

EVRAZ ANNOUNCES FINANCIAL RESULTS FOR 2010

31 March 2011 – Evraz Group S.A. (LSE: EVR) (EVRAZ) today announces its audited financial results for the year ended 31 December 2010.

2010 Highlights:**Financials:**

- Consolidated revenue **US\$13,394 million** (+37% vs. 2009)
- Consolidated adjusted EBITDA **US\$2,350 million** (+90%)
- Net profit **US\$532 million** (net loss US\$292* million in 2009)
- Operating cash flow **US\$1,662 million**
- Total debt **US\$7,811 million** (vs. US\$7,923 million as of 31 December 2009) of which short-term debt **US\$714 million** (vs. US\$1,992 million as of 31 December 2009)

Steel segment:

- Crude steel production 16.3 million tonnes (+7%)
- Total external steel sales volumes 15.5 million tonnes (+9%)
- Steel segment revenue US\$12,123 million (+35%)

Mining segment:

- Iron ore production 19.8 million tonnes (+6%)
- Raw coking coal production 7.5 million tonnes (-27%)
- Steam coal production 3.8 million tonnes (-8%)
- Mining segment revenue US\$2,507 million (+72%)

Vanadium segment:

- Primary vanadium (slag) production 20,969 tonnes (+8%)
- External vanadium product sales volumes 19,776 tonnes (+9%)
- Vanadium segment revenue US\$566 million (+56%)

Corporate developments:

- Successful tender for the licences to develop the Mezhegey coking coal deposit in March 2010 and the Mezhegey Eastern coking coal deposit in October 2010
- Launch of major rail mill modernisation projects
- Commencement of implementation of pulverised coal injection (PCI) technology at two Russian steel mills
- Approval for construction of Yuzhny Rolling Mill in the Rostov Region of Southern Russia and the Kostanay Rolling Mill in Kazakhstan, each with 450,000 tonnes of construction steel capacity
- Acquisition in December 2010 of INPROM, a Russian metal service company, to strengthen EVRAZ's distribution network
- Conversion in January 2011 of old order mining rights into new order mining rights for Mapochs Mine in South Africa

* Net income numbers do not correspond to the 2009 financial statements due to the changes in the accounting policies (Note 2 to Financial Statements)

Financial management:

- Approximately US\$ 3.6 billion of 2010-2011 maturities refinanced in 2010 through:
 - RUB30 billion (approx. US\$1 billion) total rouble bond issues in March and November
 - US\$950 million 5-year Gazprombank loan in May
 - US\$404 million 4-year loan from Nordea Bank in July
 - CAD300 million (approx. US\$285 million) 4-year committed revolving credit facility secured by Evraz Inc. NA Canada in September
 - US\$950 million 5-year pre-export finance facility in November
- AGM held on 17 May 2010 approved the decision not to pay any dividends in respect of 2009

CAPEX:

- CAPEX in 2010 amounted to US\$832 million compared with US\$441 million in 2009
- CAPEX for FY2011 is expected to total approximately US\$1.2 billion

Alexander Frolov, Chief Executive of Evraz Group, commented:

“In 2010 we have seen the continuation of a recovery in steel demand across all our key markets. Our steelmaking capacities in Russia were fully utilised and we significantly increased the utilisation rates of our international operations.

“As a reflection of the recovery in the domestic market, we increased the share of our steel sales to Russia and Ukraine from 44% to 58% of total sales from our Russian and Ukrainian mills. This allowed us to fully utilise our rolling capacities in Russia, shifting our product mix from semi-finished steel towards 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 relation to infrastructure investment on behalf of local governments.

“As part of our raw material base development we acquired the licence to develop the Mezhegey coal deposit in Russia, a project that will significantly enhance our coking coal mining volumes within the next several years.

“In order to strengthen EVRAZ’s position in the current markets we commenced the construction of new rolling facilities in regions with growing demand, namely South of Russia and Kazakhstan.

“We also created one of the largest steel distribution companies in CIS by acquiring INPROM, a metal service enterprise, and combining it with our current 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 high value-added products.

“Also, in 2010 we have put the spotlight on health and safety, making sure it has the due attention of management and workers and the necessary level of investment. To support this, we have created a new vice president role dedicated to health, safety and environment and we are expecting to see a marked improvement in 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.

“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.”

Giacomo Baizini, Evraz Group’s Chief Financial Officer, commented:

“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 open 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 pre-export finance facility. In the wake of our refinancing exercise, short-term debt is now no longer an issue.

“As announced in January 2011, we changed our accounting policies in respect of certain classes of property, plant and equipment from the revaluation model back to the historical cost method, as utilized prior to 2009. This will serve to provide more relevant information with regard to the Company’s financial position and performance, and will also give better comparability with our peers, all of which favour the historical cost method.”

Outlook

Commenting on the outlook for 2011, **Mr. Frolov** stated:

“Global steel markets, while remaining distinctly sensitive, have posted a promising start to the year which points to a broader based recovery across all our markets. The prices and availability of steelmaking raw materials – iron ore, coking coal and scrap – will continue to drive steel prices.

“We are confident that Evraz Group, as a cost efficient vertically integrated and geographically diversified company, is well positioned to pursue its growth strategy and benefit from any upturns in world markets.”

Mr. Baizini added:

“Based on our sales at the onset of 2011, we expect Russian demand for construction steel to grow by more than 10% in 2011 compared with 2010. We are also experiencing improved demand from our international markets as the global economy continues to recover.

“We expect our 1Q 2011 EBITDA to be in the range of US\$725-800 million.

“We will continue to refinance our short-term maturities through various longer-term instruments as yields are close to their historic lows. In the medium term we intend to maintain a net debt to EBITDA ratio of below two times.”

Full year to 31 December (US\$ million)	2010	2009	Change
Revenue	13,394	9,772	37.1%
Adjusted EBITDA ¹	2,350	1,237	90.0%
Profit from operations	1,330	195	582.1%
Net (loss)/profit	532	(292)	
(Losses)/earnings per GDR ² , (US\$)	1.32	(0.73)	

¹ Refer to Appendix 1 for reconciliation to profit from operations

² One share is represented by three GDRs

2010 Results Summary:

EVRAZ's **consolidated revenues** for the year ended 31 December 2010 increased by 37.1% to US\$13,394 million compared with US\$9,772 million in 2009. Steel segment sales accounted for the majority of the increase in revenues, reflecting the growth in sales volumes and average prices of steel products. EVRAZ's external sales volumes of steel products rose from 14.3 million tonnes in 2009 to 15.5 million tonnes in 2010.

The increase in steel sales volumes primarily reflects the growth in demand for construction products in Russia with overall sales on the Russian market advancing by 1.4 million tonnes compared with 2009. Sales volumes in Ukraine remained flat. Export sales volumes from the Russian and Ukrainian operations decreased by 1.1 million tonnes. Sales volumes of the European and North American operations increased by 0.3 million and 0.6 million tonnes respectively, while steel sales volumes in respect of the South African operations were unchanged.

Geographic breakdown of consolidated revenues

	Year ended 31 December					
	2010		2009		2010 v 2009	
	US\$ million	% of total	US\$ million	% of total	% change	
Russia	4,692	35.0%	2,950	30.2%	59.1%	
Americas	3,163	23.6%	2,428	24.8%	30.3%	
Asia	2,671	20.0%	2,423	24.8%	10.2%	
Europe	1,419	10.6%	1,028	10.5%	38.0%	
CIS	962	7.2%	543	5.6%	77.2%	
Africa	484	3.6%	381	3.9%	27.0%	
Rest of the world	3	0.0%	19	0.2%	(84.2)%	
Total	13,394	100.0%	9,772	100.0%	37.1%	

Revenues from sales in Russia increased as a proportion of total revenues from 30.2% to 35.0%, driven by the growing demand for construction products in the Russian market following a decline in 2009.

In 2010, **revenues from non-Russian sales** rose by 27.6% to US\$8,702 million compared with US\$6,822 million in 2009 but decreased as a percentage of total revenues to 65.0%, compared with 69.8% in 2009.

In 2010, the **consolidated cost of revenues** improved to 77.0% of consolidated revenues, or US\$10,319 million compared with 83.1% of consolidated revenues, or US\$8,124 million, in 2009.

Gross profit rose by 86.6% from US\$1,648 million in 2009 to US\$3,075 million in 2010. This increase in gross profit primarily resulted from a recovery in steel, mining and vanadium prices following the weak demand that characterised the principal steel markets in 2009.

Selling, general and administrative (SG&A) expenses as a percentage of consolidated revenues decreased year-on-year from 12.8% to 11.5%.

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

Total impairment of assets amounted to US\$147 million in 2010 compared with US\$180 million in 2009. Impairment was partly attributable to the impairment of goodwill in the amount of US\$16 million in 2010 (related to Stratcor) and US\$160 million in 2009 (related to operations in North America and Ukraine). EVRAZ also recognised an impairment of assets, other than goodwill, in the amount of US\$131 million in 2010 and US\$20 million in 2009, mostly impairment of certain items of property, plant and equipment and intangible assets.

Profit from operations improved from US\$195 million, or 2.0% of consolidated revenues, in 2009, to US\$1,330 million, or 9.9% of consolidated revenues, in 2010.

Consolidated adjusted EBITDA increased by 90.0% to US\$2,350 million in 2010 compared to US\$1,237 million in 2009, with adjusted EBITDA margins of 17.5% and 12.7% respectively.

Interest expense rose 7.5% to US\$728 million in 2010 compared with US\$677 million in 2009 reflecting lengthening of average debt duration.

In 2010, **income tax expense** amounted to US\$163 million compared with an income tax benefit of US\$46 million in 2009. EVRAZ's effective tax rate, defined as income tax expense (benefit) as a percentage of profit (loss) before tax, increased from 13.6% in 2009 to 23.5% in 2010.

The **net profit** attributable to equity holders of Evraz Group in 2010 was US\$548 million compared with a loss of US\$295 million in 2009.

Review of Operations

Steel Segment Results

Full year to 31 December (US\$ million)	2010	2009	Change
Revenues*	12,123	8,978	35.0%
Profit/(loss) from operations	832	148	462.2%
Adjusted EBITDA	1,439	927	55.2%
Adjusted EBITDA margin	11.9%	10.3%	15.5%

*Segment revenues include intersegment sales

Steel Segment Sales*

	Year ended 31 December				
	2010		2009		2010 v 2009
	US\$ million	% of total	US\$ million	% of total	% change
Steel products					
Construction products ¹	3,337	27.5%	2,189	24.4%	52.4%
Railway products ²	1,472	12.1%	1,117	12.4%	31.8%
Flat-rolled products ³	2,007	16.6%	1,450	16.2%	38.4%
Tubular products ⁴	1,309	10.8%	1,008	11.2%	29.8%
Semi-finished products ⁵	2,340	19.3%	2,018	22.5%	16.0%
Other steel products ⁶	411	3.4%	255	2.8%	61.2%
Other products ⁷	1,247	10.3%	941	10.5%	32.5%
Total	12,123	100.0%	8,978	100.0%	35.0%

¹ Includes rebars, wire rods, wire, H-beams, channels and angles.

² Includes rail and wheels.

³ Includes plates and coils.

⁴ Includes large diameter, ERW, seamless pipes and casing.

⁵ Includes billets, slabs, pig iron, pipe blanks and blooms.

⁶ Includes rounds, grinding balls, mine uprights and strips.

⁷ Includes coke and coking products, refractory products, ferroalloys and resale of coking coal.

Steel Products Sales Volumes*

Full year to 31 December ('000 tonnes)	2010	2009	Change
Steel products			
Construction products	5,090	4,228	20.4%
Railway products	1,913	1,592	20.2%
Flat-rolled products	2,573	2,114	21.7%
Tubular products	924	667	38.5%
Semi-finished products	4,481	5,272	(15.0)%
Other steel products	584	460	27.0%
Total	15,565	14,333	8.6%

* Including intersegment sales

Steel segment revenues increased by 35.0% to US\$12,123 million in 2010 compared with US\$8,978 million in 2009, a reflection of positive price dynamics for steel products and higher sales volumes.

The proportion of revenues attributable to sales of construction products increased as a result of significant growth in the sales volumes and prices of construction products in Russia.

The proportion of revenues attributable to sales of railway products declined slightly despite an increase in the proportion of volumes, due to the fact that prices of railway products, particularly rails in Russia, are relatively stable and less affected by steel market price fluctuations.

The proportion of revenues attributable to sales of flat-rolled products (primarily plates) increased in response to sales volumes growth across the Group's North American and European operations.

The proportion of revenues attributable to sales of tubular products decreased primarily due to lower prices of large diameter pipes, ERW pipes, casing and tubing in North America.

The proportion of revenues attributable to sales of semi-finished products decreased largely due to a reallocation of sales volumes by the Russian operations from export markets to the domestic construction sector and higher volumes of slabs re-rolled at EVRAZ's European and North American operations (approximately +0.7 million tonnes in 2010 vs. 2009).

Steel segment sales to the mining segment totalled US\$123 million in 2010 compared with US\$83 million a year earlier. The increase is attributable to higher sales prices.

Revenues from sales in Russia amounted to approximately 35.3% of steel segment revenues in 2010, compared with 29.9% in 2009. The increased share of revenues from sales in Russia resulted from the reallocation of steel volumes from Asian export markets to the Russian market.

Steel segment cost of revenues improved to 82.7% of steel segment revenues in 2010, or US\$10,029 million, compared with 84.6% of steel segment revenues, or US\$7,597 million, in 2009. The increase in cost of revenues in monetary terms is attributable to a rise of 62.0% in raw material costs due to significant growth in the prices of all key raw materials (particularly coking coal and iron ore) and higher production volumes of pig iron and crude steel; additional transportation costs (+6.2%) reflecting a higher average railway tariff in Russia and greater export sales volumes of steel products from Russia; increased energy costs (+21.6%) due to expanded production; and enhanced staff costs (+13.6%). Costs of semi-finished products decreased by 39.0% due to significantly higher volumes of internally-produced slabs used for production of rolled products within the Group and reduced purchases of semi-finished products from the market.

In 2010, the steel segment recorded an operating profit of US\$832 million (6.9% of steel segment revenues), compared with US\$148 million (1.6% of steel segment revenues) in 2009.

Mining Segment Results

Full year to 31 December (US\$ million)	2010	2009	Change
Revenues	2,507	1,456	72.2%
Profit/(loss) from operations	613	(9)	N/A
Adjusted EBITDA	935	279	235.1%
Adjusted EBITDA margin	37.3%	19.2%	94.3%

Mining Segment Sales*

	Year ended 31 December				
	2010		2009		2010 v 2009
	US\$ million	% of total	US\$ million	% of total	% change
Iron ore products	1,526	60.9%	824	56.6%	85.2%
Iron ore concentrate	516	20.6%	311	21.4%	65.9%
Sinter	369	14.7%	202	13.9%	82.7%
Pellets	521	20.8%	238	16.3%	118.9%
Other	120	4.8%	73	5.0%	64.4%
Coal products	901	35.9%	562	38.6%	60.3%
Raw coking coal	161	6.4%	137	9.4%	17.5%
Coking coal concentrate	622	24.8%	268	18.4%	132.1%
Raw steam coal	107	4.3%	124	8.5%	(13.7)%
Steam coal concentrate	11	0.4%	33	2.3%	(66.7)%
Other revenues	80	3.2%	70	4.8%	14.3%
Total	2,507	100.0%	1,456	100.0%	72.2%

Full year to 31 December (‘000 tonnes)	2010	2009	Change
Iron ore products	16,936	16,943	0.0%
Iron ore concentrate	5,825	5,644	3.2%
Sinter	3,969	4,070	(2.5)%
Pellets	5,451	5,479	(0.5)%
Other	1,691	1,750	(3.4)%
Coal products	9,456	11,634	(18.7)%
Raw coking coal	2,444	3,967	(38.4)%
Coking coal concentrate	4,607	3,795	21.4%
Raw steam coal	2,247	3,411	(34.1)%
Steam coal concentrate	158	461	(65.7)%

* Including intersegment sales

Mining segment revenues rose 72.2% to US\$2,507 million in 2010, compared with US\$1,456 million in 2009, primarily reflecting significant increases in the market prices of iron ore and coal during 2010.

Sales volumes of iron ore products remained flat in 2010 compared with 2009. Sales volumes of coking coal concentrate increased by 21.4%. Sales volumes of steam coal concentrate decreased by 65.7% in 2010 compared with 2009 due to lower volumes of raw steam coal mined.

In 2010, mining segment sales to the steel segment amounted to US\$1,747 million, or 69.7% of mining segment sales, compared with US\$1,017 million, or 69.8% of mining segment sales, in 2009.

In 1H 2010, EVRAZ’s iron ore requirements were self-covered by approximately 90% and in 2H 2010 by approximately 102% compared with 99% in 1H 2009 and 96% in 2H 2009. Self-coverage in coking coal (including 40% share of Rospadskaya production) was 90% in 1H 2010 and 80% in 2H 2010 compared to 137% and 125% respectively in 2009. Excluding the Rospadskaya share self-coverage was 54% in 1H 2010 and 62% in 2H 2010.

Approximately 48% of the mining segment’s external sales in 2010 were to customers in Russia compared with 51% 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 Yuzhkuzbassugol and KGOK to Asia.

Mining segment cost of revenues improved to 62.6% of mining segment revenues, or US\$1,569 million, in 2010 from 87.7% of mining segment revenues, or US\$1,277 million, in 2009. The increase in monetary terms was primarily attributable to the growth in raw materials costs (+46.9%) which resulted from higher prices and volumes of external iron ore purchased by the mining segment for processing, the appreciation of the rouble and enhanced energy costs (+26.8%) due to expanded production volumes at KGOK and higher energy prices.

Vanadium Segment Results

Full year to 31 December (US\$ million)	2010	2009	Change
Revenues	566	363	55.9%
Loss from operations	(10)	(50)	(80.0)%
Adjusted EBITDA	53	(12)	N/A
Adjusted EBITDA margin	9.4%	(3.3)%	N/A

Vanadium Segment Sales*

	Year ended 31 December				
	2010		2009		2010 v 2009
	US\$ million	% of total	US\$ million	% of total	% change
Vanadium in slag	39	6.9%	60	16.5%	(35)%
Vanadium in alloys and chemicals	516	91.2%	298	82.1%	73.2%
Other revenues	11	1.9%	5	1.4%	120%
Total	566	100.0%	363	100.0%	55.9%

Full year to 31 December (‘000 tonnes of pure Vanadium)	2010	2009	Change
Vanadium products	20.6	18.4	12.0%
Vanadium in slag	3.1	6.5	(52.3)%
Vanadium in alloys and chemicals	17.5	11.9	47.1%

* Including intersegment sales

Vanadium segment revenues increased by 55.9% to US\$566 million in 2010, compared with US\$363 million in 2009, reflecting increased sales volumes and prices of vanadium products. Sales volumes of the vanadium segment increased from 18.4 thousand tonnes of pure vanadium in 2009 to 20.6 thousand tonnes of pure vanadium in 2010. After the acquisition of Vanady-Tula in November 2009, revenues from sales of vanadium slag decreased to less than 7% of vanadium segment revenues (some of the reported slag sold to external customers was repurchased in the form of oxides for further processing within the Group and was subsequently sold as finished products).

Vanadium segment cost of revenues improved to 88.5% of vanadium segment revenues, or US\$501 million, in 2010 from 101.4% of vanadium segment revenues, or US\$368 million, in 2009. The increase 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.

Other operations segment results

Full year to 31 December (US\$ million)	2010	2009	Change
Revenues	815	765	6.5%
Profit from operations	123	130	(5.4)%
Adjusted EBITDA	190	167	13.8%
Adjusted EBITDA margin	23.3%	21.8%	6.9%

EVRAZ's other operations include logistics, port services, power and heat generation and supporting activities.

Consolidated Group Financial Position

Cash flow

Cash flow from operating activities decreased from US\$1,698 million in 2009 to US\$1,662 million in 2010. Working capital movement in 2010 was largely driven by the increase in the value of inventories.

Cash provided by operating activities before working capital adjustments increased from US\$1,045 million in 2009 to US\$2,030 million in 2010.

Net cash used in investing activities totalled US\$757 million in 2010 compared with net cash received from investing activities of US\$179 million in 2009. Substantially, all the cash used in investing activities related to purchases of property, plant and equipment.

In 2010, EVRAZ's **capital expenditure** totalled US\$832 million, including US\$507 million in respect of the steel segment and US\$299 million in respect of the mining segment.

Statement of financial position

As of 31 December 2010 **total debt** amounted to US\$7,811 million, largely unchanged from US\$7,923 million as of 31 December 2009. Cash and cash equivalents together with short-term bank deposits amounted to US\$684 million, against US\$693 million as of 31 December 2009. **Liquidity**[†], defined as cash and cash equivalents, amounts available under credit facilities and short-term bank deposits with original maturity of more than three months, totalled approximately US\$1,694 million as of 31 December 2010 compared with approximately US\$2,038 million as of 31 December 2009.

As of 31 December 2010, EVRAZ had unutilised borrowing facilities of US\$1,010 million, including US\$506 million of committed facilities and US\$504 million of uncommitted facilities. Committed facilities consisted of credit facilities available for Russian, North American and European operations in the amounts of US\$288 million, US\$216 million and US\$2 million respectively. Uncommitted facilities consisted of revolving credit lines of US\$372 million with international 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 US\$68 million, US\$60 million and US\$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.

Net debt[‡] amounted to US\$7,127 million as of 31 December 2010 compared with US\$7,230 million as of 31 December 2009.

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[†] Please refer to Appendix 2 for calculation of liquidity

[‡] Please refer to Appendix 3 for calculation of net debt

Appendix 1

Adjusted EBITDA

Adjusted EBITDA represents profit from operations plus depreciation, depletion and amortisation, impairment of assets, loss (gain) on disposal of property, plant and equipment, foreign exchange loss (gain) and revaluation deficit. EVRAZ presents an Adjusted EBITDA because it considers Adjusted EBITDA to be an important supplemental measure of its operating performance and 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 an 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 and amortisation on EVRAZ's operating performance. The assets of EVRAZ's businesses which are being depreciated and/or amortised will have to be replaced in the future and such depreciation and amortisation expense may approximate the cost to replace these assets in the future. Adjusted EBITDA, due to the exclusion of this expense, does not reflect EVRAZ's future cash requirements for these replacements. Adjusted EBITDA also does not reflect the impact of a loss on disposal of property, plant and equipment.

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

	Year ended 31 December	
	2010	2009
	(US\$ million)	
Consolidated Adjusted EBITDA reconciliation		
Profit from operations	1,330	195
Add:		
Depreciation, depletion and amortisation	925	979
Impairment of assets	147	180
Loss on disposal of property, plant & equipment	52	39
Foreign exchange loss (gain)	(104)	(156)
Consolidated Adjusted EBITDA	2,350	1,237
Steel segment Adjusted EBITDA reconciliation		
Profit from operations	832	148
Add:		
Depreciation and amortisation	558	624
Impairment of assets	81	184
Loss on disposal of property, plant & equipment	33	25
Foreign exchange loss	(65)	(54)
Steel segment Adjusted EBITDA	1,439	927
Mining segment Adjusted EBITDA reconciliation		
(Loss)/profit from operations	613	(9)
Add:		
Depreciation, depletion and amortisation	282	281
Impairment of assets	20	(4)
Loss on disposal of property, plant & equipment	18	12
Foreign exchange gain (loss)	2	(1)
Mining segment Adjusted EBITDA	935	279

	Year ended 31 December	
	2010	2009
	(US\$ million)	
Vanadium segment Adjusted EBITDA reconciliation		
Loss from operations	(10)	(50)
Add:		
Depreciation and amortisation	47	38
Impairment of assets	16	-
Vanadium segment Adjusted EBITDA	53	(12)
Other operations Adjusted EBITDA reconciliation		
Profit from operations	123	130
Add:		
Depreciation and amortisation	37	35
Impairment of assets	30	-
Loss on disposal of property, plant & equipment	1	2
Foreign exchange loss	(1)	-
Other operations Adjusted EBITDA	190	167

Appendix 2

Liquidity

Liquidity is not a measure under IFRS and it should not be considered as an alternative to other measures of financial position. EVRAZ's calculation of Liquidity may be different from the calculation used by other companies and therefore comparability may be limited.

	31 December	31 December
	2010	2009
	(US\$ million)	
Liquidity Calculation		
Cash and cash equivalents	683	671
Amounts available under credit facilities	1,010	1,345
Short-term bank deposits	1	22
Total estimated liquidity	1,694	2,038

Appendix 3

Net Debt

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 (excluding restricted deposits). Net Debt is not a 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 has been calculated as follows:

	31 December 2010	31 December 2009
	(US\$ million)	
Net Debt Calculation		
Add:		
Long-term loans, net of current portion	7,097	5,931
Short-term loans and current portion of long-term loans	714	1,992
Less:		
Short-term bank deposits	(1)	(22)
Cash and cash equivalents	(683)	(671)
Net Debt	<u>7,127</u>	<u>7,230</u>

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

	Year ended 31 December	
	2010	2009*
Revenue		
Sale of goods	13,144	9,505
Rendering of services	250	267
	<u>13,394</u>	<u>9,772</u>
Cost of revenue	<u>(10,319)</u>	<u>(8,124)</u>
Gross profit	3,075	1,648
Selling and distribution costs	(807)	(626)
General and administrative expenses	(732)	(628)
Social and social infrastructure maintenance expenses	(64)	(53)
Loss on disposal of property, plant and equipment	(52)	(39)
Impairment of assets	(147)	(180)
Foreign exchange gains/(losses), net	104	156
Other operating income	63	38
Other operating expenses	(110)	(121)
Profit/(loss) from operations	1,330	195
Interest income	13	40
Interest expense	(728)	(677)
Share of profits/(losses) of joint ventures and associates	73	2
Gain/(loss) on financial assets and liabilities, net	8	97
Gain/(loss) on disposal groups classified as held for sale, net	(4)	(5)
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
Profit/(loss) before tax	695	(338)
Income tax benefit/(expense)	(163)	46
Net profit/(loss)	532	(292)
Attributable to:		
Equity holders of the parent entity	548	(295)
Non-controlling interests	(16)	3
	<u>532</u>	<u>(292)</u>
Earnings/(losses) per share:		
basic, for profit/(loss) attributable to equity holders of the parent entity, US dollars	3.95	(2.19)
diluted, for profit/(loss) attributable to equity holders of the parent entity, US dollars	3.95	(2.19)

Consolidated Statement of Comprehensive Income
(In millions of US dollars)

	Year ended 31 December	
	2010	2009*
Net profit/(loss)	532	(292)
Other comprehensive income		
Effect of translation to presentation currency	64	108
Net gains/(losses) on available-for-sale financial assets	(8)	12
Net (gains)/losses on available-for-sale financial assets reclassified to profit or loss	4	(8)
Income tax effect	-	-
	<u>(4)</u>	<u>4</u>
Deferred income tax benefit resulting from reduction in tax rate recognised in equity	-	-
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	(7)	(8)
Income tax effect	1	1
	<u>(6)</u>	<u>(7)</u>
Effect of translation to presentation currency of the Group's joint ventures and associates	(9)	(10)
Share of other comprehensive income of joint ventures and associates accounted for using the equity method	(9)	(10)
	<u>45</u>	<u>95</u>
Total other comprehensive income/(loss)	45	95
Total comprehensive income/(loss), net of tax	577	(197)
Attributable to:		
Equity holders of the parent entity	584	(228)
Non-controlling interests	(7)	31
	<u>577</u>	<u>(197)</u>

*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).

Consolidated Statement of Financial Position
(In millions of US dollars)

	31 December 2010	31 December 2009*
ASSETS		
Non-current assets		
Property, plant and equipment	8,607	8,585
Intangible assets other than goodwill	1,004	1,098
Goodwill	2,219	2,186
Investments in joint ventures and associates	750	634
Deferred income tax assets	100	70
Other non-current financial assets	118	66
Other non-current assets	103	128
	12,901	12,767
Current assets		
Inventories	2,070	1,828
Trade and other receivables	1,213	1,001
Prepayments	192	134
Loans receivable	1	1
Receivables from related parties	80	107
Income tax receivable	54	58
Other taxes recoverable	353	258
Other current financial assets	52	120
Cash and cash equivalents	683	671
	4,698	4,178
Assets of disposal groups classified as held for sale	2	7
	4,700	4,185
Total assets	17,601	16,952
EQUITY AND LIABILITIES		
Equity		
Equity attributable to equity holders of the parent entity		
Issued capital	375	375
Treasury shares	-	-
Additional paid-in capital	1,742	1,739
Revaluation surplus	180	208
Legal reserve	36	36
Unrealised gains and losses	-	4
Accumulated profits	4,632	4,065
Translation difference	(1,214)	(1,260)
	5,751	5,167
Non-controlling interests	247	275
	5,998	5,442
Non-current liabilities		
Long-term loans	7,097	5,931
Deferred income tax liabilities	1,072	1,231
Finance lease liabilities	38	58
Employee benefits	315	307
Provisions	279	176
Other long-term liabilities	143	68
	8,944	7,771
Current liabilities		
Trade and other payables	1,173	1,069
Advances from customers	205	112
Short-term loans and current portion of long-term loans	714	1,992

	31 December 2010	31 December 2009*
Payables to related parties	217	235
Income tax payable	78	108
Other taxes payable	180	140
Current portion of finance lease liabilities	19	17
Provisions	54	35
Amounts payable under put options for shares of subsidiaries	6	17
Dividends payable by the parent entity to its shareholders	-	-
Dividends payable by the Group's subsidiaries to non-controlling shareholders	13	13
	2,659	3,738
Liabilities directly associated with disposal groups classified as held for sale	-	1
	2,659	3,739
Total equity and liabilities	17,601	16,952

* 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).

Consolidated Statement of Cash Flows
(In millions of US dollars)

	Year ended 31 December	
	2010	2009*
Cash flows from operating activities		
Net profit/(loss)	532	(292)
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:		
Deferred income tax (benefit)/expense	(186)	(231)
Depreciation, depletion and amortisation	925	979
Loss on disposal of property, plant and equipment	52	39
Impairment of assets	147	180
Foreign exchange (gains)/losses, net	(104)	(156)
Interest income	(13)	(40)
Interest expense	728	677
Share of (profits)/losses of associates and joint ventures	(73)	(2)
(Gain)/loss on financial assets and liabilities, net	(8)	(97)
(Gain)/loss on disposal groups classified as held for sale, net	4	5
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)
Bad debt expense	48	41
Changes in provisions, employee benefits and other long-term assets and liabilities	(15)	(16)
Expense arising from the equity-settled awards	2	6
Share-based payments under cash-settled awards	(3)	(35)
Other	(3)	(3)
	2,030	1,045
Changes in working capital:		
Inventories	(191)	680
Trade and other receivables	(239)	438
Prepayments	(44)	(52)
Receivables from/payables to related parties	(34)	(162)
Taxes recoverable	(91)	239
Other assets	38	(56)
Trade and other payables	107	(353)
Advances from customers	80	1
Taxes payable	5	(73)
Other liabilities	1	(9)
Net cash flows from operating activities	1,662	1,698
Cash flows from investing activities		
Issuance of loans receivable to related parties	(46)	(28)
Proceeds from repayment of loans issued to related parties, including interest	5	40
Issuance of loans receivable	(1)	(3)
Proceeds from repayment of loans receivable, including interest	2	114
Proceeds from the transaction with a 49% ownership interest in NS Group	-	506

	Year ended 31 December	
	2010	2009*
Purchases of subsidiaries, net of cash acquired	(27)	(20)
Purchases of non-controlling interests	(13)	(8)
Purchases of interest in associates/joint ventures	(9)	-
Purchases of other investments	-	(67)
Sale of other investments	-	48
Restricted deposits at banks in respect of investing activities	17	(16)
Short-term deposits at banks, including interest	29	20
Purchases of property, plant and equipment and intangible assets	(832)	(441)
Proceeds from disposal of property, plant and equipment	21	6
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	42	28
Dividends received	1	1
Other investing activities, net	54	(1)
Net cash flows from/(used in) investing activities	(757)	179
Cash flows from financing activities		
Issue of shares, net of transaction costs of \$nil, \$5 million and \$1 million, respectively	-	310
Repurchase of vested share-based awards	-	(3)
Purchase of treasury shares	-	(5)
Sale of treasury shares	-	7
Contribution from/(distribution to) a shareholder	-	65
Dividends paid by the parent entity to its shareholders	-	(90)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	(1)	(2)
Proceeds from bank loans and notes	3,172	3,427
Repayment of bank loans and notes, including interest	(4,142)	(4,987)
Gain on derivatives not designated as hedging instruments	31	-
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	106	(794)
Payments under covenants reset	(29)	(85)
Restricted deposits at banks in respect of financing activities	-	1
Repayment of loans provided by related parties, including interest	-	-
Payments under finance leases, including interest	(23)	(31)
Payments of restructured liabilities, including interest	-	-
Proceeds from sale-leaseback	-	38
Net cash flows from/(used in) financing activities	(886)	(2,149)
Effect of foreign exchange rate changes on cash and cash equivalents	(7)	13
Net increase/(decrease) in cash and cash equivalents	12	(259)
Cash and cash equivalents at beginning of period	671	930
Cash and cash equivalents at end of year	683	671

	Year ended 31 December	
	2010	2009*
Supplementary cash flow information:		
Cash flows during the year:		
Interest paid	(594)	(586)
Interest received	11	29
Income taxes paid by the Group	(341)	(141)

* 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).