GUIDE TO THE WORLD OF EVRAZ

Annual Report and Accounts 2010

+37%
revenue growth
in 2010
for more info see page 35

+90%
EBITDA growth
in 2010
for more info see page 35

–64%
short-term debt
decrease in 2010
for more info see page 12

+9%
steel sales increase
in 2010
for more info see page 12

#1
Long steel
producer in Russia
for more info see page 35

#1
Rail producer
in Russia and the USA
for more info see page 35

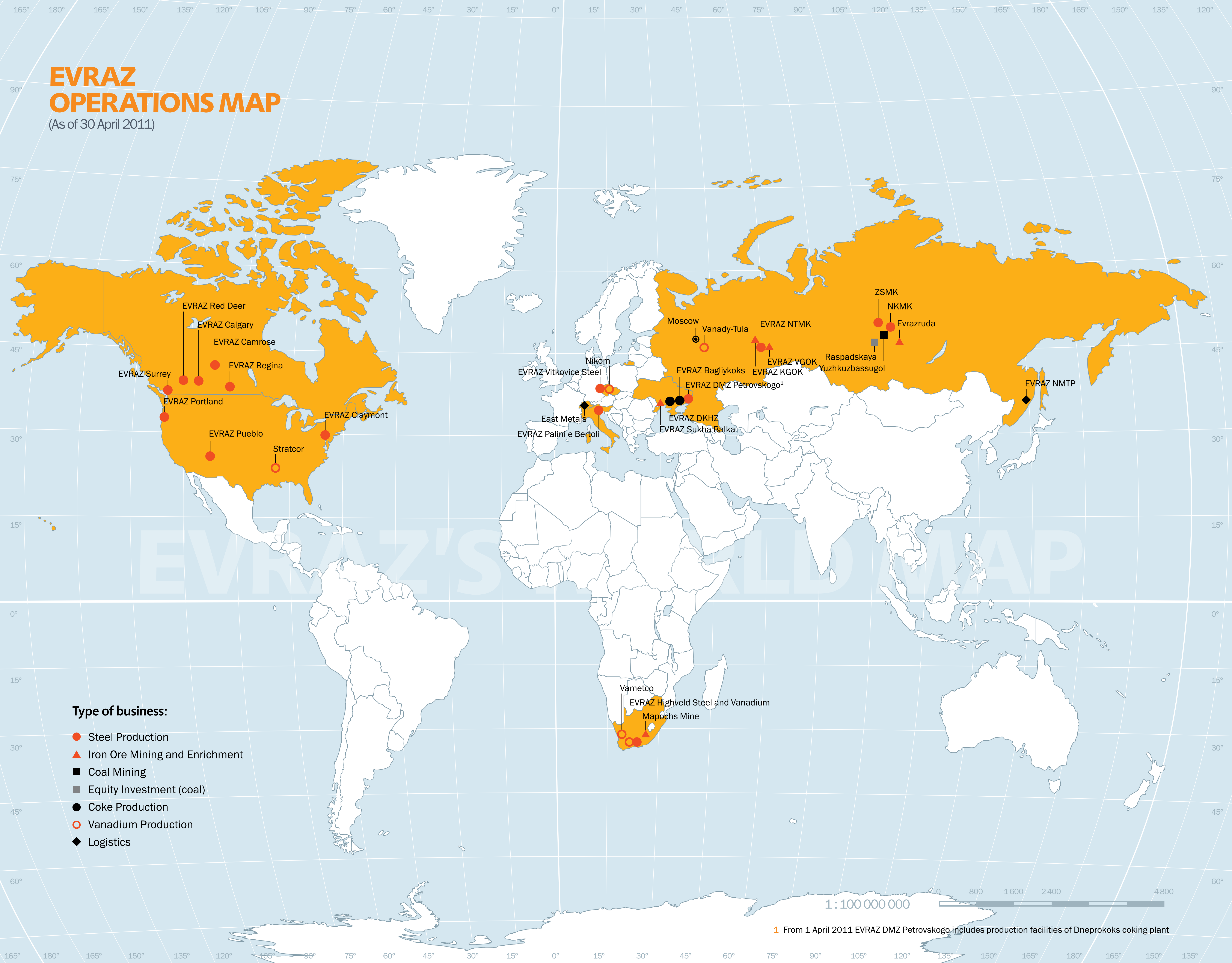
LEADING
world vanadium
producer
for more info see page 35

LARGEST
crude steel
producer in Russia
for more info see page 87

BB-/Stable
by Fitch Ratings
for more info see page 79

B1/Positive
by Moody's
for more info see page 79

B+/Stable
By Standard & Poor's
for more info see page 79



EVRAZ
OPERATIONS MAP
(As of 30 April 2011)
EVRAZ Red Deer
EVRAZ Calgary
EVRAZ Camrose
EVRAZ Regina
EVRAZ Surrey
EVRAZ Portland
EVRAZ Claymont
EVRAZ Pueblo
Stratcor
Moscow
Vanady-Tula
EVRAZ NTMK
ZSMK
NKMK
Evrazruda
Raspadskaya
Yuzhkuzbassugol
EVRAZ VGOK
EVRAZ KGOK
EVRAZ Bagliykoks
EVRAZ DMZ Petrovskogo[1]
Nikom
EVRAZ Vitkovice Steel
East Metals
EVRAZ Palini e Bertoli
EVRAZ DKHZ
EVRAZ Sukha Balka
EVRAZ NMTP
Vametco
EVRAZ Highveld Steel and Vanadium
Mapochs Mine
Type of business:
Steel Production
Iron Ore Mining and Enrichment
Coal Mining
Equity Investment (coal)
Coke Production
Vanadium Production
Logistics
1 : 100 000 000
0
800
1 600
2 400
4 800
1 From 1 April 2011 EVRAZ DMZ Petrovskogo includes production facilities of Dneprokoks coking plant

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Symbols

Address
Phone
Fax
Weblink
E-mail
Information
Geographic latitude and longitude
Greenwich Mean Time
Founded
Population
Area
Diagram
Table
Data source
Flora
Fauna
Sights
Food and drinks
Active leisure

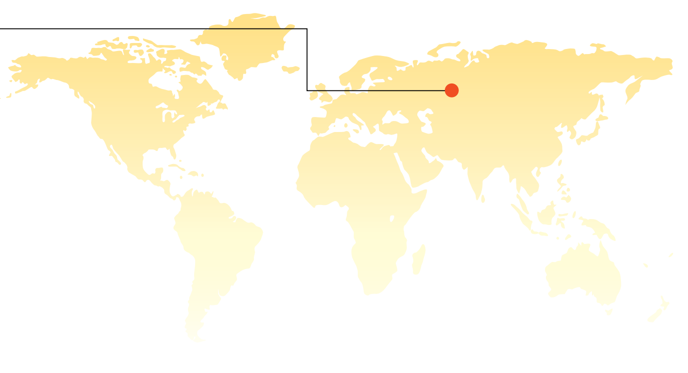
The photograph on Pages 52-53 is one of the winners of EVRAZ's Photo & Picture competition which attracted entries from employees on a global basis and was organised by the EVRAZ Talent Committee. The authors of the photo are Ludmila Chirkina and Anna Chirkina of EVRAZ NTMK

KACHKANAR

RUSSIAN FEDERATION

General Information

- 58°42’18”N 59°28’59”E
- GMT+05:00
- 1957
- 42,563 people
- 318,39 km^2



About Kachkanar

Kachkanar is a town in Sverdlovsk Oblast, situated between the Isa and Vyya Rivers, 205 kilometres (127 miles) north of Yekaterinburg in the Tura River basin. Originally founded as an ore mining settlement in 1957, Kachkanar received urban-type settlement status in 1959 and town status in 1968.

The original meaning of Kachkanar, the Kachkanar Mountain that gave birth to the Kachkanarsky Ore Mining and Processing Plant (now EVRAZ KGOK), is unclear. The Tatar translation is ‘Hidden’ or ‘Disappearing’ mountain while the Turco equivalent is 'kesh-kener' or ‘double-humped camel’. Curiously, the Ukrainian version is 'kachka' which translates into ‘Duck Mountain’. The exploration of Kachkanar’s titanomagnetite ores commenced in 1957, and KGOK subsequently pioneered the enrichment of low-iron content ores.

WHO WE ARE

EVRAZ Group S.A. is a global, vertically-integrated, steel, mining and vanadium business with operations in the Russian Federation, Ukraine, the Czech Republic, Italy, the USA, Canada and South Africa.

We are ranked by Steel Business Briefing the 20th largest steel company in the world, based on 2010 crude steel production volumes.

Following an Initial Public Offering in June 2005, EVRAZ Group's shares are listed and traded on the London Stock Exchange in the form of Global Depositary Receipts. Each GDR is equivalent to one third of one Ordinary share in EVRAZ Group S.A.

Our Business

Our principal activities, which span four continents, are:

- The manufacture and sale of steel and steel products
- Iron ore mining and enrichment
- Coal mining and processing
- The manufacture and sale of vanadium products
- Trading operations and logistics

EVRAZ is a premier producer of infrastructure products, one of the world's leading manufacturers of construction steel and the world's No 1 producer of rails.

In 2010:

- Group revenues achieved US$13.4 billion
- Employees worldwide totalled 110,000
- The steel division produced 16.3 million tonnes of crude steel and sold 15.5 million tonnes of rolled steel products
- The mining division produced 19.8 million tonnes of iron ore, 7.5 million tonnes of raw coking coal and 3.8 million tonnes of steam coal
- The vanadium division produced 20,969 tonnes of vanadium[1] and sold 19,776 tonnes of vanadium products.

The majority of EVRAZ's iron ore and coking coal requirements for steel making is supplied by its mining operations.

Our Story

The Company's history dates back to 1992 when Evrazmetall, a small Russian metal trading firm, was founded. In the space of almost 20 years this company, the forerunner of the EVRAZ Group, has been transformed, via a programme of domestic and cross border acquisitions, into a multinational steelmaking and mining corporation with a US$17.6 billion asset base.

1 Primary vanadium (slag) production

The acquisitive growth of EVRAZ, focused on the creation of a geographically diversified steelmaking capability alongside a complementary resource of raw material provides us with a stable platform for further growth.

Our Values

EVRAZ is a distinctive company with distinctive values. We believe that our responsibilities encompass all our stakeholders including shareholders, customers, employees and communities in the areas where we operate. We endeavour to deliver ongoing growth and value while, at the same time, pursuing environmentally responsible policies within a framework of sustainability.

Our Mission

We are a global steel and mining Company delivering value to our infrastructure customers.

We make the world Stronger, Safer and Cleaner.

KACHKANAR DEPOSIT

Although Mount Kachkanar's iron ore deposits would have been visibly apparent to the Mansi, the indigenous people of the region, they used the mountain primarily as a sanctuary. After the Middle Urals and Trans-Urals were integrated within the principality of Moscow during the 16th century, Russian mining industrialists focused their attention on Kachkanar. Akinfiy Demidov, a member of the prominent family dynasty of industrialists, wanted to buy the entire mountain from the Mansi but the deal never materialised.

Platinum fever subsequently broke out and led to the construction of the historic Kachkanar mine, owned by Count Shuvalov. In the event, the rich platinum placers were quickly depleted and Kachkanar became the focus of scientific research.

The systematic study of ore deposits at Kachkanar began in the early 1930s as did research into ways in which to enrich the Kachkanar ores and sinter the iron-vanadium concentrate. Various pilot projects were introduced which proved the technical feasibility of mining and processing ores that possessed a low iron content. During 1946-1953, company Uralchermetrazvedka, carried out a detailed exploration of the Kachkanar deposits.

The development of titanium magnetite ores at Mount Kachkanar was first undertaken in 1957 under the initiative of a group of mining industry executives and professional representatives of the Urals Institute for Mining Projects. The town of Kachkanar was founded to the southeast of the mountain the same year. Today, mining at the Kachkanar Mountain is conducted by EVRAZ KGOK.

KEY EVENTS

2010

MARCH

EVRAZ won the licence to develop the Mezhegey coking coal deposit (estimated reserves of 213.5 million tonnes of category A+B+C1 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) with an annual coupon of 9.25% due in 2013.

EVRAZ Inc. NA announced a restructuring of its manufacturing and commercial operations focused on three key product groups: 'Flat Rolled', 'Tubular' and 'Long.'

APRIL

EVRAZ sold the Koksovaya coal mine, an offshoot of the Company's Yuzhkuzbassugol subsidiary, to the Raspadskaya coal company in order to derive maximum synergies from the future development of the coal field.

EVRAZ Highveld launched Project Zero Tolerance, a 'three-card' health and safety programme designed to monitor and control potential dangers in the workplace.

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.

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

JUNE

EVRAZ created a Health, Safety and Environmental Committee of the Board of Directors and appointed a Vice President of Health, Safety and Environment.

EVRAZ Highveld formed the EVRAZ eMalahleni Community Forum – a vehicle through which all Socio-Economic Development investments are approved and managed.

JULY

EVRAZ temporarily closed the steel shop at EVRAZ Vitkovice Steel due to the failure to negotiate prices for hot iron supplied by ArcelorMittal Ostrava.

EVRAZ initiated Pulverised Coal Injection (PCI) technology at Zapsib and NTMK, a development that will reduce coke consumption by more than 20% with benefit to the environment.

SEPTEMBER

EVRAZ Inc. NA Canada secured a CAD300 million (approx. US$285 million) four-year committed revolving credit facility to finance working capital requirements and other corporate disbursements.

OCTOBER

EVRAZ won the tender to develop the Eastern field of the Western part of the Ulug-Khemsky coal deposit (inferred hard coking coal – grade Zh under Russian classification – reserves of more than 550 million tonnes and out-of-balance reserves of more than 100 million tonnes) in the central part of the Republic of Tyva, East Siberia.

EVRAZ completed the first stage of the rail mill modernisation at NKMK, initiated in June 2010.

EVRAZ's subsidiary, OOO EvrazHolding Finance, issued a 15 billion 5-year Rouble-denominated bond (approx. US$490 million) with an annual coupon of 9.95% for the purpose of refinancing EVRAZ's existing debt.

NOVEMBER

EVRAZ Vitkovice Steel resumed steelmaking after reaching an agreement with ArcelorMittal Ostrava regarding supplies of liquid pig iron.

EVRAZ appointed Scott Baus, a specialist in corporate efficiency with 25-years experience, Director of Lean.

EVRAZ signed a US$950 million structured credit facility scheduled to mature in 2015.

EVRAZ completed a two-stage modernisation programme at NTMK's steel manufacturing facilities, initiated in June 2010.

DECEMBER

EVRAZ's Board of Directors approved investment in the construction of the Yuzhny Rolling Mill in the Rostov Region of Southern Russia and the Kostanay Rolling Mill in Kazakhstan with a combined annual production capacity of approximately 900,000 tonnes of light sections and rebars.

EVRAZ acquired INPROM and amalgamated the latter's distribution network with that of EvrazMetall under a new company which will become one of the largest steel distribution enterprises in the CIS.

Moody's adjusted EVRAZ's rating outlook from positive to stable.

2011

JANUARY

EVRAZ signed a long-term contract with Praxair Rus for the supply of industrial gases to NTMK and the construction by Praxair of air separation plants on NTMK's site.

EVRAZ announced plans to relocate the headquarters of the North American operations, EVRAZ Inc. NA, from Portland, Oregon, to Chicago, Illinois, in June 2011.

Old order mining rights were converted into new order mining rights in respect of Mapochs Mine (a subsidiary of EVRAZ Highveld) in South Africa.

EVRAZ Vitkovice Steel signed an agreement, in common with other Industrial companies, designed to further air protection in the Moravian Silesian region.

FEBRUARY

EVRAZ appointed two new Vice Presidents: Vice President of Sales and Vice President of Procurement.

EVRAZ announced plans to consolidate two of its Russian steel mills, OAO 'ZSMK' and OAO 'NKMK' under the name EVRAZ – Consolidated West Siberian Metallurgical Plant.

MARCH

EVRAZ announced the launch of «EVRAZ New Leaders 2011», a multi-module integrated programme designed to further the development of the Company's personnel.

Standard and Poor's Rating Service upgraded EVRAZ's long-term corporate credit rating to 'B+' (Stable).

APRIL

EVRAZ commenced the rebranding of a number of Russian and Ukranian enterprises with 'EVRAZ' added as a prefix to the existing names.

EVRAZ received awards for Best Financial Disclosure Procedure 2011 and Best Progress in Europe 2011 from IR Global Rankings.

Fitch upgraded EVRAZ's long-term foreign currency Issuer Default Rating (IDR) from 'B+' (Stable) to 'BB-' (Stable). Fitch also upgraded EVRAZ's senior unsecured rating to 'BB-' from 'B+' and assigned its prospective Eurobond issue an expected 'BB-(exp)' rating.

EVRAZ launched an US$850 million issue of Eurobonds, due 2018, with a 6.75% coupon.

MAY

Shareholders at EVRAZ's AGM approved the Directors' Report and the consolidated and stand-alone financial statements for the year ending 31 December 2010, the new composition of the Board of Directors, determined the level of the directors' and CEO's remuneration and re-appointed Ernst & Young as the Company's external auditor.

EVRAZ NTMK became the first Russian company to master the production technology of extrahard railway wheels.

ZapSib became the first enterprise in the Kemerovo region to receive audited confirmation that the company's integrated system of management (covering the three key elements of quality, ecology and health and safety) conforms to international standards.

EVRAZ Pueblo was recognised with a Community Involvement Award from the Steel Manufacturers Association.

JUNE

EVRAZ priced a 20 billion 5-year rouble bond (approx. US$710 million) at a coupon rate of 8.40% per annum.

MOUNTAIN KACHKANAR

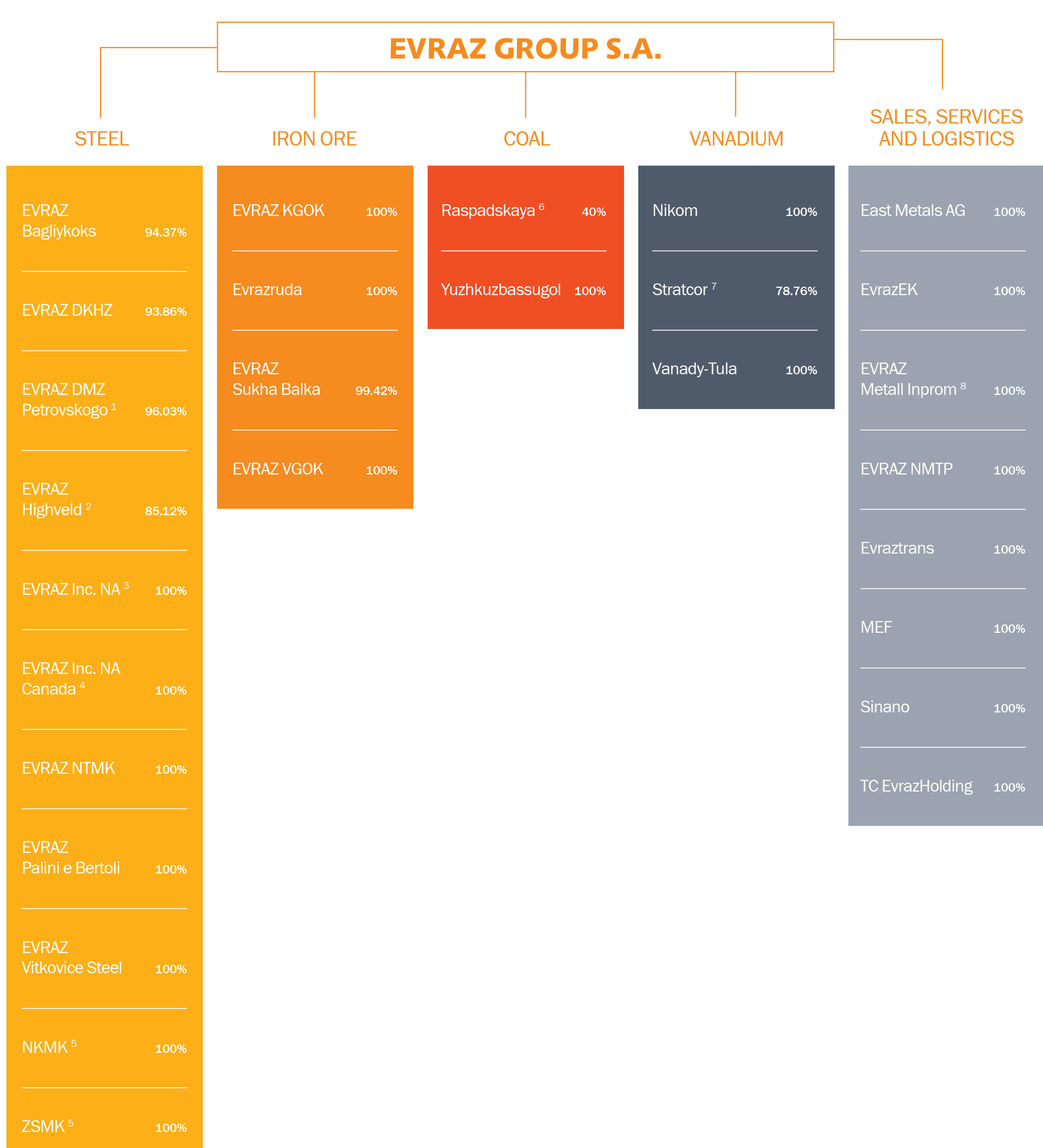
Kachkanar is one of the tallest peaks in the Middle Urals close to the natural dividing line between Europe and Asia.

Mount Kachkanar is part of the mountain group in the northern part of the Middle Urals bearing the same name. It is located on the east bank of the Is River in the Sverdlovsk Oblast. Kachkanar, geologically, is the youngest of all the mountains in the Urals range.

The word 'Kachkanar' can be traced back to Turkic origins, where 'kachka' means 'bald' and 'nar' means 'camel', i.e. a bald mountain resembling a camel. Mount Kachkanar's peak is covered in bizarrely shaped rocks, many of which have names of their own, 'camel' being the most popular. An alpine ski piste is located on the south-eastern slope of the mountain.

CORPORATE STRUCTURE

(As of 30 April 2011)



1 From 1 April 2011 EVRAZ DMZ Petrovskogo includes production facilities of Dneprokoks coking plant

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

3 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).

4 EVRAZ Inc. NA Canada 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.

5 During 2011 ZSMK and NKMK are in the process of merger. The combined enterprise will be named EVRAZ – Consolidated West Siberian Metallurgical Plant

6 40% interest in Raspadskaya is held by its management, while 20% is free float.

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

8 During 2010 EVRAZ merged its distribution network EvrazMetall with metal service company INPROM under name EVRAZ Metall Inprom.

MAJOR ASSETS

(As of 30 April 2011)

EVRAZ DMZ Petrovskogo[1] (**'EVRAZ DMZ Petrovskogo'**), 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.

EVRAZ Highveld Steel and Vanadium (**'EVRAZ 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 with operating mines in Kemerovo region, the Republic of Khakassia and south Krasnoyarsk Krai.

EVRAZ Metall Inprom[2] (**'EVRAZ Metall Inprom'**), one of the largest steel distribution companies in the CIS with 43 metal centres in industrially developed regions of Russia and the CIS..

EVRAZ Kachkanarsky Ore Mining and Processing Plant (**'EVRAZ KGOK'**) produces sinter and pellets from vanadium-rich iron ore.

EVRAZ Nakhodka Trade Sea Port (**'EVRAZ NMTP'**), one of the largest ports in the Far East of Russia, from where EVRAZ ships the majority of its exports.

Nikom, a ferrovanadium producer located in the Czech Republic.

EVRAZ Nizhny Tagil Metallurgical Plant (**'EVRAZ NTMK'**), an integrated steel plant that primarily produces railway and construction long products, pipe blanks and semi-finished products.

Novokuznetsk Iron and Steel Plant[3] (**'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.

EVRAZ Sukha Balka (**'EVRAZ Sukha Balka'**) operates two underground mines in Ukraine for the production of lumping iron ore.

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

EVRAZ Vysokogorsky Ore Mining and Processing Plant (**'EVRAZ 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[3] (**'ZSMK'**), an integrated steel plant that primarily produces construction long products and semi-finished products.

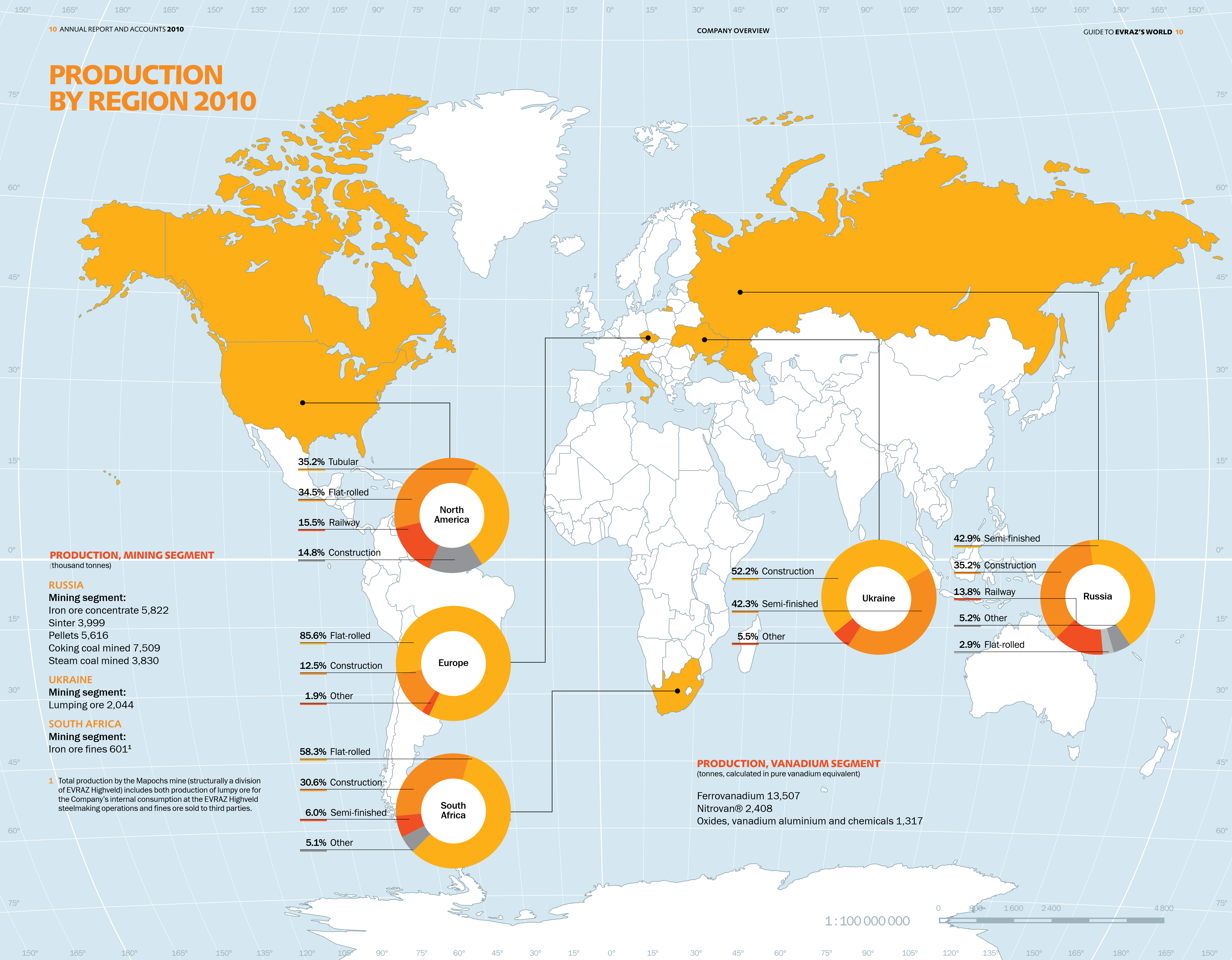
Yuzhkuzbassugol Coal Company (**'Yuzhkusbassugol'**), one of the largest coal companies in Russia that produces both coking and steam coal.

Ukrainian coking plants – **EVRAZ Bagliykoks** (**'EVRAZ Bagliykoks'**), **Dnepropetrovsk Coke Chemical Plant**[1] (**'Dneprokoks'**) and **EVRAZ Dniprodzerzhynsky Coke and Chemical Plant** (**'EVRAZ DKHZ'**) – supply their coke production to EVRAZ DMZ Petrovskogo and various local steelmakers in Eastern Europe.

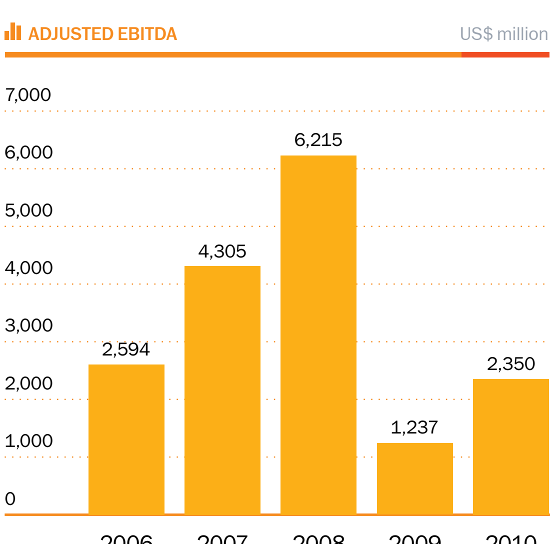
1 With effect from 1 April 2011 Dneprokoks was merged with EVRAZ DMZ Petrovskogo.

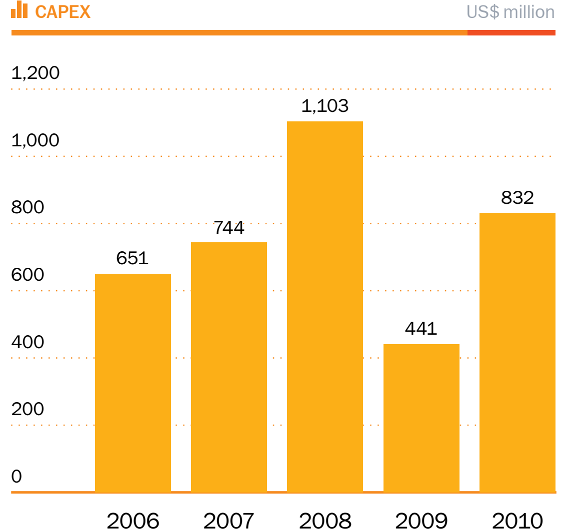
2 During 2010 EVRAZ merged its distribution network EvrazMetall with metal service company INPROM under name EVRAZ Metall Inprom.

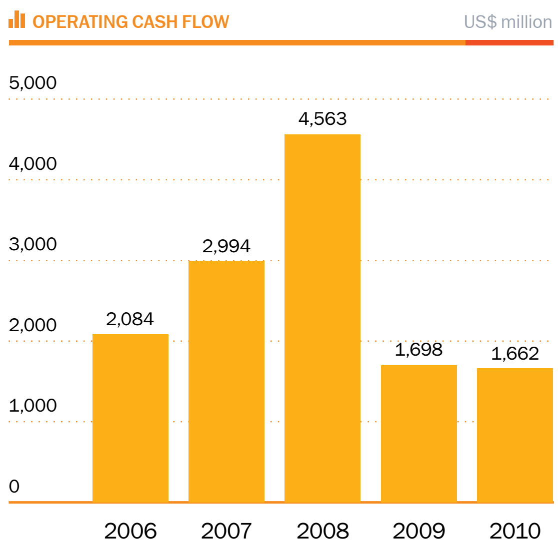
3 Merge of ZSMK and NKMK will be effected during 2011. The combined enterprise will be named EVRAZ – Consolidated West Siberian Metallurgical Plant.


PRODUCTION BY REGION 2010
35.2% Tubular
34.5% Flat-rolled
15.5% Railway
14.8% Construction
North America
85.6% Flat-rolled
12.5% Construction
1.9% Other
Europe
58.3% Flat-rolled
30.6% Construction
6.0% Semi-finished
5.1% Other
South Africa
52.2% Construction
42.3% Semi-finished
5.5% Other
Ukraine
42.9% Semi-finished
35.2% Construction
13.8% Railway
5.2% Other
2.9% Flat-rolled
Russia
PRODUCTION, MINING SEGMENT
(thousand tonnes)
RUSSIA
Mining segment:
Iron ore concentrate 5,822
Sinter 3,999
Pellets 5,616
Coking coal mined 7,509
Steam coal mined 3,830
UKRAINE
Mining segment:
Lumping ore 2,044
SOUTH AFRICA
Mining segment:
Iron ore fines 601¹
1 Total production by the Mapochs mine (structurally a division of EVRAZ Highveld) includes both production of lumpy ore for the Company's internal consumption at the EVRAZ Highveld steelmaking operations and fines ore sold to third parties.
PRODUCTION, VANADIUM SEGMENT
(tonnes, calculated in pure vanadium equivalent)
Ferrovanadium 13,507
Nitrovan® 2,408
Oxides, vanadium aluminium and chemicals 1,317
1:100 000 000
0
800
1 600
2 400
4 800

KEY PERFORMANCE INDICATORS 2006-2010

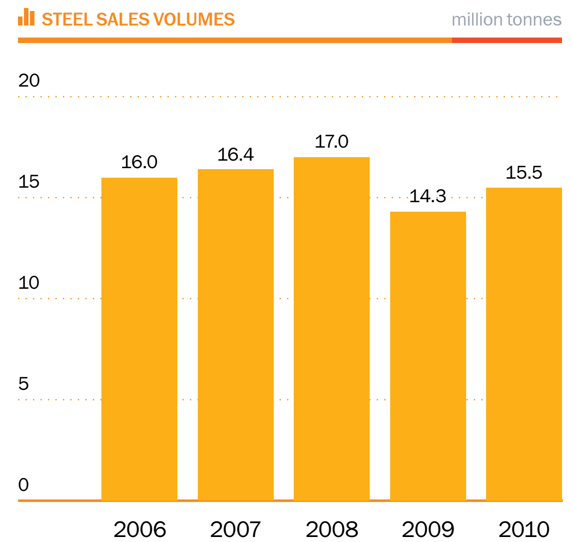






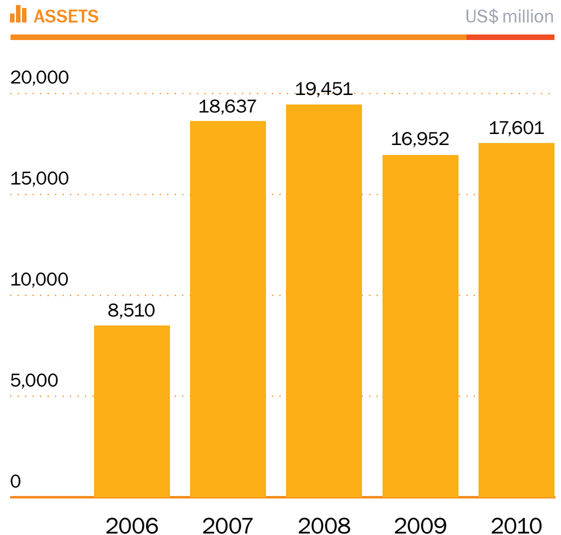
STEEL SALES VOLUMES

million tonnes



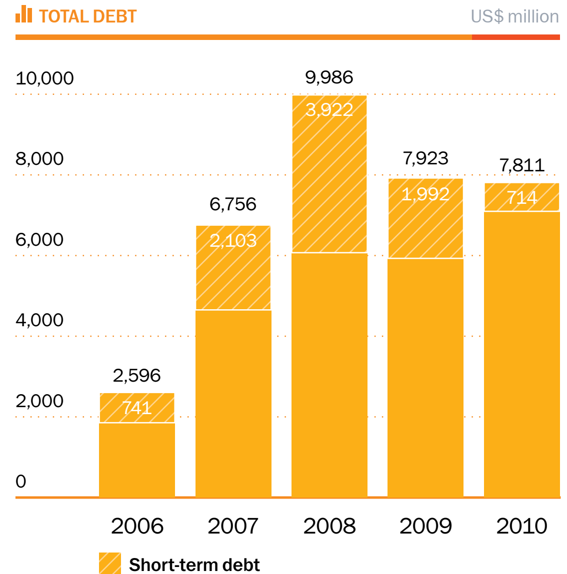
ASSETS

US$ million

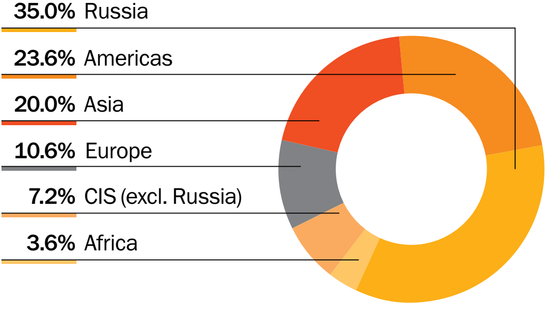


TOTAL DEBT

US$ million

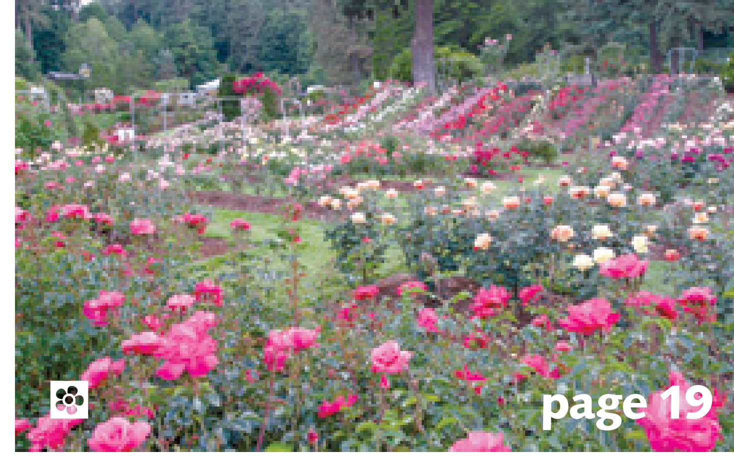


REVENUES BY REGION 2010



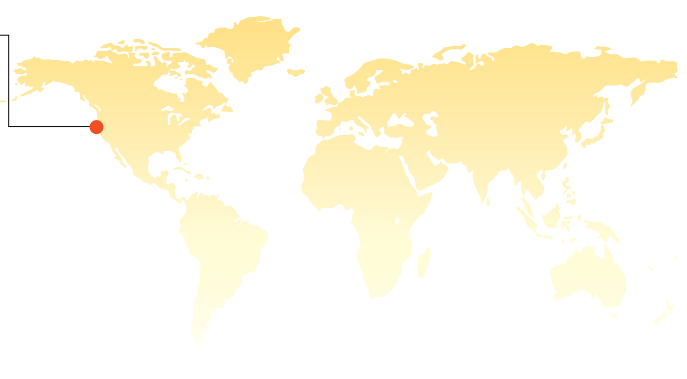
PORTLAND

UNITED STATES OF AMERICA



General Information

- 45°31’24”N 122°40’34”W
- GMT –08:00
- 1845
- 583,776 people
- 376.5 km²



About Portland

Big city excitement combined with small town charm make Portland, Oregon, a popular destination in the West. Portland is situated approximately 70 miles from the Pacific in an awesome setting between the sparkling waters of the Columbia and Willamette Rivers. Portland is often acknowledged as the ‘Greenest City in America’, and ranks among the world's Top Ten environmentally friendly cities.

Tourist attractions include Portland's historic old town, numerous galleries and museums, the Saturday Market (complete with live music and exotic food) and a host of theatre opportunities. Likewise, the city's lush green parks are synonymous with picnics and relaxation. For the more adventurous, Portland is only a short distance from the Willamette valley wineries, skiing at Timberline Lodge and the magnetic pull of Oregon's spectacular ocean beaches. Portland is home to no less than 28 breweries, more than any other city in the United States.

Portland’s climate, with mild, damp winters and relatively dry, warm summers, is ideal for growing roses and, in 2003, Portland was officially nicknamed ‘The City of Roses’ as testament to a profusion of rose gardens -- most notably the International Rose Test Garden.

The steel industry's history in Portland predates World War II and, by the 1950s, the industry had become the city's principal employer. Although EVRAZ Inc. NA will move its headquarters to Chicago in 2011, EVRAZ will remain an important part of the Oregon manufacturing community through its ongoing operations at the Portland steel mill. The Portland steel facility, which enjoys ready access to Canada’s Western Provinces, is the only plate mill in the Western United States. Products include plate and coil, large diameter line pipe and structural tubing.

CHAIRMAN'S STATEMENT

Dear Stakeholders,

In my letter to you a year ago I highlighted the unprecedented challenges faced by the global steel industry as a result of the 2008 economic downturn. Major challenges can, however, also provide valuable opportunities and I am pleased to report that, due to the swift and decisive actions taken by EVRAZ's management, we have improved efficiency, reduced costs and reorganised important areas of our business. Since mid-2009 we have seen a measured recovery in the global economy accompanied by an increase in steel demand, a trend that continued through 2010 and into the beginning of 2011.

I am also pleased to report that our key strategic priorities, namely cost leadership, 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, have stood the test of time and remain unchanged.

Our strategic and managerial decisions are synonymous with our mission statement: to be a global steel and mining company delivering value to our infrastructure customers. Equally, such decisions walk hand in hand with certain specific principles that we endeavour to bring to bear throughout our operations. Each of these common values is represented by one of the letters in the Company's name:

Enrichment through collaboration. We appreciate that working together as a team will enable us to achieve the best results.

Value created for our customer. Through continually improving our products and services, we strengthen our long-term partnerships with our customers.

Respect for people. The utmost regard for safety, the development of our people and support for local communities represent integral aspects of EVRAZ's corporate culture.

Accountability for actions and results. We aspire to achieve our goals and are responsible for the results.

Zeal for continuous improvement. The development and implementation of new ideas can further our undertaking to make the world Stronger, Safer and Cleaner.

I should emphasise that these are not merely a collection of dictums, they are central to what we refer to as 'the EVRAZ way of doing business.'

We continue to focus our efforts on achieving further growth of the business and we do so in the knowledge that we can support such growth through what, in this instance, we refer to as key strategic pillars namely: health, safety and environmental protection; human capital; customer focus and the EVRAZ Business System.

Ongoing improvements in health and safety standards in relation to the well-being of our employees remain at the forefront of our priorities. We increased our emphasis in this regard during 2010 by setting up a Health, Safety and Environmental Committee of the Board of Directors and hiring Vice President of Health, Safety and Environment.

We are intent on meeting the objectives of our stakeholders and, to this end, we will endeavour to grow shareholder value while continuing to address the occupational and social needs of employees, including our support for community projects which is of unquestionable benefit to those who reside in the regions where we operate.

EVRAZ has always taken the view that employees represent our most important asset and are integral to the Company's success. Our achievements would not have been possible without the hard work and commitment of our people around the world and I would like to take this opportunity to thank each of them for their outstanding contributions.

It is encouraging to note that EVRAZ is well positioned to benefit from an abundance of infrastructure investments – both private and public – and I would like to draw your attention to the fact that our products feature in a number of recent and ongoing landmark infrastructure projects. These include 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.

In December 2010, Russia won the bid to host the 2018 FIFA World Cup and the Russian Government has committed to invest US$50 billion in preparation for this event, including US$3.8 billion in respect of stadiums and US$11 billion on infrastructure projects. EVRAZ estimates that 2018 World Cup steel requirements for the construction of stadiums (13 stadiums to be built and three to be renovated), hotels and local infrastructure (highways, bridges, etc.) may amount to 2-2.5 million tonnes.

EVRAZ remains committed to the highest standards of transparency and corporate governance and we were delighted to receive awards for the Best Financial Disclosure and Best Progress in Financial Disclosure in Europe in the 2011 IR Global Rankings survey. This is the first time that this prestigious award has been presented to a company headquartered in Russia. We are proud that our financial disclosure and investor relations practices have received such notable commendations.

I am confident that EVRAZ is well positioned, as a quality driven, geographically diversified and socially responsible business, to capitalise on the prospective investment in global infrastructure and gainfully progress the Company's growth targets.

Alexander Abramov
Chairman of the Board

CHIEF EXECUTIVE'S REPORT

Dear Stakeholders,

The year 2010 saw a continuation of the recovery in steel demand across all of EVRAZ's key markets. Our steelmaking capacity in Russia was fully utilised and we significantly increased the utilisation rates at our international plants.

By way of illustration, the proportion of steel sales from our Russian and Ukrainian mills to Russia and other CIS countries increased from 44% to 58%. This allowed us to fully utilise our rolling capacities in Russia, thereby shifting our product mix from semi-finished steel to higher margin products.

Our North American operations registered notable volume increases driven by strong demand for pipes, to facilitate shale gas exploration projects, and construction plate in respect of infrastructure investment on behalf of local governments.

As a result, we improved our financial performance in 2010, generating US$2.35 billion of EBITDA and US$282 million of free cash flow.

The focus of our financial management was on the refinancing of short-term debt through longer-term instruments. Capital markets were available to us, notably with regard to Rouble bond issuance, but we were also able to access bank lending both on a bilateral basis and with a group of international lenders in respect of a pre-export finance facility. In 2010 we had two Rouble bond issues totalling to RUB30 million and entered into US$950 million 5-year structured credit facility. In April 2011, EVRAZ launched an issue of US$850 million Eurobonds, due 2018, carrying an interest rate of 6.75%, the lowest ever coupon in respect of an EVRAZ Eurobond issue. Part of the proceeds from the issue was used to purchase approximately US$622 million in aggregate of the principal amount of the outstanding bonds due 2013. We have also issued RUB20 billion of bonds in early June 2011 in order to replace more expensive and short-term bank loans.

Our refinancing activities, focused on a realignment of our short- and long-term debt, have significantly improved our debt maturity profile.

Subject to the results for 1H 2011 meeting the Board's expectations, consideration will be given to the dividend payment.

As part of the ongoing development of our raw material base we acquired the licence to develop the Mezhegey coal deposit in Russia, a project that will significantly enhance our coking coal mining volumes over a period of several years. The mineable reserves associated with these deposits amount to in excess of 700 million tonnes of coking coal. We also commenced construction of a new mine in Kemerovo region which will provide EVRAZ with 2 mtpa of high quality coking coal with effect from 2013.

In order to further capitalise on our iron ore asset base, we plan to commence exploration of the Sobstvenno-Kachkanarskoye iron ore deposit, a development which will ultimately enable KGOK to produce 11 mtpa of saleable iron ore products for several decades. We are also seeking prime greenfield projects in Russia and on a global basis.

In order to strengthen EVRAZ's position in current markets we commenced the construction of new rolling facilities in regions where we have identified growing demand, namely Southern Russia and Kazakhstan.

We also created one of the largest steel distribution companies in the CIS by acquiring INPROM, a metal service enterprise, and combining its operations with our own trading network. Ongoing modernisation of our rail mills, the expansion of our product mix and the upgrade of the wheels shop will all serve to underwrite our production focus on value-added products.

We have strengthened our focus on health and safety issues and the appointment of a Vice President of Health, Safety and Environment is designed to ensure that developments in this area receive the due attention of management and employees and the necessary level of investment. We believe that this course of action will have a positive impact on our safety performance.

We continued to drive efficiency gains through operational improvements. The introduction of a pulverised coal injection project, scheduled for completion in 2012, will increase our energy efficiency, eliminate the need for natural gas in blast furnaces and reduce our coking coal consumption by almost 20%. Existing cost saving programmes are currently yielding annual efficiency gains of US$20-30 million at each Russian steel plant.

In 2010, we appointed Scott Baus as Director of Lean. We have every confidence that Mr Baus's 25-plus years of experience in business system optimisation will help us progress our ambitious targets in relation to cost-saving and production efficiencies. To this end we have introduced Lean principles at EVRAZ's plants.

Management teams have been strengthened within our international subsidiaries, a new pricing formula has been agreed in respect of hot metal supply to EVRAZ Vitkovice Steel, our Czech subsidiary, and a number of organisational and environmental improvements have been introduced at our North American operations.

Accordingly, our shaping of a powerful, integrated and diverse steel manufacturing enterprise in North America advanced during 2010 and will progress further through 2011. The establishment of critical integrated functions such as supply chain planning, manufacturing excellence and business development across all three divisions (Flat, Tubular and Long) is integral to the maintenance of EVRAZ's competitive strength in North America.

In January 2011 we successfully converted old order mining rights into new order mining rights in respect of the Mapochs iron ore mine in South Africa.

Global steel markets, while remaining distinctly sensitive, have made a promising start to 2011 which points to an ongoing broad-based recovery. The prices and availability of steelmaking raw materials – iron ore, coking coal and scrap – will remain the key drivers of steel prices.

Based on our sales at the beginning of 2011, we expect Russian demand for construction steel to increase by upwards of 10% in 2011 compared with 2010. We are also experiencing improved demand from our international markets.

We are confident that EVRAZ's credentials as one of the lowest cost steel producers in the world will enable us to maximise the benefits from any significant upturn in global infrastructure markets.

Alexander Frolov
Chief Executive Officer

INTERNATIONAL ROSE TEST GARDEN

Portland enjoys a marine west coast climate which is characterised by warm, dry summers and rainy but mild winters. This climate is ideal for growing roses and, for more than a century, Portland has been known as 'The City of Roses'. The city is home to numerous rose gardens – most notably the International Rose Test Garden.

The International Rose Test Garden, located in Portland's Washington Park, contains more than 7,000 rose plants encompassing approximately 550 varieties. The roses bloom from April through October and, depending on the weather, peak in June. New rose cultivars are constantly received from many parts of the world and are tested for colour, fragrance, disease resistance and various other attributes. One of the most popular areas (particularly for weddings) is the Shakespeare Garden which harbours a plaque of the playwright and his quote: 'Of all flowers methinks a rose is best'. The garden is the oldest ongoing public rose test garden in the United States.

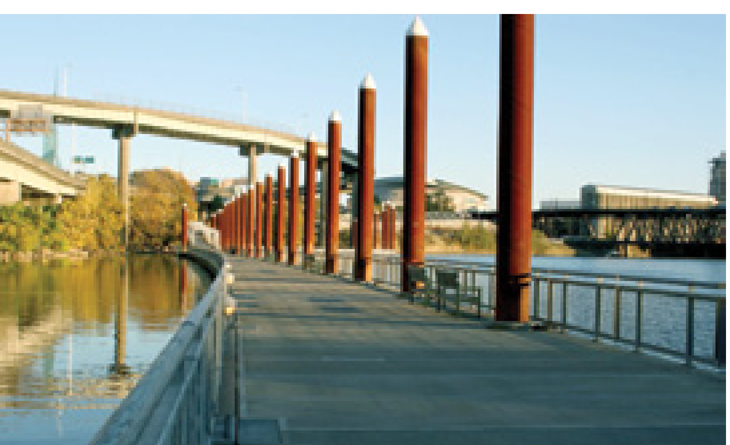
ROSE GARDEN

The Rose Garden, commonly known as the Rose Garden Arena, is Portland's principal indoor sports arena. Major indoor events staged at the arena include basketball, ice hockey, rodeos, circuses, conventions, ice shows, concerts, and drama productions. The arena can accommodate close on 20,000 basketball spectators, with a smaller capacity utilised for other events. State -of-the-art acoustics are accompanied by various amenities for the benefit of visitors.

The arena is located in Portland's sports and entertainment district known as the Rose Quarter, an area in inner northeast Portland that also houses the Memorial Coliseum arena and various facilities including restaurants and parking complexes.

The reason why the 'Rose Garden' is more commonly known as the 'Rose Garden Arena' is to differentiate it from the International Rose Test Garden, also located in Portland. The name was chosen to reflect Portland's reputation as 'The City of Roses' and as an acknowledgement of the importance of the Boston Garden and Madison Square Garden arenas to basketball's heritage.

EASTBANK ESPLANADE



The Eastbank Esplanade (officially the Vera Katz Eastbank Esplanade) is a pedestrian and bicycle path that follows the east shore of the Willamette River in Portland. The path, which runs through the Kerns, Buckman, and Hosford-Abernethy neighbourhoods, was designed to replace the Interstate 5 bicycle bypass which was washed away by the Willamette Valley Flood of 1996. The esplanade was renamed after Vera Katz, Portland's former mayor, in 2004 and features a statue of her near the Hawthorne Bridge.

The esplanade, which extends 2.4 kilometres from the Steel Bridge to the Hawthorne Bridge, includes a 370 metre floating walkway (the longest of its kind in the United States) which is connected to a 37 metre public dock. The 13 markers alongside the esplanade correspond to the eastside street grid.

SMALLEST PARK IN THE WORLD

Portland is also home to Mill Ends Park, the world's smallest park. According to the Guinness Book of Records, which officially granted such recognition in 1971, the circular park has a two-foot-diameter and a total area of 452 square inches or approximately 0.3 square metres. The park was established on St. Patrick's Day, 1948 as, in the words of Dick Fagan, its creator: 'the only leprechaun colony west of Ireland'.

The story of the park's origin goes like this. Fagan looked out of a window and spotted a leprechaun digging a hole. He ran outside and grabbed the leprechaun, thereby earning himself a single wish. He wished for a park of his own but, because he had not specified the size of the park, the leprechaun only gave him the small hole. Fagan, who worked at the Oregon Journal, often featured the park and Patrick O'Toole, its head leprechaun, in his whimsical column.

The park, which Fagan perceived as an ideal location for snail races, has proved the receptacle of several unusual items over the years including a swimming pool for butterflies – complete with a diving board -- a horseshoe, a fragment of the Journal building, and a miniature Ferris wheel delivered with due care by a full size crane.

NIZHNY TAGIL

RUSSIAN FEDERATION

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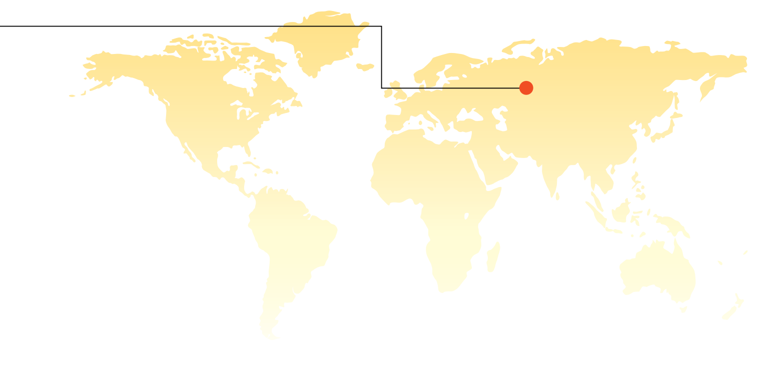
page 29

General Information

- 57°55’0”N 59°58’0”E
- GMT+05:00
- 1722
- 361,900 people
- 4,601 km²



About Nizhny Tagil

Nizhny Tagil is a city in the Sverdlovsk Region of Russia. It is situated approximately 25 kilometres east of the virtual border between Europe and Asia. Nizhny Tagil spans 22 kilometres from north to south and 21 kilometres from east to west; rivers and ponds cover one third of the city's territory. The city is built around the extinct volcano, Mount Lisya ('fox's hill'). This mountain, which has a watch-tower at its summit, is the symbol of Nizhny Tagil.

Nizhny Tagil's geological structure is complex and, with an altitude that ranges from 170 to 380 metres, the area is one of the Earth's rare natural store-rooms. Numerous mineral deposits, containing 63 different elements of the periodic table, are to be found here.

The seeds of the city's history were sown in 1696 with the opening of the Vysokogorsky iron ore quarry. The deposits discovered were particularly rich and included lodes of pure magnetic iron.

The city was officially founded in October 1722 by way of an amalgamation of various settlements connected with the construction of the Vyysky copper smelting plant, an enterprise owned by Nikolay Demidov, the founder of the mining and metallurgical industries in the Urals. Over the following decades, the city developed into one of the early centres of Russian industrialisation and became a major producer of cast iron and steel.

Today, Nizhny Tagil remains a major industrial centre in the Middle Urals. More than 600 manufacturing companies are based in the city, including EVRAZ NTMK (one of Russia's largest integrated steel mills) and EVRAZ VGOK (one of the largest iron ore mining and processing enterprises in the Urals).

OVERVIEW OF THE GLOBAL MACROECONOMIC ENVIRONMENT

ECONOMIC AND INDUSTRY OVERVIEW

The dual effects of a slow recovery in developed markets and robust growth in emerging markets were the principal drivers of the global economy during 2010. A broad advance following the 2009 downturn translated into 4.4% global GDP growth and positive prospects for 2011. China and India continued to effectively underwrite key commodity sectors, courtesy of the ongoing growth in Asia, and the prices of most commodities either returned to pre-crisis levels or are expected to do so in 2011.

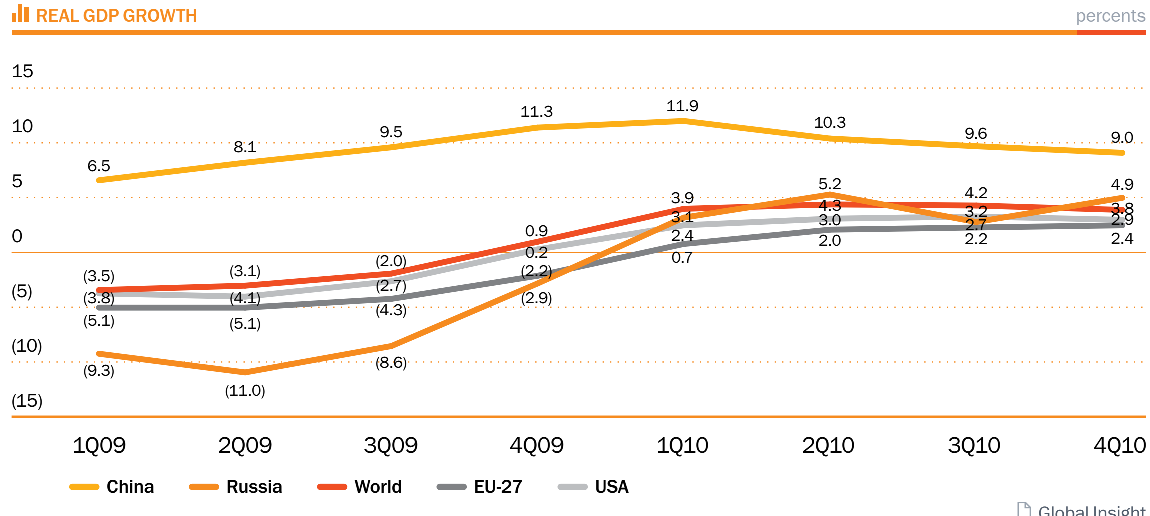
The EU and the Euro remained under pressure throughout 2010 as events in Europe fuelled concern over member-states' debt issues. Such anxieties persist although signs that the broader based economic scenario may have stabilised have encouraged recovery hopes.

Both the US and the EU are looking to reduce their respective budget deficits against inflation. Capital markets have largely recovered in relation to equity and debt transactions, as reflected in a significant increase in corporate fund raising activity, a trend that is expected to continue in 2011.

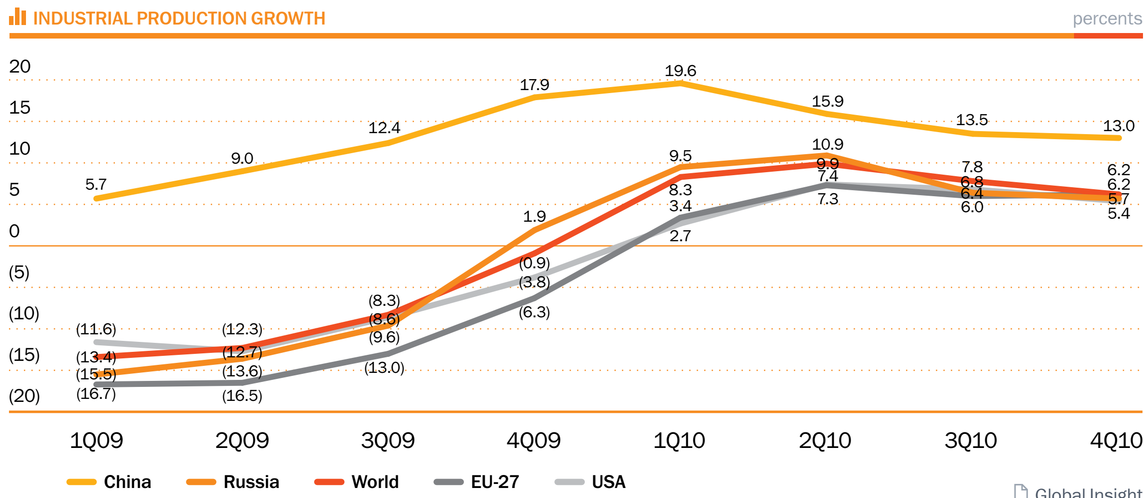
In China, rising raw material prices and high industrial production growth rates has led to higher interest rates in an effort to cool the Chinese economy.

In the wake of 2010's progress, the consensus outlook for the key sectors of the global economy in 2011 is positive.

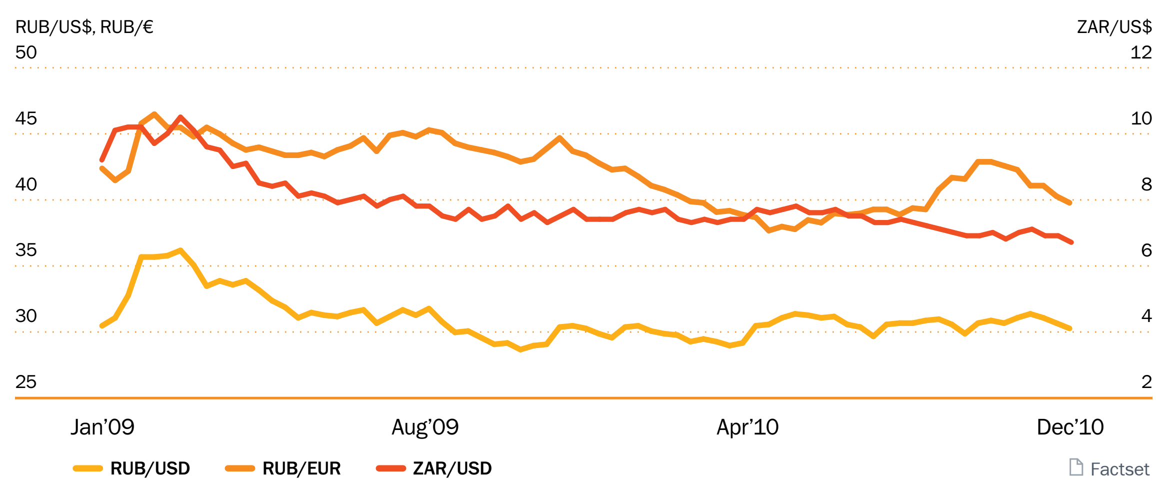
REAL GDP GROWTH



INDUSTRIAL PRODUCTION GROWTH

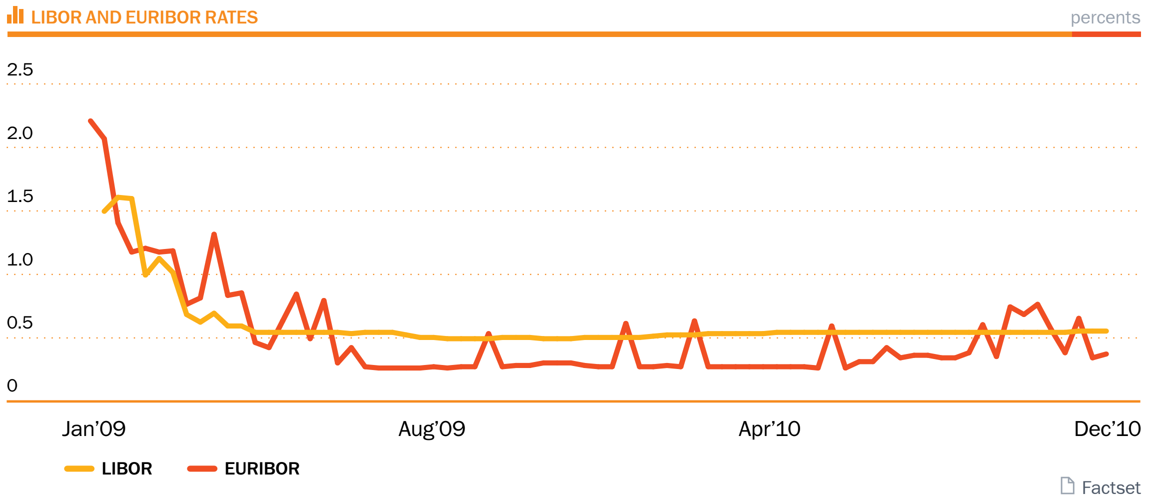


SELECTED FX RATES



LIBOR AND EURIBOR RATES

percents



Factset

WATCH TOWER ATOP THE LISYA MOUNTAIN

Lisya Mountain is the jewel in Nizhny Tagil's crown. It rises majestically on the western side of the city and provides a classic observation point overlooking the entire cityscape.

The tower, built on Lisya Mountain, the symbol of Nizhny Tagil, in 1818, has remained largely unchanged for the best part of two centuries. The edifice has been used as an observation tower by guards and a fire tower.

The building is a three-tiered brick structure with a rotunda and high semicircular arches decorated with pilasters. The slender, graceful tower is topped with a spired dome and its location, at the highest point, adds to the aesthetics.

Occasionally used for astronomical observations, the Lisya Mountain tower has also served as a 'public observatory'. The tower's urban fire watch function utilised a special signalling system which involved a red lantern and a bell.

OVERVIEW OF THE STEEL INDUSTRY IN 2010

The steel industry recovered in 2010 as capacity utilisation reached 80% on an annualised basis: a significant improvement compared with 2009. Second half demand, however, failed to match first half levels and led to reduced capacity utilisation and, in turn, price corrections.

Global crude steel production expanded by 15% to 1,412 mt in 2010 driven by growth in China and India and the respective recoveries in North America and Europe. China continued to expand its share of global steel consumption and would appear to be on track to account for 50% of worldwide steel consumption by 2014-2015. The global steel industry's scale of exposure to the performance of China's economy remains a point of concern.

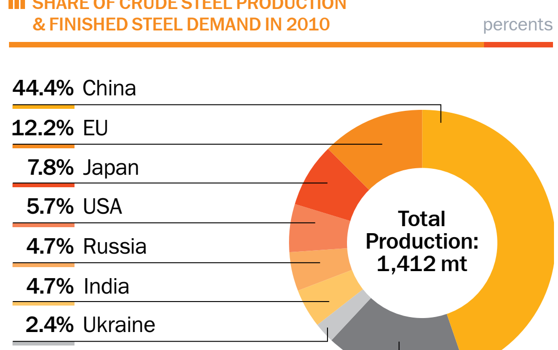
In addition to the growth fuelled demand from China and India, 2010 also witnessed improved sentiment and strong market fundamentals in other parts of Asia, Latin America and the CIS.

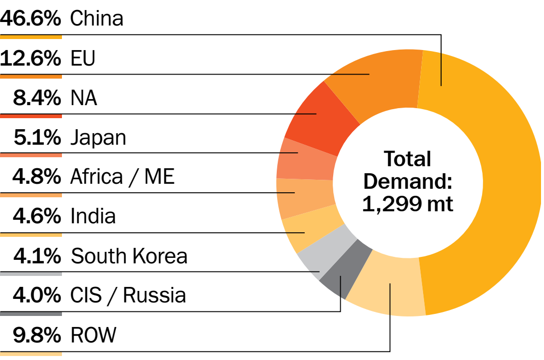
In 2010 Russia was selected to host the 2018 FIFA World Cup and the Russian Government's commitment to invest US$50 billion in preparation for the event will inevitably lead to a significant increase in domestic demand for steel. Requirements in relation to the construction of stadiums, hotels and local infrastructure projects are currently estimated at approximately 2–2.5 mt.

Cost pressure in the shape of rising raw material prices added 10-15% to total costs in 2010 compared with 2009, much of which translated into global end product price increases. Global steel production is expected to further expand in 2011 and while analysts do not expect prices to revisit 2007/2008 levels, the outlook for corporate margins is encouraging.

SHARE OF CRUDE STEEL PRODUCTION & FINISHED STEEL DEMAND IN 2010

percents





Morgan Stanley Research, Worldsteel

CRUDE STEEL PRODUCTION

mt: 500, 400, 300, 200, 100, 0

Utilisation Rate, %: 85, 80, 75, 70, 65, 60, 55, 50

1Q09 2Q09 3Q09 4Q09 1Q10 2Q10 3Q10 4Q10

Total Production — Capacity Utilisation

Worldsteel

OVERVIEW OF THE COKING COAL MARKET IN 2010

The global coking coal industry experienced a strong year due to growth in demand and constraints on the supply side. High quality coking coal is a scarce resource and represents the key restriction in terms of the expansion of integrated steel production on a global basis.

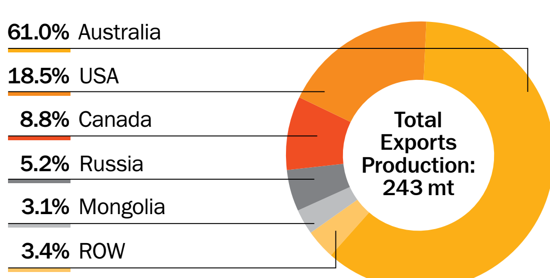
The global coking coal seaborne market rose by 19% to 243 mt in 2010. The principal coking coal exporting countries are Australia, which exported 148 mt (+13% versus 2009), USA 45 mt (+30%) and Russia 13 mt (+58%). These three countries together accounted for 85% of total worldwide exports.

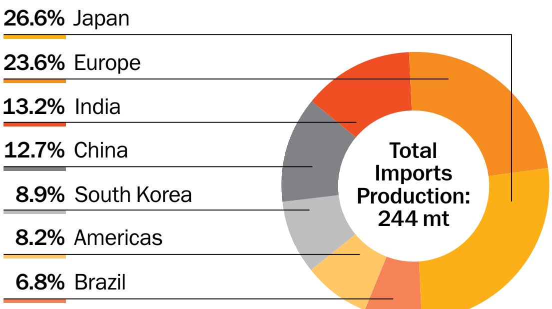
Coal prices and asset prices rose significantly over the year. In 2010 Japan, China and India imported 128 mt of coking coal or 52% of total imports. Steel producers displayed a marked enthusiasm for obtaining access to coal supplies and continued to compete with mining houses for the relatively few assets available: a scenario that points to further such transactions during 2011.

A number of Greenfield projects are scheduled to begin extraction in 2012-2014, although the net deficit is expected to persist over the mid-term.

Despite the strength of the market, there was less price volatility than in 2009 however overall price level has increased significantly. In a market driven by spot sales, the contract - spot spread narrowed in the second half of the year with Australian coal FOB prices stabilising at slightly above $200/t.

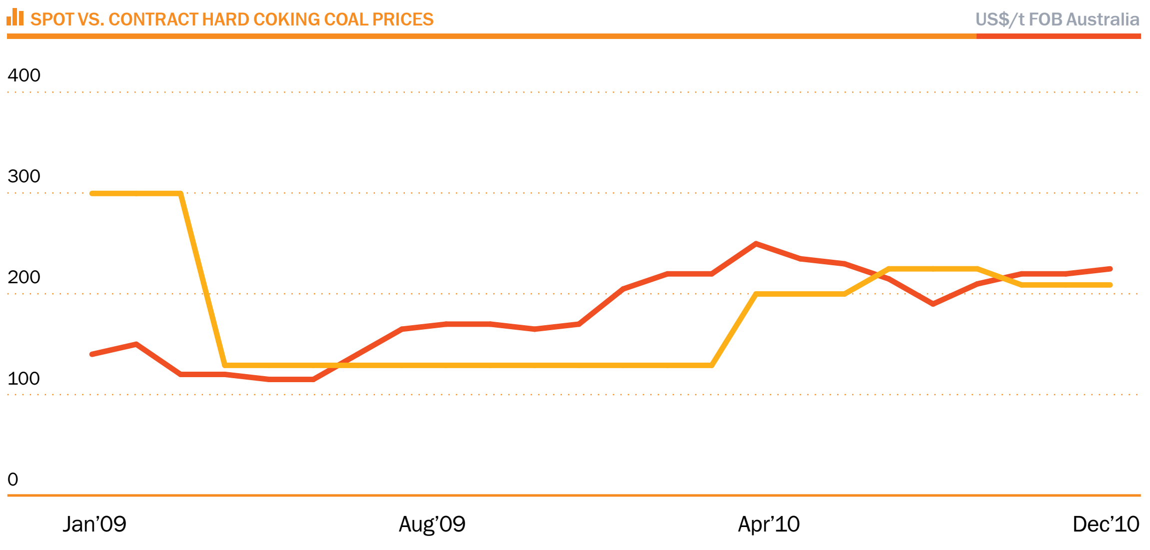
SHARE OF COKING COAL SEABORNE EXPORTS AND IMPORTS IN 2010



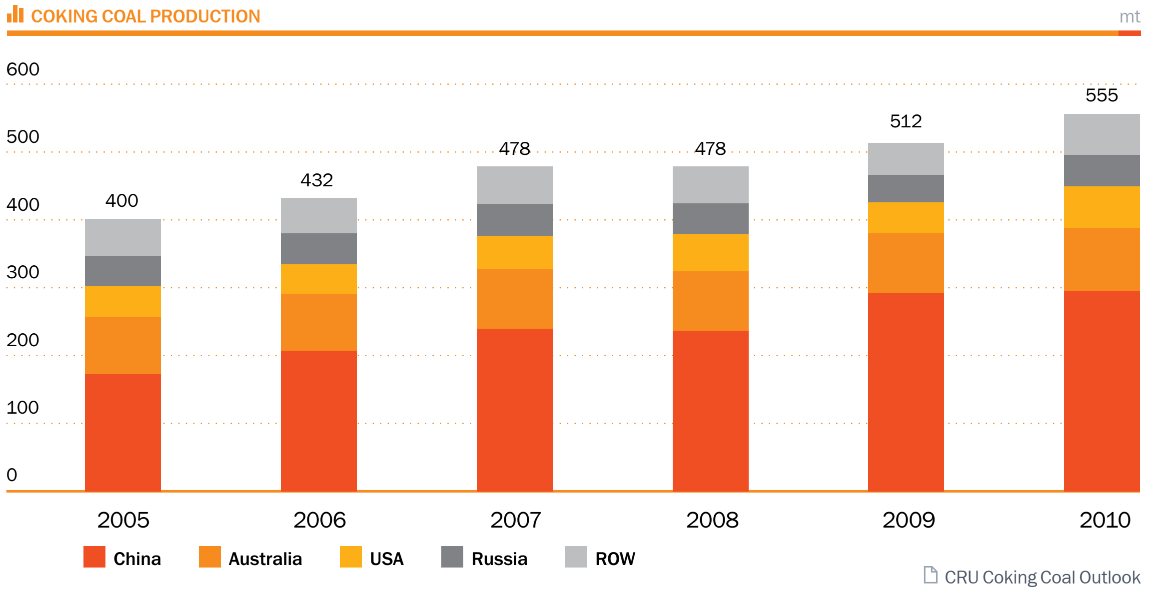


Morgan Stanley Research

SPOT VS. CONTRACT HARD COKING COAL PRICES



CRU Steelmaking Raw Material Monitor



COMPLEX OF SPRINGBOARDS ON DOLGAYA MOUNTAIN

In 2009, the renovation of ski jumps at Dolgaya Mountain commenced as part of the special federal programme: 'Development of Physical Fitness and Sports in Russia in 2006-2015'.

Following the completion of this project, the ski jump complex will have been transformed into one of Russia's most advanced training centres for teams participating in the biathlon and springboard ski jumping.

The Dolgaya development will include four ski jumps, a ski stadium and a sports and hotel complex. A roller ski track, which will allow athletes to train during the summer, represents a key facility. Jump specifications will be fully compliant with the International Ski Federation's requirements which were adopted in 2008. NIzhny Tagil is thus set to host top-level competitions and will become a major training centre for athletes during the run up to the 2014 Sochi Olympics.

OVERVIEW OF THE IRON ORE MARKET IN 2010

The iron ore industry experienced renewed growth during 2010 as improved economic perceptions found reflection in increased production levels and a favourable pricing environment.

Global iron ore production rose by 12% to 1,778 mt in 2010. The 'Big Four' iron ore producer countries added capacity in response to the positive global trend with Australia producing 443 mt (+13% versus 2009), Brazil 359 mt (+20%), China 292 mt (+24%) and India 225 mt (+3%). These countries accounted for 74% of total production worldwide. Russia's iron ore output increased by 2% to 107 mt.

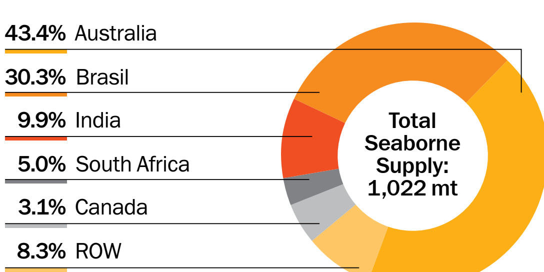
Ongoing global projects designed to further expand capacity are largely on track.

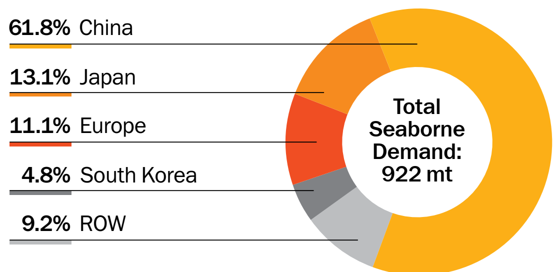
China continued to dominate the seaborne market importing 613 mt of iron ore, or 62% of total seaborne traded iron ore.

Further positive sentiment for the sector was reflected in iron ore fines CIF China prices which rose by an average of 82% in 2010. Sales structure for the industry has moved towards a larger share of spot contracts.

Expectations that spot contracts will play an increasingly important role in the sector's sales structure encouraged global steel players to continue to pursue vertical integration with a view to reducing volatility at the bottom line, a trend that signals further M&A activity during 2011.

SHARE OF IRON ORE SEABORNE SUPPLY AND DEMAND IN 2010





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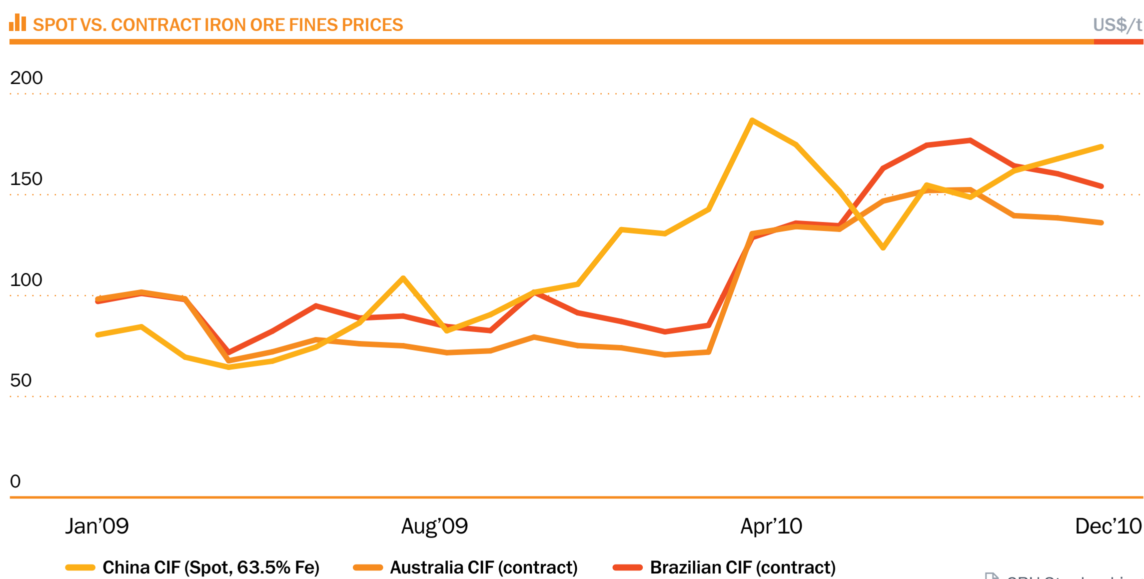
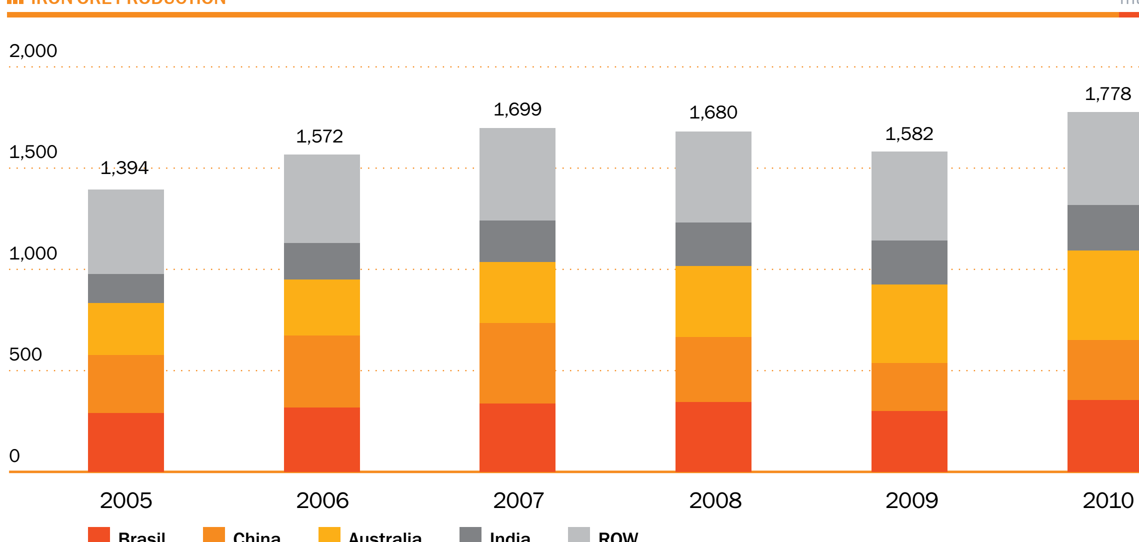
SPOT VS. CONTRACT IRON ORE FINES PRICES



CRU Steelmaking Raw Material Monitor

IRON ORE PRODUCTION

mt



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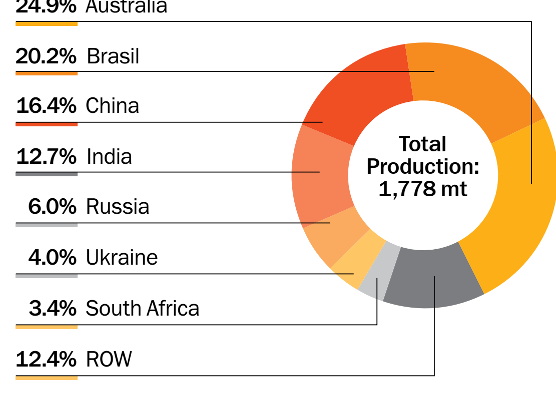
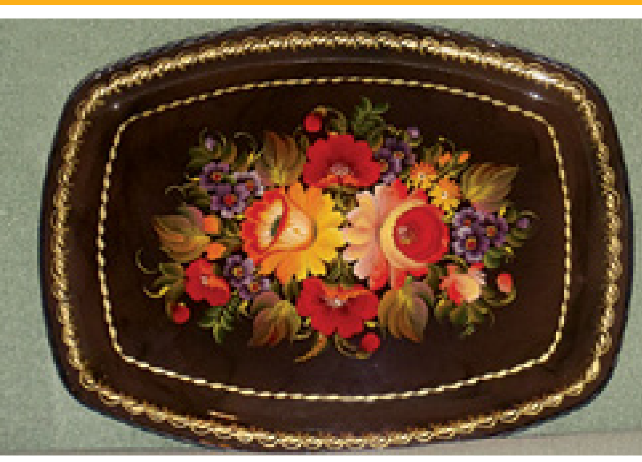
SHARE OF IRON ORE PRODUCTION IN 2010

percents



Morgan Stanley Research

TAGIL TRAYS



Tagil tray production is one of the most important crafts in the Urals. The practice came into being in the mid 18th century at factories operated by the Demidov family in Nevyansk and Nizhny Tagil. The painted trays attracted worldwide popularity and were presented as gifts to princes, Russian tsars and European kings.

Tagil painting, utilising oil paints, is unique. Dark and light paints are put on a brush at the same time to produce a two-colour stroke and the painting, when complete, is covered in several layers of varnish. Each tray represents a unique creation reflecting the talent and imagination of the painter. The defining features of the art are an inherent richness of color and a sense of elegance that lends itself to the artistic portrayal of flowers and wildlife, particularly certain birds, together with ornamental script. These characteristics have been retained and developed over a period of 250 years and Nizhny Tagil's tray painting museum provides master classes in the art for the benefit of residents and tourists alike.

OVERVIEW OF THE VANADIUM MARKET IN 2010

Vanadium is primarily used as an alloying agent in a wide range of specialty steels to provide greater strength, hardness and durability.

Demand for vanadium is ultimately determined by the steel industry and the upturn in the steel market, together with supply constraints in the producer countries, led to a modest market recovery in 2010.

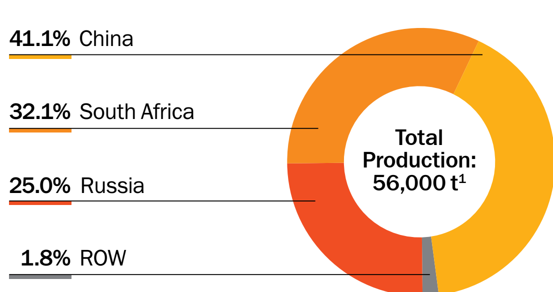
Vanadium reserves are concentrated in China, Russia and South Africa. It is estimated that world resources of vanadium exceed 63 mt, although, due to the fact that vanadium is usually recovered as a by-product, established world resources of the element are not fully indicative of available supplies.

Production in 2010 increased by 5% to 56,000 t of vanadium content globally. Most of the output increase was attributable to China (+10% versus 2009) and South Africa (+6%), while production in Russia declined by 3%.

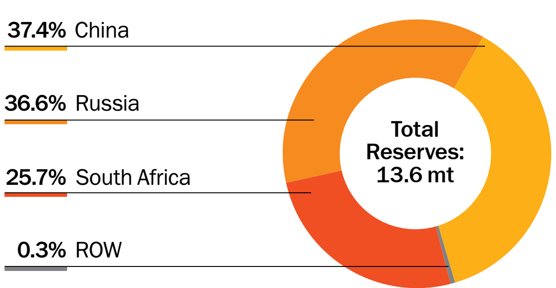
Prices for ferrovanadium (85% of vanadium sales) showed a slight recovery during 2010 but remained volatile. The FeV price stabilised at around US$ 30/kg towards the end of the year, while the average price in 2010 was approximately 20% higher versus 2009.

The price of Vanadium pentoxide (V_2O_5), the source of ferrovanadium, performed similarly.

SHARE OF VANADIUM PRODUCTION AND RESERVES IN 2010



1 of Vanadium content

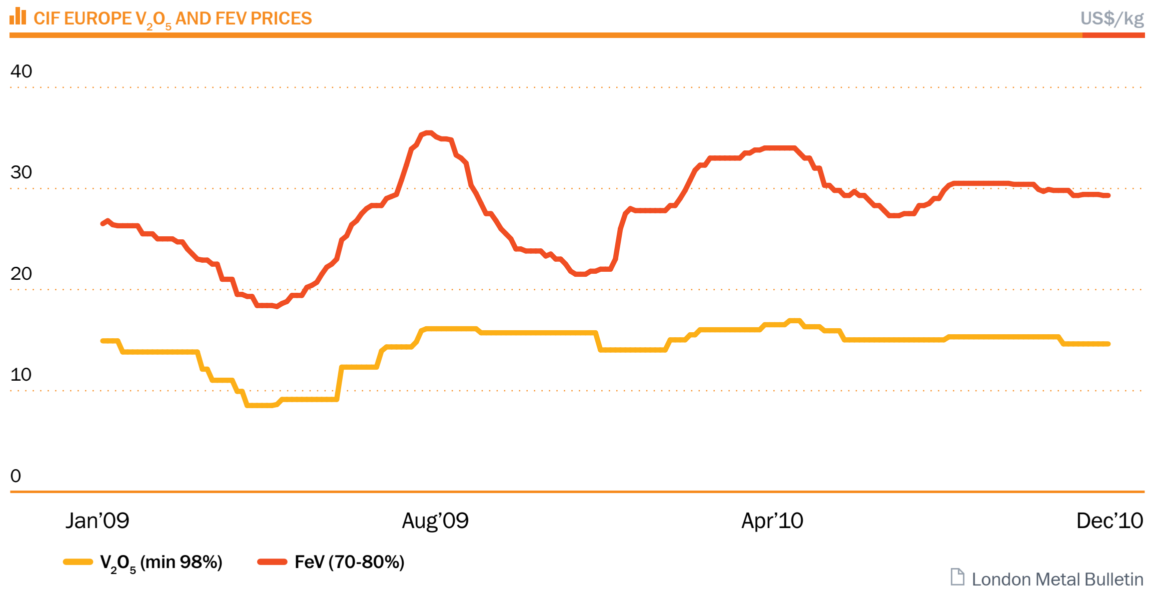


US Geological Survey

SOME FACTS ABOUT EVRAZ

NTMK (the Urals)

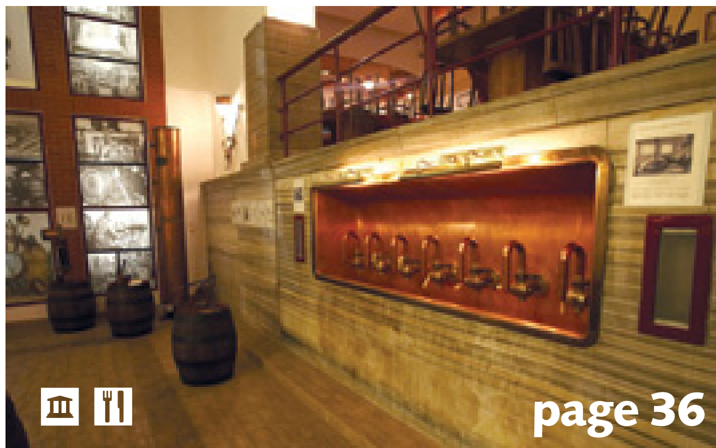
- The only open air 'steel manufacturing' museum in Russia is situated in Nizhny Tagil, on the site of the old Demidovsky iron plant, where first records of pig iron production date back to Christmas Day 1725. Almost half of the production was for export, primarily to the United Kingdom.
- NTMK's universal beam mill is the only unit in Russia and the CIS that produces large beams and column sections with lengths that range from 150 to 1,000 millimetres.
- Documents relating to the work of a group of innovative industrialists at NTMK to develop progressive manufacturing solutions, were published in Forbes Magazine in 2008.



MONUMENT TO THE FIRST RUSSIAN STEAM LOCOMOTIVE

Father and son, Yefim Cherepanov (1774–1842) and Miron Cherepanov (1803–1849) were Russian inventors and industrial engineers who built the first Russian steam locomotive. They worked for the Demidovs – a famous dynasty of factory owners. Starting in 1810, Yefim Cherepanov constructed a pioneering machine-building plant (Vyisky mechanical plant), equipped with a complete range of innovative metal-cutting equipment including-screw cutting and gear-cutting lathes and serrating machines. From 1822 until his death, Yefim was the chief mechanic of all factories in Nizhny Tagil. His son, Miron, became his apprentice and was appointed his deputy in 1819, eventually succeeding his father following Yefim's death in 1842.

The Cherepanovs were responsible for significant improvements in the quality of the machinery used in blast-furnace operations, iron and copper works, gold-mining, sawmills and flourmills. However, the Cherepanovs earned a special place in history through their work on the steam engine which they persistently tried to introduce into industrial production. From 1820 onwards, the Cherepanovs built some 20 steam engines with a horsepower range of between two and 60. During 1833-1834 they built the first Russian steam locomotive, followed by a second, more powerful version, in 1835. They also built a cast-iron railroad that connected one of their factories to a copper mine.

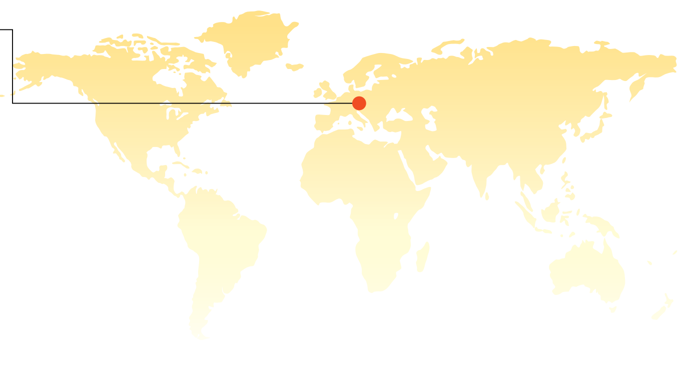


OSTRAVA

CZECH REPUBLIC

General Information

- 49°50’8”N 18°17’33”E
- GMT +01:00
- 1267
- 310,464 people
- 214 km²



About Ostrava

Ostrava is the third largest city in the Czech Republic and the second largest urban agglomeration after Prague. Located close to the Polish border, it is also the administrative centre of the Moravian-Silesian Region.

Ostrava was an important crossroad on the prehistoric trading route known as the Amber Road. Archaeological finds have proved that the area surrounding Ostrava has been continually inhabited for 25,000 years. Today’s Moravian Ostrava, whose name was first brought up in the will of the Olomouc bishop Bruno of Schauenburg in 1267, was awarded town status by 1279.

The city’s history and growth have been largely influenced by the utilisation of high-quality black coal deposits discovered in the second half of the 18th century.

During the 19th century, several mine towers were raised in and around the city and the first steel works were established at Vitkovice by the Olomouc Archbishop Rudolf Habsbursky in 1828.

EVRAZ Vitkovice Steel, which is located in Ostrava, is a leading European manufacturer of rolled steel products and one of Europe’s foremost producers of heavy plate.

Museums have been established where mines once stood and although not being in the top ten list of tourist attraction in the Czech Republic, Ostrava, while retaining its rich industrial heritage, has effectively transformed itself into an administrative, social and cultural centre.

BUSINESS OVERVIEW

OUR VISION AND STRATEGY

EVRAZ is...

Enrichment Through Collaboration

Working together as one team, we achieve best results

Value Created for Our Customer

Continually improving our products and services, we strengthen our long-term partnerships with our Customers

Respect for People

Safe working conditions, development of our people and local communities are integral parts of EVRAZ business

Accountability for Actions and Results

We persistently aspire to achieve our goals and are responsible for the results

Zeal for Continuous Improvement

Developing and implementing new ideas, we make the world stronger, safer and cleaner

Growth Strategy

Enhancement of Raw Materials Base

We believe that being just self-sufficient in coal and iron ore falls short of enabling us to take full advantage of the potential of these markets. Consequently, EVRAZ intends to significantly expand its mining platform.

In 2010, as a first step towards fulfilling this goal, EVRAZ acquired licences to develop coking coal deposits in the Republic of Tyva, Russia. The mineable reserves associated with these deposits amount to in excess of 700 million tonnes of coking coal. We expect total production from the deposits to reach 10 mtpa of coking coal in 2019. Output on this scale will allow us to not only cover our own needs but, in addition, enjoy an export exposure to the Asian coking coal market. We also commenced construction of a new mine in Kemerovo region which will provide EVRAZ with 2 mtpa of high quality coking coal with effect from 2013.

In order to expand our iron ore asset base, we are planning to commence exploration of the Sobstvenno-Kachkanarskoye iron ore deposit which will enable us to reach KGOK's production of 11 mtpa of saleable iron ore products for several decades. We are also seeking prime Greenfield projects in Russia and on a global basis.

Reinforcing EVRAZ's Position in Current Markets

We are reinforcing EVRAZ's position in its current markets by (i) enhancing the quality of our products; (ii) developing our distribution network; and (iii) widening our product portfolio. We are also progressing various initiatives in order to take advantage of the prospective demand for construction steel products that we have identified in certain regions of Russia and overseas. It is important that we continue to expand our business downstream in order to reduce EVRAZ's exposure to semi-finished steel products.

By way of a significant step in this direction EVRAZ has undertaken the construction of two new rolling mills, the Yuzhny Mill in the Rostov Region of Southern Russian, where construction activity is booming, and the Kostanay Mill in Northern Kazakhstan. These new facilities will enable EVRAZ to expand its product mix in line with the local demand (e.g. new rebar grades).

In December 2010, EVRAZ acquired the metal distribution and service company INPROM and integrated its distribution operations with EVRAZ's sales network under a new enterprise that will become the largest steel distributor in the CIS with the ability to provide a wide range of client services in metal processing. In 2010, EVRAZ's distribution network achieved total steel sales of approximately 1.2 million tonnes.

The reconstruction of EVRAZ's rails and beams shop at NKMK and the wheel shop at NTMK, designed to improve quality and enhance the product range, remains on schedule.

Raising Steel Production Volumes

Alongside the projected expansion of our raw material base we plan to expand our steel production in order to increase EVRAZ's market share in existing markets and establish a presence in new markets with promising growth potential.

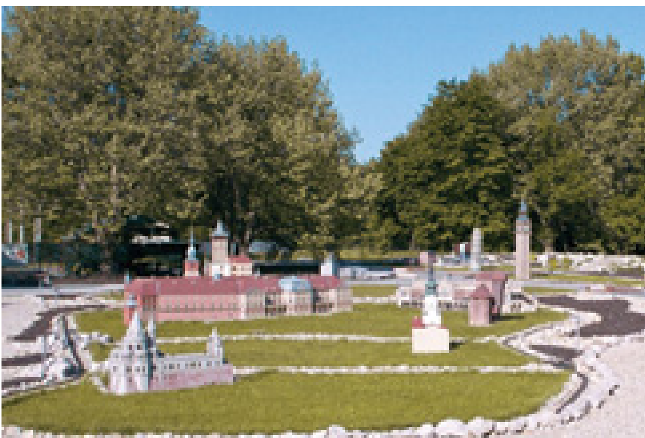
Completion of the reconstruction of the 4th BOF and 3rd slab continuous casting machine at NTMK has served to increase crude steel output by up to 0.5 mtpa. Management is also considering various options to facilitate a 2 mtpa increase in steel production at either NTMK or Zapsib.

Cost-Saving Measures

In response to rising raw material prices around the globe and the higher cost dynamics of gas and electricity in Russia, EVRAZ plans to reduce costs through the use of state-of-the-art technologies and best industry practices.

During 2010 EVRAZ started the implementation of the Pulverized Coal Injection technology at Zapsib and NTMK, a development that will bring about a significant reduction in steelmaking costs.

THE MINIUNI, OSTRAVA



The Miniuni in Ostrava is an interesting attraction suitable for children and adults alike. An area of around 1.5 hectares houses more than 30 replicas of landmark buildings located in European cities, including: London's Big Ben, Prague's Old Town Hall and Berlin's Brandenburg Gate, all of which are dominated by a 12 metre-high model of the Eiffel Tower. All the models are built to a scale of 1:25 and reproductions of the Wonders of Ancient Times are a recent innovation. Miniature trains on railway lines run across the grounds and a steamship traverses the small waterways. Special exhibitions and entertainment events are regularly organised for children, while the Miniuni's restaurant offers a variety of European specialties.

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 with a specialised focus on infrastructure.

In 2010, the Company's share of the Russian market in beams, channels and rebars totalled 86%, 56% and 22% respectively. EVRAZ accounts for 90% of rail sales in Russia and ranks second in the country's rail wheel market.

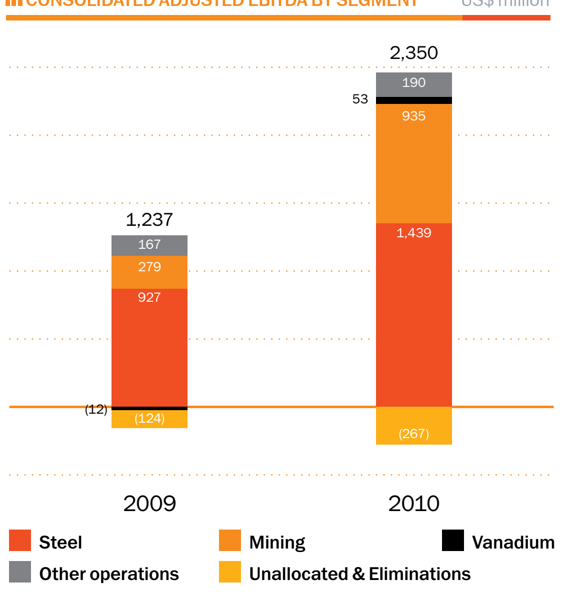
EVRAZ is also a major supplier of semi-finished products – slabs and billets – to world markets.

EVRAZ is a prominent player in the European plate market.

In the USA EVRAZ is the No 1 producer of rails, one of the largest manufacturers of plate, being the largest manufacturer of armour plate, and is acknowledged as the No 1 North American producer of tubular products, particularly in respect of large diameter 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 an important player in the world vanadium market and produces various vanadium products including ferrovanadium, Nitrovan®, high purity vanadium oxides and a full range of vanadium chemicals that are widely used in steelmaking and other applications.



STEEL

Steel: Russia

NTMK

GENERAL OVERVIEW

Several key projects were successfully concluded at NTMK during 2010, the principal development being the completion of the modernisation of the BOF (Basic Oxygen Furnace) shop. Production of 40K beams (out of shaped blanks supplied from ZSMK) was resumed. NTMK's manufacturing capabilities were strengthened with the launch of a project aimed at the production of continuously cast billets for the rolling of large beams (40K, 60Sh and 70Sh). NTMK, situated in Nizhny Tagil, in the Urals, is Russia's sole producer of columns for bridge cranes utilising 40K shaped blanks.

This year NTMK significantly expanded the plant's output of high quality American Petroleum Institute-certified (API-grade) slabs for delivery to EVRAZ's North-American operation. The reconstruction of the fourth and final converter in the BOF workshop was duly finalised. Finalisation of the upgrading of heat treatment facilities represented the completion of a six-year modernisation of NTMK's wheel shop which now ranks as one of the most complex wheel manufacturing units in the world fully equipped to meet European and American specifications. The introduction of a further turning lathe will serve to increase the wheel shop's production capacity by 19,000 wheels per annum. Negotiations were successfully concluded regarding an extension of the wheel shop which will include the acquisition of additional turning lathes and the reconstruction of the existing lathes, thereby raising prospective capacity of the wheel shop to 520,000 wheels per annum. Certification procedures in respect of rail wheels have been launched in relation to the European and the USA markets. Further developments include the production of backing plate ZhBR 65, and expansion of the range of H-beams.

Improvements in the quality of iron ore (in conjunction with KGOK) and coke together with optimal utilisation of two blast furnaces resulted in record levels of pig iron production which reached additional 13,000 tonnes per month.

THE BREWERY MUSEUM

In the Czech Republic beer (Czech: pivo) has a long and significant history. The first brewery in the region is known to have existed as early as 1118. The Ostravar Brewery opened in 1898, followed a year later by the Branik Brewery, two enterprises that would later merge with the Staropramen Brewery.

Today, Ostravar is a strong local brand in northern Moravia. The beer is traditionally brewed using bottom fermentation, known for its high concentration of carbon oxide, well-rounded flavour and palatable bitterness.

Visitors are invited to tour the Ostravar Brewery, discover the way in which the Czech national drink is brewed and, finally, sample their favourite brand. One of the Museum's most popular attractions is a tap bar that is more than 60 years old.

Numerous other exhibits linked to brewing include various types of barrel, illustrations of how such barrels were made, transport glass dating back to the 1920s and an ancient barrelhead.

The installation of Pulverised Coal Injection Technology is ongoing and, ultimately, will result in annual savings of up to 650 million cubic metres of natural gas at NTMK accompanied by a reduction of more than 20% in coke consumption.

Various other measures designed to further productivity were introduced by management during 2010 through a programme dedicated to operational improvements.

The overall investment in the modernisation of the converter shop, which increased annual steel capacity by 0.7 million tonnes to 4.5 million tonnes, was US$310 million.

The installation of Pulverised Coal Injection Technology is ongoing and, ultimately, will result in annual savings of up to 650 million cubic metres of natural gas at NTMK accompanied by a reduction of more than 20% in coke consumption.

In addition, management initiated various courses of action in relation to health, safety (with particular focus on fire risk) and ecology. These included total compliance with the recommendations from Rostekhnadzor, the supervisory body within the Ministry of Natural Resources and Ecology, enhanced utilisation of protective clothing, the modernisation of communal facilities (e.g. showers, canteens, etc) and certain ecological undertakings.

KEY TARGETS 2011

In 2011 NTMK endeavours to achieve further business growth and operational excellence through implementation of the following measures:

- The construction of a new ladle furnace (No 4)
- Increase the annual production capacity of the wheel shop to 520,000 wheels through the installation of six new turning lathes
- The construction of PCI facilities and commencement of partial replacement of coke and natural gas with PCI
- Concentrate production of rail fasteners in Nizhnyaya Salda region through moving production out of Novokuznetsk in 2011-2012
- Increase vanadium extraction rate to 75%

Customer focus at NTMK will include further refinement of the quality of slabs. The production of 40K beam from continuously cast billets will be increased in line with market demand while the rail wheels certification processes in respect of the North American and Italian markets will be finalised.

NTMK's health, safety and environmental agenda for 2011, will focus on the implementation of EVRAZ's new health and safety rules, the organisation of additional safety training in line with new corporate standards and the carrying out of all scheduled maintenance activities.

The expansion of production facilities at NTMK will open up new employment opportunities in 2011 with candidates drawn from within NTMK. Policies designed to retain key employees will also come into effect.

ZSMK

GENERAL OVERVIEW

Key investment projects at ZSMK during 2010 included the installation of Pulverised Coal Injection (PCI) technology, scheduled for completion in 2012, and the implementation of a slitting process in order to increase production levels of rebar at sections mill 250-1. Refinements were brought to bear on certain aspects of production while efficiency planning was directed at equipment maintenance. There was also considerable focus on safety measures which included total compliance with Rostekhnadzor's recommendations, the testing of protective clothing in relation to various production processes and the enhancement of safety equipment where appropriate. Working conditions benefited from the implementation of special programme involving the modernisation of the canteen and other communal areas.

During 2010 ZSMK commenced delivery of shaped blanks to facilitate NTMK's production of 40K beam.

ZSMK also increased production levels of high quality rebar A500SP, a product that allows for a reduction in the metallic component of reinforced concrete, thereby significantly lowering construction costs.

Environmental protection remained a key priority and various ecological programmes (in conjunction with the Kemerovo region's administration) were implemented.

The installation of Pulverised Coal Injection Technology is ongoing and, ultimately, will result in annual savings of up to 600 million cubic metres of natural gas at ZSMK accompanied by a reduction of more than 20% in coke consumption.

KEY TARGETS 2011

ZSMK's principal business objectives in 2011 include:

- Creation of a LEAN office as part of the implementation of the EVRAZ Business System programme
- Further implementation of the PCI project: design work and preparation of surface for construction (scheduled for 2011–2012) of PCI facilities. The finalisation of the project is expected to come to fruition in the beginning of 2013.
- In 2011 ZSMK will launch the project to increase capacity of West Siberian Heat and Power Plant ('Zapsib Power Plant') from 250 to 400MW

- Merge NKMK and ZSMK into one legal entity. This step will allow simplification of managerial processes and formulation of single standards in the sphere of health safety and environment, railway, automobile and warehouse logistics, procurement, social policy and human resources management.

In 2011 ZSMK is planning to increase the production capacity of the rolled products section. Efficiency of production will be significantly enhanced by the implementation of Single-Minute Exchange of Die (SMED).

ZSMK will continue to work on the Health, Safety and Environmental programme during 2011 and will be working closely with the 'talent pool' in relation to employee development.

NKMK

GENERAL OVERVIEW

The completion of the first stage of the rail mill modernisation programme at NKMK, located in Novokuznetsk, Siberia, marked the principal development at the plant during 2010. Plant capacity amounts to 750,000 tonnes of rail per annum and investment in state-of-the-art technology has ensured the production of premium quality rails consistent with the most advanced standards in Europe. Management approved the second stage of the modernisation project, scheduled for completion in 2012, which will pave the way for the production of 25 metre and 100 metre rails dedicated to high speed transportation. Further investment encompassed the installation of power generator No 4.

The focus on health and safety issues at NKMK largely mirrored the programme undertaken at ZSMK. Priorities included total compliance with Rostekhnadzor's recommendations, the testing of protective clothing worn by employees in relation to various manufacturing processes and investment in new safety equipment of the highest quality. As with ZSMK, various communal areas and amenities within the plant were modernised and refurbished.

Similarly, NKMK also worked closely with the Kemerovo region's administration in relation to various ecological initiatives.

KEY TARGETS 2011

The second stage of the rail mill modernisation programme will continue during 2011 which will also see the introduction of a non-destructive inspection line.

NKMK's principal business objectives in 2011 include:

- Maximise production that does not utilise pig iron in order to reduce costs
- Undertake cost reduction project,designed to ultimately cut fixed costs by 20-50%
- Formation and deployment of a LEAN office in accordance with the implementation of the EVRAZ Business System programme
- Merge NKMK and ZSMK into one legal entity. This step will allow simplification of managerial processes and formulation of single standards in the sphere of health safety and environment, railway, automobile and warehouse logistics, procurement, social policy and human resources management.

NKMK will continue to pursue the plant's Health, Safety & Environmental programme during 2011 and, as with ZSMK, will work closely with the 'talent pool' in order to further employee development.

Steel: Ukraine

GENERAL OVERVIEW 2010

Management's focus in respect of the Group's Ukrainian assets during 2010 was primarily on the improvement of the blast furnace workshop at EVRAZ DMZ Petrovskogo and the implementation of programmes designed to achieve operational improvements and increase the output of high-marginal premium steel products.

EVRAZ's Ukrainian coking plants increased their capacity utilisation with overall production volumes reaching 1,849 thousand tonnes of coke per annum.

EVRAZ Sukha Balka completed the construction of a dry magnetic separation complex for the production of ore, with an estimated iron content of 60%, and also constructed an independent railway facility which provides free access to Ukrainian Railways' rail network and readily facilitates the shipment of ore to customers.

KEY TARGETS FOR 2011

The key priority for the Ukrainian plants in 2011 will be the integration of all assets into a single business unit (in terms of organisation and management) with the dual objectives of increasing efficiency in relation to the management of the assets and enhancing the focus on financial performance. This integration will be accompanied by improvement of cooperation with distributors and consumers.

One of the priorities, in terms of operational activity, will be the optimisation of the blast furnace process with greater focus brought to bear on the utilisation of key performance indicators such as production rates, coke consumption and Fe yield. Management will continue to progress the improvement of the product mix with focusing on of new types of sections.

Other specific developments will include:

- The creation of a more effective sales model for coke and ore with the key aim being the provision of stable load density of coking batteries to ensure a regular production flow through the coke ovens thereby reducing the risk of earlier than planned end of life cycle of coking batteries.
- EVRAZ's across the board focus on HSE issues will encompass all of the Company's Ukranian assets. In addition to improvements and refinements to existing safety precautions, management will implement a series of employee training programmes.
- The scheduled launch of LEAN, an integral aspect of the EVRAZ Business System.

Steel: Western Europe

GENERAL OVERVIEW 2010

Steel markets continued their recovery in Europe during 2010, largely driven by the strong demand in Germany. Prices staged a significant rally during the first half of 2010 compared with the corresponding period of 2009 but as the year progressed demand faltered and prices took their cue: a correction that inevitably exerted pressure on margins.

EVRAZ Palini e Bertoli

EVRAZ Palini e Bertoli exceeded budgeted results with the benefit of various initiatives including an increase in the productivity of the rolling mill and a focused reduction in conversion costs. These developments coincided with a general recovery in key plate markets.

EVRAZ Vitkovice Steel

EVRAZ Vitkovice Steel's results were adversely influenced by the dispute with ArcelorMittal Ostrava in respect of pig iron supplies, which led to a five-month idling of the steel shop. In the event, the outcome resulted in a supply agreement, which should yield benefits in 2011. A number of initiatives led to a significant reduction in conversion costs and a major turnaround in the results.

Other strategic initiatives – reorganised maintenance procedures and changes to the energy (electric and natural gas) procurement strategy in order to take advantage of the EU's liberalised energy markets - should further enhance 2011's performance.

Steel: South Africa

GENERAL OVERVIEW 2010

South African markets experienced a significant shrink during the second half of the year, largely due to the fact that, following the completion of construction projects in preparation for the 2010 Soccer World Cup, the government deferred the financing of various new infrastructure projects. Relatively stable first half trading gave way to a deterioration in demand which, combined with a 15% appreciation of the South African Rand against the US dollar and an increase in imports, led to a near 20% price decline towards the end of the year.

EVRAZ Highveld Steel and Vanadium

Following a problematic start to the year, when steel production was adversely affected by oxygen shortage, the plant's performance remained unsatisfactory throughout 2010. Operational issues and equipment malfunctions took their toll on production with approximately 3,000 tonnes of output lost, on average, each month. The aforementioned dynamics of the South African market led to significantly higher exports towards the end of the year which, reflecting the additional costs, negatively influenced the bottom line.

A concerted effort on the part of management to address the situation led to a number of initiatives including improvements in the sales structure, quality, production processes, maintenance procedures and procurement practices. Considerable progress was achieved in relation to South Africa's Broad-Based Black Economic Empowerment (B-BBEE) project with a higher than anticipated assessment from the B-BBEE verification agency expected for 2011. Management approval of a long-term environmental plan paved the way for the start of several projects towards the end of 2010. The development of a 10-year strategy will serve to prioritise and coordinate improvements in efficiencies and restructuring exercises.

Steel: North America

The creation of a powerful, integrated and diverse steel company in North America has been one of EVRAZ's primary aims launched in 2010 and will continue through 2011. The establishment of critical integrated functions such as supply chain planning, manufacturing excellence and business development across all three divisions (Flat, Tubular and Long) is integral to the maintenance of EVRAZ's North American competitive strength.

The vertical integration of our steel operations in Russia with the Flat and Tubular divisions of EVRAZ Inc. NA led to excellent financial results from EVRAZ's North American business in 2010. EVRAZ will continue to develop this integration in 2011.

An excellent performance from the Long Division's rail business was all the more notable in view of the challenging global economic conditions. Demand for large-diameter tubular products in Regina, Canada, proved sufficient to keep the EVRAZ Regina Spiral mill fully utilised throughout 2010, a distinction unequalled by any other large-diameter pipe mill in North America. Encouraging scale of such demand reflects both the quality of EVRAZ's products and EVRAZ's focus on clients' requirements.

A number of strategically important CAPEX projects have been initiated in the Flat and Tubular divisions, designed to address both production volumes and margins. A major capital investment project is under way at EVRAZ's facility in Claymont, Delaware, while, in Alberta, two projects at Calgary and a further two projects at Red Deer will reinforce our competitive position in the OCTG market in Canada and the USA. EVRAZ Inc. NA is preparing a targeted capital programme in respect of EVRAZ Rocky Mountain Steel facility in Pueblo, Colorado, where the focus will be on raising steel making production volumes and accommodating clients' requirements in respect of the rail product line. A major capital project is also under way at Claymont in relation to the plant's environmental obligations.

EVRAZ Inc. NA's scrap supply operation represents an integral aspect of EVRAZ's business and, in order to maximise efficiencies, EVRAZ is in the process of integrating scrap operations in Canada and the US's Pueblo and Claymont.

Another initiative undertaken in 2010 involved the integration of our maintenance operations, thereby taking advantage of a range of tangible synergies. Considerable benefits are envisaged in relation to the reliability of production equipment, effective cost and investment management and the sharing of knowledge and talent across our locations. This exercise will prove ongoing throughout 2011.

The scale of EVRAZ's North American and Canadian asset base is a reflection of management's confidence in the growth prospects. In line with this, further expansion of the production capabilities of Flat and Long divisions will represent an important part of EVRAZ's growth strategy in the US and Canada.

EVRAZ's focus on Health and Safety issues at Group level is mirrored across the Company's operations in North America. The safety of employees is of paramount importance throughout the Group's operations and various initiatives were implemented at EVRAZ's North American plants during 2010. The general welfare of employees, ranging from workplace business practices to the quality of communal facilities, represents a further priority which management sees as a mandatory aspect of our business and which links with EVRAZ's corporate culture and values. Improvements and refinements in relation to safety and employee welfare will continue throughout 2011.

KEY TARGETS 2011

The process of integrating EVRAZ's North American operations will continue in 2011 as will the Company's focus on Health & Safety issues. Management's plans to improve operational performance include the introduction of LEAN business practices and enhanced customer focus across the Flat, Tubular and Long business areas:

- Continue to implement Health & Safety measures
- Increase sales and revenues in rail business
- Increase sales in OCTG business and improve profitability
- Successful completion of capital projects in order to capitalise on returns
- Expand overall steelmaking capacity
- Identify additional areas for growth in our Flat and Tubular businesses.

SOME FACTS ABOUT EVRAZ

VGOK (the Urals)

- In 1836 miners working 80 metres below ground at the Vysokogorsky ore deposit's Mednorudyansky field discovered one of the largest malachite formations in the world. The boulder was 17 metres long and weighed 380,000 tonnes. To put this in perspective the creation of the unique Malachite Hall at Saint Petesburg's famous State Hermitage Museum required just 2,000 tonnes of malachite.

MINING

Mining: Coal

GENERAL OVERVIEW 2010

EVRAZ continued to focus on the ongoing improvement in safety levels at Yuzhkuzbassugol, EVRAZ's Siberian coal mining subsidiary, during 2010. Various programmes, encompassing advance warning and monitoring systems, were implemented in line with the Company's 2010-2011 safety targets in relation to production processes and practices. The achievement of these targets has been effectively guaranteed by the allocation of additional funds to ensure that all post assessment recommendations made by Rostekhnadzor, the supervisory body within the Ministry of Natural Resources and Ecology, in respect of Yuzhkuzbassugol, are fully addressed as a matter of priority.

During 2010, longwalls were repositioned at Yuzhkuzbassugol's following mines: Abashevskaya, Yesaulskaya, Kusheyakovskaya, Tagaryshskaya, Gramoteinskaya, Alardinskaya and Yubileynaya 2. Longwall procedures are consistent with relatively stable levels of output which, in turn, is integral to the security of supply to EVRAZ's steel manufacturing operations.

Management initiated various projects designed to maintain production levels at Yuzhkuzbassugol's mines during 2010. These included a preliminary degasification exercise at the Yesaulskaya mine, electrical modifications at the Alardinskaya mine and commencement of the development of the Alardinsky-Vostochny area. The construction of an electricity generator with a capacity of 35/6 Kw was completed at the Osinnikovskaya mine, where work is underway in block No 4 in preparation for coal extraction. Preparations were finalised for the extraction of layer No 15 at the Abashevskaya mine in the Zyryanovsky area. At the Yerunakovskaya-8 mine preparatory work for the construction of the mine was completed. Operations at the Yubileynaya and Tagaryshskaya mines were closed. A further feature of 2010 was the introduction of an automated system to measure electricity consumption throughout the Yuzhkuzbassugol complex.

Coking coal production of 7.5 million tonnes in 2010 represented a decrease of 27% compared with 2009. This reflected a reduction in the economic efficiency of the mines due to the repositioning of longwalls, the delayed launch of the Ulyanovskaya mine, the sale of the Tomusinskaya mine, the closures of the Yubileynaya and Tagaryshskaya mines, temporary stoppages associated with Rostekhnadzor's monitoring activities, the introduction of new equipment designed to improve safety levels and the legacy of underinvestment in 2009.

EARLIEST CITY IN THE WORLD

The people of the Czech Republic are early risers in general, none more so than the citizens of Ostrava who regularly go about their business as the rest of Europe sleeps. At 4 a.m., trams start running and the city's first train leaves for the capital. Newsstands open at 5.30 a.m. and many pubs are already open at 6 a.m. In contrast, 10 p.m. is considered a late night in Ostrava.

SOME FACTS ABOUT EVRAZ

DMZ (Ukraine)

- In 1926 DMZ Petrovskogo (currently EVRAZ DMZ Petrovskogo) commissioned an open-hearth furnace with 100 tonnes of capacity: the largest in the world at that time.
- The sound of the EVRAZ DMZ Petrovskogo plant hooter can be heard within a radius of 10 kilometres.
- Souvenir hangers of Misha the Bear, the symbol of the 1980 Moscow Olympic Games, were produced by DMZ Petrovskogo (currently EVRAZ DMZ Petrovskogo) in its consumer goods workshop.

Steam coal production of 3.8 million tonnes in 2010 represented a decrease of 8% compared with 2009. The decline reflected the closure of the Tagaryshskaya mine together with difficult geological conditions in relation to the repositioning of longwalls that resulted in the delayed introduction of longwalls at the Kusheyakovskaya mine. Meanwhile, indications are that production volumes at the Gramoteinskaya mine in 2011 will be in line with the output achieved in 2010.

KEY TARGETS 2011

In 2011 Yuzhkuzbassugol endeavours to achieve further business growth and operational excellence through implementation of the following measures:

Growth of the Business:

- Launch of the Yerunakovskaya-8 project
- Restructuring of Yuzhkuzbassugol's assets in order to maximise operational efficiency in line with Group strategy
- Ongoing pursuit of several separate initiatives designed to raise the productivity of the mines

Operational excellence:

- Creation of a LEAN office as part of the implementation of the EVRAZ Business System programme
- Improvement of the investment decision-making process
- Unification of mining equipment
- Step by step process approach to managing each operation throughout the business
- Greater transparency regarding management of supplementary operations (aeration, dewatering, etc).

During 2011 customer focus at Yuzhkuzbassugol will centre around improvement of the quality of concentrate, primarily through maintaining consistency in terms of ash content, humidity and calorific value.

The introduction of additional safety measures and ongoing improvements to existing precautions will remain the keystone of Yuzhkuzbassugol's health, safety and environmental agenda during 2011. This includes the development of a comprehensive mine degasification programme, encompassing methane utilisation projects at two mines.

The formation of the LEAN office, under the supervision of EVRAZ's senior management, and the implementation of various aspects of EVRAZ Business System, will prove the drivers of significant efficiencies at Yuzhkuzbassugol during 2011. A further priority will be the selection of some 30 prospective senior managers and the training of management personnel as part of a project which will serve to replenish coal sector expertise and facilitate succession.

Mining: Iron Ore

The year 2010 witnessed a significant recovery in EVRAZ's iron ore mining and enrichment operations following the reduced levels of activity in 2009 caused by the global economic malaise. The ore mining subsidiaries within EVRAZ Iron Ore Division produced 68 million tonnes of iron ore, a 7.9% increase over 2009 volumes. Production of saleable iron ore products (iron ore concentrate, sinter and pellets) in 2010 amounted to 17.5 million tonnes and accounted for 92% of EVRAZ's internal requirements in relation to the Company's Russian and Ukrainian operations.

The Division's focus during 2010 was on building up production at minimal capital expenditure while enhancing efficiency and safety of production. Accordingly, several improvement of programmes were launched (for completion in late 2010 – early 2011) to stabilise and increase production at EVRAZ KGOK and Evrazruda. Special HSE program supported by external experts and trainers was launched at EVRAZ VGOK. Besides the Division started a 3-year program to upgrade and modernise part of key mining, transportation and grinding facilities at the plants. In the course of upgrading the equipment special attention was paid to comfort-at-work measures: installation of air conditioning units and more comfortable seats in cabins of rock-drilling and excavating machines. Dressing rooms and shower compartments of the plants were started with major reconstruction to comply with new corporate standards.

Progress continued on the implementation of an integrated programme focused on development of employees and strengthening relations with municipal community at the town of Kachkanar, where EVRAZ KGOK is located. The multi-faceted project was designed to involve employees in operational improvements, increase productivity, enhance further professional education while giving more support to co-operative programs with local government and key social groups within Kachkanar.

A number of measures were introduced to streamline management operations at EVRAZ KGOK, EVRAZ VGOK and EVRAZ Sukha Balka. A number of service subdivisions were span-off and out-sourced.

A better-working-condition programme focused on the modernisation of various communal facilities at mines and plants throughout the Iron Ore Division was launched and will be ongoing in 2011. Overall expenditure on social programmes amounted to US$1.3 million in 2010, an increase of 8% compared with 2009.

In 2010 key investment projects designed to increase production capacity, raise production volumes and improve the quality and metallurgical value of the iron ore produced included:

EVRAZ KGOK

Improvement program along key stages of EVRAZ KGOK's production chain (including upgrade and replacement of targeted equipment) contributed to an 11% increase in concentrate production capacity (1Q 2011 vs. 1Q 2010).

A subsequent project designed to expand iron ore production capacity at EVRAZ KGOK, in line with strategic output objectives, started in late 2010 should result in additional 10% capacity increase to reach 55 million tonnes by the end of 2011. In accordance with the project plan, the whole scope of upgrading mining, transportation and grinding equipment is to be completed in early 2012.

The exploration of the Sobstvenno-Kachkanarskoye field continued. It was marked by EVRAZ KGOK selecting Worley Parsons as design engineers for the new production complex at the field. Worley Parsons, a premier international engineering enterprise, will work in partnership with PiterGorProekt, the Russian mining design and engineering company, which should ensure, that the project complies with both highest international technological standards and Russian regulatory requirements. Implementation of this project will effectively secure increased production of iron ore at EVRAZ KGOK for dozens of years ahead in line with the mounting requirements of its key customers - the steel producers.

The modernisation of pellet-indurating machine No 2 at EVRAZ KGOK led to a reduction in gas consumption of 0.8 cubic metres per tonne of pellet production.

Evrazruda

Stabilisation of Evrazruda's production was achieved at the onset of 2011 as a result of operational improvements and debottlenecking activities undertaken at the company's subsidiaries in 2010.

The debottlenecking (including upgrading and replacement of equipment) was focused on the production chains of Irbinsky and Teysky subsidiaries of Evrazruda. It led to a significant increase in stripping operations and expanded open pit iron ore production capacity.

The reconstruction of Evrazruda's Abagurskaya enrichment plant started in 2009 was completed and resulted in an increase of iron content in concentrate from 60.3% to 61.7%, thus giving extra value to EVRAZ ZSMK as the only customer for the product.

Much of the work to introduce a lime-based ore-preparation technology at the Abagurskaya enrichment plant was accomplished. The project is expected to be completed by mid-2011.

The development of Evrazruda's Sheregeshsky underground mine was underway, which will effectively double annual iron ore production capacity. As per the updated project design and timeframe the estimated investment period is expected to be reduced two years so that now run-of-mine (r-o-m) production capacity of the mine is projected to reach 3.7 million tonnes by 2014.

An investment programme, designed to double the production capacity of the Abakansky underground mine and to produce 4 million tonnes of raw ore per annum starting from 2016, commenced. Design and engineering work at the project was assigned to the Moscow-based institute, Giprotsvetmet.

Besides, in its strategic endeavours to produce more from open casts Evrazruda acquired a licence for development of the Izykhsky iron ore deposit with reserves in excess of 4.1 million tonnes. The Izykhsky deposit will be developed by Evrazruda's branch of Irbinsky mine, Krasnoyarsk region.

EVRAZ VGOK

The lime-based ore-preparation technology was successfully put into operation at EVRAZ VGOK. This facilitates regular, round the year delivery of iron ore concentrate to consumers eliminating the need for a costly heating and drying machines. It also enhanced the metallurgical value of the ore concentrate and significantly increased its sales price.

In 2010 EVRAZ VGOK continued search for technologies to modernise its mining, enrichment and tailing facilities to start with implementation in 2011.

It also launched a programme focused on industrial safety comprising extensive training courses for personnel, lower and mid-level managers, as well as adoption of industrial best HSE practices. The program is supported by external consulting and training company.

EVRAZ Sukha Balka

In 2010 the mining company implemented a total reconstruction of its rail infrastructure and rail-car loading facilities. That secured the ore producer with free access to Ukrainian Railways network, which led to a significant increase in production volumes and shipments of sinter ore to consumers. As a direct result of this project the production in 2011 is planned to rise by 35%.

Sukha Balka successfully put into operations the new technology of dry magnetic separation of martite-hematite ores. The project at its Yubileynaya mine was designed to improve the quality and increase the commercial value of production, permitting the production of ore with iron content of not less than 60%, the quality of which commands a market premium.

Key investment projects in 2011 are as follows:

- Completion of full-scale feasibility study of the Sobstvenno-Kachkanarskoye deposit (EVRAZ KGOK). Design and preparation works to continue in preparation for ore production to start in 2014.
- Construction of new sludge dump reservoir at EVRAZ KGOK aimed at decreasing operational costs and improving safety levels of waste storage; scheduled for transition to new areas by 2017. Choice of technology and selection of design engineering company will be made during 2011.
- Implementation of project designed to increase EVRAZ KGOK's raw iron ore production capacity from current 50 million to 55 million tonnes per annum in 2012. This development represents the first step towards gradually raising annual capacity of the GOK to 63 million tonnes.
- Upgrade of pellet-indurating machine No 3 at EVRAZ KGOK as part of modernisation of lumping workshop designed to reduce pellet production unit costs while enhancing quality.
- Project designed to improve quality of iron ore raw supplies from KGOK to EVRAZ NTMK should increase durability of pellets and sinter.
- Completion of second stage of reconstruction of lime-based prevention technology line at Evrazruda's Abagurskaya enrichment plant.
- Evrazruda will continue to invest in the development of the Sheregeshsky, Kazsky and Abakansky underground mines in order to expand its overall annual production capacity by 25% in 5 years.
- Tashtagolsky underground mine, a subsidiary of Evrazruda, will finalise the introduction of back-fill mining technology. Between 2011-2015 this project is expected to provide access to valuable ore deposits with the extraction volume projected to increase from 1.6 million to 1.9 million tonnes per annum.
- Commencement of exploration and development of smaller satellite deposits near Evrazruda's major fields in the Krasnoyarsk region and Khakassia. Exploration of the Izikhsky depost with estimated reserves of 4.1 million tonnes during 2011 will give way to initial project work with a projected annual production of 0.6 million tonnes of iron ore in 2014.
- The choice of technology to facilitate the concentration (disposal) of tailings from EVRAZ VGOK's enrichment process will be made during 2011. This project is expected to stabilise and further generate a 15-20% increase in the production of iron ore raw materials.
- Further expansion of EVRAZ VGOK's iron ore base will see design work commence in respect of ore extraction from the Tsentralny open pit. This project is expected to yield up to 7 million tonnes of ore between 2011 and 2020.
- Modernisation of EVRAZ VGOK's wet enrichment facilities will be effected in 2011. As a result the Yuzhnaya mine will start direct supplies of ore to wet enrichment plant. This will raise the productivity of VGOK's enrichment plant by 7%.
- Finalisation of a feasibility study regarding the prospective construction of a sinter plant in order to process EVRAZ Sukha Balka's iron ore into raw sinter.

The activities above in 2010 enabled the iron ore sector of EVRAZ to overcome the negative effects of recent crisis and to lay down a firm basis for steady development and expansion of the corporate iron ore base in the 5-year period of 2011 - 2014.

SOME FACTS ABOUT EVRAZ

VGOK (the Urals)

- Clerks of the Russian Imperator Peter the Great were unable to scale the Vysokaya Mountain (mother of the Vysokogorsky ore deposit) because their iron heeled shoes got stuck in the mountain's surface– in those days the iron content of the ores mined exceeded 60%.
- EVRAZ Vysokogorsky Ore Mining and Processing Plant, one of the oldest ore mining plants in the world, is celebrating its 300th Anniversary in 2011.

VANADIUM

GENERAL OVERVIEW 2010

The vanadium segment achieved good results in 2010 benefiting from the recovery in the global economy and a consequent improvement in the demand for steel. EVRAZ, capitalising on its low cost competitive position and ability to accelerate production in response to customers' requirements, continued to increase its share of the world vanadium market. All facilities in the vanadium division performed with production increases of more than 50% compared with 2009's volumes.

The principal operational challenges faced by EVRAZ's management during 2010 included a return to the pre-crisis levels of capacity and operational efficiency, the utilisation of intra-group synergies and the improvement of health, safety and environmental factors throughout all facilities.

Vanady-Tula

Following the acquisition of Vanady-Tula towards the end of 2009, the focus during 2010 was on optimising the plant's efficiency. During the year an analysis of both the cost structure and the production chain bottleneck was carried out. This resulted in a set of proposals which, upon implementation in 2011, will increase capacity by 3-5% in that year and by up to 10% by 2013. A series of initiatives were proposed with a view to achieving cost savings of up to US$0.5 million per year.

In December 2010 Vanady-Tula was selected as a model for implementation of the EVRAZ Business System (EBS) utilising LEAN continuous improvement techniques. During 2011 a major investment project, deploying EBS techniques, will focus on improving safety, social and environmental aspects of the facility.

Nikom

During 2010, the facility was mainly focused on improving the Group synergies and efficiency by processing vanadium trioxide produced by EVRAZ's Vametco in South Africa. Nikom also developed new techniques to process a mixture of vanadium pentoxide supplied by Vanady-Tula and vanadium trioxide to produce FeV, a development that achieved extremely high vanadium yields. This has allowed Vametco to operate at full capacity and improve productivity while lowering costs at both plants. In 2011 the facility plans to further increase vanadium trioxide processing levels that will have a commensurate impact on the efficiency of ferrovanadium production.

Strategic Minerals Corporation

In the second half of 2010, EVRAZ decided to halt the divestiture of Stratcor in favour of growing the corporation's niche business. In the last quarter of 2010, a total of US$1.5 million was committed to the modernisation of various aspects of the plant. Further investment is planned in 2011 when the focus will be on increasing production volumes and expanding the range of specialty vanadium products available to the chemical and titanium industries. Stratcor is committed to maximising safety precautions in respect of employees and, having suffered from its first 'lost work day injury' in six years, will implement further safety improvements with a goal to surpass its previous record.

Vametco

Vametco's principal objective in 2010 was to improve production efficiency through optimising the feed mix of vanadium ore and vanadium slag to the process. This, in conjunction with the Nikom collaboration, enabled Vametco to raise production to full capacity during the second half of 2010. Capital expenditure was focused on infrastructure improvement and various safety and environmental projects. In 2011 investment will be directed at the elimination of bottlenecks, further improvement in vanadium recovery rates and ongoing projects in relation to safety improvements and environmental undertakings.

In order to fully exploit intra-group synergies, management initiated an inter-divisional project entitled 'Increasing vanadium production efficiency in the KGOK- NTMK-Vanady-Tula production chain'. The project is designed to analyse and optimise the entire vanadium production chain and, to this end, will utilise LEAN problem-solving instruments (VSA, Standard Work, KPIs, etc.).

In 2010, EVRAZ commenced a partnership with ChMZ (Chusovskoy Metallurgical Works) with the intention of using the latter's idle vanadium slag processing capacities to process NTMK's slag. As a result, ChMZ processed more than 5,000 tonnes of vanadium slag in 2010. This fully illustrated the benefit of synergies with VGOK (processing ChMZ's by-product) and NTMK (producing slag with the required composition and utilising ChMZ's by-product). This partnership will continue through 2011.

Reflecting the continuous drive to reduce expenses, optimise productivity, increase efficiency and utilise intra-group synergies, EVRAZ remains one of the lowest cost producers of vanadium in the world.

Key Targets 2011

During 2011 the Company will seek to fully capitalise on its competitive advantages in order to further expand its presence in the world vanadium market. Key areas of activity will include:

- Ongoing focus on health, safety and environmental issues at all facilities;
- Implementation of EVRAZ Business System throughout the division;
- Maximisation of vanadium output at all of the Company's plants;
- Improve market penetration and focus by channeling all steel sector sales through East Metals;
- Grow sales to the steel industry through increased conversion of vanadium slag to final FeV products;
- Enhanced marketing of EVRAZ's value added Nitrovan® product directed at the steel industry;
- Expansion of market share of high value vanadium products to chemical and titanium / aerospace industries via Strategic Minerals Corporation's (Stratcor) operation in North America;
- Ongoing cost optimisation and improvements in efficiency at all facilities;
- Identification and utilisation of all possible synergies within the Group.

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.

The health, safety and environmental agenda will remain the focus in 2011 and is expected to be well received by employees throughout the division.

OSTRAVA ZOO

Ostrava Zoo covers an area of 100 hectares and is home to some 360 species including various predators, giraffes, zebras, parrots, chimpanzees, lemurs, elephants and rhinoceros to name but a few. The zoo, founded in 1951, attracts a large number of visitors.

Falcon demonstrations take place during the summer, while the feeding of the elephants is also a key attraction. In winter, snow permitting, visitors are also able to avail themselves of cross-country skiing facilities within the zoo. In addition to animal feeding activities, guided evening tours, designed to appeal to both children and adults, are also well attended. Various other popular events include: Children's Day, lampion parades and the decoration of the zoo's Christmas tree. There are several dedicated children's corners within the zoo which also features a children's playground. A Botanical Park was opened in 2007, while the following year saw the construction of new enclosures for cranes and red pandas. Years of planning culminated in the zoo's first night-time exhibition and a sea aquarium. In 2009 a new section of the zoo, 'Mala Amazoni', was opened, the inhabitants of which include capuchin and squirrel monkeys, tropical spiders and frogs.

OUTLOOK FOR 2011

The pattern of global economic recovery, which drove market dynamics through 2010, has continued in 2011. Global steel markets, while remaining distinctly sensitive, have made a promising start to the year. The prices and availability of steelmaking raw materials – iron ore, coking coal and scrap – remain the principal drivers of steel prices.

Based on our sales at the beginning of 2011, we expect Russian demand for construction steel to increase by more than 10% in 2011 compared with 2010. We are also witnessing improved demand from our international markets as the global economy continues its recovery.

In 2011, we expect EVRAZ's Russian and North American steelmaking operations to continue to run at full capacity, while steelmaking capacity utilisation in the Czech Republic and South Africa are expected to increase as operational issues have been resolved and infrastructure markets recover. Following modernisation, completed in November 2010, EVRAZ's steelmaking plant in Nizhny Tagil, Russia, increased its annual capacity by approximately 0.5 million tonnes. Consequently, we expect our crude steel production volumes in 2011 to increase by 6% compared with 2010's output.

EBITDA in respect of 1Q 2011 totalled US$740 million: 75% higher than 1Q 2010 and 27% higher than 4Q 2010.

During 2Q 2011 steel prices in the Russian domestic and international markets, having grown in the early part of the year, showed some downward correction although the average price is expected to be slightly higher than that for the first quarter. We therefore expect 2Q 2011 EBITDA to be slightly higher than in 1Q 2011.

Due to the volatility and low visibility of the global commodities and steel markets, we cannot commit to any firm guidance in respect of the second half or full year 2011 financial results.

We continue to refinance our short-term maturities through various longer-term instruments in a market where yields are close to their historic lows. In April 2011, EVRAZ launched an US$850 million issue of Eurobonds, due 2018, carrying an interest rate of 6.75%, the lowest ever coupon in respect of an EVRAZ Eurobond issue. Part of the proceeds from the issue was used to purchase approximately US$622 million in aggregate of the principal amount of the outstanding bonds due 2013. We have also issued RUB20 billion of bonds in early June 2011. The proceeds from this issue were used to repay part of the US$950 million Gazprombank loan due in 2014.

The aforementioned fund raising exercises are solely for refinancing purposes. The Net Debt to last twelve months (LTM) EBITDA ratio is expected to decrease below 2.5 times as of 30 June 2011.

In the medium-term we intend to maintain a Net Debt to LTM EBITDA ratio of below two times.

We are confident that EVRAZ Group, capitalising on its strengths as a cost efficient vertically integrated and geographically diversified company, is well positioned to pursue its growth strategy and benefit from any upturn in world markets.

SOME FACTS ABOUT EVRAZ

Yuzhkuzbassugol (Siberia)

- Coal mined by Yuzhkuzbassugol is consumed in numerous parts of the world including: Ukraine, Romania, Austria, Poland, Slovenia, Slovakia, Lithuania, Turkey, Bulgaria, Finland, Germany, Italy, the UK, China, Japan and Korea.

NKMK (Siberia)

- Over a period of 79 years (as of March 2011) NKMK produced 432,448 kilometres of rail. This is further than the moon's distance from the Earth (384,400 kilometres) and is equivalent to encircling the Earth 24 times.

ZSMK (Siberia)

- Over a period of 46 years West Siberian Heat and Power Plant ('Zapsib Power Plant' – an energy generating branch of EVRAZ ZSMK) has produced enough kWh of electricty to supply the requirements of Italy's entire population for one year and those of the citizens of Moscow for five years.

KEY INVESTMENT PROJECTS

Reconstruction of rail mill at NKMK

CAPEX

Total CAPEX:	**US$485m**
Cumulative CAPEX by 31.12.10:	**US$225m**
2011 CAPEX:	**US$130m**

Project Targets

- Capacity of 950k tonnes of high-speed rails, including 450k tonnes of 100 metre rails
- On-stream by 2013

Pulverised coal injection (PCI) at NTMK and ZSMK

CAPEX

Total CAPEX:	**US$320m**
Cumulative CAPEX by 31.12.10:	**US$40m**
2011 CAPEX:	**US$175m**

Project Targets

- Lower coke consumption from 420 to 320 kg/tonne
- No need for gas consumption
- On-stream by 2013

Construction of Yuzhny and Kostanay rolling mills

CAPEX

Total CAPEX:	**US$260m**
Cumulative CAPEX by 31.12.10:	**US$0m**
2011 CAPEX:	**US$80m**

Project Targets

- Capacity: 450 ktpa of construction products each mill
- On-stream by 2013

Expansion of Kachkanar mine

CAPEX

Total CAPEX:	**US$80m**
Cumulative CAPEX by 31.12.10:	**US$0m**
2011 CAPEX:	**US$50m**

Project Targets

- Iron ore production to be increased to 55 mtpa
- On-stream by 2012

Reconstruction of rail mill at NTMK

CAPEX

Total CAPEX:	**US$60m**
Cumulative CAPEX by 31.12.10:	**US$40m**
2011 CAPEX:	**US$20m**

Project Targets

- Production of higher-quality rails
- 550k tonnes capacity
- On-stream by 2012

Reconstruction of mechanical area at NTMK wheel & tyre mill

CAPEX

Total CAPEX:	**US$40m**
Cumulative CAPEX by 31.12.10:	**US$8m**
2011 CAPEX:	**US$25m**

Project Targets

- Production of higher-quality wheels
- On-stream by 2011

Development of Mezhegey and Eastern field coal deposits (Tyva, Russia)

CAPEX

Total CAPEX:	**TBD**
Cumulative CAPEX by 31.12.10:	**US$70m**[1]
2011 CAPEX:	**US$27m**

Project Targets

- Maintaining self-sufficiency in high-quality hard coking coal after depletion of existing deposits
- On-stream by 2015 and 2021 respectively

1 Acquisition of Mezhegey and Mezhegey East licences

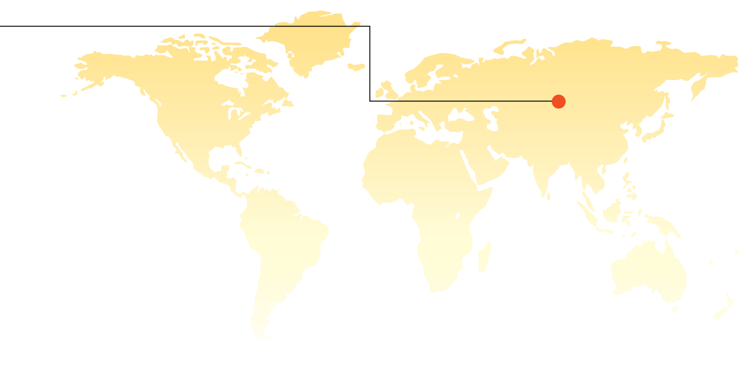
This photograph is one of the winners of EVRAZ's Photo & Picture competition which attracted entries from employees on a global basis and was organised by the EVRAZ Talent Committee. The authors of the photo are Ludmila Chirkina and Anna Chirkina of EVRAZ NTMK

SHEREGESH

RUSSIAN FEDERATION

General Information

- 52°55'30"N 88°2'0"E
- GMT+05:00
- 1914
- 10,254 people
- 57,1 km²



About Sheregesh

Sheregesh is a Russian resort situated at the foot of Mustag Mountain in the southern part of the Kemerovo Region. Once a remote mining settlement, the town, named after the Sheregeshev brothers who discovered the area's iron ore riches in 1912, is now a popular winter sports destination.

The ski resort, which nestles in the nearby Zelenaya Mountain, was created some two decades ago and each winter thousands of enthusiasts, mainly from Siberia, flock to Sheregesh to enjoy the skiing and snowboarding facilities. Visitors from Moscow have to endure the notorious Siberian frost during an eight-hour journey, the attraction being a snow mantle with an average depth of four metres, widely acknowledged as 'the best snow in Russia.'

The resort supports dozens of hotels and many residents let their homes to visitors during the tourist season which typically runs from November to March.

The Evrazruda mining company, a subsidiary of EVRAZ, operates the Sheregeshsky mine which supplies iron ore to two of EVRAZ's metallurgical industrial complexes, ZSMK and NKMK, based in the City of Novokuznetsk.

CORPORATE RESPONSIBILITY

INTRODUCTION

EVRAZ's approach to corporate responsibility reflects various aspects of the Company's corporate culture.

We believe in the creation of value for the benefit of stakeholders, the constant pursuit of product improvement and innovation, the importance of accountability at all levels and the ongoing education of our employees. Above all, we respect people and the communities in which they live. It is these values and perspectives that, in terms of corporate responsibility, have led to the creation of three key areas of focus: Enrichment through collaboration, Value created for our Customer everyday, Respect for People, Accountability for Actions and Results, Zeal for Continuous Improvement.

EVRAZ undertakes these priorities in a transparent manner, mindful of sustainability and in compliance with the highest standards of ethical and business conduct.

In view of the global scale of EVRAZ's operations, the Company utilises the OECD Guidelines for Multinational Enterprises to ensure, as far as possible, a uniform approach to business standards. EVRAZ fully endorses the provisions of the Universal Declaration of Human Rights and strives, at all times, to uphold such principles.

To facilitate the cohesion of EVRAZ's approach to corporate responsibility and the Company's business strategies we have developed a set of corporate codes designed to regulate all aspects of the Group's operations. Our Code of Corporate Governance defines EVRAZ's total commitment to the highest standards of corporate governance. The Code of Business Conduct and Code of Ethics constitute the framework for the management of sustainable development, 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.

The growth of EVRAZ's international business operations is accompanied by parallel refinements to relevant aspects of corporate responsibility. Against this background, EVRAZ uses its best endeavors to comply with all environmental laws and regulations applicable in the territories in which it operates. In order to advance our focus on the health and safety of employees, together with environmental issues, EVRAZ's Board of Directors established a Health, Safety and Environmental Committee during 2010 and created the position of Vice President responsible for Health, Safety and Environment. Such developments serve to underline the importance management attaches to the issues of safety, sustainable development and environmental protection.

ECONOMIC PROSPERITY

At EVRAZ we strongly believe that the Company's future and its long-term sustainability depend not only on our operational efficiency and financial stability but also on the prosperity of the regions in which the Group operates. EVRAZ makes every effort to build a constructive dialogue with, and deliver value to, all of the Company's stakeholders and, in keeping with this, we contribute to the development of the communities within which we operate.

Economic Contribution

EVRAZ, ranked as one of the world's premier steel producers and renowned for its infrastructure specialisation, contributes to various global economies both as a major employer and as a corporate taxpayer. EVRAZ prides itself in '**Making the World Stronger**' and our products are in evidence in almost every country around the globe.

EVRAZ is one of the world's largest rail manufacturers, being the only rail producer in Russia, major producer in the CIS and second largest producer in North America. The Company is the dominant operator in the world vanadium market and one of the leaders in the plate and large diameter pipe markets of Europe and North America.

The North American division is one of the world's largest producers of infrastructure plate, used in the construction of roads and bridges. During 2010 the North American operations supplied steel to various high profile projects including the Willis Avenue Bridge in New York; the Rockies Express Pipeline (REX), one of the largest pipelines ever constructed in the US; and the railway bridge in La Tuque, Quebec.

EVRAZ's steel also features in the infrastructure associated with the APEC-2012 summit to be staged on Russky Island, in the Far East of Russia.

Similarly, 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. It is estimated that construction projects related to 'Sochi 2014' account for approximately 3% of EVRAZ's construction product sales in Russia.

EVRAZ's products were used in the construction of South Africa's World Cup soccer stadiums and the Medupi and Kusile Power Stations.

In the Czech Republic, plate produced by EVRAZ Vitkovice Steel is used in the construction of towers for wind power generators, a niche market that extends to Germany, Poland and various other countries. The Czech plant also provided plate for the building of Oasis of the Seas and Allure of the Seas: the largest and innovative cruise ships ever constructed. During 2010 the Czech plant entered the Russian market and delivered plate for the Dzhubga – Lazarevskoye – Sochi gas pipeline.

VENERIN BASHMACHOK

The Gornaya Shoriya region is sometimes referred to as the second Alps. The national park is home to more than 60 rare and endangered species of plant, brought in Red List of Threatened Species, one of which is Venerin Bashmachok, also known as the 'Venus's slipper orchid'.

Mythology has it that a peasant found a shoe that belonged to Venus, Goddess of love and beauty, who had lost it in the mud while sheltering from a storm in the northern woods. No sooner did the peasant touch the shoe than it turned into the rare and beautiful flower that we see today, retaining the shape of Venus's discarded slipper.

SOME FACTS ABOUT EVRAZ

NKMK (Siberia)

- Over a period of 79 years (as of March 2011) NKMK produced 55.3 million sections of R-65 type rail, the weight of which is nine times greater than the Great Pyramid of Cheops. A total of 420,000 railway platforms would need to be laid end to end to facilitate the transfer of this number of rails.
- NKMK's annual output of 700,000 tonnes of rail is equivalent to the weight of the Taipei complex in Taiwan, China: one of the highest skyscrapers in the world.

Community Support

EVRAZ is passionate about making direct and relevant contributions to the social fabric of the communities in which the Company operates and where our employees live and work. We are proud of our reputation as a distinctive corporate citizen.

EVRAZ's community related programmes are regulated by the Company's Social Investment Guidelines. The Company's investment priorities are as follows:

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

In accordance with customary international business practice, assistance is provided through charitable foundations established by the Company and managed by local Supervisory Boards. EVRAZ Charity Funds operate in Russia (Siberia and the Urals) and the Czech Republic.

EVRAZ's community contributions in Russia amounted to approximately US$16.7 million (RUB481.3 million) in 2010, the primary consideration being the improvement of living conditions in the towns where EVRAZ's subsidiaries are located. Investments encompassed several national and civil projects, various youth programmes, support for infant schools and local educational institutions, the construction of sports grounds and the widespread encouragement of sport, educational and cultural activities.

The EVRAZ Charity Fund in the Czech Republic was established in 2006 and supports the long-term development of the Moravian-Silesian region. Donations totalled US$514,000 (CZK9 million) during 2010 with funds directed towards medical, educational and psychological support for children suffering from ill health with a special focus on children suffering from cerebral palsy.

In 2010 EVRAZ formed the EVRAZ eMalahleni Community Forum for the specific purpose of investing in South Africa's economic transformation. This project, which is designed to benefit the most vulnerable members of the communities within which EVRAZ Highveld operates, will primarily focus on social development, education and health. During 2010 EVRAZ's social investments in South Africa amounted to $230,000 (ZAR1.63 million).

Total sponsorships and charitable contributions on behalf of EVRAZ in **North America** totalled US$992,837 in 2010.

In Canada, EVRAZ enjoys a long standing relationship with The United Way – a non-profit volunteer-based organisation that addresses community issues and problems and works towards creating a more favourable environment. EVRAZ also funds various educational programmes together with projects that promote healthy lifestyles among young people. Among its support for community programs in Canada, EVRAZ is an active supporter of Canadian Cancer Society Relay For Life and several chapters of the Association for Community Living – volunteer based groups dedicated to improving the lives of less-fortunate members of their communities.

SAGA WATERFALL

The Saga Waterfall in the Gornaya Shoriya is a spectacular hydrological natural phenomenon located in a small canyon on the westbank of the river Mrassu. The Sholbychak stream falls a full 15 metres, breaking stones with the force of its descent into the ice-cold lake resplendent with a cavern that leads to the narrow entrance to a tiny cave. Numerous rare and medicinal plants can be found in the canyon including: Venerin Bashmachok Orchid, Siberian Fawn Lily, Martagon, Altay Anemonoides and Primroses.

In the **United States** EVRAZ supports regional Red Cross programmes, local scouting activities and also community efforts that lend support to under-privileged children and families. In 2010, EVRAZ also partnered with local law enforcement agencies, civic and elected leaders, local businesses and neighbourhood organisations in various campaigns designed to raise awareness about crime and drug prevention and causes to encourage community involvement.

Transformation in South Africa

The South African Administration's 'Transformation' agenda complements many of EVRAZ's core values, not least in relation to the development of local communities and issues of equality. Under the project, the corporate structure of EVRAZ Highveld will be required to reflect the country's demographics, while management must ensure that the principles associated with the initiative are realised in the communities that come within the region of the Corporation's operations. In recognition of the importance of the 'Transformation' project, EVRAZ Highveld sought to verify its status during 2010 and was externally assessed as a Level 8 Contributor. Management is confident that this ranking will show a significant improvement in 2011.

The scale of the project reflects the Administration's focus on the economic empowerment of communities, in social and business terms, through various State schemes encompassing education, health, housing and supply chain initiatives.

Against this background a fully-fledged 'Transformation' division, focused on the development of Broad-Based Black Economic Empowerment (B-BBEE) and the implications of the Administration's new Mining Charter, will come into operation at EVRAZ Highveld in 2011. The new division will facilitate refinements to the Corporation's 'Transformation' strategy and enhanced monitoring of performance against targets in relation to such strategy.

GORNAYA SHORIYA REGION

The area known as Hilly Shoriya or 'Gornaya Shoriya', is the southern part of Kemerovo Oblast, east of the Altay Mountains, in southern Siberia. Often referred to as Siberian Switzerland, in view of its natural beauty, Gornaya Shoriya encompasses a national park which is home to an incredible array of primeval flora and fauna.

Tourists visiting Shoriya are drawn by the beautiful natural landscapes where river laced coniferous forests, known as taiga, give way to the frozen undulating reaches of the tundra.

Gornaya Shoriya, a fusion of stony bottomed rivers, crystal clear lakes and majestic snow capped mountains, is renowned for its skiing facilities but is also a popular destination in the summer when visitors avail themselves of a host of activities including horseback riding, fishing, canoeing, hiking, the exploration of sinkhole caves, helicopter tours and chair-lift excursions. An abundance of leisure opportunities amid such scenic beauty effectively underwrites the region's ongoing development as an international tourist destination.

This photograph is one of the winners of EVRAZ's Photo & Picture competition which attracted entries from employees on a global basis and was organised by the Company's Talent Committee. The authors of the photo are Ludmila Chirkina and Anna Chirkina of EVRAZ NTMK.

HSE INFORMATION AND DEVELOPMENTS

EVRAZ operates in an industry associated with potential health, safety and environmental (HSE) risks and, as a result, the Group's activities are highly regulated through HSE laws.

The Group is focused on increasing the level of industrial safety, labour protection and care of the environment across its operations. In 2010 management formed a Health, Safety and Environmental Committee of the Board of Directors to oversee HSE strategy, policy, initiatives and activities and appointed a Vice President of Health, Safety and Environment to coordinate all HSE activities.

SOME FACTS ABOUT EVRAZ

ZSMK (Siberia)

- ZSMK has twice won a gold medal and a diploma in an all-Russian contest entitled Golden Medal (European Quality) under the nomination '100 best companies in Russia. Ecology and Ecological Management'

Health and Safety

The health and safety of EVRAZ's employees is of paramount importance and the Company is constantly seeking ways in which to protect its people from the risk of harm, with particular regard to the Group's various production operations and processes.

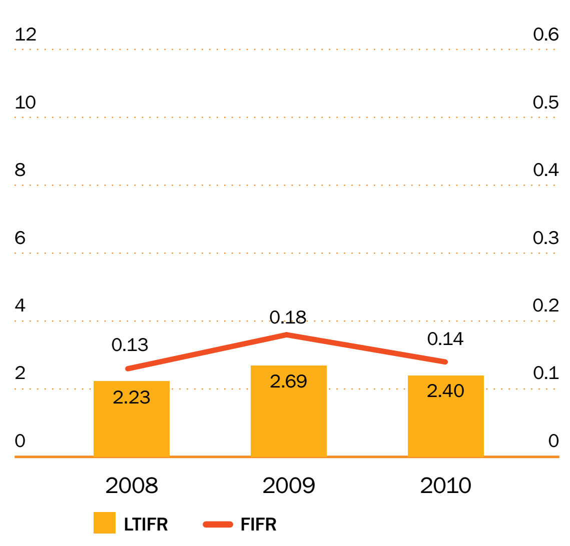
To this end EVRAZ continuously refines and improves the Company's health and safety management system and acts in compliance with the health and safety laws and regulations applicable in the countries in which it operates.

The importance EVRAZ attaches to such issues is reflected in the Company's formation of a Health, Safety and Environmental Committee, comprised of three independent directors, during 2010 accompanied by the appointment of Alexander Kruchinin as Vice President of Health, Safety and Environment. Mr Kruchinin, a long-standing specialist in industrial safety and ecology, reports directly to Alexander Frolov, Chief Executive of EVRAZ.

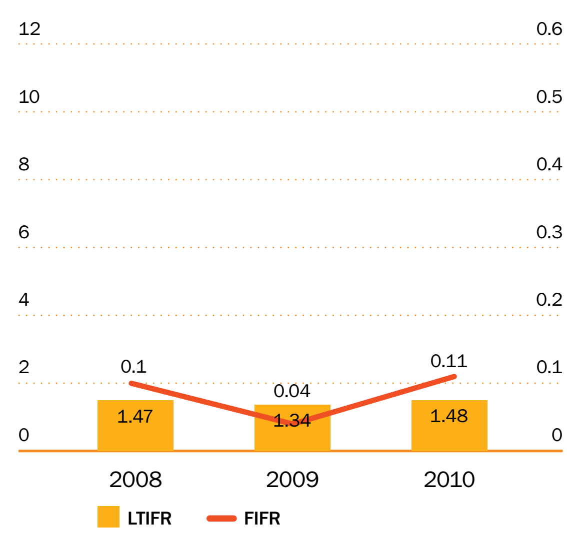
EVRAZ's critical indicator relates to the annual incidence of fatal accidents which, in 2010, showed a 21% reduction compared with 2009.

In order to monitor internal industrial safety indicators and carry out comparative analysis, the Group applies the Lost Time Incident Frequency Rate (LTIFR). This ratio reflects the number of lost time accidents per 1,000,000 man-hours worked. A lower incidence of accidents was duly reflected in a reduction in EVRAZ's LTIFR from 2.69 in 2009 to 2.40 in 2010.

LOST TIME INCIDENT FREQUENCY RATE/ FATALITIES FREQUENCY RATE OF THE GROUP
per 1 mln hours worked



LOST TIME INCIDENT FREQUENCY RATE/FATALITIES RATE AT STEEL ASSETS
per 1 mln hours worked



Implementation of Special Safety Projects at Coal Operations

Investment in industrial safety and other related matters at Yuzhkuzbassugol totalled RUB 407.1 million (US$14.4 million) in 2010. Expenditure included expert assessments in relation to aspects of industrial safety and the technical condition of certain equipment, the installation of aspiration and conditioning systems, purchases of personal safety equipment, the certification of workplaces, employee training courses and medical inspections.

In the fourth quarter of 2010, additional funds of (RUB543.2 million (US$19.2 million) were allocated to industrial safety expenditure to fulfill the requirements of Rostekhnadzor, the supervisory arm of the Ministry of Natural Resources and Ecology. A total of RUB340.8 million (US$12.1 million) of this allocation was utilised in 2010, with the remaining expenditure scheduled for 2011.

A special programme at Yuzhkuzbassugol involving the installation of alarm and control systems throughout the mines is well under way and is already in operation at Yerunakovskaya-8, Yubileynaya 2 (formerly Ulyanovskaya) and Yesaulskaya. The total costs associated with this project, including systems that prevent employees from entering danger zones, are estimated at RUB151.6 (US$5.4 million).

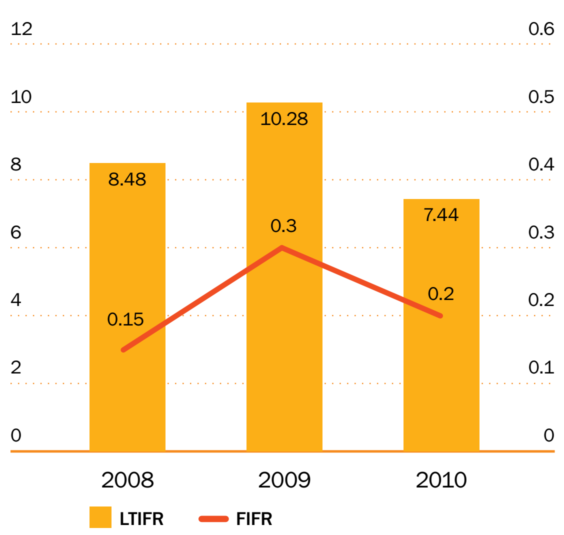
Projects designed to improve communal facilities are also progressing. Following the development of the Yubileynaya 2 mine, work commenced on the construction of an additional Administration unit, a development that will significantly enhance the scale of amenities (medical services and equipment, showers, canteen facilities, etc.) available to the plant's 1,300 employees. This project is scheduled to come on stream in 2012 at an estimated cost of RUB295 million (US$10.4 million).

EVRAZ has long acknowledged the importance of constantly advancing its technology with regard to the monitoring and control of underground air and gas levels. To this end, a Davis Derby information system, designed to provide data from all of Yuzhkuzbassugol's mines, is currently on test with the online monitoring of methane levels facilitated by state-of-the-art sensory equipment.

Safety and security are closely related and the Company has installed a radio wave scanner at Yubileynaya 2 in order to guard against the possibility of prohibited items being brought into the working area. This pilot scheme commenced in September 2010 at a cost of RUB6.9 million (US$0.2 million).

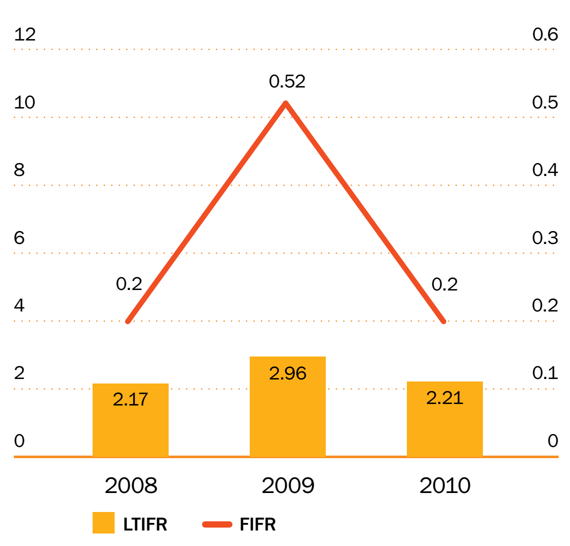
LOST TIME INCIDENT FREQUENCY RATE/FATALITIES RATE AT COAL ASSETS

per 1 mln hours worked



LOST TIME INCIDENT FREQUENCY RATE/FATALITIES RATE AT IRON ORE ASSETS

per 1 mln hours worked



KIZA CAVERNS

The Kiza Caverns are a geological feature of the Shorsky National Park and are situated on the east bank of the Mrassu River, close to where it is joined by the Kiza River, in rock formations located some 80 metres from the river bank. An observation deck has been constructed 30 metres above the cave structure.

A glacier formation can be seen close to the cavern entrance which leads to a hall with a clay floor interspersed with boulders. Stalactites, stalagmites and various ice formations are present throughout the cavern. The walls and ceilings are adorned with tubular stalactites, corallites and hangings, providing a magnificent backdrop to flowing cascades, calcite incrustations and pits. The roofs of the cavern are covered with natural patterns and furrows, many of which resemble inscriptions or drawings.

There are numerous offshoots to the caverns which extend to 600 metres over two tiers connected via wells that are some 15-metres deep. Humidity levels, at close on 100%, are high and the temperature is approximately four degrees Celsius.

Key Targets for 2011

- Accident reporting: implementation of an instant accident reporting system (Flash Report) throughout the Group's operations.
- Accident investigation: development and implementation of internal accident investigation procedures – determination of the cause/causes of the accident (first-hand accounts/in-system data), decisions regarding corrective measures. Focus on implementation of corrective measures and measures designed to reduce detected risks.
- Lessons learned from accidents: preventative action through the compilation of a list of precautionary measures based on historic experience for distribution to employees.
- Safety reporting and statistics analysis: development and implementation of an integrated Health and Safety reporting system taking into account Russian and international standards in respect of organisations such as the Global Reporting Initiative (GRI) and Workers Safety Advisers (WSA). Classification and analysis of current aspects of labour protection and industrial safety to identify areas for improvement.
- Realisation of targeted projects: introduction of safety projects designed to reduce accidents based on analysis of in-system data.

Environment

The Group is aware of the possible environmental consequences of its production processes and pays increasing attention to various aspects of the environment with a view to the prevention or minimisation of any adverse influences. The environmental strategy of the Group is targeted at finding optimal solutions for industrial waste management, reduction of pollutant emissions and rational use of natural resources.

Environmental Performance

EVRAZ continues to invest in modern, environmentally-friendly and energy-efficient technologies and gradually withdraws obsolete equipment which may not be compatible with environmental standards. Total air emissions from the Group's asset base showed a 4% reduction in 2010 compared with 2009. The Group actively develops plans to reduce waste generation volumes and ensure proper waste storage. In 2010, 96.6% of waste[1] and by-products generated as a result of the Group's operations were reclaimed or reused (Russian steel mills reclaimed or reused 107.6% of waste taking into account waste generated before 2010). Non-recyclable waste was stored in facilities that have been specifically designed for storage to prevent any harmful substances from escaping into the environment.

1 Excluding dumped rocks and grounds

One major accident, involving the release of tailings, occurred at Evrazruda (Russia) towards the end of 2010. Significant amounts of tailings have already been recovered and further clean-up and rehabilitation activities will be completed in 2011 post the winter period.

During 2010, the Group was able to take advantage of its quotas for carbon dioxide emissions within the framework of the Kyoto Protocol. An arrangement, known as the 'joint implementation project', was initiated by the Russian government in its endeavours to encourage factories to deploy energy-efficient technologies. Companies that decrease greenhouse gas emissions through the use of their own funds receive a certain amount of quotas, which can be sold on the international market, as a bonus. In 2010 EVRAZ NTMK's project was submitted to the quota administrator – Sberbank (state savings bank of the Russian Federation). EVRAZ NTMK was included in the register of sellers, in line with the list of approved projects carried out in accordance with Article 6 of the Kyoto Protocol to the UN Framework Convention on Climate Change. Approval of the project will allow EVRAZ NTMK to exercise its right to sell Emission Reduction Units (ERUs). The Group expects that total revenues from the sale of ERUs under the EVRAZ NTMK project could be in the region of US$28 million.

EVRAZ Vitkovice is also involved in a similar process: each year the Government provides EVRAZ Vitkovice with carbon quotas and EVRAZ Vitkovice benefits from emission reduction attainments by selling additional quotas on the market.

Environmental compliance and commitments

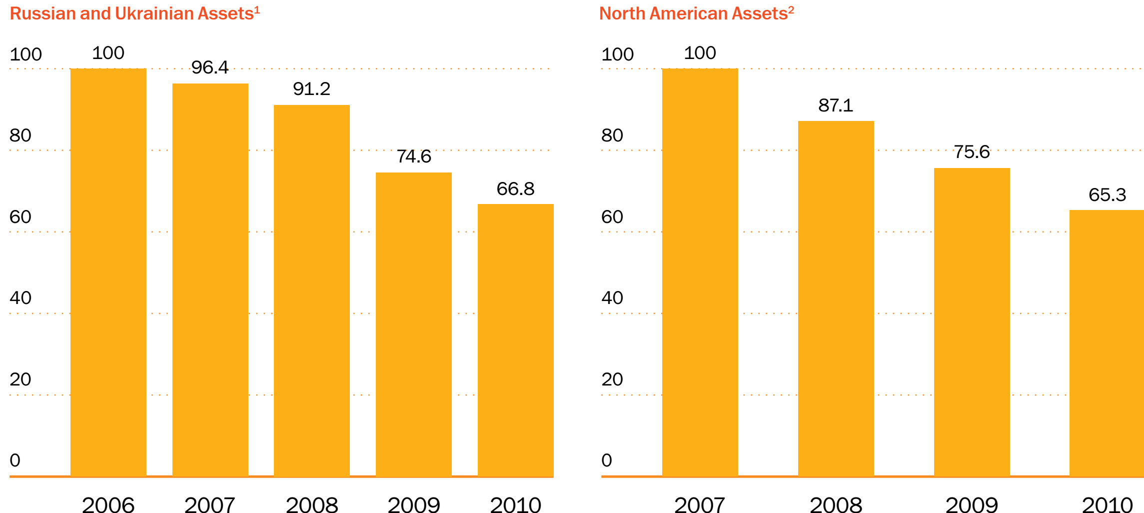
The Group believes its operations are in compliance in all material respects with the applicable Environmental legislation of the countries and regions where the Group's plants are situated. The overall Environmental commitments (the capital and operational expenditure the Group would have to make over a five-year period to address existing environmental issues) may constitute approximately US$326 million (see Note 31 of the 2010 Financial Statements of EVRAZ Group S.A.).

Mining operations require large areas of land for mining and waste storage. The mining, extraction and processing activities of the Group normally give rise to obligations for site closure or rehabilitation. The Group's accounting policy requires the recognition of provisions for the restoration and rehabilitation of each site when a legal or constructive obligation exists to dismantle the assets and restore the site. The provision represents management's best estimate of the value to retire the assets as they exist at the time of estimation. This provision is periodically reviewed and updated. Information regarding EVRAZ's closure provisions can be found in Note 25 of the 2010 Financial Statements of EVRAZ Group S.A.

In view of the fact that regulatory standards and expectations are constantly evolving, the Group may be exposed to new litigation, increased compliance costs and/or other unforeseen environmental expenses.

The level of air emissions typically associated with steel production (nitrogen oxides, sulphur oxides, carbon monoxide and volatile organic compounds VOC) showed a reduction of more than 30% in 2010 compared with 2007.

EMISSION DYNAMICS
(including: nitrogen oxides NO_x, sulphur oxides SO_x, carbon monoxide CO, volatile organic compounds VOC)



1 2006-2007 data does not include Ukrainian assets

2 2007 data includes assets acquired by EVRAZ in 2008

OUR PEOPLE

General Strategy

EVRAZ's reputation is synonymous with the calibre of its employees. We have always taken the view that the Company's principal asset lies in its people. We respect our employees and place a strong emphasis on the safety of their working environments, encourage educational development and contribute towards the well-being of their local communities.

Employees' Social Programmes

In 2010 EVRAZ implemented a range of social programmes for employees that in many instances, also extended to their families.

The investment in social programmes in respect of employees in Russia exceeded US$53 million (RUB1.5 billion). These included:

- employee insurance plans encompassing life, accident and occupational illness insurance and the co-financing of a voluntary medical insurance programme;
- recreational activities for employees and their families;
- support of health programmes (sporting events, healthy eating plans, etc.);
- support of youth, veteran and women's organisations;
- co-financing of employee pension plans; and
- mortgage schemes.

In North America, employer of choice initiatives were introduced at all our North American facilities. These included the development of local educational projects for the benefit of prospective professional employees, the implementation of apprenticeship programmes and the expansion of service awards and employee recognition programmes. Human Resource specialists at all the North American EVRAZ facilities regularly participate in career fairs to attract new talent and promote the steel industry to students.

The focus on employee safety is very prominent at EVRAZ's North American facilities where each site has safety committees to oversee a variety of education, prevention and awareness programmes.

At EVRAZ Highveld Steel a Wellness Committee addresses health and social issues among employees including HIV/Aids and tuberculoses. Employees and their families receive free HIV/Aids counselling, testing and anti-retroviral medication from EVRAZ Highveld.

A primary health care policy also serves to assist employees with common health issues such as tuberculosis, diabetes and high blood pressure. In addition, the Corporation's Employee Wellness Programme provides free counselling on various matters including mental health, alcohol and substance abuse and financial planning.

Investments in employee programmes in the Czech Republic totalled US$1.5 million (CZK24.8 million). This expenditure encompassed pension and life insurance programmes, sport and recreational activities and various events organised by the trade union.

Employees Development and Talent Management

EVRAZ sees the development of its employees as one of the core constituents of the Company's success and progress. All the educational programmes launched within the Company have a common purpose, born of a conceptual EVRAZ Academy of Development. The primary goal is to create an evolutive environment that provides our employees with opportunities to appreciate and share best practices, while also offering real possibilities for personal and professional advancement.

EVRAZ brings two distinct approaches to bear in the development of its employees:

- The development of middle managers – particularly plant managers – in terms of general business knowledge and management skills; and
- Talent management and the evolvement of high potential employees (HiPos).

Talent management issues are supervised by a special Talent Committee comprising key EVRAZ executives, all of which are actively involved in, and personally responsible for, tutoring and overseeing any given pool of HiPos.

The concept behind the development of high potential employees is based on bespoke programmes specifically designed to address the Company's strategy and immediate business goals. One of the flagships in this respect is EVRAZ New Leaders Programme, the purpose of which is to develop a new generation of senior managers to ensure continuity of leadership within the Company.

The ultimate objective, having identified eligible candidates, is to develop them into qualified managers who share the Company's values, understand its strategy and possess the knowledge and skill sets required to contribute to EVRAZ's ongoing growth.
Work on actual projects being undertaken by EVRAZ and familiarisation with the challenges faced by the Company lie at the heart of the programme which actively utilises the expertise of EVRAZ's senior executives.

The EVRAZ New Leaders programme commenced in 2009 and, in the space of two years, approximately 60% of the 92 graduates who worked on 16 different projects have received further promotion. In 2011 the EVRAZ New Leaders programme is focused on Engineers and Production Managers against a background of growing demand for such expertise in Russia and overseas.

Cooperation with Labour Unions

EVRAZ's cooperation with labour unions is based on respect for the opinion of our employees and the principals of social partnership, equality and openness. EVRAZ is an active member of working groups involved in the formulation of sectoral and regional tariff agreements and was the first steel company to establish the 'Social Councils' in Russia and Ukraine in which representatives of the respective trade unions participate. This mechanism serves to broaden the framework of social partnership and encourages the discussion of topical issues raised by our employees.

Trade unions contribute to monitoring the Company's social welfare schemes and discussing the ways to refine and extend such benefits. We value such contributions and intend to maintain trade union involvement in the implementation of certain social projects of EVRAZ.

SHEREGESH SKI RESORT

Sheregesh, surrounded by miles of forest in the heart of the Gornaya Shoriya region of the Altai mountain range, in southern Kemerovo Oblast, is Siberia's most developed winter sports destination.

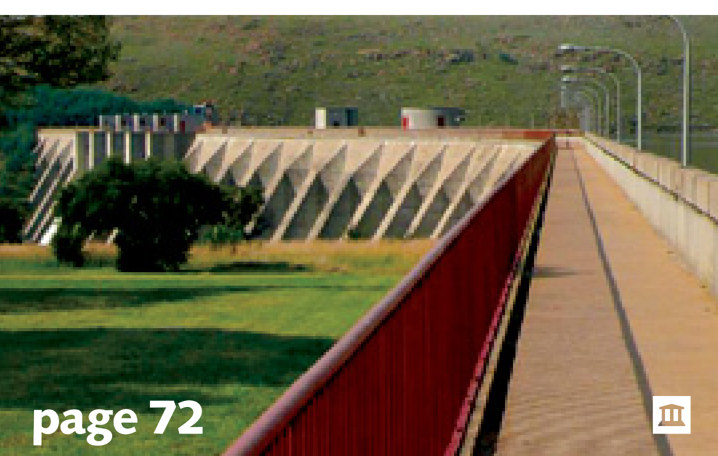
The growing popularity of skiing and snowboarding in Russia has gradually transformed the town since the ski facilities were built on the Zelenaya Mountain some 20 years ago. Sheregesh welcomes more tourists each season and more tourists equate to more hotels, more cafes and more ski lifts.

Sheregesh is the only ski friendly area of Russia where snow can be found as early as November. As such, it attracts thousands of skiers and snowboarders, mainly from Siberia, each winter. The foot of the Zelenaya Mountain is sprinkled with hotels and lodges and many local residents let their apartments to visitors during the season which typically runs from November to March.

The resort, which stretches across 6 kilometres of land, boasts six ski runs, catering for beginners and intermediate skiers, and five pistes. Heli-skiing facilities and snowmobiles are available for off-piste activity. This is the region where the Russian National snowboard team trains.

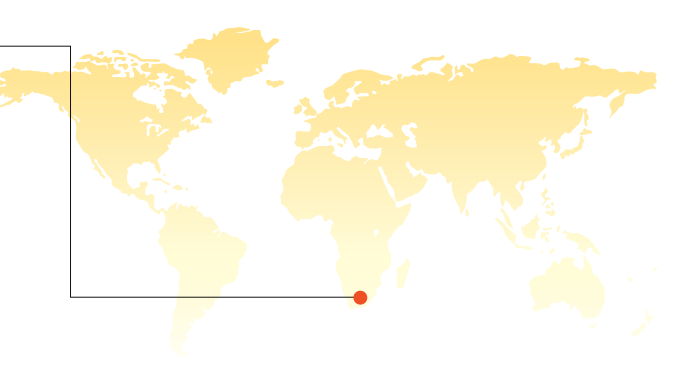
eMALAHLENI

SOUTH AFRICA



General Information

- 25°52’36”S 29°12’04”E
- GMT +02:00
- 1890
- 150,000 people
- 55.6 km²



About eMalahleni

Known as the gateway to Mpumalanga, the town of eMalahleni, formerly Witbank, is located about 100 kilometres east of Johannesburg and Pretoria.

The name Witbank is Afrikaans for ‘White Ridge’ which takes its name from a white sandstone outcrop where wagon drivers traditionally rested. In the mid 1800’s farmers settled in the Highveld and started to mine coal, for cooking and heating purposes, from outcrops in riverbeds. The town was established in 1890 and officially proclaimed a town in 1903. In March 2006, the town was renamed eMalahleni, the Nguni word for ‘the place of coal’, matching the name of the eMalahleni municipality.

The town has historic ties with the young Winston Churchill who, during the Second Boer War in 1899, escaped from prison in Pretoria and was hidden in a nearby mine shaft before making his way to Mozambique.

Agricultural and farming activities have become established around eMalahleni which, as home to Africa’s premier coalfields, power stations and steel manufacturing operations, has emerged as the energy hub of South Africa. EVRAZ Highveld Steel and Vanadium Corporation is based nearby.

CORPORATE GOVERNANCE

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.

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 2010.

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 30 April 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 Chairman of the Remuneration Committee Member of the Health, Safety and Environmental Committee	May 2010 May 2010 June 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 Health, Safety and Environmental Committee	April 2005 June 2010
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 Chairman of the Health, Safety and Environmental Committee	May 2010 June 2010
Leonid Kachur	Senior Vice President	June 2002
Pavel Tatyanin	Senior Vice President	November 2004
Giacomo Baizini	Vice President	July 2006
Daniel Harris	Vice President	February 2008
Natalia Ionova	Vice President	June 2006
Alexey Ivanov	Vice President	May 2009
Alexander Kruchinin	Vice President	August 2010
Oleg Kuzmin	Vice President	February 2011
Alexander Kuznetsov	Vice President	July 2009
Konstantin Lagutin	Vice President	January 2010
Yury Pavlov	Vice President	February 2011
Ilya Shirokobrod	Vice President	February 2011
Timur Yanbukhtin	Vice President	February 2007
Elena Zhavoronkova	Vice President	June 2010

Dmitry Melnikov has been Secretary to the Board since 2007.

THE BOARD
(as of 30 April 2011)

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

2 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 EVRAZ Highveld Steel and Vanadium. 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.

3 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.

4 Karl Gruber
Independent non-executive director

Born in 1952.
Mr Gruber joined EVRAZ's Board in May 2010 following the AGM. His extensive experience in the international metallurgical plant business includes eight years as a member of the Managing Board of VOESTALPINE Industrieanlagenbau (VAI), first as Executive Vice President of VAI and subsequently 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. In 2010 Mr Gruber was appointed Chairman and CEO of the Management Board of the LISEC Group. Graduated from Technical High School in 1973 with a Diploma in Mechanical Engineering.

5 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.

6 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

7 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 Financial Accounting and an M.Sc. in International Taxation from Fordham University.

8 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.

9 Gordon Toll
Independent non-executive director, Chairman of the Health, Safety and Environmental Committee

Born in 1947.
Mr Toll joined EVRAZ's Board in May 2010 following the AGM. Mr Toll is Executive Chairman of Satimola Limited, a potash development company operating in Kazakhstan. 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 and Ferrous Limited. He is a member of the Australian Institute of Mining and Metallurgy and a member of the Institute of Directors, UK. He graduated from the 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

On 17 May 2011 following the AGM Duncan Baxter was elected as a new director of the Board of Directors of EVRAZ Group S.A. Mr. Gordon Toll was not re-elected. The company thanks Mr. Toll for his contribution to the Company's business in 2010.

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 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 per cent 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 'Policy Governing the Board of Directors'.

Any shareholder holding at least five per cent 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 a programme designed 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 ensuring that continuing education is available in order for directors to improve and update their knowledge and skills in any area that the Board thinks necessary.

SOME FACTS ABOUT EVRAZ

ZSMK (Siberia)

- Rolled products of ZSMK (currently EVRAZ ZSMK) were used in the construction of the following notable buildings/projects: the Cathedral of Christ the Savior (Moscow); the State Kremlin Palace (Moscow); the Commemorative complex at the Poklonnaya Gora area (Moscow); the Olympic Village (Moscow); the cycle track in the Krylatsky area (Moscow); the Moscow Metro; 60% of Moscow's residential buildings; the Krasnoyarsky and Sayano-Shushensky Hydro Power Plants (Russia); the Baikal-Amur Highway (Russia); the casino complex which opened in Macau, China, in 2004 and the new Hong Kong International Airport.

SENIOR MANAGEMENT
(as of 30 April 2011)

EVRAZ's senior management, as custodians of one of the largest vertically integrated steel and mining multinational enterprises in the world, is committed to maximising the potential of the Company's global asset base for the benefit of all stakeholders.

In pursuit of these objectives management has always fostered an 'open door' culture in its dealings with the media, the investment community and employees and our credentials in relation to transparency and the quality of corporate governance were acknowledged when EVRAZ received awards for the Best Financial Disclosure and Best Progress in Financial Disclosure in Europe in the 2011 IR Global Rankings survey.

1 **Alexander Frolov**
Chief Executive Officer

2 **Leonid Kachur**
Senior Vice President, Business Support and Interregional Relations

3 **Pavel Tatyanin**
Senior Vice President, Head of International Business

4 **Giacomo Baizini**
Vice President, Corporate Affairs and Chief Financial Officer

5 **Daniel Harris**
Vice President, Vanadium Assets

6 **Natalia Ionova**
Vice President, Human Resources

7 **Alexey Ivanov**
Vice President, Head of the Steel Division

8 Alexander Kruchinin
Vice President, Health, Safety and Environment

9 Oleg Kuzmin
Vice President, Corporate Communications

10 Alexander Kuznetsov
Vice President, Strategic and Operational Planning

11 Konstantin Lagutin
Vice President, Head of Iron Ore Division

12 Yury Pavlov
Vice President, Procurement

13 Ilya Shirokobrod
Vice President, Sales

14 Timur Yanbukhtin
Vice President, Business Development, International Business

15 Elena Zhavoronkova
Vice President, Legal Affairs

Senior Management Changes

1 January 2010 – 30 April 2011

APPOINTMENTS

Oleg Kuzmin
Vice President, Corporate Communications
Alexander Kruchinin
Vice President, Health, Safety and Environment
Konstantin Lagutin
Vice President, Head of Iron Ore Division
Yury Pavlov
Vice President, Procurement
Ilya Shirokobrod
Vice President, Sales
Elena Zhavoronkova
Vice President, Legal Affairs

DEPARTURES

Aleksey Agoureev
Vice President, Corporate Communications
Igor Gaponov
Vice President, Information Technologies
Igor Markov
Vice President, Commercial Affairs
Dmitry Sotnikov
Vice President, Head of the Urals Division

1 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.

2 Leonid Kachur

Senior Vice President, Business Support and Interregional Relations

Born in 1961.
Mr Kachur joined EVRAZ in 1993 and, as Senior 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 ZIL, the Russian automobile enterprise.
Mr Kachur graduated from Moscow State Industrial University in 1984 with a degree in Engineering.

3 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 has held the following positions within the Group: Deputy Chief Financial Officer and Director for Corporate Finance (2002 – 2004) and Senior Vice President and Chief Financial Officer (2004-2009).
Before joining EVRAZ, Mr Tatyanin held various positions in the financial sector. He was Vice President of Adamant Financial Corporation (M&A transactions and asset restructuring) between 1999 and 2001 and before that was Vice President of United Financial Group, Deutsche Bank's Investment Banking division (1997-1999).
Mr Tatyanin graduated with honours from Moscow State University in 1995 with a degree in Accounting and Economics and studied Economics in Ruhr-Universitдt Bochum, Germany. He received a Master's degree with honours in International Business from Moscow State University in 1997.

4 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 and IT. 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.

5 Daniel Harris

Vice President, Vanadium Assets

Born in 1954.
Mr Harris has held the post of Vice President, Vanadium Assets, since 2008 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 33 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.

6 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.

7 Alexey Ivanov

Vice President, Head of the Steel Division

Born in 1975.
Mr Ivanov joined EVRAZ in 2002. Prior to his appointment as Head of the Steel Division in May 2011 and 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.

8 Alexander Kruchinin

Vice President, Health, Safety and Environment

Born in 1977.
Mr Kruchinin joined EVRAZ in August 2010 as Vice President of Health, Safety and Environment in charge of Russian and overseas operations.
Before joining EVRAZ, Mr Kruchinin held various management positions with responsibility for industrial safety, labour and environmental protection. He served as Director for Health, Safety and Environment at Integra between 2007 and 2010 and was Head of Health, Safety and Environment at UC Rusal's Alumina Division from 2004 to 2007. Prior to this he was Safety Consultant at DuPont de Nemours International (2001-2004).
Mr Kruchinin graduated from the Gubkin Russian State University of Oil & Gas and took an internship at The Fuqua School of Business, Duke University, (NC, USA). He received an Executive MBA degree from the Higher School of Management at Saint Petersburg State University in December 2010.

9 Oleg Kuzmin

Vice President, Corporate Communications

Born in 1978.
Mr Kuzmin, who is responsible for Corporate Communications and the implementation of Public Relations strategy, joined EVRAZ as Vice President for Corporate Communications in February 2011.
Mr Kuzmin has many years experience in Public Relations. Before joining EVRAZ he was a Member of the Management Board and Director for Corporate Affairs of Interpipe (2008-2010) and was previously Head of the Communications and External Affairs Department at EUROCEMENT group (2006-2008). Prior to this he held executive positions at communications agency Ogilvy Public Relations (2002-2006).
Mr Kuzmin graduated from Petrozavodsk State University, Department of Law, with a degree in Political Science and gained an Executive MBA at Moscow International Higher Business School 'Mirbis'. He holds a degree in Political Science and Public Relations from Central European University, a degree in Public Relations from Umea State University (Sweden) and a degree in Sustainable Development from Baltic University (Finland).Mr Kuzmin is a Member of the European Association of Corporate Directors.

10 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.

11 Konstantin Lagutin

Vice President, Head of Iron Ore Division

Born in 1966.
Mr Lagutin joined EVRAZ in January 2010, having served in the preceding five years as an Executive Director of Belon OJSC 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 implementation of key investment projects. While at Belon Mr Lagutin was twice awarded the Order of the Honor by the Governor of Kuzbass for his achievements in the region.
Prior to this Mr Lagutin held executive positions in the Russian oil and energy sector, where his experience encompassed operational management, production, marketing and sales of non-fuel petroleum products.
He was General Director of the Ryazan Refinery between 1998 and 2000. During the periods 2000-2001 and 1995-1998 he held various positions at Alfa-Eco dealing with production and trade operations in the oil and coal sectors. Before that, Mr Lagutin served as Head of the Moscow office of Global Natural Resources, Inc.
Mr Lagutin graduated with honors from the Military Institute of the Ministry of Defence, Moscow, in 1990. In 2003 he received an Executive MBA degree from The Fuqua School of Business, Duke University, (NC, USA).

12 Yury Pavlov

Vice President, Procurement

Born in 1962.
Mr Pavlov joined EVRAZ in 1996. Prior to his appointment as Vice President for Procurement in January 2011, he was Director for Procurement, a position held since 2008. Before this Mr Pavlov held various positions within EVRAZ's treasury prior to becoming Head of the Treasury in 2005. He was Head of the Accounts Department between 2002-2003 and formerly Head of the Financial Department of OOO EvrazHolding (2000-2002).
Before joining EVRAZ, Mr Pavlov held various positions at the National Research Institute for Physicotechnical and Radio Engineering Measurements, starting his career as an engineer and subsequently becoming Senior Staff Scientist.
Mr Pavlov graduated from Moscow Institute of Physics and Technology in 1985. He holds a degree in Economics, Finances and Credit (Financial Management) from the Financial Academy of the Government of the Russian Federation and an MBA degree from The Russian Presidential Academy of National Economy and Public Administration.

13 Ilya Shirokobrod

Vice President, Sales

Born in 1972.
Mr Shirokobrod was appointed Vice President, Sales, of the Group in January 2011. He became Managing Director of OOO Trading Company EvrazHolding, a position he retains, in February 2010.
Prior to joining EVRAZ Mr Shirokobrod held various management positions at Centravis Limited (the largest producer of seamless stainless pipes in the CIS and the fifth largest in the world) with responsibility for sales to world markets, strategy and business development. He served as Commercial Director and Chief Executive (Russia and Central Asia) of Alcoa CSI between 1999 and 2005 and has also held various commercial positions at Melitta Russland and Tetra Pak.
Mr Shirokobrod graduated with honours from Saint Petersburg State Technical University in 1995 with a degree in Physics and also holds a Master of Sciences (Engineering) degree. He received an Executive MBA from Stockholm School of Economics in 2005.

14 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 and served as Head of Capital Markets at EvrazHolding. In 2005 he became Vice President and Head of Corporate Finance and, in 2007, was appointed Vice President for Strategy and Business Development. 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, 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.

15 Elena Zhavoronkova

Vice President, Legal Affairs

Born in 1970.
Ms Zhavoronkova joined EVRAZ in June 2010 as Vice President for Legal Affairs.
Prior to this Ms Zhavoronkova was Head of the Legal Department of United Industrial Corporation (OPK), a diversified holding company (2008-2010). She commenced her career as a legal advisor in 2000 when she joined TMK, a Russian pipe manufacturer, where she served as Head of the legal and contractual branch (2001-2003) before becoming Head of the Legal Department (2003-2008).
Ms Zhavoronkova graduated from Moscow State Law Academy with a degree in Legal Affairs in 2002.

Board Meetings in 2010

Month	Scheduled Board Meetings	Circular Board Meetings
January	21 January	-
February	16 February	-
March	3 March	
	29 March	-
April	21 April	
	27 April	-
May	20 May	28 May
June	28 June	18 June
July	27 July	-
August	31 August	-
September	17 September	-
October	12 October	15 October
November	1 November	
	18 November	-
December	14 December	-

Board Meetings' Attendance 2010[1]

	Meetings Attended
Alexander Abramov	15
Otari Arshba	10
Gennady Bogolyubov	0
James Campbell	6
Philippe Delaunois	6
Alexander Frolov	15
Olga Pokrovskaya	15
Terry Robinson	15
Eugene Shvidler	13
Eugene Tenenbaum	15
Karl Gruber	9
Gordon Toll	9

1 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 24.29% indirect beneficial interest in issued share capital of the Company and Mr Alexander Frolov, Chief Executive of EVRAZ Group, has a 12.14% indirect beneficial interest in issued share capital of the Company. Mr Shvidler, a non-executive director, has a beneficial interest in approximately 3.45% of the Company's outstanding shares through Lanebrook.

WITBANK NATURE RESERVE

Witbank Nature Reserve is a conservationist centre dedicated to the threatened Rocky Highveld Grassland – once one of the world's best examples of grassland, now a treasure trove of bird and plant life.

The nature reserve, situated on the banks of the Groot Olifants River, is rich in hiking trails that traverse a wonderland of birds, game and exotic flora. The bird population, numbering 173 species, represents a bringing together of varieties indigenous to both the Middleveld and the Highveld. A breeding pair of African Fish Eagles have been detected and other interesting species include Black Eagles, Ospreys and Caspian Tern. Varieties of game include springbok, blesbok, eland, zebra, grey rhebuck and black wildebeest or gnu. Recently, kudu and impala have been introduced. Small game species include duiker and steenbok. It is estimated that almost 50 different tree species and some 150 flower varieties grace the reserve including rare ground orchids and various types of Gladioli. The Witbank Nature Reserve and the recreation resort are both situated close to the Witbank Dam.

BOARD AND SENIOR MANAGEMENT REMUNERATION

For the purpose of this report 'Directors' are defined as members of the Board of Directors of EVRAZ Group S.A. listed on page 68 of this report. 'Senior Management' is defined as the Chief Executive Officer and certain Vice Presidents of the Group listed on pages 72-73 of this report. As the CEO of EVRAZ Group S.A. Alexander Frolov falls into both categories, his compensation as Director is included in Remuneration of the Board of Directors and his compensation as the CEO is included in Remuneration of Senior Management table.

Remuneration of the Board of Directors

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 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 performance-related 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.

In 2010, the Board of Directors' remuneration in relation to performing the Board of Directors responsibilities approximated US$2 million.

Remuneration of Senior Management

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.

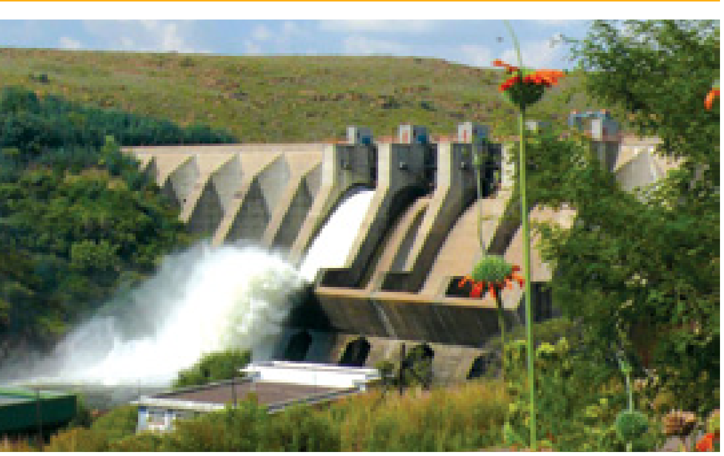
Annual management bonuses are based on Key Performance Indicators and targets which are defined at the beginning of each year. Some of these targets and indicators may be linked to a measure of team or corporate performance, as well as individual performance, depending upon the employee's position. Targets 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 the issue of the previous year's financial statements depending on the Company's annual results.

Total remuneration paid to the Senior Management consisted of the following:

US$ million	2010	2009	2008
Salary	9.6	7.3	10.2
Perfomance bonuses	4.8	2.9	8.8
	14.4	10.2	19.0

The CEO of EVRAZ Group is not granted any specific nonmaterial remuneration.

WITBANK DAM



Witbank Dam lies a couple of kilometres east of eMalahleni (Witbank). The dam, which was established in 1971, is the largest municipal dam in the southern hemisphere and has a catchment area of more than 3,540 square kilometres. With a holding capacity of 104.6 million cubic metres it is the principal source of water for the municipality of Emalahleni. The water abstraction is by means of a pump station which is currently under upgrade.

The dam also hosts various water sports including fishing, skiing, boating and windsurfing. Those in search of more adventurous activities can avail themselves of parasailing and skydiving facilities and 4x4 trails.

Incentive Plan 2010

On December 14, 2010, the Group adopted Incentive Plan under which certain senior executives ('participants') could be gifted 91,354 shares of the Company.

Shares under the Incentive Plan 2010 are gifted to the participants upon vesting. According to the Incentive Plan, the vesting date for each tranche shall occur within 90 days after announcement of the annual results.

Share Ownership by the Board of Directors and Senior Management

As of April 30, 2011, the following directors and senior managers had beneficial interests in EVRAZ shares:

	Total holding, Ordinary shares, %
Directors	
Alexander Frolov	12.14%
Alexander Abramov	24.29%
Eugeny Shvidler	3.45%
Senior Managers	
Leonid Kachur	0.21%
Pavel Tatyanin	0.02%
Timur Yanbukhtin	0.01%

BOARD COMMITTEE REPORTS

Audit Committee
(As of 31 January 2011)

The Audit Committee's report to the shareholders of Evraz Group S.A. encompasses the committee's activities from the date of the last report as of 1 January 2010 to 31 December 2010.

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 Annual and Interim financial statements;
- Reviewed the development and effectiveness of the Company's internal controls and business risk management;
- Monitored and reviewed arrangements to ensure the objectivity, independence, scope and effectiveness of both the external and internal audit functions;
- Reviewed 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.

The composition of the membership of the Audit Committee is not compliant with the UK Corporate Governance Code in that Olga Pokrovskaya is not an independent non-executive director and John Heywood is not a director of the Company. The reason for this non-compliance is that the Company's statutes limit the size of the Board and the number of independent non-executive directors.

The Company has one executive director, the Chief Executive, who is connected to the major shareholder, five non-executive directors who are also connected to the major shareholder and three independent non-executive directors. If the Company was to expand the Board to ensure that independent non-executive directors accounted for at least half of the membership, excluding the Chairman, the structure of the Board would be unwieldy (Corporate Governance Code B1).

To ensure that the majority of the Audit Committee's membership is independent and has demonstrable and substantive recent and relevant financial experience, the Board invited and appointed John Heywood as an independent member of the Audit Committee.

John Heywood is a past audit partner of PWC and during the latter part of his career was Chief Executive of PWC Eastern Europe until his retirement from the firm in 2006. With regard to Mr Heywood's standing as a highly valued member of the Audit Committee, it is noteworthy that following upon his retirement from PWC, he chairs the UK Home Office Audit Committee and attends the Home Office Risk Committee meetings.

In addition to the Audit Committee papers, Mr Heywood receives copies of all Board minutes and has access to all Board papers to ensure that he is properly and completely informed with regard to performance, strategy, corporate developments and other issues within the Group.

Finally, the Board continues to ensure the Audit Committee's independence through a rigorous regard of the committee's mandate and authority.

Alexey Melnikov, Head of EVRAZ's Group internal audit, is the Audit Committee's Secretary.

Report of the Committee's Activities in 2010

Meetings and attendance: the Audit Committee held seven meetings during 2010. Olga Pokrovskaya was unable to attend the meeting held on 26 August 2010.

The Group's external auditors, Ernst and Young, the Group's internal auditors and the Vice President, Corporate Chief Financial Officer attended all meetings. At various meetings the committee received presentations from the Head of Accounting and Controlling directorate, senior members of the Group's finance team, the Director of Investor Relations, the Senior Vice President, International Business, Vice President, Human Resources, Vice President, the Urals division, Vice President, Mining, Vice President, Information Technologies and the Chief Financial Officer, International Assets.

The principal activities and issues considered during the period 1 January 2010 to 31 December 2010 were:

- Review of the 2009 Financial Statements, the Management Report, the preliminary results press and stock exchange release and the analysts' presentation.
- Review of the external auditors' management letter following their full year 2009 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 aforementioned annual financial statements.
- Review of the accounting policy adopted in 2009, i.e. adoption of a revaluation model under IAS 16 'Property Plant and Equipment' as of 1 January 2009. As a result of this review, comparison with the industry peer group and detailed discussion with the Group's external auditors, the Audit Committee recommended that the Board should revert back to the cost model for the measurement of property, plant and equipment in respect of the annual accounts to 31 December 2010.
- In connection with the review of the 2009 full year and 2010 interim accounts, the committee carefully enquired as to all related party transactions. With the exception of raw material purchases from associate enterprises Raspadskaya (coking coal purchases) and Yuzhny GOK, a Ukraine iron ore producer in which Lanebrook holds a 46% beneficial interest but does not have management control, and the return to the Company of a fee related to the acquisition of the Ukraine Steel and Iron ore interests, a transaction approved by the independent non-executive directors. Other related party transactions were minimal.
- Reviewed the status of Mining Reserves and Resources statements and consequential depletion, amortisation and site restoration provisions and estimates, initiating a new 'JORC' valuation exercise.
- Reviewed internal audit reports, discussed deficiencies and agreed management action and corrective action timelines. In particular, the Audit Committee reviewed in detail the effectiveness of internal control procedures in relation to the Group's various supply chain activities; the integrity of internal controls within the Group's trading entities, environmental exposures and provisions and the consistency of Health and Safety statistics.
- Reviewed the continuing process of developing a Group IT resource and systems strategy, with particular focus on the Group's legacy systems and disaster recovery programmes.
- Reviewed the Group's risk register and made recommendations to directors as to the formalisation of a Group risk appetite metric.
- Review of the Group's incidence of fraud and the management activity in hand to control and reduce such future incidence.
- Reviewed the follow-up actions in response to matters raised via the Group's 'whistleblowing' provisions.
- 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 agreed management remedial action and follow-up reviews.

The internal audit function initiated an external review of its operations, procedures and resources in which the Audit Committee and the CEO participated.

The Audit Committee reviewed the Group's external auditor selection policy and recommended to the Board an extension of the requirement to tender for the selection and appointment of the external auditor from two years to five years.

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, listing documentation and 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. In instances where these limits would be exceeded, prior approval to such engagements, together with fee estimates, is required and such engagement mandates have been duly requested by management. On proper diligent enquiry the Audit Committee has generally approved such requests.

In the year to 31 December 2010, the interim review and year-end audit fees totalled US$7.8 million. Accounting fees relating to Capital Market transactions totalled US$1.1 million fees for other audit related services amounted to US$33.5 thousand, while fees for other non-audit services were US$701.5 thousand. The increase in non-audit fees largely reflected advisory services in relation to the improvement of production processes and labour efficiencies at one of the Group's mining operations. This mandate was subject to an open tender process.

AUDIT COMMITTEE SELF-ASSESSMENT

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

Further information regarding the Audit Committee's activities can be found on the Company's website.

Remuneration Committee
(As of 31 December 2010)

Further information regarding the remuneration policy and the Remuneration 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: articles 6 and 7

Management Remuneration Policy

The composition of the Remuneration Committee changed in 2010 and, as of 31 December 2010, consisted of the following members:

- Karl Gruber, Chairman of the Committee, Independent non-executive director;
- Eugene Tenenbaum, Non-executive director;
- Alexander Abramov, Chairman of the Board;
- 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 three times in 2010.

In 2010 the committee decided on the bonuses at the CEO-1 level for the year 2009 and also proposed a new long-term incentive programme (LTIP) to the Board within the following parameters. LTIP contemplates that, depending on the year-end results, participants will have the right to receive Company shares/GDRs at a fixed price subject to the following terms and conditions: (i) the total amount of LTIP 2010 shall be up to US$30 million (taking into account the average GDR price in respect of July 2010); (ii) the programme will have a three-year duration period with 'disbursement' payable by way of an amount equivalent to a 40% tranche in 2011 and 30% tranches in respect of 2012 and 2013 respectively (effective in each instance, upon the announcement of the annual results provided that such participant is still employed by the Company); (iii) LTIP shall not provide participants with downside protection and 'disbursement' will only be made in the form of GDRs; and (iv) specific terms and conditions may be subject to further adjustments taking into account the general principle that the Board of Directors of the Company may modify LTIP upon request by the CEO including (for the avoidance of doubt) a decrease in any tranche.

LTIP was approved by the Board in December 2010.

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.

Health, Safety and Environmental Committee

The Health, Safety and Environmental (HSE) Committee was established on 28 July 2010 and comprises the following members:

- Gordon Toll, Chairman of the Committee;
- Terry Robinson, Independent director;
- Karl Gruber, Independent director.

The HSE Committee monitors and reviews the Group's health, safety and environmental policies and practices together with current and prospective regulatory issues in such areas and advises and makes recommendations to the Board of Directors accordingly.

The HSE Committee meetings were essentially integrated with the meetings of the Board of Directors (held at least twice annually and more frequently as required).

SOME FACTS ABOUT EVRAZ

Yuzhkuzbassugol (Siberia)

- The Osinnikovskaya coal mine, an offshoot of Yuzhkuzbassugol (EVRAZ's coal mining subsidiary) is 790 metres deep. This equates to the average depth of Lake Baikal, the world's deepest lake situated in East Siberia.
- Over a period of 41 years (1969-2010) Yuzhkuzbassugol's mines have produced 917.8 million tonnes of coal. Transportation of this amount of coal would require 15 million freight cars.

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 Reporting Council, and the Revised Guidance for Directors on the Combined Code-Internal Control 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 2010, the Risk Committee reviewed and updated the Group's risk matrix together with related risk mitigating actions and delivered its proposals to the Board of Directors for consideration and adoption. The Committee also recommended the development of a risk appetite profile based on the Group's Impact and Probability risk matrix. Both the risk appetite and the Probability risk matrix with mitigating actions were adopted.

The Group's executive management is charged with embedding the agreed Risk Management related 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. During 2010 the Risk Committee reviewed plans to extend the risk management process to the entity-level during 2011-2012.

While the Risk Committee has the primary responsibility for determination of the Group's risk, the formulation of the consequential appropriate internal controls and the embedment of risk management throughout the Group, the Audit Committee has the oversight of the effectiveness and scope of the Group-wide set of risk management and internal control policies and procedures. The following core principles are applied 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 is responsible for assessing the optimum balance of risk through the alignment of business strategy and risk tolerance on an enterprise-wide basis.

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).

The Audit Committee has the primary oversight role of the Group's internal control regime and has direction as to the internal audit function resources and annual audit programme thereby ensuring that the attesting of the adequateness and effectiveness of the Group's internal controls is an ongoing process throughout the year. 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 continued to engage with executive management to monitor the effectiveness of internal control and accordingly considered certain deficiencies that had been identified in internal control together with management's response to such deficiencies. The Audit Committee also agreed timelines for effecting the proposed corrective actions in respect of the aforementioned deficiencies.

The annual internal audit programme is predominately risk-based and in 2010 incorporated particular assignments and priorities agreed by the Audit Committee.

Further, the scope of the 2010 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 2010 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.

In 2010 the internal audit function in the Russian Federation and Ukraine passed through the external quality review. Management of the internal audit function is planning actions to respond to observations and recommendations made by the reviewer.

Further information regarding the Company's internal control processes can be found on the Company's website.

Risks	Description	Mitigation
i) Operational		
a. Safety & Health	Hazardous production	• Focus on standardisation of the processes across the Group • Development of a critical incident response process • Establishment of HSE Board Committee • Appointment of VP of HSE
b. Plant and equipment downtime	Breakdown or stoppage due to improper maintenance/operation or due to economic reasons	• Standardisation, streamlining and automation of the production processes • Development of a critical incident response process • Improvement of operational motivation system • Training of personnel • Enhancement of equipment maintenance procedures: – Improvement of operational disciplines – Acceleration of repair schedules – Replacement of non-optimal production equipment • Introduction of specific disaster recovery and business continuity plans
c. Environmental	(1) Damage caused by pollution with obligation to third parties (2) Cost of removing pollutants with obligation to governments or third parties	• Compliance with regulatory requirements and operating permissions
d. Security and fraud	Management and/or employee fraud, illegal/unauthorised acts leading to reputation degradation or a loss of assets and/or financial losses	• Corrective and preventive internal control measures • Whistleblowing procedures • Cooperation with law enforcement authorities
ii) Liquidity		
	Failure to generate adequate liquidity to meet financial obligations/business needs	• Financial planning process
iii) Market Volatility		
a. Competitor actions	Gaining of competitive advantage over the Group	• Enhanced strategic planning • Strategic investment initiatives • A delivery focused incentive programme
b. Industry cyclicality	Adverse impact of a sustained economic reversal on the Group's business	
c. Customer relations	Failure in customer service	
iv) Cost Competitiveness		
	Loss of cost competitive advantage due to increased production costs	• Investments in own raw material base to enhance vertical integration • Monitoring of the effectiveness of the purchasing process • Review of the maintenance and performance metrics of key production plant and equipment • Recycling of waste materials • Negotiation of transport tariffs • Development and implementation of the energy saving programme
v) Human Resources		
a. Ineffective leadership	Failure to make effective decisions due to lack of adequate communication	• Improvement of communication through Defined training programmes • Enhancement of the corporate culture in line with the Group's codes of conduct and ethics • Promotion of a motivated environment
b. Excessive headcount	Excessive headcount leading to low productivity	• Initiatives designed to reduce the cost of labour per unit of production • Personnel motivation • Lean management • Technological improvement • Reduction in lost working hours
c. Industrial relations disputes	Tension within labour groups	• Introduction of social programmes • Participation in industry associations • Conclusion of collective bargaining agreements with various trade unions
vi) Political		
	Adverse consequences from specific or general political actions	• Understanding of the various national political environments
vii) External compliance		
a. Fiscal	Exposure to tax compliance and tax management process in multiple tax jurisdictions	• Comprehensive tax registers detailing tax liabilities, timelines and tax risks • A process active management and technical review
b. Reporting timelines	Failure to meet the deadline in providing Statutory Financial Statements and Tax reporting	• Careful planning • Daily management monitoring of the actual closing process and resources availability
viii) Reputation		
	Loss of business and trading reputation	• Pro-active management of potential reputation damaging situations

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 2010, 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 2010.

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 2010, represented 28.76% of the Company's issued share capital.

Shareholder Structure

Shareholder	% of shares (as of 30 April 2011)
Lanebrook Limited	71.24%[1]
BNY (Nominees) Limited[2]	28.76%[3]
Including:	
shares owned by Lanebrook Limited in the form of GDRs	1.63%
shares underlying the stock borrow facility	5.02%[4]
TOTAL (145,957,121 SHARES)	100%

1 Includes one share held by TMF Corporate Services S.A., a Luxembourg independent secretary company of the Issuer

2 The Bank of New York Mellon serves as Depositary for the Company's GDR programme

3 One share is represented by three GDRs

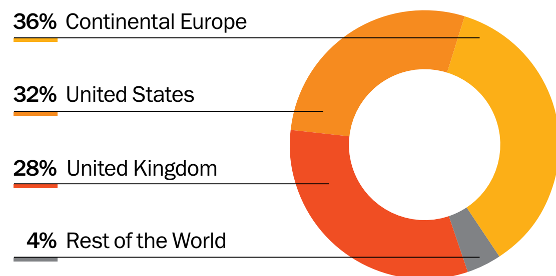
4 For information see Note 20 to the Financial Statements.

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 24.29% indirect 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 12.14% indirect beneficial interest in the Company). Crosland Global Limited has a beneficial interest in 50% of Lanebrook (which represents a 36.43% indirect beneficial interest in the Company). Mr Shvidler, a non-executive director, has a beneficial interest in approximately 3.45% of the outstanding shares of EVRAZ through Lanebrook.

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

INSTITUTIONAL GDR HOLDERS – GEOGRAPHIC DISTRIBUTION (AS AT AUGUST 2010)



GDR Performance in 2010

- EVRAZ's GDR price, benefiting from the global upturn in both equity and commodity market sentiment, rose steadily during the early part of the year to reach a 2010 high of US$42.72 in April. A subsequent reaction, in line with peers and the wider market, saw the GDR price touch a low of US$21.80 in early July before rallying to US$35.87 at the year end: a near 27% increase compared with 2009's closing price of US$28.25.
- The strength of the GDRs, which outperformed the wider sector through 2H10, primarily reflected improved macro prospects.

EVRAZ GDR Listing[1]

Bloomberg Ticker	EVR LI	
Reuters Ticker	EVR-LN	
LSE Ticker	EVR	
	2010	2009
GDR Price		
At Year End ($)	35.87	28.25
Minimum ($)	21.80	6.40
Maximum ($)	42.72	32.15
Daily Average Volume (000s GDRs)	1,358	1,061
Total Shares Outstanding[1]	145,957,121	
Market Cap. at Year End ($ MM)	15,706.4	12,364.2

[1] 1 Share=3 GDRs

EVRAZ Credit Rating

Rating Agency	Type	Rating as of 30-Apr-10
Moody's	LT Corp Family Rating	B1/Positive
	Senior Unsecured Debt	B2/Positive
	Probability of Default	B1
Standard & Poor's	LT Foreign Issuer Credit	B+/Stable
	LT Local Issuer Credit	B+/Stable
Fitch	LT Issuer Default Rating	BB-/Stable
	Senior Unsecured Debt	BB-
	ST Issuer Default Rating	B

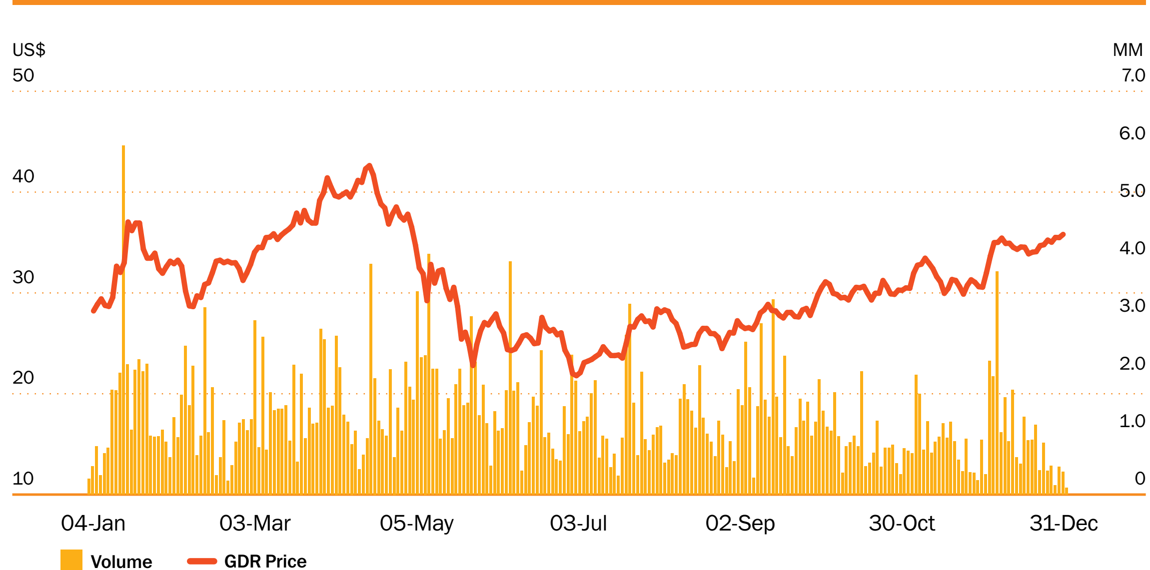
WITBANK SKYDIVING CLUB

If you are a skydiver, you will know all about adrenaline addiction and the pull of gravity – so don't miss out on the chance of a jump during your holiday in South Africa. Skydiving is extremely popular in South Africa and there is no shortage of local clubs.

The Witbank Skydiving Club, established in 1980, is situated in the Mpumalanga province of South Africa and is less than an hour's drive from Johannesburg and Pretoria.

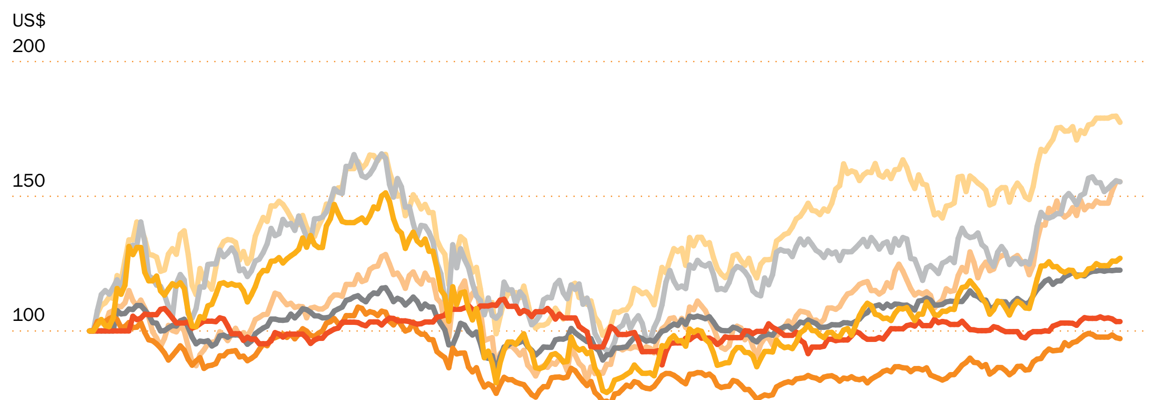
Participants are offered static line first jump courses every second Saturday and tandem jumps/accelerated free fall options every Saturday and Sunday. The club house is situated next to the Witbank Aerodrome and features a canteen, a large braai (barbecue) area and mattresses for those who wish to stay overnight.

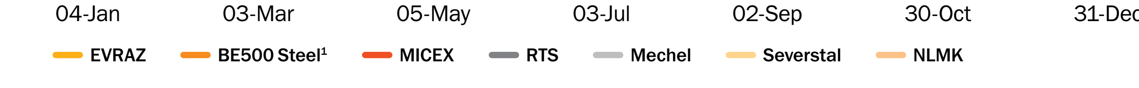
GDR PRICE ON LSE IN 2010



RELATIVE PRICE PERFORMANCE VS. PEERS AND INDEXES

rebased to 100





1 Bloomberg Europe Steel Index (BE500 Steel) includes all steel companies of the Bloomberg Europe 500 Index

Annual General Meeting

The Annual General Meetings are held in Luxembourg on the date set by the Articles of Association of EVRAZ Group S.A. The current date is 15 May. If the day is a legal holiday, the Annual General Meeting will be held on the 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 General 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 per cent 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.

EVRAZ Group's AGM in respect of the financial year to 31 December 2010 was held on 16 May 2011.

All resolutions were passed. The shareholders approved the Directors' Report and the consolidated and stand-alone financial statements for the year ending 31 December 2010, the new composition of the Board of Directors, determined the level of the directors' and the CEO's remuneration and re-appointed Ernst & Young as EVRAZ's external auditor.

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

Dividend Policy

The Company's Dividend Policy can be found on the Company's website.

Dividend Information

The Company did not recommend any dividends in respect of the year to 31 December 2010. Decision on future dividends for the 1H 2011 will depend on the Company's financial results for the 1st half of 2011.

2011 Investor Calendar

January 18	Publication of 4Q2010 and Full Year 2010 Operational Results
January 20-21	Deutsche Bank 9th Annual Russia One-on-One Conference, London
February 3-4	Troika Dialog: The Russia Forum 2011, Moscow
March 31	Publication of 2010 Financial Results; Investor/Analyst Conference Call
April 15	Publication of 1Q2011 Operational Results
May 16-17	Citi Russia Metals and Mining Conference, Moscow
May 17	Publication of 1st Interim Management Statement
May 31-June 2	VTB Capital Investment Forum Russia Calling: London Session, London
June 6	Morgan Stanley: Russia Corporate Day, Paris
June 8-9	BCP Securities' 7th Annual Investor Conference, Moscow
June 27-28	Renaissance Capital 15th Annual Investor Conference, Moscow
July 15	Publication of 2Q2011 Operational Results
September 7-9	Deutsche Bank Global Emerging Markets Conference, New York
September 12-15	HSBC's Annual CEEMEA Investor Forum, London
September 13-14	Unicredit Conference, London
October 17	Publication of 3Q2011 Operational Results

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 perfomance 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.

30 March 2011

Ernst & Young
Société anonyme
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Independent auditor's report on legal and regulatory requirements related to consolidated annual management report

To the Shareholders and Board of Directors of
Evraz Group S.A.
1, Allée Scheffer
L-2520 LUXEMBOURG

Following our appointment by the General Meeting of the Shareholders dated 17 May 2010 as independent auditor of Evraz Group S.A., we have audited the consolidated financial statements of Evraz Group S.A., which comprise the consolidated statement of financial position as at 31 December 2010, 2009 and 2008, the consolidated statements of operations, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, the consolidated statements of cash flows for each year then ended, and a summary of significant accounting policies and other explanatory information, and we have verified the consistency of the accompanying consolidated annual management report for the financial year 2010 with the audited consolidated financial statements. We have issued on 30 March 2010 an unqualified audit opinion on the consolidated financial statements as at 31 December 2010.

Board of Directors' responsibility for the consolidated annual management report

The Board of Directors is responsible for the preparation and fair presentation of the consolidated annual management report for the financial year 2010 in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated annual management report.

Responsibility of the 'réviseur d'entreprises agréé'

Our responsibility is to verify that the consolidated annual management report for the financial year 2010 is consistent with the consolidated financial statements as at 31 December 2010.

Report on other legal and regulatory requirements

The accompanying consolidated annual management report for the financial year 2010, which is the responsibility of the Board of Directors, is consistent with the audited consolidated financial statements as at 31 December 2010.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Luxembourg, 30 March 2011

Thierry Bertrand

A member firm of Ernst & Young Global Limited

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information set forth below presents historical consolidated financial information and other operating information of the Issuer as of 31 December 2010, 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. As disclosed in the Consolidated Financial Statements, certain amounts as of 31 December 2009 and for the year then ended do not correspond to the 2009 published financial statements and reflect adjustments made in connection changes in accounting policies and the completion of initial accounting for acquisition. 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 were affected by the Issuer's acquisitions and disposals of assets. The operating results of businesses acquired are included in Evraz's Consolidated Financial Statements for the periods post the respective dates of acquisition.

	Year ended 31 December		
(U.S.$ million)	2010	2009	2008
CONSOLIDATED INCOME STATEMENT DATA			
Revenues	13,394	9,772	20,380
Cost of revenues	(10,319)	(8,124)	(13,463)
Gross profit	**3,075**	**1,648**	**6,917**
Selling and distribution expenses	(807)	(626)	(856)
General and administration expenses	(732)	(628)	(895)
Other operating expenses	(206)	(199)	(1,534)
Profit from operations	**1,330**	**195**	**3,632**
Non-operating income and expense, net	(635)	(533)	(581)
Profit before tax	**695**	**(338)**	**3,051**
Income tax expense	(163)	46	(1,192)
Net profit	**532**	**(292)**	**1,859**
Net profit attributable to equity holders of the parent entity	**548**	**(295)**	**1,797**
Net profit attributable to non-controlling interests	(16)	3	62
Net income per share	3.95	(2.19)	14.55
Weighted average number of shares outstanding	138,638,781	134,457,386	123,931,230
Steel segment income statement data			
Revenues[1]	12,123	8,978	17,925
Cost of revenues[1]	(10,029)	(7,601)	(12,662)
Gross profit	2,094	1,377	5,263
Selling and distribution expenses	(761)	(614)	(777)
General and administration expenses	(403)	(351)	(472)
Other operating expenses	(98)	(264)	(1,268)
Profit from operations	832	148	2,746
Mining segment income statement data			
Revenues[1]	2,507	1,456	3,634
Cost of revenues[1]	(1,569)	(1,281)	(2,387)
Gross margin	938	175	1,247
Selling and distribution expenses	(110)	(58)	(40)
General and administration expenses	(117)	(93)	(138)
Other operating expenses	(98)	(33)	(98)
Profit from operations	613	(9)	971
Vanadium segment income statement data			
Revenues[1]	566	363	1,206
Cost of revenues[1]	(501)	(368)	(922)
Gross margin	65	(5)	284
Selling and distribution expenses	(23)	(20)	(82)
General and administration expenses	(36)	(26)	(33)
Other operating expenses	(16)	(1)	1
Profit from operations	(10)	(50)	170

(U.S.$ million)	Year ended 31 December		
	2010	2009	2008
Other operations income statement data			
Revenues[1]	815	765	1,022
Cost of revenues[1]	(547)	(528)	(749)
Gross margin	268	237	273
Selling and distribution expenses	(91)	(80)	(119)
General and administration expenses	(27)	(26)	(44)
Other operating expenses	(27)	(1)	(27)
Profit from operations	123	130	83
CONSOLIDATED FINANCIAL POSITION DATA (at period end)			
Total assets	17,601	16,952	19,451
Equity attributable to equity holders of the parent entity	5,751	5,167	4,672
Non controlling interests	247	275	245
Long-term debt, net of current portion	7,097	5,931	6,064
CONSOLIDATED CASH FLOWS DATA			
Net cash flows (used in)/from operating activities	1,662	1,698	4,563
Net cash flows (used in)/from investing activities	(757)	179	(3,736)
Net cash flows (used in)/from financing activities	(886)	(2,149)	(127)
OTHER MEASURES			
Consolidated Adjusted EBITDA[2]	2,350	1,237	6,215
Steel segment Adjusted EBITDA[2]	1,439	927	4,671
Vanadium segment Adjusted EBITDA[2]	53	(12)	200
Mining segment Adjusted EBITDA[2]	935	279	1,395
Other operations Adjusted EBITDA[2]	190	167	150
Net Debt[3]	7,127	7,230	9,031

Notes:

(1) Segment revenues and cost of revenues include inter segment sales.

(2) Adjusted EBITDA represents profit from operations plus depreciation, depletion and amortization, impairment of assets, loss (gain) on disposal of property, plant and equipment and foreign exchange loss (gain). 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 amortization on Evraz's operating performance. The assets of Evraz's businesses which are being depreciated and/or amortized will have to be replaced in the future and such depreciation and amortization 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:

(U.S.$ million)	Year ended 31 December		
	2010	2009	2008
Consolidated Adjusted EBITDA reconciliation			
Profit from operations	1,330	195	3,632
depreciation, amortization and depletion	925	979	1,195
impairment of assets	147	180	880
(gain)/loss from disposal of property, plant and equipment	52	39	37
forex gain/losses	(104)	(156)	471
Consolidated adjusted EBITDA	2,350	1,237	6,215
Steel segment Adjusted EBITDA reconciliation			
Profit from operations	832	148	2,746
depreciation, amortization and depletion	558	624	751
impairment of assets	81	184	821
(gain)/loss from disposal of PPE	33	25	11
forex gain/losses	(65)	(54)	342
Steel segment adjusted EBITDA	1,439	927	4,671
Mining segment Adjusted EBITDA reconciliation			
Profit from operations	613	(9)	971
depreciation, amortization and depletion	282	281	363
impairment of assets	20	(4)	56
(gain)/loss from disposal of PPE	18	12	15
forex gain/losses	2	(1)	(10)

(U.S.$ million)	Year ended 31 December		
	2010	2009	2008
Mining segment adjusted EBITDA	935	279	1,395
Vanadium segment Adjusted EBITDA reconciliation			
Profit from operations	(10)	(50)	170
depreciation, amortization and depletion	47	38	31
impairment of assets	16	0	0
(gain)/loss from disposal of PPE	0	0	0
forex gain/losses	0	0	(1)
Vanadium segment adjusted EBITDA	53	(12)	200
Other operations Adjusted EBITDA reconciliation			
Profit from operations	123	130	83
depreciation, amortization and depletion	37	35	49
impairment of assets	30	0	3
(gain)/loss from disposal of PPE	1	2	11
forex gain/losses	(1)	0	4
Other operations adjusted EBITDA	190	167	150

(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:

(U.S.$ million)	Year ended 31 December		
	2010	2009	2008
Net debt calculation			
Add:			
Long-term loans, net of current portion	7,097	5,931	6,064
Short-term loans and current portion of long-term loans	714	1,992	3,922
Less:			
Short-term bank deposits	(1)	(22)	(25)
Cash and cash equivalents	(683)	(671)	(930)
Net Debt	7,127	7,230	9,031

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of Evraz's financial condition and results of operations is based on the Consolidated Financial Statements prepared in accordance with IFRS as adopted by the European Union. This discussion should be read in conjunction with the information in 'Selected Consolidated Financial Information', 'Presentation of Financial and Other Information,' the Consolidated Financial Statements and the notes thereto appearing elsewhere in this Prospectus.

This discussion and analysis contains forward looking statements that involve risks and uncertainties. Evraz's actual results could differ materially from those expressed or implied in these forward looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings 'Risk Factors' and 'Forward Looking Statements'.

Overview

Evraz is a vertically integrated steel, mining and vanadium business with operations in Russia, Ukraine, the United States, Canada, South Africa, the Czech Republic and Italy. Evraz produced approximately 15.3 million tons and 16.3 million tons of crude steel in 2009 and 2010, respectively. Management believes that in 2010 Evraz was the largest steelmaker by crude steel volume in Russia, and, according to Metal Expert, Evraz was the largest manufacturer of 'long products' (include beams, rebars and rails) for the construction and railway industries in Russian and the CIS in 2010, by volume. According to Steel Business Briefing, Evraz was the 20th largest steel producer in the world by crude steel volume in 2010. Evraz also produces significant quantities of iron ore and coking coal. Most of Evraz's iron ore and coking coal products are used in its steel making operations. Evraz produced 13.5 thousand tons of ferrovanadium and other finished vanadium products in 2010 as compared to 8.0 thousand tons in 2009.

Evraz's principal assets as of the date of this Prospectus are:

- Nine integrated steel production facilities: NTMK, located in Russia's Nizhny Tagil, in the Sverdlovsk region, is one of the largest integrated steel production mills in Russia as of 31 December 2010 and a producer of vanadium slag; ZapSib, located near Novokuznetsk, in the Kemerovo region, is the largest steel mill in Siberia and the eastern-most integrated steel mill in Russia as of 31 December 2010; NKMK, located in Novokuznetsk in the Kemerovo region, is one of the five largest rail producers in the world as of 31 December 2010; Evraz Vitkovice Steel, located in the Czech Republic, is a leading manufacturer of rolled steel products; Evraz Palini is a steel rolling mill located in Italy; EINA located in the United States, is one of the most diversified steel manufacturing companies in North America; EICA, located in Canada, produces steel pipes and plates; Evraz DMZP, located in Dnepropetrovsk, Ukraine, is an integrated steel mill specializing in the manufacture and sale of billets and construction rolled products; and Evraz Highveld, located in the South Africa, is a producer of steel and vanadium slag.
- Four iron ore mining and processing facilities: KGOK, located in the Sverdlovsk region near NTMK; VGOK, located in the Sverdlovsk region near NTMK; Evrazruda, which operates mines in Kemerovo region near ZapSib and NKMK, the Republic of Khakassia and south Krasnoyarsk Krai; and Sukha Balka in Ukraine.
- One coal mining company: Yuzhkuzbassugol, located in the Kemerevo region, near ZapSib and NKMK.
- Three vanadium production facilities: Stratcor is headquartered in the United States and has operations in the United States and the South Africa; Nikom, a ferrovanadium producer located in the Czech Republic; and Vanady-Tula located in Russia.
- Various trading and logistical assets, including Nakhodka Trade Sea Port, one of the largest ports in the Russian Far East as of 31 December 2010 and through which Evraz ships most of its exports and Evraztrans, which owns and operates rail cars in Russia for Evraz. In Russia, Inprom Group (with 35 steel service centers) and EvrazMetall (with 27 metal service centers) finishes and distributes steel products produced mostly by Evraz.

Evraz also effectively owns a 40% equity interest in a coking coal producer Raspadskaya through Evraz's joint venture Corber Enterprises Limited. For additional information on Raspadskaya, please see 'Business—Mining Business—Raspadskaya').

Evraz listed global depositary receipts ('GDRs'), on the Official List of the London Stock Exchange on 2 June 2005. Each GDR represents an interest of one-third of one share. Since then the total number of GDRs listed on the LSE increased to 29% of the Issuer's issued share capital as of 31 March 2011.

Business Structure

Segments

Evraz's business is divided into four principal segments for IFRS purposes:

- 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 logistics (including Nakhodka Trade Sea Port) and supporting activities.

Inter-segment Sales

Evraz is a vertically integrated steel and mining group. In 2010, Evraz's mining segment supplied approximately 71% and 51% of Evraz's steel segment's total iron ore and coking coal requirements, respectively. The coking coal supply figures include purchases from Raspadskaya. In turn, Evraz's steel segment supplies grinding balls, mining uprights and coke to Evraz's mining segment for use in its operations. The objective of Evraz's vertical integration is not, however, to only use raw materials produced by its subsidiaries. On the contrary, Evraz takes a commercial approach to sourcing its raw materials, and will buy and sell iron ore and coal to third parties depending on a number of factors, including pricing, grade and quality of coal and geographic proximity of raw materials to Evraz's facilities.

Evraz's inter segment product sales are at arm's length, and are based on prices equivalent to those that could be commanded from unrelated third parties. Inter-segment transactions are included in the presentation of respective segments.

Acquisitions and disposals

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 Evraz's implementation of improved working practices and operational methods. Evraz has also, from time to time, disposed of certain assets. See 'Business—Acquisitions' and 'Business—Greenfield Projects' and 'Business—Disposals'. The only material acquisitions during the years under review were the acquisition of the entities now referred to as Evraz Claymont Steel, IPSCO Canada, Inprom, Vanady-Tula and Evraz Metall.

Significant Factors Affecting Results of Operations

General Economic Condition

Beginning in 2008 and continuing into 2009, the global economy experienced a significant downturn, the effects of which continued to some degree into 2010. According to the IMF, global GDP decreased by 0.8% in 2009 compared to 2008. According to Rosstat, Russian GDP fell by 7.9% from 2008 to 2009, total investments decreased by 16.2% and industrial production fell by 9.3%. This pronounced contraction in industrial activity had a significant impact on both pricing and demand for steel products and iron ore and coal. This in turn had a significant negative impact on Evraz's financial results for the fourth quarter of 2008 and the year ended 31 December 2009. Evraz 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 such as North America, Europe and South Africa.

The second half of 2009 and 2010 was characterized by a number of positive developments in the global economy, as key emerging and developing economies demonstrated a strong demand for raw materials, supported by government stimulus initiatives. This was coupled with general restocking in the steel market and growth of consumption in the U.S. market.

Volume and pricing

Evraz's revenue is dependent to a significant extent on pricing and volume of its products. Factors that can impact volume and pricing include (i) levels of global demand for steel products in the construction and other industries, (ii) competition, including from other regional and global steel producers and mining companies, (iii) Evraz's capacity to handle increased demand for products given facility production capabilities, and (iv) volume of excess product in the market. Evraz's Russian steelmaking operations have been running at full capacity since 1 July 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 Evraz's EBITDA margin from 10% in the first half of 2009 to 15% in the second half of 2009.

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.

Foreign Exchange

The volatility of local currencies against the U.S. dollar contributed to a general increase in costs in 2010 as compared to 2009, and a general decrease in cost in 2009 as compared to 2008. The table below shows the movements in the average exchange rates of currencies relevant to Evraz's subsidiaries against the U.S. dollar between 2010 and 2009, and between 2009 and 2008:

	% Change		
Currency	2010 vs. 2009	2009 vs. 2008	Operations
Rouble	4%	(22)%	Russian operations
Czech Koruna	0%	(10)%	Evraz Vitkovice Steel
Euro	(5)%	(5)%	Evraz Palini e Bertoli
South African Rand	15%	(2)%	Evraz Highveld Steel and Vanadium
Ukrainian Hryvnia	(2)%	(32)%	Ukrainian operations
Canadian Dollar	11%	(2)%	Evraz Inc. N.A. Canada

Cost factors

Evraz's business requires large amounts of raw materials, fuel and energy. Evraz purchases these inputs from third party providers and subsidiaries. As a result, Evraz's operations and results of operations can be impacted by volatility in the costs of, and availability of, these raw material, fuel and energy inputs.

In addition, as of 31 December 2010, Evraz employed a total of 110,231 employees. As a result of the large number of employees, staff costs have a significant impact on Evraz's results of operations.

Acquisitions and disposals

Evraz's operating results were affected by the Issuer's acquisitions and disposals of assets. The operating results of businesses acquired are included in the Consolidated Financial Statements for the periods post the respective dates of acquisition. See, notes 4 and 12 of the Consolidated Financial Statements.

Critical Accounting Policies

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of equity, assets and liabilities, revenue and expenses. The estimates and underlying assumptions are based on historical experience, available information, future expectations and other factors and assumptions that Evraz considers to be reasonable under the circumstances. Actual results may differ from these estimates. See note 2 to the Consolidated Financial Statements.

Results of Operations for the Years Ended 31 December 2010, 2009 and 2008

The following table sets out Evraz's consolidated income statement data for the years ended 31 December 2010, 2009 and 2008.

	Year ended 31 December					
	2010		2009		2008	
(U.S.$ million)	Amount	Percentage of revenue	Amount	Percentage of revenue	Amount	Percentage of revenue
Income statement data						
Revenue[1]	13,394	100.0%	9,772	100.0%	20,380	100.0%
Cost of revenue	(10,319)	(77.0)%	(8,124)	(83.1)%	(13,463)	(66.1)%
Gross profit	**3,075**	**23.0%**	**1,648**	**16.9%**	**6,917**	**33.9%**
Selling and distribution costs	(807)	(6.0)%	(626)	6.4%	(856)	(4.2)%
General and administrative expenses	(732)	(5.5)%	(628)	(6.4)%	(895)	(4.4)%
Other operating income and expenses, net	(206)	(1.5)%	(199)	(2.0)%	(1,534)	(7.5)%
Profit from operations	**1,330**	**9.9%**	**195**	**2.0%**	**3,632**	**17.8%**
Non-operating income and expenses, net	(635)	(4.7)%	(533)	(5.5)%	(581)	(2.9)%
Profit/(Loss) before tax	**695**	**5.2%**	**(338)**	**(3.5)%**	**3,051**	**15.0%**
Income tax expense	(163)	(1.2)%	46	0.5%	(1,192)	(5.8)%
NET PROFIT/(LOSS)	532	4.0%	(292)	(3.0)%	1,859	9.1%
Net profit attributable to equity holders of the parent entity	548	4.1%	(295)	(3.0)%	1,797	8.8%
Net profit attributable to minority interests	(16)	(0.1)%	3	0.0%	62	0.3%

Note:
[1] Includes service revenue of U.S.$250 million, U.S.$267 million and U.S.$390 million for the years ended 31 December, 2010, 2009 and 2008 respectively. Sales of services consist primarily of heat and electricity supply, port charges, transportation and steel coating.

In the years ended 31 December 2010, 2009 and 2008, transactions with related parties accounted for approximately 0.3%, 0.3% and 0.4%, respectively, of Evraz's revenue. In addition, Evraz made purchases from associates (coal from Raspadskaya and iron ore from Yuzhny GOK). See 'Related Party Transactions' and note 16 to the Consolidated Financial Statements.

Revenue

Evraz's consolidated revenue in 2010 totaled U.S.$13,394 million, a 37.1% increase compared to revenue of U.S.$9,772 million in 2009. Increases in both volumes and prices contributed to this revenue growth. Volume increases accounted for U.S.$2,266 or approximately 63% of this revenue growth, while price increases accounted for U.S.$1,356 or approximately 37% of this revenue growth.

The steel segment accounted for the majority of the increase in revenue due to higher average prices and sales volumes of steel products. Evraz's sales volumes of steel products to external customers increased by 8.4%, from 14.3 million tons in 2009 to 15.5 million tons in 2010.

The increase in volumes in 2010 compared to 2009 primarily reflected the growth in demand for construction products in Russia, with Evraz's sales on the Russian market up by 1.4 million tons. Sales volumes in Ukraine remained flat, while the increase on the Russian market was partially offset by a decrease in export sales volumes from Evraz's Russian and Ukrainian operations, which decreased by 1.1 million tons

as compared to 2009. This decrease in export sales partially reflects Evraz's strategy to direct sales away from export markets where prices for its steel products were generally lower during the period under review, and to direct sales to domestic CIS markets, where prices for steel products where higher than in export markets. Sales volumes of Evraz's European and North American operations increased by 0.3 million tons and 0.6 million tons respectively, while steel sales volumes of Evraz's South African operations remained flat during the period under review.

Evraz's consolidated revenue in 2009 totaled U.S.$9,772 million, a 52.1% decrease compared to revenue of U.S.$20,380 million in 2008. The decrease in steel segment revenue was largely due to a decrease in steel segment sales, which was itself due to the lower average prices and sales volumes of steel products. Evraz's sales volumes of steel products to third parties decreased by 15.9%, from 17.0 million tons in 2008 to 14.3 million tons in 2009.

The decrease in steel sales volumes in 2009 primarily reflected a decrease in demand for construction products in Russia. Evraz's sales on the Russian market decreased by 2.4 million tons from 2008 to 2009. 1.4 million tons of this decrease in consolidated steel volumes was attributable to construction products. Sales volumes in Ukraine decreased by 0.1 million tons compared to 2008. These decreases in domestic markets were partially offset by the growth of export sales volumes from Evraz's Russian and Ukrainian operations, which showed a total increase of 0.8 million tons from 2008 to 2009. Sales volumes of Evraz's European and South African operations decreased by 0.3 million tons and 0.1 million tons, respectively, compared to 2008. Evraz's 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 Evraz's U.S. operations decreased by 0.6 million tons, compared to 2008. 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 2010, 2009 and 2008 (encompassing semi-annual breakdowns of both the Russian and non-CIS export markets):

	Year ended 31 December					
	2010		2009		2008	
(U.S.$ per ton, except percentages)	2nd half	1st half	2nd half	1st half	2nd half	1st half
	Average Russian and CIS prices for Evraz's Russian and Ukrainian products[1]					
Income statement data						
Rebars	618	556	442	371	869	810
H-Beams	890	829	750	700	1,328	1,155
Channels	671	626	545	502	1,021	903
Angles	636	594	503	450	1,000	831
Wire rods	573	524	432	362	963	804
Wire	664	608	533	440	971	885
Railway products						
Rails	637	599	554	519	802	775
Wheels	1,241	1,175	1,164	1,099	1,570	1,635
Flat-rolled products						
Plates	630	601	511	445	1,050	888
Semi-finished products						
Slabs	493	446	394	301	972	721
Pig Iron	399	392	271	245	739	522
Pipe blanks	579	569	451	409	1,109	733
Other steel products						
Grinding balls	778	676	598	559	1,210	854
Rounds	648	574	438	384	951	789
	Average prices for Evraz's non—CIS operations products[2]					
Construction products						
H-beams	611	531	490	423	516	735
Rebars	572	519	481	432	851	606
Wire rods	558	521	475	393	367	686
Semi-finished products						
Billets	546	487	414	344	486	701
Slabs	579	488	399	382	893	660
Pig Iron	391	–	334	275	341	492
Flat-rolled products						
Plates	725	633	683	680	769	725
	Average prices for Evraz's non—CIS operations products[3]					
Construction products						
South African operations – H-beams	788	797	723	673	1,113	961
Flat-rolled products						
European operations – plates	800	684	576	680	1,315	1,121
North American operations – commodity plates	829	801	657	638	1,426	1,010
North American operations – speciality plates	1,185	1,074	915	1,059	1,848	1,782
South African operations – commodity plates	893	788	799	797	1,154	863
Tubular products						
North American operations – large diameter pipes	1,361	1,264	1,248	1,589	1,799	1,450

Notes:
(1) Prices for sales denominated in Roubles and Ukrainian Hryvnia are converted into U.S. dollars at the average monthly exchange rate to the U.S. dollar as stated by the CBR and National Bank of Ukraine. Average U.S. dollar prices are calculated as a weighted average of sales prices in the relevant half-year 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 U.S. dollars at the average exchange rate to the U.S. dollar for the period under consideration as stated by the relevant Central bank.

The following table presents Evraz's consolidated revenue by segment for 2010, 2009 and 2008:

	Year ended 31 December		
(U.S.$ million, except percentages)	2010	2009	2008
REVENUE BY SEGMENT			
Steel segment			
To third parties	11,976	8,855	17,623
To mining segment	123	83	178
To vanadium segment	1	–	28
To other operations	23	40	96
TOTAL STEEL SEGMENT	12,123	8,978	17,925
Mining segment			
To third parties	736	435	1,290
To steel segment	1,747	1,017	2,340
To other operations	24	4	4
TOTAL MINING SEGMENT	2,507	1,456	3,634
Vanadium segment			
To third parties	536	354	1,201
To steel segment	30	9	5
TOTAL VANADIUM SEGMENT	566	363	1,206
Other operations			
To third parties	146	128	266
To steel segment	499	508	588
To mining segment	170	129	168
TOTAL OTHER OPERATIONS	815	765	1,022
Eliminations	(2,617)	(1,790)	(3,407)
CONSOLIDATED REVENUE	13,394	9,772	20,380
% from steel segment	89.4%	90.6%	86.5%
% from mining segment	5.5%	4.5%	6.3%
% from vanadium segment	4.0%	3.6%	5.9%
% from other operations	1.1%	1.3%	1.3%

The following table presents the geographic breakdown of Evraz's consolidated revenue in 2010, 2009 and 2008 (based on location of customer) in absolute terms and as a percentage of total revenue.

	Year ended 31 December					
(U.S.$ million, except percentages)	2010	% of total	2009	% of total	2008	% of total
Russia	4,692	35.0%	2,950	30.2%	7,575	37.2%
Americas	3,163	23.6%	2,428	24.8%	4,538	22.3%
Asia	2,671	20.0%	2,423	24.8%	3,217	15.8%
Europe	1,419	10.6%	1,028	10.5%	2,862	14.0%
CIS	962	7.2%	543	5.6%	1,429	7.0%
Africa	484	3.6%	381	3.9%	720	3.5%
Rest of the World	3	0.02%	19	0.2%	39	0.2%
TOTAL	13,394	100%	9,772	100%	20,380	100%

Revenue from sales in Russia increased both in absolute terms and as a proportion of total revenue in 2010 as compared to 2009. The principal driver of the higher proportion of revenue from within Russia was the revival of demand for construction products on the Russian market following the reversal in 2009.

Revenue from sales in Russia decreased both in absolute terms and as a proportion of total revenue in 2009 as compared to 2008. The principal driver of the higher proportion of revenue outside Russia was the re-orientation of sales of the Russian operations to export markets in view of weak demand on the domestic market.

Revenue from sales in the Americas both in absolute terms and decreased slightly as a proportion of total revenue in 2010 as compared to 2009. The principal driver of the lower proportion of revenue from the Americas was the fact that average steel prices in North America increased by only 2%, while Evraz's average steel prices across all regions increased by 27%.

Revenue from sales in the Americas decreased in absolute terms, but increased as a proportion of total revenue in 2009 as compared to 2008. Sales in the Americas accounted for a larger portion of total revenue during the period under review because, even though prices in the Americas decreased by 30% in 2009, they did not decrease as much as prices in other regions, in particular as compared to the Russian market for tubular products.

Revenue from sales in Asia increased in absolute terms, but decreased as a proportion of total revenue in 2010 as compared to 2009. Revenue increased in absolute terms because steel prices increased in 2010 as compared to 2009. The principal driver of the lower proportion of revenue from Asia was decreased exports of semi-finished products from Russia.

Revenue from sales in Asia decreased in absolute terms, but increased as a proportion of total revenue in 2009 as compared to 2008. Revenue decreased in absolute terms because steel prices increased in 2009 as compared to 2008. The principal driver of the higher proportion of revenue inside Asia was increased exports of semi-finished products from Russia.

Revenue from sales in Europe remained largely constant as a proportion of total revenue in 2010 as compared to 2009.

Revenue from sales in Europe decreased both in absolute terms and as a proportion of total revenue in 2009 as compared to 2008. The principal drivers of the lower proportion of revenue inside Europe were decreases in steel volumes of 64% and steel prices of 42%. In 2009, there were decreases in both prices and volumes in the flat products market as well.

Revenue from sales in the CIS increased both in absolute terms as a proportion of total revenue in 2010 as compared to 2009. The principal drivers of the higher proportion of revenue from the CIS in 2010 were a 36% increase in steel volumes as well as a 29% increase in average steel prices. Furthermore, the higher proportion of revenue from inside the CIS was principally driven by sales of construction products.

Revenue from sales in the CIS decreased both in absolute terms as a proportion of total revenue in 2009 as compared to 2008. The principal drivers of the lower proportion of revenue from the CIS in 2009 were a 46% decrease in steel prices of and decreases in the sales of mining products.

STEEL SEGMENT

Steel segment revenue increased by 35.0% to U.S.$12,123 million in 2010 as compared to U.S.$8,978 million in 2009. Steel segment revenue was affected by increasing prices for steel products and higher sales volumes during 2010, as described above.

Steel segment revenue decreased by 49.9% to U.S.$8,978 million in 2009 compared to U.S.$17,925 million in 2008. Steel segment revenue was affected by decreasing prices for steel products and lower sales volumes during 2009, as described above.

The following table presents Evraz's steel segment sales by major product groups (including intersegment sales) in 2010, 2009 and 2008.

	Year ended 31 December					
	2010		2009		2008	
(U.S.$ million, except percentages)	Steel segment sales	Percentage of total	Steel segment sales	Percentage of total	Steel segment sales	Percentage of total
Construction products[1]	3,337	27.5%	2,189	24.4%	4,588	25.6%
Railway products[3]	1,472	12.1%	1,117	12.4%	2,220	12.4%
Flat-rolled products[2]	2,007	16.6%	1,450	16.2%	3,219	18.0%
Tubular products[4]	1,309	10.8%	1,008	11.2%	1,861	10.4%
Semi-finished products[5]	2,340	19.3%	2,018	22.5%	3,511	19.6%
Other steel products[6]	411	3.4%	255	2.8%	560	3.1%
Other products[7]	1,247	10.3%	941	10.5%	1,966	11.0%
TOTAL	12,123	100%	8,978	100%	17,925	100%

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 and seamless pipes and casing and tubing
(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 increased in 2010 as compared to 2009 as the result of increased sales volumes and prices of construction products in Russia. The proportion of revenue attributable to sales of construction products decreased in 2009 as compared to 2008 as the result of a decrease in sales volumes of construction products in Russia.

The proportion of revenue attributable to sales of railway products decreased slightly in 2010 as compared to 2009 despite an increase in volumes. Management believes that this result is due to increasing price stability in railway products, in particular prices of rails in Russia, which appear to be less affected by fluctuations in the price of steel than in previous periods. The proportion of revenue attributable to sales of railway products was unchanged in 2009 as compared to 2008 despite a decrease in the proportion of volumes attributable to railway products. This was due to the fact that prices of railway products decreased less than prices of other steel products. In 2010, Evraz signed an agreement with Russian Railways that linked the prices for Evraz's rails supplied to Russian Railways to the market prices of scrap metal. This agreement had the effect of protecting Evraz's margin.

The proportion of revenue attributable to sales of flat-rolled products (primarily plates) increased in 2010 as compared to 2009 due to the growth in sales volumes of Evraz's North American and European operations. The proportion of revenue attributable to sales of flat-rolled products (primarily plates) decreased in 2009 as compared to 2008 due to an above average decrease in sales volumes compared to other steel products, particularly in Europe.

The proportion of revenue attributable to sales of tubular products decreased in 2010 as compared to 2009 despite an increase in volumes. This decrease was largely due to lower average prices for large diameter pipes, ERW pipes and casing and tubing. The proportion of revenue

attributable to sales of tubular products increased in 2009 as compared to 2008 due to the fact that prices for tubular products in North America were relatively stable at the end of 2008 and the beginning of 2009, therefore limiting the average price decrease in 2009 as compared to the price decrease of other steel products during the same period.

The proportion of revenue attributable to sales of semi-finished products decreased in 2010 as compared to 2009 due to a decrease in sales volumes of semi-finished products sold by Evraz's Russian and Ukrainian operations to export markets as well as to higher volumes of slab re-rolled at Evraz's European and North American operations (an increase of approximately 0.7 million tons in 2010 as compared to 2009). The proportion of revenue attributable to sales of semi-finished products increased in 2009 as compared to 2008 due to higher sales volumes of semi-finished products sold by Evraz's Russian and Ukrainian operations to export markets.

Revenue from sales of other steel products (mainly rounds, grinding balls and mine uprights sold in Russia) increased in 2010 as compared to 2009 as a proportion of steel segment revenue due to an increase in sales volumes and prices. Revenue from sales of other steel products decreased slightly in 2009 as compared to 2008 as a proportion of steel segment revenue due to a decrease in sales volumes.

Revenue attributable to non-steel sales decreased slightly as a proportion of total sales in 2010 as compared to 2009 due to the relative stability of volumes compared to steel products. Revenue attributable to non-steel sales increased in 2009 as compared to 2008 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 totaled U.S.$123 million in 2010 compared to U.S.$83 million in 2009. The increase is attributable to higher sales prices. The fall in steel segment sales to Evraz's mining segment from U.S.$178 million in 2008 to U.S.$83 million in 2009 reflected lower sales prices and reduced volumes.

Revenue from sales in Russia amounted to 35% of Evraz's steel segment revenue in 2010, compared to approximately 30% in 2009. The increased share of revenue from sales in Russia is primarily attributable to the reallocation of steel volumes from Asian export markets to the Russian market in 2010. Revenue from sales in Russia amounted to approximately 30% of steel segment revenue in 2009, compared to 39% in 2008. The decreased share of revenue from sales in Russia is primarily due to the reallocation of steel volumes from the Russian market to Asian export markets in 2009.

MINING SEGMENT

Evraz's mining segment revenue increased by 72.2% to U.S.$2,507 million in 2010 as compared with U.S.$1,456 million in 2009. This reflected significant growth in the prices of iron ore and coking coal in 2010 as compared to 2009.

Total sales volumes of Evraz's mining segment in 2010 as compared to 2009 remained unchanged in respect of iron ore products and decreased by 18.7% in respect of coal products. In particular, 'nominal' sales volumes of coking coal decreased by 9.2% due to the processing of a higher proportion of raw coking coal into coking coal concentrate by Evraz's mining segment, which was subsequently sold at higher prices. During the period under review, Evraz had a raw coal to concentrate yield of approximately 0.6 tn/tn. The decrease, in respect of total coal product sold, during the period under review reflects the fact that YuKU sold more concentrate in 2010 and less raw coal, which impacted the total tons sold, even though, in terms of concentrate, tons sold for the period remained constant. Sales volumes of steam coal decreased by 37.9% due to lower volumes of raw steam coal mined as some steal coal producers were not operating in 2010.

Mining segment revenue fell by 59.9% to U.S.$1,456 million in 2009 as compared to U.S.$3,634 million in 2008. This primarily reflected the lower average prices of iron ore and coal in 2009 as compared to 2008 as well as a decrease in production of iron ore.

Sales volumes of iron ore products decreased by 22.1% in 2009 as compared to 2008. Excluding the effect of the resale of iron ore products from Yuzhny GOK (a related party) in 2008, the decline in sales volumes of iron ore in 2009 was only 8.8% as compared to the previous year as some steam coal producers were not operating during the period. Sales volumes of steam coal products decreased by 8.2% in 2009 as compared to 2008, while sales volumes of coking coal increased by 3.7%.

The following table presents Evraz's mining segment sales in 2010, 2009 and 2008:

	Year ended 31 December					
	2010		2009		2008	
(U.S.$ million, except percentages)	Mining segment sales	Percentage of total	Mining segment sales	Percentage of total	Mining segment sales	Percentage of total
Iron ore products	**1,525**	**60.8%**	**824**	**56.6%**	**2,213**	**60.9%**
Iron ore concentrate	516	20.6%	311	21.3%	625	17.2%
Sinter	369	14.7%	202	13.9%	885	24.3%
Pellets	521	20.8%	238	16.4%	566	15.6%
Other	119	4.8%	73	5.0%	137	3.8%
Coal products	**901**	**35.9%**	**562**	**38.6%**	**1,251**	**34.4%**
Raw coking coal	161	6.4%	137	9.4%	259	7.1%
Coking coal concentrate	622	24.8%	268	18.4%	719	19.8%
Raw steam coal	107	4.3%	124	8.5%	265	7.3%
Steam coal concentrate	11	0.4%	33	2.3%	8	0.2%
Other revenue	**80**	**3.2%**	**70**	**4.8%**	**170**	**4.7%**
TOTAL	2,506	100%	1,456	100%	3,634	100%

The following table shows the average price trends of the mining segment's iron ore products in 2010, 2009 and 2008 with half-yearly breakdowns:

(U.S.$ million, except percentages)	Year ended 31 December					
	2010		2009		2008	
	2nd half	1st half	2nd half	1st half	2nd half	1st half
	Average prices for Evraz's mining segment products[1]					
Iron ore products						
Concentrate	89	88	61	47	86	95
Sinter	109	78	50	48	108	116
Pellets	114	77	46	41	103	111
Coal products						
Raw coking coal	78	60	41	29	87	79
Coking coal concentrate	142	126	81	59	168	157
Raw steam coal	47	48	36	37	32	38
Steam coal concentrate	59	81	75	68	89	79

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

Evraz also holds an effective 40% equity interest in the Raspadskaya coking coal producer. Revenue attributable to Raspadskaya is therefore not consolidated in the Consolidated Financial Statements and Evraz'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 U.S.$1,747 million (69.7% of mining segment sales) in 2010 compared to U.S.$1,017 million (69.8% of mining segment sales) in 2009 and U.S.$2,340 million (64.4% of mining segment sales) in 2008.

Approximately 71% of Evraz's iron ore requirements were met by Evraz's mining segment in 2010 as compared to 77% in 2009 and 73% in 2008. Around 51% of Evraz's coking coal requirements were satisfied by supplies from Raspadskaya and YuKU in 2010, as compared to 58% in 2009 and 55% in 2008.

Approximately 50% of Evraz's external sales by Evraz's mining segment in 2010 were to customers in Russia, as compared to 53% in 2009. The increase in the share of third party sales outside Russia is largely attributable to the growth in export sales of mining products from YuKU and KGOK to Asia.

Approximately 53% of external sales by Evraz's mining segment in 2009 were to customers in Russia compared to 28% in 2008. The higher share of third party sales outside Russia in 2008 was primarily attributable to the resale of iron ore from YuKU to export markets. There were no such resales in 2009.

Vanadium Segment

Vanadium segment revenue increased by 55.9% to U.S.$566 million in 2010 as compared to U.S.$363 million in 2009. This reflected significantly higher sales volumes and prices in respect of vanadium products in 2010 compared to 2009. Sales volumes increased from 18.4 thousand tons of pure vanadium content in 2009 to 20.6 thousand tons of pure vanadium content in 2010. Following the acquisition of Vanady-Tula in November 2009, revenue from sales of vanadium slag in 2010 were reduced to less than 7% of vanadium segment revenue. Part of the reported slag sold to external customers was purchased back in the form of oxides for further processing within the Group and subsequent sale as finished products. This sale and repurchase is because Evraz's own processing facilities have been fully utilized. Therefore, Evraz processes part of the slag in China selling slag to Chinese counterparties and purchasing back oxides at market prices. The repurchase had the effect of increasing vanadium sales volumes.

Vanadium segment revenue fell by 69.9% from U.S.$1,206 million in 2008 to U.S.$363 million in 2009. This reflected lower prices and sales volumes in respect of vanadium products in 2009 as compared to 2008. Sales volumes of Evraz's vanadium segment decreased from 26.4 thousand tons of pure vanadium in 2008 to 18.4 thousand tons of pure vanadium in 2009.

The following table presents Evraz's vanadium segment sales in 2010, 2009 and 2008:

(U.S.$ million, except percentages)	Year ended 31 December					
	2010		2009		2008	
	Vanadium segment sales	Percentage of total	Vanadium segment sales	Percentage of total	Vanadium segment sales	Percentage of total
Vanadium in slag	39	6.9%	60	16.5%	290	24.0%
Vanadium in alloys and chemicals	516	91.2%	298	82.1%	913	75.7%
Other revenue	**11**	**1.9%**	**5**	**1.4%**	**3**	**0.3%**
TOTAL	566	100%	363	100%	1,206	100%

The following table presents the average price trends of Evraz's vanadium products from 2009 through 2010 (encompassing half-yearly breakdowns):

(U.S.$ per ton of pure vanadium in the products, except percentages)	Year ended 31 December					
	2010		2009		2008	
	2nd half	1st half	2nd half	1st half	2nd half	1st half
	Average prices for Evraz's vanadium products[1],[2]					
NTMK—Vanadium in slag	15,331	16,620	10,919	6,836	25,152	31,771
Evraz Highveld—Vanadium in alloys	30,583	27,804	26,282	22,501	57,167	55,026
Stratcor—Vanadium in alloys	46,268	29,827	28,072	28,979	53,359	54,550
EMSA—Vanadium in alloys	29,064	26,788	23,292	19,711	56,734	63,216

Notes:

[1] Prices for sales denominated in Roubles are converted into U.S. dollars at the average monthly exchange rate to the U.S. dollar as stated by the CBR. Average U.S. dollar prices are calculated as a weighted average of sales prices in the relevant half-year period.

[2] Prices for sales denominated in South African Rands are converted into U.S. dollars at the average exchange rate to the U.S. dollar for the period under consideration as stated by the South African Reserve Bank.

OTHER OPERATIONS

Evraz's revenue in respect of its other operations segment increased by 6.5% to U.S.$815 million in 2010 as compared to U.S.$765 million in 2009. This increase was in large part driven by increases in freight prices and Evraztrans' activities. Evraz's revenue in respect of its other operations segment decreased by 25.1% to U.S.$765 million in 2009 as compared to U.S.$1,022 million in 2008. Other operations are mostly oriented to service Evraz's business. Therefore, the decrease was largely attributable to low activity levels, with prices for those services being more stable than steel prices. One exception is sea freight services by Sinano as freight prices also declined significantly.

Revenue in respect of Evraz's other operations segment was largely derived from the following operations (sales figures shown below include sales within the same segment):

- Sales at Nakhodka Trade Sea Port, which provides various seaport services to Evraz, totaled U.S.$75 million in 2010 as compared to U.S.$82 million in 2009, and U.S.$81 million in 2008. Inter segment sales accounted for 71%, 58% and 26% of such revenue in 2010, 2009 and 2008, respectively.
- Evraztrans acts as a railway forwarder for Evraz's steel segment. Sales at Evraztrans amounted to U.S.$96 million in 2010 as compared to U.S.$83 million in 2009 and U.S.$98 million in 2008. Evraztrans derives the majority of its revenue from inter segment sales, which accounted for 85%, 92% and 77% of revenue in 2010, 2009 and 2008, respectively.
- Metallenergofinance ('MEF') supplies electricity to Evraz's steel and mining segments and to third parties. MEF's sales amounted to U.S.$371 million in 2010 as compared to U.S.$299 million in 2009 and U.S.$457 million in 2008. Inter segment sales accounted for 81%, 80% and 83% of MEF's revenue in 2010, 2009 and 2008, respectively.
- Sinano Ship Management ('Sinano') provides sea freight services to Evraz's steel segment. Sinano's sales totaled U.S.$116 million in 2010 as compared to U.S.$92 million in 2009 and U.S.$144 million in 2008. Sinano derives close to 100% of its revenue from inter segment sales.
- Evro-Aziatskaya Energy Company ('EvrazEK') is an energy generating company which supplies natural gas, steam and electricity to Evraz's steel and mining segments. In 2010, EvrazEK generated revenue of U.S.$56 million as compared with U.S.$133 million in 2009 and U.S.$169 million in 2008. Inter segment sales accounted for 87%, 94% and 81% of the company's revenue in 2010, 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 revenue of ZapSib Power Plant amounted to U.S.$84 million in 2010 as compared to U.S.$70 million in 2009 and U.S.$90 million in 2008. Intra group sales accounted for 78%, 82% and 35% of revenue in 2010, 2009 and 2008, respectively.

External sales in respect of Evraz's other operations segment, primarily comprising sales of energy by MEF, EvrazEK and ZapSib Power Plant, the provision of port services by Nakhodka Trade Sea Port and the provision of transportation services by Evraztrans, decreased from U.S.$266 million in 2008 to U.S.$128 million in 2009 and increased to U.S.$146 million in 2010. Nakhodka Trade Sea Port, Evraztrans and Zapsib Power Plant sharply reduced services to third parties in 2009 as compared to 2008.

Cost of revenue and gross profit

Evraz's consolidated cost of revenue amounted to U.S.$10,319 million, representing 77.0% of Evraz's consolidated revenue, in 2010 as compared to U.S.$8,124 million, representing 83.1% of Evraz's consolidated revenue, in 2009 and U.S.$13,463 million, representing 66.1% of Evraz's consolidated revenue, in 2008. The increase in gross profit margin in 2010 as compared to 2009 was primarily due to the recovery in steel and vanadium prices following weak demand from Evraz's principal steel markets in 2009. The steep reduction in gross profit margin in 2009 as compared to 2008 was largely due to the fall in steel and vanadium prices and production cuts in response to the weakness of demand.

The table below presents cost of revenue and gross profit by segment for 2010, 2009 and 2008, including percentage of segment revenue.

	Year ended 31 December					
	2010		2009		2008	
(U.S.$ million, except percentages)	Amount	Percentage of segments revenue	Amount	Percentage of segments revenue	Amount	Percentage of segments revenue
Steel segment						
Cost of revenue	**(10,029)**	**(82.7)%**	**(7,597)**	**(84.6)%**	**(12,662)**	**(70.6)%**
Raw materials	(5,793)	(47.8)%	(3,577)	(39.8)%	(7,219)	(40.3)%
Iron ore	(1,867)	(15.4)%	(1,041)	(11.6)%	(2,022)	(11.3)%
Coking coal	(1,443)	(11.9)%	(656)	(7.3)%	(2,154)	(12.0)%
Scrap	(1,522)	(12.6)%	(996)	(11.1)%	(1,795)	(10.0)%
Other raw materials	(961)	(7.9)%	(884)	(9.8)%	(1,248)	(7.0)%
Semi-finished products	(421)	(3.5)%	(690)	(7.7)%	(1,280)	(7.1)%
Transportation	(529)	(4.4)%	(498)	(5.5%	(567)	(3.2)%
Staff costs	(794)	(6.5)%	(699)	(7.8)%	(1,012)	(5.6)%
Depreciation	(415)	(3.4)%	(434)	(4.8)%	(589)	(3.3)%
Energy	(823)	(6.8)%	(677)	(7.5)%	(904)	(5.0)%
Other[1]	(1,254)	(10.3)%	(1,022)	(11.4)%	(1,091)	(6.1)%
Gross profit	2,094	17.3%	1,381	15.4%	5,263	29.4%
Mining segment						
Cost of revenue	(1,569)	(62.6)%	(1,277)	(87.7)%	(2,387)	(65.7)%
Raw materials	(144)	(5.7)%	(98)	(6.7)%	(705)	(19.4)%
Transportation	(141)	(5.6)%	(116)	(8.0)%	(239)	(6.6)%
Staff costs	(395)	(15.8)%	(357)	(24.5)%	(501)	(13.8)%
Depreciation	(268)	(10.7)%	(267)	(18.3)%	(354)	(9.7)%
Energy[2]	(246)	(9.8)%	(194)	(13.3)%	(245)	(6.7)%
Other[3]	(375)	(15.0)%	(245)	(16.8)%	(343)	(9.4)%
Gross profit	938	37.4%	179	12.3%	1,247	34.3%
Vanadium segment						
Cost of revenue	(501)	(88.5)%	(368)	(101.4)%	(922)	(76.5)%
Raw materials	(199)	(35.2)%	(168)	(46.3)%	(486)	(40.3)%
Semi-finished products	(3)	(0.5)%	(1)	(0.3)%	–	0.0%
Transportation	(2)	(0.4)%	(1)	(0.3)%	(1)	(0.1)%
Staff costs	(62)	(11.0)%	(39)	(10.7)%	(65)	(5.4)%
Depreciation	(44)	(7.8)%	(35)	(9.6)%	(37)	(3.1)%
Energy	(70)	(12.4)%	(37)	(10.2)%	(58)	(4.8)%
Other(3)	(121)	(21.4)%	(87)	(24.0)%	(275)	(22.8)%
Gross profit	65	11.5%	(5)	(1.4)%	284	23.5%
Other operations						
Cost of revenue	(547)	(67.1)%	(528)	(69.0)%	(749)	(73.3)%
Gross profit	268	32.9%	237	31.0%	273	26.7%
Unallocated						
Cost of revenue	5		4		(7)	
Gross profit	5		4		(7)	
Eliminations – cost of revenue	2,322		1,642		3,264	
Eliminations – gross profit	(295)		(148)		(143)	
Consolidated cost of revenue	**(10,319)**	**(77.0)%**	**(8,124)**	**(83.1)%**	**(13,463)**	**(66.1)%**
Consolidated gross profit	**3,075**	**23.0%**	**1,648**	**16.9%**	**6,917**	**33.9%**

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

Evraz's steel segment cost of revenue decreased to 82.7% of steel segment revenue, or U.S.$10,029 million in 2010, from 84.6% of steel segment revenue, or U.S.$7,597 million in 2009, as compared to 70.6% of steel segment revenue, or U.S.$12,662 million in 2008.

The principal factors affecting the change in Evraz's steel segment cost of revenue in absolute terms in 2010 as compared to 2009 were as follows:

- Raw material costs increased by 62.0%, primarily due to an increase in prices of all key main raw materials (in particular coking coal and iron ore) and also due to an approximately 6-7% increase in production volumes of pig iron and crude steel.
- Costs of semi-finished products decreased by 39.0% due an increase in volumes of inter segment slab re-rolling by approximately 0.7 million tons, and due to reduced purchases of semi-finished products.

- Transportation costs rose by 6.2%. Railway charges in relation to the transportation of Evraz's steel products to the relevant ports, which represent a major component of these costs, increased as a result of increased shipments of slabs from Russia for re-rolling within the steel segment, an increase in the average railway tariff in Rouble terms and the appreciation of the Rouble against the U.S. dollar. These increases were, in turn, partially offset by lower export sales volumes of steel products from Russia to Asia.
- Staff costs increased by 13.6%. Wages and salaries of production staff rose in accordance with the trade union agreements for all operations. Other factors influencing this increase included increased salaries due to higher production volumes in 2010 as compared to 2009 and the appreciation of the average rates of Rouble, South African Rand and Canadian dollar against the U.S. dollar.
- Depreciation and depletion costs decreased by 4.4%.
- Energy costs increased by 21.6% due to an increase in production volumes, higher prices in respect of energy sources and the appreciation of the Rouble, South African Rand and Canadian Dollar against the U.S. dollar.
- Other costs increased by 22.7%. These costs consisted primarily of contractor services and materials for maintenance and repairs. The increase was also driven by changes in work-in-progress and finished goods inventories and the appreciation of the Rouble, South African Rand and Canadian dollar against the U.S. dollar.

The principal factors affecting the change in Evraz's steel segment cost of revenue in monetary terms in 2009 compared to 2008 were as follows:
- Raw material costs decreased by 50.5% due to a decrease in sales volumes and the lower prices of iron ore, coking coal, scrap, ferroalloys, pig iron and steel semi-finished products purchased by the steel operations.
- Transportation costs decreased by 12.2%. Railway tariffs in relation to the transportation of Evraz's steel products to the relevant ports, which represent a major component 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 decrease in transport costs related to the deliveries of raw materials to Russian mills and the depreciation of local currencies against the U.S. dollar.
- Staff costs decreased by 30.9%. Staff costs were decreased in part due to staff optimization measures as well as the depreciation of local currencies against the U.S. dollar.
- Depreciation and depletion costs decreased by 26.3%. This decrease was largely attributable to increases in the useful life of machinery and equipment and the depreciation of local currencies against the U.S. dollar.
- Energy costs decreased by 25.1% due to the reduction in production volumes and the depreciation of local currencies against the U.S. dollar.
- Other costs decreased by 6.3%. 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 revenue. The decrease reflected the effect of Evraz's cost cutting measures and the depreciation of local currencies against the U.S. dollar.

Steel segment gross profit increased to U.S.$2,094 million in 2010 from U.S.$1,381 million in 2009, itself a decrease from U.S.$5,263 million in 2008. Gross profit margin amounted to 17.3% of steel segment revenue in 2010 compared to 15.4% in 2009 and 29.4% in 2008. The improvement in gross profit margin in 2010 as compared to 2009 primarily reflected increased prices and volumes of steel products, described above. The decrease in gross profit margin in 2009 as compared to 2008 primarily reflected the decrease in prices and volumes of steel products, described above.

MINING SEGMENT

Evraz's mining segment cost of revenue decreased to 62.6% of mining segment revenue, or U.S.$1,569 million, in 2010 from 87.7% of mining segment revenue, or U.S.$1,277 million, in 2009, and 65.7% of mining segment revenue, or U.S.$2,387 million, in 2008.

The principal factors affecting the change in mining segment cost of revenue in absolute terms in 2010 compared to 2009 were:
- Raw material costs increased by 46.9%. This increase resulted from the higher prices and volumes of external iron ore purchased by the mining segment for processing and the appreciation of the average rates of Russian Rouble against the U.S. dollar.
- Transportation costs increased by 21.6% primarily due to higher external transport services at Evrazruda itself due to outsourcing in 2010 and the appreciation of the average rate of the Rouble against the U.S. dollar.
- Staff costs increased by 10.6%. The increase was largely attributable to increases of the wages and salaries of production staff, which rose in accordance with trade union agreements for Russia and Ukraine and to appreciation of the average rate of the Rouble against the U.S. dollar.
- Depreciation costs remained flat.
- Energy costs increased by 26.8% due to the growth in production volumes at KGOK, increases in prices of electricity and natural gas and the appreciation of the average rate of Rouble against the U.S. dollar.
- Other costs increased by 53.1%. These costs consisted primarily of contractor services and materials for maintenance and repairs and certain taxes. The increase is largely attributable to increased repairs, maintenance and industrial services at Yuzhkuzbassugol and Evrazruda as well as to the appreciation of the average rate of the Rouble against the U.S. dollar.

The principal factors that affected the change in mining segment cost of revenue between the 2009 and 2008 periods were:
- Raw material costs decreased by 86.1%. Excluding the effect of the resale of iron ore products from Yuzhny GOK 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 Rouble and Ukrainian Hryvnia against the U.S. dollar.
- Transportation costs decreased by 51.5% primarily due to lower export sales volumes of mining products and the weakening of the average rates of the Rouble and Ukrainian Hryvnia against the U.S. dollar.
- Staff costs decreased by 28.7%. Factors that affected the decrease were staff optimization and the weakening of the average rates of the Rouble and Ukrainian Hryvnia against the U.S. dollar.
- Depreciation costs decreased by 24.6%. This decrease was largely attributable to the depreciation of local currencies against the U.S. dollar.
- Energy costs decreased by 20.8%. The decrease is primarily attributable to the weakening of the average rates of the Rouble and Ukrainian Hryvnia against the U.S. dollar.
- Other costs decreased by 28.6%. 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 Rouble and Ukrainian Hryvnia against the U.S. dollar.

Mining segment gross profit decreased from U.S.$1,247 million in 2008 to U.S.$179 million in 2009 and increased to U.S.$938 million in 2010, representing a gross profit margin of 37.4% of mining segment revenue in 2010 compared to 12.3% in 2009 and 34.3% in 2008. The increase in the gross profit margin in 2010 as compared to 2009 largely reflected substantial growth in the prices of iron ore and coking coal, as described above. The decrease in gross profit margin in 2009 as compared to 2008 was largely attributable to decreases in the average prices of iron ore and coal in 2009 compared to 2008, as described above.

VANADIUM SEGMENT

Vanadium segment cost of revenue decreased to 88.5% of vanadium segment revenue, or U.S.$501 million, in 2010 from 101.4% of vanadium segment revenue, or U.S.$368 million, in 2009 and 76.5% of vanadium segment revenue, or U.S.$922 million, in 2008. The increase in Evraz's vanadium segment's cost of revenue in 2010 as compared to 2009, in monetary terms ,was primarily attributable to higher sales volumes, higher prices of raw materials and acquisition of Vanady-Tula at the end of 2009. The decrease in 2009 as compared to 2008 was primarily attributable to lower sales volumes and the lower prices of raw materials.

Gross profit/(loss) of Evraz's vanadium segment increased to a gross profit of U.S.$65 million in 2010 from a gross loss of U.S.5 million in 2009, itself a decrease from a gross profit of U.S.$284 million in 2008. The aggregate result was a gross profit margin of 11.5% of vanadium segment revenue in 2010 as compared to a loss of 1.4% in 2009 and a profit of 23.5% in 2008, due to the factors described above.

OTHER OPERATIONS

The other operations segment's cost of revenue decreased to 67.1% of other operations segment's revenue, or U.S.547 million, in 2010 from 69.0% of other operations' revenue, or U.S.$528 million, in 2009, as compared to 73.3% of other operations' revenue, or U.S.749 million, in 2008.

The major components of cost of revenue at Nakhodka Trade Sea Port are staff and inventory costs. The major component of Evraztrans' cost of revenue is rental and maintenance of railway cars. The major component of MEF's cost of revenue is the purchase of electricity from power generating companies. The major components of EvrazEK's cost of revenue 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 revenue are steam coal for power generation, depreciation and staff costs; while the major component of Sinano's cost of revenue is ship hire fees.

The gross profit of Evraz's other operations segment decreased from U.S.$273 million in 2008 to U.S.237 million in 2009 and increased to U.S.$268 million in 2010 in line with growth in revenue. Gross profit margin amounted to 32.9% of Evraz's other operations' revenue in 2010 as compared to 31.0% in 2009 and 26.7% in 2008.

The decrease in gross profit in 2009 as compared to 2008 was largely attributable to a decrease in Sinano's revenue associated with freight services provided to third party ship owners. The corresponding decrease in the costs of these services was reflected in selling and distribution costs discussed below, thereby largely affecting the gross profit margin and having minimal impact on Sinano's operating profit.

Selling and distribution costs

Selling and distribution costs increased by 28.9% to U.S.$807 million in 2010, representing 6.0% of consolidated revenue, as compared to U.S.$626 million in 2009, representing 6.4% of consolidated revenue, and U.S.$856 million in 2008, representing 4.2% of consolidated revenue. 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 2010, 2009 and 2008, including as a percentage of segment revenue.

	Year ended 31 December					
	2010		2009		2008	
(U.S.$ million, except percentages)	Amount	Percentage of segments revenue	Amount	Percentage of segments revenue	Amount	Percentage of segments revenue
Steel segment	**(761)**	**(6.3)%**	**(620)**	**(6.9)%**	**(777)**	**(4.3)%**
Transportation costs	(446)	(3.7)%	(347)	(3.9)%	(448)	(2.5)%
Staff costs	(65)	(0.6)%	(46)	(0.5)%	(69)	(0.4)%
Bad debt provision	(17)	(0.1)%	(29)	(0.3)%	(13)	(0.1)%
Depreciation	(122)	(1.0)%	(112)	(1.2)%	(106)	(0.6)%
Other costs[1]	(111)	(0.9)%	(86)	(1.0)%	(141)	(0.8)%
Mining segment	**(110)**	**(4.4)%**	**(57)**	**(3.9)%**	**(40)**	**(1.1)%**
Transportation costs	(70)	(2.8)%	(35)	(2.4)%	(22)	(0.6)%
Staff costs	(3)	(0.1)%	(3)	(0.2)%	(2)	(0.1)%
Bad debt provision	(17)	(0.7)%	(7)	(0.5)%	(3)	(0.1)%
Other costs[1]	(20)	(0.8)%	(12)	(0.8)%	(13)	(0.4)%
Vanadium segment	**(23)**	**(4.1)%**	**(20)**	**(5.5)%**	**(82)**	**(6.8)%**
Transportation costs	(11)	(1.9)%	(10)	(2.8)%	(36)	(3.0)%
Staff costs	(3)	(0.5)%	(2)	(0.6)%	(6)	(0.5)%
Bad debt provision	–	0.0%	–	0.0%	–	0.0%
Depreciation	(2)	(0.4)%	(2)	(0.6)%	(4)	(0.3)%
Other costs[1]	(7)	(1.3)%	(6)	(1.7)%	(36)	(3.0)%
Other operations	**(91)**	**(11.2)%**	**(81)**	**(10.6)%**	**(119)**	**(11.6)%**
Eliminations	**178**		**152**		**162**	
Unallocated	**–**		**–**		**–**	
Total	**(807)**	**(6.0)%**	**(626)**	**(6.4)%**	**(856)**	**(4.2)%**

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

STEEL SEGMENT

Selling and distribution costs amounted to 6.3%, 6.9% and 4.3% of Evraz's steel segment revenue in 2010, 2009 and 2008, respectively.

The primary factors affecting the changes in the steel segment's selling and distribution costs in 2010 as compared to 2009 were:
- Transportation costs increased by 28.5% primarily due to the increase in trading activity, changes in shipping terms, the growth in the average railway tariff in Rouble terms and the appreciation of the Rouble, South African Rand and Canadian dollar against the U.S. dollar.
- Staff costs increased by 41.3%. This increase is attributable to the acquisition of Carbofer in October 2009, an increase in the number of sales staff in North America and Russia and to the appreciation of the Rouble against the U.S. dollar.
- Bad debt expense decreased by 41.4% from U.S.$29 million in 2009 to U.S.$17 million in 2010. The decrease in bad debt expense reflects a high level of doubtful debt provisions made against receivables from Russian and Ukrainian customers in 2009.
- Depreciation costs increased by 8.9% largely reflecting the appreciation of the South African Rand and Canadian dollar against the U.S. dollar.
- Other selling costs increased by 29.1%, primarily due to additional marketing expenses, sales commissions and agent fees related to export sales of Evraz from Russia and Ukraine.

The primary factors affecting the changes in the steel segment's selling and distribution costs in 2009 as compared to 2008 were:
- Transportation costs decreased by 22.5% primarily due to the depreciation of local currencies against the U.S. dollar, although this decrease was partially offset by increase in tariffs in Russia.
- Staff costs decreased by 33.3%. This decrease was largely attributable to staff optimization measures and depreciation of the average rates of local currencies against the U.S. dollar.
- Bad debt expense increased by 123.1% from U.S.$13 million in 2008 to U.S.$29 million in 2009. The increase in bad debt expense reflects an increase doubtful debt provisions made against receivables from Russian and Ukrainian customers.
- Depreciation costs increased by 5.7% largely reflecting the contribution of the new Canadian operations.
- Other selling costs decreased by 39.0%, primarily due to cost cutting measures and depreciation of the average rates of local currencies against the U.S. dollar.

MINING SEGMENT

Selling and distribution costs amounted to 4.4%, 3.9% and 1.1% of the mining segment's revenue in 2010, 2009 and 2008, respectively.

The principal factors affecting the changes in the mining segment's selling and distribution costs in 2010 as compared to 2009 were:
- Transportation costs increased by 100.0% due to higher export sales volumes of iron ore and coal and the growth in railway and sea freight prices.
- Bad debt expense increased from U.S.$7 million in 2009 to U.S.$17 million in 2010 due to a provision made against accounts receivable from Kazankovskaya mine (an associate of YuKU).
- Other selling costs increased by 66.7%, primarily due to additional marketing expenses, sales commissions and agent fees related to Evraz's export sales from Russia and Ukraine.

The principal factors affecting the changes in the mining segment's selling and distribution costs in 2009 as compared to 2008 were:
- Transportation costs increased by 59.1%, due largely to changes in cost allocation between Evraz's steel and mining segments in the 2009 Consolidated Financial Statement as compared to 2008.
- Staff costs increased by approximately 50% in 2009 primarily due to changes in the classification of staff costs in the 2009 Consolidated Financial Statement compared to the 2008 Consolidated Financial Statements.
- Bad debt expense increased from U.S.$3 million in 2008 to U.S.$7 million in 2009 due to additional unrecoverable accounts receivable.
- Other selling costs decreased by 7.7%, due largely to lower sales commissions and depreciation of the average rates of local currencies against the U.S. dollar.

VANADIUM SEGMENT

Selling and distribution costs increased to U.S.$23 million in 2010 from U.S.$20 million in 2009 compared to U.S.$82 million of selling and distribution costs in 2008. These movements represented 4.1%, 5.5% and 6.8% of Evraz's vanadium segment revenue in 2010, 2009 and 2008, respectively. The increase, in monetary terms, in 2010 as compared to 2009 was primarily due to higher trading activity while the decrease in 2009 as compared to 2008 largely related to reductions in freight services, customs duties and sales commissions.

OTHER OPERATIONS

Selling and distribution costs amounted to 11.2%, 10.6% and 11.6% of other operations' revenue in 2010, 2009 and 2008, respectively. The increase in selling and distribution costs in 2010 as compared to 2009 was largely attributable to the increased share of third party freight services required in respect of the growth of Sinano's shipping activities. The decrease in selling and distribution costs in 2009 as compared to 2008 was largely attributable to lower external freight and port services at Sinano. The decrease in gross profit in 2009 as compared to 2008 largely related to a decrease in Sinano's revenue associated with freight services provided to 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.

General and administrative expenses

General and administrative expenses increased to U.S.$732 million in 2010 from U.S.$628 million in 2009, itself a decrease from U.S.$895 million in 2008. These movements represented 5.5%, 6.4% and 4.4% of consolidated revenue in 2010, 2009 and 2008 respectively.

The following table presents general and administrative expenses by segment for 2010, 2009 and 2008, including as a percentage of segment revenue.

	Year ended 31 December					
	2010		2009		2008	
(U.S.$ million, except percentages)	Amount	Percentage of segments revenue	Amount	Percentage of segments revenue	Amount	Percentage of segments revenue
Steel segment	**(403)**	**(3.3)%**	**(350)**	**(3.9)%**	**(472)**	**(2.6)%**
Staff costs	(163)	(1.3)%	(126)	(1.4)%	(193)	(1.1)%
Taxes, other than on income	(82)	(0.7)%	(80)	(0.9)%	(90)	(0.5)%
Other[1]	(158)	(1.3)%	(144)	(1.6)%	(189)	(1.1)%
Mining segment	**(117)**	**4.7%**	**(96)**	**(6.6)%**	**(138)**	**(3.8)%**
Staff costs	(53)	(2.1)%	(44)	(3.0)%	(66)	(1.8)%
Taxes, other than on income	(27)	(1.1)%	(22)	(1.5)%	(17)	(0.5)%
Other[2]	(37)	(1.5)%	(30)	(2.1)%	(55)	(1.5)%
Vanadium segment	**(36)**	**(6.4)%**	**(26)**	**(7.2)%**	**(33)**	**(2.7)%**
Staff costs	(19)	(3.4)%	(13)	(3.6)%	(18)	(1.5)%
Taxes, other than on income	(2)	(0.4)%	(1)	(0.3)%	(2)	(0.2)%
Other[1]	(15)	(2.6)%	(12)	(3.3)%	(13)	(1.1)%
Other operations	**(27)**	**(3.3)%**	**(24)**	**(3.1)%**	**(44)**	**(4.3)%**
Unallocated[3]	**(155)**		**(138)**		**(211)**	
Eliminations	**6**		**6**		**3**	
TOTAL	(732)	(5.5)%	(628)	(6.4)%	(895)	(4.4)%

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 increased to U.S.$403 million in 2010 from U.S.$350 million in 2009, itself a decrease from U.S.$472 million in 2008. These movements represented 3.3%, 3.9% and 2.6% of the steel segment's revenue in 2010, 2009 and 2008, respectively.

The principal factors affecting the changes in the steel segment's general and administrative expenses in 2010 as compared to 2009 were:
- Staff costs increased by 29.4% due to an increase in salaries in accordance with trade union agreements at the Russian mills, additional hiring of staff, and increase in bonus accruals at the North American operations, lump sum payments to former executives at the South African operations and the appreciation of the average exchange rates of the Rouble, the South African Rand and Canadian Dollar against the U.S. dollar.
- Taxes, other than on income tax, and including property, land and local taxes, increased by 2.5%. The increase was primarily due to higher tax base for land tax at the Russian mills and the appreciation of the average exchange rates of the Rouble, South African Rand and Canadian Dollar against the U.S. dollar.
- Other general and administrative expenses increased by 9.7%. This increase principally reflected an increase in professional services in North America and Russia related to increased business activities in 2010 and also reflected appreciation of the average exchange rates of the Russian Rouble against U.S. dollar.

The principal factors affecting the changes in the steel segment's general and administrative expenses in 2009 as compared to 2008 were:
- Staff costs decreased by 34.7%. This decrease is largely attributable to staff optimization measures and appreciation of the average exchange rates of local currencies against the U.S. dollar.
- Taxes, other than on income, including property, land and local taxes, decreased by 11.1%. The decrease primarily reflected depreciation of the average exchange rates of local currencies against the U.S. dollar.
- Other general and administrative expenses decreased by 23.8%. The decrease is largely attributable to depreciation of the average exchange rates of local currencies against the U.S. dollar.

MINING SEGMENT

General and administrative expenses increased to U.S.$117 million in 2010 from U.S.$96 million in 2009, itself a decrease from U.S.$138 million in 2008. These movements represented 4.7%, 6.6% and 3.8% of mining segment revenue in 2010, 2009 and 2008, respectively.

The principal factors affecting the changes in the mining segment's general and administrative expenses in 2010 as compared to 2009 were:
- Staff costs increased by 20.5% reflecting a full week working schedule, which was re-introduced in 2010 as the global economy improved and demand for Evraz's products increased, the growth of salaries in accordance with trade union agreements and the appreciation of the Rouble against the U.S. dollar.
- Taxes, other than on income, increased by 22.7% largely due to additional expenses related to land tax at Evrazruda.
- Other expenses increased by 23.3% largely due to provisions made at Yuzhkusbassugol for a legal investigation.

The principal factors affecting the changes in the mining segment's general and administrative expenses in 2009 as compared to 2008 were:
- Staff costs decreased by 33.3%. The decrease was primarily attributable to staff optimization measures and depreciation of the average exchange rates of local currencies against the U.S. dollar.
- Taxes, other than on income, including property, land and local taxes, increased by 29.4%. This increase is because, prior to 2009, all land tax expenses were reflected in a different line item. However, land tax was reflected in general and administrative expenses in 2009.
- Other expenses decreased by 45.5% largely due to cost cutting measures and depreciation of the average exchange rates of local currencies against the U.S. dollar.

VANADIUM SEGMENT

General and administrative expenses increased to U.S.$36 million in 2010 from U.S.$26 million in 2009, itself a decrease from U.S.$33 million in 2008. These movements represented 6.4%, 7.2% and 2.7% of vanadium segment revenue in 2010, 2009 and 2008, respectively. The increase in Evraz's general and administrative expenses in 2010 as compared to 2009 was primarily attributable to Evraz's acquisition of Vanady-Tula in the end of 2009, and the appreciation of the average exchange rates of the Rouble and the South African Rand against the U.S. dollar. The decrease in general and administrative expenses in 2009 as compared to 2008 was largely due to staff optimization measures and the depreciation of the average exchange rates of local currencies against the U.S. dollar.

OTHER OPERATIONS

General and administrative expenses increased to U.S.$27 million in 2010 from U.S.$24 million in 2009, itself a decrease from U.S.$44 million in 2008. These movements represented 3.3%, 3.1% and 4.3% of other operations segment's revenue in 2010, 2009 and 2008, respectively. The increase in Evraz's general and administrative expenses in 2010 as compared to 2009 was primarily attributable to the provision against tax risks related to VAT at Nakhodka Trade Sea Port and the appreciation of the Rouble against the U.S. dollar. The decrease in general and administrative expenses in 2009 as compared to 2008 was largely due to staff optimization measures and depreciation of the average exchange rates of local currencies against the U.S. dollar.

UNALLOCATED

Unallocated general and administrative expenses are largely 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 increased to U.S.$155 million in 2010 from U.S.$138 million in 2009, itself a decrease from U.S.$211 million in 2008. The increase in 2010, as compared to 2009, was primarily attributable to increases in salaries, the cost of SAP licenses and the appreciation of the average exchange rate of the Rouble against the U.S. dollar. The decrease in 2009, as compared to 2008, was attributable to cost cutting, staff optimization measures and depreciation of the average exchange rates of local currencies against the U.S. dollar.

Other operating income, net of other operating expenses

Other operating income, net of other operating expenses, increased to U.S.$206 million in 2010 from U.S.$199 million in 2009, itself a decrease from U.S.$1,534 million in 2008. These movements represented 1.5%, 2.0% and 7.5% of consolidated revenue in 2010, 2009 and 2008, respectively. 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 and foreign exchange rates gain (loss). Social and social infrastructure expenses include such items as maintenance of medical centers, recreational centers, employee holiday allowances, sponsorship of sports teams and charitable events.

The following table presents other operating income and expenses by segment for 2010, 2009 and 2008, including as a percentage of segment revenue.

	Year ended 31 December					
	2010		2009		2008	
(U.S.$ million, except percentages)	Amount	Percentage of segments revenue	Amount	Percentage of segments revenue	Amount	Percentage of segments revenue
Steel segment						
Social and social infrastructure maintenance expenses	(47)	(0.4)%	(43)	(0.5)%	(91)	(0.5)%
Loss on disposal of property, plant and equipment	(33)	(0.3)%	(25)	(0.3)%	(11)	(0.1)%
Impairment of assets	(81)	(0.7)%	(184)	(2.0)%	(821)	(4.6)%
Foreign exchange gain (loss)	65	0.5%	54	0.6%	(342)	(1.9)%
Other income (expense), net	(2)	0.0%	(65)	(0.7)%	(3)	0.0%
Total	**(98)**	**(0.8)%**	**(263)**	**(2.9)%**	**(1,268)**	**(7.1)%**
Mining segment						
Social and social infrastructure maintenance expenses	(9)	(0.4)%	(6)	(0.4)%	(18)	(0.5)%
Loss on disposal of property, plant and equipment	(18)	(0.7)%	(12)	(0.8)%	(15)	(0.4)%
Impairment of assets	(20)	(0.8)%	4	0.3)%	(56)	(1.5)%
Foreign exchange gain (loss)	(2)	(0.1)%	1	0.1%	10	0.3%
Other income (expense), net	(49)	(2.0)%	(22)	(1.5)%	(19)	(0.5)%
Total	**(98)**	**(3.9)%**	**(35)**	**(2.4)%**	**(98)**	**(2.7)%**
Vanadium segment						
Impairment of assets	(16)	(2.8)%	–	0.0%	–	0.0%
Foreign exchange gain (loss)	–	0.9%	–	0.0%	1	0.1%
Total	**(16)**	**(2.8)%**	**0**	**0.3%**	**1**	**0.1%**
Other operations						
Social and social infrastructure maintenance expenses	(1)	(0.1)%	(2)	(0.3)%	(2)	(0.2)%
Loss on disposal of property, plant and equipment	(1)	(0.1)%	(2)	(0.3)%	(11)	(1.1)%

(U.S.$ million, except percentages)	Year ended 31 December					
	2010		2009		2008	
	Amount	Percentage of segments revenue	Amount	Percentage of segments revenue	Amount	Percentage of segments revenue
Impairment of assets	(30)	(3.7)%	–	0.0)%	(3)	(0.3)%
Foreign exchange gain (loss)	1	0.1%	–	0.0%	(4)	(0.4)%
Other income (expense), net	4	0.5%	2	0.3%	(7)	(0.7)%
Total	**(27)**	**(3.3)%**	**(2)**	**(0.3)%**	**(27)**	**(2.6)%**
Unallocated	**32**		**98**		**(141)**	
Eliminations	**1**		**1**		**(1)**	
TOTAL OTHER OPERATING INCOME AND EXPENSES, NET	(206)	(1.5)%	(199)	(2.0)%	(1,534)	(7.5)%

Total social and social infrastructure expenses decreased from U.S.$114 million in 2008 to U.S.$53 million in 2009 and increased to U.S.$64 million in 2010. Evraz's social and social infrastructure expenses a largely dependant on the general economic climate and the changes in this expense reflect changes in the economy and Russian steel and mining industry.

Total loss on the disposal of property, plant and equipment amounted to a loss of U.S.$52 million in 2010 compared to U.S.$39 million in 2009 and U.S.$37 million in 2008. The increase in 2010 was primarily attributable to disposal of assets at the Russian and the South African steel and mining operations.

Total impairment of assets amounted to U.S.$147 million in 2010 as compared to U.S.$180 million in 2009 and U.S.$880 million in 2008. Impairment was partly attributable to impairment of goodwill in the amount of U.S.$16 million, U.S.$160 million and U.S.$756 million in 2010 (related to Stratcor), 2009 and 2008 (related to North America and Ukraine), respectively. Evraz also recognized impairment of assets, other than goodwill, in the amounts of U.S.$131 million, U.S.$20 million and U.S.$124 million in 2010, 2009 and 2008 respectively, including impairment of certain items of property, plant and equipment and intangible assets. For an additional discussion on total impairments of assets, see notes 9, 10, 11 to the Consolidated Financial Statements.

The total foreign exchange gain (loss) amounted to a gain of U.S.$104 million and U.S.$156 million in 2010 and 2009, and a loss of U.S.$471 million in 2008. The outcome for 2010 includes total foreign exchange gain (loss) included Evraz's gains in respect of inter segment loans issued to subsidiaries in local currencies, which appreciated against the U.S. dollar between 31 December 2009 and 31 December 2010 (in particular, due to EICA), and gains in respect of inter segment loans issued by subsidiaries in local currencies, which depreciated against U.S. dollar between 31 December 2009 and 31 December 2010 (in particular, Evraz's Russian operations).

The foreign exchange gain in 2009 largely related to the effect of the appreciation of the Canadian dollar against the U.S. dollar, between 31 December 2008 and 31 December 2009, on the inter company loans issued by the Issuer to EICA in Canadian dollars (gain at the Issuer) and in U.S. dollars (gain at EICA). Losses on U.S. dollar denominated borrowings at the Russian operations, due to the depreciation of the Rouble against the U.S. dollar between 31 December 2008 and 31 December 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 the Issuer) in Roubles.

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 U.S. dollar between 31 December 2007 and 31 December 2008. The majority of Evraz's credit portfolio is maintained in U.S. dollars. Consequently, the depreciation of local currencies against the U.S. dollar resulted in foreign exchange losses being sustained by Evraz's subsidiaries in relation to bank loans denominated in U.S. dollars. The foreign exchange loss also included Evraz's losses in respect of inter company loans issued to subsidiaries, in particular to EICA, in local currencies of subsidiaries.

Profit from Operations

Profit from operations was U.S.$1,330 million in 2010, representing 9.9% of consolidated revenue, compared to U.S.$195 million in 2009, representing 2.0% of consolidated revenue, and U.S.$3,632 million in 2008, representing 17.8% of consolidated revenue. The changes in profit from operations are attributable to the decrease in consolidated gross profit margin in 2009 and the subsequent growth in consolidated gross profit margin in 2010, in each case, for the reasons described above.

The following table presents profit (loss) from operations by segment for 2010, 2009 and 2008, including as a percentage of segment revenue.

(U.S.$ million, except percentages)	Year ended 31 December					
	2010		2009		2008	
	Amount	Percentage of segments revenue	Amount	Percentage of segments revenue	Amount	Percentage of segments revenue
Steel segment	832	6.9%	148	1.6%	2 746	15.3%
Mining segment	613	24.5%	(9)	(0.6)%	971	26.7%
Vanadium segment	(10)	(1.8)%	(50)	(13.8)%	170	14.1%
Other operations	123	15.1%	130	17.0%	83	8.1%
Unallocated	(118)		(36)		(358)	
Eliminations	(110)		12		20	
TOTAL	1,330	9.9%	195	2.0%	3,632	17.8%

Non-Operating Income and Expense

Non-operating income and expense include 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 2010, 2009 and 2008, including as a percentage of consolidated revenue.

	Year ended 31 December					
	2010		2009		2008	
(U.S.$ million, except percentages)	Amount	Percentage of segments revenue	Amount	Percentage of segments revenue	Amount	Percentage of segments revenue
Interest income	13	0.1%	40	0.4%	57	0.3%
Interest expense	(728)	(5.4)%	(677)	(6.9)%	(655)	(3.2)%
Gain or loss on sale of shares in Group companies	(1)	(0.0)%	1	0.0%	0	–
Loss on disposal groups classified as held for sale	(4)	(0.0)%	(5)	(0.1)%	(43)	(0.2)%
Gain or loss on sale of other investments	1	0.0%	–	–	1	0.0%
Gain on financial assets or liabilities	8	0.1%	(6)	(0.1)%	(209)	(1.0)%
Gain/(Loss) on extinguishment of debts	–	–	103	1.1%	80	0.4%
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	4	0.0%	6	0.1%	–	–
Share of profits of associates and joint ventures	73	0.5%	2	0.0%	194	1.0%
Dividends received	–	–	–	–	11	0.1%
Other non-operating gain or loss	(1)	(0.0)%	3	0.0%	(17)	(0.1)%
TOTAL	(635)	(4.7)%	(533)	(5.5)%	(581)	(2.9)%

Interest income decreased to U.S.$13 million in 2010, from U.S.$40 million in 2009 and from U.S.$57 million in 2008. Interest income is primarily comprised of interest on bank accounts and deposits.

Interest expense increased to U.S.$728 million in 2010 compared to U.S.$677 million in 2009 and U.S.$655 million in 2008. The increase in 2009 primarily reflected higher interest on liabilities relating to employee benefits. The increase in interest expense in 2010 as compared to 2009 related to interest on borrowings, specifically relating to Evraz's outstanding bonds. Evraz is increasingly replacing its short-term debt with long-term debt, and as a result, the cost of U.S. dollar denominated long-term debt increased during the period under review.

Share of profits of associates and joint ventures increased from U.S.$2 million in 2009 to U.S.$73 million in 2010 and was largely related to income attributable to Evraz's interest in Raspadskaya.

Net gain on financial assets and liabilities amounted to gain of U.S.$8 million in 2010 as compared to a net loss of U.S.$6 million in 2009. The net gain in 2010 included a gain from sales of Ukraine VAT government bonds (U.S.$6 million), a net gain on foreign currency swaps on Russian bonds (U.S.$4 million) and a impairment of financial assets of Evraz's investments in Delong Holdings Limited (**'Delong Holdings'**) of U.S.$4 million.

The 'excess of interest in the net fair value of acquiree's identifiable assets' in 2010 was U.S.$4 million, all of which was attributable to the acquisition of the Inprom Group. The 'excess of interest in the net fair value of acquiree's identifiable assets' in 2009 was U.S.$6 million, all of which was attributable to the acquisition of Carbofer.

Loss on disposal of assets held for sale amounted to U.S.$4 million in 2010 and primarily related to the disposal of the Tomusinskaya 5-6 coal deposit, net of Evraz's share of the gain on bargain purchase recognized by Raspadskaya.

Income Tax Expense (Benefit)

Income tax expense amounted to U.S.$163 million in 2010 compared to an income tax benefit of U.S.$46 million in 2009 and with an income tax expense of U.S.$1,192 million in 2008. Evraz's income tax expense in 2010 was partially offset by a benefit of U.S. $125 million relating to enacting a new tax code in Ukraine. 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 13.6% in 2009 and increased to 23.5% in 2010. Losses at some subsidiaries cannot be offset against profits earned by other subsidiaries. Therefore, the effective rate depends on general economic situation.

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 U.S.$1,797 million in 2008 to a loss of U.S.$295 million in 2009 and increased to a profit of U.S.$548 million in 2010.

Net Profit (Loss) Attributable to Non-controlling Interests

Net profit (loss) attributable to non-controlling interests in subsidiaries amounted to net loss of U.S.$16 million in 2010, representing 3% of total net profit, compared to net profit of U.S.$3 million in 2009, representing 1% of total net loss, and a net profit of U.S.$62 million in 2008, representing 3% of total net profit. Share of net profit (loss) attributable to non-controlling interests largely reflected the offset of losses against profits attributable to different non-controlling shareholders in subsidiaries in 2010, 2009 and 2008. Evraz's strategy during the periods under review was to acquire non-controlling interests in its subsidiaries.

Liquidity and Capital Resources

CAPITAL REQUIREMENTS

In addition to meeting its working capital requirements, Evraz expects that repayments of outstanding debt, capital expenditure, acquisitions and dividends will represent Evraz'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 is described under ' – Contractual obligations and commercial commitments'.

Evraz's capital expenditure program is focused on the reconstruction and modernization of its existing production facilities in order to reduce costs, improve process flows and expand its product range. See, 'Business—Acquisitions and Dispositions—Greenfield Projects'. Evraz also plans to utilize capital expenditure to increase its production, sales and market shares of higher margin products.

Evraz spent U.S.$832 million for total annual capital expenditures in 2010. Evraz's capital expenditure plans are subject to change depending, among other things, on the development of market conditions and the cost and availability of funds. Evraz's 2011 budget anticipates total capital expenditures for 2011 to be approximately U.S.$1,211 million. See 'Business'.

Evraz's acquisitions of subsidiaries (net of cash acquired) totaled U.S.$27 million in 2010, while purchases of non-controlling interests in subsidiaries amounted to U.S.$13 million and purchase of interest in associates amounted to U.S.$9 million.

CAPITAL RESOURCES

The following table presents Evraz's cash flow activity for 2010, 2009 and 2008.

	Year ended 31 December		
(U.S.$ million)	2010	2009	2008
Net cash flows from operating activities	1,662	1,698	4,563
Net cash flows used in investing activities	(757)	179	(3,736)
Net cash flows from financing activities	(886)	(2,149)	(127)
Net increase/(decrease) in cash and cash equivalents	12	(259)	603
Cash and cash equivalents at beginning of year	671	930	327
CASH AND CASH EQUIVALENTS AT END OF YEAR	683	671	930

Historically, Evraz has relied on cash flow provided by operations, and short-term and long-term debt, and issues of equity 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 increasingly replace short-term debt with 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.

Evraz intends to finance its capital investment program with a mix of cash flows from operations and financing activities. Evraz seeks long-term financing (with tenures of five to seven years) both domestically and internationally, from banks and the capital markets. Purchases of equipment from major European producers have been and are expected to continue to be backed by European export credit agencies such as Hermes (Germany), OeKB (Austria), KUKE (Poland), SACE (Italy), ODL (Luxembourg), EximBanka SR (Slovakia) and Finnvera (Finland).

Net cash provided by operating activities amounted to U.S.$1,662 million in 2010 as compared to U.S.$1,698 million in 2009. Cash provided by operating activities before working capital adjustments increased from U.S.$1,045 million in 2009 to U.S.$2,030 million in 2010. Working capital movements in 2010 and 2009 were largely driven by changes in value of inventories and influence of prices on the amounts of accounts receivable and payable.

Net cash used in investment activities totaled U.S.$757 million in 2010 as compared to net cash received from investment activities of U.S.$179 million in 2009. Substantially all the cash used in investment activities related to purchases of property, plant and equipment.

Net cash used in financing activities amounted to U.S.$886 million in 2010 compared to U.S.$2,149 million in 2009. This change reflects a reduction in debt and interest paid.

In 2010 and 2009, the most significant credit facilities obtained by Evraz directly from capital markets and from international and Russian banks to finance its capital requirements included:

Gazprombank $950 Million Credit Facility

On 23 October 2009 ZSMK, NTMK and NKMK signed three agreements for credit facilities of U.S.$500 million, U.S.$300 million and U.S.$150 million, each with a tenor of 45 months. As at 31 December 2010, each of the facilities were fully drawn. The facilities are secured with the cross guarantees of the borrowers and a pledge of 50% (less one share) of KGOK.

GE Capital U.S.$225 Million Asset Based Loan

On 18 December 2009 EINA signed a U.S.$225 million four-year committed revolving asset based loan facility ('ABL'). The facility is secured with the inventories and receivables of the borrower and guaranteed by its operating subsidiaries.

The credit facility was arranged by a syndicate of banks coordinated by GE Capital Markets, Inc.

Raiffeisenbank U.S.$157 Million Credit Facility

On 27 April and 10 December 2010, NKMK and ZSMK signed two unsecured revolving credit line- facility agreements of U.S.$46 million and U.S.$111 million, respectively, with ZAO Raiffeisenbank (Russia), each with a tenor of 36 months. As of 31 December 2010, Evraz has fully drawn down the U.S.$111 million facility. Interest is payable on both facilities at a rate equal to LIBOR plus a margin set at 3.85% per annum.

Nordea Bank U.S.$404 million borrowings

On 23, 24 and 29 July 2010 NTMK, ZSMK and TC EvrazHolding drew down the loan facilities from Nordea Bank totaling U.S.$404 million, maturing in June 2014. Interest under this facility is payable at a rate equal to LIBOR plus a margin set at 4.3% per annum.

The facilities refinanced Nordea Bank's loans totaling U.S.$357 million that were due in the fourth quarter of 2010, as well as certain other short-term debt.

GE Capital CAD300 Million ABL

On 6 September 2010, EICA signed a CAD300 million (approximately U.S.$285 million) four-year committed revolving ABL. The facility is secured with the inventories and receivables of the borrower and guaranteed by its operating subsidiaries.

The credit facility was arranged by a group of banks coordinated by GE Capital Markets.

U.S.$950 million Syndicated structured credit facility

On 19 November 2010, the Issuer signed a U.S.$950 million structured credit facility, maturing in 2015 and secured with assignment of sales proceeds under certain export contracts. Interest under the facility is payable at a rate equal to LIBOR plus a margin calculated with reference to Evraz's net leverage ratio, currently set at 2.8% per annum.

The proceeds of the facility were used to fully prepay the outstanding amount of the U.S.$3,214 million syndicated facility with the final maturity falling on 2012.

OOO EvrazHolding Finance Rouble Bond Issues

On 26 March 2010, Evraz's subsidiary OOO EvrazHolding Finance issued a Rouble 15 billion (approximately U.S.$500 million) three-year bond bearing a coupon of 9.25% per annum, payable semi-annually. The bonds were guaranteed by the Issuer. The bonds are admitted to trading on the Moscow Interbank Currency Exchange ('MICEX'), list 'B'.

On 1 November, 2010 OOO EvrazHolding Finance issued a Rouble 15 billion 5-year bond at a coupon rate of 9.95% per annum payable semi-annually. The bonds were guaranteed by the Issuer. The notes are admitted to trading on MICEX, list 'V'.

Bonds of both issues were included in the Central Bank of Russia's Lombard list. Proceeds from both issues were used to refinance certain shorter term debt.

OOO Sibmetinvest Rouble Bond Issue

In October 2009, Evraz's subsidiary, OOO Sibmetinvest, issued a Rouble 20 billion (approximately US$680 million) five-year bond issue at an annual rate of 13.5%.

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, totaled U.S.$1,694 million as of 31 December 2010 and U.S.$2,038 million as of 31 December 2009.

As of 31 December 2010, Evraz had unutilized borrowing facilities in the amount of U.S.$1,010 million, including U.S.$506 million of committed facilities and U.S.$504 million of uncommitted facilities.

Committed facilities consisted of credit facilities available for Russian, North American and European operations in the amounts of U.S.$288 million, U.S.$216 million and U.S.$2 million respectively.

Uncommitted facilities consisted of revolving credit lines of U.S.$372 million with western banks for export trade financing at East Metals S.A. and credit facilities available for South African, European, and North American operations in the amounts of U.S.$68 million, U.S.$60 million and U.S.$4 million respectively.

Evraz's current ratio, defined as current assets divided by current liabilities, increased from 1.12 as of 31 December 2009 to 1.77 as of 31 December 2010. The increase in the current ratio primarily resulted from decreases in short-term loans and the current portion of long-term loans due to repayments and refinancing activities on the part of management.

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.

	As of 31 December	
(U.S.$ million)	2010	2009
Estimated Liquidity		
Cash and cash equivalents	683	671
Amount available under credit facilities	1,010	1,345
Short-term bank deposits	1	22
TOTAL ESTIMATED LIQUIDITY	1,694	2,038

Contractual Obligations and Commercial Commitments

The following table sets forth the principal amount of Evraz's obligations in respect of loans and borrowings as of 31 December 2010 and 2009 by period:

	As of 31 December									
	2010					2009				
(U.S.$ million)	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)	**625**	625	–	–	–	**1,909**	1,909	–	–	–
Long-term loans and borrowings	**7,392**	–	308	6,526	558	**6,249**	–	1,834	3,283	1,132
TOTAL	**8,017**	625	308	6,526	558	**8,158**	1,909	1,834	3,283	1,132

As of 31 December 2010, 2009 and 2008, Evraz had equipment with a carrying value of U.S.$0.0, U.S.$11 million and U.S.$1,131 million, respectively, pledged as collateral under loan agreements. In addition, Evraz pledged inventory with a carrying value of U.S.$203 million, U.S.$81 million and U.S.$648 million as of 31 December 2010, 2009 and 2008, respectively. As of 31 December 2010, 50% (less one share) of Kachkanarsky Mining-and-Processing Integrated Works was pledged as collateral under bank loans. This subsidiary represents 2.4% of the consolidated assets and 0.3% of the consolidated revenue of Evraz as at such date. As of 31 December 2010, the net assets (including intra group balances) of Kachkanarsky Mining-and-Processing Integrated Works were U.S.$1,115 million.

As of 31 December 2010 and 2009, Evraz had accrued liabilities in respect of post-employment benefits that Evraz provides to employees of certain of its subsidiaries pursuant to collective bargaining agreements and defined benefit plans of U.S.$315 million and U.S.$307 million respectively. These amounts represent the present value of Evraz's defined benefit obligation less the fair value of plan assets and adjusted for unrecognized actuarial gains (losses) and past service costs, discounted to present value.

Defined contributions are made by Evraz 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. Evraz has no legal or constructive obligation to pay further contributions in respect of such benefits, its only obligation being to pay contributions as they fall due. These contributions are expensed as incurred.

As of 31 December 2010, Evraz had contractual commitments for the purchase of production equipment and construction works of approximately U.S.$290 million.

Evraz is also involved in a number of social programs designed to support education, health care and the development of the social infrastructure in areas where Evraz's assets are located. In 2011, Evraz plans to spend approximately U.S.$106 million under these programs.

Evraz has made a commitment to reduce environmental pollution and contamination in accordance with an environmental protection program. In the period from 2011 to 2015, Evraz is committed to spending approximately U.S.$326 million under the environmental programs.

Tax Contingencies

Russian and Ukrainian tax, currency and customs legislation are subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of Evraz may be challenged by the relevant regional and federal authorities. Recent events within Russia suggest that the tax authorities are taking a more assertive position in their 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, Evraz has accrued tax liabilities based on 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 Consolidated Financial Statements could be up to approximately U.S.$34 million.

Contractual Commitments

At 31 December 2010, Evraz had contractual commitments for the purchase of production equipment and construction works for approximately U.S.$290 million.

Social Commitments

Evraz is involved in a number for social programs aimed to support education, health care and social infrastructure development in towns where Evraz's assets are located. In 2011, Evraz plans to spend approximately U.S.$106 million under these programs.

INFLATION

Whereas Evraz's revenue depend substantially on international prices for steel products, Evraz's costs are closely linked to domestic cost factors. Inflation moderated in Russia during recent years; although the rate remained at 8.8% in 2010, the same level as in 2009. In 2008, overall price trends during the first three quarters 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. In contrast the fourth quarter of 2008 brought a significant fall in prices in line with the reduction in demand for metallurgical goods in both Russian and global markets caused by the deepening of the recession and the weakening in international trade. However, stabilization of the economic situation due to government stimulus programs in 2009 was followed by a gradual recovery in the prices of metallurgical goods driven by a revival of demand and increased business activity during 2010. The table below shows the trends in consumer price indices from 2008 to 2010 in countries where Evraz has production facilities.

	2008	2009	2010	2008 to 2010	Source
Russian Consumer Price Index, change in Rouble[1]	13.3%	8.8%	8.8%	34.1%	Federal State Statistics Service
Ukrainian Consumer Price Index, change in UAH[1]	22.3%	12.3%	9.1%	49.8%	State Statistics Committee of Ukraine
U.S. Consumer Price Index, change in U.S.D[1]	0.1%	2.7%	1.5%	4.4%	U.S.Bureau of Labor Statistics
Canadian Consumer Price Index, change in CAD[1]	2.3%	0.3%	1.8%	4.5%	Statistics Canada
Italian Consumer Price Index, change in EUR[1]	2.2%	1.0%	1.9%	5.2%	Istituto nazionale di statistica
Czech Consumer Price Index, change in CZK[1]	3.6%	1.0%	2.3%	7.0%	Czech Statistical Office
South African Consumer Price Index, change in ZAR[1]	9.5%	6.6%	3.3%	20.6%	Statistics South Africa

Note:
[1] Represents the change from 31 December of the prior year to 31 December of the indicated year.

The table below presents changes in the nominal exchange rates of national currencies against the U.S. dollar from 2008 to 2010 in countries where Evraz has production facilities.

	2008	2009	2010	2008 to 2010	Source
Nominal Rouble/ U.S.$ exchange rate, change[1]	(16.5)%	(2.9)%	(0.8)%	(19.5)%	CBR
Nominal UAH/ U.S.$ exchange rate, change[1]	(34.4)%	(3.6)%	0.3%	(36.6)%	National Bank of Ukraine
Nominal CAD/ U.S.$ exchange rate, change[1]	(19.3)%	16.5%	5.7%	(0.7)%	Bank of Canada
Nominal EUR/ U.S.$ exchange rate, change[1]	(5.5)%	3.5%	(7.2)%	(9.2)%	The European Central Bank
Nominal CZK/ U.S.$ exchange rate, change[1]	(6.6)%	5.3%	(2.0)%	(3.6)%	Czech National Bank
Nominal ZAR/ U.S.$ exchange rate, change[1]	(27.1)%	26.2%	11.3%	2.5%	The South African Reserve Bank

Note:
[1] Represents the change from 31 December of the prior year to 31 December of the indicated 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, energy and transportation tariffs. Evraz does not usually enter into hedging or forward contracts in respect of any of these risks except that Evraz concluded swap contracts in 2009 and 2010 to manage the currency exposure on Rouble denominated bonds in the total amount of 50,000 million Russian Roubles (See note 26 in the Consolidated Financial Statements).

Exchange and Interest Rate Risk

Evraz's presentation currency is the U.S. 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 Evraz Highveld and the South African operations of Stratcor, the Hryvnia in respect of the Ukrainian subsidiaries, the Canadian dollar in respect of EICA and the U.S. dollar in respect of other subsidiaries.

The Rouble is not a fully convertible currency outside the territory of Russia. Within Russia, official exchange rates are determined daily by 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 U.S. dollars and Euros in respect of international sales. Evraz's direct costs, including raw materials, labor and transportation, are incurred primarily in the local currencies of the subsidiaries. Other costs, such as interest expense, are incurred largely in Roubles, U.S. dollars and Euros.

The mix of Evraz's revenue and costs is such that appreciation in real terms of the local currencies of its subsidiaries against the U.S. dollar tends to result in an increase in Evraz's costs relative to its revenue, while depreciation of the local currencies against the U.S. dollar in real terms tends to result in a decrease in Evraz's costs relative to its revenue. For example, according to the CBR the Rouble depreciated in real terms against the U.S. dollar by 1.1% and 0.4% in 2008 and 2009 respectively and appreciated by 4% in 2010.

In addition, nominal depreciation of the local currencies against the U.S. dollar would typically result in a decrease in the reported U.S. dollar value of Evraz's assets (and liabilities) denominated in local currencies, while nominal appreciation of the local currencies against the U.S. dollar would typically result in an increase in the reported U.S. dollar value of Evraz's assets (and liabilities) denominated in local currencies. Moreover, nominal appreciation/depreciation of the local currencies against the U.S. dollar generally has a similar effect when the income statements of Evraz's subsidiaries are translated into U.S. dollars in connection with the preparation of the Consolidated Financial Statements. For example, according to the CBR the average exchange rate of the Rouble against the U.S. dollar appreciated by 2.9% in 2008, underwent a significant depreciation of 21.7% in nominal terms during 2009 and appreciated by 4.5% in 2010.

The following table summarizes Evraz's outstanding principal amounts of interest bearing debt, including loans and other borrowings, by currency and interest rate method as of 31 December 2010 and 31 December 2009:

	As of 31 December									
	2010					2009				
	U.S. dollar denominated	Rouble denominated	Euro-denominated	Denominated in other currencies	Total	U.S. dollar denominated	Rouble denominated	Euro-denominated	Denominated in other currencies	Total
TOTAL DEBT, of which	**6,028**	**1,661**	**320**	**8**	**8,017**	**7,172**	**685**	**287**	**14**	**8,158**
Fixed-rate debt	3,957	1,661	135	–	5,753	4,080	677	55	–	4,812
Variable rate debt	2,071	–	185	8	2,264	3,092	8	232	14	3,346

A hypothetical, instantaneous and simultaneous 10% appreciation of the Rouble, Euro, Czech Koruna and South African Rand against the U.S. dollar as of 31 December 2010 would have resulted in an increase of approximately U.S.$221 million in borrowings denominated in Roubles, Euros and Czech Korunas held as of 31 December 2010.

Evraz incurs interest rate risk on liabilities with variable interest rates. In case of changes in the current market fixed or variable interest rates, management considers the refinancing of a particular debt on more favorable terms. With regard to cash flow sensitivity analysis for variable rate instruments please refer to note 29 to the Consolidated Financial Statements.

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 movements in the general market spot prices for steel because sales are either on the spot market or under contracts linked to current market prices. 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 and by strategic sales to third parties of coking coal and iron ore. 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.

Electricity, Natural and Transportation 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.

In response of the above risks, Evraz started in 2010 implementation of Pulverized Coal Injection ('PCI') technology in the production of pig iron at its Russian steel mills ZSMK and NTMK. This is expected to allow Evraz to use steam coal as fuel for blast furnaces by the end of 2012. PCI is also expected to allow Evraz to discontinue using natural gas in blast furnaces and to save annually up to 650 million cubic meters of natural gas at NTMK and up to 600 million cubic meters at ZSMK. Coke consumption is estimated to decrease by more than 20%. Management believes the initiative will also reduce Evraz's environmental impact.

Russian Operations

The Russian electricity sector is characterized by limited competition and regulated prices. Pricing policy is determined by the Federal Tariffs Service, a governmental agency authorized 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 authorized 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 2009 and in 2010, Evraz's Russian operations purchased approximately 5,903 million kWh and 6,174 million kWh of electricity, representing approximately 75% and 62% 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 has implemented a liberalization 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 7.7-7.8 U.S. cents per kWh in 2012. Evraz's average cost of electricity in Russia was 4.63 U.S. cents per kWh in 2009 and 5.5 U.S. cents per kWh in 2010. Assuming a price of 7.8 U.S. cents per kWh, Evraz's Russian operations would have incurred additional costs of approximately U.S.$189 million and U.S.$144 million in the years ended 31 December 2009 and 2010 respectively. Further electricity price increases may occur in the future as the industry is further restructured and becomes controlled to a greater extent by the private sector.

Evraz's Russian operations also purchase significant amounts of natural gas (2,990 million cubic meters in 2010), primarily for the production of electricity and heat energy at Evraz'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 U.S.$65 per thousand cubic meters and U.S.$82 per thousand cubic meters

in 2009 and 2010 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 reach U.S.$121 per thousand cubic meters in 2012. Assuming a price of U.S.$121 per thousand cubic meters, Evraz's Russian operations would have incurred additional costs of approximately U.S.$155 million and U.S.$116 million in 2009 and 2010 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 characterized 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 2011 is between U.S.$300–330 which, on the one hand, represents a 5–15% increase in Ukrainian prices compared to 2010 but, on the other hand, is comparable with current price levels in the Czech Republic. In 2010 Evraz's Ukrainian operations purchased approximately 136 million cubic meters of natural gas at an average price of U.S.$284 per thousand cubic meters. Assuming a price of U.S.$338 per thousand cubic meters (as in Czech Vitkovice Steel in 2010), Evraz's Ukrainian operations would have incurred additional costs of approximately U.S.$7 million in 2010.

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 13.1 U.S. cents per kWh corresponds to inflation trends and to current price levels in the Czech Republic. Evraz's Ukrainian operations purchased approximately 502 million kWh of electricity at an average price of 6.9 U.S. cents per kWh in 2010. Assuming a price of 13.1 U.S. cents per kWh, Evraz's Ukrainian operations would have incurred additional costs of approximately U.S.$31 million in 2010.

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 Trade 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.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2010, 2009 and 2008

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Independent auditor's report

To the Shareholders and Board of Directors of
Evraz Group S.A.
1, Allée Scheffer
L-2520 LUXEMBOURG

Following our appointment by the General Meeting of the Shareholders dated 17 May 2010, we have audited the accompanying consolidated financial statements of Evraz Group S.A., which comprise the consolidated statements of financial position as at 31 December 2010, 2009 and 2008, the consolidated statements of operations, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, the consolidated statements of cash flows for each year then ended, and a summary of significant accounting policies and other explanatory information.

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 as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the 'réviseur d'entreprises agréé'

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 for Luxembourg by the 'Commission de Surveillance du Secteur Financier'. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 agréé', 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 agréé' 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 2010, 2009 and 2008, and of its financial performance and its cash flows for each year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Luxembourg, 30 March 2011

Thierry Bertrand

A member firm of Ernst & Young Global Limited

CONSOLIDATED STATEMENT OF OPERATIONS

(In millions of US dollars, except for per share information)

	Notes	Year ended December 31,		
		2010	2009*	2008
REVENUE				
Sale of goods	3	**$ 13,144**	$ 9,505	$ 19,990
Rendering of services	3	**250**	267	390
		13,394	9,772	20,380
Cost of revenue	7	**(10,319)**	(8,124)	(13,463)
Gross profit		**3,075**	1,648	6,917
Selling and distribution costs	7	**(807)**	(626)	(856)
General and administrative expenses	7	**(732)**	(628)	(895)
Social and social infrastructure maintenance expenses		**(64)**	(53)	(114)
Loss on disposal of property, plant and equipment		**(52)**	(39)	(37)
Impairment of assets	5, 9, 10	**(147)**	(180)	(880)
Foreign exchange gains/(losses), net		**104**	156	(471)
Other operating income		**63**	38	28
Other operating expenses	7	**(110)**	(121)	(60)
Profit/(loss) from operations		**1,330**	195	3,632
Interest income	7	**13**	40	57
Interest expense	7	**(728)**	(677)	(655)
Share of profits/(losses) of joint ventures and associates	11	**73**	2	194
Gain/(loss) on financial assets and liabilities, net	7	**8**	97	(129)
Gain/(loss) on disposal groups classified as held for sale, net	12	**(4)**	(5)	(43)
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	4	**4**	6	–
Other non-operating gains/(losses), net		**(1)**	4	(5)
Profit/(loss) before tax		**695**	(338)	3,051
Income tax benefit/(expense)	8	**(163)**	46	(1,192)
NET PROFIT/(LOSS)		**$ 532**	$ (292)	$ 1,859
Attributable to:				
Equity holders of the parent entity		**$ 548**	$ (295)	$ 1,797
Non-controlling interests		**(16)**	3	62
		$ 532	$ (292)	$ 1,859
Earnings/(losses) per share:				
basic, for profit/(loss) attributable to equity holders of the parent entity, US dollars	20	**$ 3.95**	$ (2.19)	$ 14.55
diluted, for profit/(loss) attributable to equity holders of the parent entity, US dollars	20	**$ 3.95**	$ (2.19)	$ 14.50

* The amounts shown here do not correspond to the 2009 financial statements and reflect adjustments made in connection with the changes in accounting policies (Note 2) and 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)

	Notes	Year ended December 31 of		
		2010	2009*	2008
NET PROFIT/(LOSS)		**$ 532**	$ (292)	$ 1,859
Other comprehensive income				
Effect of translation to presentation currency		**64**	108	(2,288)
Net gains/(losses) on available-for-sale financial assets (Note 13)		**(8)**	12	(150)
Net (gains)/losses on available-for-sale financial assets reclassified to profit or loss (Notes 7 an 13)		**4**	(8)	150
Income tax effect		**–**	–	–
		(4)	4	–
Deferred income tax benefit resulting from reduction in tax rate recognised in equity	**8**	**–**	–	7
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	**9**	**(7)**	(8)	–
Income tax effect	**8**	**1**	1	–
		(6)	(7)	–
Effect of translation to presentation currency of the Group's joint ventures and associates	**11**	**(9)**	(10)	(116)
Share of other comprehensive income of joint ventures and associates accounted for using the equity method		**(9)**	(10)	(116)
Total other comprehensive income/(loss)		**45**	95	(2,397)
TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAX		**$ 577**	$ (197)	$ (538)
Attributable to:				
Equity holders of the parent entity		**$ 584**	$ (228)	$ (522)
Non-controlling interests		**(7)**	31	(16)
		$ 577	$ (197)	$ (538)

* The amounts shown here do not correspond to the 2009 financial statements and reflect adjustments made in connection with the changes in accounting policies (Note 2) and 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)

	Notes	Year ended December 31,		
		2010	2009*	2008
ASSETS				
Non-current assets				
Property, plant and equipment	9	$ 8,607	$ 8,585	$ 9,012
Intangible assets other than goodwill	10	1,004	1,098	1,108
Goodwill	5	2,219	2,186	2,167
Investments in joint ventures and associates	11	750	634	551
Deferred income tax assets	8	100	70	44
Other non-current financial assets	13	118	66	118
Other non-current assets	13	103	128	160
		12,901	12,767	13,160
Current assets				
Inventories	14	2,070	1,828	2,416
Trade and other receivables	15	1,213	1,001	1,369
Prepayments		192	134	76
Loans receivable		1	1	108
Receivables from related parties	16	80	107	137
Income tax receivable		54	58	262
Other taxes recoverable	17	353	258	397
Other current financial assets	18	52	120	589
Cash and cash equivalents	19	683	671	930
		4,698	4,178	6,284
Assets of disposal groups classified as held for sale	12	2	7	7
		4,700	4,185	6,291
TOTAL ASSETS		$ 17,601	$ 16,952	$ 19,451
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	20	$ 375	$ 375	$ 332
Treasury shares	20	–	–	(9)
Additional paid-in capital	20	1,742	1,739	1,054
Revaluation surplus	4	180	208	218
Legal reserve	20	36	36	30
Unrealised gains and losses		–	4	–
Accumulated profits		4,632	4,065	4,377
Translation difference		(1,214)	(1,260)	(1,330)
		5,751	5,167	4,672
Non-controlling interests		247	275	245
		5,998	5,442	4,917
Non-current liabilities				
Long-term loans	21	7,097	5,931	6,064
Deferred income tax liabilities	8	1,072	1,231	1,389
Finance lease liabilities	22	38	58	40
Employee benefits	23	315	307	292
Provisions	25	279	176	153
Other long-term liabilities	26	143	68	58
		8,944	7,771	7,996
Current liabilities				
Trade and other payables	27	1,173	1,069	1,479
Advances from customers		205	112	107
Short-term loans and current portion of long-term loans	21	714	1,992	3,922
Payables to related parties	16	217	235	322
Income tax payable		78	108	156
Other taxes payable	28	180	140	154
Current portion of finance lease liabilities	22	19	17	15
Provisions	25	54	35	63
Amounts payable under put options for shares of subsidiaries	4	6	17	–
Dividends payable by the parent entity to its shareholders		–	–	309
Dividends payable by the Group's subsidiaries to non-controlling shareholders		13	13	11
		2,659	3,738	6,538
Liabilities directly associated with disposal groups classified as held for sale	12	–	1	–
		2,659	3,739	6,538
TOTAL EQUITY AND LIABILITIES		$ 17,601	$ 16,952	$ 19,451

* The amounts shown here do not correspond to the 2009 financial statements and reflect adjustments made in connection with the changes in accounting policies (Note 2) and 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,		
	2010	2009*	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss)	**$ 532**	$ (292)	$ 1,859
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Deferred income tax (benefit)/expense (Note 8)	**(186)**	(231)	(402)
Depreciation, depletion and amortisation (Note 7)	**925**	979	1,195
Loss on disposal of property, plant and equipment	**52**	39	37
Impairment of assets	**147**	180	880
Foreign exchange (gains)/losses, net	**(104)**	(156)	471
Interest income	**(13)**	(40)	(57)
Interest expense	**728**	677	655
Share of (profits)/losses of associates and joint ventures	**(73)**	(2)	(194)
(Gain)/loss on financial assets and liabilities, net	**(8)**	(97)	129
(Gain)/loss on disposal groups classified as held for sale, net	**4**	5	43
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	**(4)**	(6)	–
Other non-operating (gains)/losses, net	**1**	(4)	5
Bad debt expense	**48**	41	33
Changes in provisions, employee benefits and other long-term assets and liabilities	**(15)**	(16)	25
Expense arising from the equity-settled awards (Note 24)	**2**	6	35
Share-based payments under cash-settled awards (Note 24)	**(3)**	(35)	–
Other	**(3)**	(3)	12
	2,030	1,045	4,726
Changes in working capital:			
Inventories	**(191)**	680	(499)
Trade and other receivables	**(239)**	438	345
Prepayments	**(44)**	(52)	100
Receivables from/payables to related parties	**(34)**	(162)	165
Taxes recoverable	**(91)**	239	(355)
Other assets	**38**	(56)	(3)
Trade and other payables	**107**	(353)	238
Advances from customers	**80**	1	(203)
Taxes payable	**5**	(73)	51
Other liabillities	**1**	(9)	(2)
Net cash flows from operating activities	**1,662**	1,698	4,563
Cash flows from investing activities			
Issuance of loans receivable to related parties	**(46)**	(28)	(1)
Proceeds from repayment of loans issued to related parties, including interest	**5**	40	32
Issuance of loans receivable	**(1)**	(3)	(147)
Proceeds from repayment of loans receivable, including interest	**2**	114	33
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)	**(27)**	(20)	(1,914)
Purchases of non-controlling interests	**(13)**	(8)	(120)
Purchases of interest in associates/joint ventures	**(9)**	–	–
Purchases of other investments	**–**	(67)	(896)
Sale of other investments	**–**	48	99
Restricted deposits at banks in respect of investing activities	**17**	(16)	3
Short-term deposits at banks, including interest	**29**	20	29
Purchases of property, plant and equipment and intangible assets	**(832)**	(441)	(1,103)
Proceeds from disposal of property, plant and equipment	**21**	6	27
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs (Note 12)	**42**	28	161
Dividends received	**1**	1	70
Other investing activities, net	**54**	(1)	(9)
Net cash flows from/(used in) investing activities	**(757)**	179	(3,736)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(In millions of US dollars)

	Year ended December 31,		
	2010	2009*	2008
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares, net of transaction costs of $nil, $5 million and $1 million, respectively (Notes 4, 20 and 24)	**$ –**	$ 310	$ (1)
Repurchase of vested share-based awards (Notes 20 and 24)	**–**	(3)	(77)
Purchase of treasury shares (Note 20)	**–**	(5)	(197)
Sale of treasury shares (Note 20)	**–**	7	81
Contribution from/(distribution to) a shareholder (Note 4)	**–**	65	(68)
Dividends paid by the parent entity to its shareholders	**–**	(90)	(1,276)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	**(1)**	(2)	(81)
Proceeds from bank loans and notes	**3,172**	3,427	5,657
Repayment of bank loans and notes, including interest	**(4,142)**	(4,987)	(3,949)
Gain on derivatives not designated as hedging instruments (Note 26)	**31**	–	–
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**106**	(794)	(54)
Payments under covenants reset (Note 21)	**(29)**	(85)	–
Restricted deposits at banks in respect of financing activities	**–**	1	–
Repayment of loans provided by related parties, including interest	**–**	–	(21)
Payments under finance leases, including interest	**(23)**	(31)	(20)
Payments of restructured liabilities, including interest	**–**	–	(121)
Proceeds from sale-leaseback	**–**	38	–
Net cash flows from/(used in) financing activities	**(886)**	(2,149)	(127)
Effect of foreign exchange rate changes on cash and cash equivalents	**(7)**	13	(97)
Net increase/(decrease) in cash and cash equivalents	**12**	(259)	603
Cash and cash equivalents at beginning of year	**671**	930	327
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 683**	$ 671	$ 930
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	**$ (594)**	$ (586)	$ (565)
Interest received	**11**	29	44
Income taxes paid by the Group	**(341)**	(141)	(1,680)

* The amounts shown here do not correspond to the 2009 financial statements and reflect adjustments made in connection with the changes in accounting policies (Note 2) and 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	Non-controlling interests	Total Equity
At December 31, 2009 (as previously reported)	$ 375	$ –	$ 1,739	$ 6,338	$ 36	$ 4	$ 3,164	$ (1,372)	$ 10,284	$ 324	$ 10,608
Change in accounting policies (Note 2)	–	–	–	(6,130)	–	–	905	112	(5,113)	(49)	(5,162)
Adjustments to provisional values (Note 4)	–	–	–	–	–	–	(4)	–	(4)	–	(4)
At December 31, 2009 (as restated)	375	–	1,739	208	36	4	4,065	(1,260)	5,167	275	5,442
Net profit	–	–	–	–	–	–	548	–	548	(16)	532
Other comprehensive income/(loss)	–	–	–	(6)	–	(4)	–	46	36	9	45
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(22)	–	–	22	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	(28)	–	(4)	570	46	584	(7)	577
Acquisition of non-controlling interests in existing subsidiaries (Note 6)	–	–	1	–	–	–	(3)	–	(2)	(14)	(16)
Derecognition of non-controlling interests in subsidiaries (Note 20)	–	–	–	–	–	–	–	–	–	(6)	(6)
Share-based payments (Note 24)	–	–	2	–	–	–	–	–	2	–	2
Dividends declared by the Group's subsidiaries to non-controlling shareholders (Note 20)	–	–	–	–	–	–	–	–	–	(1)	(1)
AT DECEMBER 31, 2010	$ 375	$ –	$ 1,742	$ 180	$ 36	$ –	$ 4,632	$ (1,214)	$ 5,751	$ 247	$ 5,998

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	Non-controlling interests	Total Equity
At December 31, 2008	$ 332	$ (9)	$ 1,054	$ 218	$ 30	$ –	$ 4,377	$ (1,330)	$ 4,672	$ 245	$ 4,917
Net loss*	–	–	–	–	–	–	(295)	–	(295)	3	(292)
Other comprehensive income/(loss)*	–	–	–	(7)	–	4	–	70	67	28	95
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment*	–	–	–	(3)	–	–	3	–	–	–	–
Total comprehensive income/(loss) for the period*	–	–	–	(10)	–	4	(292)	70	(228)	31	(197)
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 non-controlling 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 non-controlling shareholders (Note 20)	–	–	–	–	–	–	–	–	–	(1)	(1)
AT DECEMBER 31, 2009	$ 375	$ –	$ 1,739	$ 208	$ 36	$ 4	$ 4,065	$ (1,260)	$ 5,167	$ 275	$ 5,442

* The amounts shown here do not correspond to the 2009 financial statements and reflect adjustments made in connection with the changes in accounting policies (Note 2).

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	Non-controlling 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 non-controlling interests in existing subsidiaries (Notes 4 and 6)	–	–	21	–	–	–	(37)	–	(16)	(62)	(78)
Decrease in non-controlling 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 non-controlling 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 accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010, 2009 and 2008

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 30, 2011.

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.

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
	2010	2009	2008		
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
Evraz Highveld Steel and Vanadium Limited	85.12	85.12	85.12	Steel production	South Africa
Dnepropetrovsk Iron and Steel Works	96.04	96.03	96.03	Steel production	Ukraine
Evraz Inc. NA	100.00	100.00	100.00	Steel mill	USA
Evraz Inc. NA Canada	100.00	100.00	100.00	Steel mill	Canada
OAO 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
OAO Sukha Balka	99.42	99.42	99.42	Ore mining	Ukraine

At December 31, 2010, the Group employed approximately 110,000 employees, 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 economic crisis of 2008–2009. In 2010, the Group reported net profit of $532 million and EBITDA of $2,350 million whereas in 2009 net loss amounted to $(292) million and EBITDA was $1,237 million (Note 3). The Group expects that the recovery will continue in 2011.

At December 31, 2010, the Group was in compliance with all of its financial covenants (Note 21). The Board and the management anticipate that the Group will comply with all debt covenants during twelve months after the date of authorisation of issue of these financial statements.

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'), as adopted by the European Union ('EU').

International Financial Reporting Standards are issued by the International Accounting Standard Board ('IASB'). As of December 31, 2010, all IFRSs that were published by IASB and that are mandatory for application are the same as those adopted by the EU and mandatory in the EU, with the exception of:

- IAS 39 'Financial Instruments: Recognition and Measurement', which was partially adopted by the EU;
- Improvements to IFRSs issued in May 2010.

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Both exceptions have no effect on the Group's consolidated financial statements. As a result, the Group's consolidated financial statements comply with International Financial Reporting Standards as issued by the IASB.

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, property, plant and equipment at the date of transition to IFRS accounted for at deemed cost, 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 2010, the Group finalised its purchase price allocation for the acquisition of steel dealers (Note 4). 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, 2009 and for the year then ended.

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 cost model under IAS 16 'Property, Plant and Equipment';
- the adoption of new standards and interpretations and revision of the existing standards as of January 1, 2010.

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.

As of 1 January 2009, the Group made a voluntary change to its accounting policies to account for 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.

Given the difficulties in understanding the effects on the financial statements from the application of the revaluation model and given that most companies in the industry continue to apply the cost model of accounting, the Group's consolidated financial statements had become non-comparable with its peers.

Accordingly, the Group has resolved to revert to the cost model of accounting for all classes of property, plant and equipment as it provides more relevant and reliable information about the Group's financial position and financial performance.

In accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', this change in accounting policies should be applied retrospectively, therefore, the Group retrospectively adjusted amounts for the year ended December 31, 2009 in these financial statements. The Board of Directors of Evraz Group S.A. approved this change in accounting policy and its retrospective application. The formal shareholders' approval of this change will be obtained during the forthcoming shareholders' meeting which is scheduled for May, 16, 2011.

The Group made certain adjustments to the assets and liabilities as of December 31, 2009 and June 30, 2010 and the financial results for the year ended December 31, 2009 and for the six-month period ended June 30, 2010. The amounts for the year ended December 31, 2008 presented as part of these consolidated financial statements were not affected by the retrospective application. The effects of the retrospective application are summarised below.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

Property, Plant and Equipment (continued)

(US$ million)	December 31, 2009		
	Restated	As previously reported	Adjustment
ASSETS			
Property, plant and equipment	**$ 8,585**	$ 14,941	$ (6,356)
Goodwill	**2,186**	2,211	(25)
Investments in joint ventures and associates	**634**	687	(53)
Deferred income tax assets	**70**	40	30
Non-current assets	**12,767**	19,171	(6,404)
Inventories	**1,828**	1,886	(58)
Cash and cash equivalents*	**671**	675	(4)
Current assets	**4,178**	4,240	(62)
Assets of disposal groups classified as held for sales	**7**	13	(6)
TOTAL ASSETS	$ 16,952	$ 23,424	$ (6,472)
EQUITY AND LIABILITIES			
Revaluation surplus	**$ 208**	$ 6,338	$ (6,130)
Accumulated profits	**4,065**	3,164	901
Translation difference	**(1,260)**	(1,372)	112
Equity attributable to equity holders of the parent entity	**5,167**	10,284	(5,117)
Minority interests	**275**	324	(49)
Equity	**5,442**	10,608	(5,166)
Deferred income tax liabilities	**1,231**	2,537	(1,306)
Non-current liabilities	**7,771**	9,077	(1,306)
TOTAL EQUITY AND LIABILITIES	$ 16,952	$ 23,424	$ (6,472)

(US$ million)	Year ended December 31, 2009		
	Restated	As previously reported	Adjustment
Cost of revenue	**$ (8,124)**	$ (8,756)	$ 632
Gross profit	**1,648**	1,016	632
Selling and distribution costs	**(626)**	(623)	(3)
General and administrative expenses	**(628)**	(645)	17
Loss on disposal of property, plant and equipment	**(39)**	(81)	42
Impairment of assets	**(180)**	(163)	(17)
Revaluation deficit on property, plant and equipment	**–**	(564)	564
Other operating expenses	**(121)**	(128)	7
Profit/(loss) from operations	**195**	(1,047)	1,242
Share of profits/(losses) of joint ventures and associates	**2**	(8)	10
Gain/(loss) on disposal groups classified as held for sale, net	**(5)**	(19)	14
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition*	**6**	10	(4)
Profit/(loss) before tax	**(338)**	(1,600)	1,262
Income tax benefit/(expense)	**46**	339	(293)
NET PROFIT/(LOSS)	$ (292)	$ (1,261)	$ 969
Attributable to:			
Equity holders of the parent entity	**$ (295)**	$ (1,251)	$ 956
Minority interests	**3**	(10)	13
	$ (292)	$ (1,261)	$ 969
Earnings/(losses) per share:			
basic and diluted, for profit/(loss) attributable to equity holders of the parent entity, US dollars	**$ (2.19)**	$ (9.30)	$ 7.11

* the change reflects an adjustment amounting to $4 million made in connection with the completion of initial accounting (Note 4).

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

Property, Plant and Equipment (continued)

(US$ million)	June 30, 2010		
	Restated	As previously reported	Adjustment
ASSETS			
Property, plant and equipment	**$ 8,170**	$ 14,736	$ (6,566)
Goodwill	**2,140**	2,165	(25)
Investments in joint ventures and associates	**717**	738	(21)
Deferred income tax assets	**70**	35	35
Non-current assets	**12,365**	18,942	(6,577)
Inventories	**1,972**	2,042	(70)
Cash and cash equivalents*	**650**	654	(4)
Current assets	**4,412**	4,486	(74)
Assets of disposal groups classified as held for sale	**106**	113	(7)
TOTAL ASSETS	$ 16,883	$ 23,541	$ (6,658)
EQUITY AND LIABILITIES			
Revaluation surplus	**$ 189**	$ 7,059	$ (6,870)
Accumulated profits	**4,273**	2,990	1,283
Translation difference	**(1,575)**	(1,887)	312
Equity attributable to equity holders of the parent entity	**5,037**	10,312	(5,275)
Minority interests	**269**	319	(50)
Equity	**5,306**	10,631	(5,325)
Deferred income tax liabilities	**1,193**	2,526	(1,333)
Non-current liabilities	**7,929**	9,262	(1,333)
TOTAL EQUITY AND LIABILITIES	$ 16,883	$ 23,541	$ (6,658)

(US$ million)	Six-month period June 30, 2010		
	Restated	As previously reported	Adjustment
Cost of revenue	**$ (4,919)**	$ (5,296)	$ 377
Gross profit	**1,460**	1,083	377
General and administrative expenses	**(363)**	(375)	12
Loss on disposal of property, plant and equipment	**(13)**	(24)	11
Impairment of assets	**(54)**	(38)	(16)
Revaluation deficit on property, plant and equipment	**–**	(138)	138
Profit/(loss) from operations	**689**	167	522
Share of profits/(losses) of joint ventures and associates	**71**	22	49
Gain/(loss) on disposal groups classified as held for sale, net	**(36)**	(52)	16
Profit/(loss) before tax	**323**	(264)	587
Income tax benefit/(expense)	**(131)**	(6)	(125)
NET PROFIT/(LOSS)	$ 192	$ (270)	$ 462
Attributable to:			
Equity holders of the parent entity	**$ 190**	$ (267)	$ 457
Minority interests	**2**	(3)	5
	$ 192	$ (270)	$ 462
Earnings/(losses) per share:			
basic and diluted, for profit/(loss) attributable to equity holders of the parent entity, US dollars	**$ 1.37**	$ (1.93)	$ 3.30

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

NEW/REVISED STANDARDS AND INTERPRETATIONS ADOPTED IN 2010

- **IFRS 2 (revised) 'Share-based Payment' – Group Cash-settled Share-based Payment Transactions**

The amendment to IFRS 2 clarified the scope and the accounting for group cash-settled share-based payment transactions. It did not have an impact on the financial position or performance of the Group.

- **IFRS 3 (revised) 'Business Combinations'**

The revised standard introduced significant changes in the accounting for business combinations occurring from January 1, 2010. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. The adoption of these amendments did not have an effect on the financial position or performance of the Group in 2010.

- **IAS 27 (revised) 'Consolidated Financial Statements'**

The revised standard requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, i.e. such transactions do not give rise to goodwill, nor a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. These amendments did not have a significant impact on the financial position or performance of the Group.

- **IFRIC 17 'Distributions of Non-Cash Assets to Owners'**

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation did not have an effect on the financial position or performance of the Group.

- **Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' – Eligible Hedged Items**

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The amendment did not have any impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

- **Amendments to standards following May 2008 and April 2009 'improvements to IFRS' project**

These amendments clarify the application of certain provisions of the standards.

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:

- 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 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after July 1, 2010);
- 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 May 2010 '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 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).

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

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.

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 2010, 2009 and 2008, the Group recognised an impairment loss of $102 million, $15 million and $117 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 2010 and 2009, the Group changed its estimation of useful lives of property, plant and equipment, which resulted in a $10 million increase and $102 million decrease in depreciation expense, respectively as compared to the amounts 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.

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, 2010, 2009 and 2008 was $2,219 million, $2,186 million and $2,167 million, respectively. More details are provided in Note 5. In 2010, 2009 and 2008, the Group recognised an impairment loss in respect of goodwill in the amount of $16 million, $160 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.

In 2010, the independent experts made a re-assessment of site restoration provisions (Note 25).

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.).

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, 2010, 2009 and 2008, allowances for doubtful accounts in respect of trade and other receivables have been made in the amount of $117 million, $92 million, and $93 million, respectively (Note 29).

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.

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.

2. Significant Accounting Policies (continued)

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.

Non-controlling 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. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the parent's shareholders' equity.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

ACQUISITION OF SUBSIDIARIES FROM JANUARY 1, 2010

Business combinations are accounted for using the acquisition method.

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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.

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.

2. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

ACQUISITION OF SUBSIDIARIES PRIOR TO JANUARY 1, 2010

The previous accounting policies relating to business combinations include the following differences as compared with the policies applied strating from January 1, 2010:

- Transaction costs directly attributable to the acquisition formed part of the acquisition costs.
- The non-controlling interest (formerly known as minority interest) could be measured only at the proportionate share of the acquiree's identifiable net assets.
- Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.
- Contingent consideration was recognised if the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

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 NON-CONTROLLING INTERESTS

The Group derecognises non-controlling interests if non-controlling 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 non-controlling 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 has legal or constructive obligations to make payments to, or on behalf of, the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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.

Interests 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.

2. Significant Accounting Policies (continued)

Property, Plant and Equipment

The Group's property, plant and equipment is 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.

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	18
Machinery and equipment	4–45	11
Transport and motor vehicles	7–20	14
Other assets	3–15	5

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.

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 fulfilment 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 aggregate of the consideration transferred for an acquisition of a subsidiary or an associte and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the acquiree, the difference is recognised in the consolidated statement of operations.

2. Significant Accounting Policies (continued)

Goodwill (continued)

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill on acquisition of an associate is included in the carrying amount of the investments in associates.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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 operation within that unit is 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. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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.

The table below presents the useful lives of intangible assets.

	Useful lives (years)	Weighted average remaining useful life (years)
Customer relationships	1–15	12
Trade names and trademarks	5	1
Water rights and environmental permits with definite lives	5	1
Patented and unpatented technology	5	1
Contract terms	1–49	45
Other	5–10	8

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.

2. Significant Accounting Policies (continued)

Intangible Assets Other Than Goodwill (continued)

Emission Rights (continued)

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.

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.

2. Significant Accounting Policies (continued)

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.

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, 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 amounts of benefits are stipulated in the collective bargaining agreements and/or in the plan documents.

The Group involves an independent qualified actuary in the measurement of all employee benefits obligations.

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, 2006 and 2010, the Group adopted management compensation schemes, under which certain directors, senior executives and employees of the Group received remuneration in the form of share-based payment transactions, whereby they rendered 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 the Company's shares 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.

No expense is recognised for awards that do not ultimately vest. Once a share-settled transaction is 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. 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.

2. Significant Accounting Policies (continued)

Share-based Payments (continue)

Cash-settled share-based payments 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 share-based awards 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

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.

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) and depreciation, depletion and amortisation expense.

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 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.

3. Segment Information (continued)

The following tables present 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, 2010

(US$ million)	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue						
Sales to external customers	**$ 12,592**	**$ 322**	**$ 280**	**$ 140**	**$ –**	**$ 13,334**
Inter-segment sales	**359**	**2,056**	**257**	**536**	**(3,208)**	**–**
Total revenue	**12,951**	**2,378**	**537**	**676**	**(3,208)**	**13,334**
SEGMENT RESULT – EBITDA	**$ 1,445**	**$ 898**	**$ 90**	**$ 122**	**$ (155)**	**$ 2,400**

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

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, 2010

(US$ million)	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue	**$ 12,951**	**$ 2,378**	**$ 537**	**$ 676**	**$ (3,208)**	**$ 13,334**
Forecasted vs. actual revenue	**112**	**(7)**	**(4)**	**(1)**	**–**	**100**
Reclassifications and other adjustments	**(940)**	**136**	**33**	**140**	**591**	**(40)**
REVENUE PER IFRS FINANCIAL STATEMENTS	**$ 12,123**	**$ 2,507**	**$ 566**	**$ 815**	**$ (2,617)**	**$ 13,394**
EBITDA	**$ 1,445**	**$ 898**	**$ 90**	**$ 122**	**$ (155)**	**$ 2,400**
Forecasted vs. actual EBITDA	**(24)**	**(14)**	**(1)**	**–**	**–**	**(39)**
Exclusion of management services from segment result	**62**	**32**	**2**	**2**	**–**	**98**
Unrealised profits adjustment	**(33)**	**–**	**3**	**–**	**45**	**15**
Reclassifications and other adjustments	**(11)**	**19**	**(41)**	**66**	**–**	**33**
	(6)	**37**	**(37)**	**68**	**45**	**107**
EBITDA based on IFRS financial statements	**$ 1,439**	**$ 935**	**$ 53**	**$ 190**	**$ (110)**	**$ 2,507**
Unallocated subsidiaries						**(157)**
						$ 2,350
Depreciation, depletion and amortisation expense	**(558)**	**(282)**	**(47)**	**(37)**	**–**	**(924)**
Impairment of goodwill	**–**	**–**	**(16)**	**–**	**–**	**(16)**
Impairment of property, plant and equipment and intangible assets	**(81)**	**(20)**	**–**	**(30)**	**–**	**(131)**
Gain/(loss) on disposal of property, plant and equipment and intangible assets	**(33)**	**(18)**	**–**	**(1)**	**–**	**(52)**
Foreign exchange gains/(losses), net	**65**	**(2)**	**–**	**1**	**–**	**64**
	$ 832	**$ 613**	**$ (10)**	**$ 123**	**$ (110)**	**$ 1,291**
Unallocated income/(expenses), net						**39**
PROFIT/(LOSS) FROM OPERATIONS						**$ 1,330**
Interest income/(expense), net						**$ (715)**
Share of profits/(losses) of joint ventures and associates						**73**
Gain/(loss) on financial assets and liabilities						**8**
Loss on disposal groups classified as held for sale						**(4)**
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition						**4**
Other non-operating gains/(losses), net						**(1)**
PROFIT/(LOSS) BEFORE TAX						**$ 695**

3. Segment Information (continued)

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	(15)	–	–	–	12	(3)
Reclassifications and other adjustments	(34)	70	(24)	53	–	65
	(23)	100	(24)	57	12	122
EBITDA based on IFRS financial statements	$ 927	$ 279	$ (12)	$ 167	$ 12	$ 1,373
Unallocated subsidiaries						(136)
						$ 1,237
Depreciation, depletion and amortisation expense	(624)	(281)	(38)	(35)		(978)
Impairment of goodwill	(160)	–	–	–		(160)
Impairment of property, plant and equipment and intangible assets	(24)	4	–	–		(20)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(25)	(12)	–	(2)		(39)
Foreign exchange gains/(losses), net	54	1	–	–		55
	$ 148	$ (9)	$ (50)	$ 130	$ 12	$ 95
Unallocated income/(expenses), net						100
PROFIT/(LOSS) FROM OPERATIONS						$ 195
Interest income/(expense), net						$ (637)
Share of profits/(losses) of joint ventures and associates						2
Gain/(loss) on financial assets and liabilities						97
Loss on disposal groups classified as held for sale						(5)
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition						6
Other non-operating gains/(losses), net						4
PROFIT/(LOSS) BEFORE TAX						$ (338)

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, 2010, 2009 and 2008 in accordance with the previous accounting policies in respect of segment information.

Year ended December 31, 2010

(US$ million)	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
REVENUE						
Sales to external customers	$ 11,976	$ 736	$ 536	$ 146	$ –	$ 13,394
Inter-segment sales	147	1,771	30	669	(2,617)	–
TOTAL REVENUE	12,123	2,507	566	815	(2,617)	13,394
RESULT						
SEGMENT RESULT	$ 832	$ 613	$ (10)	$ 123	$ (110)	$ 1,448
Unallocated expenses						(118)
PROFIT/(LOSS) FROM OPERATIONS						$ 1,330
Share of profits/(losses) of joint ventures and associates	(32)	105	–	–		73
Other income/(expenses), net						(708)
Income tax expense						(163)
NET PROFIT/(LOSS)						$ 532
ASSETS AND LIABILITIES						
Segment assets	$ 11,960	$ 3,293	$ 620	$ 503		$ 16,376
Investments in joint ventures and associates	32	718	–	–		750
Unallocated assets						475
TOTAL ASSETS						$ 17,601
Segment liabilities	$ 1,636	$ 525	$ 246	$ 50		$ 2,457
Unallocated liabilities						9,146
TOTAL LIABILITIES						$ 11,603
OTHER SEGMENT INFORMATION						
Additions to property, plant and equipment and intangible assets	$ 516	$ 307	$ 10	$ 44		$ 877
Property, plant and equipment and intangible assets acquired in business combinations	123	–	–	–		123
Depreciation, depletion and amortisation	(579)	(289)	(22)	(37)		(927)
Impairment losses recognised in statement of operations	(96)	(21)	(16)	(30)		(163)
Impairment losses reversed through statement of operations	15	1	–	–		16
Impairment losses recognised in other comprehensive income	–	(7)	–	–		(7)

3. Segment Information (continued)

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	$ 148	$ (9)	$ (50)	$ 130	$ 12	$ 231
Unallocated expenses						(36)
PROFIT/(LOSS) FROM OPERATIONS						$ 195
Share of profits/(losses) of joint ventures and associates	(1)	3	–	–		2
Other income/(expenses), net						(535)
Income tax expense						46
NET PROFIT/(LOSS)						$ (292)
ASSETS AND LIABILITIES						
Segment assets	$ 11,435	$ 3,397	$ 592	$ 516		$ 15,940
Investments in joint ventures and associates	65	569	–	–		634
Unallocated assets						378
TOTAL ASSETS						$ 16,952
Segment liabilities	$ 1,373	$ 484	$ 155	$ 43		$ 2,055
Unallocated liabilities						9,455
TOTAL LIABILITIES						$ 11,510
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	(545)	(289)	(54)	(48)		(936)
Impairment losses recognised in statement of operations	(229)	(18)	–	–		(247)
Impairment losses reversed through statement of operations	45	22	–	–		67
Impairment losses recognised in other comprehensive income	–	(8)	–	–		(8)

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)

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)	2010	2009	2008
Steel Production			
Construction products	**$ 3,331**	$ 2,184	$ 4,949
Flat-rolled products	**2,005**	1,448	3,236
Railway products	**1,466**	1,113	2,221
Tubular products	**1,309**	1,008	1,753
Semi-finished products	**2,340**	2,018	3,512
Other steel products	**383**	236	562
Other products	**1,064**	729	1,305
Rendering of services	**77**	119	85
	11,975	8,855	17,623
Mining			
Iron ore	**330**	175	708
Coal	**355**	219	461
Other products	**26**	22	84
Rendering of services	**25**	19	37
	736	435	1,290
Vanadium Products			
Vanadium in slag	**39**	60	290
Vanadium in alloys and chemicals	**493**	290	909
Other products	**3**	3	–
Rendering of services	**2**	1	2
	537	354	1,201
Other Operations			
Rendering of services	**146**	128	266
	146	128	266
	$ 13,394	$ 9,772	$ 20,380

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)	2010	2009	2008
Russia	**$ 4,692**	$ 2,950	$ 7,575
USA	**1,674**	1,543	3,232
Canada	**1,451**	861	1,283
Thailand	**550**	285	479
Ukraine	**471**	233	913
Taiwan	**459**	228	504
United Arab Emirates	**410**	415	289
South Africa	**407**	298	649
China	**367**	528	172
Kazakhstan	**342**	210	327
Philippines	**285**	250	149
Germany	**219**	116	417
Italy	**205**	140	343
Czech Republic	**189**	120	295
Austria	**188**	148	415
Poland	**139**	93	166
Korea	**126**	174	760
Turkey	**118**	130	192
Indonesia	**113**	74	143
Vietnam	**93**	226	234
Japan	**71**	21	121
Syria	**65**	62	104
Slovakia	**64**	51	119
Great Britain	**28**	25	173
Jordan	**29**	101	74
Other countries	**639**	490	1,252
	$ 13,394	$ 9,772	$ 20,380

3. Segment Information (continued)

None of the Group's customers amounts to 10% or more of the consolidated revenues. 3.

Carrying amounts of the Group's assets by geographical area in which the assets are located at December 31 were as follows:

(US$ million)	2010	2009	2008
Russia	**$ 8,245**	$ 7,555	$ 8,252
USA	**2,864**	2,935	3,604
Canada	**2,638**	2,523	2,415
South Africa	**1,029**	1,131	1,052
Ukraine	**1,215**	1,235	1,533
Czech Republic	**515**	455	613
Switzerland	**435**	490	646
Italy	**336**	334	415
Cyprus	**154**	148	159
Luxembourg	**138**	113	723
Other countries	**32**	33	39
	$ 17,601	$ 16,952	$ 19,451

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)	2010	2009	2008
Russia	**$ 764**	$ 293	$ 971
USA	**34**	30	50
South Africa	**36**	26	53
Canada	**11**	15	15
Czech Republic	**4**	14	19
Ukraine	**26**	13	84
Other countries	**9**	3	8
	$ 884	$ 394	$ 1,200

4. Business Combinations

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).

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 a 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.

4. Business Combinations (continued)

Steel and Mining Businesses in Ukraine (continued)

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**
Non-controlling 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)

$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 non-controlling 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 non-controlling interests acquired amounting to $1 million was charged to accumulated profits.

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.

4. Business Combinations (continued)

Claymont Steel (continued)

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.

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 subsidiary	$ 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 and 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.

The financial position and the results of operations of IPSCO Inc. were included in the Group's consolidated financial statements beginning June 12, 2008.

4. Business Combinations (continued)

IPSCO Inc. (continued)

The table below sets forth the fair values of IPSCO Inc.'s consolidated identifiable assets, liabilities and contingent liabilities at the date of acquisition:

(US$ million)	June 12, 2008
Property, plant and equipment	$ 726
Intangible assets	607
Other non-current assets	18
Inventories	551
Accounts and notes receivable	186
Cash	2
Total assets	**2,090**
Non-current liabilities	4
Deferred income tax liabilities	319
Current liabilities	169
Total liabilities	**492**
NET ASSETS	**$ 1,598**
Purchase consideration	**$ 2,450**
GOODWILL	**$ 852**

In 2008, cash flow on acquisition was as follows:

(US$ million)	
Net cash acquired with the subsidiary	$ 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).

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 in Vanady-Tula for 3,140 million roubles ($108 million at the exchange rate as of November 2, 2009, the date of the 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 at 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 were exercised before their expiration.

During 2008 and 2009, the Group purchased 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, the Group obtained the necessary 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).

4. Business Combinations (continued)

Vanady-Tula (continued)

The table below sets forth the 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 subsidiary	$ –
Cash paid	(5)
NET CASH OUTFLOW	$ (5)

At December 31, 2009, the Group's accounts receivable include $12 million due from the seller.

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 non-controlling interests in the entity and accrued a liability to the non-controlling shareholders in the amount of $17 million. This transaction resulted in a $5 million charge to accumulated profits.

In February, 2010, the Group made an offer to non-controlling shareholders of Vanady-Tula to sell their stakes to the Group. The non-controlling shareholders sold an 11.26% ownership interest to the Group. The Russian legislation allows a shareholder owning more than 95% of a company to increase its stake to 100% through a forced disposal of the shares held by non-controlling shareholders. Consequently, in August 2010, the Group started the buy out of non-controlling shares of Vanady-Tula. In November, 2010, the Group completed the buy-out of the remaining shares (3.90%).

The total purchase consideration for a 15.16% ownership interest amounted to 521 million Russian roubles ($18 million at the exchange rate as of the dates of transactions).

Steel Dealers

On October 15, 2009, the Group acquired a 100% interest in a holding company owning steel dealers throughout Russia (formerly known as Carbofer). The 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. At December 31, 2009, the acquisition was accounted for based on provisional values as the Group, as of the date of authorisation of issue of the financial statements for the year ended December 31, 2009, has not completed purchase price allocation in accordance with IFRS 3 'Business Combinations'.

In 2010, the Group finalised its purchase price allocation on the acquisition of steel dealers. As a result, the Group recognised adjustments to the provisional values of identifiable assets, liabilities and contingent liabilities at the date of acquisition.

4. Business Combinations (continued)

Steel Dealers (continued)

The table below sets forth the fair values of consolidated identifiable assets, liabilities and contingent liabilities at October 15, 2009:

(US$ million)	Provisional fair values	Final estimation of fair values
Property, plant and equipment	$ 7	$ 7
Other non-current assets	7	7
Inventories	73	73
Accounts and notes receivable	45	45
Cash	8	4
Total assets	**140**	**136**
Current liabilities	119	119
Total liabilities	**119**	**119**
NET ASSETS	$ 21	$ 17
Purchase consideration	**$ 11**	**$ 11**
EXCESS OF INTEREST IN THE NET FAIR VALUE OF ACQUIREE'S IDENTIFIABLE ASSETS, LIABILITIES AND CONTINGENT LIABILITIES OVER THE COST OF ACQUISITION	$ 10	$ 6

In 2009, cash flow on acquisition was as follows:

(US$ million)	
Net cash acquired with the subsidiary	$ 4
Cash paid	(9)
NET CASH OUTFLOW	$ (5)

In 2010, the Group paid $1 million of purchase consideration. At December 31, 2010, unpaid purchase consideration was $1 million.

For the period from October 15 to December 31, 2009, steel dealers reported net loss amounting to $5 million.

Inprom Group

On December 22, 2010, the Group acquired 100% in a holding entity owning steel dealers throughout Russia (so called Inprom Group). Purchase consideration consisted of cash amounting to $19 million plus the fair value of a deferred consideration of $21 million.

The financial position and the results of operations of Inprom were included in the Group's consolidated financial statements beginning December 22, 2010. 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)	December 22, 2010
Property, plant and equipment	$ 123
Other non-current assets	26
Inventories	31
Accounts and notes receivable	24
Cash	8
Total assets	**212**
Non-current liabilities	8
Current liabilities	161
Total liabilities	**169**
Non-controlling interests	**(1)**
NET ASSETS	$ 44
Purchase consideration	**$ 40**
EXCESS OF INTEREST IN THE NET FAIR VALUE OF ACQUIREE'S IDENTIFIABLE ASSETS, LIABILITIES AND CONTINGENT LIABILITIES OVER THE COST OF ACQUISITION	$ 4

4. Business Combinations (continued)

Inprom Group (continued)

In 2010, cash flow on acquisition was as follows:

(US$ million)	
Net cash acquired with the subsidiary	$ 8
Cash paid	(18)
NET CASH OUTFLOW	$ (10)

For the period from December 22 to December 31, 2010, Inprom Group reported net loss amounting to $1 million.

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.

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, 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	–	(160)	(160)
Palmrose	–	(100)	(100)
Claymont Steel	–	(49)	(49)
General Scrap	–	(4)	(4)
Evraz Inc. N.A. Canada (Surrey)	–	(7)	(7)
Translation difference	94	21	115
At December 31, 2009	**3,081**	**(895)**	**2,186**
Adjustment to contingent consideration	8	–	8
Impairment	–	(16)	(16)
Stratcor, Inc.	–	(16)	(16)
Translation difference	43	(2)	41
AT DECEMBER 31, 2010	$ 3,132	$ (913)	$ 2,219

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)	2010	2009	2008
Evraz Inc. NA (formerly Oregon Steel Mills)	**$ 1,130**	$ 1,130	$ 1,183
Oregon Steel Portland Mill	**412**	412	412
OSM Tubular – Portland Mill	**–**	–	–
Rocky Mountain Steel Mills	**410**	410	410
OSM Tubular – Camrose Mills	**157**	157	157
Claymont Steel	**135**	135	184
General Scrap (was a part of IPSCO at the time of IPSCO acquisition)	**16**	16	20
Evraz Inc. NA Canada (formerly IPSCO)	**845**	801	700
Calgary	**232**	220	190
Red Deer	**57**	54	46
Regina Steel	**397**	376	327
Regina Tubular	**137**	130	112
Others	**22**	21	25
Palmrose	**–**	–	99
Dnepropetrovsk Iron and Steel Works	**–**	–	24
Dneprodzerzhinsk Coke Chemical Plant	**–**	–	27
Bagleykoks	**–**	–	32
Dneprokoks	**–**	–	16
Evraz Palini e Bertoli	**78**	82	80
Vanady-Tula	**66**	66	–
Strategic Minerals Corporation	**31**	39	45
Nikom, a.s.	**40**	40	38
Evraz Highveld Steel and Vanadium Limited	**29**	27	21
Evro-Aziatskaya Energy Company	**–**	1	1
	$ 2,219	$ 2,186	$ 2,167

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, 2010. 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 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. For mining operations management business plans cover the full life of mines.

The key assumptions used by management in value-in-use calculation are presented in the table below.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of the commodity per ton in 2011
Evraz Inc. NA	5	11.63–13.05	steel products	$ 899
Evraz Inc. NA Canada	5	13.05	steel products	$ 971
Evraz Palini e Bertoli	5	12.77	steel plates	$ 660
Vanady-Tula	5	13.39	vanadium products	$ 26,569
Strategic Minerals Corporation	5	14.28	ferrovanadium products	$ 34,980
Nikom, a.s.	5	13.19	ferrovanadium products	$ 30,667
Evraz Highveld Steel and Vanadium Limited	5	14.65	ferrovanadium products	$ 38,154
			steel products	$ 795

5. Goodwill (continued)

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 Nikom cash generating units. A 10% increase in the discount rates would lead to an additional impairment of $55 million.

Sales Prices

The prices of the products sold by the Group were estimated using industry research. The average prices for steel products in 2011 were assumed to be 11% higher than the 2010 average. The Group expects that in 2012–2015 the nominal prices will grow on average by 5% and in 2016 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 2011 and 2012 in the impairment test were 10% lower, this would lead to an additional impairment of $27 million.

Sales Volumes

Management assumed that the sales volumes of steel products would increase on average by 5% during 2011 and would grow evenly during the following four 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 2011 and 2012 in the impairment test, this would lead to an additional impairment of $11 million.

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., Nikom and Vanady-Tula cash generating units. If the actual costs were 10% higher than those assumed for 2011 and 2012 in the impairment test, this would lead to an additional impairment of $56 million.

6. Acquisitions of Non-controlling interests in Subsidiaries

Highveld

In 2008, the Group acquired an additional non-controlling interest of 4.2% in Highveld Steel and Vanadium Corporation for a cash consideration of $69 million. The excess of the amounts of consideration over the carrying values of non-controlling 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 non-controlling 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.

Stratcor

In 2010, the Group acquired an additional non-controlling interest of 5.92% in Strategic Minerals Corporation ('Stratcor') for a cash consideration of $8 million paid in 2009. The excess of the amount of consideration paid over the carrying value of acquired non-controlling interest amounting to $3 million was charged to accumulated profits.

In addition, during the reporting period, the Group fully settled $16 million liability under earn-out payments for the acquisition of Stratcor in 2006 (Note 26).

LDPP

In 2010, the Group acquired an additional non-controlling interest of 25% in OAO Large Diameter Pipe Plant ('LDPP') for a cash consideration of $8 million. The excess of the carrying value of acquired non-controlling interest over the amount of consideration paid amounting to $1 million was recorded in additional paid-in capital.

7. Income and Expenses

Cost of revenues, selling and distribution costs, general and administrative expenses include the following for the years ended December 31:

(US$ million)	2010	2009	2008
Cost of inventories recognised as expense	**$ (5,241)**	$ (3,849)	$ (6,408)
Staff costs, including social security taxes	**(1,743)**	(1,524)	(2,154)
Depreciation, depletion and amortisation	**(925)**	(979)	(1,195)

In 2010 and 2009, the Group made a reversal of the allowance for net realisable value in the amount of $35 million and $177 million, respectively. 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.

The major components of other operating expenses were as follows:

(US$ million)	2010	2009	2008
Idling, reduction and stoppage of production, including termination benefits	**$ (45)**	$ (70)	$ (19)
Restoration works and casualty compensations in connection with accidents	**(17)**	(1)	(4)
Write-off of Mezhegey licence	**–**	–	(12)
Other	**(48)**	(50)	(25)
	$ (110)	$ (121)	$ (60)

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.

Interest expense consisted of the following for the years ended December 31:

(US$ million)	2010	2009	2008
Bank interest	**$ (241)**	$ (346)	$ (392)
Interest on bonds and notes	**(423)**	(268)	(221)
Finance charges payable under finance leases	**(6)**	(7)	(7)
Interest on liabilities relating to employee benefits and expected return on plan assets	**(32)**	(28)	(17)
Discount adjustment on provisions	**(15)**	(12)	(9)
Interest on contingent consideration	**(1)**	(2)	(2)
Other	**(10)**	(14)	(7)
	$ (728)	$ (677)	$ (655)

Interest income consisted of the following for the years ended December 31:

(US$ million)	2010	2009	2008
Interest on bank accounts and deposits	**$ 9**	$ 17	$ 37
Interest on loans receivable	**1**	10	15
Interest on loans receivable from related parties	**2**	6	–
Interest on accounts receivable	**1**	7	1
Other	**–**	–	4
	$ 13	$ 40	$ 57

Gain/(loss) on financial assets and liabilities included the following for the years ended December 31:

(US$ million)	2010	2009	2008
Gain/(loss) on available-for-sale financial assets (Note 13)	**$ (2)**	$ –	$ (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)	**4**	1	(10)
Impairment of financial instrument relating to the transaction with 49% ownership interest in NS Group (Note 18)	**–**	(2)	(3)
Other	**6**	(4)	(19)
	$ 8	$ 97	$ (129)

8. Income Taxes

The Group's income was subject to tax at the following tax rates:

	2010	2009	2008
Russia	**20.00%**	20.00%	24.00%
Canada	**28.00%**	29.00%	29.00%
Cyprus	**10.00%**	10.00%	10.00%
Czech Republic	**19.00%**	20.00%	21.00%
Italy	**31.40%**	31.40%	31.40%
South Africa	**28.00%**	28.00%	28.00%
Switzerland	**10.09%**	12.10%	10.04%
Ukraine	**25.00%**	25.00%	25.00%
USA	**35.00%**	35.00%	35.00%

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.

In 2010, a new Tax Code has been adopted in Ukraine, which introduced a gradual reduction in income tax rates from 25% in 2010 to 16% in 2014. In addition, in accordance with the new Tax Code the carrying values of property, plant and equipment per statutory books as of April 1, 2011 will become a new tax base of these assets for income tax calculations. The Group's subsidiaries measured the respective deferred tax assets and liabilities at December 31, 2010 based on the new tax bases using the announced tax rates and a forecast of temporary differences reversal.

Major components of income tax expense for the years ended December 31 were as follows:

(US$ million)	2010	2009	2008
Current income tax expense	**$ (415)**	$ (179)	$ (1,622)
Adjustment in respect of income tax of previous years	**(8)**	(6)	28
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**119**	219	302
Deferred income tax benefit relating to changes in tax rates	**17**	13	107
Deferred income tax benefit relating to changes in tax regulations other than tax rates	**125**	–	–
Less: deferred income tax recognised directly in other comprehensive income	**(1)**	(1)	(7)
INCOME TAX BENEFIT/(EXPENSE) REPORTED IN THE CONSOLIDATED STATEMENT OF OPERATIONS	**$ (163)**	$ 46	$ (1,192)

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)	2010	2009	2008
Profit before income tax	**$ 695**	$ (338)	$ 3,051
At the Russian statutory income tax rate of 20% (2009: 20%, 2008: 24%)	**(139)**	68	(732)
Adjustment in respect of income tax of previous years	**(8)**	(6)	28
Deferred income tax benefit resulting from reduction in tax rate	**17**	13	107
Deferred income tax benefit relating to changes in tax regulations other than tax rates	**125**	–	–
Less: deferred income tax recognised directly in other comprehensive income	**(1)**	(1)	(7)
Effect of non-deductible expenses and other non-temporary differences	**(254)**	(111)	(430)
Effect of the difference in tax rates on dividend income from associates and joint ventures	**–**	–	23
Tax on dividends distributed by the Group's subsidiaries to parent company	**–**	(1)	(153)
Effect of the difference in tax rates in countries other than the Russian Federation	**82**	68	(100)
Deferred income tax provided for undistributed earnings of the Group's subsidiaries	**–**	11	43
Share of profits in joint ventures and associates	**15**	–	25
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	**$ (163)**	$ 46	$ (1,192)

8. Income Taxes (continued)

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.

Deferred income tax assets and liabilities and their movements for the years ended December 31 were as follows:

Year ended December 31, 2010

(US$ million)	2010	Change recognised in statement of operations	Received from tax authorities	Change recognised in other comprehensive income	Change due to business combinations	Change due to disposal of subsidiaries	Translation difference	2009
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	$ 1,074	(184)	–	(1)	5	(13)	10	$ 1,257
Valuation and amortisation of intangible assets	274	(38)	–	–	–	–	15	297
Other	89	(7)	–	–	–	–	4	92
	1,437	(229)	–	(1)	5	(13)	29	1,646
Deferred income tax assets:								
Tax losses available for offset	150	5	(74)	–	11	–	5	203
Accrued liabilities	197	67	–	–	–	–	2	128
Impairment of accounts receivable	33	6	–	–	5	–	–	22
Other	140	8	–	–	1	–	(1)	132
Allowance for deferred tax assets	(55)	(55)	–	–	–	–	–	–
	465	31	(74)	–	17	–	6	485
NET DEFERRED INCOME TAX ASSET	100	24	–	–	10	–	(4)	70
NET DEFERRED INCOME TAX LIABILITY	$ 1,072	(236)	74	(1)	(2)	(13)	19	$ 1,231

8. Income Taxes (continued)

Year ended December 31, 2009

(US$ million)	2010	Change recognised in statement of operations	Received from tax authorities	Change recognised in other comprehensive income	Change due to business combinations	Change due to disposal of subsidiaries	Translation difference	2009
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	$ 1,257	(42)	–	(1)	9	–	17	$ 1,274
Valuation and amortisation of intangible assets	297	(49)	–	–	–	–	36	310
Undistributed earnings of subsidiaries	–	(11)	–	–	–	–	–	11
Other	92	31	–	–	–	–	3	58
	1,646	(71)	–	(1)	9	–	56	1,653
Deferred income tax assets:								
Tax losses available for offset	203	154	–	–	4	–	2	43
Accrued liabilities	128	(20)	–	–	–	–	1	147
Impairment of accounts receivable	22	(3)	–	–	2	–	(1)	24
Other	132	29	–		1	–	8	94
	485	160	–	–	7	–	10	308
NET DEFERRED INCOME TAX ASSET	70	20	–	–	8	–	(2)	44
NET DEFERRED INCOME TAX LIABILITY	$ 1,231	(211)	–	(1)	10	–	44	$ 1,389

8. Income Taxes (continued)

Year ended December 31, 2008

(US$ million)	2010	Change recognised in statement of operations	Received from tax authorities	Change recognised in other comprehensive income	Change due to business combinations	Change due to disposal of subsidiaries	Translation difference	2009
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	$ 1,274	(221)	–	(7)	170	–	(268)	$ 1,600
Valuation and amortisation of intangible assets	310	(39)	–	–	177	–	(54)	226
Undistributed earnings of subsidiaries	11	(43)	–	–	–	–	–	54
Other	58	(85)	–	–	47	–	(10)	106
	1,653	(388)	–	(7)	394	–	(332)	1,986
Deferred income tax assets:								
Tax losses available for offset	43	14	–	–	10	–	(4)	23
Accrued liabilities	147	(3)	–	–	7	–	(15)	158
Impairment of accounts receivable	24	2	–	–	–	–	(7)	29
Other	94	1	–	–	–	–	(15)	108
	308	14	–	–	17	–	(41)	318
NET DEFERRED INCOME TAX ASSET	44	27	–	–	–	–	(5)	22
NET DEFERRED INCOME TAX LIABILITY	$ 1,389	(375)	–	(7)	377	–	(296)	$ 1,690

As of December 31, 2010, 2009 and 2008, deferred income taxes have been provided for in respect of undistributed earnings of the Group's subsidiaries amounting to $nil, $nil and $199 million, respectively, as management intended to dividend these amounts. Management does not intend to distribute other accumulated earnings in the foreseeable future. The current tax rate on intra-group dividend income varies from 0% to 10%.

At December 31, 2010, the Group has not recognised a deferred tax liability and deferred tax asset in respect of temporary differences of $5,764 million and $2,831 million, respectively (2009: $4,270 million and $2,713 million, respectively; 2008: $4,118 million and $2,826 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.

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, 2010, the unused tax losses carry forward approximated $3,365 million (2009: $2,757 million, 2008: $803 million). The Group recognised deferred tax asset of $150 million (2009: $203 million, 2008: $43 million) in respect of unused tax losses. Deferred tax asset in the amount of $655 million (2009: $463 million, 2008: $78 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 $2,555 million (2009: $1,873 million, 2008: $463 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 $2,535 million (2009: $1,870 million, 2008: $459 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and $20 million (2009: $3 million, 2008: $4 million) will expire during 2016–2029.

9. Property, Plant and Equipment

Property, plant and equipment consisted of the following as of December 31:

(US$ million)	2010	2009	2008
Revalued amount or cost:			
Land	**$ 177**	$ 164	$ 157
Buildings and constructions	**2,536**	2,456	2,383
Machinery and equipment	**5,738**	5,342	4,971
Transport and motor vehicles	**483**	445	430
Mining assets	**2,656**	2,617	2,603
Other assets	**84**	77	98
Assets under construction	**702**	539	691
	12,376	11,640	11,333
Accumulated depreciation, depletion and impairment losses:			
Buildings and constructions	**(854)**	(711)	(570)
Machinery and equipment	**(2,046)**	(1,631)	(1,218)
Transport and motor vehicles	**(203)**	(173)	(133)
Mining assets	**(607)**	(485)	(359)
Other assets	**(55)**	(50)	(35)
	(3,765)	(3,050)	(2,315)
Government grants:			
Machinery and equipment, net	**(4)**	(5)	(6)
	$ 8,607	$ 8,585	$ 9,012

The movement in property, plant and equipment for the year ended December 31, 2010 was as follows:

(US$ million)	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At December 31, 2009, cost, net of accumulated depreciation and government grants	**$ 164**	**$ 1,745**	**$ 3,706**	**$ 272**	**$ 2,132**	**$ 27**	**$ 539**	**$ 8,585**
Reclassifications between categories	–	1	(4)	1	3	(1)	–	–
Additions	–	2	4	6	25	–	840	877
Assets acquired in business combination	11	47	55	2	–	3	5	123
Assets put into operation	1	54	423	45	70	11	(604)	–
Disposals	(1)	(9)	(39)	(3)	(12)	(2)	(10)	(76)
Depreciation and depletion charge	–	(149)	(453)	(40)	(151)	(10)	–	(803)
Impairment losses recognised in statement of operations	–	(4)	(40)	–	(8)	–	(65)	(117)
Impairment losses reversed through statement of operations	–	3	8	–	1	–	3	15
Impairment losses recognised or reversed through other comprehensive income	–	(4)	(1)	–	(2)	–	–	(7)
Transfer to/from assets held for sale	–	(6)	(9)	–	(75)	–	–	(90)
Change in site restoration and decommissioning provision	–	2	–	–	71	–	–	73
Translation difference	2	–	38	(3)	(5)	1	(6)	27
AT DECEMBER 31, 2010, COST, NET OF ACCUMULATED DEPRECIATION AND GOVERNMENT GRANTS	$ 177	$ 1,682	$ 3,688	$ 280	$ 2,049	$ 29	$ 702	$ 8,607

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 constructions	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	$ 157	$ 1,813	$ 3,747	$ 297	$ 2,244	$ 63	$ 691	$ 9,012
Reclassifications	5	35	(12)	(1)	5	(34)	2	–
Additions	–	–	10	1	11	–	371	393
Assets acquired in business combination	–	31	26	2	–	–	2	61
Assets put into operation	3	56	346	24	72	15	(516)	–
Disposals	–	(11)	(26)	(4)	(1)	(1)	(6)	(49)
Depreciation and depletion charge	–	(151)	(445)	(43)	(147)	(17)	–	(803)
Impairment losses recognised in statement of operations	–	(28)	(33)	–	(4)	–	(7)	(72)
Impairment losses reversed through statement of operations	–	15	20	–	22	–	–	57
Impairment losses recognised or reversed through other comprehensive income	(4)	(3)	(1)	–	–	–	–	(8)
Disposal of assets due to sale of a subsidiary	–	(1)	–	–	(10)	–	–	(11)
Transfer to/from assets held for sale	–	(3)	–	–	–	(2)	–	(5)
Change in site restoration and decommissioning provision	–	5	6	–	3	–	–	14
Translation difference	3	(13)	68	(4)	(63)	3	2	(4)
AT DECEMBER 31, 2009, COST, NET OF ACCUMULATED DEPRECIATION AND GOVERNMENT GRANTS	$ 164	$ 1,745	$ 3,706	$ 272	$ 2,132	$ 27	$ 539	$ 8,585

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 constructions	Machinery and equipment	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 DEPRECIATION AND GOVERNMENT GRANTS	$ 157	$ 1,813	$ 3,747	$ 297	$ 2,244	$ 63	$ 691	$ 9,012

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $250 million, $121 million and $145 million as of December 31, 2010, 2009 and 2008, respectively.

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, 2010 was $5 million (2009: $7 million, 2008: $18 million). In 2010, the rate used to determine the amount of borrowing costs eligible for capitalisation was 6.3%, 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)	2010	2009	2008
Cost:			
Customer relationships	**$ 1,353**	$ 1,276	$ 1,117
Trade names and trademarks	**31**	31	28
Water rights and environmental permits	**64**	64	63
Patented and unpatented technology	**10**	9	9
Contract terms	**11**	42	66
Other	**53**	46	56
	1,522	1,468	1,339
Accumulated amortisation:			
Customer relationships	**(441)**	(307)	(171)
Trade names and trademarks	**(25)**	(19)	(12)
Water rights and environmental permits	**(6)**	(5)	(3)
Patented and unpatented technology	**(8)**	(6)	(4)
Contract terms	**(3)**	(2)	(8)
Other	**(35)**	(31)	(33)
	(518)	(370)	(231)
	$ 1,004	$ 1,098	$ 1,108

10. Intangible Assets Other Than Goodwill (continued)

As of December 31, 2010, 2009 and 2008, water rights and environmental permits with a carrying value $56 million had an indefinite useful life.

(US$ million)	Customer relationships	Trade names and trademarks	Water rights and environmental permits	Patented and unpatented technology	Contract terms	Other	Total
At December 31, 2009, cost, net of accumulated amortisation	**$ 969**	**$ 12**	**$ 59**	**$ 3**	**$ 40**	**$ 15**	**$ 1,098**
Additions	–	–	–	–	–	**7**	**7**
Amortisation charge	**(113)**	**(6)**	**(1)**	**(2)**	**(1)**	**(4)**	**(127)**
Emission allowances granted	–	–	–	–	–	**6**	**6**
Emission allowances used/sold/ purchased for the period	–	–	–	–	–	**(5)**	**(5)**
Impairment loss recognised in statement of operations	–	–	–	–	**(30)**	–	**(30)**
Impairment losses reversed through statement of operations	**1**	–	–	–	–	–	**1**
Translation difference	**55**	–	–	**1**	**(1)**	**(1)**	**54**
AT DECEMBER 31, 2010, COST, NET OF ACCUMULATED AMORTISATION	**$ 912**	**$ 6**	**$ 58**	**$ 2**	**$ 8**	**$ 18**	**$ 1,004**

The movement in intangible assets for the year ended December 31, 2009 was as follows:

(US$ million)	Customer relationships	Trade names and trademarks	Water rights and environmental permits	Patented and unpatented technology	Contract terms	Other	Total
At December 31, 2008, cost, net of accumulated amortisation	$ 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

The movement in intangible assets for the year ended December 31, 2008 was as follows:

(US$ million)	Customer relationships	Trade names and trademarks	Water rights and environmental 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

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	Streamcore	Kazankovskaya	Other associates	Total
Investment at December 31, 2007	**$ 573**	**$ –**	**$ 15**	**$ 4**	**$ 592**
Share of profit/(loss)	212	–	(14)	–	198
Dividends distributed	(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)	40	–	–	–	40
Impairment of investments	–	–	–	(1)	(1)
Disposal of investments	–	–	–	(1)	(1)
Translation difference	(12)	2	–	–	(10)
Investment at December 31, 2009	**569**	**44**	**–**	**21**	**634**
Share of profit/(loss)	105	–	–	1	106
Impairment of investments	–	(23)	–	(10)	(33)
Group's share in excess of net assets of ZAO Koksovaya transferred to Raspadskaya over consideration received (Note 12)	52	–	–	–	52
Translation difference	(8)		–	(1)	(9)
INVESTMENT AT DECEMBER 31, 2010	$ 718	$ 21	$ –	$ 11	$ 750

Share of profit/(loss) of joint ventures and associates which is reported in the statement of operations comprised the following:

(US$ million)	2010	2009	2008
Share of profit/(loss), net	**$ 106**	$ 40	$ 198
Impairment of investments	**(33)**	(1)	–
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	$ 73	$ 2	$ 194

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)	2010	2009	2008
Mineral reserves	**$ 798**	$ 864	$ 935
Other property, plant and equipment	**970**	746	643
Other non-current assets	**27**	38	5
Inventories	**77**	44	56
Accounts and notes receivable	**275**	335	268
Cash	**165**	24	73
Total assets	**2,312**	2,051	1,980
Non-current liabilities	**361**	325	333
Deferred income tax liabilities	**194**	186	188
Current liabilities	**81**	111	102
Total liabilities	**636**	622	623
Non-controlling interests	**340**	291	277
NET ASSETS	$ 1,336	$ 1,138	$ 1,080

11. Investments in Joint Ventures and Associates (continued)

Corber Enterprises Limited (continued)

The table below sets forth Corber's income and expenses:

(US$ million)	2010	2009	2008
Revenue	**$ 706**	$ 497	$ 1,200
Cost of revenue	**(323)**	(252)	(362)
Other expenses, including income taxes	**(119)**	(141)	(311)
NET PROFIT	$ 264	$ 104	$ 527
Attributable to:			
Equity holders of the parent entity	**$ 214**	$ 82	$ 420
Non-controlling interests	**50**	22	107
NET PROFIT	$ 264	$ 104	$ 527
50% of unrealised profits on transactions with the joint venture	**(2)**	(1)	2
Group's share of profits of the joint venture	**$ 105**	$ 40	$ 212

Kazankovskaya

ZAO Kazankovskaya ('Kazankovskaya') is a coal mining company that was acquired as part of the purchase of Yuzhkuzbassugol in 2007. The Group owns 50% in Kazankovskaya.

The table below sets forth Kazankovskaya's assets and liabilities as of December 31:

(US$ million)	2010	2009	2008
Mineral reserves	**$ –**	**$ –**	**$ 38**
Other property, plant and equipment	**–**	**21**	**46**
Inventories	**1**	**2**	**2**
Accounts receivable	**1**	**1**	**1**
Other current assets	**1**	**1**	**1**
Total assets	**3**	**25**	**88**
Non-current liabilities	**65**	**48**	**83**
Deferred income tax liabilities	**4**	**8**	**–**
Current liabilities	**24**	**15**	**13**
Total liabilities	**93**	**71**	**96**
NET ASSETS/(LIABILITIES)	**$ (90)**	**$ (46)**	**$ (8)**

The table below sets forth Kazankovskaya's income and expenses:

(US$ million)	2010	2009	2008
Revenue	**$ 14**	$ 15	$ 15
Cost of revenue	**(32)**	(26)	(24)
Other expenses, including income taxes	**(23)**	(55)	(27)
Net loss	**$ (41)**	$ (66)	$ (36)
GROUP'S SHARE OF LOSS OF THE ASSOCIATE	$ (21)	$ (33)	$ (18)
including: share of loss allocated against loan receivable from Kazankovskaya (Note 13)	–	(33)	(4)

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

11. Investments in Joint Ventures and Associates (continued)

Kazankovskaya (continued)

The table below sets forth Streamcore's assets and liabilities as of December 31:

(US$ million)	2010	2009
Property, plant and equipment	**$ 52**	$ 59
Accounts receivable	**17**	15
Total assets	**69**	74
Non-current liabilities	**4**	2
Deferred income tax liabilities	**–**	5
Current liabilities	**1**	3
Total liabilities	**5**	10
NET ASSETS	**$ 64**	$ 64

The table below sets forth Streamcore's income and expenses from the date of acquisition of interest in the joint venture:

(US$ million)	2010	Period from September 4 to December 31, 2009
Revenue	$ 10	$ 5
Cost of revenue	(9)	(4)
Other expenses, including income taxes	(1)	(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)	2010	2009	2008
Land	**$ –**	$ 1	$ –
Other property, plant and equipment	**2**	6	7
Assets classified as held for sale	**2**	7	7
Liabilities directly associated with assets classified as held for sale	**–**	1	–
NET ASSETS CLASSIFIED AS HELD FOR SALE	**$ 2**	$ 6	$ 7

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 2008–2010.

(US$ million)	2010	2009	2008
Property, plant and equipment	**$ 90**	$ 16	$ 91
Goodwill	**–**	–	13
Inventory	**–**	3	35
Accounts and notes receivable	**22**	7	33
Assets held for sale acquired in business combinations	**–**	–	36
Total assets	**112**	26	208
Deferred income tax liabilities	**13**	–	10
Non-current liabilities	**1**		
Current liabilities	**–**	14	12
Total liabilities	**14**	14	22
NET ASSETS	**$ 98**	$ 12	$ 186

Cash flows on disposal of subsidiaries and other business units were as follows:

(US$ million)	2010	2009	2008
Net cash disposed of with subsidiaries	**$ –**	$ –	$ –
Transaction costs	**–**	–	(7)
Cash received	**42**	28	168
NET CASH INFLOW	**$ 42**	$ 28	$ 161

12. Disposal Groups Held for Sale (continued)

At December 31, 2008, receivables in respect of the sold assets in the amount of $10 million were included in accounts receivable. At December 31, 2010 and 2009, the Group owed $5 million in respect of the disposed business units.

The disposal groups sold during 2008–2010 are described below.

Highveld's Business Units

In 2008, the Group sold Rand Carbide, a division of Evraz Highveld Steel and Vanadium Corporation ('Highveld'), producing ferrosilicon and various carbonaceous products. The division was included in the steel segment of the Group's operations. Cash consideration amounting to $39 million approximated the carrying value of the disposed assets.

In addition, for the purpose of acquisition of Highveld in 2007, 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. 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 a 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.

Sale of Koksovaya

In April, 2010, the Group sold ZAO Koksovaya to Raspadskaya, a subsidiary of Corber, the Group's joint venture, which holds 80% in Raspadskaya. ZAO Koksovaya is an operating hard-coking coal mine, which owns the license for Tomusinskaya 5-6 coal deposit. As part of the transaction, the parties entered into a long-term off-take contract under which Raspadskaya committed to supply to the Group substantially all coal or concentrate produced from coal extracted on the Tomusinskaya 5-6 deposit during 2010–2019.

The cash consideration amounted to $40 million. The loss from sale, net of the Group's share in gain on the transaction recognised by Raspadskaya (Note 11), amounted to $5 million and was included in loss on disposal groups classified as held for sale caption of the consolidated statement of operations.

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)	2010	2009	2008
Investments in Delong Holdings Limited	**$ 37**	$ 43	$ 23
Investments in Cape Lambert Iron Ore	**–**	–	10
Derivatives not designated as hedging instruments (Note 26)	**5**	–	–
Restricted deposits at banks	**9**	18	2
Loans issued to related parties (Note 29)	**46**	–	38
Loans receivable (Note 29)	**17**	4	5
Trade and other receivables (Note 29)	**3**	1	40
Other	**1**	–	–
	$ 118	$ 66	$ 118

Other Non-Current Assets

(US$ million)	2010	2009	2008
Deposit to secure put option for the shares of OAO Vanady-Tula (Note 4)	**$ –**	$ 12	$ 105
Prepayment for purchases of associates and joint ventures	**9**	–	28
Prepaids for purchases of non-controlling interests	**–**	8	–
Long-term input VAT	**11**	59	2
Defined benefit plan asset (Note 23)	**19**	15	4
Fees for future purchases under a long-term contract	**11**	12	–
Other	**53**	22	21
	$ 103	$ 128	$ 160

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.

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 are 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 is initially recorded in other comprehensive income.

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.

13. Other Non-Current Assets (continued)

Investments in Delong Holdings Limited (continued)

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 a 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).

In 2010, the Group recognised $6 million impairment loss on Delong shares, including $4 million – through comprehensive income and $2 million – through the statement of operations.

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 other comprehensive income. 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 a 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

At December 31, 2008, 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.

In 2010, the Group issued a $46 million loan to Lanebrook Limited, the controlling shareholder of the Group. The loan bears interest of 7.85% per annum and matures on June 22, 2012. Under the agreement, Lanebrook Limited prepaid the full amount of interest totaling $7 million, which was included in other long-term liabilities caption of consolidated statement of financial position as of December 31, 2010 (Note 26).

Prepayment for Purchases of Associates and Joint Ventures

In 2010, the Group made a prepayment to a key management person for the acquisition of 29% ownership interest in Mediaholding Provincia. This prepayment was included in other non-current assets caption of the consolidated statement of financial position as of December 31, 2010.

14. Inventories

Inventories consisted of the following as of December 31:

(US$ million)	2010	2009	2008
Raw materials and spare parts:			
– at cost	**$ 906**	$ 647	$ 974
– at net realisable value	**68**	77	145
	974	724	1,119
Work-in-progress:			
– at cost	**300**	255	376
– at net realisable value	**144**	112	156
	444	367	532
Finished goods:			
– at cost	**454**	506	496
– at net realisable value	**198**	231	269
	652	737	765
	$ 2,070	$ 1,828	$ 2,416

As of December 31, 2010, 2009 and 2008, the net realisable value allowance was $114 million, $145 million, $318 million, respectively.

As of December 31, 2010, 2009 and 2008, certain items of inventory with an approximate carrying amount of $203 million, $81 million and $648 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)	2010	2009	2008
Trade accounts receivable	**$ 1,239**	$ 931	$ 1,365
Other receivables	**72**	160	90
	1,311	1,091	1,455
Allowance for doubtful accounts	**(98)**	(90)	(86)
	$ 1,213	$ 1,001	$ 1,369

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.

16. Related Party Disclosures (continued)

Amounts owed by/to related parties at December 31 were as follows:

(US$ million)	Amounts due from related parties			Amounts due to related parties		
	2010	2009	2008	2010	2009	2008
Kazankovskaya	**$ 21**	$ 14	$ 10	**$ 1**	$ 1	$ 1
Lanebrook Limited	**53**	53	81	**–**	–	–
Marens	**–**	2	2	**–**	–	–
Raspadsky Ugol	**2**	1	1	**32**	73	56
Yuzhny GOK	**19**	22	37	**178**	154	231
Other entities	**9**	17	9	**6**	7	34
	104	109	140	**217**	235	322
Less: allowance for doubtful accounts	**(24)**	(2)	(3)	**–**	–	–
	$ 80	$ 107	$ 137	**$ 217**	$ 235	$ 322

Transactions with related parties were as follows for the years ended December 31:

(US$ million)	Amounts due from related parties			Amounts due to related parties		
	2010	2009	2008	2010	2009	2008
Interlock Security Services	**$ 1**	$ 1	$ 1	**$ 37**	$ 27	$ 32
Kazankovskaya	**6**	5	8	**14**	15	14
Raspadsky Ugol	**11**	11	–	**192**	107	354
Yuzhny GOK	**20**	6	57	**67**	34	631
Other entities	**8**	8	11	**20**	18	32
	$ 46	$ 31	$ 77	**$ 330**	$ 201	$ 1,063

In addition to the disclosures presented in this note, the balances and transactions with related parties are disclosed in Notes 4, 11 and 13.

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). 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 a 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, 2011.

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. The Group sells steel products and renders services to Raspadsky Ugol.

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 with related parties 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.,
- vice presidents,
- top managers of major subsidiaries.

16. Related Party Disclosures (continued)

Compensation to Key Management Personnel (continued)

In 2010, 2009 and 2008, key management personnel totalled 55, 58 and 60 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)	2010	2009	2008
Salary	**$ 21**	$ 18	$ 22
Performance bonuses	**12**	10	29
Social security taxes	**1**	1	1
Share-based payments (Note 24)	**1**	3	18
Termination benefits	**4**	–	–
Other benefits	**3**	1	1
	$ 42	$ 33	$ 71

17. Other Taxes Recoverable

Taxes recoverable consisted of the following as of December 31:

(US$ million)	2010	2009	2008
Input VAT	**$ 241**	$ 173	$ 257
Other taxes	**112**	85	140
	$ 353	$ 258	$ 397

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 Financial Assets

Other current assets included the following as of December 31:

(US$ million)	2010	2009	2008
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	38
Bank deposits	**1**	22	25
Restricted deposits at banks	**13**	59	–
Financial assets at fair value through profit or loss (Note 13)	**–**	–	18
Other short-term investments	**–**	1	–
	$ 52	$ 120	$ 589

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 a 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)	2010	2009	2008
US dollar	**$ 306**	$ 300	$ 536
Russian rouble	**200**	170	124
South African rand	**49**	110	177
Euro	**46**	75	45
Canadian dollar	**69**	14	27
Ukrainian hryvnia	**10**	1	12
Czech koruna	**1**	1	7
Other	**2**	–	2
	$ 683	$ 671	$ 930

20. Equity

Share Capital

Number of shares	2010	2009	2008
Authorised			
Ordinary shares of €2 each	**257,204,326**	257,204,326	157,204,326
Issued and fully paid			
Ordinary shares of €2 each	**145,957,121**	145,957,121	122,504,803

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.

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

Starting from May 23, 2007, the Group made a decision to cease the issuance of new shares for the settlement of share-based awards (Note 24). 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 and 2008, 234,813 and 275,994 share options, respectively, were repurchased after vesting. The cash spent on repurchase of vested options, amounting to $3 million and $77 million in 2009 and 2008, respectively, was charged to accumulated profits.

TREASURY SHARES

During 2009 and 2008, the Group purchased 67,569 and 1,037,498 treasury shares, respectively, for $5 million and $197 million, respectively, and sold 135,000 and 970,604 treasury shares, respectively, including 27,902 and 253,104 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 and $107 million in 2009 and 2008, respectively, was charged to accumulated profits. As of December 31, 2008, the Group had 67,431 treasury shares.

20. Equity (continued)

Share Capital (continued)

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.

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 during the next 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

20. Equity (continued)

Earnings per Share (continued)

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:

	2010	2009	2008
Weighted average number of ordinary shares for basic earnings per share	**138,623,788**	134,457,386	123,495,726
Effect of dilution: share-based awards	**14,993**	–	435,504
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES ADJUSTED FOR THE EFFECT OF DILUTION	138,638,781	134,457,386	123,931,230
Profit/(loss) for the year attributable to equity holders of the parent, US$ million	**$ 548**	$ (295)	$ 1,797
Basic earnings/(losses) per share	**$ 3.95**	$ (2.19)	$ 14.55
Diluted earnings/(losses) per share	**$ 3.95**	$ (2.19)	$ 14.50

The weighted average number of ordinary shares for 2008 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.

The weighted average number of ordinary shares for basic earnings per share does not include 7,333,333 shares issued in 2009 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.

In 2010 and 2008, share-based awards (Note 24) had a dilutive effect. In 2009, the Group reported net loss. Consequently, they were antidilutive.

In 2010 and 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. during 2008–2010 were as follows:

	Date of declaration	To holders registered at	Dividends declared, US$ million	US$ per share
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

Interim dividends for 2008 include $2 million in respect of treasury shares.

The shareholders meeting held May 15, 2009 resolved not to declare final dividends for 2008.

The shareholders meeting held May 17, 2010 resolved not to declare dividends for 2009.

In addition, certain subsidiaries of the Group declared dividends. The share of non-controlling shareholders in those dividends in 2010, 2009 and 2008 was $1 million, $1 million and $80 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 NON-CONTROLLING INTERESTS IN SUBSIDIARIES

In 2010 and 2008, the Group acquired non-controlling interests in certain subsidiaries (Note 6). The excess of acquired non-controlling interests over the consideration amounting to $1 million and $21 million, respectively, was recorded as additional paid-in capital and the excess of consideration over the carrying value of non-controlling interests amounting to $3 million and $37 million, respectively, was charged to accumulated profits.

20. Equity (continued)

Other Movements in Equity (continued)

DERECOGNITION OF NON-CONTROLLING INTERESTS IN SUBSIDIARIES

In 2009, the Group derecognised non-controlling interests in Vanady-Tula resulting in a $5 million charge to accumulated profits (Note 4).

In 2010, the non-controlling shareholder's right to put a 49% share in Frotora Holdings Ltd. ('Frotora') to the Group at fair value of the ownership interest become exercisable. The Group derecognised a 49% ownership interest in Frotora amounting to $6 million and accrued a liability for the same amount. The assets of Frotora comprised mostly the rights under a long-term lease of land to be used for a construction of a commercial sea port in Ukraine. These rights are included in contract terms category of the intangible assets. In 2010, the Group recognised an impairment loss of $30 million in respect of these rights due to the change in plans for the use of this land.

21. Loans and Borrowings

Short-term and long-term loans and borrowings were as follows as of December 31:

(US$ million)	2010	2009	2008
Bank loans	**$ 3,472**	$ 4,605	$ 7,163
8.875 per cent notes due 2013	**1,156**	1,156	1,245
7.25 per cent convertible bonds due 2014 (Note 20)	**650**	650	–
8.25 per cent notes due 2015	**577**	577	725
9.5 per cent notes due 2018	**509**	509	560
10.875 per cent notes due 2009	**–**	–	300
13.5 per cent bonds due 2014	**656**	661	–
9.25 per cent bonds due 2013	**492**	–	–
9.95 per cent bonds due 2015	**492**	–	–
Liabilities under 12.00 per cent rouble bonds due 2011 and 2013 assumed in business combination (Note 4)	**13**	–	–
Unamortised debt issue costs	**(192)**	(196)	(94)
Difference between the nominal amount and liability component of convertible bonds (Note 20)	**(104)**	(126)	–
Interest payable	**90**	87	87
	$ 7,811	$ 7,923	$ 9,986

As of December 31, 2010, 2009 and 2008, total interest bearing loans and borrowings consisted of short-term loans and borrowings in the amount of $381 million, $411 million and $2,495 million, respectively, and long-term loans and borrowings in the amount of $7,636 million, $7,747 million and $7,498 million, respectively, including the current portion of long-term liabilities of $244 million, $1,498 million and $1,346 million, respectively.

The average effective annual interest rates were as follows at December 31:

	Long-term borrowings			Short-term borrowings		
(US$ million)	2010	2009	2008	2010	2009	2008
US dollar	**8.01%**	7.30%	6.56%	**3.06%**	4.18%	6.40%
Russian rouble	**11.17%**	13.49%	–	**12.50%**	13.25%	16.50%
Euro	**5.05%**	5.11%	5.54%	**1.48%**	1.46%	6.06%
Czech koruna	**–**	–	–	**–**	3.38%	3.49%

The liabilities are denominated in the following currencies at December 31:

(US$ million)	2010	2009	2008
US dollar	**$ 6,079**	$ 7,233	$ 9,345
Russian rouble	**1,699**	701	364
Euro	**322**	297	348
Czech koruna	**7**	14	23
Unamortised debt issue costs	**(192)**	(196)	(94)
Difference between the nominal amount and liability component of convertible bonds (Note 20)	**(104)**	(126)	–
	$ 7,811	$ 7,923	$ 9,986

21. Loans and Borrowings (continued)

Covenants Reset

Some of the loan agreements and terms and conditions of 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. These costs were fully paid during 2009 and 2010.

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, 2010, 2009 and 2008, the Group had equipment with a carrying value of $Nil, $11 million and $1,131 million, respectively, pledged as collateral under the loan agreements. In addition, the Group pledged inventory with a carrying value of $203 million, $81 million and $648 million as of December 31, 2010, 2009 and 2008, respectively. At December 31, 2010, 50% less one share of Kachkanarsky Mining-and-Processing Integrated Works were pledged as collateral under bank loans. This subsidiary represents 2.4% of the consolidated assets and 0.3% of the consolidated revenues of the Group. At December 31, 2010, the net assets (including intra-group balances) of Kachkanarsky Mining-and-Processing Integrated Works were $1,115 million.

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 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 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. In 2010, the Group issued bonds in the amount of 15,000 million Russian roubles, which bear interest of 9.25% per annum and mature on March 22, 2013 and bonds amounting to 15,000 million Russian roubles, which bear interest of 9.95% per annum and mature on October 26, 2015. The currency and interest rate risk exposures of these transactions 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 a 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 a 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.

21. Loans and Borrowings (continued)

Early Settlement

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 repaid a bank loan ahead of schedule. As a result, the Group recognised a loss on extinguishment of debts in the amount of $13 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.

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. In 2010, the Group fully repaid its liabilities under $1,007 million loan from VEB.

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)	2010	2009	2008
Unutilised borrowing facilities	**$ 1,010**	$ 1,345	$ 1,679

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 15 years. The estimated remaining useful life of leased assets varies from 1 to 34 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)	2010	2009	2008
Buildings and constructions	**$ 1**	$ 1	$ –
Machinery and equipment	**22**	29	16
Transport and motor vehicles	**93**	101	73
Assets under construction	**10**	10	–
	$ 126	$ 141	$ 89

The leased assets are included in property, plant and equipment in the consolidated statement of financial position (Note 9).

22. Finance Lease Liabilities (continued)

Future minimum lease payments were as follows at December 31:

(US$ million)	2010		2009		2008	
	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	**$ 25**	**$ 19**	$ 24	$ 17	$ 20	$ 15
Later than one year and not later than five years	**41**	**33**	65	51	41	34
Later than five years	**5**	**5**	7	7	8	6
	71	**57**	96	75	69	55
Less: amounts representing finance charges	**(14)**	**–**	(21)	–	(14)	–
	$ 57	**$ 57**	$ 75	$ 75	$ 55	$ 55

In the years ended December 31, 2010, 2009 and 2008, the average interest rates under the finance lease liabilities were 9.9%, 10.0% and 10.0%.

23. Employee Benefits

Russian Plans

In 2008–2010, 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 labour 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 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.

23. Employee Benefits (continued)

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.

Defined Contribution Plans

The Group's expenses under defined contribution plans were as follows:

(US$ million)	2010	2009	2008
Expense under defined contribution plans	**$ 203**	$ 187	$ 283

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, 2010, 2009 and 2008 and amounts recognised in the consolidated statement of financial position as of December 31, 2010, 2009 and 2008 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, 2010

(US$ million)	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
Current service cost	**$ (5)**	**$ (5)**	**$ (14)**	**$ (1)**	**$ (25)**
Interest cost on benefit obligation	**(16)**	**(8)**	**(34)**	**(2)**	**(60)**
Expected return on plan assets	**–**	**–**	**28**	**–**	**28**
Net actuarial gains/(losses) recognised in the year	**(3)**	**–**	**(4)**	**–**	**(7)**
Past service cost	**6**	**(2)**	**1**	**–**	**5**
Minimum funding requirements	**–**	**–**	**1**	**–**	**1**
Curtailment gain/(loss)		**–**	**(1)**	**–**	**(1)**
NET BENEFIT EXPENSE	**$ (18)**	**$ (15)**	**$ (23)**	**$ (3)**	**$ (59)**

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)

23. Employee Benefits (continued)

Defined Benefit Plans (continued)

Net benefit expense (recognised in cost of sales and general and administrative expenses) (continued)

Actual return on plan assets was as follows:

(US$ million)	2010	2009	2008
Actual return on plan assets	**$ 44**	$ 66	$ (101)
including:			
USA & Canadian plans	**44**	65	(101)
Russian plans	**–**	1	–

BENEFIT LIABILITY

December 31, 2010

(US$ million)	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
Benefit obligation	**$ 192**	**$ 77**	**$ 629**	**$ 24**	**$ 922**
Plan assets	**(1)**	**–**	**(463)**	**–**	**(464)**
	191	**77**	**166**	**24**	**458**
Unrecognised net actuarial gains/ (losses)	**(68)**	**(2)**	**(95)**	**–**	**(165)**
Unrecognised past service cost	**12**	**(10)**	**1**	**–**	**3**
BENEFIT ASSET	**–**	**–**	**19**	**–**	**19**
BENEFIT LIABILITY	**$ 135**	**$ 65**	**$ 91**	**$ 24**	**$ 315**

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

23. Employee Benefits (continued)

Defined Benefit Plans (continued)

MOVEMENTS IN BENEFIT OBLIGATION

(US$ million)	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
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**
Interest cost on benefit obligation	16	8	34	2	60
Current service cost	5	5	14	1	25
Past service cost	(4)	–	–	–	(4)
Benefits paid	(13)	(6)	(37)	(1)	(57)
Actuarial (gains)/losses on benefit obligation	17	(2)	39	–	54
Disposal of subsidiaries	(1)	–	–	–	(1)
Translation difference	(1)	–	17	2	18
AT DECEMBER 31, 2010	$ 192	$ 77	$ 629	$ 24	$ 922

The amount of contributions expected to be paid to the defined benefit plans during 2011 approximates $70 million.

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, 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**
Expected return on plan assets	–	–	28	–	28
Contributions of employer	13	6	37	1	57
Benefits paid	(13)	(6)	(37)	(1)	(57)
Actuarial gains/(losses) on plan assets	–	–	16	–	16
Minimum funding requirements	–	–	1	–	1
Translation difference	–	–	15	–	15
AT DECEMBER 31, 2010	$ 1	$ –	$ 463	$ –	$ 464

The major categories of plan assets as a percentage of total plan assets were as follows at December 31:

	2010	2009	2008
USA & Canadian plans:			
Equity funds and investment trusts	**86%**	86%	76%
Corporate bonds and notes	**11%**	9%	11%
Shares	**0%**	0%	4%
Property	**0%**	3%	4%
Cash	**3%**	2%	5%

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)	2010	2009	2008	2007	2006
Defined benefit obligation	**$ 922**	$ 827	$ 717	$ 535	$ 131
Plan assets	**464**	404	325	201	24
(Deficit)/surplus	**(458)**	(423)	(392)	(334)	(107)
Experience adjustments on plan liabilities	**60**	54	(38)	(18)	11
Experience adjustments on plan assets	**9**	24	16	5	–

23. Employee Benefits (continued)

Defined Benefit Plans (continued)

Changes in the fair value of plan assets (continue)

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

	2010				2009				2008			
	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	**8%**	**12.6%**	**5.1–5.8%**	**3.9–8.3%**	10%	12.4%	5.5–9.3%	4.2–9.5%	8.5%	10.85%	5.75–7.5%	4.3%
Expected rate of return on assets	**12%**	**–**	**0.9–7.3%**	**–**	12%	–	1.3–8.5%	–	12%	–	6.75–8.5%	–
Future benefits increases	**8%**	**8%**	**–**	**3%**	8%	9%	3%	3–10%	6%	7–10%	0–7.75%	3.9%
Future salary increase	**8%**	**8%**	**3.0–3.2%**	**6.3–7.5%**	8%	9%	3–7.5%	6.3–7.5%	6%	10%	3–4%	3.2%
Healthcare costs increase rate	**–**	**–**	**6.8–10%**	**–**	–	–	8–10%	–	–	–	8–10%	–

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, September 5, 2006 and December 14, 2010, the Group adopted Incentive Plans under which certain members of the Board of Directors, senior executives and employees ('participants') could acquire or be gifted 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. Shares under the Incentive Plan 2010 will be gifted to the participants upon vesting.

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 approves the 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

According to the Plan 2010, the vesting date for each tranche is the 90th day after announcement of the annual results. The expected vesting dates under the Plan 2010 are as follows:

	Incentive Plan 2010
June 30, 2011	128,759
June 30, 2012	96,570
June 30, 2013	96,569
	321,898

24. Share-based Payments (continued)

The plans are administrated by the Board of Directors of the Company. The Board of Directors has the right to accelerate vesting of the grant. In the event of a participant's employment termination the following rules were established:

- Plan 2010: unless otherwise determined by the Board or by a decision of the authorised person, a participant loses the entitlement for the shares that were not gifted up to the date of termination.
- Plan 2006: all options granted to a participant, whether vested or not, expired on termination date.
- 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-based compensations 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 repurchased the share-based awards 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, 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 2008–2010.

The Group accounted for share-based compensations at fair value pursuant to the requirements of IFRS 2 'Share-based Payment'. The weighted average fair value of share-based awards granted in 2010, 2006 and 2005 was $102.07, $14.15 and $10.88 per share, respectively. The fair value of the share-based awards under the extended portion was $272.34 per share. The fair value of these awards was estimated at the date of grant using the Black-Scholes-Merton option pricing models with the following inputs, including assumptions:

	Incentive Plan 2010	Incentive Plan 2006	Incentive Plan 2005
Dividend yield (%)	1.2–1.5	4–6	6–8
Expected volatility (%)	n/a	45.37	55.00
Risk-free interest rates (%)	n/a	5.42–5.47	4.36–4.59
Expected life (years)	0.5–2.5	0.7–2.7	0.5–3
Market prices of the shares at the grant dates	$103.83	$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 (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-based awards 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.

24. Share-based Payments (continued)

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share-based awards during the years.

	2010		2009		2008	
	No.	WAEP	No.	WAEP	No.	WAEP
Outstanding at January 1	**–**	**$ –**	**370,340**	**$ 50.71**	**933,284**	**$ 48.72**
Granted during the year	334,755	–	–	–	–	–
Forfeited during the year	(12,857)	–	(107,625)	48.30	(33,846)	45.13
Exercised during the year:	–	–	(262,715)	51.70	(529,098)	47.55
by purchase of shares on the open market	–		(27,902)		(253,104)	
by repurchase of vested share-based awards	–		(234,813)		(275,994)	
OUTSTANDING AT DECEMBER 31	321,898	$ –	–	$ –	370,340	$ 50.71
Vested at December 31	–	$ –	–	$ –	92,751	$ 45.96
Exercisable at December 31	–	–	–	–	5,029	43.50

The weighted average share price at the dates of exercise was $67.29 and $310.22 in 2009 and 2008, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of December 31, 2010 and 2008 was 1.4 years and 0.3 years, respectively.

In the years ended December 31, 2010, 2009 and 2008, expense arising from the share-based compensations, was as follows:

(US$ million)	2010	2009	2008
Expense arising from equity-settled share-based payment transactions	**$ 2**	$ –	$ 2
Expense arising from cash-settled share-based payment transactions	–	6	33
	$ 2	$ 6	$ 35

In 2010 and 2009, the Group paid $3 million and $35 million in respect of the cash-settled share-based compensations, respectively, $1 million was unpaid at December 31, 2010.

25. Provisions

In the years ended December 31, 2010, 2009 and 2008, the movement in provisions was as follows:

(US$ million)	Site restoration and decom-missioning costs	Legal claims	Other provisions	Total
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**
Additional provisions	23	18	12	53
Increase from passage of time	15	–	–	15
Effect of change in the discount rate	20	–	–	20
Effect of changes in estimated costs and timing	55	–	–	55
Utilised in the year	(5)	(5)	(15)	(25)
Unused amounts reversed	–	(2)	(1)	(3)
Translation difference	7	–	–	7
AT DECEMBER 31, 2010	$ 305	$ 17	$ 11	$ 333

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 6.10% to 13.00% (2009: from 8.00% to 13.00%, 2008: from 6.85% to 11.90%).

26. Other Long-Term Liabilities

Other long-term liabilities consisted of the following as of December 31:

(US$ million)	2010	2009	2008
Contingent consideration payable for the acquisition of Stratcor	**$ 24**	$ 31	$ 34
Deferred consideration payable for the acquisition of Inprom (Note 4)	**21**	–	–
Dividends payable under cumulative preference shares of a subsidiary to a related party	**14**	14	14
Employee income participation plans and compensations	**3**	7	16
Tax liabilities	**33**	18	18
Derivatives not designated as hedging instruments (Note 21)	**38**	6	–
Other liabilities	**24**	18	7
	157	94	89
Less: current portion (Note 27)	**(14)**	(26)	(31)
	$ 143	$ 68	$ 58

26. Other Long-Term Liabilities (continued)

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.

Derivatives Not Designated As Hedging Instruments

In 2009 and 2010, the Group issued rouble-denominated bonds in the total amount of 50,000 million Russian roubles (Note 21). To manage the currency exposure, the Group concluded swap contracts under which it agreed to deliver US dollar-denominated interest payments at the rates ranging from 7.50% to 8.90% per annum plus the notional amount totalling $1,466 million, in exchange for rouble-denominated interest payments plus the notional amount totalling 43,794 roubles ($1,437 million at the exchange rate as of December 31, 2010). The exchange is exercised on approximately the same dates as the payments under the bonds.

The swap conracts are summarised in the table below.

	Principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
13.5 per cent bonds due 2014	20,000	14,019	$ 475	7.50%–8.90%
9.25 per cent rouble bonds due 2013	15,000	14,778	500	5.75%–5.90%
9.95 per cent rouble bonds due 2015	15,000	14,997	491	5.65%–5.88%
	50,000	43,794	$ 1,466	

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. In 2010 and 2009, the change in fair value of the derivatives, net of realised gain on the swap transactions, amounting to $4 million and $(6) million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

27. Trade and Other Payables

Trade and other payables consisted of the following as of December 31:

(US$ million)	2010	2009	2008
Trade accounts payable	**$ 880**	$ 780	$ 1,094
Accrued payroll	**229**	176	208
Termination benefits	**–**	1	2
Other long-term obligations with current maturities (Note 26)	**14**	26	31
Other payables	**50**	86	144
	$ 1,173	$ 1,069	$ 1,479

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)	2010	2009	2008
VAT	**$ 90**	$ 67	$ 72
Social insurance taxes	**40**	29	31
Property tax	**14**	16	15
Land tax	**10**	5	9
Personal income tax	**10**	10	10
Other taxes, fines and penalties	**16**	13	17
	$ 180	$ 140	$ 154

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 customers are Russian Railways and Vanomet AG (4% and 3.3% of total sales, respectively).

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.

The maximum exposure to credit risk is equal to the carrying amount of financial assets, which is disclosed below.

(US$ million)	2010	2009	2008
Restricted deposits at banks	**$ 22**	$ 77	$ 2
Financial instruments included in other non-current assets	**5**	–	–
Long-term and short-term investments	**76**	104	622
Trade and other receivables	**1,216**	1,002	1,409
Loans receivable	**18**	5	113
Receivables from related parties	**124**	107	156
Cash and cash equivalents	**683**	671	930
	$ 2,144	$ 1,966	$ 3,232

Receivables from related parties in the table above do not include prepayments in the amount of $2 million, $nil and $19 million as of December 31, 2010, 2009 and 2008, respectively.

The ageing analysis of trade and other receivables, loans receivable and receivables from related parties is presented in the table below.

(US$ million)	2010		2009		2008	
	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment
Not past due	**$ 1,098**	**$ (8)**	$ 842	$ (1)	$ 1,035	$ (8)
Past due	**377**	**(109)**	364	(91)	736	(85)
Less than six months	**232**	**(16)**	187	(5)	500	(13)
between six months and one year	**27**	**(10)**	28	(8)	166	(7)
over one year	**118**	**(83)**	149	(78)	70	(65)
	$ 1,475	**$ (117)**	$ 1,206	$ (92)	$ 1,771	$ (93)

In the years ended December 31, 2010, 2009 and 2008, the movement in allowance for doubtful accounts was as follows:

(US$ million)	2010	2009	2008
At January 1	**$ 92**	$ 93	$ 79
Charge for the year	**45**	40	35
Utilised	**(19)**	(40)	(7)
Translation difference	**(1)**	(1)	(14)
AT DECEMBER 31	**$ 117**	$ 92	$ 93

29. Financial Risk Management Objectives and Policies (continued)

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. The Group exercises 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. 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, 2010

(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	$ 7	$ 20	$ 124	$ 25	$ 5,039	$ 538	$ 5,753
Interest	–	55	462	509	955	123	2,104
Finance lease liabilities	–	1	2	3	7	3	16
Financial instruments included in long-term liabilities	1	2	11	8	60	21	103
TOTAL FIXED-RATE DEBT	8	78	599	545	6,061	685	7,976
Variable-rate debt							
Loans and borrowings							
Principal	235	224	15	283	1,487	20	2,264
Interest	–	19	56	62	89	4	230
Finance lease liabilities	–	5	17	12	19	2	55
TOTAL VARIABLE-RATE DEBT	235	248	88	357	1,595	26	2,549
Non-interest bearing debt							
Financial instruments included in other liabilities	–	–	–	–	–	5	5
Trade and other payables	104	795	31	–	–	–	930
Payables to related parties	177	37	2	–	–	–	216
Amounts payable under put options for shares of subsidiaries	6	–	–	–	21	–	27
Dividends payable	13	–	–	–	–	–	13
TOTAL NON-INTEREST BEARING DEBT	300	832	33	–	21	5	1,191
	$ 543	$ 1,158	$720	$ 902	$ 7,677	$ 716	$ 11,716

29. Financial Risk Management Objectives and Policies (continued)

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

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

Payables to related parties in the tables above do not include advances received in the amount of $1 million, $47 million and $138 million as of December 31, 2010, 2009 and 2008, respectively.

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 rates. The Group's treasury function performs analysis of current interest rates. In case of changes in market fixed or variable interest rates management may consider the refinancing of a particular debt on more favourable terms.

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 the Group assessed the volatility of interest rates during the reporting periods.

	2010		2009		2008	
	Basis points	Effect on PBT (US$ million)	Basis points	Effect on PBT (US$ million)	Basis points	Effect on PBT (US$ million)
LIABILITIES DENOMINATED IN US DOLLARS						
Decrease in LIBOR	**(25)**	**$ 4**	(25)	$ 8	(53)	$ 24
Increase in LIBOR	**100**	**(17)**	100	(30)	53	(24)
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**	(25)	1	(30)	1
Increase in EURIBOR	**100**	**$ (2)**	100	$ (2)	30	$ (1)

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.

29. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (continued)

The Group's exposure to currency risk determined as the net monetary position in respective currencies was as follows:

(US$ million)	2010	2009	2008
USD/RUB	**$ 3,419**	$ 1,732	$ 967
EUR/RUB	**(283)**	(297)	(390)
EUR/USD	**137**	108	180
CAD/USD	**1,180**	1,281	1,611
EUR/CZK	**38**	22	48
USD/CZK	**(282)**	(154)	(216)
USD/ZAR	**66**	41	(7)
EUR/ZAR	**41**	43	20
USD/UAH	**(1)**	(88)	(203)
RUB/UAH	**(43)**	(15)	12

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 the Group assessed the volatility of foreign exchange rates during the reporting periods.

	2010		2009		2008	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	(US$ million)	%	(US$ million)	%	(US$ million)
USD/RUB	**(9.70)**	**(332)**	(15.65)	(271)	(8.98)	(87)
	9.70	**332**	15.65	271	8.98	87
EUR/RUB	**(8.79)**	**25**	(12.18)	36	(8.63)	34
	8.79	**(25)**	12.18	(36)	8.63	(34)
EUR/USD	**(11.32)**	**(16)**	(12.96)	(14)	(14.32)	(26)
	11.32	**16**	12.96	14	14.32	26
CAD/USD	**(10.97)**	**(129)**	(14.02)	(180)	(15.44)	(249)
	10.97	**129**	14.02	180	15.44	249
EUR/CZK	**(5.30)**	**(2)**	(10.28)	(2)	(10.61)	(5)
	5.30	**2**	10.28	2	10.61	5
USD/CZK	**(13.79)**	**39**	(18.52)	29	(18.52)	40
	13.79	**(39)**	18.52	(29)	18.52	(40)
USD/ZAR	**(13.68)**	**(9)**	(21.41)	(9)	(28.52)	2
	13.68	**9**	21.41	9	28.52	(2)
EUR/ZAR	**(11.59)**	**(5)**	(17.74)	(8)	(38.76)	(8)
	11.59	**5**	17.74	8	38.76	8
USD/UAH	**(1.71)**	**–**	(31.30)	28	(11.77)	24
	1.71	**–**	31.30	(28)	11.77	(24)
RUB/UAH	**(9.94)**	**4**	(13.53)	2	(14.73)	(2)
	9.94	**(4)**	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.

The Group held the following financial instruments measured at fair value:

29. Financial Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments (continued)

(US$ million)	2010			2009			2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS MEASURED AT FAIR VALUE									
Available for sale financial assets	**37**	**–**	**–**	43	–	–	33	–	–
Financial assets at fair value through profit or loss	**–**	**–**	**–**	–	–	–	18	–	–
Derivatives not designated as hedging instruments	**–**	**5**	**–**	–	–	–	–	–	–
LIABILITIES MEASURED AT FAIR VALUE									
Liability at fair value through profit or loss	**–**	**–**	**16**	–	–	12	–	–	–
Derivatives not designated as hedging instruments	**–**	**38**	**–**	–	6	–	–	–	–
Deferred consideration payable for the acquisition of Inprom (Note 4)	**21**	**–**	**–**	–	–	–	–	–	–

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)	2010		2009		2008	
	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
Long-term fixed-rate bank loans	**$ 1,201**	**$ 1,198**	$ 1,234	$ 1,197	$ 369	$ 354
Long-term variable-rate bank loans	**1,807**	**1,663**	2,894	2,847	4,253	3,819
8.875 per cent notes due 2013	**1,144**	**1,248**	1,132	1,155	1,260	668
7.25 per cent convertible bonds due 2014	**551**	**650**	528	624	–	–
8.25 per cent notes due 2015	**555**	**615**	551	554	718	374
9.5 per cent notes due 2018	**499**	**565**	497	508	567	284
10.875 per cent notes due 2009	**–**	**–**	–	–	314	302
13.5 per cent bonds due 2014	**670**	**740**	674	667	–	–
9.25 per cent bonds due 2013	**502**	**498**	–	–	–	–
9.95 per cent bonds due 2015	**498**	**496**	–	–	–	–
Liabilities under 12.00 per cent rouble bonds due 2011 and 2013 assumed in business combination	**13**	**12**	–	–	–	–
	$ 7,439	**$ 7,685**	$ 7,510	$ 7,552	$ 7,481	$ 5,801

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	2010	2009	2008
USD	**7.7–8.3%**	8.6–9.5%	10.0–16.8%
EUR	**2.8%**	7.0%	6.6%
RUB	**12.0%**	16.0%	23.0%

Capital Management

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.

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 2010.

29. Financial Risk Management Objectives and Policies (continued)

Capital Management (continued)

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

Transactions that did not require the use of cash or cash equivalents were as follows in the years ended December 31:

(US$ million)	2010	2009	2008
Liabilities for purchases of property, plant and equipment	**$ 70**	$ 49	$ 124
Purchases of property, plant and equipment settled by an offset with accounts receivable	**12**	–	–
Liabilities for purchases of shares in subsidiaries and other entities	**28**	2	15
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
Offset of income tax receivable/(payable) against other taxes	**17**	18	(52)

31. Commitments and Contingencies

Operating Environment of the Group

The Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group's 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 emerging markets with higher economic and political risks.

In the wake of the global financial crisis, there are certain signs of general economic recovery. The stabilisation measures introduced by governments to provide liquidity and support debt refinancing have led to stronger customer demand, increased production levels and improved liquidity in the banking sector.

Nevertheless, in 2010, there was no material uplift in the ship-building, pipe-making, railway transportation, construction, oil and gas industries which are the major customers of the Group and pricing remains volatile. The global economic climate is unstable and this may 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 $34 million.

Contractual Commitments

At December 31, 2010, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $290 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 2011, the Group plans to spend approximately $106 million under these programmes.

31. Commitments and Contingencies (continued)

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.

In the period from 2011 to 2015, the Group is committed to spend approximately $326 million under the environmental programmes.

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. Possible liabilities, which were identified by the Group at the end of the reporting period as those that can be subject to different interpretations of legislation and are not accrued in these financial statements could be up to approximately $29 million.

32. Subsequent Events

There were no significant events after the reporting date.

IX

EVRAZ GROUP S.A. PARENT COMPANY FINANCIAL STATEMENTS

for the Year Ended 31 December 2010

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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 2010, and of the results of its operations for 2010.

By order of the Board

Alexander Frolov
Chief Executive Officer
Evraz Group S.A.

30 March 2011

Ernst & Young
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Independent auditor's report

To the Shareholders and Board of Directors of
Evraz Group S.A.
1, Allée Scheffer
L-2520 LUXEMBOURG

Following our appointment by the General Meeting of the Shareholders dated 17 May 2010, we have audited the accompanying annual accounts of Evraz Group S.A., which comprise the balance sheet as at 31 December 2010 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 and presentation of the annual accounts and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the 'réviseur d'entreprises agréé'

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 for Luxembourg by the 'Commission de Surveillance du Secteur Financier'. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 agréé', 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 agréé' 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 December 31, 2010, 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
Cabinet de révision agréé

Luxembourg, 30 March 2011

Thierry Bertrand

A member firm of Ernst & Young Global Limited

BALANCE SHEET

(In thousands of EUR)

	Notes	2010	2009
ASSETS			
Fixed assets			
Intangible assets	**3**	**95,578**	**118,402**
Financial assets			
Shares in affiliated undertakings	4	5,442,810	5,282,959
Securities held as fixed assets	4	17,816	19,228
Loans to affiliated undertakings	5	967,983	907,968
Other loans	6	329,146	329,146
		6,757,755	**6,539,301**
Current assets			
Debtors			
Amounts owed by affiliated undertakings becoming due and payable within one year	5	113,925	53,785
Other debtors		1,165	89
		115,090	**53,874**
Cash at bank		**5,778**	**16,727**
Prepayments		**4,604**	**5,766**
TOTAL ASSETS		6,978,805	6,734,070
EQUITY AND LIABILITIES			
Capital and reserves	**6**		
Subscribed capital		291,914	291,914
Share premium		1,079,487	1,079,487
Legal reserve		24,501	24,501
Non-distributable reserve for own shares		329,146	329,146
(Loss)/profit brought forward		(163,550)	288
Loss for the year		(572,443)	(163,838)
		989,055	**1,561,498**
Creditors			
Convertible bonds			
becoming due and payable within one year	8	7,706	7,147
becoming due and payable after more than one year	8	486,454	451,201
Non-convertible bonds			
becoming due and payable within one year	7	26,364	24,453
becoming due and payable after more than one year	7	1,677,743	1,556,157
Amounts owed to credit institutions			
becoming due and payable within one year	9	26,507	751,821
becoming due and payable after more than one year	9	710,971	1,467,843
Amounts owed to affiliated undertakings			
becoming due and payable within one year	10	1,827,202	447,561
becoming due and payable after more than one year	10	710,971	–
Other creditors			
becoming due and payable within one year	11	9,004	35,397
becoming due and payable after more than one year	11	13,835	10,352
		5,496,757	**4,751,932**
Deferred income	**2**	**492,993**	**420,640**
TOTAL EQUITY AND LIABILITIES		6,978,805	6,734,070

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

PROFIT AND LOSS ACCOUNT

(In thousands of EUR)

	Notes	2010	2009
Charges			
Value adjustment in respect of intangible fixed assets	3	40,499	11,729
Value adjustment in respect of current assets	4,5	–	21,462
Other operating charges		43,736	38,840
Value adjustment in respect of financial assets and of transferable securities held as current assets	4	1,412	2,021
Interest payable and similar charges			
– concerning affiliated undertakings	10	97,922	8,006
– exchange loss		342,666	–
– interest expense in respect of notes and bank loans		257,194	289,453
– other		745	1,522
Loss on disposal of investments	4	–	58,199
Other taxes	13	6,582	9,431
		790,756	440,663
Income			
Other interest receivable and similar income			
– concerning affiliated undertakings	5	69,178	141,638
– exchange gain		–	21,074
– gain from extinguishment of debts	7	–	90,215
– other		1,347	1,130
Gain on sale of investments	4	–	366
Value adjustment in respect of financial assets and of transferable securities held as current assets	4	147,788	22,402
Loss for the financial year		572,443	163,838
		790,756	440,663

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

NOTES TO THE ANNUAL ACCOUNTS

for the year ended December 31, 2010
(All monetary amounts are expressed in thousands)

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.

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 the Company.

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 of 2008–2009. The Company reported net loss of EUR 572,443 for the year ended December 31, 2010. The current liabilities were EUR 1,896,783 (including loans due to the Company's subsidiaries of EUR 1,827,202 with maturities in 2011) and exceeded current assets by EUR 1,781,693.

The current maturities are expected to be covered by free cash flows, dividends from subsidiaries and refinancing of current debts.

In November 2009, the Company reset certain financial covenants and obtained waivers from its lenders (Notes 3, 7, 9). At December 31, 2009 and 2010, 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 Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group's 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 emerging markets with higher economic and political risks.

In the wake of the global financial crisis, there are certain signs of general economic recovery. The stabilisation measures introduced by governments to provide liquidity and support debt refinancing have led to stronger customer demand, increased production levels and improved liquidity in the banking sector.

Nevertheless, in 2010, there was no material uplift in the ship-building, pipe-making, railway transportation, construction, oil and gas industries which are the major customers of the Group's subsidiaries and pricing remains volatile. The global economic climate is unstable and this may negatively affect the Company's results and financial position in a manner not currently determinable.

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.

Certain reclassifications have been made in the prior year balance sheet to conform to the current year presentation.

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, 2010, the deferred unrealised exchange gains amounted to EUR 487,387 (2009: EUR 418,523).

2. Significant Accounting Policies (continued)

(All monetary amounts are expressed in thousands)

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.

3. Intangible Assets

In November 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.

In April 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.

In November 2010, the Company received a new syndicated loan arranged by Deutsche bank (Note 9). Transaction costs in respect of this loan amounting to USD 21,826 (EUR 16,200) were capitalised and amortised on a straight-line basis over the life of the loan.

(All monetary amounts are expressed in thousands)

4. Shares in Affiliated Undertakings and Securities Held as Fixed Assets

	2010	2009
Shares in affiliated undertakings		
Mastercroft Limited	3,831,982	3,831,982
Strategic Minerals Corporation	106,297	94,291
Vanston Limited	42,500	42,500
Evraz Vitkovice Steel	11	11
Palmrose Limited	879,896	732,108
Evraz Inc. NA Canada	582,038	582,038
ECS Holdings Europe B. V.	85	29
East Metals N.A. LLC	1	–
Evraz Overseas S.A.	–	–
	5,442,810	**5,282,959**
Securities held as fixed assets		
Delong Holdings Limited	17,816	19,228
	5,460,626	**5,302,187**

Mastercroft Limited

At December 31, 2010 and 2009, the Company held 100% of the shares in Mastercroft.

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. NA 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. NA, 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.

At December 31, 2010 and 2009, the underlying equity of Mastercroft amounted to EUR 4,108,113 and EUR 3,706,755, respectively.

Strategic Minerals Corporation

At December 31, 2009, the Company owned 72.84% of ordinary shares of Strategic Minerals Corporation ('Stratcor'), including 69.00% of voting shares. The cost of investments amounted to USD 120,471 (EUR 94,291), including transaction costs of USD 1,383 and fair value of contingent consideration amounting to USD 21,161.

In 2009, the Company paid USD 7,956 (EUR 5,821) to acquire a 5.92% ownership interest in Stratcor, which was shown as a prepayment in the balance sheet at December 31, 2009. The ownership rights have been transferred to the Company in January 2010.

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 2010, the Company fully repaid to the sellers earn-out liabilities in the amount of USD 16,435 and re-assessed its future synergy payments, which led to an increase in the investments in Stratcor by EUR 6,185 (2009: decrease by EUR 3,500).

At December 31, 2010, the Company owned 78.76% of Stratcor, the cost of these investments was equal to EUR 106,297.

At December 31, 2010 and 2009, the underlying equity of Stratcor amounted to USD 97,515 (EUR 72,979) and USD 103,697 (EUR 71,982), respectively.

4. Shares in Affiliated Undertakings and Securities Held as Fixed Assets (continued)

(All monetary amounts are expressed in thousands)

Vanston Limited

In 2006, the Company acquired 100% ownership interest in Vanston Limited from Mastercroft for EUR 42.500. Vanston Limited owns Evraz Palini e Bertoli.

At December 31, 2010 and 2009, the underlying equity of Vanston amounted to EUR 50,887 and EUR 51,893, respectively.

Evraz Vitkovice Steel

Evraz Vitkovice Steel, a steel rolling mill located in the Czech Republic, is a wholly-owned subsidiary of the Company acquired in 2005.

At December 31, 2010 and 2009, the underlying equity of Evraz Vitkovice Steel amounted to EUR 118,989 and EUR 333,884, 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, Dneprokoks, Dneprodzerzhinsk Coke Chemical Plant).

Lanebrook, the Company's parent, acquired these production assets in 2007.

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). In June 2008, that agreement was amended increasing the cash portion of the consideration payable to Lanebrook by USD 18,000.

On September 9, 2008, the Company issued 4,195,150 shares in exchange for a 48.6% interest in 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).

In 2008, the Company recognised an impairment loss in the amount of EUR 721,846 in respect of investments in Palmrose. In 2010 and 2009, an impairment amounting to EUR 147,788 and EUR 19,227, respectively, 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, 2010 and 2009, the underlying equity of Palmrose amounted to EUR 1,576,047 and EUR 1,462,198, respectively.

Evraz Inc. NA Canada

Evraz Inc. NA Canada is a leading North American producer of steel plate, as well as pipe for the oil and gas industry. The Company acquired a 100% interest in the subsidiary in 2008.

On February 27, 2009, Evraz Inc. NA 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. NA Canada (Note 5).

At December 31, 2010 and 2009, the underlying equity of Evraz Inc. NA Canada amounted to EUR 684,011 and EUR 542,651, respectively.

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.

In 2010 and 2009, the Company contributed EUR 56 and EUR 11, respectively, to the capital of ECS Holdings Europe B.V.

At December 31, 2010 and 2009, the underlying equity of ECS Holdings Europe B.V. amounted to EUR (3) and EUR (1), respectively.

East Metals N.A. LLC

On March 10, 2010, the Company incorporated a wholly-owned subsidiary in USA – East Metals N.A. LLC. The share capital of the subsidiary amounted to USD 1 (EUR 1). At December 31, 2010, the share capital was unpaid.

At December 31, 2010, the underlying equity of East Metals N.A. LLC amounted to EUR (186).

4. Shares in Affiliated Undertakings and Securities Held as Fixed Assets (continued)

(All monetary amounts are expressed in thousands)

Highveld Steel and Vanadium Limited

Evraz Highveld Steel and Vanadium Limited ('Highveld') is one of the largest steel producers in South Africa and a leading producer of vanadium products. The Company acquired a controlling interest in Highveld in 2007.

On June 23, 2009, the Company contributed its ownership interest in Highveld (85.12%) 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.

Evraz Inc. NA

Evraz Inc. NA, located in the United States and Canada, produces plates, pipes, rails and other long steel products. The Company acquired this subsidiary in 2007.

In June 2009, the Company made a cash contribution to Evraz Inc. NA 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. NA have been contributed to the share capital of Mastercroft and the loans receivable from Evraz Inc. NA have been transferred to Mastercroft Finance Limited. Gain on disposal of investments in Evraz Inc. NA amounting to USD 515 (EUR 366) was recognised in the profit and loss account for the year ended December 31, 2009.

Emmy N.A.

Emmy N.A. S.a.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.a.r.l. was liquidated.

Evraz Overseas

Evraz Overseas S.A., a wholly owned subsidiary located in Switzerland, was established in 2007.

At December 31, 2009 and 2010, 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.

From November 2010, Evraz Overseas S.A. is under liquidation procedures.

At December 31, 2010 and 2009, the underlying equity of Evraz Overseas amounted to EUR 495 and EUR (6,866), respectively.

Delong Holdings Limited

Investments in Delong Holdings Limited represent approximately 10.01% ownership interest in the entity acquired in 2008 for EUR 102,226.

The investments are measured at market quotations. 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. In 2010, the Company recognised an impairment loss in the amount of EUR 1,412 due to a decrease in market prices for the shares of Delong.

5. Loans to Affiliated Undertakings and Other Amounts Owed by Affiliated Undertakings

	Type of receivables	2010	2009
Becoming due and payable within one year			
Vanston Limited	loan	–	16,886
Evraz Highveld Steel and Vanadium Limited	other receivables	–	16
Lanebrook Limited	other receivables	39,835	36,883
Mastercroft Finance Limited	other receivables	74,090	–
		113,925	**53,785**
Becoming due and payable after more than one year			
Vanston Limited	loan	17,886	–
Lanebrook Limited	loan	34,426	–
Evraz Inc. NA Canada	loan	915,671	907,968
		967,983	**907,968**
		1,081,908	961,753

5. Loans to Affiliated Undertakings and Other Amounts Owed by Affiliated Undertakings (continued)

(All monetary amounts are expressed in thousands)

Lanebrook Limited

On June 18, 2010, the Company entered into a loan agreement with Lanebrook Limited. According to the agreement the Company issued a loan to Lanebrook Limited in the amount of USD 46,000 (EUR 34,426 as of the end of the year). The loan bears interest at the rate of 7.85% and matures after 2 years. At the same time the Company entered into a Guarantee and Indemnity Agreement with Lanebrook Limited for the amount of USD 7,222 (EUR 5,837 as of the date of transaction). The amount of guarantee was offset against interest on loan at the same date. The guarantee amount is amortised over its maturity period.

Mastercroft Finance Limited

On November 15, 2010, the Company entered into an assignment agreement with Sberbank with respect to the loans received by Inprom Group from the bank. The amount of the assignment was determined as of December 24, 2010 and amounted to EUR 151,976 (at the exchange rate as of the date of the transaction). The consideration paid was RUR 3,021,654 (EUR 75,221).

On December 24, 2010, the Company entered into an assignment agreement with Mastercroft Finance Limited for these loans. The consideration of USD 99,000 (EUR 74,090) was recognised by the Company as an amount receivable from Mastercroft Finance Limited.

The Company recognised net income of EUR 358 on these transactions.

In the year ended December 31, 2010 and 2009, the movement of loans issued to related parties was as follows:

Loans denominated in USD

Year ended December 31, 2010

	Interest rate	Maturity date	Balance at December 31, 2009	Loans issued to related parties	Interest income	Settlements of the loans	Effect of exchange rate changes	Balance at December 31, 2010
Evraz Inc. NA Canada	Libor+5.8%	10.12.2014	800,000	–	49,247	(49,247)	–	800,000
Lanebrook Limited	7.85%	22.06.2012	–	46,000	1,926	(1,926)	–	46,000
			800,000	**46,000**	**51,173**	**(51,173)**		**846,000**
TRANSLATION INTO EUR			555,324	37,526	38,601	(38,817)	40,505	633,139

Year ended December 31, 2009

	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. NA Canada	7.6225%/ 6.03531%	10.12.2014	800,000	–	–	61,192	(61,192)	–	–	800,000
Evraz Inc. NA loan A	9.17%	26.06.2009	320,000	(1,937)	–	14,924	(334,924)	1,937	–	–
Evraz Inc. NA loan B	9.41%	26.06.2009	295,000	(1,852)	–	14,122	(309,122)	1,852	–	–
Evraz Inc. NA loan C	9.67%	26.06.2009	360,000	(945)	–	17,715	(377,715)	945	–	–
Evraz Inc. NA loan D	9.78%	26.06.2009	370,000	–	–	18,417	(388,417)	–	–	–
Evraz Inc. NA 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

Year ended December 31, 2010

	Interest rate	Maturity date	Balance at December 31, 2009	Loans issued to related parties	Interest income	Settlements of the loans	Effect of exchange rate changes	Balance at December 31, 2010
Vanston Limited	7.20%	31.10.2012	16,886	–	1,000	–	–	17,886
			16,886	–	1,000	–	–	17,886

5. Loans to Affiliated Undertakings and Other Amounts Owed by Affiliated Undertakings (continued)

Loans denominated in USD (continued)

(All monetary amounts are expressed in thousands)

Year ended December 31, 2009

	Interest rate	Maturity date	Balance at December 31, 2008	Loans issued to related parties	Interest income	Settlements 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

Year ended December 31, 2010

	Interest rate	Maturity date	Balance at December 31, 2009	Loans issued to related parties	Interest income	Settlements of the loans	Effect of exchange rate changes	Balance at December 31, 2010
Evraz Inc. NA Canada	8.08%	12.06.2018	533,480	–	40,378	(151,575)		422,283
			533,480	–	40,378	(151,575)	–	422,283
TRANSLATION INTO EUR			352,644	–	29,577	(112,162)	46,899	316,958

Year ended December 31, 2009

	Interest rate	Maturity date	Balance at December 31, 2008	Loans issued to related parties	Interest income	Settlements of the loans	Effect of exchange rate changes	Balance at December 31, 2009
Evraz Inc. NA 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, 2010.

6. Capital and Reserves

Subscribed Capital

	2010	2009
Authorised		
Ordinary shares of EUR 0.002 each	257,204,326	257,204,326
Issued and fully paid		
Ordinary shares of EUR 0.002 each	145,957,121	145,957,121

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.

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.

6. Capital and Reserves (continued)

Subscribed Capital (continued)

(All monetary amounts are expressed in thousands)

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 of 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).

SHARES LENDING

In 2009, 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 of December 31, 2010 and 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 for the year ended December 31, 2009.

NON-DISTRIBUTABLE RESERVES

In 2009, the Company recognised a non-distributable reserve for the contributed rights under the shares 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, EUR 839 was allocated to legal reserve. No allocation to legal reserve was made in 2010.

Dividends

No dividends were declared in 2009 and 2010.

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 of December 31, 2010 and 2009, the accrued interest amounted to USD 6,793 (EUR 5,084) and USD 6,793 (EUR 4,715), respectively.

In 2009, the Company repurchased the notes due 2015 with the nominal amount of USD 148,100 for a cash consideration of USD 90,028. As a result, the Company recognised gain on extinguishment of debts in the amount of USD 58,072 (EUR 45,378).

7. Non-convertible Bonds (continued)

(All monetary amounts are expressed in thousands)

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 of December 31, 2010 and 2009, the accrued interest amounted to USD 28,434 (EUR 21,280) and USD 28,434 (EUR 19,738), respectively.

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 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. This amount was fully paid in 2010.

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 of December 31, 2010 and 2009, the accrued interest amounted to USD 10,296 (EUR 7,706) and USD 10,296 (EUR 7,147), respectively.

(All monetary amounts are expressed in thousands)

9. Amounts Owed to Credit Institutions

Year ended December 31, 2010

	Interest rate	Maturity date	Balance at December 31, 2009	Loans recieved	Interest expense	Settlement of the loans	Effect of exchange rate changes	Balance at December 31, 2010
Natixis	6.681%+margin	06.06.2011	96,906	–	5,735	(70,314)	–	32,327
Deutsche Bank	Libor+margin	23.11.2015	2,087,205	–	64,108	(1,198,220)	–	953,093
Vnesheconombank	Libor+5%	26.05.2010	1,013,528	–	25,456	(1,038,984)	–	–
			3,197,639	–	95,299	(2,307,518)	–	985,420
TRANSLATION INTO EUR			2,219,658	–	71,886	(1,796,391)	242,326	737,479

Year ended December 31, 2009

	Interest rate	Maturity date	Balance at December 31, 2008	Loans recieved	Interest expense	Settlement of the loans	Effect of exchange rate changes	Balance at December 31, 2009
Natixis	6.681%+margin	06.06.2011	161,400	–	8,643	(73,137)	–	96,906
Deutsche Bank	Libor+margin	23.11.2012	2,899,419	–	70,863	(883,077)	–	2,087,205
Vnesheconombank	Libor+5%	26.05.2010	1,006,047	805,255	99,578	(897,352)	–	1,013,528
			4,066,866	805,255	179,084	(1,853,566)		3,197,639
TRANSLATION INTO EUR			2,922,229	579,682	128,394	(1,302,285)	(108,362)	2,219,658

During 2010, the margin on loan from Natixis has been changed from 2.55% to 1.55% and the margin on loan from Deutsche bank has been changed from 1.8% to 3.8% and then reduced to 2.8%.

In November 2010, the Company entered into a new structured credit facility agreement for a syndicated loan of USD 950.000 under which Deutsche Bank Amsterdam Branch acted as an agent for all lenders. The conditions of the agreement are the same as for the previous one, except the repayment dates. The new loan bears interest of LIBOR plus 2,8% per annum payable quarterly. The loan is repayable in quarterly installments from February 23, 2012 to November 23, 2015.

10. Amounts Owed to Affiliated Undertakings

	Type of receivables	2010	2009
Becoming due and payable within one year			
East Metals S.A.	loan	134,142	305,801
Mastercroft Finance Limited	loan	–	28,082
KGOK	loan	301,725	3,151
NTMK	loan	659,056	56,992
ZSMK	loan	569,416	44,708
Evrazholding Finance	loan	42,776	–
Sibmetinvest	loan	53,478	–
Evraz Inc. NA Canada	other payables	369	–
Mastercroft Finance Limited	other payables	35,919	10
Other related parties	other payables	30,321	8,817
		1,827,202	**447,561**
Becoming due and payable after more than one year			
NTMK	loan	224,517	–
ZSMK	loan	374,195	–
NKMK	loan	112,259	–
		710,971	**–**
		2,538,173	447,561

10. Amounts Owed to Affiliated Undertakings (continued)

(All monetary amounts are expressed in thousands)

In the year ended December 31, 2010 and 2009, the movement in loans received from related parties, all of which were denominated in US dollars, was as follows:

Year ended December 31, 2010

	Interest rate	Maturity date	Balance at December 31, 2009	Loans recieved from related parties	Interest expense	Repayment of the loans	Effect of exchange rate changes	Balance at December 31, 2010
Mastercroft Finance Limited	7.35%	31.12.2010	40,456	37,000	3,978	(81,434)	–	–
East Metals S.A.	6.00%	31.12.2011	440,537	41,000	18,203	(320,500)	–	179,240
KGOK	6.00%	31.12.2011	4,539	4,600	511	–	–	9,650
KGOK	7.80%	31.12.2011	–	72,899	3,438	–	–	76,337
KGOK	6.00%	31.07.2011	–	140,000	2,894	–	–	142,894
KGOK	6.50%	31.07.2011	–	116,900	1,228	–	–	118,128
KGOK	6.00%	30.11.2011	–	56,000	156	–	–	56,156
NTMK	6.00%	31.12.2011	82,102	196,700	14,734		–	293,536
NTMK	7.80%	31.12.2011	–	183,958	8,282	(46,001)	–	146,239
NTMK	7.80%	23.07.2015	–	300,000	14,104	(14,104)	–	300,000
NTMK	6.00%	31.07.2011	–	100,000	1,731	–	–	101,731
NTMK	6.50%	31.07.2011	–	312,700	3,413	–	–	316,113
NTMK	6.00%	30.11.2011	–	23,000	11	–	–	23,011
ZSMK	6.00%	31.12.2011	64,406	219,500	14,236	–	–	298,142
ZSMK	7.80%	31.12.2011	–	182,576	7,854	(88,001)	–	102,429
ZSMK	7.80%	23.07.2015	–	500,000	23,507	(23,507)	–	500,000
ZSMK	6.00%	31.07.2011	–	100,000	1,780	–	–	101,780
ZSMK	6.50%	31.07.2011	–	236,115	2,355	–	–	238,470
ZSMK	6.00%	30.11.2011	–	20,000	33	–	–	20,033
NKMK	7.80%	23.07.2015	–	150,000	7,052	(7,052)	–	150,000
EvrazHolding Finance	6.00%	30.11.2011	–	57,000	157	–	–	57,157
Sibmetinvest	6.00%	30.11.2011	–	71,300	157	–	–	71,457
			632,040	3,121,248	129,814	(580,599)	–	3,302,503
TRANSLATION INTO EUR			438,734	2,410,096	97,922	(440,310)	(34,877)	2,471,565

Year ended December 31, 2009

	Interest rate	Maturity date	Balance at December 31, 2008	Loans recieved from related parties	Interest expense	Repayment of the 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

(All monetary amounts are expressed in thousands)

11. Other Creditors

Other creditors comprise of the following:

	2010	2009
Becoming due and payable within one year		
Accrued payroll and related taxes	–	121
Taxes payable	706	79
Earn out and synergy payments (Note 4)	4,257	11,408
Other payables	4,041	23,789
	9,004	**35,397**
Becoming due and payable after more than one year		
Earn out and synergy payments (Note 4)	13,835	10,352
	13,835	10,352
	22,839	45,749

12. Income from Participating Interests

In 2010 and 2009, subsidiaries of the Company did not declare and paid any dividends.

13. Taxation

The Company is subject to all taxes applicable to Luxembourg commercial companies.

In 2010, the Company reassessed VAT returns and made a reversal of the tax in the amount of EUR 1,135 that was accrued in 2009.

14. Guarantees

At December 31, 2010, the Company 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, 2010 (thousands of EUR)	Maturity
Sibmetinvest	bonds	491,120	October 10, 2019
EvrazHolding Finance	bonds	368,340	March 13, 2020
EvrazHolding Finance	bonds	368,340	October 26, 2015
Evraz Vitkovice Steel	credit line	13,799	November 30, 2011
Evraz Vitkovice Steel	credit line	3,309	December 31, 2011
Evraz Vitkovice Steel	credit line	14,074	not defined
TC EvrazHolding	credit line	44,903	June 24, 2014
NTMK	credit line	37,420	July 29, 2013
NTMK	credit line	34,651	June 22, 2014
NTMK	credit line	111,435	June 29, 2014
NTMK	credit line	22,452	June 27, 2012
NTMK	credit line	23,618	December 31, 2018
ZSMK	credit line	37,420	July 29, 2013
ZSMK	credit line	111,286	June 29, 2014
ZSMK	credit line	26,194	June 27, 2012
NKMK	credit line	7,484	June 27, 2012
NKMK	credit line	5,890	February 28, 2023
NKMK*	credit line	–	September 30, 2020

* The credit line is not utilised at December 31, 2010, the limit of the guarantee amounts to EUR 55,180.

15. Subsequent Events

There were no significant events after the reporting date.

ABBREVIATIONS AND ACRONYMS

AGM
Annual General Meeting

BOF
Basic oxygen furnace

CAD
The Canadian Dollar

CEO
Chief Executive Officer

CIS
The Commonwealth of Independent States

CZK
The Czech Koruna

EBITDA
Earnings Before Interest, Taxes, Depreciation and Amortisation

ERM
Enterprise Risk Management

ERW
Electric Resistance Welded

EU
European Union

EUR or €
The Euro

FeV
Ferro-vanadium

GDP
Gross Domestic Product

GDR
Global Depositary Receipts

IAS
International Accounting Standard

IFRS
International Financial Reporting Standards

kt
Thousand tonnes

ktpa
Thousand tonnes per annum

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
Oil Country Tubular Goods

p.a.
Per annum, annually

RoW
Rest of the world

RUB
The Russian Rouble

SMED
Single-Minute Exchange of Die

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'

V_2O_5
Vanadium pentoxide

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
A structural element. Beams are characterised by their profile (the shape of their cross-section). One of the most common types of steel beam is the I-beam, also known as H-beam, or W-beam (wide-flange beam), or a 'universal beam/column'. Beams are widely used in the construction industry and are available in various standard sizes, e.g. 40-k beam, 60Sh beam, 70Sh beam as mentioned in this report

40-K shaped blanks
Semi-finished product used to produce 40-k

Billet
A usually square, semi-finished steel product obtained by continuous casting or rolling of blooms. Sections, rails, wire rod and other rolled 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 enrichment, with a high grade of extracted mineral

Construction products
Include beams, channels, angles, rebars, wire rods, wire and other goods

Consumption
The physical use of steel by end users

Converter
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 desulfurisation, and add strength. Examples: ferrochrome, ferromanganese, ferrosilicon and ferrovanadium.

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

Greenfield project
The development or exploration of a new project not previously examined

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. Because 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
Oilfield Casing and Tubing Goods or 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. Rebar A500SP is a type of reinforcing bar that allows for a reduction in the metallic component of reinforced concrete, thereby significantly lowering construction costs

Scrap
Iron containing recyclable materials (mainly industrial or household waste) that is generally remelted and processed into new steel

Semi-finished steel products
The initial product forms in the steel making process including slabs, blooms, billets and pipe blanks that are further processed into more finished products such as beams, bars, sheets, tubing, etc.

Shale gas
Shale gas is an unconventional natural gas that exists in certain shale formations. Shale possesses low permeability, and the shale gas boom in recent years reflects the utilisation of modern technology including horizontal drilling, multi stage fracturing and micro seismic monitoring

Sheet pile
A long structural section with interlocking connections

Single-Minute Exchange of Die (SMED)
A production method used to fasten the manufacturing process and reduce waste

Sinter
An iron rich clinker formed by heating iron ore fines and coke in a sinter line. The materials, in pellet form, combine efficiently in the blast furnace and allow for more consistent and controllable iron manuracture.

Slab
A 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 line 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

INTERESTING FACTS ABOUT EVRAZ

NTMK (THE URALS)

The only open air ‘steel manufacturing’ museum in Russia is situated in Nizhny Tagil, on the site of the old Demidovsky iron plant, where first records of pig iron production date back to Christmas Day 1725. Almost half of the production was for export, primarily to the United Kingdom.

NTMK’s universal beam mill is the only unit in Russia and the CIS that produces large beams and column sections with lengths that range from 150 to 1,000 millimetres.

Documents relating to the work of a group of innovative industrialists at NTMK to develop progressive manufacturing solutions, were published in Forbes Magazine in 2008.

KGOK (THE URALS)

The original meaning of Kachkanar, as in the Kachkanar Mountain that gave birth to the Kachkanarsky Ore Mining and Processing Plant (now EVRAZ KGOK) is something of a mystery. The Tatar translation is ‘Hidden’ or ‘Disappearing’ mountain while the Turco equivalent is 'kesh-kener' or ‘double-humped camel'. Just for good measure the Ukrainian version is 'kachka' whereby the Kachkanar Mountain transmogrifies into Duck Mountain.

EVRAZ Kachkanarsky Ore Mining and Processing Plant pioneered the enrichment of poor in iron content titanomagnetite ores.

VGOK (THE URALS)

In 1836 miners working 80 metres below ground at the Vysokogorsky ore deposit’s Mednorudyansky field discovered one of the largest malachite formations in the world. The boulder was 17 metres long and weighed 380,000 tonnes. To put this in perspective the creation of the unique Malachite Hall at Saint Petesburg's famous State Hermitage Museum required just 2,000 tonnes of malachite.

Clerks of the Russian Imperator Peter the Great were unable to scale the Vysokaya Mountain (mother of the Vysokogorsky ore deposit) because their iron heeled shoes got stuck in the mountain’s surface – in those days the iron content of the ores mined exceeded 60%.

EVRAZ Vysokogorsky Ore Mining and Processing Plant, one of the oldest ore mining plants in the world, is celebrating its 300th Anniversary in 2011.

YUZHKUZBASSUGOL (SIBERIA)

Coal mined by Yuzhkuzbassugol is consumed in numerous parts of the world including: Ukraine, Romania, Austria, Poland, Slovenia, Slovakia, Lithuania, Turkey, Bulgaria, Finland, Germany, Italy, the UK, China, Japan and Korea.

The Osinnikovskaya coal mine, an offshoot of Yuzhkuzbassugol (EVRAZ's coal mining subsidiary) is 790 metres deep. This equates to the average depth of Lake Baikal, the world’s deepest lake situated in East Siberia.

Over a period of 41 years (1969-2010) Yuzhkuzbassugol’s mines have produced 917.8 million tonnes of coal. Transportation of this amount of coal would require 15 million freight cars

NKMK (SIBERIA)

Over a period of 79 years (as of March 2011) NKMK produced 432,448 kilometres of rail. This is further than the moon’s distance from the Earth (384,400 kilometres) and is equivalent to encircling the Earth 24 times.

Over a period of 79 years (as of March 2011) NKMK produced 55.3 million sections of R-65 type rail, the weight of which is nine times greater than the Great Pyramid of Cheops. A total of 420,000 railway platforms would need to be laid end to end to facilitate the transfer of this number of rails.

NKMK’s annual output of 700,000 tonnes of rail is equivalent to the weight of the Taipei complex in Taiwan, China: one of the highest skyscrapers in the world.

ZSMK (SIBERIA)

Over a period of 46 years West Siberian Heat and Power Plant (‘Zapsib Power Plant’ – an energy generating branch of EVRAZ ZSMK) has produced enough kWh of electricty to supply the requirements of Italy’s entire population for one year and those of the citizens of Moscow for five years.

Rolled products of ZSMK (currently EVRAZ ZSMK) were used in the construction of the following notable buildings/projects: the Cathedral of Christ the Savior (Moscow); the State Kremlin Palace (Moscow); the Commemorative complex at the Poklonnaya Gora area (Moscow); the Olympic Village (Moscow); the cycle track in the Krylatsky area (Moscow); the Moscow Metro; 60% of Moscow’s residential buildings; the Krasnoyarsky and Sayano-Shushensky Hydro Power Plants (Russia); the Baikal-Amur Highway (Russia); the casino complex which opened in Macau, China, in 2004 and the new Hong Kong International Airport.

DMZ (UKRAINE)

The famous Gogotsky lifting apparatus (electric tool used to convey raw material to blast furnace) was invented at DMZ Petrovskogo (currently EVRAZ DMZ Petrovskogo) by Nikolay Gogotsky, the plant’s engineer.

In 1926 DMZ Petrovskogo (currently EVRAZ DMZ Petrovskogo) commissioned an open-hearth furnace with 100 tonnes of capacity: the largest in the world at that time.

The sound of the EVRAZ DMZ Petrovskogo plant hooter can be heard within a radius of 10 kilometres.

Souvenir hangers of Misha the Bear, the symbol of the 1980 Moscow Olympic Games, were produced by DMZ Petrovskogo (currently EVRAZ- DMZ Petrovskogo) in its consumer goods workshop.

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.

EVRAZ is a Component of the Following Recognised Market Indices:

Dow Jones Emerging Markets Basic Materials Titans 30 Index

FTSE Russia IOB Index (15 constituents)

The DAXglobal Russia+Index (Bloomberg ticker: DXRPUS)

Russian Industrial Leaders Index, 30 components, (RUXX), calculated by Dow Jones Indexes

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Further Information

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Availability of Annual Report
EVRAZ Group's Annual Report for 2010 and those for previous years can be downloaded from the 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:
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Cautionary Statements
The EVRAZ Group S.A. Annual Report and Accounts for 2010 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.

Red Deer
Hot Springs
Ostrava
Regina
Nizhny Tagil
Nakhodka
Novokuznetsk
Kuzbass
Calgary
Sheregesh
Camrose
San Giorgio di Nogaro
Portland
Pueblo
Kachkanar
eMalahleni
Claymont