	–	–	(1)	(136)
Assets acquired in business combination (Note 4)	–	–	–	–	19	2	21
Acquisition of controlling interests (Note 4)	–	(682)	(686)	–	–	(5)	(1,373)
Translation difference	34	13	8	–	1	–	56
Investment at December 31, 2007	**573**	**–**	**–**	**–**	**15**	**4**	**592**
Share of profit/(loss)	212	–	–	–	(14)	–	198
Dividends paid	(95)	–	–	–	–	–	(95)
Return of capital to a shareholder	(35)	–	–	–	–	–	(35)
Assets acquired in business combination (Note 4)	–	–	–	–	–	7	7
Translation difference	(114)	–	–	–	(1)	(1)	(116)
Investment at December 31, 2008	**541**	**–**	**–**	**–**	**–**	**10**	**551**
Additional investments	–	–	–	42	–	13	55
Share of profit/(loss)	30	–	–	–	–	(1)	29
Surplus on revaluation of property, plant and equipment	66	–	–	–	–	–	66
Disposal of investments	–	–	–	–	–	(1)	(1)
Translation difference	(15)	–	–	2	–	–	(13)
Investment at December 31, 2009	**$ 622**	**$ –**	**$ –**	**$ 44**	**$ –**	**$ 21**	**$ 687**

Share of profit/(loss) of joint ventures and associates comprised the following:

US$ million	2009	2008	2007
Share of profit/(loss), net	$ 29	$ 198	$ 88
Losses recognised in excess of the Group's investment in the associate (Note 13)	(37)	(4)	–
Share of profits/(losses) of joint ventures and associates recognised in the consolidated statement of operations	**$ (8)**	**$ 194**	**$ 88**

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Notes to the Consolidated Financial Statements (continued)

11. Investments in Joint Ventures and Associates (continued)

Corber Enterprises Limited

Corber Enterprises Limited ("Corber") is a joint venture established in 2004 for the purpose of exercising joint control over economic activities of Raspadskaya Mining Group. The Group has 50% share in the joint venture, i.e. effectively owns 40% in OAO Raspadskaya.

The table below sets forth Corber's assets and liabilities as of December 31:

US$ million	2009	2008	2007
Mineral reserves	$ 864	$ 935	$ 1,163
Other property, plant and equipment	904	643	587
Other non-current assets	38	5	10
Inventories	44	56	51
Accounts and notes receivable	335	268	245
Cash	24	73	84
Total assets	**2,209**	**1,980**	**2,140**
Non-current liabilities	325	333	328
Deferred income tax liabilities	218	188	297
Current liabilities	111	102	107
Total liabilities	**654**	**623**	**732**
Minority interests	**316**	**277**	**260**
Net assets	**$ 1,239**	**$ 1,080**	**$ 1,148**

The table below sets forth Corber's income and expenses:

US$ million	2009	2008	2007
Revenue	$ 497	$ 1,200	$ 784
Cost of revenue	(286)	(362)	(374)
Other expenses, including income taxes	(140)	(311)	(194)
Net profit	**$ 71**	**$ 527**	**$ 216**
Attributable to:			
Equity holders of the parent entity	$ 57	$ 420	$ 170
Minority interests	14	107	46
Net profit	**$ 71**	**$ 527**	**$ 216**
50% of unrealised profits on transactions with the joint venture	**1**	**2**	**(3)**
Group's share of profits of the joint venture	**$ 30**	**$ 212**	**$ 82**

11. Investments in Joint Ventures and Associates (continued)

Yuzhkuzbassugol

On December 30, 2005, the Group acquired a 50% ownership interest in ZAO Coal Company Yuzhkuzbassugol ("Yuzhkuzbassugol") for cash consideration of $675 million payable to Crondale Overseas Limited ("Crondale"), an entity under common control with the Group. The Group determined that its ownership interest in Yuzhkuzbassugol represents the purchase of an associate and accounted for the investment under the equity method.

The table below sets forth Yuzhkuzbassugol's income and expenses till the date when the entity became a subsidiary of the Group (Note 4):

US$ million	Period from January 1 to June 8, 2007	Year ended December 31, 2006
Revenue	$ 258	$ 595
Cost of revenue	(194)	(482)
Other expenses, including income taxes	(84)	(170)
Net loss	**$ (20)**	**$ (57)**
Attributable to:		
Equity holders of the parent entity	$ (20)	$ (54)
Minority interests	–	(3)
Net loss	**$ (20)**	**$ (57)**
Group's share of loss of the associate	**$ (10)**	**$ (28)**

Kazankovskaya

In 2007, assets acquired in business combination included investment in ZAO Kazankovskaya ("Kazankovskaya"), a coal mining company and an associate of Yuzhkuzbassugol (Note 4). The Group owns 50% in Kazankovskaya.

The table below sets forth the fair values of Kazankovskaya's identifiable assets, liabilities and contingent liabilities at the date of acquisition of Yuzhkuzbassugol:

US$ million	June 8, 2007
Mineral reserves	$ 69
Other property, plant and equipment	59
Inventories	1
Accounts receivable	13
Other current assets	2
Total assets	**144**
Non-current liabilities	83
Deferred income tax liabilities	13
Current liabilities	11
Total liabilities	**107**
Net assets	**$ 37**

Notes to the Consolidated Financial Statements (continued)

11. Investments in Joint Ventures and Associates (continued)

Kazankovskaya (continued)

The table below sets forth Kazankovskaya's assets and liabilities as of December 31:

US$ million	2009	2008	2007
Mineral reserves	$ –	$ 38	$ 72
Other property, plant and equipment	21	46	59
Inventories	2	2	1
Accounts receivable	1	1	8
Other current assets	1	1	3
Total assets	**25**	**88**	**143**
Non-current liabilities	48	83	92
Deferred income tax liabilities	8	–	10
Current liabilities	15	13	11
Total liabilities	**71**	**96**	**113**
Net assets/(liabilities)	**$ (46)**	**$ (8)**	**$ 30**

The table below sets forth Kazankovskaya's income and expenses for the periods from acquisition of the controlling interest in Yuzhkuzbassugol:

US$ million	2009	2008	Period from June 8 to December 31, 2007
Revenue	$ 15	$ 15	$ 7
Cost of revenue	(26)	(24)	(11)
Other expenses, including income taxes	(55)	(27)	(5)
Net loss	**$ (66)**	**$ (36)**	**$ (9)**
Group's share of loss of the associate	**$ (33)**	**$ (18)**	**$ (5)**
including: share of loss allocated against loan receivable from Kazankovskaya (Note 13)	(33)	(4)	–

Highveld Steel and Vanadium Corporation

On July 13, 2006, the Group acquired a 24.9% ownership interest in Highveld (Note 4). The Group determined that its ownership interest in Highveld represents an investment in an associate and accounted for it under the equity method.

On February 26, 2007, when the Board of directors of the Company approved the acquisition transaction, the completion of the acquisition of controlling interest in Highveld became probable and the Group recognised liabilities to Anglo and Credit Suisse under the option agreements (Note 4) in the amount of $442 million.

As a result, taking into account the eventual exercise of potential voting rights under the option agreements concluded by the Group with Anglo and Credit Suisse in 2006 in respect of an additional 54.1% ownership interest in Highveld, under which the exercise price for put and call options was fixed and adjusted for dividends to be distributed by Highveld to Anglo and Credit Suisse, the Group, in substance, obtained access to the economic benefits associated with that additional ownership interest. Consequently, the Group accounted for a 79% ownership interest in the associate under the equity method beginning February 26, 2007.

Notes to the Consolidated Financial Statements (continued)

11. Investments in Joint Ventures and Associates (continued)

Highveld Steel and Vanadium Corporation (continued)

The fair values of identifiable assets, liabilities and contingent liabilities as of the date of the increase in the beneficial interest in Highveld were as follows:

US$ million	February 26, 2007
Property, plant and equipment	$ 413
Intangible assets	385
Other non-current assets	2
Inventories	71
Accounts and notes receivable	184
Cash and cash equivalents	58
Assets of disposal groups classified as held for sale	287
Total assets	**1,400**
Non-current liabilities	55
Deferred income tax liabilities	169
Current liabilities	335
Liabilities directly associated with disposal groups classified as held for sale	39
Total liabilities	**598**
Net assets	**$ 802**
Fair value of net assets attributable to 54.1% beneficial ownership interest	**$ 434**
Purchase consideration consisting of a liability under the option agreements	**$ 442**
Goodwill	**$ 8**

The Group classified assets, including goodwill, and liabilities of the businesses to be disposed of in accordance with the resolution of the European Commission as disposal groups held for sale (Note 12).

The table below sets forth Highveld's income and expenses for the periods from its acquisition till the date when the entity became a subsidiary of the Group:

US$ million	Period from January 1 to April 26, 2007	Period from July 13 to December 31, 2006
Revenue	$ 351	$ 481
Cost of revenue	(276)	(376)
Other expenses, including income taxes	(42)	(37)
Net profit	**$ 33**	**$ 68**
Group's share of profits of the associate	**$ 20**	**$ 17**

11. Investments in Joint Ventures and Associates (continued)

Streamcore

In 2009, the Group acquired a 50% interest in Streamcore, a joint venture established for the purpose of exercising joint control over facilities for scrap procurement and processing in Siberia, Russia. Cash consideration amounted to $42 million.

The table below sets forth the fair values of Streamcore's identifiable assets, liabilities and contingent liabilities at the date of acquisition:

US$ million	September 4, 2009
Property, plant and equipment	$ 59
Inventories	1
Accounts receivable	11
Total assets	**71**
Deferred income tax liabilities	5
Current liabilities	5
Total liabilities	**10**
Net assets	**$ 61**

The table below sets forth Streamcore's assets and liabilities as of December 31:

US$ million	2009
Property, plant and equipment	$ 59
Inventories	–
Accounts receivable	15
Total assets	**74**
Non-current liabilities	2
Deferred income tax liabilities	5
Current liabilities	3
Total liabilities	**10**
Net assets	**$ 64**

The table below sets forth Streamcore's income and expenses from the date of acquisition of interest in the joint venture:

US$ million	Period from September 4 to December 31, 2009
Revenue	$ 5
Cost of revenue	(4)
Other expenses, including income taxes	(1)
Net profit	**$ –**
Group's share of profit of the joint venture	**$ –**

12. Disposal Groups Held for Sale

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 were as follows as of December 31:

US$ million	2009	2008	2007
Land	**$ 1**	$ –	$ 1
Other property, plant and equipment	**12**	7	139
Goodwill	**–**	–	15
Other non-current assets	**–**	–	–
Current assets	**–**	–	56
Assets classified as held for sale	**13**	7	211
Liabilities directly associated with assets classified as held for sale	**1**	–	39
Net assets classified as held for sale	**$ 12**	**$ 7**	**$ 172**

The table below demonstrates the carrying values of assets and liabilities, at the dates of disposal, of the subsidiaries and other business units disposed of during 2007-2009.

US$ million	2009	2008	2007
Property, plant and equipment	**$ 30**	$ 91	$ 74
Goodwill	**–**	13	–
Other non-current assets	**–**	–	8
Inventory	**3**	35	–
Accounts and notes receivable	**7**	33	20
Assets held for sale acquired in business combinations	**–**	36	137
Total assets	**40**	208	239
Deferred income tax liabilities	**–**	10	–
Current liabilities	**14**	12	7
Total liabilities	**14**	22	7
Net assets	**$ 26**	**$ 186**	**$ 232**

Cash flows on disposal of subsidiaries and other business units were as follows:

US$ million	2009	2008	2007
Net cash disposed of with subsidiaries	**$ –**	$ –	$ –
Transaction costs	**–**	(7)	(3)
Cash received	**28**	168	226
Net cash inflow	**$ 28**	**$ 161**	**$ 223**

At December 31, 2008 and 2007, receivables in respect of the sold assets in the amount of $10 million and $16 million, respectively, were included in accounts receivable and receivables from related parties, respectively. At December 31, 2009, the Group owed $5 million in respect of the disposed business units.

The disposal groups sold during 2007-2009 are described below.

12. Disposal Groups Held for Sale (continued)

OAO Nerungriugol

At December 31, 2006, assets held for sale were mostly represented by OAO Nerungriugol, a subsidiary sold in April 2007. In 2007, the Group received a disposal consideration amounting to $84 million.

Highveld's Business Units

The assets held for sale at the date of acquisition of ownership interests in Highveld (Notes 4 and 11) included two divisions of Highveld (Transalloys, producing manganese alloys, and Rand Carbide, producing ferrosilicon and various carbonaceous products). Both divisions were included in the steel segment of the Group's operations. Transalloys division was sold in July 2007 for cash consideration of $139 million, resulting in a loss of $11 million. Rand Carbide was sold in February 2008 for cash consideration of $39 million, which approximated the carrying value of the disposed assets.

In addition, in 2007, for the purpose of acquisition of Highveld (Note 4), the Group committed to divest Highveld's vanadium extraction, vanadium oxides and vanadium chemicals plants located at the Vanchem site in Witbank, Republic of South Africa (collectively referred to as the Vanchem operations) along with an equity interest or a portion of the Mapoch iron and vanadium ore mine which guarantees supply of ore and slag to Vanchem operations. The divestment package also included a ferrovanadium smelter located on the site of Highveld steel facility and Highveld's 50% shareholding in SAJV, a joint venture between Highveld and two Japanese partners which own another ferrovanadium smelter at the same site. At December 31, 2007, the assets and liabilities of these business units were classified as assets and liabilities of disposal groups held for sale (Notes 4 and 11). The Highveld divestment package was included in the vanadium segment of the Group's operations.

On April 21, 2008, Highveld concluded agreements with an associated company of Duferco Group for the sale of the above mentioned vanadium production facilities, together with the 50% shareholding in SAJV, and a 35% non-dividend equity interest in Mapochs Mine (Pty) Ltd. The selling price was $110 million (at the exchange rate as of the date of disposal), transaction costs amounted to $10 million, including $3 million paid in 2007. On August 21, 2008, all regulatory consents were obtained, and the disposal was effected on August 29, 2008. In 2008, the Group recognised a loss of $45 million representing the difference between the estimated fair value less costs to sell of the disposal group as of December 31, 2007 and actual proceeds.

Mine 12

On June 1, 2009, the Group entered into a contractual agreement to sell a 100% ownership interest in Mine 12, the coal mine located in Russia, for cash consideration of $2 million. Under the terms of the agreement, control over Mine 12 was transferred to the purchaser at the date of the agreement and the Group ceased to consolidate Mine 12 from that date. In July 2009, the regulatory approval for the acquisition of Mine 12 was received and the transaction was completed.

Loss from the sale of Mine 12 in the amount of $9 million was included in the consolidated statement of operations for the year ended December 31, 2009.

Other Disposal Groups Held for Sale

Other disposal groups held for sale included a few small subsidiaries involved in non-core activities (construction business, trading activity and recreational services) and other non-current assets.

13. Other Non-Current Assets

Non-Current Financial Assets

US$ million	2009	2008	2007
Investments in Delong Holdings Limited	**$ 43**	$ 23	$ –
Investments in Cape Lambert Iron Ore	**–**	10	–
Restricted deposits at banks	**18**	2	5
Loans issued to related parties (Note 29)	**–**	38	46
Loans receivable (Note 29)	**4**	5	12
Trade and other receivables (Note 29)	**1**	40	27
Other	**–**	–	3
	$ 66	**$ 118**	**$ 93**

Other Non-Current Assets

US$ million	2009	2008	2007
Deposit to secure put option for the shares of OAO Vanady-Tula (Note 4)	**$ 12**	$ 105	$ 126
Prepayment for a contribution to a newly established joint venture	**–**	28	–
Prepaids for purchases of minority interests	**8**	–	–
Long-term input VAT	**59**	2	2
Defined benefit plan asset (Note 23)	**15**	4	–
Fees for future purchases under a long-term contract	**12**	–	–
Other	**22**	21	19
	$ 128	**$ 160**	**$ 147**

Investments in Delong Holdings Limited

On February 18, 2008, the Group entered into a share purchase agreement to acquire up to approximately 51.05% of the issued share capital of Delong Holdings Limited ("Delong"), a flat steel producer, headquartered in Beijing (the People's Republic of China – "China"), over an agreed period of time. This transaction was subject to anti-trust clearance by the regulatory authorities of China.

The share purchase agreement entered into between the Group, Best Decade and the shareholders of Best Decade included an initial sale to the Group of 10.01% of the issued share capital of Delong (the "Initial Sale") at 3.9459 Singapore dollar (S$) per share (the "Offer Price") or S$211 million ($150 million at the exchange rate as of the date of the transaction). This transaction was completed on February 28, 2008.

Best Decade also granted the Group a call option to acquire an additional 32.08% of the issued share capital of Delong. The Group granted Best Decade a put option with respect to 32.08% of the issued share capital of Delong, exercisable during the same period. The call option and put option were subject to the satisfaction of certain conditions, including obtaining antitrust approval and clearance from Ministry of Commerce and State Administration of Industry and Commerce of China. Both the call option and the put option have a strike price equal to the offer price of S$3.9459 per share. Total consideration under call and put option was S$677 million ($469 million at the exchange rate as of December 31, 2008).

Initially, the options were exercisable within six months after February 18, 2008, subsequently they were extended to August 18, 2009.

13. Other Non-Current Assets (continued)

Investments in Delong Holdings Limited (continued)

In addition, the beneficial shareholders of Best Decade have agreed to sell in the future approximately 8.96% of the issued share capital of Delong to the Group at the offer price when certain restrictions in place due to existing financing arrangements are released. The purchase price of additional shares was estimated at S$3.9459 per share or S$189 million ($131 million at the exchange rate as of December 31, 2008).

The investments in Delong were classified as available-for-sale financial assets and measured at fair value based on market quotations. The change in the fair value of these shares was initially recorded in equity. At December 31, 2008, the Group assessed the recoverability of these financial assets and considered them as impaired due to a significant and prolonged decline in the fair value of the investments. The cumulative loss of $129 million, being the difference between the acquisition cost and fair value of the shares at the reporting date, was recognised in gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations for the year ended December 31, 2008, within gain/(loss) on available-for-sale financial assets (Note 7). The foreign exchange gain amounted to $2 million.

In addition, the put option agreement for the shares of Delong was considered as onerous contract, in which the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under it. The Group did not recognise any provision for onerous contract, because the probability of the exercise of the put option was assessed as remote.

On August 18, 2009, the call and the put options under the agreement to acquire shares of Delong lapsed and ceased to have any further effect.

In 2009, the Group exercised the swap contract for the shares of Delong and used the proceeds to acquire approximately 5.47% of Delong shares for cash consideration of S$31 million ($22 million at the exchange rate as of the date of the transaction). The loss of $7 million, being the difference between the acquisition cost and fair value of the shares at the reporting date, was recognised in gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations, within gain/(loss) on available-for-sale financial assets (Note 7).

Investments in Cape Lambert Iron Ore

In March-June 2008, the Group purchased quoted shares and options to acquire quoted shares of Cape Lambert Iron Ore, an Australian mining company, for a total purchase consideration of $19 million. The Group recognised a gain of $5 million, representing the change in the fair value of options, in gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations, within change in the fair value of derivatives (Note 7). In July 2008, the Group additionally paid $15 million and, thereby, converted all of the options into shares. As of December 31, 2008, investments in Cape Lambert Iron Ore represented a 13.65% ownership interest in the entity.

The shares of Cape Lambert Iron Ore were classified as available-for-sale financial assets and measured at fair value based on market quotations. The change in the fair value of these shares was initially recorded in equity. At December 31, 2008, the Group assessed the recoverability of these financial assets and considered them as impaired due to a significant and prolonged decline in the fair value of the investments. The cumulative loss of $21 million, being the difference between the acquisition cost and fair value of the shares at the reporting date, was recognised in gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations for the year ended December 31, 2008, within gain/(loss) on available-for-sale financial assets (Note 7). The foreign exchange loss amounted to $8 million.

In 2009, the shares of Cape Lambert Iron Ore were sold for cash consideration of $17 million. The gain in the amount of $7 million was recognised in gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations, within gain/(loss) on available-for-sale financial assets (Note 7).

Loans Issued to Related Parties

Amounts receivable from related parties represent rouble-denominated loans granted by Yuzhkuzbassugol to Kazankovskaya (Note 11) in 2004-2005. The loans bore interest of 10% per annum and mature in 2013. In 2009, the interest rate was reduced to 0.1%. In 2009 and 2008, the Group wrote off $37 million and $4 million in respect of this loan. These amounts were included in share of profits/(losses) of joint ventures and associates caption of the consolidated statement of operations.

14. Inventories

Inventories consisted of the following as of December 31:

US$ million	2009	2008	2007
Raw materials and spare parts:			
– at cost	**$ 659**	$ 974	$ 429
– at net realisable value	**77**	145	332
	736	1,119	761
Work-in-progress:			
– at cost	**264**	376	210
– at net realisable value	**112**	156	–
	376	532	210
Finished goods:			
– at cost	**544**	496	648
– at net realisable value	**230**	269	–
	774	765	648
	$ 1,886	**$ 2,416**	**$ 1,619**

As of December 31, 2009, 2008 and 2007, the net realisable value allowance was $161 million, $318 million and $12 million, respectively.

As of December 31, 2009, 2008 and 2007, certain items of inventory with an approximate carrying amount of $81 million, $648 million and $415 million, respectively, were pledged to banks as collateral against loans provided to the Group (Note 21).

15. Trade and Other Receivables

Trade and other receivables consisted of the following as of December 31:

US$ million	2009	2008	2007
Trade accounts receivable	**$ 931**	$ 1,365	$ 1,156
Other receivables	**160**	90	723
	1,091	1,455	1,879
Allowance for doubtful accounts	**(90)**	(86)	(77)
	$ 1,001	**$ 1,369**	**$ 1,802**

Ageing analysis and movement in allowance for doubtful accounts are provided in Note 29.

16. Related Party Disclosures

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Amounts owed by/to related parties at December 31 were as follows:

US$ million	Amounts due from related parties			Amounts due to related parties		
	2009	2008	2007	**2009**	2008	2007
Corber	**$ –**	$ –	$ –	**$ –**	$ –	$ 70
Kazankovskaya	**14**	10	7	**1**	1	7
Lanebrook Limited	**53**	81	–	**–**	–	1,022
Marens	**2**	2	31	**–**	–	–
Raspadsky Ugol	**1**	1	–	**73**	56	24
SEAR-MF	**–**	–	–	**–**	–	19
Yuzhny GOK	**22**	37	–	**154**	231	–
Other entities	**17**	9	24	**7**	34	62
	109	140	62	**235**	322	1,204
Less: allowance for doubtful accounts	**(2)**	(3)	(2)	**–**	–	–
	$ 107	**$ 137**	**$ 60**	**$ 235**	**$ 322**	**$ 1,204**

Transactions with related parties were as follows for the years ended December 31:

US$ million	Sales to related parties			Purchases from related parties		
	2009	2008	2007	**2009**	2008	2007
Evrazmetall-Centre	**$ –**	$ –	$ 144	**$ –**	$ –	$ –
Evrazmetall-Chernozemie	**–**	–	65	**–**	–	–
Evrazmetall-Povolzhie	**–**	–	65	**–**	–	–
Evrazmetall-Severo-Zapad	**–**	–	46	**–**	–	–
Evrazmetall-Sibir	**–**	–	137	**–**	–	–
Evrazmetall-Ural	**–**	–	157	**–**	–	–
Interlock Security Services	**1**	1	–	**27**	32	5
Kazankovskaya	**5**	–	–	**15**	–	–
Raspadsky Ugol	**11**	–	–	**107**	354	192
Yuzhkuzbassugol	**–**	–	1	**–**	–	121
Yuzhny GOK	**6**	57	–	**34**	631	–
Other entities	**8**	19	17	**18**	46	51
	$ 31	**$ 77**	**$ 632**	**$ 201**	**$ 1,063**	**$ 369**

In addition to the disclosures presented in this note, the balances and transactions with related parties are disclosed in Notes 4, 11 and 13.

16. Related Party Disclosures (continued)

Corber is the Group's joint venture (Note 11). At December 31, 2007, amounts due to Corber represented advances received from the entity in respect of dividends to be declared for 2007.

OOO Evrazmetall-Centre, OOO Evrazmetall-Sibir, OOO Evrazmetall-Ural, OOO Evrazmetall-Povolzhie, OOO Evrazmetall-Severo-Zapad, OOO Evrazmetall-Chernozemie were the entities under control of an ultimate principal shareholder of the Group and purchased steel products from the Group. In 2007, the Group sold approximately 5% of volume of steel products to these entities. The transactions were made on terms equivalent to those that prevail in arm's length transactions. In December 2007, the ultimate principal shareholder of the Group sold its ownership interests in these companies and they ceased to be the related parties to the Group. In October 2009, the Group acquired these entities (Note 4 – Steel Dealers).

Interlock Security Services is a group of entities controlled by a member of the key management personnel. The entities provide security services to the Russian subsidiaries of the Group.

Kazankovskaya is an associate of the Group (Note 11). In 2009, the Group purchased coal from the entity and sold mining equipment and inventory to Kazankovskaya.

Lanebrook Limited is a controlling shareholder of the Company. The amounts receivable from Lanebrook Limited represent overpayments for the acquired working capital of the Ukrainian businesses (Note 4). In addition, in 2008, the Group acquired a 1% ownership interest in Yuzhny GOK for cash consideration of $38 million (Note 18). As part of the transaction, the Group signed a put option agreement that gives the Group the right to sell these shares back to Lanebrook Limited for the same amount. The put option expires on December 31, 2010.

Marens is an entity under control of ultimate principal shareholders of the Group. In 2007, the Group granted a short-term interest-bearing loan to Marens for financing the construction of the office building. In 2008, the loan was repaid to the Group, the outstanding balances represent the unpaid interest.

OOO Raspadsky Ugol ("Raspadsky Ugol"), a subsidiary of the Group's joint venture, sells coal to the Group. Raspadsky Ugol represents approximately 18% of volume of the Group's coal purchases. The coal was sold at prevailing market prices at the dates of transactions. In 2009, the Group sold steel products and renderred services to Raspadsky Ugol.

ZAO SEAR-MF ("SEAR-MF") is an entity under control of an ultimate principal shareholder of the Group. The accounts payable to SEAR-MF represented zero-interest loans to Yuzhkuzbassugol, the Group's subsidiary, which were settled in 2008.

Yuzhkuzbassugol, the major coal supplier, was the Group's associate. The Group sold coal to processing mills of Yuzhkuzbassugol. The transactions were made at prevailing market prices at the dates of transactions. In 2007, Yuzhkuzbassugol became the Group's subsidiary (Note 4).

Yuzhny GOK, the ore mining and processing plant, is an associate of Lanebrook Limited. The Group sold steel products to Yuzhny GOK and purchased iron ore from the entity. The transactions are based on market prices.

Compensation to Key Management Personnel

Key management personnel include the following positions within the Group:

- directors of Evraz Group S.A.,
- top managers of major subsidiaries.

Notes to the Consolidated Financial Statements (continued)

16. Related Party Disclosures (continued)

Compensation to Key Management Personnel (continued)

In 2009, 2008 and 2007, key management personnel totalled 58, 60 and 48 persons, respectively. Total compensation to key management personnel were included in general and administrative expenses in the consolidated statement of operations and consisted of the following:

US$ million	2009	2008	2007
Salary	**$ 18**	$ 22	$ 25
Performance bonuses	**10**	29	20
Social security taxes	**1**	1	1
Share-based payments (Note 24)	**3**	18	3
Termination benefits	**–**	–	10
Other benefits	**1**	1	–
	$ 33	**$ 71**	**$ 59**

17. Other Taxes Recoverable

Taxes recoverable consisted of the following as of December 31:

US$ million	2009	2008	2007
Input VAT	**$ 173**	$ 257	$ 209
Other taxes	**85**	140	142
	$ 258	**$ 397**	**$ 351**

Input VAT, representing amounts payable or paid to suppliers, is recoverable from the tax authorities via offset against VAT payable to the tax authorities on the Group's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable within one year.

18. Other Current Assets

Other current assets included the following as of December 31:

US$ million	2009	2008	2007
Financial instrument relating to the transaction with a 49% ownership interest in NS Group (Note 4)	**$ –**	$ 508	$ –
Investments in Yuzhny GOK (Note 16)	**38**	38	–
Bank deposits	**22**	25	25
Restricted deposits at banks	**59**	–	–
Financial assets at fair value through profit or loss (Note 13)	**–**	18	–
Other short-term investments	**1**	–	–
	$ 120	**$ 589**	**$ 25**

Notes to the Consolidated Financial Statements (continued)

18. Other Current Assets

Financial Instrument Relating to the Transaction with a 49% Ownership Interest in NS Group

This financial instrument represented investment amounting to $511 million in a 49% ownership interest in NS Group (Note 4) which was sold on January 30, 2009 for cash consideration of $508 million. The Group recognised an impairment loss of $3 million, which was included in gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations for the year ended December 31, 2008 (Note 7). Transaction costs paid in 2009 amounted to $2 million (Note 7).

Financial Assets at Fair Value through Profit or Loss

In 2009, the Group recognised $7 million gain on swaps for the shares of Delong and Cape Lambert Iron Ore, which was included in gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations, within change in the fair value of derivatives.

19. Cash and Cash Equivalents

Cash and cash equivalents, mainly consisting of cash at banks, were denominated in the following currencies as of December 31:

US$ million	2009	2008	2007
US dollar	**$ 304**	$ 536	$ 72
Russian rouble	**170**	124	55
South African rand	**110**	177	105
Euro	**75**	45	83
Canadian dollar	**14**	27	–
Ukrainian hryvnia	**1**	12	–
Czech koruna	**1**	7	10
Other	**–**	2	2
	$ 675	**$ 930**	**$ 327**

20. Equity

Share Capital

Number of shares	2009	2008	2007
Authorised			
Ordinary shares of €2 each	**257,204,326**	157,204,326	157,204,326
Issued and fully paid			
Ordinary shares of €2 each	**145,957,121**	122,504,803	118,309,653

Shareholders of Evraz Group are entitled to standard rights provided under the laws of Luxembourg to shareholders of stock companies ("société anonyme"). These rights comprise the right to vote at the shareholders meetings and the right to receive dividends.

Acquisition of the Ukrainian Businesses

On September 9, 2008, the Company issued 4,195,150 shares with par value of €2 each to settle the remaining liability for the acquisition of Palmrose (Note 4). Share premium on this issue, being the difference between the fair value of the shares measured based on market quotations at that date and nominal value of the issued shares, amounted to $746 million. Transaction costs were $1 million.

20. Equity (continued)
Share Capital (continued)

Scrip Dividends

On January 30, 2009, the Extraordinary General Meeting approved the modification of the method of payment of the 2008 interim dividends: euro equivalent of the outstanding dividends of $2.25 per share could be either exchanged for new shares of Evraz Group S.A. or paid in cash to the shareholders who voted against or abstained from voting.

The voluntary partial scrip dividend alternative was voted for in respect of 97,553,473 shares, representing 79.62% of the Company's share capital, entitling the holders to subscribe to 9,755,347 new shares issued at a price of $22.50 per share. The new shares are ranked pari passu with the existing ordinary shares of Evraz Group S.A. The Company's major shareholder, Lanebrook Limited, subscribed to 9,193,477 shares.

Share-based Payment Transactions

In 2007, the participants exercised share options granted under the Company's Incentive Plan 2005 (Note 24). The Company issued 810,047 shares with par value of €2 each and received $35 million in cash from the Plan's participants. Share premium of $33 million arising on the transaction was included in additional paid-in capital.

Starting from May 23, 2007, the Group made a decision to cease the issuance of new shares under the share options plans. Since that date the Group acquired its own shares (in the form of global depositary receipts) on the open market for the grantees or repurchased the share options after vesting.

In 2009, 2008 and 2007, 234,813, 275,994 and 243,872 share options, respectively, were repurchased after vesting. The cash spent on repurchase of vested options, amounting to $3 million, $77 million and $21 million in 2009, 2008 and 2007, respectively, was charged to accumulated profits.

Treasury Shares

During 2009, 2008 and 2007, the Group purchased 67,569, 1,037,498 and 55,656 treasury shares, respectively, for $5 million, $197 million and $8 million, respectively, and sold 135,000, 970,604 and 55,119 treasury shares, respectively, including 27,902, 253,104 and 55,119 shares, respectively, that were sold to the plan participants at exercise prices determined in the Incentive Plans. The excess of the purchase cost of treasury shares over the proceeds from their sale, amounting to $6 million, $107 million and $6 million in 2009, 2008 and 2007, respectively, was charged to accumulated profits. As of December 31, 2008 and 2007, the Group had 67,431 and 537 treasury shares, respectively.

Convertible Bonds and Equity Offerings

On July 13, 2009, Evraz Group S.A. completed the offering of $600 million unsecured convertible bonds (the "Convertible Bonds Offering") and $300 million equity in the form of global depository receipts ("GDRs") listed on the London Stock Exchange, representing ordinary shares of Evraz Group S.A. (the "Equity Offering").

The bonds were issued at 100% of their principal amount. They bear interest of 7.25% per annum payable on a quarterly basis and mature on July 13, 2014.

The conversion can be exercised at the option of bondholders on any date during the period from September 11, 2009 till July 6, 2014. The bonds will be convertible into GDRs at an initial conversion price of $21.20 per GDR. The conversion price represents a 28% premium to the equity offering placement price of $16.50 per GDR, which is the reference price for the convertible bonds. Lanebrook, the Company's parent, and its affiliate, subscribed for $200 million of the bonds.

The Group can early redeem the bonds at their principal amount plus accrued interest if 15% or less of the bonds remain outstanding.

In the equity offering, on July 13, 2009, 6,060,608 new shares were issued as GDRs at an issue price of $16.50 per GDR. The newly issued shares represented approximately 4.4% of the Company's issued share capital after the issue.

The Company granted to Goldman Sachs and Morgan Stanley (the "Joint Bookrunners") in the convertible bonds offering an over-allotment option to subscribe to additional bonds for up to $50 million, which was exercised in full on July 27, 2009 and resulted in an increase in the aggregate principal amount of the bonds to $650 million.

20. Equity (continued)

Share Capital (continued)

Convertible Bonds and Equity Offerings (continued)

The Company granted to the Joint Bookrunners in the equity offering an over-allotment option to subscribe to up to 909,090 additional GDRs, represented by 303,030 additional new shares, corresponding to additional gross proceeds of $15 million. This option was exercised in full on July 27, 2009. Transaction costs relating to the bonds and equity offerings amounted to $10 million and $5 million, respectively.

The Group considered that the convertible bonds represent a financial instrument that creates a financial liability and grants an option to the holders of the instrument to convert it into an equity instrument of the Company. The Group recognised the liability and equity components separately in its statement of financial position.

The Group determined the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. The fair value of this liability was calculated based on cash flows discounted at the Group's market rate of interest (without a conversion option) at the date of the convertible bonds offering (13.26%). The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares was then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. Transaction costs relating to the convertible bonds offering were allocated between liability and equity components on a pro rata basis. As a result, the equity component of the convertible bonds amounting to $133 million was included in equity.

Increase of Authorised Share Capital

On July 31, 2009, Evraz Group S.A. increased its authorised share capital by 100,000,000 shares with par value of €2 each. In addition, in connection with the issue of convertible bonds, the shareholders resolved to extend the authority of the Board of Directors to issue new shares for another five years as well as the right of the Company to acquire up to 10% of its own shares.

Shares Lending Transactions

In order to facilitate the issuance of the convertible bonds, Morgan Stanley offered to certain institutional investors an opportunity to borrow ordinary shares of Evraz Group S.A., represented by GDRs, during the term of the bonds by means of a loan of GDRs beneficially owned by Lanebrook (the "Borrowed GDRs").

On August 4, 2009, the Board of Directors approved the issue of the new ordinary shares to Lanebrook in the amount equal to the number of shares underlying the borrowed GDRs. The Group effected a novation of the shares lending arrangements, whereby the Company was substituted for Lanebrook as a lender of the borrowed GDRs. As a result, on August 12, 2009, 7,333,333 new shares were issued to Lanebrook in exchange for the right to receive 7,333,333 shares lended under the shares lending transactions. These transactions had no impact on equity, as the Group's net assets did not change as a result of these transactions.

Earnings per Share

Earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the potential dilutive ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2009	2008	2007
Weighted average number of ordinary shares for basic earnings per share	**134,457,386**	123,495,726	119,363,489
Effect of dilution: share options	**–**	435,504	903,146
Weighted average number of ordinary shares adjusted for the effect of dilution	**134,457,386**	**123,931,230**	**120,266,635**
Profit/(loss) for the year attributable to equity holders of the parent, US$ million	**$ (1,251)**	$ 1,797	$ 2,103
Basic earnings/(losses) per share	**$ (9.30)**	$ 14.55	$ 17.62
Diluted earnings/(losses) per share	**$ (9.30)**	$ 14.50	$ 17.49

20. Equity (continued)

Earnings per Share (continued)

The weighted average number of ordinary shares for 2008 and 2007 includes the shares that were issued as part of the cost of a business combination (Note 4). When calculating earnings per share, it was assumed that the shares were issued on the date of acquisition of the Ukrainian businesses (December 11, 2007), since this is the date from which the results of the newly acquired entities were recognised in the consolidated statement of operations.

The fair value of shares issued as a scrip alternative on January 30, 2009 exceeded the cash alternative, thus giving rise to a bonus element in the issue of shares. The per share figures for all the periods presented have been restated to include a bonus element of 1,045,216 shares in the calculation of basic earnings per share from the beginning of the earliest period presented.

In 2007 and 2008, share options granted to participants of the Group's Incentive Plans (Note 24) had a dilutive effect. In 2009, the Group reported net loss. Consequently, the options were antidilutive.

In 2009, the convertible bonds were antidilutive as the interest (net of tax) per ordinary share obtainable on conversion exceeded basic earnings per share. 10,220,126 contingently issuable shares on conversion of the bonds could potentially dilute basic earnings per share in the future.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

Dividends

Dividends declared by Evraz Group S.A. were as follows:

	Date of declaration	To holders registered at	Dividends declared, US$ million	US$ per share
Final for 2006	20/06/2007	20/06/2007	390	3.30
Interim for 2007	04/10/2007	19/10/2007	568	4.80
Final for 2007	15/05/2008	14/05/2008	497	4.20
Interim for 2008	29/08/2008	18/09/2008	1,011	8.25

The shareholders meeting held May 15, 2009 resolved not to declare final dividends for 2008. No interim dividends were declared during 2009.

Interim dividends for 2008 include $2 million in respect of treasury shares.

The final dividends for 2006 were distributed from accumulated profits to the extent that distributable amounts were available as of December 31, 2006. Distributable profits were determined based on separate financial statements of Evraz Group S.A. prepared in accordance with the statutory requirements. The amount of $283 million representing the excess of declared dividends over the Company's distributable accumulated profits as of December 31, 2006 reduced additional paid-in capital in 2007.

In addition, certain subsidiaries of the Group declared dividends. The share of minority shareholders in those dividends in 2009, 2008 and 2007 was $1 million, $80 million and $40 million, respectively.

Legal Reserve

According to the Luxembourg Law, the Company is required to create a legal reserve of 10% of share capital per the Luxembourg statutory accounts by annual appropriations which should be at least 5% of the annual net profit per statutory financial statements. The legal reserve can be used only in case of a bankruptcy.

Other Movements in Equity

Acquisitions of Minority Interests in Subsidiaries

In 2008, the Group acquired minority interests in certain subsidiaries (Note 6). The excess of acquired minority interests over the consideration amounting to $21 million was recorded as additional paid-in capital and the excess of consideration over the carrying value of minority interests amounting to $37 million was charged to accumulated profits. The purchase consideration for the minority interests acquired in 2007 (Note 6) approximated the carrying value of the net assets attributable to the acquired shares.

Derecognition of Minority Interests in Subsidiaries

In 2009, the Group derecognised minority interests in Vanady-Tula resulting in a $5 million charge to accumulated profits (Note 4).

21. Loans and Borrowings

Short-term and long-term loans and borrowings were as follows as of December 31:

US$ million	2009	2008	2007
Bank loans	**$ 4,605**	$ 7,163	$ 5,748
8.875 per cent notes due 2013	**1,156**	1,245	–
7.25 per cent convertible bonds due 2014 (Note 20)	**650**	–	–
8.25 per cent notes due 2015	**577**	725	750
9.5 per cent notes due 2018	**509**	560	–
10.875 per cent notes due 2009	**–**	300	300
13.5 per cent bonds due 2014	**661**	–	–
Unamortised debt issue costs	**(196)**	(94)	(82)
Difference between the nominal amount and liability component of convertible bonds (Note 20)	**(126)**	–	–
Interest payable	**87**	87	40
	$ 7,923	**$ 9,986**	**$ 6,756**

As of December 31, 2009, 2008 and 2007, total interest bearing loans and borrowings consisted of short-term loans and borrowings in the amount of $411 million, $2,495 million and $1,260 million, respectively, and long-term loans and borrowings in the amount of $7,747 million, $7,498 million and $5,538 million, respectively, including the current portion of long-term liabilities of $1,498 million, $1,346 million and $804 million, respectively.

The average effective annual interest rates were as follows at December 31:

	Long-term borrowings			Short-term borrowings		
	2009	2008	2007	2009	2008	2007
US dollar	**7.30%**	6.56%	7.9%	**4.18%**	6.40%	6.2%
Russian rouble	**13.49%**	–	9.1%	**13.25%**	16.50%	8.0%
Euro	**5.11%**	5.54%	5.9%	**1.46%**	6.06%	5.5%
Czech koruna	**–**	–	–	**3.38%**	3.49%	–
Ukrainian hryvnia	**–**	–	–	**–**	–	13.4%
Canadian dollar	**–**	–	7.3%	**–**	–	–
South African rand	**–**	–	–	**–**	–	12.5%

Notes to the Consolidated Financial Statements (continued)

21. Loans and Borrowings (continued)

The liabilities are denominated in the following currencies:

US$ million	2009	2008	2007
US dollar	**$ 7,233**	$ 9,345	$ 6,200
Russian rouble	**701**	364	182
Euro	**297**	348	311
Czech koruna	**14**	23	–
Ukrainian hryvnia	**–**	–	140
Canadian dollar	**–**	–	5
Unamortised debt issue costs	**(196)**	(94)	(82)
Difference between the nominal amount and liability component of convertible bonds (Note 20)	**(126)**	–	–
	$ 7,923	**$ 9,986**	**$ 6,756**

Covenants Reset

Some of the loan agreements and terms and conditions of guaranteed notes provide for certain covenants in respect of Evraz Group S.A. and its subsidiaries. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness and profitability.

In November 2009, the lenders under certain bank facilities approved the requested amendments to the agreements, which included a reset of the financial covenants. The total principal amount of these borrowings at December 31, 2009 was $2,895 million. As a result, the financial covenant ratios tested on the Group's consolidated numbers were loosened, with no testing for the year 2009; all financial covenant ratios that were tested on the consolidated numbers of Mastercroft Limited were replaced with the new ratios tested on the Group's consolidated numbers; new restrictions on capital expenditure, acquisitions and loans to third parties were established; a number of exemptions were introduced to the debt incurrence covenants, where applicable, allowing the Group to refinance its current debt maturities in the ordinary course.

In December 2009, the Group received the consent of the holders of its notes due in 2013, 2015 and 2018 totalling $2,242 million to amend the terms of certain covenants in the notes. The financial covenant ratios of the notes were subsequently amended in a manner similar to the amendments to the bank facilities.

In connection with the covenants reset, the Group incurred transaction costs comprising consent fees and legal fees amounting to $114 million, which will be amortised during the period of the borrowings. At December 31, 2009, the unpaid transaction costs were $29 million.

Covenants Compliance During 2009

A financial ratio maintenance covenant for the testing period ending June 30, 2009, applying under a syndicated loan agreement of one of the Group's subsidiaries, could have been breached when tested, in accordance with that loan agreement, following the issuance of the subsidiary's interim financial statements in November 2009. However, no event of default has occurred under the loan agreement, because that subsidiary obtained the syndicate's consent to reset the covenant levels commencing with the testing period ended June 30, 2009. In August 2009, the loan agreement was amended to implement that consent. The amendments include an additional pledge of the borrower's receivables and a guarantee of Evraz Group S.A. in respect of the loan.

21. Loans and Borrowings (continued)

Pledged Assets

The Group pledged its rights under some export contracts as collateral under the loan agreements. All proceeds from sales of steel pursuant to these contracts can be used to satisfy the obligations under the loan agreements in the event of a default.

At December 31, 2009, 2008 and 2007, the Group had equipment with a carrying value of $11 million, $1,131 million and $121 million, respectively, pledged as collateral under the loan agreements. In addition, the Group pledged inventory with a carrying value of $81 million, $648 million and $415 million as of December 31, 2009, 2008 and 2007, respectively. At December 31, 2009, 100% less one share of West-Siberian Iron & Steel Plant were pledged as collateral under bank loans. This subsidiary represents 15% of the consolidated assets and 9% of the consolidated revenues of the Group. At December 31, 2009, the net assets (including intra-group balances) of West-Siberian Iron & Steel Plant were $3,162 million. In addition, at the end of the reporting period, 50% less 1 share of Kachkanarsky Mining-and-Processing Integrated Works were pledged as collateral under an unutilised bank loan.

Issue of Notes and Bonds

In August and September 2004, EvrazSecurities issued guaranteed notes amounting to $300 million. The notes bore interest of 10.875% per annum payable semi-annually and matured on August 3, 2009. In August 2009, the Group repaid all its liabilities under these notes.

In November 2005, Evraz Group S.A. issued notes amounting to $750 million. The notes bear interest of 8.25% per annum payable semi-annually and mature on November 10, 2015. Mastercroft Limited unconditionally guaranteed the due and punctual payments of all amounts in respect of the notes.

On April 24 and May 27, 2008, Evraz Group S.A. issued notes for the total amount of $1,300 million due in 2013 and notes for the total amount of $700 million due in 2018. The notes due in 2013 bear semi-annual coupon at the annual rate of 8.875% and must be redeemed at their principal amount on April 24, 2013. The notes due in 2018 bear semi-annual coupon at the annual rate of 9.5% and must be redeemed at their principal amount on April 24, 2018. The proceeds from the issue of the notes were used for financing a portion of the cost of the acquisition of IPSCO Inc. (Note 4).

In August 2008, the Group repaid the liabilities of Claymont Steel (Note 4) under the bonds with the nominal value of $105 million due in February 2015 at a premium of 14.75%. This premium together with the transaction costs, amounting to $19 million, was recorded in loss on extinguishment of debts in the consolidated statement of operations for the year ended December 31, 2008.

In 2009, the Group issued convertible bonds in the amount of $650 million, which bear interest of 7.25% per annum and mature on July 13, 2014 (Note 20).

In 2009, the Group issued rouble-denominated bonds in the total amount of 20,000 million Russian roubles, which bear interest of 13.50% per annum and mature on October 16, 2014. The currency and interest rate risk exposures of this transaction were partially economically hedged (Note 26).

Repurchase of Notes and Bonds

In 2008, the Group re-purchased notes due 2013, 2015 and 2018 with the nominal amount of $220 million for cash consideration of $121 million. As a result, the Group recognised a gain on extinguishment of debts in the amount of $99 million within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations for the year ended December 31, 2008.

In 2009, the Group re-purchased notes due 2009, 2013, 2015 and 2018 with the nominal amount of $417 million for cash consideration of $302 million. As a result, the Group recognised a gain on extinguishment of debts in the amount of $115 million within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations for the year ended December 31, 2009.

Loans from the Russian State Banks

In 2008, the Group signed loan agreements for $1,807 million with Vnesheconombank ("VEB") and 10,000 million Russian roubles ($340 million as of December 31, 2008) with VTB. The facilities matured in one year from the dates of disbursement. The interest rates were set at one year LIBOR plus 5% per annum (VEB) and 16.50% per annum (VTB). In 2008, the Group utilised $1,342 million under these loan agreements and $805 million were disbursed in 2009. These facilities were used for refinancing of short-term loans.

Notes to the Consolidated Financial Statements (continued)

21. Loans and Borrowings (continued)

Loans from the Russian State Banks (continued)

In December 2009, the Group fully repaid its liabilities under $800 million loan from VEB and 10,000 million roubles loan from VTB.

In November 2009, the maturity of the VEB loan facility in the total amount of $1,007 million was extended for another twelve months. Consequently, the VEB tranches totalling $805 million have been classified as non-current liabilities in the consolidated statement of financial position as of December 31, 2009. Subsequent to the reporting date, the agreement with VEB has been further amended (Note 32).

Unamortised Debt Issue Costs

Unamortised debt issue costs represent agent commission and transaction costs paid by the Group in relation to the arrangement and reset of loans and notes.

Unutilised Borrowing Facilities

The Group had the following unutilised borrowing facilities as of December 31:

US$ million	2009	2008	2007
Unutilised borrowing facilities	**$ 1,345**	$ 1,679	$ 1,015

22. Finance Lease Liabilities

The Group has several lease agreements under which it has an option to acquire the leased assets at the end of lease term ranging from 2 to 13 years. The estimated remaining useful life of leased assets varies from 1 to 36 years. The leases were accounted for as finance leases in the consolidated financial statements. The carrying value of the leased assets was as follows as at December 31:

US$ million	2009	2008	2007
Buildings and constructions	**$ 6**	$ –	$ –
Machinery and equipment	**31**	16	17
Transport and motor vehicles	**101**	73	93
Assets under construction	**10**	–	–
	$ 148	**$ 89**	**$ 110**

The leased assets are included in property, plant and equipment in the consolidated statement of financial position (Note 9).

Future minimum lease payments were as follows at December 31:

US$ million	2009		2008		2007	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Not later than one year	**$ 24**	**$ 17**	$ 20	$ 15	$ 22	$ 15
Later than one year and not later than five years	**65**	**51**	41	34	57	46
Later than five years	**7**	**7**	8	6	9	8
	96	**75**	69	55	88	69
Less: amounts representing finance charges	**(21)**	**–**	(14)	–	(19)	–
	$ 75	**$ 75**	**$ 55**	**$ 55**	**$ 69**	**$ 69**

In the years ended December 31, 2009, 2008 and 2007, the average interest rates under the finance lease liabilities were 10.0%, 10.0% and 9.6%.

23. Employee Benefits

Russian Plans

In 2007-2009, the Russian subsidiaries of the Group provided regular lifetime pension payments and lump-sum amounts payable at the retirement date. These benefits generally depend on years of service, level of remuneration and amount of pension payment under the collective bargaining agreements. Other post-employment benefits consist of various compensations and certain non-cash benefits. The Group funds the benefits when the amounts of benefits fall due for payment.

In 2006, the Group started the process of changing the system of post-employment benefits at its certain Russian subsidiaries. At certain subsidiaries, the lifetime pension payments have been cancelled for employees retiring after January 1, 2009 and lump-sum amounts payable at the retirement date were stopped during 2009. These benefits have been replaced by new defined benefit plans under which the contributions have to be made to a separately administered non-state pension fund. Under the new plan, the Group matches 100% of the employees' contributions to the fund up to 4% of their monthly salary. The Group's contributions become payable at the participants' retirement dates.

In 2009, the Group realised a staff optimisation programme. The Group paid $22 million as termination benefits to approximately 10,000 employees discharged as a result of the staff optimisation measures. The termination payments were recognised as expense and included in other operating expense caption of the consolidated statement of operations for the year ended December 31, 2009.

Defined contribution plans represent payments made by the Group to the Russian state pension, social insurance, medical insurance and unemployment funds at the statutory rates in force, based on gross salary payments. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits.

Ukrainian Plans

The Ukrainian subsidiaries make regular contributions to the State Pension Fund thereby partially compensating preferential pensions paid by the fund to employees who worked under harmful and hard conditions. The amount of such pension depends on years of service and salary.

The Ukrainian enterprises gradually increase these compensations and in 2012 they will compensate 100% of preferential pensions. In addition, employees receive lump-sum payments on retirement under collective bargaining agreements. These benefits are based on years of service and level of compensation. All these payments are considered as defined benefit plans.

USA and Canadian Plans

The Group's subsidiaries in the USA and Canada have non-contributory defined benefit pension plans, post-retirement healthcare and life insurance benefit plans and supplemental retirement plans that cover all eligible employees. Benefits are based on pensionable years of service, pensionable compensation, or a combination of both depending on the individual plan. Certain employees that were hired after specified dates are no longer eligible to participate in the defined benefit plans. Those employees are instead enrolled in a defined contribution plan and receive a contribution funded by the Group's subsidiaries equal to 2-3% of annual wages. The new defined contribution plan is funded annually, and participants' benefits vest after three years of service. The subsidiaries also offer qualified Thrift (401(k)) plans to all of their eligible employees.

Other Plans

Defined benefit pension plans and a defined contribution plan are maintained by the subsidiaries located in South Africa, Italy and the Czech Republic.

Notes to the Consolidated Financial Statements (continued)

23. Employee Benefits (continued)

Defined Contribution Plans

The Group's expenses under defined contribution plans were as follows:

US$ million	2009	2008	2007
Expense under defined contribution plans	**$ 187**	$ 283	$ 220

Defined Benefit Plans

The Russian, Ukrainian and the Other defined benefit plans are mostly unfunded and the USA and Canadian plans are partially funded.

The components of net benefit expense recognised in the consolidated statement of operations for the years ended December 31, 2009, 2008 and 2007 and amounts recognised in the consolidated statement of financial position as of December 31, 2009, 2008 and 2007 for the defined benefit plans were as follows:

Net benefit expense (recognised in cost of sales and general and administrative expenses)

Year ended December 31, 2009

US$ million	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
Current service cost	**$ (5)**	**$ (6)**	**$ (13)**	**$ (1)**	**$ (25)**
Interest cost on benefit obligation	**(11)**	**(7)**	**(33)**	**(2)**	**(53)**
Expected return on plan assets	**–**	**–**	**25**	**–**	**25**
Net actuarial gains/(losses) recognised in the year	**–**	**(1)**	**(2)**	**(1)**	**(4)**
Past service cost	**1**	**(2)**	**(1)**	**–**	**(2)**
Minimum funding requirements	**–**	**–**	**7**	**–**	**7**
Curtailment gain/(loss)	**1**	**–**	**(1)**	**–**	**–**
Net benefit expense	**$ (14)**	**$ (16)**	**$ (18)**	**$ (4)**	**$ (52)**

Year ended December 31, 2008

US$ million	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
Current service cost	$ (8)	$ (4)	$ (11)	$ (1)	$ (24)
Interest cost on benefit obligation	(11)	(4)	(24)	(3)	(42)
Expected return on plan assets	–	–	25	–	25
Net actuarial gains/(losses) recognised in the year	(2)	–	(5)	1	(6)
Past service cost	1	(11)	–	–	(10)
Minimum funding requirements	–	–	(8)	–	(8)
Curtailment gain	13	–	–	–	13
Net benefit expense	**$ (7)**	**$ (19)**	**$ (23)**	**$ (3)**	**$ (52)**

Notes to the Consolidated Financial Statements (continued)

23. Employee Benefits (continued)

Defined Benefit Plans (continued)

Net benefit expense (recognised in cost of sales and general and administrative expenses) (continued)

Year ended December 31, 2007

US$ million	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
Current service cost	$ (5)	$ –	$ (8)	$ (1)	$ (14)
Interest cost on benefit obligation	(9)	–	(15)	(1)	(25)
Expected return on plan assets	–	–	15	–	15
Net actuarial gains/(losses) recognised in the year	(1)	–	–	–	(1)
Past service cost	1	–	–	–	1
Net benefit expense	**$ (14)**	**$ –**	**$ (8)**	**$ (2)**	**$ (24)**

Actual return on plan assets was as follows:

US$ million	2009	2008	2007
Actual return on plan assets	**$ 66**	$ (101)	$ 19
including:			
USA & Canadian plans	**65**	(101)	18
Russian plans	**1**	–	1

Benefit liability

December 31, 2009

US$ million	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
Benefit obligation	**$ 173**	**$ 72**	**$ 562**	**$ 20**	**$ 827**
Plan assets	**(1)**	**–**	**(403)**	**–**	**(404)**
	172	**72**	**159**	**20**	**423**
Unrecognised net actuarial gains/(losses)	**(55)**	**(4)**	**(74)**	**–**	**(133)**
Unrecognised past service cost	**14**	**(12)**	**–**	**–**	**2**
Benefit asset	**–**	**–**	**15**	**–**	**15**
Benefit liability	**$ 131**	**$ 56**	**$ 100**	**$ 20**	**$ 307**

December 31, 2008

US$ million	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
Benefit obligation	$ 150	$ 72	$ 475	$ 20	$ 717
Plan assets	(1)	–	(316)	–	(317)
	149	72	159	20	400
Unrecognised net actuarial gains/(losses)	(31)	(12)	(67)	(5)	(115)
Unrecognised past service cost	18	(15)	–	–	3
Benefit asset	**–**	**–**	**4**	**–**	**4**
Benefit liability	**$ 136**	**$ 45**	**$ 96**	**$ 15**	**$ 292**

Notes to the Consolidated Financial Statements (continued)

23. Employee Benefits (continued)

Defined Benefit Plans (continued)

Benefit liability (continued)

December 31, 2007

US$ million	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
Benefit obligation	$ 183	$ 56	$ 275	$ 21	$ 535
Plan assets	(2)	–	(199)	–	(201)
	181	56	76	21	334
Unrecognised net actuarial gains/(losses)	(24)	–	18	(3)	(9)
Unrecognised past service cost	22	–	–	–	22
Benefit liability	**$ 179**	**$ 56**	**$ 94**	**$ 18**	**$ 347**

Movements in benefit obligation

US$ million	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
At December 31, 2006	**$ 89**	**$ –**	**$ 36**	**$ 6**	**$ 131**
Interest cost on benefit obligation	9	–	15	1	25
Current service cost	5	–	8	1	14
Change in liability due to business combinations	70	56	235	14	375
Benefits paid	(12)	–	(13)	(1)	(26)
Actuarial (gains)/losses on benefit obligation	11	–	(13)	3	1
Curtailment gain	1	–	–	–	1
Translation difference	9	–	7	(2)	14
At December 31, 2007	**182**	**56**	**275**	**22**	**535**
Interest cost on benefit obligation	11	4	24	3	42
Current service cost	8	4	11	1	24
Past service cost	(1)	33	–	–	32
Change in liability due to business combinations	–	–	229	–	229
Benefits paid	(21)	(5)	(21)	(2)	(49)
Actuarial (gains)/losses on benefit obligation	13	17	(35)	2	(3)
Curtailment gain	(14)	–	–	–	(14)
Translation difference	(28)	(37)	(8)	(6)	(79)
At December 31, 2008	**150**	**72**	**475**	**20**	**717**
Interest cost on benefit obligation	11	7	33	2	53
Current service cost	5	6	13	1	25
Benefits paid	(12)	(5)	(43)	(2)	(62)
Actuarial (gains)/losses on benefit obligation	29	(6)	46	(5)	64
Curtailment gain	(5)	–	–	–	(5)
Disposal of subsidiaries	(2)	–	–	–	(2)
Translation difference	(3)	(2)	38	4	37
At December 31, 2009	**$ 173**	**$ 72**	**$ 562**	**$ 20**	**$ 827**

The amount of contributions expected to be paid to the defined benefit plans during 2010 approximates $52 million.

Notes to the Consolidated Financial Statements (continued)

23. Employee Benefits (continued)

Defined Benefit Plans (continued)

Changes in the fair value of plan assets

US$ million	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
At December 31, 2006	**$ 1**	**$ –**	**$ 23**	**$ –**	**$ 24**
Change in plan assets due to business combinations	–	–	153	–	153
Expected return on plan assets	–	–	15	–	15
Contributions of employer	13	–	13	1	27
Benefits paid	(12)	–	(13)	(1)	(26)
Actuarial gains/(losses) on plan assets	–	–	4	–	4
Translation difference	–	–	4	–	4
At December 31, 2007	**2**	**–**	**199**	**–**	**201**
Change in plan assets due to business combinations	–	–	235	–	235
Expected return on plan assets	–	–	25	–	25
Contributions of employer	21	5	17	2	45
Benefits paid	(21)	(5)	(21)	(2)	(49)
Actuarial gains/(losses) on plan assets	–	–	(125)	–	(125)
Minimum funding requirements	–	–	(8)	–	(8)
Curtailment gain	(1)	–	–	–	(1)
Translation difference	–	–	(6)	–	(6)
At December 31, 2008	**1**	**–**	**316**	**–**	**317**
Expected return on plan assets	–	–	25	–	25
Contributions of employer	11	5	24	2	42
Benefits paid	(12)	(5)	(43)	(2)	(62)
Actuarial gains/(losses) on plan assets	1	–	40	–	41
Minimum funding requirements	–	–	7	–	7
Translation difference	–	–	34	–	34
At December 31, 2009	**$ 1**	**$ –**	**$ 403**	**$ –**	**$ 404**

The major categories of plan assets as a percentage of total plan assets were as follows at December 31:

US$ million	2009	2008	2007
USA & Canadian plans:			
Equity funds and investment trusts	**86%**	76%	58%
Corporate bonds and notes	**9%**	11%	22%
Shares	**0%**	4%	8%
Property	**3%**	4%	9%
Cash	**2%**	5%	3%

Notes to the Consolidated Financial Statements (continued)

23. Employee Benefits (continued)

Defined Benefit Plans (continued)

Changes in the fair value of plan assets (continued)

The following table is a summary of the present value of the benefit obligation, fair value of the plan assets and experience adjustments for the current year and previous four annual periods.

US$ million	2009	2008	2007	2006	2005
Defined benefit obligation	**$ 827**	$ 717	$ 535	$ 131	$ 81
Plan assets	**404**	325	201	24	–
(Deficit)/surplus	**(423)**	(392)	(334)	(107)	(81)
Experience adjustments on plan liabilities	**54**	(38)	(18)	11	–
Experience adjustments on plan assets	**24**	16	5	–	–

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

US$ million	2009				2008				2007			
	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans
Discount rate	**10%**	**12.4%**	**5.5-9.3%**	**4.2-9.5%**	8.5%	10.85%	5.75-7.5%	4.3%	6.8%	8%	5.0-6.4%	4.7-8.3%
Expected rate of return on assets	**12%**	**–**	**1.3-8.5%**	**–**	12%	–	6.75-8.5%	–	12%	–	7.8-8.5%	–
Future benefits increases	**8%**	**–**	**3%**	**3-10%**	6%	7-10%	0-7.75%	3.9%	5%	–	0%	0-3%
Future salary increase	**8%**	**9%**	**3-7.5%**	**6.3-7.5%**	6%	10%	3-4%	3.2%	5%	5%	3-4%	3-5%
Healthcare costs increase rate	**–**	**–**	**8-10%**	**–**	–	–	8-10%	–	–	–	7-10%	–

The expected long-term rate of return on defined benefit pension plan assets represents the weighted-average asset return for each forecasted asset class return over several market cycles.

A one percentage point change in the assumed rate of increase in healthcare costs would have insignificant effects on the Group's current service cost and the defined benefit obligation.

24. Share-based Payments

On April 25, 2005 and September 5, 2006, the Group adopted Incentive Plans under which certain members of the Board of Directors, senior executives and employees ("participants") could acquire shares of the Company. The exercise price of the options granted on June 15, 2005 under the Incentive Plan 2005 was fixed at $27.75 and $43.5 per share. Share options granted on September 5, 2006 under the Incentive Plan 2006 could be exercised for $65.37 per share.

The vesting dates under Plan 2005 were determined by the reference to the grant date (June 15, 2005) and became vested on the first, second and third anniversary of the grant date. Under Plan 2006, the vesting date for each tranche was the date falling 15 days after the date when the Board of directors decides to announce annual results. The actual vesting dates were as follows:

	Incentive Plan 2006	Incentive Plan 2005
December 15, 2005	–	63,685
June 15, 2006	–	555,170
May 11, 2007	99,282	–
June 15, 2007	–	750,000
April 15, 2008	148,904	–
June 15, 2008	–	1,250,000
May 15, 2009	248,183	–
	496,369	**2,618,855**

The plans were administrated by the Board of Directors of the Company. The Board of Directors had the right to accelerate vesting of the grant. In general, in the event of a participant's employment termination, all options granted to that participant, whether vested or not, expired on termination date. Under Plan 2005, unless otherwise determined by the Board of directors, all options which were not vested on the grantee's termination date became vested and remained exercisable within the period of one year. The options which were vested on the grantee's termination date remained exercisable and expired automatically as of the date of expiration.

In 2007, the Board of Directors made a decision to cease the issuance of new shares under the share options plans. Starting from May 23, 2007, the Group acquired its own shares in the form of global depositary receipts ("GDR") on the open market for the grantees or repurchases the share options after vesting.

On April 21, 2008, the Board of Directors resolved to delay the exercise of 17.5% of the options under Incentive Plan 2005. The participants received the right to claim indemnification from the Company of the difference between the market price at the date of exercise and the price of $100 per GDR. In addition, the participants had the right to receive dividends in respect of the extended portion and the right to vote under these GDRs.

This modification of Incentive Plan 2005 was treated as a cash-settled award. At December 31, 2008, the liability in respect of that award was $33 million.

In 2008 and 2006, the vesting date of the share options held by certain participants resigned from the Group was accelerated.

There have been no other modifications or cancellations to the plans during 2007-2009.

Notes to the Consolidated Financial Statements (continued)

24. Share-based Payments (continued)

The Group accounted for its share options at fair value pursuant to the requirements of IFRS 2 "Share-based Payment". The weighted average fair value of options granted during 2006 and 2005 was $14.15 and $10.88 per share, respectively. The fair value of options under the extended portion was $272.34 per share. The fair value of these options was estimated at the date of grant using the Black-Scholes-Merton option pricing models with the following inputs, including assumptions:

	Incentive Plan 2006	Incentive Plan 2005
Dividend yield (%)	4-6	6-8
Expected volatility (%)	45.37	55.00
Risk-free interest rates (%)	5.42-5.47	4.36-4.59
Expected life of options (years)	0.7-2.7	0.5-3
Market prices of the shares at the grant dates	$ 66.06	$ 42.90

The liability under cash-settled award was measured using the following assumptions:

	December 31, 2008
Dividend yield (%)	n/a
Expected volatility (%)	84.10
Risk-free interest rates (%)	2.59
Expected life of options (years)	0.3
Market prices of the shares at the reporting date	$ 25.32

The industry average volatility has been used for valuation of the share options granted in 2005, while for the share options granted in 2006 the historical volatility has been taken. The expected volatility reflects the assumption that it is indicative of future trends which may not necessarily be the actual outcome.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the years.

	2009	2009	2008	2008	2007	2007
	No.	WAEP	No.	WAEP	No.	WAEP
Outstanding at January 1	**370,340**	**$ 50.71**	**933,284**	**$ 48.72**	**2,266,580**	**$ 48.29**
Forfeited during the year	(107,625)	48.30	(33,846)	45.13	(224,258)	65.37
Exercised during the year:	(262,715)	51.70	(529,098)	47.55	(1,109,038)	44.48
by issue of shares	–		–		(810,047)	
by purchase of shares on the open market	(27,902)		(253,104)		(55,119)	
by repurchase of vested share options	(234,813)		(275,994)		(243,872)	
Outstanding at December 31	**–**	**$ –**	**370,340**	**$ 50.71**	**933,284**	**$ 48.72**
Vested at December 31	–	$ –	92,751	$ 45.96	176,842	$ 45.00
Exercisable at December 31	–	–	5,029	43.50	42,619	44.02

The weighted average share price at the dates of exercise was $67.29, $310.22 and $111.33 in 2009, 2008 and 2007, respectively.

The weighted average remaining contractual life of the share options outstanding as at December 31, 2008 and 2007 was 0.30 and 0.54 years, respectively.

24. Share-based Payments (continued)

In the years ended December 31, 2009, 2008 and 2007, compensation expense, arising from the share option plans, was as follows:

US$ million	2009	2008	2007
Expense arising from equity-settled share-based payment transactions	**$ –**	$ 2	$ 5
Expense arising from cash-settled share-based payment transactions	**6**	33	–
	$ 6	**$ 35**	**$ 5**

In 2009, the Group paid $35 million in respect of the cash-settled share-based compensations, $4 million were unpaid at December 31, 2009.

25. Provisions

In the years ended December 31, 2009, 2008 and 2007, the movement in provisions was as follows:

US$ million	Site restoration and decommissioning costs	Legal claims	Other provisions	Total
At December 31, 2006	**$ 38**	**$ 3**	**$ 6**	**$ 47**
Additional provisions	7	10	14	31
Increase from passage of time	4	–	–	4
Change in provisions due to business combinations	82	13	50	145
Utilised in the year	(2)	(2)	(25)	(29)
Unused amounts reversed	–	(9)	(7)	(16)
Translation difference	5	–	–	5
At December 31, 2007	**134**	**15**	**38**	**187**
Additional provisions	47	6	30	83
Increase from passage of time	9	–	–	9
Effect of change in the discount rate	(10)	–	–	(10)
Effect of changes in estimated costs and timing	11	–	(1)	10
Utilised in the year	(5)	(3)	(9)	(17)
Unused amounts reversed	–	(13)	(3)	(16)
Translation difference	(26)	(1)	(3)	(30)
At December 31, 2008	**160**	**4**	**52**	**216**
Additional provisions	15	7	28	50
Increase from passage of time	12	–	–	12
Effect of changes in estimated costs and timing	(1)	–	–	(1)
Utilised in the year	(6)	(3)	(59)	(68)
Unused amounts reversed	–	(2)	(6)	(8)
Translation difference	10	–	–	10
At December 31, 2009	**$ 190**	**$ 6**	**$ 15**	**$ 211**

Site Restoration Costs

Under the legislation, mining companies and steel mills have obligations to restore mining sites and contaminated land. The respective liabilities were measured based on estimates of restoration costs which are expected to be incurred in the future discounted at the annual rate ranging from 8.00% to 13.00% (2008: from 6.85% to 11.90%, 2007: from 6.85% to 8.50%).

26. Other Long-Term Liabilities

Other long-term liabilities consisted of the following as of December 31:

US$ million	2009	2008	2007
Contingent consideration payable	**$ 31**	$ 34	$ 34
Dividends payable under cumulative preference shares of a subsidiary to a related party	**14**	14	14
Employee income participation plans and compensations	**7**	16	15
Tax liabilities	**18**	18	13
Restructured liabilities assumed in business combination	**–**	–	127
Derivatives not designated as hedging instruments (Note 21)	**6**	–	–
Other liabilities	**18**	7	7
	94	89	210
Less: current portion (Note 27)	**(26)**	(31)	(155)
	$ 68	**$ 58**	**$ 55**

Derivatives Not Designated As Hedging Instruments

In 2009, the Group issued rouble-denominated bonds in the total amount of 20,000 million Russian roubles, which bear interest of 13.50% per annum (Note 21). To manage some of the transaction exposures, the Group concluded swap contracts under which it agreed to deliver $325 million at an interest rate of 7.50% per annum in exchange for 9,441 million roubles of the principal amount plus the accrued interest, and $50 million at an interest rate of 7.90% per annum in exchange for 1,450 million roubles of the principal amount plus the accrued interest. The exchange will be made on the same dates as the payments under the bonds. These swap contracts were not designated as cash flow or fair value hedge. The Group accounted for these derivatives at fair value which was determined using valuation techniques. The change in fair value of the derivatives amounting to $(6) million was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations for the year ended December 31, 2009 (Note 7).

Contingent Consideration Payable

Contingent consideration represents additional payments for the acquisition of Stratcor in 2006. The payments depend on the deviation of the average prices for vanadium pentoxide from certain levels and the amounts payable for each year are limited to maximum amounts. In 2010, the Group paid $16 million in respect of this liability.

27. Trade and Other Payables

Trade and other payables consisted of the following as of December 31:

US$ million	2009	2008	2007
Trade accounts payable	**$ 780**	$ 1,094	$ 729
Promissory notes with current maturities	**–**	5	4
Accrued payroll	**176**	208	201
Termination benefits	**1**	2	–
Other long-term obligations with current maturities (Note 26)	**26**	31	155
Other payables	**86**	139	153
	$ 1,069	**$ 1,479**	**$ 1,242**

Maturity profile of the accounts payable is shown in Note 29.

28. Other Taxes Payable

Taxes payable were mainly denominated in roubles and consisted of the following as of December 31:

US$ million	2009	2008	2007
VAT	**$ 67**	$ 72	$ 113
Social insurance taxes	**29**	31	39
Property tax	**16**	15	15
Land tax	**5**	9	10
Personal income tax	**10**	10	13
Other taxes, fines and penalties	**13**	17	19
	$ 140	**$ 154**	**$ 209**

29. Financial Risk Management Objectives and Policies

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and trade accounts receivable.

To manage credit risk related to cash, the Group maintains its available cash, mainly in US dollars, in reputable international banks and major Russian banks. Management periodically reviews the creditworthiness of the banks in which it deposits cash.

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. There are no significant concentrations of credit risk within the Group. The Group defines counterparties as having similar characteristics if they are related entities. The major customer is Russian Railways (4.5% of total sales).

Some part of the Group's sales is made on terms of letter of credit. In addition, the Group requires prepayments from certain customers. The Group does not require collateral in respect of trade and other receivables, except when a customer asks for a payment period which is longer than normal terms. In this case, the Group requires bank guarantees or other liquid collateral. The Group developed standard payment terms and constantly monitors the status of accounts receivable collection and the creditworthiness of the customers.

Certain of the Group's long-standing Russian customers for auxiliary products, such as heat and electricity, represent municipal enterprises and governmental organisations that experience financial difficulties. The significant part of doubtful debts allowance consists of receivables from such customers. The Group has no practical ability to terminate the supply to these customers and negotiates with regional and municipal authorities the terms of recovery of these receivables.

Notes to the Consolidated Financial Statements (continued)

29. Financial Risk Management Objectives and Policies (continued)

Credit Risk (continued)

The maximum exposure to credit risk is equal to the carrying amount of financial assets, which is disclosed below.

US$ million	2009	2008	2007
Restricted deposits at banks	**$ 77**	$ 2	$ 5
Financial instruments included in other non-current assets	**–**	–	3
Long-term and short-term investments	**104**	622	25
Trade and other receivables	**1,002**	1,409	1,829
Loans receivable	**5**	113	60
Receivables from related parties	**107**	156	88
Cash and cash equivalents	**675**	930	327
	$ 1,970	**$ 3,232**	**$ 2,337**

Receivables from related parties in the table above do not include prepayments in the amount of $nil, $19 million and $18 million as of December 31, 2009, 2008 and 2007, respectively.

The ageing analysis of trade and other receivables, loans receivable and receivables from related parties is presented in the table below.

US$ million	2009		2008		2007	
	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment
Not past due	**$ 842**	**$ (1)**	$ 1,035	$ (8)	$ 1,834	$ (3)
Past due	**364**	**(91)**	736	(85)	222	(76)
Less than six months	**187**	**(5)**	500	(13)	133	(4)
between six months and one year	**28**	**(8)**	166	(7)	16	(4)
over one year	**149**	**(78)**	70	(65)	73	(68)
	$ 1,206	**$ (92)**	**$ 1,771**	**$ (93)**	**$ 2,056**	**$ (79)**

In the years ended December 31, 2009, 2008 and 2007, the movement in allowance for doubtful accounts was as follows:

US$ million	2009	2008	2007
At January 1	**$ 93**	$ 79	$ 59
Charge for the year	**40**	35	15
Utilised	**(40)**	(7)	–
Translation difference	**(1)**	(14)	5
At December 31	**$ 92**	**$ 93**	**$ 79**

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group prepares the rolling 12-month financial plan which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities as they arise. In 2008, in response to the global financial crisis, the Group introduced a daily monitoring of cash proceeds and payments. The Group maintains credit lines and overdraft facilities that can be drawn down to meet short-term financing needs. The Group's objective is to refinance its short-term debt by long-term borrowings.

Notes to the Consolidated Financial Statements (continued)

29. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

The Group developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest payments.

Year ended December 31, 2009

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
Principal	$ 5	$ 25	$ 273	$ 930	$ 2,488	$ 1,091	$ 4,812
Interest	–	32	384	374	841	217	1,848
Finance lease liabilities	–	1	2	3	7	5	18
Financial instruments included in long-term liabilities	17	–	1	7	28	25	78
Total fixed-rate debt	22	58	660	1,314	3,364	1,338	6,756
Variable-rate debt							
Loans and borrowings							
Principal	242	229	1,135	904	795	41	3,346
Interest	–	30	103	69	42	5	249
Finance lease liabilities	–	5	16	22	32	3	78
Total variable-rate debt	242	264	1,254	995	869	49	3,673
Non-interest bearing debt							
Financial instruments included in other liabilities	5	–	–	–	–	–	5
Trade and other payables	196	647	23	–	–	–	866
Payables to related parties	112	62	14	–	–	–	188
Amounts payable under put options for shares of subsidiaries	17	–	–	–	–	–	17
Dividends payable	13	–	–	–	–	–	13
Total non-interest bearing debt	343	709	37	–	–	–	1,089
	$ 607	$ 1,031	$ 1,951	$ 2,309	$ 4,233	$ 1,387	$ 11,518

Notes to the Consolidated Financial Statements (continued)

29. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

Year ended December 31, 2008

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
Principal	$ 8	$ 61	$ 1,727	$ 120	$ 1,333	$ 1,338	$ 4,587
Interest	–	54	357	239	633	366	1,649
Finance lease liabilities	–	2	3	3	7	8	23
Financial instruments included in long-term liabilities	1	–	16	4	13	29	63
Total fixed-rate debt	9	117	2,103	366	1,986	1,741	6,322
Variable-rate debt							
Loans and borrowings							
Principal	414	627	1,004	1,445	1,907	9	5,406
Interest	–	59	146	121	131	–	457
Finance lease liabilities	–	4	11	11	20	–	46
Total variable-rate debt	414	690	1,161	1,577	2,058	9	5,909
Non-interest bearing debt							
Financial instruments included in long-term liabilities	6	–	–	–	–	–	6
Trade and other payables	519	670	49	–	–	–	1,238
Payables to related parties	104	56	24	–	–	–	184
Dividends payable	320	–	–	–	–	–	320
Total non-interest bearing debt	949	726	73	–	–	–	1,748
	$ 1,372	**$ 1,533**	**$ 3,337**	**$ 1,943**	**$ 4,044**	**$ 1,750**	**$ 13,979**

Notes to the Consolidated Financial Statements (continued)

29. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

Year ended December 31, 2007

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed-rate debt							
Loans and borrowings							
Principal	$ –	$ 42	$ 268	$ 412	$ 176	$ 792	$ 1,690
Interest	–	23	108	110	202	191	634
Finance lease liabilities	–	1	4	4	8	8	25
Financial instruments included in long-term liabilities	–	–	15	1	13	32	61
Total fixed-rate debt	–	66	395	527	399	1,023	2,410
Variable-rate debt							
Loans and borrowings							
Principal	–	398	1,356	947	2,393	14	5,108
Interest	–	84	235	190	234	1	744
Finance lease liabilities	–	4	13	15	30	1	63
Total variable-rate debt	–	486	1,604	1,152	2,657	16	5,915
Non-interest bearing debt							
Financial instruments included in long-term liabilities	6	127	–	1	–	–	134
Trade and other payables	145	695	46	–	–	–	886
Payables to related parties	76	68	2	–	–	–	146
Amounts payable under put options for shares of subsidiaries	6	–	–	–	–	–	6
Dividends payable	96	–	–	–	–	–	96
Total non-interest bearing debt	329	890	48	1	–	–	1,268
	$ 329	$ 1,442	$ 2,047	$ 1,680	$ 3,056	$ 1,039	$ 9,593

Payables to related parties in the tables above do not include advances received in the amount of $47 million, $138 million and $86 million as of December 31, 2009, 2008 and 2007, respectively. In addition, payables to related parties in the table as of December 31, 2007 do not include a liability to Lanebrook in respect of the 48.6% ownership interest in Palmrose, which was settled by the issue of shares (Note 20).

29. Financial Risk Management Objectives and Policies (continued)

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures, while optimising the return on risk.

Interest Rate Risk

The Group borrows on both a fixed and variable rate basis and has other interest-bearing liabilities, such as finance lease liabilities and other obligations.

The Group incurs interest rate risk on liabilities with variable interest rate. The Group's treasury function performs analysis of current interest rates. In case of changes in market fixed or variable rates management may consider refinancing of a particular debt on more favourable terms. Due to the ongoing world liquidity crisis the Group has a limited ability to negotiate interest rates.

The Group does not have any financial assets with variable interest rate.

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the Group's profits.

The Group does not account for any fixed rate financial assets as assets available for sale. Therefore, a change in interest rates at the reporting date would not affect the Group's equity.

Cash Flow Sensitivity Analysis for Variable Rate Instruments

Based on the analysis of exposure during the years presented, reasonably possible changes in floating interest rates at the reporting date would have changed profit before tax ("PBT") by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In estimating reasonably possible changes for 2007 the Group assessed the volatility of interest rates during the three years preceding the end of the reporting periods. In 2008 and 2009, the Group assessed reasonably possible changes based on the volatility of interest rates during the reporting periods.

	2009		2008		2007	
	Basis points	Effect on PBT	Basis points	Effect on PBT	Basis points	Effect on PBT
		US$ millions		*US$ millions*		*US$ millions*
Liabilities denominated in US dollars						
Decrease in LIBOR	**(25)**	**$ 8**	(53)	$ 24	(125)	$ 24
Increase in LIBOR	**100**	**(30)**	53	(24)	75	(14)
Decrease in Prime rate	**–**	**–**	(106)	4	–	–
Increase in Prime rate	**–**	**–**	106	(4)	–	–
Decrease in Federal Funds Rate	**–**	**–**	(33)	1	–	–
Increase in Federal Funds Rate	**–**	**–**	33	(1)	–	–
Liabilities denominated in euro						
Decrease in EURIBOR	**(25)**	**1**	(30)	1	(150)	3
Increase in EURIBOR	**100**	**$ (2)**	30	$ (1)	75	$ (1)

29. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's subsidiaries. The currencies in which these transactions primarily are denominated are US dollars and euro.

The Group does not have formal arrangements to mitigate currency risks of the Group's operations. However, management believes that the Group is secured from currency risks as foreign currency denominated sales are used to cover repayment of foreign currency denominated borrowings.

The Group's exposure to currency risk determined as the net monetary position in respective currencies was as follows:

US$ million	2009	2008	2007
USD/RUB	**$ 1,732**	$ 967	$ 430
EUR/RUB	**(297)**	(390)	(313)
EUR/USD	**108**	180	193
CAD/USD	**1,281**	1,611	–
EUR/CZK	**22**	48	71
USD/CZK	**(154)**	(216)	(102)
USD/ZAR	**41**	(7)	36
EUR/ZAR	**43**	–	–
USD/UAH	**(88)**	(203)	–
RUB/UAH	**(15)**	12	–

Notes to the Consolidated Financial Statements (continued)

29. Financial Risk Management Objectives and Policies (continued)
Market Risk (continued)
Currency Risk (continued)

Sensitivity Analysis

The following table demonstrates the sensitivity to reasonably possible changes in the respective currencies, with all other variables held constant, of the Group's profit before tax. In estimating reasonably possible changes for 2007 the Group assessed the volatility of foreign exchange rates during the three years preceding the end of the reporting periods. In 2008 and 2009, the Group assessed reasonably possible changes based on the volatility of foreign exchange rates during the reporting periods.

	2009		2008		2007	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	US$ millions	%	US$ millions	%	US$ millions
USD/RUB	**(15.65)**	**(271)**	(8.98)	(87)	(5.80)	(25)
	15.65	**271**	8.98	87	4.20	18
EUR/RUB	**(12.18)**	**36**	(8.63)	34	(5.45)	17
	12.18	**(36)**	8.63	(34)	3.25	(10)
EUR/USD	**(12.96)**	**(14)**	(14.32)	(26)	(7.35)	(14)
	12.96	**14**	14.32	26	7.35	14
CAD/USD	**(14.02)**	**(180)**	(15.44)	(249)	–	–
	14.02	**180**	15.44	249	–	–
EUR/CZK	**(10.28)**	**(2)**	(10.61)	(5)	(4.10)	(3)
	10.28	**2**	10.61	5	4.10	3
USD/CZK	**(18.52)**	**29**	(18.52)	40	(9.40)	10
	18.52	**(29)**	18.52	(40)	9.40	(10)
USD/ZAR	**(21.41)**	**(9)**	(28.52)	2	(17.70)	(6)
	21.41	**9**	28.52	(2)	13.00	5
EUR/ZAR	**(17.74)**	**(8)**	–	–	–	–
	17.74	**8**	–	–	–	–
USD/UAH	**(31.30)**	**28**	(11.77)	24	–	–
	31.30	**(28)**	11.77	(24)	–	–
RUB/UAH	**(13.53)**	**2**	(14.73)	(2)	–	–
	13.53	**(2)**	14.73	2	–	–

Fair Value of Financial Instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

• Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
• Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
• Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

The carrying amounts of financial instruments, such as cash, short-term and long-term investments, short-term accounts receivable and payable, short-term loans receivable and payable and promissory notes, approximate their fair value.

As at 31 December 2009, the Group held the following financial instruments measured at fair value:

US$ million	2009	Level 1	Level 2
Assets measured at fair value			
Available for sale financial assets	**43**	43	–
Liabilities measured at fair value			
Derivatives not designated as hedging instruments	**6**	–	6

29. Financial Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments (continued)

During the reporting period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table shows financial instruments which carrying amounts differ from fair values.

US$ million	2009		2008		2007	
	Carrying amount	Fair Value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term fixed-rate bank loans	**$ 1,234**	**$ 1,197**	$ 369	$ 354	$ 436	$ 423
Long-term variable-rate bank loans	**2,894**	**2,847**	4,253	3,819	3,998	3,910
8.875 per cent notes due 2013	**1,132**	**1,155**	1,260	668	–	–
7.25 per cent convertible bonds due 2014	**528**	**624**	–	–	–	–
8.25 per cent notes due 2015	**551**	**554**	718	374	742	747
9.5 per cent notes due 2018	**497**	**508**	567	284	–	–
10.875 per cent notes due 2009	**–**	**–**	314	302	314	316
13.5 per cent bonds due 2014	**674**	**667**	–	–	–	–
	$ 7,510	**$ 7,552**	**$ 7,481**	**$ 5,801**	**$ 5,490**	**$ 5,396**

The fair value of the non-convertible bonds and notes was determined based on market quotations. The fair value of convertible bonds and long-term bank loans was calculated based on the present value of future principal and interest cash flows, discounted at the Group's market rates of interest at the reporting dates. The discount rates used for valuation of financial instruments were as follows:

Currency in which financial instruments are denominated	2009	2008	2007
USD	**8.6-9.5%**	10.0-16.8%	7.7%
EUR	**7.0%**	6.6%	6.5%
RUB	**16.0%**	23.0%	9.1%

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise the return to shareholders. The Board of directors reviews the Group's performance and establishes key performance indicators. In addition, the Group and certain of its subsidiaries are subject to externally imposed capital requirements (loans and bonds covenants) which are used for capital monitoring. There were no changes in the objectives, policies and processes during 2009.

Capital includes equity attributable to the equity holders of the parent entity. Revaluation surplus which is included in capital is not subject to capital management because of its nature (Notes 4 and 9).

The Group manages its capital structure and makes adjustments to it by issue of new shares, dividend payments to shareholders, purchase of treasury shares. The Group monitors the compliance of the amount of legal reserve with the statutory requirements and makes appropriations of profits to legal reserve. In addition, the Group monitors distributable profits on a regular basis and determines the amounts and timing of dividends payments. The capital requirements imposed by certain loan agreements include the following:

- consolidated equity less goodwill should be at least $2,000 million.

30. Non-Cash Transactions

Investing and financing transactions that did not require the use of cash or cash equivalents were as follows in the years ended December 31:

US$ million	2009	2008	2007
Liabilities for purchases of property, plant and equipment	**$ 49**	$ 124	$ 50
Liabilities for purchases of shares in subsidiaries and other entities	**1**	15	38
Issue of shares to settle the liability for the acquisition of the Ukrainian businesses (Note 4)	**–**	757	–
Loans provided in the form of payments by banks for the subsidiaries acquired by the Group (Note 4)	**–**	938	–
Refinancing of a bridge loan	**–**	–	1,535
Offset of restricted deposit with amounts payable to Credit Suisse for the purchase of 24.9% of Highveld's shares (Note 4)	**–**	–	207
Offset of loan receivable with amounts payable for the purchase of non-current assets	**–**	–	13
Offset of income tax receivable/(payable) against other taxes	**18**	(52)	–

31. Commitments and Contingencies

Operating Environment of the Group

The Group is one of the largest steel producers globally and is the largest steel producer in Russia. Its major subsidiaries are located in Russia, Ukraine, the European Union, the USA, Canada and the Republic of South Africa.

Russia and Ukraine are considered to be developing markets with higher economic and political risks. The Russian and Ukrainian economies are characterised by relatively high inflation and the existence of currency controls, which cause the national currency to be illiquid outside of the countries. Russia and Ukraine continue to implement economic reforms and the development of legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian and Ukrainian economies is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by governments. The developing economies are vulnerable to market downturns and economic slowdowns elsewhere in the world.

The ongoing global financial crisis resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within Russia and Ukraine. The volatile global economic climate is having significant negative effects on the Group's business in North America and Europe.

The Group sells its products to shipping, pipe-making, railway transportation, construction, oil and gas industries, all of which have reported substantially lower customer demand due to the financial crisis and the slowing global economy. In addition to slackening demand by the end customers, some of the Group's customers are experiencing difficulty in obtaining credit, which has further reduced their purchases from the Group even beyond that resulting from the decline in their sales. The duration of the crisis and the recovery of these industries will have a significant impact on the Group.

The worldwide financial crisis may result in a further reduction of the available credit facilities as well as substantially higher interest rates. The reduced cash from operations and the reduced availability of credit may increase the cost, delay the timing of, or reduce planned capital expenditures.

31. Commitments and Contingencies (continued)

Operating Environment of the Group (continued)

While the stabilisation measures aimed at providing liquidity and supporting debt refinancing have been introduced by the governments, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects. The unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

Taxation

Russian and Ukrainian 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 are taking a more assertive position in its interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on the management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities, which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these financial statements could be up to approximately $38 million.

Contractual Commitments

At December 31, 2009, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $324 million.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, health care and social infrastructure development in towns where the Group's assets are located. In 2010, the Group plans to spend approximately $94 million under these programmes.

Environmental Protection

In the course of the Group's operations, the Group may be subject to environmental claims and legal proceedings. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, improvements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement. Management believes that any pending environmental claims or proceedings will not have a material adverse effect on its financial position and results of operations.

The Group has a constructive obligation to reduce environmental pollutions and contaminations in the future in accordance with environmental protection programmes. In the period from 2010 to 2014, the Group is committed to spend approximately $167 million under this programme.

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on the Group's operations or financial position.

The Group, together with several other corporations and individuals, was named as a defendant in a civil action related to bankruptcy proceedings at KGOK that occurred between 1999 and 2003, prior to the Group's acquisition of KGOK and the alleged conversion and violations of the United States Racketeer Influenced and Corrupt Organisations Act ("RICO"). This law suit was filed in November 2004 in the United States District Court for the District of Delaware (the "District Court"). The plaintiffs seek damages in excess of $500 million.

31. Commitments and Contingencies (continued)
Legal Proceedings (continued)

On April 26, 2005, the plaintiffs filed another suit with the Delaware Chancery Court (the "Chancery Court") against the same defendants, including the Group, based on the same factual allegations. However, in October 2005, the Chancery Court granted the defendant's motion to stay the action pending the developments of the litigation between the parties in the District Court. In April 2006, the District Court dismissed the claim based on a decision that the plaintiffs' claim arises from the conduct of business in Russia and, therefore, the Russian jurisdiction is an adequate forum for the plaintiffs' claim, however, the District Court did not issue an injunction sought by the defendants that would bar plaintiffs from pursuing any additional litigations in the United States. Upon getting such a decision in the District Court, the plaintiffs filed an appeal on that decision and the defendants cross-appealed on the injunction issue. The plaintiffs made another attempt to continue the proceeding in the Chancery Court, which was not upheld: in August 2006 the Chancery Court has issued his opinion denying the plaintiffs' motion to lift the stay. In May 2007, the plaintiffs' appeal was dismissed.

During 2008 the plaintiffs wrote to the Delaware District Court concerning the English High Court decision held that litigation of a dispute between two other defendants in the Delaware District Court action (Messrs. Chernoi and Deripaska) should proceed in England because of the risk that Russian courts would not provide an adequate forum for that litigation. in their letter, the plaintiffs asked the Delaware District Court to postpone its decision on the injunction issue, and suggested that the English High Court's judgment may have some impact on the matters already decided by the Delaware District Court and affirmed by the Court of Appeals. In September 2008, the Delaware District Court denied the plaintiffs' request for related discovery, holding that it would be irrelevant to the pending injunction motion.

On May 13, 2009, the District Court rendered its decision, granting the defendants' motion and issuing a permanent injunction barring the plaintiffs from pursuing their claims in any other courts of the United States, including the pending action in the Chancery Court.

The plaintiffs have appealed the May 13, 2009 decision of the District Court to the United States Court of Appeals for the Third Circuit. The appeal was briefed, and oral argument took place on January 25, 2010. The court reserved its decision.

In March 2010, the Court of Appeals for the Third Circuit issued a judgment, affirming the order of the Delaware District Court that enjoined the plaintiffs from further litigation of their KGOK-related claims in the United States.

As a result, the plaintiffs are unable to proceed with their action in the Delaware Court of Chancery or any new action in the United States based on the same allegations.

Consequently, management believes that the ultimate resolution of the lawsuit will not have a significant impact on the financial position of the Group. Therefore, no provision is recognised in the financial statements in respect of this case.

Stratcor, the Group's subsidiary, together with IBM Corporation, Anglo American Plc., Gold Fields Ltd., UBS AG and some other companies, was named as a defendant in an action filed in 2004. Plaintiffs alleged that the defendants engaged in a conspiracy with the Apartheid-era government of South Africa in violation of international law and participated in genocide, expropriation and other wrongful acts. Plaintiffs sought unspecified compensatory damages and exemplary damages of $10,000 million. The Group's potential losses under this litigation were limited to the net assets of Stratcor. On March 9, 2009, the court dismissed that action based upon the plaintiffs' failure to prosecute the case. There have been no further proceedings since that time, and the plaintiffs have not sought to have the action reinstated or sought relief from the court's order.

32. Subsequent Events

Borrowings

Subsequent to December 31, 2009, the Group signed short-term bank loan agreements for $90 million.

Issue of Rouble-Denominated Bonds

In March 2010, the Group issued rouble-denominated bonds in the total amount of 15,000 million Russian roubles ($506 million at the exchange rate as of March 26, 2010), which bear interest of 9.25% per annum and mature in March 2013.

VEB Loan Amendment

In January 2010, Evraz Group S.A. signed an amendment to the loan agreement with VEB for $1,007 million (Note 21). Under the revised agreement, the extension of the four tranches was cancelled, thus resulting in a reclassification of $805 million into current liabilities. At the maturity dates, the Company is going to conclude with VEB separate agreements for the extension of each tranch. The interest rate will be fixed at one year LIBOR defined on two business days preceding the date of the extension agreement plus 5%.

Licence for Mezhegey Coal Deposit

In March 2010, the Group won the tender to develop the Mezhegey coal deposit located in East Siberia, Russia. The Group offered 950 million roubles (approximately $32 million) in the tender held by the Russian State Mineral Resources Agency.

The Mezhegey coal deposit is a world class coking coal deposit with estimated category A+B+C1 reserves of 213.5 million tonnes of hard coking coal (grade Zh under Russian classification). Detailed plans for the development of the Mezhegey deposit will be prepared in due course.

Evraz Group S.A.
Parent Company Financial Statements for the Year Ended 31 December 2009

Contents

Responsibility Statement of the Directors in Respect of the Annual Accounts of Evraz Group S.A.

We confirm that to the best of our knowledge the annual accounts of Evraz Group S.A., prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, give a true and fair view of the financial position of Evraz Group S.A. as of 31 December 2009, and of the results of its operations for 2009.

By order of the Board

Alexander Frolov
Chief Executive Officer
Evraz Group S.A.

21 April 2010

Ernst & Young
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Independent Auditors' report

To the Shareholders of
Evraz Group S.A.
1, Allée Scheffer
L-2520 LUXEMBOURG

Following our appointment by the General Meeting of the Shareholders dated 15 May 2009, we have audited the accompanying annual accounts of Evraz Group S.A., which comprise the balance sheet as at 31 December 2009 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "réviseur d'entreprises"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "réviseur d'entreprises", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Evraz Group S.A. as of 31 December 2009, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

ERNST & YOUNG
Société Anonyme
Réviseur d'entreprises

Luxembourg, 29 March 2010

Thierry BERTRAND

Balance Sheet
(in thousands of EUR)

	Notes	2009	2008
ASSETS			
Fixed assets			
Intangible assets	3	**118.402**	**46.016**
Financial assets			
Shares in affiliated undertakings	4	5.302.187	3.646.724
Loans to affiliated undertakings	5	907.968	1.750.804
Other loans	6	329.146	–
		6.539.301	**5.397.528**
Current assets			
Debtors			
Amounts owed by affiliated undertakings becoming due and payable within one year	5	53.785	1.028.291
Other debtors		89	30
		53.874	**1.028.321**
Cash at banks		**16.727**	**78.860**
Prepayments		**5.766**	**–**
TOTAL ASSETS		**6.734.070**	**6.550.725**
EQUITY AND LIABILITIES			
Capital and reserves	6		
Subscribed capital		291.914	245.010
Share premium		1.079.487	725.792
Legal reserve		24.501	23.662
Non-distributable reserve for own shares		329.146	4.152
Profit brought forward		288	240.054
(Loss)/Profit for the year		(163.838)	445.294
Interim dividend		–	(684.222)
		1.561.498	**999.742**
Creditors			
Convertible bonds			
becoming due and payable within one year	8	7.147	–
becoming due and payable after more than one year	8	451.201	–
Non-convertible bonds			
becoming due and payable within one year	7	24.453	28.223
becoming due and payable after more than one year	7	1.556.157	1.817.921
Amounts owed to credit institutions			
becoming due and payable within one year	9	751.821	1.356.626
becoming due and payable after more than one year	9	1.467.843	1.565.610
Amounts owed to affiliated undertakings			
becoming due and payable within one year	10	447.561	306.428
becoming due and payable after more than one year		–	–
Other creditors			
becoming due and payable within one year	11	35.397	114.290
becoming due and payable after more than one year	11	10.352	13.623
		4.751.932	**5.202.721**
Deferred income	2	**420.640**	**348.262**
TOTAL EQUITY AND LIABILITIES		**6.734.070**	**6.550.725**

The accompanying notes form an integral part of the annual accounts.

Profit and Loss Account

(in thousands of EUR)

	Notes	2009	2008
Charges			
Value adjustment in respect of intangible fixed assets	3	11.729	9.935
Value adjustment in respect of current assets	4,5	21.462	–
Other operating charges	6	38.840	22.192
Value adjustment in respect of financial assets and of transferable securities held as current assets	4	2.021	844.719
Interest payable and similar charges			
– concerning affiliated undertakings	10	8.006	8.475
– exchange loss		–	452.882
– interest expense in respect of notes and bank loans		289.453	254.724
– other		1.522	1.360
Loss on disposal of investments	4	58.199	–
Other taxes		9.431	4.563
Profit for the financial year		–	445.294
		440.663	**2.044.144**
Income			
Income from participating interests			
– concerning affiliated undertakings	12	–	1.803.229
– other		–	–
Other interest receivable and similar income			
– concerning affiliated undertakings	5	141.638	165.149
– exchange gain		21.074	–
– gain on extinguishment of debts	7	90.215	70.655
– other		1.130	5.111
Gain on disposal of investments	4	366	–
Value adjustment in respect of financial assets and of transferable securities held as current assets	4	22.402	–
Loss for the financial year		163.838	–
		440.663	**2.044.144**

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

Notes to the Annual Accounts

December 31, 2009

(All monetary amounts are expressed in thousands)

Note 1 – Corporate Information

Evraz Group S.A. ("Evraz Group" or the "Company") is a joint stock company registered under the laws of Luxembourg on December 31, 2004. The registered address of Evraz Group is 1, Allée Scheffer L-2520, Luxembourg.

Prior to August 3, 2006, Evraz Group's parent was Crosland Global Limited ("CGL"), an entity under control of Mr. Alexander Abramov. On August 3, 2006, CGL transferred all its ownership interest in Evraz Group to Lanebrook Limited (Cyprus) which became the ultimate controlling party from that date.

In 2005, Crosland Limited, the parent of CGL, contributed in kind to the Company all its assets and liabilities, including a participation of 95,83% in the shares in Mastercroft Limited ("Mastercroft"), a limited liability company registered in Cyprus. Subsequently, the Company purchased the residual 4,17% ownership interest, which was owned by Mastercroft itself. Mastercroft is a holding company that controls certain steel production, mining and trading entities located mainly in the Russian Federation.

In 2005, Evraz Group became listed on the London Stock Exchange.

Going Concern

These financial statements have been prepared on a going concern basis that contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business. The activities of the Company and its subsidiaries (the "Group") have been adversely affected by uncertainty and instability in international financial, currency and commodity markets resulting from the global economic crisis. The Company reported net loss of EUR 163.838 for the year ended December 31, 2009. The current liabilities were EUR 1.266.379 (including loans and borrowings of EUR 1.230.982 with maturities in 2010) and exceeded current assets by EUR 1.190.012.

The current maturities are expected to be covered by free cash flows and refinancing of current debts. As of December 31, 2009, the Company and its subsidiaries had unutilised borrowings in the amount of USD 1.345.000, including USD 864.000 of committed facilities.

In November 2009, the Company reset certain financial covenants and obtained waivers from its lenders (Notes 3, 7, 9). At December 31, 2009, the Company was in compliance with all of its financial covenants.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Operating Environment of the Group

The Company's subsidiaries sell their products to shipping, pipe-making, railway transportation, construction, oil and gas industries, all of which have reported substantially lower customer demand due to the financial crisis and the slowing global economy. Energy prices have fallen dramatically and this may reduce oil and gas exploration and development, which in turn could impact the Group's tubular business. In addition to slackening demand by the end customers, some of the Group's customers are experiencing difficulty in obtaining credit, which has further reduced their purchases from the Group even beyond that resulting from the decline in their sales. The duration of the crisis and the recovery of these industries will have a significant impact on the Group and the Company itself.

While the stabilisation measures aimed at providing liquidity and supporting debt refinancing have been introduced by the governments, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Company's financial position, results of operations and business prospects. The unexpected further deterioration in the areas described above could negatively affect the Company's results and financial position in a manner not currently determinable.

Note 2 – Significant Accounting Policies

Basis of Preparation

The Company maintains its books and records in EURO ("EUR") and the annual accounts have been prepared in thousands of EURO in accordance with applicable legal requirements in Luxembourg and in conformity with the commercial law of August 10, 1915, as amended, including the following significant accounting policies:

Foreign Currency Transactions

The presentation and measurement currency of the Company is euro. Transactions in foreign currencies are initially recorded in Euro at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Realised exchange gains and losses and unrealised exchange losses are recorded in the income statements. Unrealised exchange gains are deferred. As of December 31, 2009, the deferred unrealised exchange gains amounted to EUR 418.523 (2008: EUR 342.670).

Investments

Financial assets, including participation and loans granted to group-related companies and shareholders, are stated at acquisition cost. Write-downs are recorded if, in the opinion of the management, there is any permanent impairment in value.

Dividend income is recognised as revenue when the shareholders' right to receive the payment is established.

All purchases and sales of investments are recognised on the settlement date, which is the date when the investment is delivered to or by the Company. All investments are initially recognised at cost.

Accounts Receivable

Accounts receivable are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful receivables is made when collection of the full amount is no longer probable.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Notes to the Annual Accounts (continued)
December 31, 2009
(All monetary amounts are expressed in thousands)

Note 3 – Intangible Assets

On November 10, 2005, Evraz Group S.A. issued guaranteed notes for the value of USD 750.000 at an issue price of 98,338 %, bearing interest at 8,25% (Note 7).

The amount of USD 12.465 (EUR 10.587) resulting from the difference between the issue price and the nominal value was capitalised and amortised on a straight-line basis over the life of the notes.

Transaction costs in respect of the notes amounting to USD 5.046 (EUR 4.771) were also capitalised and amortised over the life of the notes.

In 2007 and 2006, the Company incurred loan arrangement costs of USD 63.315 (EUR 43.922) and USD 6.879 (EUR 5.402), respectively. These costs were capitalised and amortised over the period of the borrowings.

On April 24, 2008, the Company issued notes due 2013 amounting to USD 1.300.000 and notes due 2018 amounting to USD 700.000 (Note 7). Transaction costs in respect of these notes amounting to USD 17.479 (EUR 11.084) were capitalised and amortised on a straight-line basis over the life of the notes.

In July 2009, the Company issued unsecured convertible bonds due 2014 amounting to USD 650.000. Transaction costs in respect of these bonds amounting to USD 9.865 (EUR 6.879) were capitalised and amortised over the life of the bonds.

In November and December 2009, the Company received the consent of its lenders and note-holders to amend the terms of certain financial covenants (Note 7). In connection with the covenant reset, the Company incurred consent fees and legal costs of USD 112.375 (EUR 76.320). These costs were capitalised and amortised over the period of the borrowings.

Note 4 – Shares in Affiliated Undertakings

	2009	2008
Mastercroft Limited	3.831.982	1.336.875
Highveld Steel and Vanadium Corporation	–	555.443
Strategic Minerals Corporation	94.291	97.791
Vanston Limited	42.500	42.500
Evraz Overseas S.A.	–	2.002
Emmy N.A.	–	19
Evraz Vitkovice Steel	11	11
Evraz Inc. N.A.	–	473.560
Palmrose Limited	732.108	757.082
Evraz Inc. N.A. Canada	582.038	365.272
Delong Holdings Limited	19.228	16.169
ECS Holdings Europe B.V.	29	–
	5.302.187	**3.646.724**

Notes to the Annual Accounts (continued)
December 31, 2009
(All monetary amounts are expressed in thousands)
Note 4 – Shares in Affiliated Undertakings (continued)

Mastercroft Limited

At December 31, 2009 and 2008, the Company held 100% of the shares in Mastercroft.

On December 18, 2007, Mastercroft issued 12.000 ordinary shares for USD 1.200.000 to the Company. In 2007, the Company paid USD 859.200 in respect of the newly issued shares. At December 31, 2007, amounts owed to affiliated undertakings included USD 340.800 (EUR 231.506) in respect of the unpaid shares of Mastercroft.

On January 30, 2008, the Company paid USD 16.300 (EUR 11.006) of the outstanding amount. In April 2008, the remaining balance in the amount of USD 324.500 (EUR 207.216) was offset against the loans payable by Mastercroft to the Company under the loan agreements signed in May 2007.

On June 23, 2009, Mastercroft issued 1.000 ordinary shares for USD 670.000 (EUR 479.324) to the Company. The amount payable for the newly issued shares was fully offset by the transfer of the Highveld shares from the Company to Mastercroft in accordance with to the Share Contribution Agreement signed on June 23, 2009.

On June 26, 2009, Mastercroft issued 1.000 ordinary shares for USD 2.465.000 to the Company. The amount of USD 781.149 (EUR 554.164) was offset against the shares of Evraz Inc. N.A. transferred by the Company to Mastercroft according to the Share contribution and settlement agreement signed on June 26, 2009. The amount of USD 1.683.851 (EUR 1.194.559) was offset against the loans receivable from Evraz Inc. N.A., which were transferred by the Company to Mastercroft Finance Limited (subsidiary of Mastercroft) in accordance with the Contribution and assignment agreement signed on June 26, 2009 (Note 5).

On July 28, 2009, Mastercroft issued 1.000 ordinary shares for USD 380.000 (EUR 267.060) to the Company. In 2009, the Company paid for these shares in cash.

As at December 31, 2009 and 2008, the underlying equity of Mastercroft amounted to EUR 3.706.755 and EUR 1.270.712, respectively.

Highveld Steel and Vanadium Corporation

At December 31, 2007, the Company owned 80.223.738 shares of Highveld, which represented 80,91% of the Highveld's share capital.

In 2008, the Company acquired 4.162.606 shares of Highveld (4,2% of share capital) for a cash consideration of ZAR 535.031 (EUR 46.885). Transaction costs amounting to USD 320 (EUR 202) were included in the cost of investments in Highveld.

The summary of the movements in investments in Highveld during 2008 is presented below:

Investments in Highveld at December 31, 2007	EUR	508.356
Acquisition of shares	EUR	46.885
Transaction costs capitalised	EUR	202
Investments in Highveld at December 31, 2008	EUR	555.443

On June 23, 2009, the Company contributed its ownership interest in Highveld to Mastercroft. The fair value of the contributed shares, determined based on market quotations, amounted to USD 670.000 (EUR 479.324). The difference between the cost of investment in Highveld and its fair value amounting to USD 81.350 (EUR 58.199) was recorded as a loss on disposal of investments.

As at December 31, 2008, the underlying equity of Highveld amounted to EUR 419.075.

Notes to the Annual Accounts (continued)
December 31, 2009
(All monetary amounts are expressed in thousands)

Note 4 – Shares in Affiliated Undertakings (continued)

Evraz Inc. N.A.

At December 31, 2008, the investments in Evraz Inc. N.A. amounted to USD 610.634 (EUR 473.560).

In June 2009, the Company made a cash contribution to Evraz Inc. N.A. in the amount of USD 170.000 (EUR 121.459). On June 26, 2009, the Company entered into a number of agreements with Mastercroft and its subsidiary, under which the shares of Evraz Inc. N.A. have been contributed to the share capital of Mastercroft and the loans receivable from Evraz Inc. N.A. have been transferred to Mastercroft Finance Limited. Gain on disposal of investments in Evraz Inc. N.A. amounting to USD 515 (EUR 366) was recognised in the profit and loss account for the year ended December 31, 2009.

As at December 31, 2008, the underlying equity of Evraz Inc. N.A. amounted to USD 547.441 (EUR 393.361).

Strategic Minerals Corporation

The Company owns 72,84% of ordinary shares of Strategic Minerals Corporation ("Stratcor"), including 69,00% of voting shares. At December 31, 2009, the cost of investments amounted to USD 120.471 (EUR 94.055), including transaction costs of USD 1.383 and fair value of contingent consideration amounting to USD 21.161.

Under the share purchase agreement signed in 2006, the Company is obliged to pay to the seller the earn-out and synergy payments during the period from 2007 to 2019. The payments depend on the deviation of the average prices for vanadium pentoxide from certain levels and the amounts payable for each year are limited to maximum amounts.

Liabilities for the earn-out and synergy payments were recognised at fair value, which was determined based on the expected amounts to be paid, the timing of payments and applicable discount rate. In 2009, the Company re-assessed its future earn-out and synergy payments, which led to a decrease in the investments in Stratcor by EUR 3.500 (2008: decrease by EUR 1.437).

In 2009, the Company paid USD 7.956 (EUR 5.523) to acquire a 5,92% ownership interest in Stratcor, which is shown as a prepayment in the balance sheet at December 31, 2009. The ownership rights have been transferred to the Company in 2010.

At December 31, 2009 and 2008, the underlying equity of Stratcor amounted to USD 103.697 (EUR 71.982) and USD 84.956 (EUR 61.045), respectively.

Vanston Limited

On September 13, 2006, the Company acquired 100% ownership interest in Vanston Limited from Mastercroft for EUR 42.500. Vanston Limited owns Evraz Palini e Bertoli.

As at December 31, 2009 and 2008, the underlying equity of Vanston amounted to EUR 51.893 and EUR 38.220, respectively.

Evraz Vitkovice Steel

In January 2006, the Company purchased 100% of the share capital of ABA Assets s.r.o. (the Czech Republic) for EUR 11. In January 2006, ABA Assets acquired a controlling interest in Vitkovice Steel, a steel rolling mill, located in the Czech Republic, from Mastercroft. In 2007, ABA Assets was merged with its subsidiary – Evraz Vitkovice Steel.

At December 31, 2009 and 2008, the underlying equity of Evraz Vitkovice Steel amounted to EUR 333.884 and EUR 180.180, respectively.

Emmy N.A.

Emmy N.A. S.à.r.l. (Luxembourg) was established in 2007 for the purpose of acquisition of the steel businesses in Canada. On July 6, 2009, Emmy N.A. S.à.r.l. was liquidated.

Notes to the Annual Accounts (continued)
December 31, 2009
(All monetary amounts are expressed in thousands)

Note 4 – Shares in Affiliated Undertakings (continued)

Evraz Overseas

On April 20, 2007, the Company incorporated Evraz Overseas S.A., a wholly owned subsidiary located in Switzerland. Transactions costs amounted to CHF 500 (EUR 304).

On April 1, 2008 Evraz Overseas S.A. increased its share capital to 3.200.000 shares. The shares were fully subscribed by the Company for CHF 2.700 (EUR 1.699). At December 31, 2009, the investments in Evraz Overseas S.A. were considered as fully impaired and this loss was included in the value adjustment in respect of financial assets.

As at December 31, 2009 and 2008, the underlying equity of Evraz Overseas amounted to EUR (6.866) and EUR (3.578), respectively.

Palmrose Limited

Palmrose Limited ("Palmrose") is a Cyprus-based holding company, which owns controlling interests in certain steel and mining businesses located in Ukraine:

- Sukha Balka iron ore mining and processing complex;
- Dnepropetrovsk Iron and Steel Works;
- three coking plants (Bagleykoks, Dneprkoks, Dneprodzerzhinsk Coke Chemical Plant).

Lanebrook, the Company's parent, acquired these production assets in 2007.

On December 5, 2007, the Company signed an agreement with Lanebrook for the acquisition of Palmrose. In 2007, the Company made prepayments amounting to USD 1.060.000 (EUR 720.060) for the acquisition of Palmrose.

On April 14, 2008, the Company acquired a 51.4% share in Palmrose for a cash consideration of USD 1.110.000 (EUR 764.845).

On September 9, 2008, the Company issued 4.195.150 shares in exchange for 972 shares of Palmrose. The fair value of the issued shares determined by an independent appraiser amounted to EUR 714.080, which was allocated to share capital (EUR 8.390) and share premium (EUR 705.690). The amount of EUR 2 representing the unpaid share capital of Palmrose was included in the amounts owed to affiliated undertakings. In 2009, this amount was fully paid by the Company.

In 2008, the Company recognised an impairment loss in the amount of EUR 721.846 in respect of investments in Palmrose. In 2009, an impairment loss in the amount EUR 19.227 was reversed.

In 2009, the purchase price for the acquisition of Palmrose was reduced by USD 65.000 (EUR 44.201). The amount was received from Lanebrook Limited in cash. This change in the purchase price reduced the amount of investments in Palmrose.

At December 31, 2009 and 2008, the underlying equity of Palmrose amounted to EUR 1.462.198 and EUR 1.514.809, respectively.

Evraz Inc. N.A. Canada

On March 14, 2008, the Company entered into a Stock-Purchase Agreement to acquire IPSCO's Canadian plate and pipe business ("IPSCO Canada"). IPSCO Canada is a leading North American producer of steel plate, as well as pipe for the oil and gas industry.

According to the agreement, the Company acquired 526.944.510 ordinary shares of 6938621 Canada Inc., a company registered in Canada, for a total purchase consideration of USD 526.945 (EUR 341.794). Transaction costs amounting to USD 17.676 (EUR 12.833) were included in the cost of investments in IPSCO.

Total cash consideration paid by the Company for investments in IPSCO amounted to USD 533.933 (EUR 346.203).

On July 31, 2008, the Company subscribed to 17.000.000 ordinary shares issued by 6938621 Canada Inc. at an aggregate subscription price of CAD 17.000 (EUR 10.645). The payment of subscription price was offset against Promissory note 2 dated June 12, 2008 received by the Company from 6938621 Canada Inc. (Note 5).

Notes to the Annual Accounts (continued)
December 31, 2009
(All monetary amounts are expressed in thousands)

Note 4 – Shares in Affiliated Undertakings (continued)

On September 11, 2008, 6938621 Canada Inc. was renamed into Evraz Inc. N.A. Canada.

As of December 31, 2008, total investments in Evraz Inc. N.A. Canada amounted to USD 560.617 (EUR 365.272).

On February 27, 2009, Evraz Inc. N.A. Canada increased its share capital by 346.500.000 shares with par value of CAD 0,001 each. The Company subscribed to these shares at an aggregate subscription price of CAD 346.500 (EUR 216.766). The payment of the subscription price was offset against Amended and Restated Note #1 dated November 28, 2008 received by the Company from Evraz Inc. N.A. Canada (Note 5).

At December 31, 2009 and 2008, the underlying equity of Evraz Inc. N.A. Canada amounted to EUR 542.651 and EUR 304.766, respectively.

Delong Holdings Limited

On February 18, 2008, the Company entered into a Share Purchase Agreement to acquire up to approximately 51,05% of the issued share capital of Delong Holdings Limited ("Delong"), a hot-rolled coil manufacturer, headquartered in Beijing (China), over an agreed period of time. This transaction was subject to anti-trust clearance by the regulatory authorities of China.

The Share Purchase Agreement entered into between the Company, Best Decade and the shareholders of Best Decade included an initial sale to the Company of 10,01% of the issued share capital of Delong for SGD 211.000 (USD 150.000 at the exchange rate as of the date of the agreement).

On February 22, 2008, the Company paid USD 150.415 (EUR 100.572) for 53.557.498 ordinary shares of Delong Holdings Limited and became the owner of 10.01% of its share capital.

Transaction costs amounted to USD 2.569 (EUR 1.654).

In 2008, the Company recognised an impairment loss in the amount of EUR 86.058 in respect of the investments in Delong Holdings Limited.

In 2009, the Company reversed part of the previously recognised impairment loss in the amount of EUR 3.175 due to the increase in market prices for the shares of Delong.

Cape Lambert Iron Ore

From March to June 2008, the Company purchased 4.033.021 ordinary shares and 56.050.143 options of Cape Lambert Iron Ore for USD 19.499 (EUR 12.506).

On July 11, 2008, all options were converted into ordinary shares. The cash consideration, which was paid by the Company, amounted to USD 14.970 (EUR 9.454).

On October 13, 2008, all shares were sold to Evraz Inc. N.A. for a sale price of EUR 13.306, resulting in an impairment loss of EUR 8.654.

On September 12, 2008, the Company entered into a joint venture agreement with China Metallurgical Group Corporation (MCC) and Blessing City Investments Limited (BCI). The joint venture was created for cooperative development of ore deposit. In accordance with the agreement, on September 24, 2008, the Company paid AUD 10.000 (EUR 5.695) as a deposit. As of December 31, 2008, the Company decided not to participate in the joint venture and recognised an impairment loss for the whole amount of the deposit (EUR 4.932 at the exchange rate as of December 31, 2008).

Notes to the Annual Accounts (continued)
December 31, 2009
(All monetary amounts are expressed in thousands)
Note 4 – Shares in Affiliated Undertakings (continued)

ECS Holdings Europe B.V.

On August 4, 2009, the Company incorporated a wholly-owned subsidiary in the Netherlands – ECS Holdings Europe B.V. Transaction costs amounted to EUR 18.

On October 16, 2009, the Group contributed EUR 11 to the capital of ECS Holdinds Europe B.V.

At December 31, 2009, the underlying equity of ECS Holdings Europe B.V. amounted to EUR (1).

Note 5 – Loans to Affiliated Undertakings and Other Amounts Owed by Affiliated Undertakings

	Type of receivables	2009	2008
Becoming due and payable within one year			
Mastercroft Limited	dividends	–	252
Vanston Limited	loan	16.886	30.552
EMMY N.A.	loan	–	364.692
Evraz Inc. N.A. Canada	loan	–	574.837
Highveld Steel and Vanadium Corporation	other receivables	16	71
Lanebrook Limited	other receivables	36.883	57.887
		53.785	1.028.291
Becoming due and payable after more than one year			
Evraz Inc. N.A.	loan	–	1.153.647
EvrazHolding	loan	–	86
Evraz Inc. N.A. Canada	loan	907.968	597.071
		907.968	1.750.804
		961.753	**2.779.095**

Notes to the Annual Accounts (continued)
December 31, 2009
(All monetary amounts are expressed in thousands)

Note 5 – Loans to Affiliated Undertakings and Other Amounts Owed by Affiliated Undertakings (continued)

In the year ended December 31, 2009, the movement of loans issued to related parties was as follows:

Loans denominated in USD

	Interest rate	Maturity date	Balance at December 31, 2008	Unamortised debt issue costs	Loans issued to related parties	Interest income	Settlement of the loans	Debt issue costs amortised	Effect of exchange rate changes	Balance at December 31, 2009
EvrazHolding LLC	6,00%	14.07.2009	120	–	–	3	(123)	–	–	–
Emmy N.A.	10,00%	30.01.2009	507.542	–	–	–	(507.542)	–	–	–
East Metals S.A.	5,50%	15.12.2009	–	–	222.500	838	(223.338)	–	–	–
Evraz Inc. N.A. Canada	7,6225%/ 6,03531%	10.12.2014	800.000	–	–	61.192	(61.192)	–	–	800.000
Evraz Inc. N.A. loan A	9,17%	26.06.2009	320.000	(1.937)	–	14.924	(334.924)	1.937	–	–
Evraz Inc. N.A. loan B	9,41%	26.06.2009	295.000	(1.852)	–	14.122	(309.122)	1.852	–	–
Evraz Inc. N.A. loan C	9,67%	26.06.2009	360.000	(945)	–	17.715	(377.715)	945	–	–
Evraz Inc. N.A. loan D	9,78%	26.06.2009	370.000	–	–	18.417	(388.417)	–	–	–
Evraz Inc. N.A. loan E	9,91%	26.06.2009	260.530	–	–	13.143	(273.673)	–	–	–
			2.913.192	**(4.734)**	**222.500**	**140.354**	**(2.476.046)**	**4.734**	**–**	**800.000**
Translation into EUR			**2.093.261**	**(3.000)**	**148.621**	**100.627**	**(1.784.657)**	**3.000**	**(2.528)**	**555.324**

Loans denominated in EURO

	Interest rate	Maturity date	Balance at December 31, 2008	Loans issued to related parties	Interest income	Settlement of the loans	Effect of exchange rate changes	Balance at December 31, 2009
Vanston Limited	7.20%	08.07.2009	65	–	2	(67)	–	–
Vanston Limited	7.20%	08.07.2009	784	–	–	(784)	–	–
Vanston Limited	7,20%	16.07.2009	2.008	–	–	(2.008)	–	–
Vanston Limited	7,20%	31.12.2010	27.695	–	1.466	(12.265)	(10)	16.886
Emmy	8,75%	03.06.2009	–	19	–	(19)	–	–
			30.552	**19**	**1.468**	**(15.143)**	**(10)**	**16.886**

Loans denominated in Canadian dollars

	Interest rate	Maturity date	Balance at December 31, 2008	Loans issued to related parties	Interest income	Settlement of the loans	Effect of exchange rate changes	Balance at December 31, 2009
Evraz Inc. N.A. Canada	8,08%	12.06.2018	1.014.902	–	52.241	(533.662)		533.481
			1.014.902	**–**	**52.241**	**(533.662)**	**–**	**533.481**
Translation into EUR			**597.071**	**–**	**32.959**	**(332.929)**	**55.543**	**352.644**

In the opinion of Directors, the above loans do not present any permanent impairment as of December 31, 2009.

Notes to the Annual Accounts (continued)
December 31, 2009
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Note 6 – Capital and Reserves

Subscribed Capital

Number of shares	2009	2008
Authorised		
Ordinary shares of EUR 0,002 each	257.204.326	157.204.326
Issued and fully paid		
Ordinary shares of EUR 0,002 each	145.957.121	122.504.803

Shareholders of the Company are entitled to standard rights provided under the laws of Luxembourg to shareholders of stock companies ("société anonyme"). These rights comprise the right to vote at the shareholders meetings and the right to receive dividends.

Acquisition of Palmrose

On September 9, 2008, the Company issued 4.195.150 shares in exchange for 972 shares of Palmrose Limited. The fair value of the issued shares determined by an independent appraiser amounted to EUR 714.080 and was allocated to share capital (EUR 8.390) and share premium (EUR 705.690).

Scrip Dividends

On January 30, 2009, the Extraordinary General Meeting approved the modification of the method of payment of the 2008 interim dividends: euro equivalent of the outstanding dividends of USD 0,00225 per share could be either exchanged for new shares of the Company or paid in cash to the shareholders who voted against or abstained from voting. The voluntary partial scrip dividend alternative was voted for in respect of 97.553.473 shares, representing 79,62% of the Company's share capital, entitling the holders to subscribe to 9.755.347 new shares issued at a price of USD 0.0225 per share. The new shares are ranked pari passu with the existing ordinary shares of the Company. The Company's major shareholder, Lanebrook Limited, subscribed to 9.193.477 shares. The value of the issued shares amounted to EUR 171.267 (at the exchange rate as of January 30, 2009), which was allocated to share capital (EUR 19.511) and share premium (EUR 151.756).

Increase of Authorised Share Capital

On July 31, 2009, the Company increased its authorised share capital by 100.000.000 shares with par value of EUR 0,002 each. In addition, in connection with the issue of convertible bonds, the shareholders resolved to extend the authority of the Board of Directors to issue new shares for another five years as well as the right of the Company to acquire up to 10% of its own shares.

Equity Offering

In 2009, the Company completed the offering of global depository receipts (the "Equity Offering"). On July 13, 2009, the Company issued the Global Depository Receipts ("GDRs") listed on the London Stock Exchange, representing ordinary shares of the Company for the total amount of USD 300.000. 6.060.608 new shares were issued at an issue price of USD 0,01650 per GDR (USD 0,0495 per share). The value of the issued shares amounted to EUR 214.669 (at the exchange rate as at July 13, 2009) and was allocated to share capital (EUR 12.121) and share premium (EUR 202.548).

The Company has granted to the Goldman Sachs and Morgan Stanley ("Joint Book runners") an over-allotment option to subscribe to up to 909.090 additional GDRs, represented by 303.030 additional new shares, corresponding to additional gross proceeds of USD 15.000. This option was exercised in full on July 27, 2009. The value of the issued shares amounted to EUR 10.512 (at the exchange rate as of July 27, 2009), which was allocated to share capital (EUR 606) and share premium (EUR 9.906).

Notes to the Annual Accounts (continued)
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(All monetary amounts are expressed in thousands)

Note 6 – Capital and Reserves (continued)

Shares Lending

In order to facilitate the issuance of the convertible bonds, Morgan Stanley offered to certain institutional investors an opportunity to borrow ordinary shares of the Company, represented by GDRs, during the term of the bonds by means of a loan of GDRs beneficially owned by Lanebrook (the "Borrowed GDRs").

On August 4, 2009, the Board of Directors approved the issue of the new ordinary shares to Lanebrook in the amount equal to the number of shares underlying the borrowed GDRs. The Group effected a novation of the stock lending arrangements, whereby the Company was substituted for Lanebrook as a lender of the borrowed GDRs. As a result, on August 12, 2009, 7.333.333 new shares were issued to Lanebrook at the price of USD 0,0212 per GDR or USD 0,0636 per share in exchange for the right to receive 7.333.333 shares lended under the shares lending agreement. These shares were recognised as other financial assets in the balance sheet as at December 31, 2009. The value of the issued shares amounted to EUR 329.146 (at the exchange rate as of August 12, 2009), which was allocated to share capital (EUR 14.667) and share premium (EUR 314.479).

Transaction costs in respect of the capital increase in the amount of EUR 3.568 were recorded in other operating charges.

Non-Distributable Reserves

As of December 31, 2008, Mastercroft Limited, a wholly owned subsidiary of Evraz Group S.A., and Mastercroft Finance Limited, a wholly owned subsidiary of Mastercroft Limited, held together 202.296 global depositary receipts ("GDR"), including 163.000 GDRs, which were held by the Company's direct subsidiary. In accordance with the Luxembourg laws, the Company recognised a non-distributable reserve for the global depositary receipts held by its direct subsidiary thereby reducing the share premium in the amount of USD 5.778 (EUR 4.152). In 2009, Mastercroft Limited sold all GDRs and non-distributable reserve was transferred to the share premium. In addition, in 2009, the Company recognised a non-distributable reserve for the contributed rights under the stock lending agreement amounting to EUR 329.146.

Legal reserve

According to the Luxembourg Law, the Company is required to create a legal reserve of 10% of share capital per the Luxembourg statutory accounts by annual appropriations which should be at least 5% of the annual net profit per statutory financial statements. The legal reserve can be used only in case of a bankruptcy.

In 2009 and 2008, EUR 839 and EUR 162, respectively, were allocated to legal reserve.

Dividends

Dividends declared by the Company were as follows:

	Date of declaration	To holders registered at	Dividends declared, USD	USD per share	Equivalent in EUR
Final for 2007	15/05/2008	14/05/2008	496.901	4.20	321.120
Interim for 2008	28/08/2008	18/09/2008	1.010.665	8.25	684.222

The shareholders meeting held May 15, 2009 resolved not to declare final dividends for 2008. No interim dividends were declared during 2009.

Notes to the Annual Accounts (continued)
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Note 7 – Non-Convertible Bonds

Notes due 2015

On November 10, 2005, the Company issued guaranteed notes in the amount of USD 750.000 at an issue price of 98,338%, bearing interest of 8,25% per annum and maturing on November 10, 2015. These notes are unconditionally and irrevocably guaranteed without limitation for an amount by Mastercroft.

The notes were subscribed for an amount of USD 737.535 (EUR 623.497), but they will be redeemed at their principal amount of USD 750.000. The difference between the issue price and the nominal value of USD 12.465 (EUR 10.587) was capitalised and is amortised over the maturity period of the notes.

Interest on the notes is payable semi-annually in arrears on May 10 and November 10 of each year commencing May 10, 2006. As at December 31, 2009 and 2008, the accrued interest amounted to USD 6.793 (EUR 4.715) and USD 8.521 (EUR 6.123), respectively.

In 2009 and 2008, the Company repurchased the notes due 2015 with the nominal amount of USD 148.100 and USD 25.200, respectively, for cash consideration of USD 90.028 and USD 13.863, respectively. As a result, the Company recognised gain on extinguishment of debts in the amount of USD 58.072 (EUR 45.378) and USD 11.337 (EUR 8.095), respectively.

Notes due 2013 and 2018

On April 24, 2008, the Company issued notes in the amount of USD 1.050.000 maturing on April 24, 2013 and bearing interest of 8,875%, and notes in the amount of USD 550.000 maturing on April 24, 2018 and bearing interest of 9,5%. The notes were issued at a price of 100%.

On May 27, 2008, the Company issued additional tranches of the notes due 2013 and notes due 2018 amounting to USD 250.000 and USD 150.000, respectively, at an issue price of 101,15% plus interest accrued from and including April 24, 2008 to May 26, 2008. The premium was recognised in deferred income and is amortised over the maturity period of the notes.

Interest on the notes is payable semi-annually in arrears on April 24 and October 24 of each year commencing October 24, 2008. As at December 31, 2009 and 2008, the accrued interest amounted to USD 28.434 (EUR 19.738) and USD 30.757 (EUR 22.101), respectively.

On December 24, 2008, the Company repurchased notes due 2013 with the nominal amount of USD 55.000 for a cash consideration of USD 30.255 and notes due 2018 with the nominal amount of USD 139.800 for a cash consideration of USD 76.929. As a result, the Company recognised a gain on extinguishment of debts in the amount of USD 87.616 (EUR 62.560). In 2009, the Company repurchased notes due 2013 with the nominal amount of USD 89.100 (EUR 68.133) for a cash consideration of USD 52.160 (EUR 39.681) and notes due 2018 with the nominal amount of USD 51.000 (EUR 38.702) for a cash consideration of USD 29.284 (EUR 22.136). As a result, the Company recognised a gain on extinguishment of debts in the amount of USD 58.656 (EUR 44.837).

Covenants Reset

Some of the loan agreements and terms and conditions of the notes provide for certain covenants in respect of the Company and its subsidiaries (the Group). The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness and profitability.

In November 2009, the lenders under certain bank facilities approved the requested amendments to the agreements, which included a reset of the financial covenants. The total principal amount of these borrowings at December 31, 2009 was USD 2.178.860. In addition, the covenants have been reset in respect of certain loans of the entities under control of the Company.

As a result, the financial covenant ratios tested on the Group's consolidated numbers were loosened, with no testing for the year 2009; all financial covenant ratios that were tested on the consolidated numbers of Mastercroft Limited were replaced with the new ratios tested on the Group's consolidated numbers; new restrictions on capital expenditure, acquisitions and loans to third parties were established; a number of exemptions were introduced to the debt incurrence covenants, where applicable, allowing the Group to refinance its current debt maturities in the ordinary course.

In December 2009, the Group received the consent of the holders of its notes due in 2013, 2015 and 2018 totaling USD 2.241.800 to amend the terms of certain covenants in the notes. The financial covenant ratios of the notes were subsequently amended in a manner similar to the amendments to the bank facilities.

In connection with the covenants reset the Company incurred transaction costs comprising consent fees and legal fees amounting to USD 112.375, which will be amortised during the period of the borrowings. At December 31, 2009, the unpaid transaction costs were USD 29.256.

Note 8 – Convertible Bonds

In July 2009, the Company issued unsecured convertible bonds for the total amount of USD 650.000 at a price of 100%. They bear interest of 7,25% per annum payable on a quarterly basis and mature on July 13, 2014.

The conversion can be exercised at the option of the bondholders on any date during the period from September 11, 2009 till July 6, 2014. The bonds will be convertible into GDRs at an initial conversion price of USD 0,0212 per GDR. The conversion price represents a 28% premium to the equity offering placement price of USD 0,0165 per GDR, which is the reference price for the convertible bonds. The Company can early redeem the bonds at their principal amount plus accrued interest if 15% or less of the bonds remain outstanding.

As at December 31, 2009, the accrued interest amounted to USD 10.296 (EUR 7.147).

Note 9 – Amounts Owed to Credit Institutions

Long-Term Loans

Natixis

In June 2006, the Company borrowed a syndicated loan of USD 225.000 arranged by Natixis (formerly Natexis Banques Populaires). The loan bears a fixed interest of 6,681% per annum payable on a monthly basis and is repayable in 42 monthly installments starting from January 9, 2007 to May 6, 2011. In 2009, the Company repaid USD 64.286 of principal amount of loan and USD 13.351 of accrued interest. As at December 31, 2009 and 2008, the outstanding principal amounted to USD 96.428 (EUR 66.936) and USD 160.714 (EUR 115.481), respectively, and the outstanding accrued interest was USD 477 (EUR 331) and USD 686 (EUR 493), respectively.

In December 2009, the Company entered into amendment agreement with Natixis regarding the covenants reset. Interest rate from this date was increased by the margin of 2,55%.

Deutsche Bank

In November and December 2007, the Company borrowed a syndicated loan of USD 3.214.000 under which Deutsche Bank Amsterdam Branch acts as an agent for all lenders. The loan bears interest of LIBOR plus 1,8% per annum. The loan consists of a 3-year unsecured tranche of USD 500.000 and a 5-year secured tranche of USD 2.174.000. The secured tranches are repayable in quarterly unsettlements from February 25, 2008 to November 23, 2010.

Notes to the Annual Accounts (continued)
December 31, 2009
(All monetary amounts are expressed in thousands)

Note 9 – Amounts Owed to Credit Institutions (continued)

The 5-year tranche secured by the proceeds of the sales contracts of East Metals S.A., an indirect subsidiary of the Company, is guaranteed without limitation for an amount by Mastercroft.

In 2009 and 2008, the Company repaid USD 166.667 and USD 166.667, respectively, relating to the 3-year unsecured tranche and USD 638.588 and USD 159.647, respectively, of the principal amount of loan and USD 77.822 and USD 143.041, respectively, of the accrued interest in respect of the 5-year secured tranche. As at December 31, 2009 and 2008, the outstanding principal amounted to USD 2.082.431 (EUR 1.445.531) and USD 2.887.686 (EUR 2.074.934), respectively, and the outstanding accrued interest was USD 4.774 (EUR 3.314) and USD 11.733 (EUR 8.430), respectively.

In December 2009, the Company entered into an amendment agreement with Deutsche Bank, under which the interest rate was increased by the margin of 2% starting from December 29, 2009.

Vnesheconombank

On November 21, 2008, the Company entered into the loan agreement with Vnesheconombank (VEB). In accordance with this loan agreement, the Company borrowed USD 1.006.569 for partial refinancing of the loan from Deutsche Bank. The loan bears interest of LIBOR plus 5% per annum payable on a quarterly basis and matures one year later than a tranche is provided.

The borrowing was executed by five tranches. On November 24, 2008, the first tranche amounting to USD 201.314 (EUR 144.653 at the exchange rate as of December 31, 2008) was borrowed by the Company.

In 2009, the remaining four tranches were borrowed by the Company in the amount of USD 201.314 each.

In November 2009, the Company signed an amendment, according to which the loan matures twenty four months after disbursement of each tranche.

At December 31, 2009, the outstanding principal amounted to USD 1.006.569 (EUR 698.715) and the outstanding accrued interest was USD 6.960 (EUR 4.832).

Short-Term Loans

In June 2006, the Company borrowed USD 207.000 from Credit Suisse. The loan bore interest of LIBOR plus 2% per annum payable on a quarterly basis. The principal amount was payable in bullet repayment with a final payment on July 18, 2008. The principal amount and accrued interest were fully repaid by the Company in 2008.

In September 2006, the Company borrowed USD 207.000 arranged by ABN Amro Bank N.V. London Branch. The loan bore interest of LIBOR plus 0,8% per annum payable on a quarterly basis and matured on September 10, 2007. On this date ABN Amro agreed to extend the maturity date to September 9, 2008. The principal amount and accrued interest were fully repaid by the Company in 2008.

In December 2008, the Company entered into the loan agreement with Vnesheconombank (VEB). In accordance with this loan agreement, the Company borrowed USD 800.000. The loan bore interest of LIBOR plus 5% per annum payable on a quarterly basis and matured on December 12, 2009. The principal amount and accrued interest were fully repaid by the Company in 2009.

Interest payable

At December 31, 2009 and 2008, the interest payable in respect of long-term and short-term loans amounted to USD 12.211 (EUR 8.476) and USD 17.152 (EUR 12.325), respectively, and was included in current liabilities.

Notes to the Annual Accounts (continued)
December 31, 2009
(All monetary amounts are expressed in thousands)

Note 10 – Amounts Owed to Affiliated Undertakings

	Type of payables	2009	2008
Becoming due and payable within one year			
Palmrose Limited	unpaid share capital	–	2
Evraz Vitkovice Steel	loan	–	35.118
East Metals S.A.	loan	305.801	89.671
Mastercroft Finance Limited	loan	28.082	42.972
KGOK	loan	3.151	–
NTMK	loan	56.992	–
ZSMK	loan	44.708	–
Lanebrook Limited	dividends payable	–	137.586
Mastercroft Finance Limited	other payables	10	–
Other related parties	other payables	8.817	1.079
		447.561	**306.428**

In the year ended December 31, 2009, the movement in loans received from related parties, all of which were denominated in USD, was as follows:

	Interest rate	Maturity date	Balance at December 31, 2008	Loans received from related parties	Interest expense	Repayment of loans	Effect of exchange rate changes	Balance at December 31, 2009
Mastercroft Finance Limited	7,00%	19.10.2009	59.804	124.595	3.268	(187.667)		–
Mastercroft Finance Limited	7,35%	31.12.2010	-	43.300	156	(3.000)		40.456
East Metals S.A.	6,00%	19.10.2009	124.795	124.850	2.529	(252.174)		–
East Metals S.A.	6,00%	20.10.2009	-	296.820	2.807	(299.627)		–
East Metals S.A.	6,00%	31.12.2010	-	439.000	1.537	–		440.537
KGOK	6,00%	15.12.2010	-	4.522	17	–		4.539
NTMK	6,00%	15.12.2010	-	81.800	302	–		82.102
ZSMK	6,00%	31.12.2010	-	64.170	236	–		64.406
Evraz Vitkovice Steel	7,00%	03.02.2009	48.874	–	315	(49.189)		–
			233.473	**1.179.057**	**11.167**	**(791.657)**	**–**	**632.040**
Translation into EUR			**167.761**	**820.623**	**8.006**	**(565.939)**	**8.283**	**438.734**

Notes to the Annual Accounts (continued)
December 31, 2009
(All monetary amounts are expressed in thousands)

Note 11 – Other Creditors

Other creditors comprise of the following:

	2009	2008
Becoming due and payable within one year		
Dividends payable	–	60.471
Accrued payroll and related taxes	121	1.784
Taxes payable	79	26.415
Earn out and synergy payments (Note 4)	11.408	10.950
Other payables	23.789	14.670
	35.397	114.290
Becoming due and payable after more than one year		
Earn out and synergy payments (Note 4)	10.352	13.623
	10.352	13.623
	45.749	**127.913**

Note 12 – Income from Participating Interests

In 2008, Mastercroft declared and partly paid interim dividends for 2007 in the amount of USD 400.000 (EUR 268.654). As at December 31, 2008, the outstanding amount of unpaid dividends was USD 350 (EUR 252). This amount was received in 2009. In addition, in 2008, Mastercroft declared and paid second interim dividends for 2007 in the amount of USD 200.000 (EUR 128.816). In 2008, Mastercroft declared and paid interim dividends for 2008 in the amount of USD 1.650.000 (EUR 1.088.233).

In 2008, Highveld declared and paid special dividends in respect of 2007 for the total amount of ZAR 1.448.292 (EUR 120.033). In addition, in 2008, Highveld declared and paid interim dividends in the amount of ZAR 1.177.912 (EUR 101.721).

In 2008, Stratcor declared and paid interim dividends in the amount of USD 16.390 (EUR 10.447).

In 2008, Evraz Vitkovice Steel declared and paid dividends in respect of 2007 for a total amount of CZK 2.106.390 (EUR 84.299).

In 2008, Delong Holdings Limited declared and paid final dividends in respect of 2007 for a total amount of SGD 2.223 (EUR 1.026).

In 2009, subsidiaries of the Company did not declare and pay any dividends.

Note 13 – Taxation

The Company is subject to all taxes applicable to Luxembourg commercial companies.

Notes to the Annual Accounts (continued)
December 31, 2009
(All monetary amounts are expressed in thousands)

Note 14 – Guarantees

At December 31, 2009, the Group had the following contingent liabilities with respect to the guarantees issued:

Name of affiliated entity which debt was guaranteed by the Company	Subject of the guarantee	Principal and accrued interest at December 31, 2009 (thousands of EUR)	Maturity
EvrazResource-Ukraine	bank loan	62.474	June 30, 2011
Evraz Vitkovice Steel	bank loan	81.868	June 11, 2012
Evraz Vitkovice Steel	credit line	9.200	not defined
Sibmetinvest	bonds	470.918	October 16, 2019

Note 15 – Subsequent Events

VEB Loan Amendment

In January 2010, the Company signed an amendment to the loan agreement with VEB for USD 1.007.000. Under the revised agreement, the extension of the four tranches was cancelled, thus resulting in a reclassification of USD 805.000 into current liabilities. At the maturity dates, the Company is going to conclude separate agreements with VEB for the extension of each tranche. The interest rate will be fixed at one year LIBOR defined on two business days preceding the date of the extension agreement plus 5%.

Issue of Rouble-Denominated Bonds

In March 2010, the entity under control of the Company issued rouble-denominated bonds in the total amount of 15,000 million Russian roubles ($505.779 at the exchange rate as of March 26, 2010), which bear interest of 9.25% per annum and mature in March 2013. Evraz Group S.A. guaranteed the repayment of these bonds.

Abbreviations and Acronyms

AGM – Annual General Meeting

BRIC – Brazil, Russia, India and China

BOF – Basic oxygen furnace

CAD – The Canadian Dollar

CEO – Chief Executive Officer

CIS – The Commonwealth of Independent States

CO_2 – Carbon dioxide

CZK – The Czech Koruna

EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortisation

EGM – Extraordinary General Meeting

ERM – Enterprise Risk Management

ERW – Electric Resistance Welded

EU – European Union

EUR or **€** – The Euro

GDP – Gross Domestic Product

GDR – Global Depositary Receipts

HRC – Hot rolled coil

IAS – International Accounting Standard

IFRS – International Financial Reporting Standards

kt – Thousand tonnes

kWh – Kilowatt-hour

LIBOR – The London Interbank Offered Rate

LD – Large diameter pipe

LSE – London Stock Exchange

M or **mln** – Million

mt – Million tonnes

OCTG pipe – Oil Country Tubular Goods

Oxycutter – Oxygen cutter

p.a. – Per annum, annually

RoW – Rest of the world

RZD – Joint Stock Company "Russian Railways"

RUB – The Russian Rouble

t – Tonne. In this document, unless stated otherwise, all references to "tonnes" are to metric tonnes. One metric tonne is equal to one thousand kilograms, or 2,204.6 pounds

UK – United Kingdom of Great Britain and Northern Ireland

USA – The United States of America

UAH – The Ukrainian Hryvnia

USD, US$** or **$ – The US Dollar

V – Vanadium

VAT – Value added tax

VEB – Russia's State Corporation Bank for Development and Foreign Economic Affairs "Vnesheconombank"

ZAR – The South African Rand

Glossary of Selected Terms

Angle
Angle-shaped steel section for construction

API-grade slab
American Petroleum Institute certified (API quality) slab

Beam
Construction steel product, structural element that is capable of withstanding load primarily by resisting bending

Billet
A usually square, semi-finished steel product obtained by continuous casting or rolling of blooms. Sections, rails, wire rod and other long products are made from billets

Blast furnace
The blast furnace is the classic production unit to reduce iron ore to molten iron, known as hot metal. It operates as a counter-current shaft system, where iron ore and coke is charged at the top. While this charge descends towards the bottom, ascending carbon containing gases and coke reduces the iron ore to liquid iron. To increase efficiency and productivity, hot air (often enriched with oxygen) is blown into the bottom of the blast furnace. In order to save coke, coal or other carbon containing materials are sometimes injected with this hot air

Bloom
A usually square, semi-finished steel product obtained by continuous casting or rolling of ingots. Blooms are used to make billets and in the manufacture of structural steel products

Brownfield project
A development or exploration project in the vicinity of an existing operation

Cast iron
Please refer to "Pig iron"

Channel
U-shaped section for construction

Coke
A product made by baking coal without oxygen at high temperatures. Unwanted gases are driven out of the coal. The unwanted gases can be used as fuels or processed further to recover valuable chemicals. The resulting material (coke) has a strong porous structure which makes it ideal for use in a blast furnace

Coke (oven) battery
A group of coke ovens operating as a unit and connected by common walls

Concentrate
A product resulting from ore and coal enrichment, with a high grade of extracted mineral

Construction products
Include beams, channels, angles, rebars, wire rods, wire and other goods used in construction

Consumption
The physical use of steel by end users

Convertor Shop
A type of furnace that uses pure oxygen in the process of producing steel from cast iron or dry mix

Crude steel
Steel in its solidified state directly after casting. This is then further processed by rolling or other treatments, which can change its properties

Ferroalloy
A metal product commonly used as a raw material feed in steelmaking, usually containing iron and other metals, to aid various stages of the steelmaking process such as deoxidation and desulphurisation, and add strength

Flat products or Flat-rolled steel products
Include commodity plate, specialty plate and other products in flat shape such as sheet, strip and tin plate

GZh coal
Coal graded as gas fat coal, Russian equivalent of semi hard coking coal in international classification

Greenfield project
The development or exploration of a new project not previously examined

H-Beam
An H-shaped beam

Iron ore
Chemical compounds of iron with other elements, mainly oxygen, silicon, sulphur or carbon. Only extremely pure (rich) iron-oxygen compounds are used for steelmaking. Since the iron is chemically bound to the accompanying elements, energy is needed to break these bonds. This makes ore-based steel production more energy intensive than production based on recycled steels, where only melting is usually required

Long products
Include bars, rods and structural products that are “long” rather than “flat” and are produced from blooms or billets

Open-hearth furnace
A vessel used to produce steel, which has been largely superseded by the substantially more efficient basic oxygen furnace (BOF)

Other steel products
Include rounds, grinding balls, mine uprights, strips etc.

OCTG pipe
Oil Country Tubular Goods – pipes used in the oil industry

Pellets
An enriched form of iron ore shaped into small balls or pellets. Pellets are used as raw material in the steel making process

Pig iron
The solidified iron produced from a blast furnace used for steel production. In liquid form, pig iron is known as hot metal

Plate
A long thin square shaped construction element made from slabs

Railway products
Include rails, rail fasteners, wheels, tyres and other goods for the railway sector

Rebar
Reinforcing bar, a commodity grade steel used to strengthen concrete in highway and building construction

Scrap
Iron containing recyclable materials (mainly industrial or household waste) that is generally remelted and processed into new steel

Semi-finished steel products
The first solid product forms in the steel making process such as slabs, blooms, billets or pipe blanks that are further processed into more finished products including beams, bars, sheets, tubing etc.

Shale
Shale is a fine-grained, clastic sedimentary rock composed of a mixture of clay minerals and tiny fragments of other minerals, principally quartz and calcite

Shale gas
Shale gas is natural gas produced from shale

Skip coke
Coke already sorted by size (usually less than 25 millimetres) in blast-furnace workshop

Sheet pile
A long structural section with interlocking connections

Sinter
An iron rich clinker like aggregate formed by heating iron ore fines and coke in a sinter line and used as a burden material in blast furnaces.

Slab
A very common type of semi-finished steel product which can be further rolled into sheet and plate products

Slag
Slag is a byproduct generated when non-ferrous substances in iron ore, limestone and coke are separated from the hot metal in metallurgical production. Slag is used in cement and fertiliser production as well as for base course material in road construction

Tubular products
Include large diameter pipes, ERW pipes and casings, seamless pipes and other tubular products

Vanadium
A grey metal that is normally used as an alloying agent for iron and steel. It is also used to strengthen titanium-based alloys

Vanadium pentoxide
The chemical compound with the formula V_2O_5: this orange solid is the most important compound of vanadium. Upon heating, it reversibly loses oxygen

Zh coal
Coal graded as fat coal, Russian equivalent of hard coking coal in international classification

Information in respect of the Company

Evraz Group S.A. is the parent company of the Evraz group of companies. All references to “Evraz”, the “Company”, the “Group”, ‘we’ or ‘us’ relate to Evraz Group S.A. and its consolidated subsidiaries.

The registered address of Evraz Group S.A. is 1 Allee Scheffer L-2520, Luxembourg, tel. +352 24 14 33 1. The Company is registered with the Luxembourg Register of Commerce and Companies under Number B105615. London Stock Exchange symbol: ‘EVR’.

EvrazHolding LLC is a centralised management company overseeing the management of Evraz’s assets.

EvrazHolding in Russia:
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www.evraz.com

Evraz is a Component of the Following Recognised Market Indices:

Dow Jones
Emerging Markets Metals & Mining Titans 30 Index

Dow Jones
Emerging Markets Basic Materials Titans 30 Index
S&P Russia 10 Index

FTSE Russia IOB Index (10 constituents)

The DAXglobal Russia+Index (Bloomberg ticker: DXRPUS)

Russian Industrial Leaders Index, 30 components, (RUXX), calculated by Dow Jones Indexes

Further Information

GDR Programme

The Bank of New York Mellon
Depositary Receipts Division
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New York, NY 10286 USA
www.adrbny.com

The Bank of New York Mellon
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Availability of Annual Report
Evraz Group’s Annual Report for 2009 and those for previous years can be downloaded from the website
www.evraz.com/investor/reports

To obtain a copy of the Company’s Annual Report, free of charge, or to submit any queries, please contact:

Investor Relations:
tel. +7 495 232 1370,
ir@evraz.com

Cautionary Statements

The Evraz Group S.A. Annual Report and Accounts for 2009 contains certain "forward looking statements" which include all statements other than the statements of historical facts that relate to Evraz's plans, financial position, objectives, goals, strategies, future operations and performance together with the assumptions underlying such matters. The Company generally uses words such as "estimates", "expects", "believes", "intends", "plans", "may", "will", "should" and other similar expressions to identify forward looking statements.

Evraz Group has based these forward looking statements on the current views of its management with regard to future events and performance. These views reflect management's best judgement but involve uncertainties and are subject to certain known and unknown risks together with other important factors outside the Company's control, the occurrence of which could cause actual results to differ materially from those expressed in Evraz's forward looking statements.

Competitive Position

Statements referring to Evraz's competitive position reflect the Company's beliefs and, in some cases, rely on a range of sources, including investment analysts' reports, independent market studies and the Company's internal estimates of market share based on publicly available information regarding the financial results and performance of various market participants.

Rounding

Certain figures included in this document have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

design Agey Tomesh