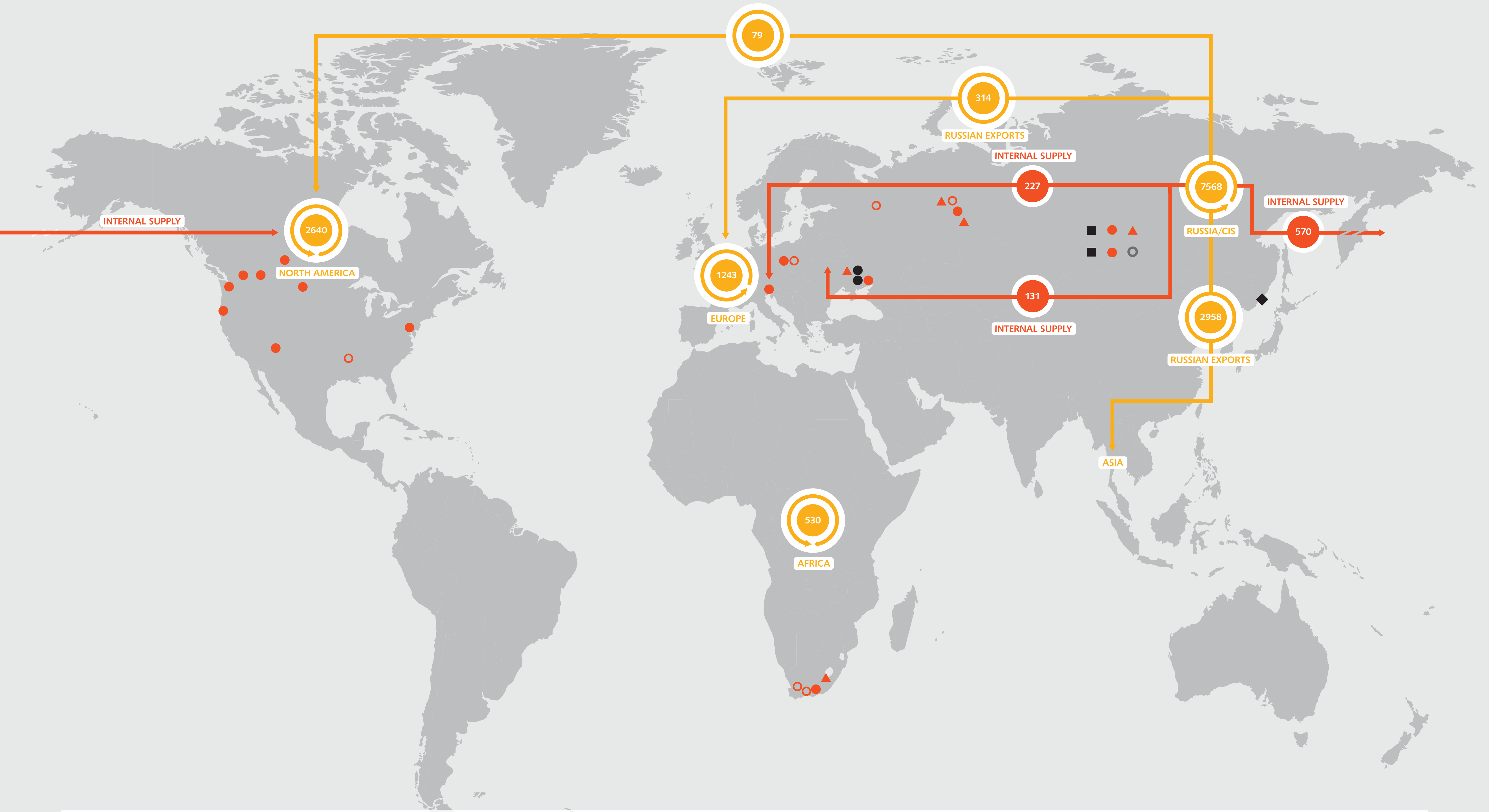
EVRAZ

Annual Report and Accounts 2011

Delivering today. Investing for tomorrow.



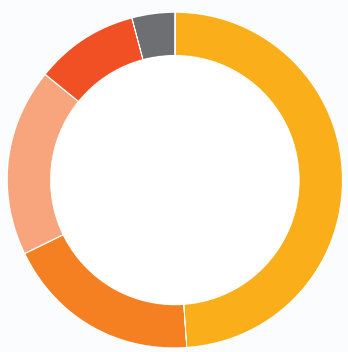
Global Operating Model

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.

Type of business:

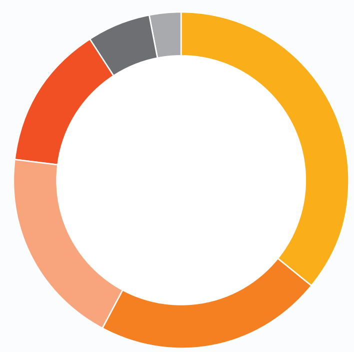
- Steel Mills
- Iron Ore Mining
- Coal Mining
- Coke Production
- Vanadium
- Sea Port
- Mezhegey Coal Mine in Development
- Third Party Steel Products Sales[1] (kt) 2011
- Internal Supply of Slabs and Billets from Russian Steel Mills (kt)

[1] Excluding routes with sales volumes below 50kt each, together totalling 160kt.



2011 External Steel Sales Volumes by Geography

49%	Russia & CIS
19%	Asia
18%	Americas
10%	Europe
4%	Africa



2011 External Steel Sales Volumes by Product

36%	Construction
22%	Semi-finished
19%	Flat rolled
14%	Railway
6%	Tubular
3%	Other

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EVRAZ plc 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. The Group is listed on the London Stock Exchange and is a constituent of the FTSE 100 index.

Steel

EVRAZ steel business operates globally, with steelmaking facilities in Russia, Ukraine, North America, Europe and South Africa. Most of the consolidated revenues are generated by the Steel segment.

Segment Revenue 2011[1]
(US$ million)

14,717

12,123 (2010) +21%

Mining

EVRAZ seeks to enhance its profitability and security of supply of raw materials by increasing vertical integration, in particular in respect of iron ore and high quality coking coal. The contribution to the Group EBITDA from the mining segment has increased.

Segment Revenue 2011[1]
(US$ million)

3,784

2,507 (2010) +51%

Vanadium

EVRAZ is the only large-scale producer of vanadium-rich iron ore in Russia and among the largest producers of vanadium slag globally.

Segment Revenue 2011[1]
(US$ million)

665

566 (2010) +17%

1 Includes inter-segment sales.

Construction of a New Coking Coal Mine Yerunakovskaya-VIII

In April of 2011 EVRAZ commenced construction of a new coking coal mine Yerunakovskaya-VIII.

The Yerunakovskaya-VIII coal field is located 55 km north east of Novokuznetsk in the Kemerovo region of Russia, the licences of which cover an area of 7.5 km^2.

Operations at the mine are scheduled to start by the middle of 2013, and we anticipate that it will reach its peak production capacity of 2 million tonnes per annum of raw coking coal by 2014.

Construction of the access roads is underway and the project is on schedule. All underground construction works are being carried out in-house by Yerunakovskaya-VIII's own contracting crews/teams.

The Yerunakovskaya-VIII Mine Location in Russia

2 mtpa

**2 million tonnes of raw coking coal
(planned production capacity by the end of 2014)**

Business Overview

Who We Are

Our Mission

We are a global steel and mining company delivering value to our infrastructure customers. We make the world Stronger, Safer and Cleaner!

Our principal activities are:

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

In 2011 EVRAZ produced 16.8 million tonnes of crude steel. EVRAZ is:

1. one of the most vertically integrated global steelmakers;
2. one of the lowest cost global steel producers;
3. the market leader in construction steel products;
4. the leading global supplier of steel rails; and
5. globally diversified across a range of geographies.

More information about the Company can be found on pages 5 to 17, 23 to 77.

EVRAZ is a global, vertically-integrated, steel, mining and vanadium business with operations in the Russian Federation, Ukraine, the USA, Canada, the Czech Republic, Italy and South Africa. The Group is listed on the London Stock Exchange and is a constituent of the FTSE 100 index. The Group employs approximately 112,000 people and is among the top 20 largest steel companies in the world by crude steel production volumes.

+59%

Operating cash flow increased by 59% to US$2,647 million in 2011

Our History

The Group'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 EVRAZ, has been transformed, via a programme of domestic and cross-border acquisitions, into a multinational steelmaking and mining corporation with a US$17.0 billion asset base.

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.

Enrichment Through Collaboration
Working together as one team, we achieve the 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 the EVRAZ business.

Accountability for Actions and Results
We persistently aspire to achieve our goals and are responsible for the results.

Zeal for Continuous Improvement
By developing and implementing new ideas, we facilitate the sustainable growth of our company.

2011 Highlights:

Financial highlights:

- Group revenues were US$16,400 million (+22% vs. 2010)
- The Group achieved consolidated EBITDA of US$2,898 million (+23%)
- Net profit was US$453 million (-4%)
- Operating cash flow was US$2,647 million (+59%)
- Net debt was US$6,442 million (-10% vs. 31 December 2010)
- Rating upgrades[1] by Moody's, Standard & Poor's and Fitch to "Ba3", "B+" and "BB-" respectively following a number of debt issues and refinancings
- CAPEX in 2011 amounted to US$1,281 million compared with US$832 million in 2010
- Revised dividend policy with long-term average dividend payout ratio of at least 25% of the consolidated net profit adjusted for non-recurring items for the relevant period
- Cash final dividend declared of US$0.17/ordinary share of EVRAZ plc following payment by Evraz Group S.A., the top parent of the Group until 7 November 2011, in 2011 of an interim dividend of US$0.60 per share/US$0.20 per GDR and a special dividend of US$2.70 per share/US$0.90 per GDR
- Total 2011 ordinary dividend of Evraz Group S.A. and EVRAZ plc amounted to US$317 million, accounting for approximately 50% of net profit[2]

Corporate developments:

- EVRAZ plc was admitted to trading on the London Stock Exchange's Main Market on 7 November 2011 and joined the FTSE 100 on 19 December 2011 (six years earlier EVRAZ Group S.A.'s Global Depositary Receipts began trading on the London Stock Exchange)
- Sir Michael Peat was appointed as Senior Independent Non-Executive Director
- Alexander Izosimov was appointed as Independent Non-Executive Director

Operating highlights:

- EVRAZ achieved a 23% reduction in lost time injury frequency rate and a 50% reduction in fatal incident frequency rate in 2011
- The steel division produced 16.8 million tonnes (+3%) of crude steel and sold 15.5 million tonnes (+0%) of steel products
- The mining division produced 21.2 million tonnes (+7%) of iron ore products, 6.3 million tonnes (-16%) of raw coking coal, and 3.0 million tonnes (-23%) of steam coal
- The vanadium division produced 20,741 tonnes (+0%) of vanadium slag and sold 26,632 tonnes (+34%) of vanadium products

1 Evraz Group S.A. corporate long-term ratings. Moody's upgraded Evraz Group S.A. to Ba3 in January 2012.
2 Adjusted for non-recurring items.

Production and Trading Subsidiaries

EVRAZ is a large vertically integrated steel, mining and vanadium business with operations based in the Russian Federation, the United States, Canada, Ukraine, the Czech Republic, Italy and South Africa. As of 31 December 2011:

Russia/CIS

Steel	100% **EVRAZ ZSMK**[1] Russia, a full-cycle steel production mill comprising coke-chemical production, blast-furnace production, steelmaking facilities and rolling mills. Specialises in the production of construction steel, rails and semi-finished steel products		100% **EVRAZ NTMK** Russia, an integrated steel plant that primarily produces railway and construction steel, pipe blanks and semi-finished products	96.77% **EVRAZ DMZP**[2] Ukraine, an integrated steel plant specialising in the manufacture of construction and semi-finished products	94.37% **EVRAZ Bagliykoks** Ukraine, a coking plant, that supplies coke to EVRAZ DMZP and various local steelmakers	93.86% **EVRAZ DKHZ** Ukraine, a coke plant, supplies coke production to EVRAZ DMZ Petrovskogo and various local steelmakers in Eastern Europe
Iron Ore	100% **EVRAZ KGOK** Russia, operates open pit vanadium-rich iron ore mines and produces sinter and pellets	100% **EVRAZ VGOK** Russia, produces sinter from its iron ore resources, as well as iron ore concentrate, limestone, crushed stone and other products	100% **Evrazruda** Russia, produces iron ore concentrate	99.42% **EVRAZ Sukha Balka** Ukraine, operates two underground mines for the production of sintering ore		
Coal	100% **Yuzhkuzbassugol** Russia, one of the largest coal companies in Russia that produces both coking and steam coal	50.02% **Mezhegeyugol** Russia, owns two licences for the development of hard coal greenfield sites in Tyva	40% **Raspadskaya**[3] Equity investment. Largest Russian coking coal producer represents approximately 12% of volume of the Group's coal purchases			
Vanadium	100% **EVRAZ Vanady-Tula** Russia, the largest Russian producer and one of the leading world producers of vanadium products					
Sales, services and logistics	100% **EvrazEK** Russia, an energy generating company which supplies natural gas, steam and electricity to EVRAZ's steel and mining subsidiaries	100% **EVRAZ Metall Inprom** Russia, one of the largest steel distribution companies in the CIS with 62 branches in industrially developed regions of Russia and Kazakhstan	100% **EVRAZ Nakhodka Trade Sea Port** Russia, one of the largest ports in the Far East of Russia, from where EVRAZ's subsidiaries ship the majority of its exports	100% **Evraztrans** Russia, a railway forwarder for EVRAZ's subsidiaries	100% **Metallenergo-finance** Russia, supplies electricity to EVRAZ's steel and mining subsidiaries and to third parties	100% **TC EvrazHolding** Russia, EVRAZ's trading company selling products of EVRAZ's Russian subsidiaries in Russia

1 With effect from 1 July 2011 production assets of ZSMK and NKMK were merged under the combined enterprise name EVRAZ United West-Siberian Iron and Steel Plant (EVRAZ ZSMK).
2 With effect from 1 April 2011 Dnepropetrovsk Coking Plant ('Dneprokoks') was merged with EVRAZ DMZP.
3 40% interest in Raspadskaya Group is held by its management, while 20% is a free float.
4 EVRAZ Highveld Steel and Vanadium Limited produces both steel and vanadium products. Highveld's shares have a primary listing on the Johannesburg Stock Exchange.

	North America			Europe		South Africa
Steel	100% **EVRAZ North America** Produces higher margin specialty and commodity steel products. Headquartered in Chicago (Illinois, USA) incorporates steelmaking, rolling mills, rail and rod/bar manufacturing, tubular operations, scrap business, cut-to-length processing centres and sales offices			100% **EVRAZ Vitkovice Steel** The largest producer of steel plates in the Czech Republic	100% **EVRAZ Palini e Bertoli** Northern Italy, produces customised, high-quality steel plate products	85.12% **EVRAZ Highveld Steel and Vanadium Limited**[4] 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 products
Iron Ore						
Coal						
Vanadium	78.76% **Strategic Minerals Corporation** Headquartered in the USA, one of the world's leading producers of vanadium alloys and chemicals for the steel and chemical industries with production facilities in Hot Springs (Arkansas, USA) and Brits (South Africa)			100% **EVRAZ Nikom** Czech Republic, a ferrovanadium producer		
Sales, services and logistics				100% **East Metals AG** Switzerland, EVRAZ's trading company, EVRAZ's Russian, Ukrainian and South African subsidiaries make part of their export sales through East Metals A.G.	100% **Sinano Shipmanagement Limited** Cyprus, provides sea freight services to EVRAZ's subsidiaries	

Business Overview
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EVRAZ Operations

EVRAZ is a global industrial enterprise that spans four continents and employs approximately 112,000 people.

Type of business:

- ● Steel Production
- ▲ Iron Ore Mining and Enrichment
- ■ Coal Mining
- ■ Equity Investment (coal)
- ● Coke Production
- ○ Vanadium Production
- ◆ Logistics and Trading

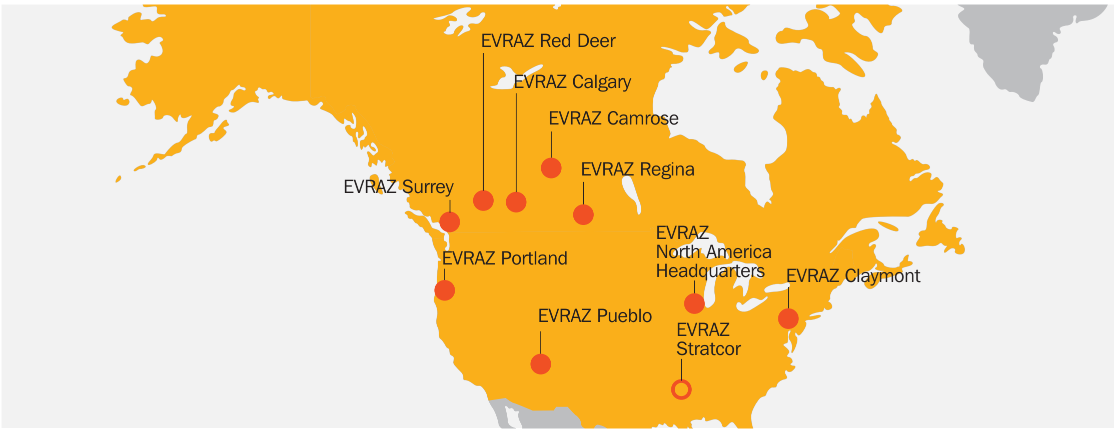
Europe & Russia/CIS

Our manufacturing facilities produce a wide range of products with a specialised focus on the infrastructure sector. In 2011, the Company's share of the Russian market in beams, channels and rebars totalled 85%, 61% and 20% respectively.

EVRAZ is also a major supplier of semi-finished products (slabs and billets) to world markets and a prominent player in the European plate market.

Largest crude steel producer in Russia

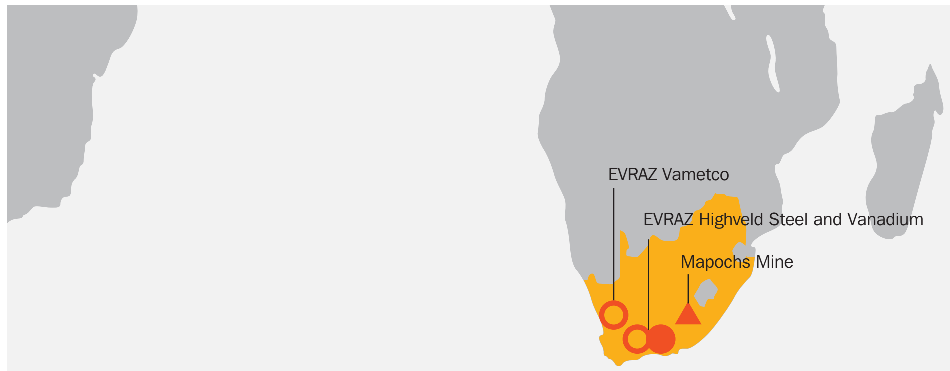
No 1 Rail producer in Russia and globally



North America

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.

No 1 North American producer in respect of rails and large diameter pipes



South Africa

EVRAZ Highveld Steel and Vanadium is South Africa's second-largest steelmaker, primary producer of medium and heavy structural sections and thick plate in South Africa and a leading producer of Vanadium products.

EVRAZ is one of the leading producers of vanadium globally

1 Includes production facilities of Dnepropetrovsk Coking Plant.

Production by Region 2011

Production, Mining Segment
(thousand tonnes)

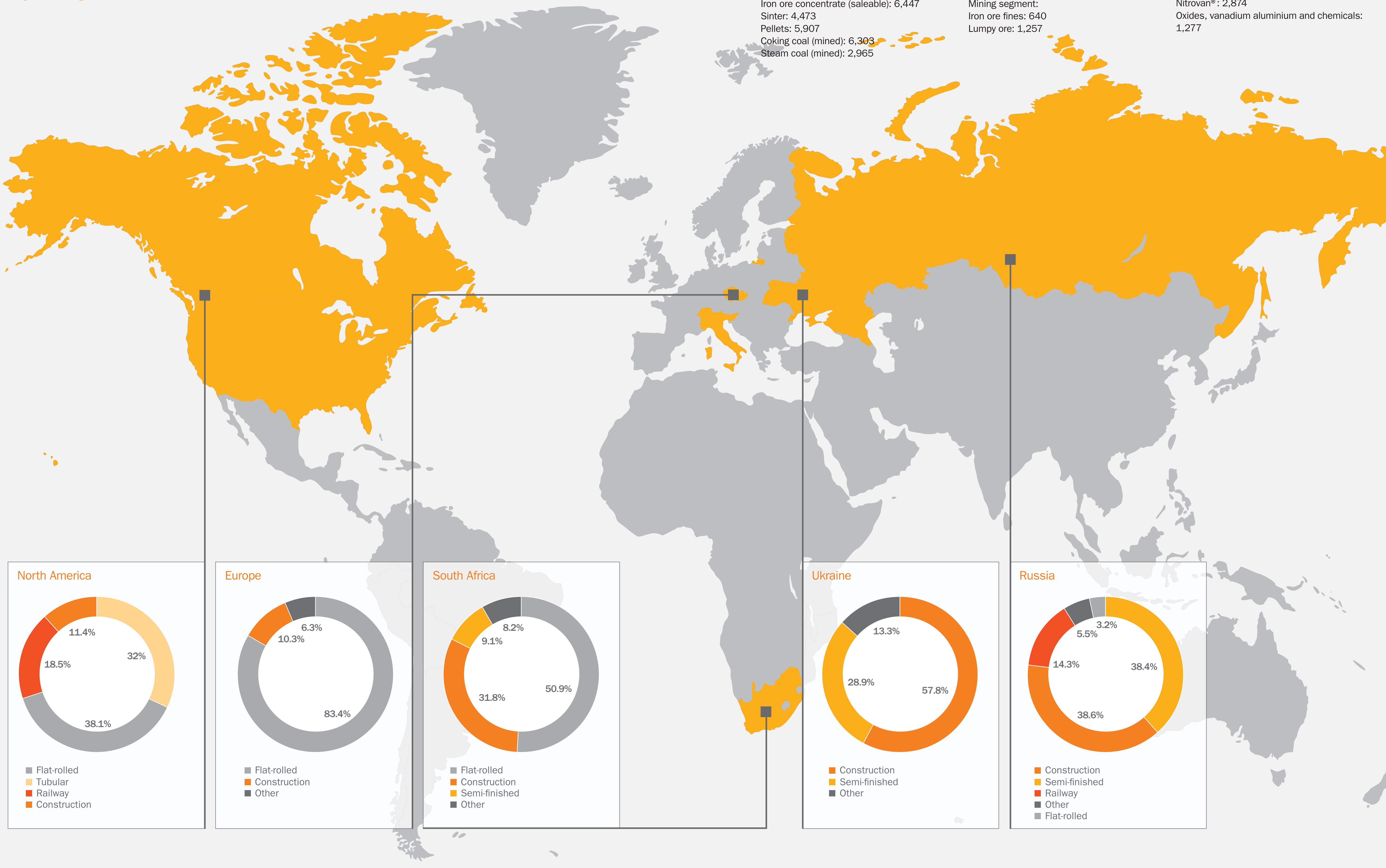
Russia
Mining segment:
Iron ore concentrate (saleable): 6,447
Sinter: 4,473
Pellets: 5,907
Coking coal (mined): 6,303
Steam coal (mined): 2,965

Ukraine
Mining segment:
Lumpy ore: 2,446

South Africa
Mining segment:
Iron ore fines: 640
Lumpy ore: 1,257

Production, Vanadium Segment
(tonnes, calculated in pure vanadium equivalent)

Ferrovanadium: 16,708
Nitrovan®: 2,874
Oxides, vanadium aluminium and chemicals: 1,277



Chairman's Statement
Alexander Abramov

The Premium Listing of shares of EVRAZ plc on the London Stock Exchange in November 2011 was clearly a major development and an important milestone on a journey which began six years earlier when Evraz Group S.A.'s Global Depositary Receipts began trading on the London Stock Exchange.

Alexander Abramov
Chairman

Dear Stakeholders,

2011 was a landmark year in the development of EVRAZ. We produced a robust operating performance in volatile markets, posted strong financial results, delivered against key management objectives, obtained a Premium Listing on the London Stock Exchange and entered the FTSE 100 Index.

That the group was able to deliver such a resilient performance in a year characterised by global economic uncertainty is testament to the power of our integrated business model, the sustainability of our strategy and the efforts of our management team and employees.

Health, Safety and Environment

As a global organisation, our undertaking is to make the world stronger, safer and cleaner and to this end we are increasing our emphasis on the health, safety and environmental management of the Group.

The safety of our employees remains our top priority and the Board is absolutely focused on improving our safety record. Our disciplined approach is beginning to deliver results, and I am pleased to say that our overall HSE performance has improved again in 2011, with our key indicators all showing improvement on the previous year.

The Listing

The Premium Listing of shares of EVRAZ plc on the London Stock Exchange in November 2011 was clearly a major development and an important milestone on a journey which began six years earlier when EVRAZ Group S.A.'s Global Depositary Receipts began trading on the London Stock Exchange.

We received overwhelming support from Evraz Group S.A. shareholders who almost unanimously accepted the offer to exchange their GDRs for shares in EVRAZ plc. As the only steel stock in the UK FTSE All-Share index, EVRAZ enables investors to gain direct exposure to this important global sector.

Although the new company, EVRAZ plc, represents the same underlying assets as EVRAZ Group S.A., the Listing enabled us to broaden our shareholder base, improve the liquidity of the Company shares, and provide better access to the international capital markets. Importantly, the Listing also shows EVRAZ's commitment to the highest standards of governance, transparency and information disclosure.

Our strategy as a global vertically integrated business is clear. We want EVRAZ to strengthen its position as a world class steel and mining company and as the partner of choice for our infrastructure customers.

Strategy

Our strategy as a global vertically integrated business is clear. We want EVRAZ to strengthen its position as a world class steel and mining company and as the partner of choice for our infrastructure customers.

These priorities are supported by a set of strategic pillars that underpin our growth: health, safety and environment; people; customer focus and the EVRAZ Business System. We have made major investments in each of these areas in 2011, helping to support our platform for growth.

The EVRAZ Business System encompasses a Group-wide philosophy which aims to transform the way the organisation conducts its business. A key feature of this approach to value creation through greater employee engagement is the incorporation of Lean[1] business principles to create a culture of continuous improvement. The outcomes of this approach are benefits for customers in terms of product quality and costs; an improved working environment for the workforce and greater flexibility for the Group to respond to market change as it occurs.

The CEO Statement and Strategy sections of this Report provide significant additional detail but, in essence, EVRAZ aims to attract, develop and retain the best people at every level throughout the Company. In 2011, we renewed our commitment to training and development including the EVRAZ New Leaders Programme designed to develop the next generation of senior management within the Company.

Governance

EVRAZ is committed to ensuring our governance arrangements meet with the highest applicable governance standards. During 2011 we continued to review and strengthen our governance, at Board and at executive level, as part of the process for admission to the London Stock Exchange as a Premium listed company. The independent directors of EVRAZ plc are led by Sir Michael Peat, the Senior Independent Non-Executive Director. In addition, on 28 February 2012, Alexander Izosimov was appointed to the Board as an additional non-executive director. As a result, the independent directors now constitute half the Board of EVRAZ plc.

Dividend

In 2011, the Board approved a new dividend policy targeting a long-term average payout ratio of at least 25% of consolidated net profits (excluding one-off and non-cash items). We believe that this is a sensible level which rewards shareholders whilst retaining sufficient capital for the Group's future investment needs.

On the back of our strong financial results, Evraz Group S.A. made the first dividend payment since 2008 during 2011 and paid an interim dividend of US$0.60 per share of Evraz Group S.A. (US$0.20 per GDR) and a special dividend of US$2.70 per share (US$0.90 per GDR). The Board has declared a cash final dividend for 2011 of US$0.17 per ordinary share of EVRAZ plc. This gives a total ordinary dividend for 2011 of US$317 million, which represents 50% of net profit adjusted for non-recurring items.

Conclusion

In 2012, EVRAZ will be 20 years old. As a founder of the company, I am very proud of what we have achieved over the intervening years from our beginnings as a small steel trader, to our current position as a world class vertically integrated steel and mining company. We are among the top 20 global steel producers, the world's largest producer of rails, Russia's leading steel manufacturer and an international leader in infrastructure and construction products.

In 2011 driven by our vertically integrated, global business model, we improved our competitiveness, maintained our share in key markets and further improved our cost base. Whilst the immediate outlook for our markets remains uncertain, EVRAZ has good overall momentum and we see opportunities to enhance our performance on many fronts. I am confident EVRAZ is well positioned to create value for shareholders in 2012 and to continue its record of growth.

Strong results, especially in an industry as competitive as ours, are not the result of chance but more the product of the accumulated efforts, dedication and hard work of our approximately 112,000 employees. On behalf of the Board I would like to thank all our management and staff whose hard work and commitment contributed so much to our performance in 2011.

Alexander Abramov
Chairman
EVRAZ plc
24 April 2012

1 For more information on Lean please refer to pages 32-33 of the report.

Chief Executive Officer's Statement
Alexander Frolov

Our strategic priorities in 2011 were to grow our steelmaking raw material base and improve the performance and efficiency of our existing mining operations.

Alexander Frolov
Chief Executive Officer

Dear Stakeholders,

2011 was a pivotal year for EVRAZ, a period in which we reinforced our position as one of the world's leading vertically integrated steel and mining companies. I am pleased to report that EVRAZ produced a strong set of results and a robust operational performance in 2011, laying a solid platform for future growth.

In 2011, we also recorded a significant improvement in both our lost time injury frequency rate and fatal injury frequency rate, which fell by 23% and 50% respectively year-on-year. Our aim is now to make these improvements sustainable with the ultimate goal being to operate a zero harm business. We still have a long way to go and we will continue to focus on improving our safety management systems and promoting a strong safety culture.

The first half of 2011 witnessed a recovery in the emerging economies matched by improving demand from developed markets. However, in the second half of the year, the combination of a slowing US economy, fiscal tightening in China and the crisis in the Eurozone, caused a rapid collapse in confidence over the prospects for global growth. This led to significant uncertainty in steel markets and a noticeable softening of demand.

Against this challenging backdrop, EVRAZ reported a good set of results for the year. Our financial performance was robust, benefiting from resilient steel demand in our key markets, a favourable product mix and higher raw materials prices. As a result, our revenues increased by 22% to US$16.4 billion, EBITDA rose by 23% to US$2.9 billion and we delivered an impressive cash performance, generating operating cashflow of US$2.6 billion, up 59% on 2010.

Our strategic priorities in 2011 were to grow our steelmaking raw material base and improve the performance and efficiency of our existing mining operations. During the year we launched a number of growth initiatives to improve productivity and secure our self-coverage in raw materials. We remain on track to reach our long-term objective of achieving integration levels in excess of 100% self-coverage in iron ore and coking coal supply.

At the same time, we focused on the need for operational excellence in our steel operations, firstly, in order to preserve our competitive advantage as one of the world's leading low cost steel producers, and secondly, to reposition the business and increase our share of higher value-added finished products. We made considerable progress in pursuit of these goals: modernising existing facilities, investing in new projects and successfully shifting our production more toward value-added steel products.

Mining Segment

In 2011, we focused investment on the development of our iron ore resource base, primarily the expansion of the Kachkanar iron ore operations to ensure a steady supply of iron ore to our steelmaking operations in future years. As a result, our KGOK plant increased production of raw iron ore from 52 to 55 million tonnes. As a result of our continued focus on debottlenecking our mining segment produced 7% more iron ore products in 2011 compared to 2010.

One of our challenges in 2011 was to stabilise our existing coking coal mining operations and lay the foundation for a future increase in production. The performance of our coal mines has been affected in recent years by a combination of negative factors including difficult geological conditions, mine shutdowns and temporary stoppages, divestments and the impact of more stringent health and safety requirements. As a result, the production of raw coking coal fell from 10 million tonnes in 2009 to 6.3 million tonnes in 2011.

Operations were again disrupted in 2011, as we had to temporarily halt production at the Alardinskaya and Osinnikovskaya mines, for longwall repositionings and additional implementation of safety equipment. We completed these works in the fourth quarter, and restarted operations at all the mines involved. In October, we launched production at the Ulyanovskaya mine. As a result, production rose 19% in the fourth quarter compared to the third quarter.

In order to increase our coking coal self-coverage and ensure adequate long-term supply as existing mines become depleted, we started construction of the Yerunakovskaya-VIII mine. We also looked at different options for developing the Mezhegey coal deposit earlier than the scheduled 2015 start date.

We expect that implementing all these plans will result in production volumes of coking coal in 2012 surpassing the levels of 2011. As a result, our coking coal self-coverage should exceed 100% by the end of 2013, which will help improve the profitability of the business.

Steel Segment

Buoyed by strong contributions from our core markets of Russia and North America, our steelmaking business made progress in 2011. With all our major facilities operating at full capacity, production volumes of crude steel rose 3% year on year to 16.8 million tonnes.

Within the product mix, we saw a further shift away from semi-finished products towards higher margin, value-added finished products. As a consequence, the share of finished products as a proportion of total output increased to 77% from 75% in 2010, the highest contribution in our history.

In 2011, we placed special emphasis on cost reduction and improving our product quality. We invested in the development of pulverised coal injection technology ("PCI") at all our Russian blast furnaces, in order to significantly reduce consumption of coking coal and natural gas in blast furnace production.

The modernisation of our Russian rail mills, when completed by the end of 2012, will ensure supply of better quality rails to satisfy the immediate demand of our major customer in Russia, Russian Railways. The next stage will be production of 100-metre heat-treated rails for high-speed railroads in line with the Russian long-term state programme to develop rail transportation in the country. We have also modernised the wheel production, significantly improving the quality of railway wheels made at our plant in Nizhny Tagil, supplied also to Russian Railways and commercial customers in Russia and other CIS countries.

Russia, our biggest market, put in a robust performance. The combination of supply constraints and higher raw material input prices led to higher steel prices. The key drivers of demand continued to be the construction and infrastructure sectors. Such was the requirement for construction steel that, for the first time since before the financial crisis, demand for construction steel in Russia outstripped supply.

The domestic market accounted for 69% of EVRAZ's Russian and CIS steel mills sales in 2011, compared to 58% in 2010, reflecting improved demand and the shift to higher margin finished products. This increase was fully offset by a decrease in export sales volumes from EVRAZ's Russian and Ukrainian operations, which reflects EVRAZ's strategy to direct sales away from export markets where prices for its steel products were generally lower in 2011, to domestic CIS markets, where prices for steel products were higher.

EVRAZ North America produced encouraging results in 2011. Steel sales volumes remained at the level of 2010, but prices increased across all our product groups. We made investments in capacity expansion, adding capacity to produce API tubes at our structural tubing facility in Portland, Oregon and upgrading our rail facility in Pueblo, Colorado. The investment in Portland will double the mill's total capacity, enabling it to meet the energy sector's growing demand for specialist tubular products. The upgrades at Pueblo will increase the mill's total capacity by 10%, to almost 525,000 metric tonnes of premium rail annually.

Our results in Europe and South Africa were mixed. After a strong first half, European steel demand began to weaken in the second half of 2011. EVRAZ's European operations increased full year sales volumes by 8%. In South Africa, the performance of EVRAZ Highveld Steel was hit by poor domestic demand and a strong Rand, which created significant pressure on both prices and costs.

Vanadium Segment

We are the only large-scale producer of vanadium in Russia and are well-positioned among the largest vanadium producers globally. EVRAZ continued to increase its share of the world vanadium market capitalising on its low cost competitive position and ability to accelerate production in response to customers' requirements. As a result, EVRAZ's vanadium division has managed to increase sales by 20% compared to 2010 and decrease inventories accumulated during crisis years.

Operational Improvements

In order to preserve our competitive advantage and compete effectively in the global market, we need to create more value for our customers and to do so more efficiently by using fewer resources, which is why we have introduced the EVRAZ Business System into the organisation. We are applying Lean business principles across our operations to create a culture of continuous improvement. Our goal is not just to identify cost reductions, but to change the way our entire organisation thinks and acts.

In 2011, we streamlined our business further. We moved into our new headquarters in Moscow, relocated our North American headquarters and started the consolidation of our European assets into a single unit. We also merged our two major integrated steel plants, NKMK, the leading rail producer in Russia, and ZSMK, Siberia's largest steel mill, into a new unified business, EVRAZ United West-Siberian Iron and Steel Plant ("EVRAZ ZSMK"), creating one of the largest steel plants in Russia. As these two plants are located in one city – Novokuznetsk – we believe that such merger will make the business much more efficient.

Positioned for Growth

We are committed to enhancing our mining asset base, modernising our steelmaking facilities and improving product quality in order to maintain and strengthen our competitive position in our key markets. Since 2005, we have invested over US$5.5 billion in key investment projects aimed to achieve these goals. Our total capital expenditures in 2011 amounted to US$1.28 billion. Some of the new investment projects will come on stream by the end of 2012, starting with the increase of production at our iron ore mine at Kachkanar, followed in 2013 by an additional 2 million tonnes of raw coking coal per annum to be mined at the Yerunakovskaya-VIII mine, and the start of mining at the Mezhegey coking coal deposit, with an estimated 700 million tonnes of reserves and resources. The development of new deposits will help to underpin our goal of reaching integration levels in excess of 100% self-coverage in iron ore and coking coal.

By the beginning of 2013, we will also start using pulverised coal injection technology (PCI) at all our Russian steelmaking facilities, which will reduce coking coal consumption by 20% and eliminate the need for natural gas in blast furnace production, thus lowering our steelmaking costs.

We are continuing to modernise and expand existing steel facilities, commission new steel mills, and invest in new production technology. The reconstruction of our Russian rail mills at EVRAZ ZSMK and EVRAZ NTMK should be completed in 2012, enabling EVRAZ to increase its manufacturing capacity for high-speed rails and improve the quality of the products.

In 2013 we expect two new rolling mills, in the south of Russia and in Kazakhstan, to start producing rebars and small sections from internally supplied billets. This will allow us to further increase the proportion of higher value-added products and raise the profitability of our steel operations.

Outlook

The long-term prospects for global infrastructure, a sector where EVRAZ has established a strong reputation and footprint, remain attractive. As a low cost, vertically integrated global steel manufacturer, EVRAZ is well placed to benefit from the increased emphasis on infrastructure development globally.

In the near-term, the outlook for the global steel industry is likely to continue to be challenging in 2012. Our current expectation is for a modest overall rise in steel consumption, driven by demand from the emerging markets. The wider global economy and, in turn, the steel industry, continues to face challenges and will likely remain volatile.

However, we have substantial experience of managing the business in the extremely challenging environment of late 2008-2009 so we enter this period of uncertainty with confidence. Inventories at traders and at our mills and ports are very low and we do not ship without a pre-payment, which minimises our credit risk.

We continue to run our steelmaking capacities at full utilisation and expect the situation to remain the same in the foreseeable future. This is expected to result in a slight increase in volumes of finished steel products in 2012 compared to 2011 due to the completion of certain maintenance and modernisation projects.

In Russia, steel prices remained largely unchanged in the first quarter 2012 compared to the last quarter of 2011, but our cost base is increasing due to the strengthening rouble. Prices of steel products have remained broadly flat since the start of 2012. Russian Railroads remains a very strong customer and we expect it to maintain purchase volumes over the next few years. In addition, we expect to improve our product mix and generate additional revenue through our rail mill and wheel shop modernisation.

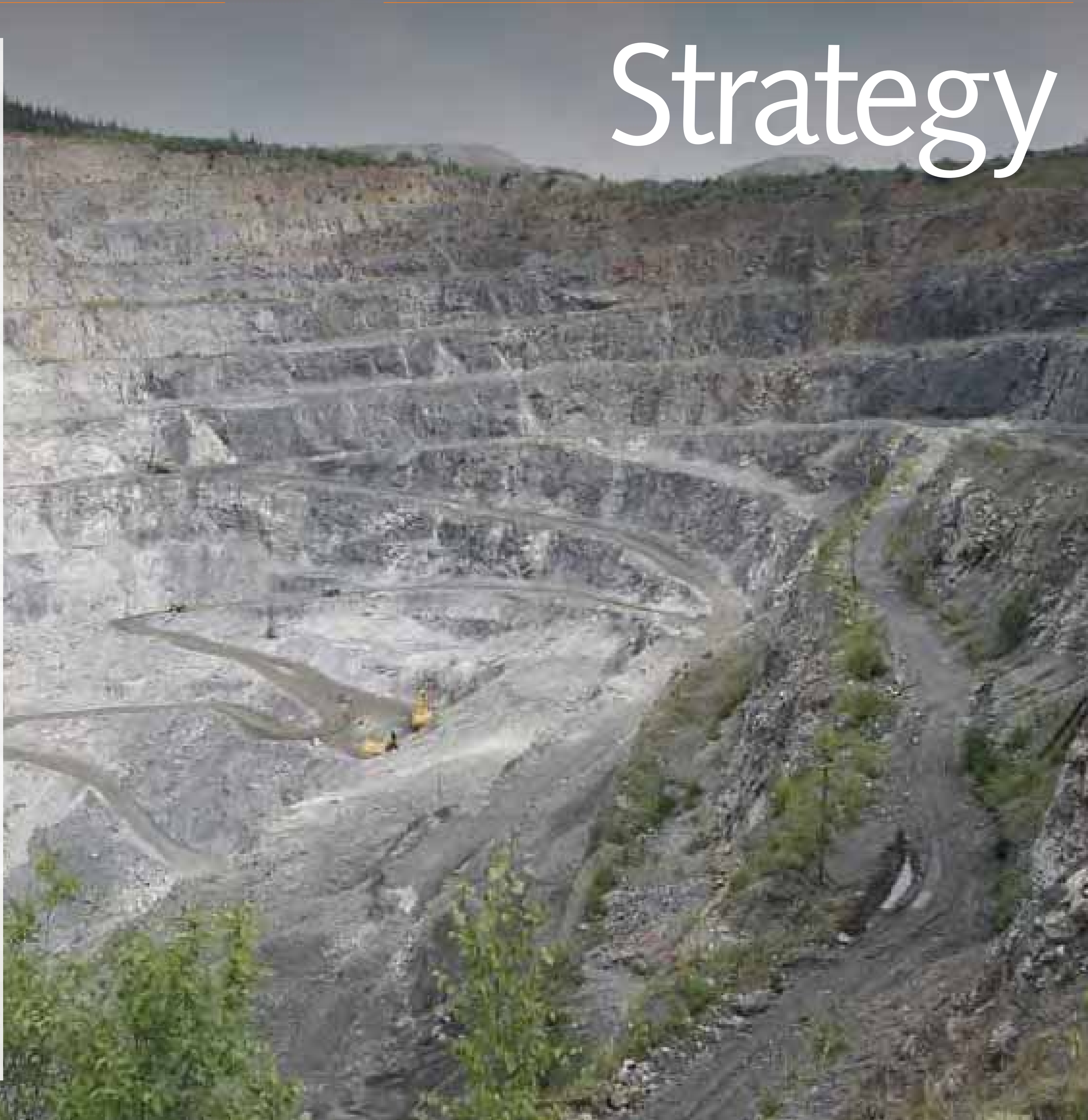
In North America, demand for our products remains strong and its relative performance so far in 2012 is ahead of the comparable period in 2011.

CAPEX plans for FY2012 are expected to remain at the level of 2011 but we continuously assess the market environment and have flexibility in our CAPEX plans.

We strongly believe that the quality of the Group's asset base, the competitive advantages we derive from vertical integration, its low cost position, geographic breadth and highly experienced management team leave the Company well positioned to continue to implement its growth strategy and deliver value to shareholders.

Alexander Frolov
Chief Executive Officer
EVRAZ plc
24 April 2012

Strategy



Increasing the Production Capacity of EVRAZ KGOK to 55 mtpa

In December 2010 EVRAZ launched a project at EVRAZ KGOK to increase iron ore extraction and production to 55 million tonnes per annum from the end of 2012.

In order to achieve this targeted increase in production EVRAZ KGOK will acquire additional mining equipment, modernise the existing transport infrastructure and upgrade the production capacities. Delivery of the additional mining equipment is close to completion and construction works are ongoing.

EVRAZ KGOK Asset Location in Russia

55 mtpa

55 million tonnes of iron ore per annum
(targeted extraction of iron ore at EVRAZ KGOK after modernisation)

Strategic Context

EVRAZ is a global vertically integrated steel, mining and vanadium business.

EVRAZ's ability to successfully deliver our strategy is influenced by both the conduct of our competitors and external macro-economic factors which affect ourselves and our customers.

Global Macroeconomic Environment

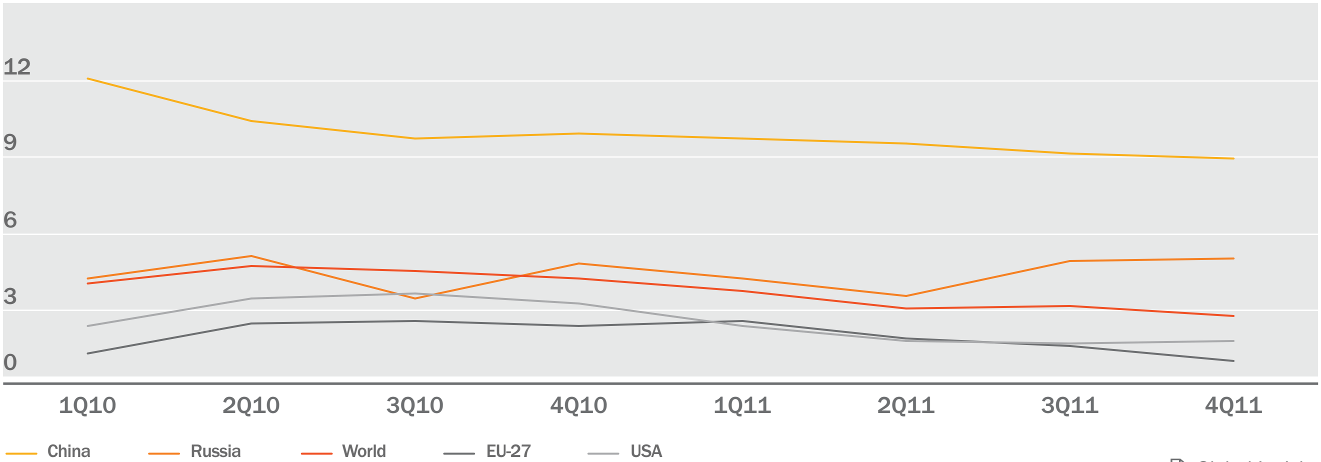
The global economy's recovery of 2010 continued with strong growth in the first half of 2011. However, this positive sentiment did not continue throughout the second half of the year due to a combination of factors including a slowdown in the global economy, fragility in European markets due to the debt crisis and budget-balancing measures in the USA. In China, stringent monetary policy controls were also a key driver of the economic slowdown.

The European debt crisis negatively affected consumer confidence, which in turn led to a slowdown in the steel market in the second half of the year. End-use demand for steel sheet has weakened, particularly in the automotive sector where threat of unemployment, fiscal austerity and personal indebtedness has diminished the demand for cars. Construction activity has also been constrained impacting demand for long products.

China and India continued to be the main drivers in demand for commodities in 2011 due to ongoing infrastructure development and continuing urbanisation in Asia. This trend is expected to continue in 2012.

Real GDP Growth

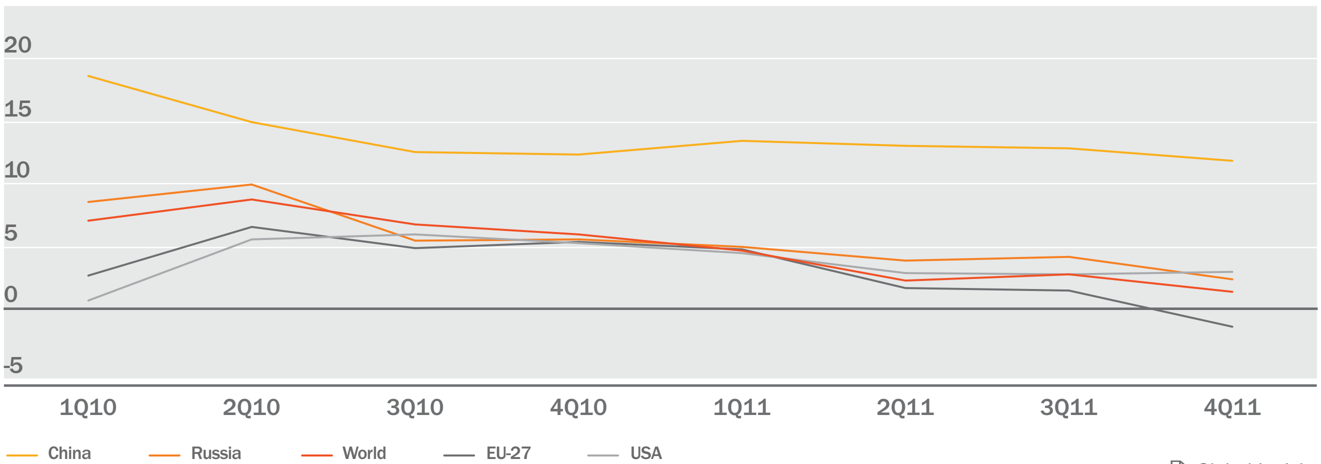
Percents



Global Insight

Industrial Production Growth

Percents

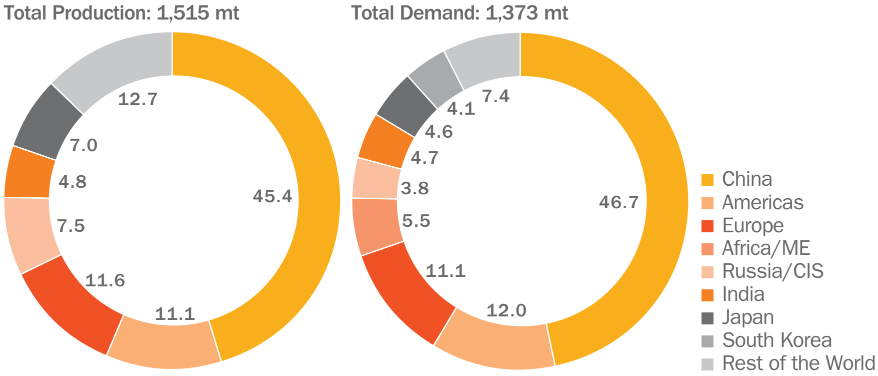


Global Insight

Steel Industry in 2011

Following increase of 17% in 2010, hot-rolled finished steel consumption also grew by 6% in 2011, with the majority of additional demand occurring during the first half of the year.

Share of Crude Steel Production and Finished Steel Demand



World steel

There was a slowdown in consumption growth in the second half of the year, largely due to the European debt crisis. Crude steel production has consequently been scaled back globally with several mill shutdowns in Europe and Chinese output continuing to fall after reaching an all-time high in May.

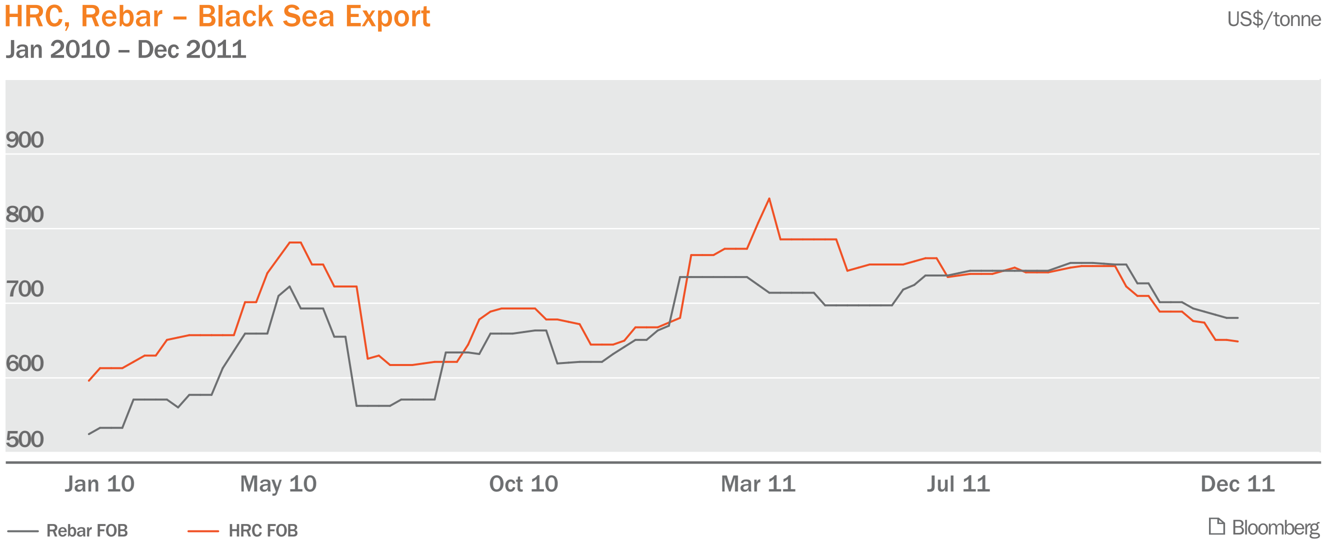
China continued to dominate demand for finished steel products, accounting for 45.4% of demand in 2011. The growth in consumption in China was predominantly driven by the affordable housing scheme initiated by the Chinese government, which helped increase consumption of long products.

We expect a modest increase in steel consumption of 3.6% in 2012, predominantly as a result of continued demand in emerging markets. Additionally, the 2018 FIFA World Cup in Russia should result in growing demand for construction steel starting 2014 in the domestic market, which EVRAZ is well positioned to benefit from.

In 2011, there was a significant increase in raw material prices compared to 2010, which resulted in price increases for end products. However, raw material prices began to soften during the latter part of the year as a result of the slowdown in steel production.

HRC, Rebar – Black Sea Export

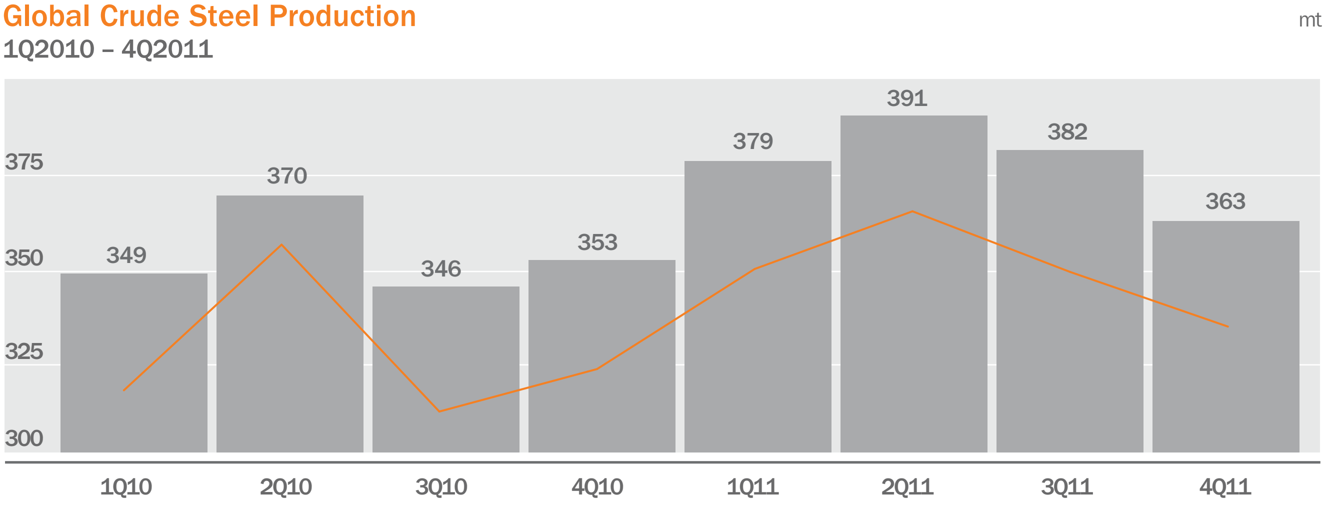
Jan 2010 – Dec 2011



Bloomberg

Global Crude Steel Production

1Q2010 – 4Q2011



CRU

Iron Ore Market in 2011

The iron ore industry showed strong demand growth through the first half of 2011.

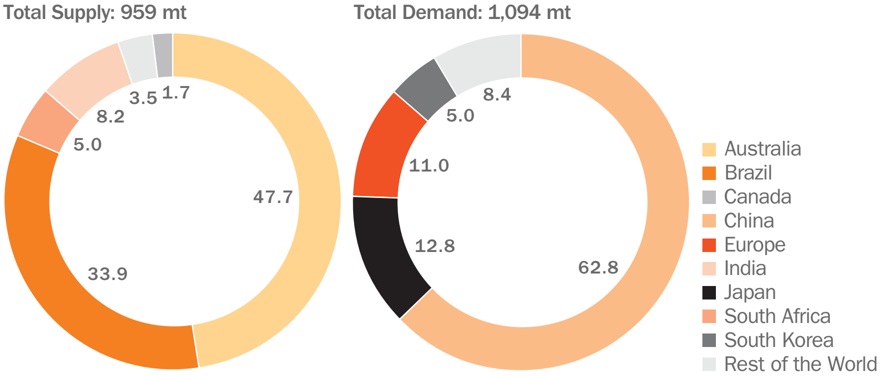
The iron ore industry showed strong demand growth through the first half of 2011 on the back of improving market sentiment, resulting in production increases and a favourable pricing environment. However, prices weakened in the second half of the year due to a decrease in global steel production.

Global iron ore production rose 5% to 1,804 mt in 2011. There was strong growth in production in the major iron ore producing countries on the back of the positive macroeconomic fundamentals in the first half of the year, with Australia producing 478 mt (+13% versus 2010), Brazil 381 mt (+6% versus 2010), China 254 mt (+4% versus 2010) and India 236 mt (+5% versus 2010). These four countries accounted for 71% of total production worldwide. Additionally, Russia increased its iron ore output by 3% to 110 mt.

China continued to dominate the seaborne iron ore market, importing 687 mt (63%) of the seaborne traded iron ore.

Iron ore fines CIF China prices increased by an average of 15% in 2011. The sales structure for the industry has moved towards an increased use of spot contracts.

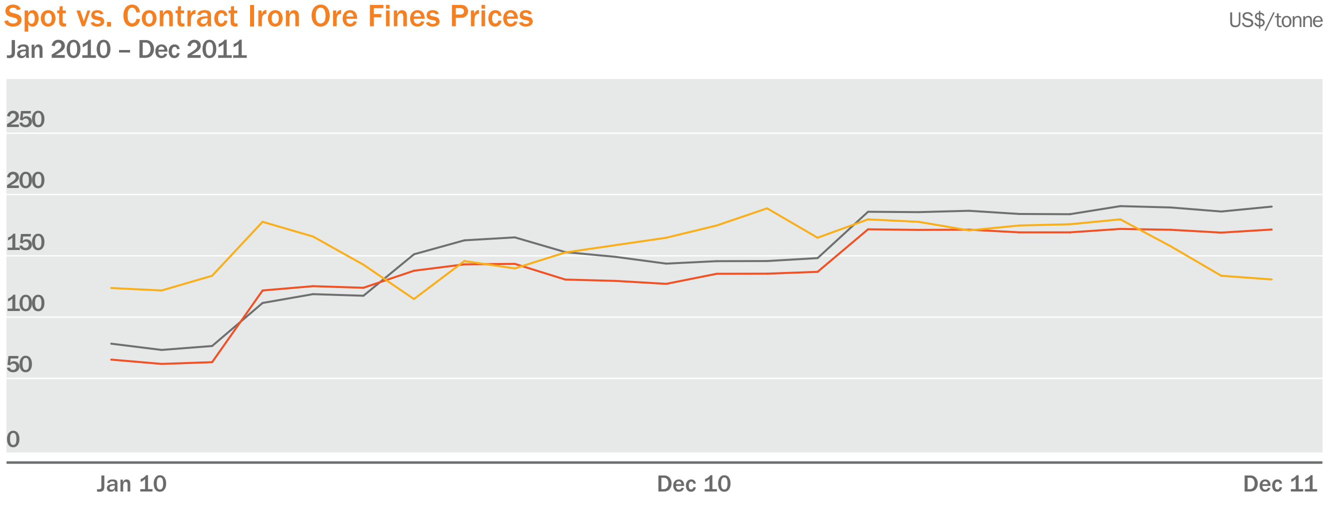
Share of Iron Ore Seaborne Supply and Demand



Morgan Stanley Research

Spot vs. Contract Iron Ore Fines Prices

Jan 2010 – Dec 2011



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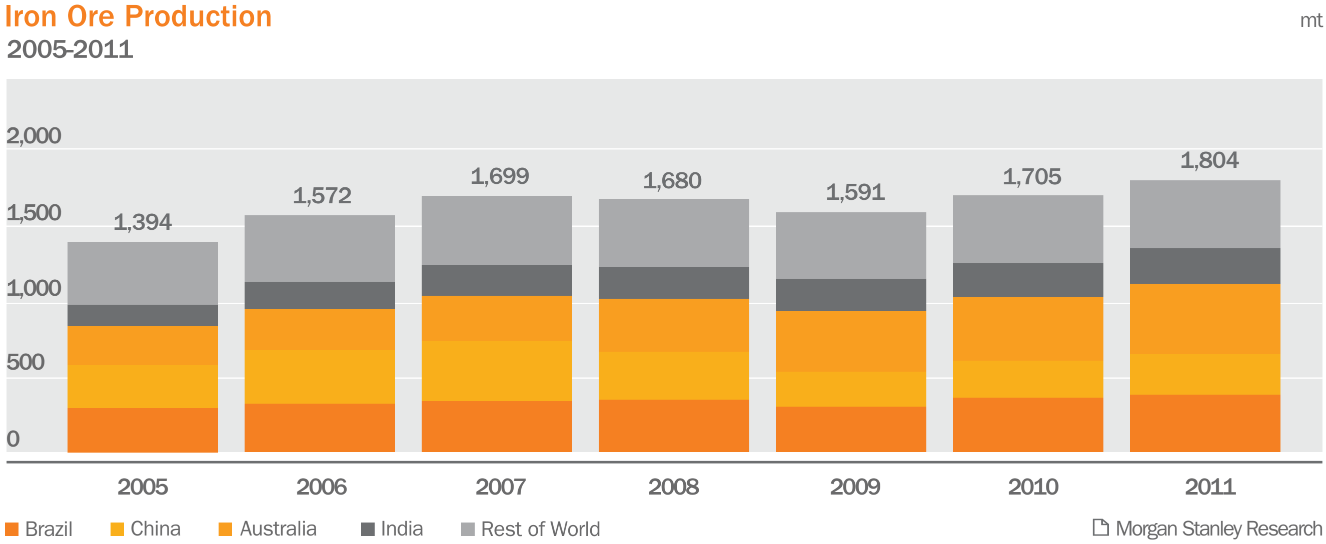
Iron Ore Production

2005-2011



Morgan Stanley Research

Coking Coal Market in 2011

Global coking coal demand continued to grow strongly throughout the first half of 2011.

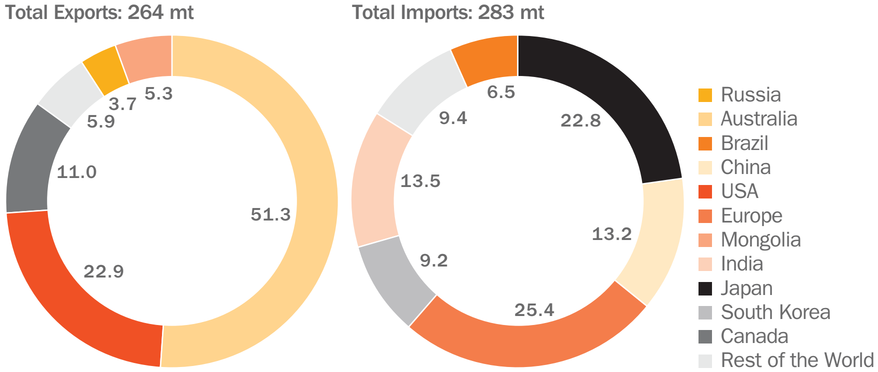
Global coking coal demand continued to grow strongly throughout the first half of 2011, resulting in prices increasing significantly due to a continued supply side deficit, before softening in the second half of the year.

Global coking coal seaborne exports were down 2% to 264 mt in 2011. The major coking coal exporting countries showed growth, with the exception of Australia whose exports declined 16% to 134 mt; USA increased 26% to 60 mt, Canada increased 4% to 29 mt and Mongolia increased 37% to 14 mt. The four countries together accounted for nearly 90% of total worldwide exports.

Coking coal imports were flat at 283 mt in 2011 driven by the significant increase in imports in Japan (up 21% to 65 mt) and China (up 27% to 61 mt). Japan, China and India accounted for more than 50% of the global imports.

The Australian contract prices for coal increased 60% to US$330/t in April 2011, before decreasing 15% to US$285/t by the end of the year. The Australian spot price increased 56% to US$350/t in January 2011, before decreasing 35% to US$228/t by the end of the year.

Share of Coking Coal Seaborne Exports and Imports

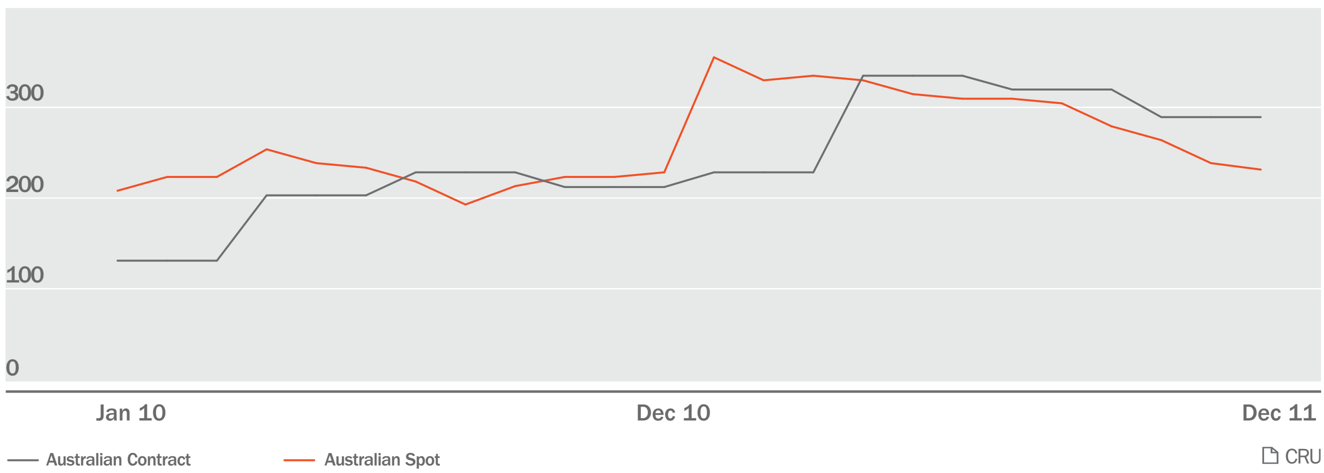


Morgan Stanley Research

Spot vs. Contract Hard Coking Coal Prices

Jan 2010 – Dec 2011

USD$/tonne FOB Australia



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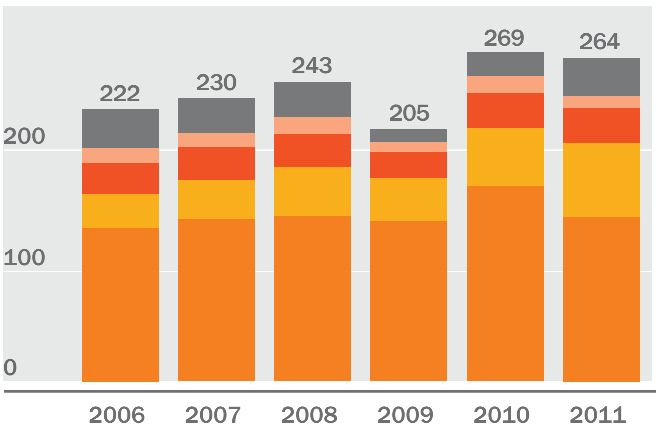
Coking Coal Exports

2006-2011

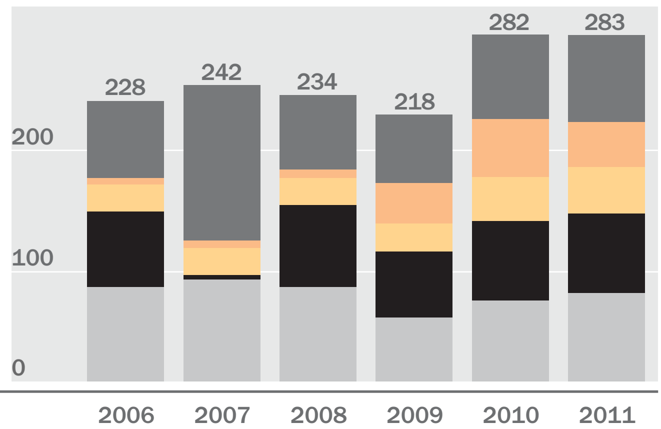
mt



Coking Coal Imports

2006-2011

mt



Australia China USA India Canada Japan Russia Europe Rest of the World

CRU

Vanadium Market in 2011

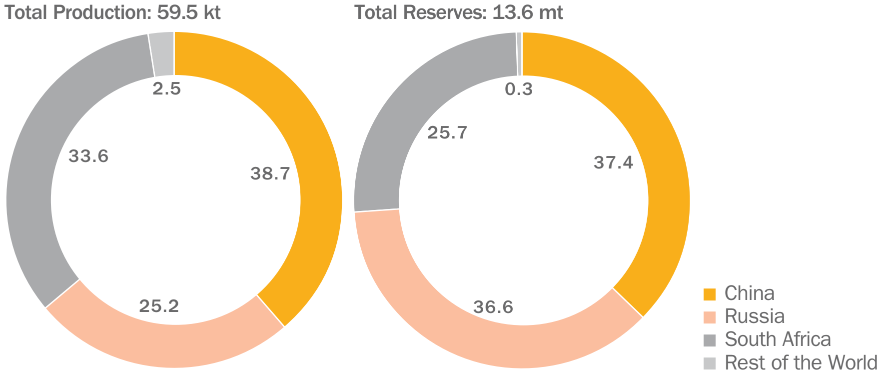
Demand was robust for vanadium in the first half of 2011.

Vanadium is predominantly used as an alloying agent to increase the strength of steel. Nearly 85% of the vanadium used in this process is ferrovanadium, which is used as an alloying agent for iron and steel, while vanadium pentoxide is used as a catalyst for the production of sulphuric acid. Vanadium consumption is heavily aligned with levels of steel production, particularly high-strength steel grades.

Whilst demand was robust for vanadium in the first half of 2011, due to strong growth in steel production, prices for ferrovanadium and vanadium pentoxide remained at the same level as 2010 in the first half of 2011, before decreasing towards the end of the year.

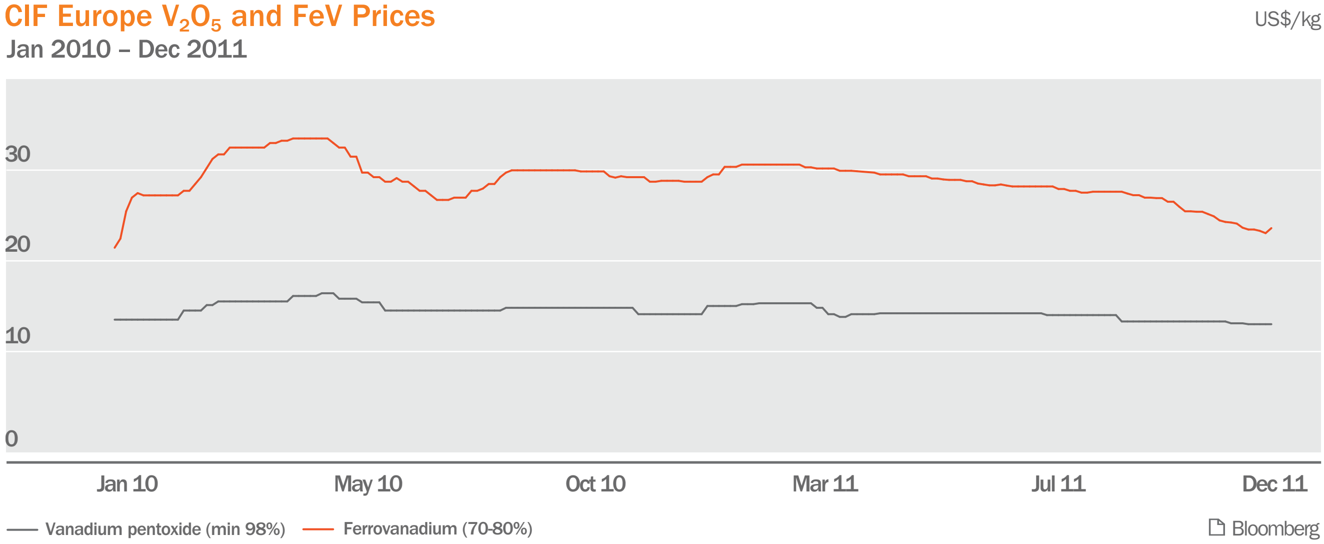
World resources of vanadium exceed 63 mt, most of which are in China, Russia and South Africa. However, as vanadium is mainly recovered as a byproduct or coproduct, these resource levels are not an indicator of available supplies.

Share of Vanadium Production and Reserves



CIF Europe V_2O_5 and FeV Prices

Jan 2010 – Dec 2011



Business Model

EVRAZ creates value by converting its own mineral resources into high-end steel products for its large scale global infrastructure clients. Efficient operations, constant pursuit of economically attractive asset developments and search for value-adding M&A transactions are each fundamental features of EVRAZ's approach.

Focused efforts are put into hiring and developing the best workforce as this is the backbone of EVRAZ's operations. The health and safety of employees is at the forefront of decision making at EVRAZ.

Vertical integration in raw material is a key competitive advantage of EVRAZ's business which supports attractive margins, throughout the iron ore and coking coal pricing cycle.

The favourable location of EVRAZ's production sites in terms of proximity to raw materials and key global growth markets (CIS, Asia and South Africa), combined with continuous modernisation of its operations, helps to reinforce its market leading position and increases the quality of higher-end products, such as rails, wheels and tubes.

At an operational level, EVRAZ continues to refine an improved management structure that is focused on enhancing accountability and decision-making processes. EVRAZ's top management has significant relevant international experience and proven skills in consistently improving operations. EVRAZ plc's Board of Directors combines executive experience from EVRAZ's business, with experienced independent non-executive directors, to promote transparency and sound governance.

Competitive Advantage

One of the most vertically integrated global steel producers:

- Low cost producer.
- Geographically diversified over four continents.
- Leading market position in long products in Russia.
- World leader in the rail and wheel markets.
- Largest producer of vanadium products globally.
- Dynamic and experienced management team.

Our Strategy

EVRAZ intends to pursue its strategy by expanding its mining operations, strengthening its position in existing markets and reducing costs while maintaining its focus on safety.

Increase Vertical Integration and Enhance Raw Materials Base

EVRAZ is significantly self-covered in terms of raw material production and believes that, in 2011, it ranked by volume in the top three largest iron ore producers and top five largest coal producers in Russia.

In 2011, approximately 102% of EVRAZ's iron ore requirements and 56% of its steel segment coking coal requirements were produced by its own mining subsidiaries. EVRAZ sells a proportion of its iron ore and coal production to third parties and purchases a proportion of its iron ore and coal requirements from third parties due to grade, processing requirements and transportation considerations.

EVRAZ seeks to enhance its profitability and the security of supply of raw materials by increasing vertical integration. Further expansion of the EVRAZ mining division will allow increased volumes of raw materials to be sold to EVRAZ's subsidiaries and third parties.

EVRAZ is also in the process of developing the Yerunakovskaya-VIII mine in Kuzbass, which is anticipated to start producing high quality hard coking coal in 2013 and provide EVRAZ with 2 million tonnes per annum. This additional production will allow EVRAZ to meet all of its own coking coal requirements (based upon current production levels) and would also allow EVRAZ to sell additional amounts to third parties, particularly in Asia.

As a first step towards delivering this expansion strategy, after acquisition of the Mezhegey and Vostochny licences EVRAZ has begun a feasibility study to develop coking coal deposits in the Republic of Tyva, Russia. The total reserves and resources of these deposits are estimated by the Russian State Mineral Resources Agency ("Rosnedra") to be over 700 million tonnes. EVRAZ anticipates that the Tyva mine could produce 7 million tonnes of coking coal per annum by 2019.

EVRAZ also aims to further develop its own already substantial Russian iron ore division, to both provide feed for EVRAZ's own steel mills and to take advantage of favourable iron ore prices. The KGOK asset in 2011 reached its highest output in five years, achieving a production rate of 9.5 million tonnes per annum of saleable iron ore product through efficiency initiatives and expansions of capacity.

EVRAZ may explore opportunities to develop additional greenfield projects as they arise.

EVRAZ is significantly self-covered in terms of raw material production and believes that, in 2011, it ranked by volume in the top three largest iron ore producers and top five largest coal producers in Russia.

Our Strategy
(Continued)

Strengthen Competitive Position in Its Existing Markets

EVRAZ plans to strengthen its current market position by enhancing the quality of its products, broadening its product portfolio and developing its distribution network.

EVRAZ believes that in 2011 it was among the 20 largest steel producers globally by crude steel volume and the largest producer of crude steel in Russia. EVRAZ believes that in 2011 it was the leading producer of railway steel products in Russia with an estimated market share of 87% in rails and second-largest in the country's rail wheel market. In the Russian construction sector, EVRAZ estimates that it had a market share, by volume, of 85% in H-beams and 61% in channels during 2011. EVRAZ holds a strong competitive position as a diversified producer of a full range of products in the domestic construction steel market.

In order to maintain its leading position in the Russian and global rail market in 2012 EVRAZ expects to complete the reconstruction projects at EVRAZ ZSMK and EVRAZ NTMK rail and beam mills. These reconstruction projects will allow both plants to produce higher grade products to match Russian Railways' requirements for high speed rails, increase capacity to 1.6 million tonnes per annum and export high-end rails to more developed markets. EVRAZ has also undertaken a rail production expansion project in order to achieve production levels of up to 0.6 million tonnes per annum at its Rocky Mountain facility in the USA.

EVRAZ is looking to expand its position within potential CIS growth regions, where demand for steel products is anticipated to experience superior future growth. In order to achieve this goal, EVRAZ is investing in two new rolling mills, one in the Rostov Region of Southern Russia and another in Northern Kazakhstan. EVRAZ anticipates that these new facilities will permit EVRAZ to diversify its product mix, produce specific products that are in demand in these regions (e.g. new rebar grades) and offer its customers better quality products. In 2011, EVRAZ has continued to develop EVRAZ Metall Inprom, its key distribution channel in Russia which sold almost 1.7 million tonnes of steel products during the year.

EVRAZ is a leading producer of OCTG pipes in Western Canada. Given the potential for increased shale gas drilling in North America, which requires high quality products, EVRAZ is looking to enhance its product mix to match these new requirements and take full advantage of this recent market trend. As a first step, in mid-2012, the structural tubing facility in Portland, Oregon, will add the production of API tubes to its portfolio. This will bring the mill's total capacity from 110,000 to 225,000 tonnes per annum. Other quality enhancing projects are in development to ensure EVRAZ, not only maintains, but also increases its market share in the North American tubular market.

Enhance Cost Leadership Position

Management believes that Russia is one of the lowest cost regions for steel production in the world, enabling EVRAZ to benefit from lower production costs compared to some of its competitors elsewhere in the world. EVRAZ benefits through both the export of low-cost Russian slab to global markets and the synergies created by being able to supply feedstock to certain of its non-Russian subsidiaries. At EVRAZ NTMK and EVRAZ ZSMK new pulverised coal injection technology is in the final stage of implementation and will be commissioned during 2012. This new technology will significantly lower production costs by allowing the two plants to reduce coking coal consumption by 20% and eliminate the need for natural gas.

In 2011, EVRAZ KGOK bought an adjacent power plant and EVRAZ ZSMK is currently developing its own power plant, in order to increase self-sufficiency in electricity, and reduce the effect of the expected increases in electricity prices.

In 2011, EVRAZ bought a further 24% stake in Evraztrans, increasing its ownership to 100%, with the aim of optimising logistics and better controlling all transportation costs, which are crucial factors in the success of EVRAZ's operations.

The construction of a new coal terminal is currently underway at EVRAZ NTMP – the port in the far east of Russia. This new terminal will increase the handling capacities of the port to 5 million tonnes per annum of coal.

In late 2011 EVRAZ completed the conversion of EVRAZ Highveld's furnace into an open slag bath with the objective of decreasing energy and coking coal consumption.

Finally all EVRAZ's assets are currently undergoing a transformation towards superior efficiency practices through the implementation of the EVRAZ Business System. This initiative is a global programme of Lean practices which aims to decrease cash costs (including maintenance CAPEX), inventory turnover and production losses at every single plant in the Group.

Enhance Global Leadership Position in Vanadium Business

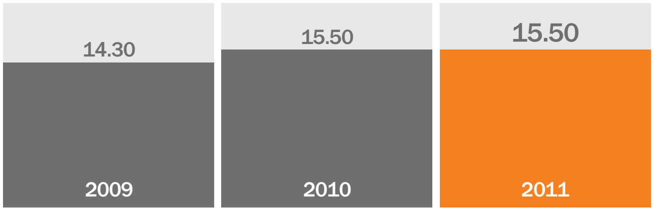
EVRAZ is the only large-scale producer of vanadium-rich iron ore in Russia and it believes that, during 2011, it was among the largest producers of vanadium slag globally. Based on World Steel's global steel production forecasts and an expected increase in vanadium used per tonne of steel, EVRAZ's management believes that global vanadium consumption will increase by up to 33% by 2015 with strong demand growth expected in China, India and the Middle East. EVRAZ is a global leader in vanadium production and aims to increase its production volumes of final vanadium goods during 2012 by expanding its vanadium slag processing capacities to match its slag production levels.

Key Performance Indicators

EVRAZ uses a range of financial and non-financial KPIs to measure and manage its performance.

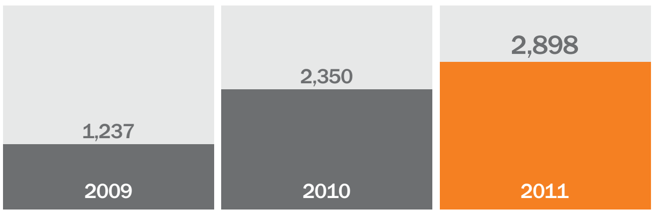
These KPIs reflect the Company's focus on product leadership, cost leadership and safety across all our operations and are used by management to monitor the Group's progress. However, this list is not exhaustive and we also use additional measures internally to review progress.

Steel Sales Volumes (million tonnes)



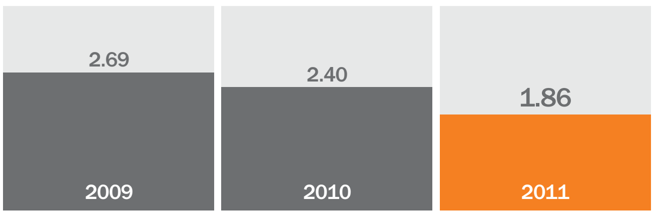
We measure our total steel sales in millions of tonnes, combining all types of steel which we produce around the world.
The volume of steel we sell is a key determinant of our performance and an indicator of conditions in our markets.

EBITDA (US$ million)



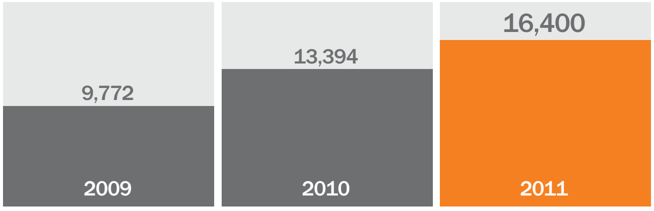
EBITDA represents profit from operations plus depreciation, depletion and amortisation, impairment of assets, loss (gain) on disposal of property, plant and equipment and foreign exchange loss (gain).
EBITDA reflects our fundamental earnings potential, it measures the cash earnings that can be used to pay interest and repay the principal.

LTIFR (per million hours)



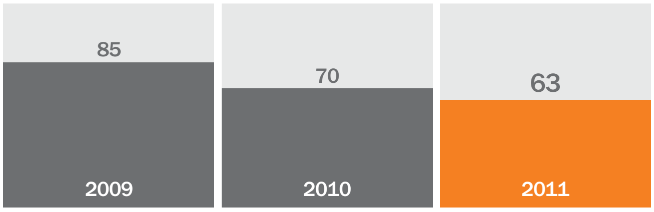
Lost time injury frequency rate (LTIFR) represents the number of lost time (one day or more) injuries divided by total number of hours worked expressed in millions of hours. We are committed to the highest standards of health and safety and measuring our performance enables us to identify and manage issues.

Revenue (US$ million)



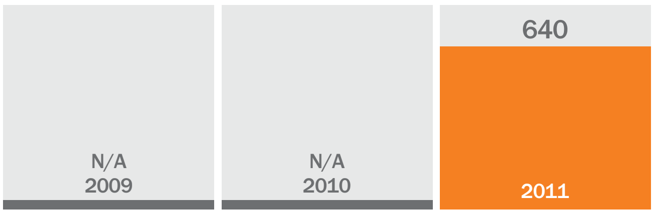
Revenue is the amount of money received or receivable from sales of our goods and services during the period. Revenue reflects inflows from assets and is used as an indication of our growth.

Inventory Turnover (days)



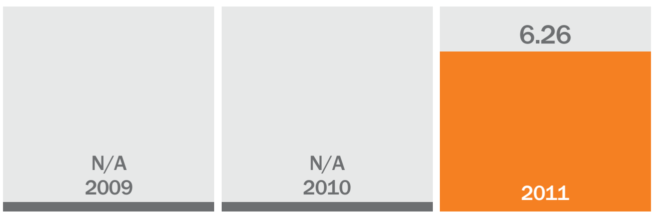
Inventory turnover is the average number of days required to manufacture and sell inventory. The inventory turnover is determined as the average quarterly inventory balances for the reported year divided by the cost of goods sold and multiplied by 365. This is the key indicator of how effectively we manage the working capital.

Average Cash Cost (including maintenance Capex) of Russian Rolled Steel Products (US$/tonne)



Cash cost represents the cost of revenues and SG&A expenses less depreciation, foreign exchange (gains)/losses, impairment of assets and (gain)/loss on disposal of assets (i.e. all major non-cash items) plus maintenance CAPEX, the result is divided by sales volumes. Raw materials from EVRAZ's mining segment are supplied at market prices. We use cash cost as a measure of our cost effectiveness, because EVRAZ considers cost leadership as key to its competitive advantage. This indicator has been included in KPI starting from 2011.

Environmental Fines (2011, US$ million)



We record all environmental incidents which occur at our operations to measure compliance with environmental standards covering: water discharges; air emissions; waste; and general work activity. This KPI measures our environmental performance in the broadest possible way and sets out the total sum of fines imposed on EVRAZ in the year. We are committed to minimising our impacts upon the environment and have a target of achieving zero incidents. This indicator has been included in KPI starting from 2011.

Principal Risks and Uncertainties

Effective management of risk is essential to achieving EVRAZ's objective of delivering long-term value to shareholders and to the protection of its assets, people and reputation. Identifying, evaluating and managing business risks are integral to the way EVRAZ runs its business.

Strategic Risks		
Risk Type	**Risk**	**Mitigation**
Global Economy and Industry Cyclicality	The steel and mining industries are cyclical and strongly influenced by global economic conditions. As a result, EVRAZ's business is highly dependent on, and sensitive to, the global macroeconomic environment. If macroeconomic conditions deteriorate or a significant economic contraction takes place in any of the Group's key geographic markets, the Group's business, financial condition and prospects could be materially affected. The industries in which the majority of our steel customers operate, are themselves cyclical in nature and sensitive to economic conditions. Renewed weakness in these industries would adversely affect EVRAZ's business. The prices of EVRAZ's primary commodities and its steel products are influenced by many factors including demand, worldwide production capacity, capacity utilisation rates, raw material costs, exchange rates and trade barriers. Prices for these commodities may experience significant fluctuations as a result of these and other factors, any of which could have a material adverse effect on the Group's business, financial condition, the results of operations and future prospects.	Regular strategic planning, global operations diversifying risk across a number of key economic markets, increasing the number of medium and long-term customer contracts, maintaining a competitive low product cost structure, prudent financial management.
Dependency on Russian and North American Markets	In 2011, EVRAZ derived around 40% of its consolidated revenues from sales to customers in Russia and about 22% from sales to customers in North America. The overall success of EVRAZ's operations is therefore closely tied to the business and operating environments in these two regions. Any significant decrease in demand for steel products or decline in the price of these products in these territories could result in significantly reduced revenues, thereby materially adversely affecting EVRAZ's business, financial condition, results of operations and future prospects.	Regular strategic planning, increasing the number of medium and long-term customer contracts, maintaining a competitive low cost product structure, matching contract product pricing to key input costs, increasing product portfolio and customer focus strategies to more robust infrastructure market categories.
Political	Adverse consequences from specific or general political actions hindering the Group's long-term planning ability and limiting its capacity to obtain financing in the international markets which could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.	Regular strategic planning, positive investment in social and community projects, effective sustainability activity in health, safety and environmental programmes, careful and diligent attention to local and international regulations, laws and taxation regimes.
Capital Expenditure	Steel production and mining are capital intensive businesses. EVRAZ plans to continue to invest in its production facilities, maintaining and upgrading existing facilities, developing new mines and investing in new projects. In 2011, the Group had capital expenditure of US$1.28 billion. The Group expects to be able to fund its current planned capital expenditures from cash generated from operations and external funding. However, planned capital expenditures may be adversely affected by the following factors: changes in the terms of existing financing arrangements; changes in economic conditions; fluctuations in the Russian or global steel markets; regulatory developments; delays in project completion; cost overruns; and defects in design or construction. It is possible that EVRAZ may have difficulty in financing its capital expenditures and external sources of financing may not be available. The failure to fully finance its planned capital expenditures at a level intended to grow its business, or to finance such expenditures at an acceptable cost or at all, may have an adverse impact on EVRAZ's business, financial condition, results of operations and future prospects.	In addition to the mitigation actions described above regarding global economic risks, the Group has established procedures and dedicated management for the planning, realisation and commissioning of capital projects. The Group aims to minimise short-term debt and secure liquidity to ensure funding of the necessary capital expenditure.

Operational Risks		
Risk Type	**Risk**	**Mitigation**
Health, Safety and Environmental Risks	EVRAZ's operations are subject to a wide range of health, safety and environmental (HSE) laws, regulations and standards. Any breach of existing laws and regulations resulting from health, safety or environmental incidents may result in the imposition of fines, penalties, or other actions, which could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects. The introduction of new laws and regulations may result in increased costs, or in the event of non-compliance, also lead to the imposition of substantial penalties or other actions that could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects.	The Group has introduced a management structure to appropriately escalate material HSE issues to Board level. The Group is actively assessing its environmental impacts and potential liabilities to improve management of those exposures.
Labour Relations	EVRAZ's business depends on good labour relations with employees. Labour disputes, restrictive labour and employment laws, as well as increasing costs of skilled labour, could have a material adverse impact on EVRAZ. Although EVRAZ believes its labour relations with its employees are good, a strike or a work stoppage could occur at any of the Group's facilities or greenfield operations. At most of the Group's business units, there are collective bargaining agreements in place with labour unions. However, existing agreements may not prevent future strikes, work stoppages or other labour-related disputes which could result in a decrease in EVRAZ's production levels. They could also lead to adverse publicity or an increase in costs, which could have a material adverse effect on EVRAZ's business, results of operations, financial condition and future prospects.	There are established Group and local HR procedures, channels for timely communications and negotiations with trade unions, other representative bodies and authorities.
Cost Competitiveness	EVRAZ operates in markets that are highly competitive. Competitors include major international steel producers and mining companies, as well as other Russian steel and mining producers and producers in other emerging market countries. The Group's competitive position as one of the world's lowest cost steel producers is dependent on, among other factors, its ability to manage its cost base and increase the efficiency and productivity of its employees. Competition for skilled labour is intense in the steel and mining industries, and labour costs are increasing significantly, particularly in Russia. Continued high demand for skilled labour and labour cost inflation could make it difficult for the Group to attract qualified employees at a commercially reasonable cost and such a difficulty could thus have a material adverse effect on EVRAZ's business, results of operations, financial condition and future prospects. In addition, EVRAZ's Russian subsidiaries are in many instances the largest employers in the cities in which they operate, which means its ability to reduce the numbers of its employees may be subject to political and social considerations. Any inability to make planned reductions in workforce numbers in order to increase efficiency could have a material adverse effect on EVRAZ's business, financial condition, results of operations and future prospects.	Management reporting framework, Group and site operational KPI's, regular Management Committee meetings, PRM (Product and Resource Management) meetings. Proactive HR skills and management gap analysis, site and group level in-house training and established Lean management processes. The above management mitigation action is supported by specific investment projects to deliver reduced cost per tonne; a key example being the investment in PCI facilities at EVRAZ NTMK and EVRAZ ZSMK.

Principal Risks and Uncertainties
(Continued)

Operational Risks (continued)		
Risk Type	**Risk**	**Mitigation**
Business Interruption	The mining, smelting and refining operations of EVRAZ are subject to a number of operational risks which can cause prolonged shut downs or production delays. These include: the availability of raw materials, water and power, geological and technical challenges, climatic conditions such as flooding and earthquakes, equipment failure, interruptions to power supplies, or limitations or disruptions to transportation services such as railways. Any such disruptions could have a material adverse effect on EVRAZ's operating performance, production levels, financial condition and future prospects. In addition, long-term business interruption may result in a loss of customers and damage to the Group's reputation.	The Group has established protocols and procedures across the Group as a whole such that plans are in place to ensure business continuity in the Group's operations in the event of a major disruption to the Group's operations. The Group also carries business interruption insurance except for mining operations.

Financial Risks		
Risk Type	**Risk**	**Mitigation**
Treasury Risks	EVRAZ, like many large multinational companies, faces a variety of treasury risks including liquidity risk, credit risk, currency risk and interest rate risk. Adverse events or uncertainties affecting the global financial markets could adversely affect EVRAZ's ability to raise new debt or refinance existing debt facilities in the capital markets. It could also in future lead to higher borrowing costs. EVRAZ needs ongoing access to liquidity funding in order to meet its trading requirements, support its existing operations and invest in new investment projects. There is a risk that the Group may be unable to obtain the necessary funds when required or that such funds will only be available on unfavorable terms. EVRAZ's borrowing facilities include a requirement to comply with certain specified covenants in relation to the level of net debt and interest cover. A breach of these covenants could result in a significant proportion of the Group's borrowings becoming repayable immediately. EVRAZ transacts with a variety of commercial and financial counterparties including customers, financial institutions and suppliers. Accordingly, the failure or default of a counter party could give rise to a material loss which may have an adverse impact on EVRAZ's business, financial condition, results of operations and future prospects. The mix of EVRAZ's revenues and costs is such that it is exposed to fluctuations in exchange rates, particularly between the Rouble and the US dollar. The appreciation of the Rouble against the US dollar tends to result in an increase in the EVRAZ Group's costs relative to its revenues. Therefore, adverse currency movements may materially adversely affect EVRAZ's financial condition and results of operations. EVRAZ borrows on both a fixed and variable rate basis and has other interest-bearing liabilities, such as finance lease liabilities and other obligations. EVRAZ incurs interest rate risk on liabilities with variable interest rates.	EVRAZ 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. EVRAZ reviews cash flow forecasts, debt profiles and funding options by the financial team, top management, the Audit Committee, in respect of Going Concern deliberations, and by the Board. To manage credit risk related to cash, EVRAZ 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. EVRAZ'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 EVRAZ customer base. Some of EVRAZ's sales are made on terms of letter of credit. In addition, EVRAZ requires prepayments from certain customers. EVRAZ 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, EVRAZ 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. Natural hedging against foreign exchange risk. The majority of EVRAZ revenues are received in roubles (for sales in Russia) and US dollars (almost all sales in other countries). However, rouble prices in the Russian domestic market are linked to export parity, so viewed as effectively US dollar prices with a domestic premium in times of higher demand. Also, domestic sales in Russia are generally more profitable compared to exports due to the effect of transportation costs. When the Russian market performs well, the rouble appreciates, which leads to both increased costs and increased revenues in US dollar terms due to both the domestic premium and the higher proportion of domestic sales. On the other hand, when the Russian economy weakens, rouble production costs fall, while steel prices usually follow the RUB/USD exchange rate trend and more steel is exported. Finally, almost all of EVRAZ's debt is US dollar denominated (including the Rouble bonds which are swapped into US dollars). EVRAZ's treasury function performs analysis of current interest rates. In the event of changes in market fixed or variable interest rates management may consider the refinancing of a particular debt on more favourable terms.

Financial Risks (continued)		
Risk Type	**Risk**	**Mitigation**
Taxation	EVRAZ is exposed to tax compliance and tax management processes in multiple tax jurisdictions. The integrated nature of EVRAZ's worldwide operations can give rise to uncertainty with regards to the Group's tax liabilities and produce conflicting claims from revenue authorities in relation to the profits to be taxed in specific jurisdictions. Failure to manage tax risks could lead to additional tax charges. It could also lead to reputational damage or a financial penalty for failure to comply with required tax procedures or other aspects of tax law.	The procedures of tax risk identification and tax compliance are established. The Audit Committee reviews tax risk and compliance each half year.

Other Risks		
Risk Type	**Risk**	**Mitigation**
Control Exercised by the Major Shareholder	EVRAZ is controlled by Lanebrook (the "Major Shareholder"), a limited liability company incorporated under the laws of Cyprus. As at 31 December 2011, the Major Shareholder held a 72.34% stake in EVRAZ. As a result of its controlling interest in EVRAZ, the Major Shareholder has the ability to exert control over certain actions requiring shareholder approval, including increasing or decreasing the authorised share capital of the Company (and disapplying pre-emptive rights), the election of directors, the declaration of dividends, the appointment of management and other policy decisions. While transactions with the Major Shareholder can benefit the Company, the interests of the Major Shareholder could at times conflict with the interests of the other shareholders. Any such conflict of interest could adversely affect EVRAZ's business, financial condition and results of operations.	The board has a balance of 50% independent non-executive directors who have a duty to protect the 'minority shareholder' regarding General Meeting resolutions, also to oversee and where appropriate seek independent valuations of any proposed 'related party' transactions. The Nomination Committee is charged with the selection of the Chief Executive, succession plans for key senior management and selection of independent non-executive directors.

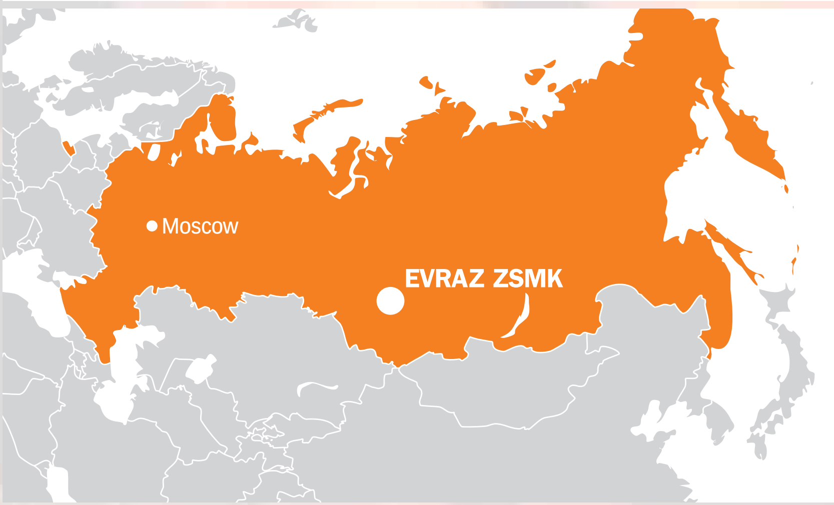
Rail Mill Shop Modernisation at EVRAZ ZSMK

In January 2010 EVRAZ began reconstruction of a rail mill located at EVRAZ ZSMK[1] with the objective of increasing rail production volumes to 950,000 tonnes per annum (up to 100% thermo-strengthened rails) and of manufacturing 100-metre rails in compliance with all new national standards and in accordance with the requirements of Russian Railways.

Construction is underway and most of the plant and equipment is already delivered to site. Commissioning works are planned to start in October 2012.

[1] NKMK and ZSMK steel mills were consolidated under the name EVRAZ United West-Siberian Iron and Steel Plant (EVRAZ ZSMK) in 2011.

EVRAZ ZSMK Asset Location in Russia



950 ktpa

950,000 tonnes of rail per annum (objectives of increasing rail production)

Operating Review

Business Overview
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Operating Review

EVRAZ is a global, vertically integrated steel and mining business comprising three principal operating segments: Steel, Mining and Vanadium. EVRAZ's mining operations ensure high levels of self-coverage in respect of supplies of iron ore and coking coal, required for the Company's steelmaking processes.

Our manufacturing facilities produce a wide range of products with a specialised focus on the infrastructure sector. In 2011, the Company's share of the Russian market in beams, channels and rebars totalled 85%, 61% and 20% respectively. EVRAZ accounts for 87% 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 and a prominent player in the European plate market.

In the USA, EVRAZ is the number one producer of rails, one of the largest manufacturers of plate, being the largest manufacturer of armour plate, and is acknowledged as the number one North American producer in respect of large diameter pipes.

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, aerospace and other applications.

2011 was a transformative year for EVRAZ with a number of landmark events occurring. In December EVRAZ plc began trading as part of the FTSE 100 Index of the UK's leading public companies, becoming the only steel and mining company in the UK FTSE All-Share Index.

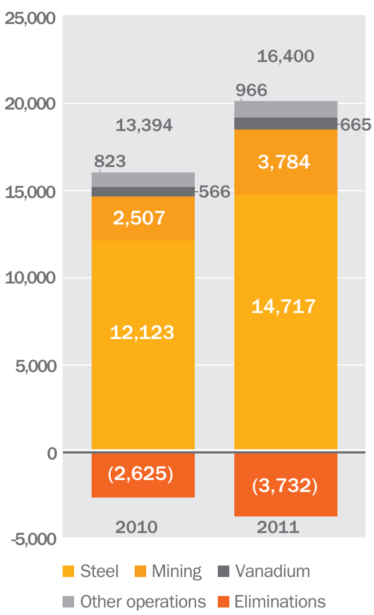
Pursuant to a share exchange offer with EVRAZ Group S.A., EVRAZ plc became the new ultimate holding company of the Group, and EVRAZ Group S.A. became a subsidiary of the Company. The Company's shares were admitted to trading on the London Stock Exchange's main market for listed securities on 7 November 2011 and trade under the stock symbol EVR.

EVRAZ also accomplished a number of operational objectives during the year. The PCI project implementation and rail mill modernisation programme continued at our Russian steel mills. At our mining operations, EVRAZ KGOK continued its programme to increase iron ore production. The Vanadium division achieved sustainable, high production levels and an increase in V_2O_5 production capacity as a result of continuous improvement in management processes and technology.

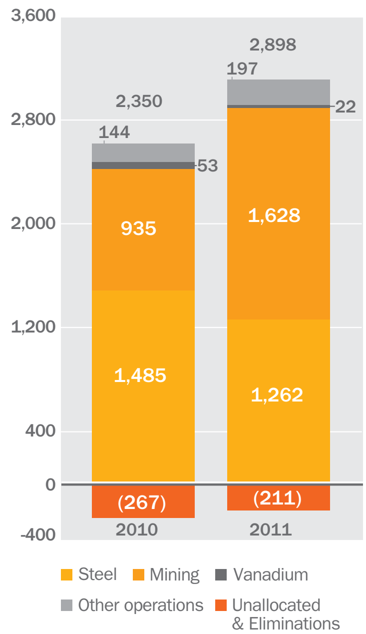
EVRAZ Business System (EBS)

In 2011, EVRAZ started the implementation of EBS through all of its units. For more info on EBS please refer to page 33.

Revenue from External Sales by Segment (US$ million)



Consolidated EBITDA (US$ million)



Step 1: Sort

- Separate unnecessary from the necessary
- Remove things not required for the process
- 'Red Tag' removed items
  - Identify and list all 'stuff' removed
  - It may come in handy later!
- Clean the space as you go

Step 2: Set & Simplify

- Organise the workplace so 'value' can flow freely
- Eliminate non-value-adding steps
- Convert from 'batch' or 'craft' processes to flow
- Aim for 1-by-1
- U-shaped flow is ideal
- Team-based working

Step 3: Scrub

- Clean the new workplace and its equipment
- Clean everything
- Re-paint and repair
- Make abnormal conditions obvious at-a-glance
- Corner painted to see dirt

EVRAZ Business System

The practical expression of EVRAZ's people and customer-oriented philosophy takes form as the Evraz Business System ("EBS"). This is not a rigid company-imposed procedure but a set of principles that have been proven in the day-to-day practice of excellent companies over many years.

In order to preserve our competitive advantage and compete effectively in the global market, we need to create more value for our customers and to do so more efficiently through an engaged workforce. To achieve these goals will require a radical transformation in the way our organisation conducts its business, which is why we have introduced EBS. EBS incorporates Lean business principles and tools to create a culture of continuous improvement. Our goal is not just to identify possibilities of cost reductions, but to change the way our entire organisation thinks and acts.

EBS has three desired outcomes:

- To provide the customer with the highest quality product, at lowest possible cost, in a timely manner with the shortest possible lead times.
- To provide members with a safe work environment, work satisfaction and fair treatment.
- To give the Company flexibility to respond to the market, increase profit through cost reduction activities and achieve long-term prosperity.

EBS strives for the absolute elimination of waste in all areas to allow members to work smoothly and efficiently. The foundations of EBS are built on standardisation, to ensure a safe method of operation and a consistent approach to improving cost and quality. EVRAZ members are encouraged to continually improve their standard processes and procedures in order to ensure maximum quality, improve efficiency and eliminate waste. This is known as Continuous Improvement and with time it should be applied to every sphere of the Company's activities.

With this in mind, in 2011 we introduced several Lean instruments into our operations, with the aim of improving the quality of our processes and I am pleased to report that it has resulted in tangible improvements.

The first step in setting up the new Business System was the introduction of the EVRAZ Way in 2010 – the Mission, Strategies and Values of our Company, focused on achieving results by inspiring our employees to perfect our processes and bring greater value to our customers.

Then, to help spread the new philosophy throughout the Group and involve our employees in the improvement process, we focused on implementing the following four simple tools which are established standards for most Lean-oriented companies:

6S

2011 was kicked off with the implementation of 6S, a six-step system (Sort, Set in Order, Scrub, Safety, Standardise, Sustain) used for improving the organisation of a workplace.

A3

To analyse EVRAZ's projects and initiatives, during 2011 many of our employees were trained in A3 Thinking – a simple and logical method of problem solving which helps identify the reasons behind any planned activity and link it to the company's overall Strategy. A3 Thinking uses a systematic approach to facilitate the understanding of the current and target states of a problem, the gaps which need to be resolved and the exact steps which need to be taken to achieve success. Our goal for 2012 is to have 100% of EVRAZ's employees across the world trained in the use of A3s.

VSA

In 2011 EVRAZ started using Value Stream Analyses to map out processes and identify sources of waste, unevenness and overburdens contained within the process mentioned before, as well as see opportunities for improvement. By understanding the Current State of a process and imagining an Ideal State (the simplest way with zero defects and no resource constraints), we are able to set up a plan to achieve a Future State.

MCR

The introduction of Mission Control Rooms to manage the business was another step towards simplifying and optimising EVRAZ's business processes. MCRs integrate and make visual all the business processes of an organisation, such as its goals, KPIs, activities and initiatives, financial tracking and countermeasure planning. Throughout 2011, most of EVRAZ's facilities have put up their site-level MCRs and many have also begun using Division- and shop-level Mission Control Rooms and Production Control Boards. In November 2011, the Moscow-based senior management of the Company had also started building and utilising segment-level MCRs to manage the business.

Having started on its new path of long-term "health", EVRAZ has begun instilling the elements of Lean philosophy in its processes and employees throughout the entire Group.

Key Targets 2012

The following sections of the report provide a detailed breakdown of our individual operations' achievements in 2011 and objectives for 2012. In general for the year ahead, EVRAZ will continue incorporating Lean principles across the Group in order to reduce cost, increase quality and delivery, and further drive the philosophy of continuous improvement. The focus will be on continued implementation of EVRAZ Business System throughout the Group with a view to setting the foundations for:

- 100% employee involvement in improvement efforts through training in the use of EBS tools and 6S.
- Setting up an efficient Maintenance System to increase machine longevity, lower maintenance time and costs.
- Building a Quality Management System to drive yield improvement and increase customer satisfaction.
- Building an Inventory Management System to decrease working capital.

Step 4: Safety

- Resolve all safety issues
- Change things likely to cause injury, stress or overburden
- Check existing safety equipment
- Improve and innovate to avoid 'anti-work' thinking

Step 5: Standardise

- A place for everything and everything in its place
- Re-paint and repair
- Make abnormal conditions obvious at-a-glance
- Label and mark out
- Use standard health and safety (OSHA) colours

Step 6: Sustain

- Define the 6S standards
- Innovate to make it impossible to slip back
- Assign responsibilities
- Allocate time at the end of each day/shift for 'reset'
- Audit regularly
- Manage by walking about

Operating Review
(Continued)

Steel: Russia

EVRAZ ZSMK

EVRAZ United West-Siberian Iron and Steel Plant ("EVRAZ ZSMK"), located in the city of Novokuznetsk, the Kemerovo region, is the largest steel mill in the Siberian region and the eastern-most steel mill in the Russian Federation. It was formed in 2011 via a merger of two EVRAZ's steel mills, ZSMK and NKMK, in order to optimise production, procurement and logistics, capacity utilisation, to unify managerial processes and standards in the areas of health, safety and environment, human resources management and social policy.

In 2011, EVRAZ ZSMK produced 7.9 million tonnes of steel and more than 7.0 million tonnes of steel products.

EVRAZ ZSMK continued to implement the key investment projects during the year including:

- The rail mill modernisation project that entered its second stage (see page 30). In 2011, a non-destructive inspection line was installed at the rail mill to ensure consistent premium quality of rails.
- The PCI technology (Pulverised Coal Injection) implementation project (see page 42).
- Finalisation of the slitting project aimed at reducing idle time at the small sections mill #1 which will allow it to increase production by 15%.

There was a considerable focus on labour protection and safety measures to be compliant with recommendations of Rostekhnadzor (Russia's Federal Service for Ecological, Technological and Nuclear Supervision) including provision of new safety clothing supplies.

Environmental protection remained a priority. Some of the ecological programmes launched in 2011 will be continued in 2012:

- Water protection (circulating water supply).
- Air protection (modernisation of gas cleaners).
- Recycling of waste (recycling of slag).
- Replacement of equipment that contains polychlorinated biphenyl.

For more on HSE please refer to page 44.

Key Targets 2012

Key targets in 2012 include:

- Completion of the rail mill modernisation and launch of 100-metre head-hardened rail production.
- Completion of the PCI technology project (beginning of 2013).
- Launch of the project to increase the capacity of West-Siberian Heat and Power Plant ("Zapsib Power Plant') to 3,750 million kw per hour.
- Product range expansion.

EVRAZ NTMK

EVRAZ NTMK is one of the largest integrated steel production plants in Russia with a full cycle. It is also the world's biggest processor of vanadium-enriched titaniferous ores with succeeding vanadium recovery in blast oxygen furnaces and in oxygen converters using proprietary technologies. In 2011, EVRAZ NTMK produced 4.3 million tonnes of steel and 4.1 million tonnes of steel products. EVRAZ NTMK is located approximately 150 km from the Russian city of Yekaterinburg.

Measures aimed at cost reduction and improving health and safety as well as programmes to improve working conditions continued during 2011.

In 2011, new drawings at continuous casting machine #3 were developed to enable production of large beams (40k, 60sh, 70sh) that will enhance EVRAZ's market positions due to the unique character of these new products. In 2011, a straightening machine, a press line and a cutting line were installed at the rail mill as part of the rail mill modernisation project. Installation of automatic lines for wheel mechanical treatment carried out at the wheel shop, enhances quality and quantity of wheel manufacturing.

Launch of production of new steel grades, in particular API grade steel for slabs, helps increase the Company's presence in international markets and international integration of the Group, primarily with the Group's North American assets.

Improvements in the blast furnace shop and the coke and chemical shops helped achieve record production efficiency at the blast furnaces.

The launch of new ladle furnace #4 in 2011, allows an increase in the converter shop capacity and expands the number of high quality steel products in the product line.

In 2011, the equipment was bought and construction of a PCI installation began with completion of the project expected in 2012.

A programme aimed at by-product waste recycling was launched, which is aimed at improving the ecological profile of the operations as well as benefiting from the separation of iron and other elements.

Key Targets 2012

Key targets in 2012 include:

- Completion of the PCI technology project.
- Completion of the first stage of the rail mill modernisation aimed at enhancing rail wear resistance and increasing production volumes.
- Expansion of the mechanical treatment area of the wheel shop to increase shop's capacity up to 520,000-580,000 wheels per year.
- Further expansion of product mix (production of new types of wheels and beams).
- Environmental protection programmes (including recycling of sludge, changes in recycling of vanadium convertor slag).

Measures aimed at cost reduction and improving health and safety as well as programmes to improve working conditions continued during 2011.

Mining: Russia

EVRAZ iron ore assets include EVRAZ KGOK and EVRAZ VGOK in the Urals, and Evrazruda in Siberia. EVRAZ's coal asset Yuzhkuzbassugol is located in Siberia.

Overall 2011 performance of EVRAZ iron ore assets in Russia demonstrated robust positive dynamics: total production of saleable iron ore products amounted to 16.8 million tonnes (+9% over 2010), average labour productivity increased by 10.2%.

EVRAZ KGOK

EVRAZ KGOK is one of the top five largest ore mining enterprises in Russia. It is located approximately 140 kilometers from EVRAZ NTMK, in the Sverdlovsk region. At present EVRAZ KGOK conducts mining operations at the Gusevogorskoye deposit of titanium magnetite ores that contain a vanadium alloy component, allowing production of high-tensile alloyed steel products. In 2011, EVRAZ KGOK extracted 54.4 million tonnes of ore, its total output of saleable products was 9.4 million tonnes, including 5.9 million tonnes of pellets and 3.5 million tonnes of sinter.

EVRAZ KGOK continued with the programme to increase the production of raw iron ore in line with the Group's core aim to secure raw materials for steelmaking. The programme will be finalised in 2012 providing for substantial upgrades in mining, transportation and processing equipment and practices. The following new equipment was put into operation: five electric locomotives, five large-capacity dump trucks, two heavy-duty electrical drilling rigs, 40 rail dump cars. This allowed it to reach production capacity of 55 million tonnes of mined ore per year (+10% compared to 2010).

In 2011 EVRAZ KGOK finalised geological exploration at Sobstvenno-Kachkanarskoye ore deposit and submitted a recourse statement (Russian standard) for approval to the Russian Ministry of Natural Resources. As part of the project to explore the Sobstvenno-Kachkanarskoye ore deposit the design and engineering companies of Worley Parsons (Australia) and St. Petersburg Mining Project and Engineering Company (Russia) developed a 3D model of the deposit and basic engineering solutions to open up and start production in line with the highest international technological standards. The engineering solutions include a state of the art conveying system of ore transportation to the benefication plant.

EVRAZ KGOK continued research and engineering works for construction of a new tailings facility, to be completed by 2017. Utilising the world's best concentration technologies, the facility will provide for the improved storage and containment of waste material at a new area thus minimising the environmental impact.

EVRAZ KGOK completed modernisation of its pellet-indurating kiln #3, decreasing gas consumption by 1.0 m³ per tonne of pellets.

In 2011, KGOK successfully completed the project aimed at improving quality of pellets and sinter supplied to EVRAZ NTMK's blast furnaces. The result was increased durability of pellets and sinter as well as enhanced EVRAZ NTMK's efficiency.

Key Targets 2012

- Approval of the feasibility study and the resource statement on Sobstvenno-Kachkanarskoye ore deposit by appropriate state authorities.
- Completion of Sobstvenno-Kachkanarskoye ore deposit design and engineering project documentation to be certified by the State Expertise Agency, aiming to begin detailed design works and contracting key equipment suppliers to commence mine production in 2015.
- Finalisation of the project to increase the annual capacity of EVRAZ KGOK to 55 million tonnes of raw ore in order to meet EVRAZ's long-term requirements.

Evrazruda

Evrazruda comprises nine ore mining and ore beneficiating branches: in Kemerovo region (Tashtagol, Kaz, Sheregesh and Gurievsk mining branches, Abagur and Moundybash ore benefication plants), in the Khakassia region (Abakan and Tyoya mining branches) and in the south of Krasnoyarsk region (Irba mining branch). In 2011 Evrazruda mined 11.7 million tonnes of ore resulting in a production of 4.9 million tonnes of ore concentrate delivered to its only corporate customer EVRAZ ZSMK (+15% compared to 2010).

In 2011 to meet EVRAZ ZSMK requirements Evrazruda upgraded ore-benefication technology and the lime-treatment line at the Abagur benefication plant, which resulted in a 0.5% increase of metal content and reduction of humidity down to 4.0% in the final ore concentrate. This secured regular delay-free supplies to its EVRAZ customers especially in winter.

Over the year Evrazruda continued to develop the Sheregesh underground mine. The project, scheduled for completion in 2014-2015, is expected to double annual iron ore production capacity of the mine. Following the revisions to the project design, the timeframe will be reduced by two years with the run-of-mine production capacity now projected to reach 3.7 million tonnes per year by 2014.

Significant progress was made in modernising the Abakan underground mine to increase its annual mining capacity from two million tonnes up to 4-6 million tonnes in the next five years. In 2011 design and engineering works at the project, which were previously assigned to Giprotsvetmet, were awarded to Australian D&E companies of Worley Parsons and Mining Plus.

At the Tashtagol mine a major project of back-fill technology application was finished with works, and back-fill mining (BFM) starting in an operational testing mode. The essence of BFM technology is to fill up the mined-out space with hardening material, which will allow the mine to use up to 63 million tonnes of higher-grade ore previously preserved in surface supporting pillars. Implementation of this project will also increase the production capacity of the mine, improve the quality of the ore mined and will lead to a better operational efficiency of the Tashtagol branch. Commissioning of the BMT system was fully commissioned in March 2012.

Evrazruda obtained a licence for the Izykhsky iron ore deposit. In 2011 geological exploration works began at the deposit aiming to complete a resource statement and prefeasibility study by the end of 2012.

Operating Review
(Continued)

Key Targets 2012
- Further implementation of the investment projects aimed at maintaining and increasing the production capacity of the Sheregesh and Kaz underground mines and development of the Izykhsky deposit in Irba.
- The ongoing Abakan mine modernisation project (design and engineering works, contracting mine construction companies and key equipment suppliers).

EVRAZ VGOK
EVRAZ Vysokogorsky Ore Mining and Processing Company ("EVRAZ VGOK") operates three ore mines, sintering and benefication workshops. Its assets are located approximately 10 kilometres from EVRAZ NTMK in Nizhny Tagil. EVRAZ VGOK mines from Vysokogorskoye, Lebyazhinskoye, Yestyuninskoye and Goroblagodatskoye iron ore deposits. It also buys feedstock from the market. It is one of the major ore-mining enterprises in the Urals. EVRAZ VGOK produces iron ore concentrate, several types of sinter, limestone, natural stone and other products for the steelmaking and construction industries. It supplies finished products to EVRAZ steel mills NTMK and ZSMK, as well as to third parties mostly in the Ural region. In 2011 EVRAZ VGOK mined and purchased 4.4 million tonnes of iron ore and produced 2.4 million tonnes of saleable iron ore products and 1.6 million tonnes of lime-stone and crushed stone for construction.

In 2011 the key investment project of VGOK was the development and construction of the Tsentralny open-pit mine. Its realisation will allow it to produce an additional 6.8 million tonnes of ore in the next eight years. In 2011 design and engineering works were finalised and in 2012 the ore extraction works will commence.

This project is in line with a project to increase the capacity of the Vysokogorsky benefication plant via modernisation of its ore-feeding facilities.

As part of operational expense optimisation VGOK initiated an upgrade of the heating system of its Yuzhnaya mine. Being implemented in mid-2012 this initiative will result in a 60% decrease of energy consumption used to ventilate the mine.

In 2011, VGOK, supported by mining consultants from Ernst & Young, drew up a mid-term production optimisation programme that provides for 10-15% higher capacity utilisation in the next two years and a decrease in operational costs.

Key Targets 2012
EVRAZ VGOK will continue implementing the Tsentralny open-pit development project, as well as modernisation of its benefication plant's feedstock and water supply systems.

In 2012-2013, EVRAZ VGOK will carry out a project to build up its production of iron flux (a special product for EVRAZ NTMK) of up to 1.0 million tonnes by 2014, in line with the EVRAZ programme to provide additional feedstock for EVRAZ NTMK's BOF facilities.

EVRAZ Business System
The introduction of Lean technology to improve efficiency and productivity began at the Company's iron ore mining and enrichment facilities. More than 300 specialists and senior managers studied Lean and participated in workshop sessions focused on establishing a series of initiatives to be implemented as part of a 90-day action plan. Implementation of 6S principles began at all of the production sites in the Mining segment.

During 2011 the Company's Mining segment implemented a range of programmes to reduce safety and environmental risk, including the use of third party consultants to conduct environmental and operational safety audits. In addition, the Company itself carried out extensive inspection and testing programmes relating to technical equipment for fire and radiation control.

At the Abagurskaya plant of the Company's Evrazruda operation a number of measures for the mitigation and prevention of accidents at the tailings dump have been completed. The plant has also completed modernisation of the gas treatment system which has led to a reduction of dust emissions into the environment by a factor of 30 times.

Yuzhkuzbassugol
In 2011 Yuzhkuzbassugol, EVRAZ Siberian coal mining subsidiary, mined 6.3 million tonnes of coking coal and 3.0 million tonnes of steam coal. During the year the Company focused on building up reliability of its coal mining operations, as well as continued restructuring of its mining assets.

Below Top: Blasting at EVRAZ KGOK Iron Ore Open Pit
Below Bottom: Yuzhkuzbassugol's Coal

In 2011, Tagaryshkaya and Yubileinaya-1 mines were shut down, as having low strategic and economic value for the Company. At the same time the Company launched a full-scale project to construct the Yerunakovskaya-VIII mine. The required documentation (equivalent to a detailed feasibility study) was developed and approved by Russian state expertise agency "Glavgosexpertiza". Currently detailed construction drawings have been issued, mining equipment is acquired, underground advancement and surface construction works are underway. The mine is expected to be commissioned in Q3 2013.

In respect of the Alardinskaya mine, in autumn 2011 Yuzhkuzbassugol applied for a licence to develop the Alardinsky-Eastern-2 deposit (with reserves of 32 million tonnes of coking coal). The licence was awarded in March 2012.

In November 2011, Yuzhkuzbassugol's Gramoteinskaya mine applied for a licence to develop Mencherepsky-Northen deposit (215 million tonnes of steam coal reserves). The licence was issued in January 2012, securing the mine with a resource base that can last for decades.

Pre-feasibility studies for the construction of the Tomskaya-Glubokaya mine were completed in 2011, and a decision on further/final approvals will be made during 2012.

Following the programme of upgrading reliability and safety of coal mining operations Yuzhkuzbassugol mines performed major modernisation, repair and replacement activities, including: new longwall mining set at the Ulyanovskaya mine; capital repair and replacement of the main conveyor line at the Abashevskaya mine; major modernisation of roof supports at the Abashevskaya and Osinnikovskaya mines; reconstruction of mainstream conveyor system at Kusheyakovskaya mine; and reconstruction of insulating dams at the Alardinskaya, Osinnikovskaya and the Gramoteinskaya mines. Two mobile units of nitrogen injections were purchased and put into operation (as a preventive measure against oxidation of coal in abandoned parts of mines). The Flexcom mine radio system was commissioned at all the Yuzhkuzbassugol mines, and all the mines were equipped with automatic access control systems.

Significant modernisation was conducted at Yuzhkuzbassugol's two coal washing plants helping to maintain productivity and quality of coal concentrate at levels set by customers.

In Q4 2011, the implementation of EVRAZ Business System was initiated with extensive training for Yuzhkuzbassugol employees to familiarise them with the Lean tools and practices. Full-time Lean managers were selected and appointed, over 100 improvements were initiated to enhance safety and efficiency of day-to-day operations. In 2012 the Yuzhkuzbassugol assets will be thoroughly assessed for their technical and economic potential and ranked in line with the EVRAZ strategic priorities.

Key Targets 2012

- Further implementation of the programme to significantly improve production reliability and safety, with a focus on degassing and ventilation, technical availability of key equipment, longwall changeover procedures and personnel;
- Launch of a strategic programme to introduce at the mines the world's most reliable and efficient technologies of directional drilling, highly effective degassing and ventilation, high-speed tunnelling, automated roof-bolting, quick changeovers and others[1]; and
- Development of detailed feasibility studies to other key mines (according to re-evaluated strategic priorities).

Steel: North America

EVRAZ North America

EVRAZ North America organises its business into three primary product groups: Flat Products, Tubular Products and Long Products.

- *Flat Products* – The Flat Products Group manufactures steel plate, coil and structural tubing used in the construction of liquid storage tanks, vessels, bridges, rail cars, armour and in the manufacture of pipes. These products are manufactured at facilities in Portland, Oregon; Claymont, Delaware; Regina, Saskatchewan; and Surrey, British Columbia. The Flat Products Group also produces coil and plate used by the Tubular Products Group.
- *Tubular Products* – The Tubular Products Group produces steel pipe used in energy applications: large-diameter American Petroleum Institute (''API'') grade pipe used for oil and gas pipelines and small-diameter API grade welded and seamless pipe for use in down-hole drilling and in the collection of oil and gas. These products are manufactured at facilities in Portland, Oregon; Calgary, Alberta, Red Deer and Camrose, Alberta; Regina, Saskatchewan; and Pueblo, Colorado.
- *Long Products* – The Long Products Group produces railroad rail and rod and bar used to make wire products for use in infrastructure (e.g. bridges and power transmission towers) at the EVRAZ Rocky Mountain Steel facility in Pueblo, Colorado. In addition, the LPG produces round billets used in the production of both other long products and tubular products.

In 2011, EVRAZ moved its North American Headquarters from Portland, Oregon to Chicago, Illinois to reposition its business closer to its customers and business partners and improve internal communication in the US and Canada.

1 The programme is to be developed, initiated and implemented in co-operation with international experts and technological companies who specialize in those particular areas of coal mining technologies.

Operating Review
(Continued)

A challenging year in our pipe operations driven by lack of activities in construction of transmission lines, was successfully mitigated by success in our Flat business. Our Flat business operations improved productivity and up-time performance on both east and west coasts.

We have successfully completed three of our four strategically important capital projects in our Tubular operations in Calgary and Red Deer, which began in 2011 and were focused on productivity increases and heat-treat capability expansions. A heat-treat project will be launched in 2012. We remain a leader in West Alberta in the small diameter pipe business and we aim to develop this relationship beyond our usual markets.

The major capital project underway at Claymont to ensure the mill's compliance with environmental standards progressed well throughout 2011, and is expected to be completed in 2013.

2011 was a record year for our Long Division following a noteworthy achievement by our steelmaking operation in Pueblo, Colorado, coupled with a record year for our rail operations in terms of volume and product mix.

We have increased our steelmaking capabilities at EVRAZ Pueblo without significant capital expenditure by embracing EVRAZ Business Systems, which is driven by the Lean manufacturing approach and culture.

In December 2011, we approved over US$32 million investments in our rail operations in EVRAZ Pueblo, focused on quality improvement, productivity and capacity increases. As a result, the EVRAZ Pueblo development will enhance our leading position in the rail business in North America.

Our Company-wide initiative in improving our working capital position, in both inventory level management and accounts receivable, further supported our competitive advantage and will continue in 2012.

Key Targets 2012

Through our EVRAZ Business System strategy, we will be focusing on improving our Tubular business. Our efforts will go into increasing productivity and first pass yield, which is very critical for operations profitability and working capital management.

Long Division will focus on delivering approved capital projects as it targets what is critical for our customers: rail quality (strengthening of surface etc) and volume as we plan to reach 580,000 tonnes capacity in 2013.

As a Company our key strategic steps are to continue improving our health and safety performance, focus on our customers through order delivery and product quality, apply the EVRAZ Business Systems and implement growth initiatives at our East coast operations.

Steel and Mining: Ukraine

In 2011 a new management company, EVRAZ Ukraine, was formed to unify management activities, to better co-ordinate EVRAZ's different businesses in Ukraine and improve profitability. EVRAZ Ukraine manages EVRAZ DMZ named after Petrovsky ("EVRAZ DMZP") (including Dneprokoks coking plant), coking plants EVRAZ Bagliykoks and EVRAZ Dneprodzerzhinsk Coke and Chemical Plant ("EVRAZ DKHZ"), EVRAZ Sukha Balka ore mining plant and trading facility.

EVRAZ DMZP, located in the city of Dnepropetrovsk, Ukraine, is an integrated steel mill specialising in the manufacture and sale of pig iron, steel and rolled products. In 2011 EVRAZ DMZ Petrovskogo produced 860,000 tonnes of crude steel and 737,000 tonnes of steel products.

EVRAZ's Ukrainian operations also comprise three coking plants: EVRAZ Bagliykoks, Dneprokoks (from 1 April 2011 integrated with EVRAZ DMZP) and EVRAZ Dneprodzerzhinsky Coke and Chemical Plant ("EVRAZ DKHZ"), and EVRAZ Sukha Balka iron ore mine.

The Ukrainian coking plants purchase coal and process it into metallurgical coke, for onward sale to steelmakers. The total annual capacity of the three plants is estimated at 3 million tonnes of metallurgical coke. In 2011, Dneprokoks, EVRAZ Bagliykoks and EVRAZ Dneprodzerzhinsk Coke and Chemical Plant produced 559,000 tonnes, 545,000 tonnes and 497,000 tonnes, respectively, of metallurgical coke.

Below Top: Steel Worker
Below Bottom: Plate Production

In 2011, due to further consolidation within the Ukrainian metallurgical market and reduced iron production in the region, we focused our efforts on securing sales and stabilising coking plant capacity usage to enhance efficiency and prolong coke battery life.

EVRAZ Sukha Balka ore mining plant is one of the leading Ukrainian enterprises specialising in iron ore underground mining. In 2011, EVRAZ Sukha Balka mined 2.86 million tonnes of iron ore and sold 2.91 million tonnes of sintering ore.

At EVRAZ Sukha Balka a key task has been to improve the work safety environment at the mines and reduce injury risks. We undertook an in-depth safety audit covering all aspects of risk management and safe working practice in order to identify and develop a priority action list. As a result of the findings, we partially removed the electricity network and changed the transportation system in order to exclude the risk of electric hazard; we also carried out maintenance on shafts, railway tracks and mining equipment to make for safer operations.

Key Targets 2012

In 2012, the focus for EVRAZ Ukraine will be on driving growth and improving its HSE performance. We will be progressively introducing new safety equipment for our staff and safer transportation in our mines during the year. We also plan new environmental initiatives including installing an environmental impact monitoring system at our coking plants and water recycling projects at EVRAZ DMZP and EVRAZ Sukha Balka.

Improving growth and productivity is the other priority in 2012. At EVRAZ Sukha Balka we will be investing in new equipment at both mines to improve iron ore extraction productivity whilst at the same time putting in place process improvements designed to reduce operational bottlenecks.

The priority at EVRAZ DMZP will be the blast furnace operation enhancement to improve productivity and usage rates and to better manage the waste products. EVRAZ DMZP also aims to increase sales within the high margin Ukrainian operation through warehousing and logistics improvements.

Steel and Mining: South Africa

The continued strength of the Rand for the first three quarters of 2011, and relatively weak domestic demand created significant pressure on prices, while energy price increases, trade union actions and persistently high levels of inflation contributed to steeply rising costs. Despite government aspirations, the economy did not show robust growth in 2011.

EVRAZ Highveld Steel and Vanadium

EVRAZ Highveld Steel and Vanadium ("EVRAZ Highveld") is a vertically integrated steel and vanadium slag (as a by-product of steelmaking) producer. Its operations comprise the steelworks at Emalahleni, Mpumalanga and Mapochs Mine at Roossenekal, Limpopo. It is South Africa's second-largest steel maker and the country's primary producer of medium and heavy structural sections and thick plate. In 2011, it produced 170,000 tonnes of plate, 117,000 tonnes of coil, 225,000 tonnes of sections and 61,000 tonnes of vanadium slag.

EVRAZ Highveld worked intensively during the year to improve diversity at all levels across the Company. As a result, the Company secured a higher than expected Level 5 Broad-Based Black Economic Empowerment (B-BBEE) contributor rating from the South African government, in recognition of the significant internal transformation that has taken place at the Company.

In 2011, a ten-year strategic plan, that paves the way for greater profitability and increased efficiency, was signed off by the boards of EVRAZ and EVRAZ Highveld.

Furnace No 7 at the iron plant was successfully upgraded from SAF to OSB technology leading to a safer and more efficient operation and also the ability to work with cheaper coal and reduced energy consumption whilst also producing higher vanadium output. During the upgrade period, with reduced iron production, all operations including the steel plant and all three rolling mills, were gradually shut down for intensive maintenance aimed at improving equipment availability and predictability. As a result both improved significantly and reached annual targets without any additional capital expenditure.

EVRAZ Highveld demonstrated significant improvements in other areas of performance and established a solid foundation for future performance improvement in 2012.

Key Targets 2012

In 2012 EVRAZ Highveld plans to implement the first phase of developments designed to increase steel output by 15% and improve efficiency as well as to reduce costs in order to improve overall profitability.

Mapochs Mine

In order to increase the reliability of iron ore supplies to the steel plant we continued to mine the Uitvlugt deposit during 2011 and early 2012 which has enabled us to secure several million tonnes of material using our existing infrastructure. Significant geological work to update our iron ore reserves has continued at the Mapochs Mine with the drilling of 400 boreholes over a licenced strike distance of 25 kilometres. The identified reserves are currently under evaluation in order to assess their economic viability.

Key Targets 2012

A new washing and screening improvement project is underway with completion scheduled for June 2012. Once commissioned, the project will improve availability of the primary crushing plant, to over 90 per cent, and provide greater control of the product specification.

Steel: Europe

EVRAZ European steel assets, comprising EVRAZ Vitkovice Steel and EVRAZ Palini e Bertoli, delivered on all its key operational priorities during 2011, reorganising maintenance procedures, renegotiating energy procurement needs and optimising transportation needs.

The overall steel sales volumes of EVRAZ Europe for 2011 were 1.3 million tonnes.

Towards the end of the year, EVRAZ announced its intention to consolidate all its European assets including EVRAZ Vitkovice Steel and EVRAZ Palini e Bertoli into a single company, EVRAZ Europe (that will manage both assets which will remain independent entities), as part of the Company's strategy to develop a more profitable and efficient pan-European business.

In December 2010, EVRAZ launched project at EVRAZ KGOK to increase iron ore extraction and production to 55 million tonnes per annum from the end of 2012 (For information, please refer to page 16 of the report).

Operating Review
(Continued)

EVRAZ Palini e Bertoli
EVRAZ Palini e Bertoli is a plate rolling mill located in San Giorgio di Nogaro, in the Udine province of Italy. EVRAZ Palini e Bertoli supplies its products to a wide range of customers located in Europe and North America. In 2011, EVRAZ Palini e Bertoli rolled about 425,000 tonnes of plate.

In 2011 EVRAZ Palini e Bertoli benefited from various initiatives including optimisation of transportation and increases in slab weight. Despite very challenging markets, its performance was above internal forecasts. Antidumping procedure initiated in 2008 was finally dismissed as unsubstantiated in 2011 reopening US markets, which had retained robust plate prices throughout the year.

EVRAZ Vitkovice Steel
EVRAZ Vitkovice Steel is a leading European manufacturer of rolled steel products located in Ostrava, the Czech Republic. It is one of Europe's top producers of heavy plates and the only producer in the Czech Republic.

In 2011, EVRAZ Vitkovice Steel produced about 762,000 tonnes of steel and 802,000 tonnes of steel products. It was a record performance for the last three years, contributing an operating profit after two years of losses, albeit lower than budgeted for, because strong first half gains (mainly due to the ArcelorMittal pig iron contract) were offset during the second half of the year when plate prices in Europe fell on the back of lower European demand.

Below Top: EVRAZ Stratcor Products
Below Bottom: A picture of jet engine fan blades that require high quality vanadium products in their production

Key Targets 2012
In 2012 EVRAZ plans to consolidate its European business in order to further improve efficiency and achieve optimisation of the supply chain.

A number of cost-cutting initiatives at EVRAZ Vitkovice Steel are aimed at achieving significant decreases in conversion costs and ensure profitability even in adverse market conditions.

In addition to our other targets, in 2012 we are focusing on improving yields, reducing transportation costs, headcount optimisation and maintenance efficiency.

Vanadium
EVRAZ's Vanadium division achieved good results in 2011 due to strong demand for vanadium products supported by a growing steel market that allowed all facilities in the EVRAZ Vanadium division to operate at 100% capacities load. Strong competition led London Metal Bulletin ("LMB") quotes to decrease from approximately US$30/kgV in FeV in the beginning of the year to US$24/kgV in FeV by the end of the year. Despite this EVRAZ continued to increase its share of the world vanadium market capitalising on its low-cost competitive position and ability to accelerate production (by debottlenecking initiatives at EVRAZ Vanady Tula and EVRAZ Vametco, inventories depletion) in response to customers' requirements. As a result EVRAZ Vanadium division has managed to increase sales by approximately 35% compared to 2010 and decrease inventories accumulated during crisis years.

Implementation of debottlenecking and production optimisation initiatives allowed the division to increase productivity by 5%. Reflecting the continuous drive to reduce expenses and increase efficiency utilising intra-group synergies, EVRAZ remains one of the lowest-cost producers of vanadium in the world.

The key focus of the management in 2011 was to improve health, safety and environmental factors. In order to develop the culture of safe working conditions and philosophy of continuous improvements EVRAZ introduced EVRAZ Business Systems at all facilities. For more information on Lean and 6S activities please refer to page 33.

EVRAZ Vanady Tula
Improvements in EVRAZ Vanady Tula's management performance in 2010-2011 led to the achievement of sustainable high production levels and an increase in V_2O_5 production capacity of 7% compared to 2010.

Another priority of EVRAZ Vanady Tula in 2011 was the development of the tailings dump material utilisation process through EVRAZ sintering plants in order to maximise intercompany synergies. As a result, in 2011 EVRAZ Vanady Tula utilised all tailings that were produced and did not increase its tailings deposits.

During 2011, EVRAZ Vanady Tula's HSE and social activities included the implementation of a "Clean-up" project, in addition to 6S activities. The project has resulted in improved working conditions and decrease of production safety risks.

Completion of the rotary kiln seal installation project and start up of the pulp filtration area reconstruction project initiated in 2011 will allow EVRAZ Vanady Tula to improve the working conditions at the plant and to raise pentoxide production volumes.

In 2012, EVRAZ Vanady Tula will continue expanding its Lean tools implementation and deploy the optimisation project aimed at improving the maintenance management system.

EVRAZ Nikom

One of EVRAZ Nikom's main aims in 2011 was to improve product quality and labour productivity in addition to successfully introducing the new improved technological methods which allowed an increase in ferrovanadium production by 36%.

EVRAZ Nikom successfully developed the technology of FeV50 production based on aluminothermy which appeared as a new project and proved the ability to produce FeV50 with high quality and yield that facilitated expansion of the product line and increased sales volumes to European and Asian markets.

In 2012 EVRAZ Nikom will continue to focus on customers' requests for high quality Ferrovanadium. A capacity increase in 2012 by an additional 10% is targeted via the optimisation of the input raw materials mix, by using more V_2O_3 from Vametco, and maximising technological recovery rates.

EVRAZ Stratcor

The main goal of EVRAZ Stratcor in 2011 was to reduce costs and to find additional sources of feedstock to satisfy EVRAZ Stratcor's requirements. Several alternative solutions for the feedstock shortage were defined by the end of 2011. Should the investment be approved construction of the facility will source outside oxides and non-traditional feeds to allow continued operations.

One of EVRAZ Stratcor 2011's achievements was development of a new specialty product, an electrolyte for vanadium redox batteries.

In 2012 EVRAZ Stratcor's focus will be on finalisation and implementation of the solution to utilise EVRAZ NTMK slag to alleviate feedstock shortages while also acquiring all available feedstock from the market.

EVRAZ Vametco

In 2011 EVRAZ Vametco's primary efforts were directed at the improvement to operational culture, productivity increases and efforts to reduce detrimental ecological impacts.

Several projects designed at reducing atmospheric emissions and the treatment of ground water have already been implemented, or are currently in the planning stage.

Operational improvements carried out in 2011 allowed EVRAZ Vametco to increase vanadium oxide ("V_2O_5") production by 5%. A review of the Nitrovan® production process allowed the successful upgrading of finished goods quality to ensure customer satisfaction.

The implementation of Lean as part of EVRAZ Business System, 6S activities and training at the plant have resulted in a substantial improvement in production culture and operational safety.

Key Targets 2012

During 2012 the Company will seek to fully capitalise on its competitive advantages in order to further expand its presence in the world vanadium market. Key activities will include:

- Ongoing focus on health, safety and environmental issues at all facilities. HSE initiatives in 2012 will include the implementation of standard personal protective equipment at all assets and a pilot health improvement project at EVRAZ Vanady Tula.
- The implementation of EVRAZ Business System tools throughout the division, i.e. the finalisation of the 6S roll out at all facilities, to create model Lean cells and start implementation of the total preventive maintenance at all sites.
- Maximisation of vanadium output at all of the Company's plants. Plans for 2012 provide for further increases in production of oxide at EVRAZ Vanady Tula by 3%, FeV and Nitrovan® production at EVRAZ Nikom and EVRAZ Vametco by 11% and 13% respectively.
- Sales strategy will include contract portfolio optimization to improve margins by reallocating available Vanadium products across the markets.
- Review of the Vanadium business growth strategy in order to link it to the EVRAZ NTMK slag production expansion plans.
- Enhance and extend marketing of EVRAZ value added Nitrovan® product directed at the global steel industry.
- Ongoing cost optimisation and improvements in efficiency at all facilities.

EVRAZ is confident that the advantages of constant supplies of vanadium slag from EVRAZ Highveld and EVRAZ 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 going forward.

Implementation of debottlenecking and production optimisation initiatives allowed the division to increase productivity by 5%.

Pulverised Coal Injection at EVRAZ ZSMK

In July 2010 EVRAZ began implementation of a PCI technology for the blast furnace at EVRAZ ZSMK to generate savings compared to the use of natural gas, improving revenues (due to the sale of surplus coke) and lowering hot metal production costs. The project scope includes coal handling and preparation for PCI fuel production as well as coal transportation facilities.

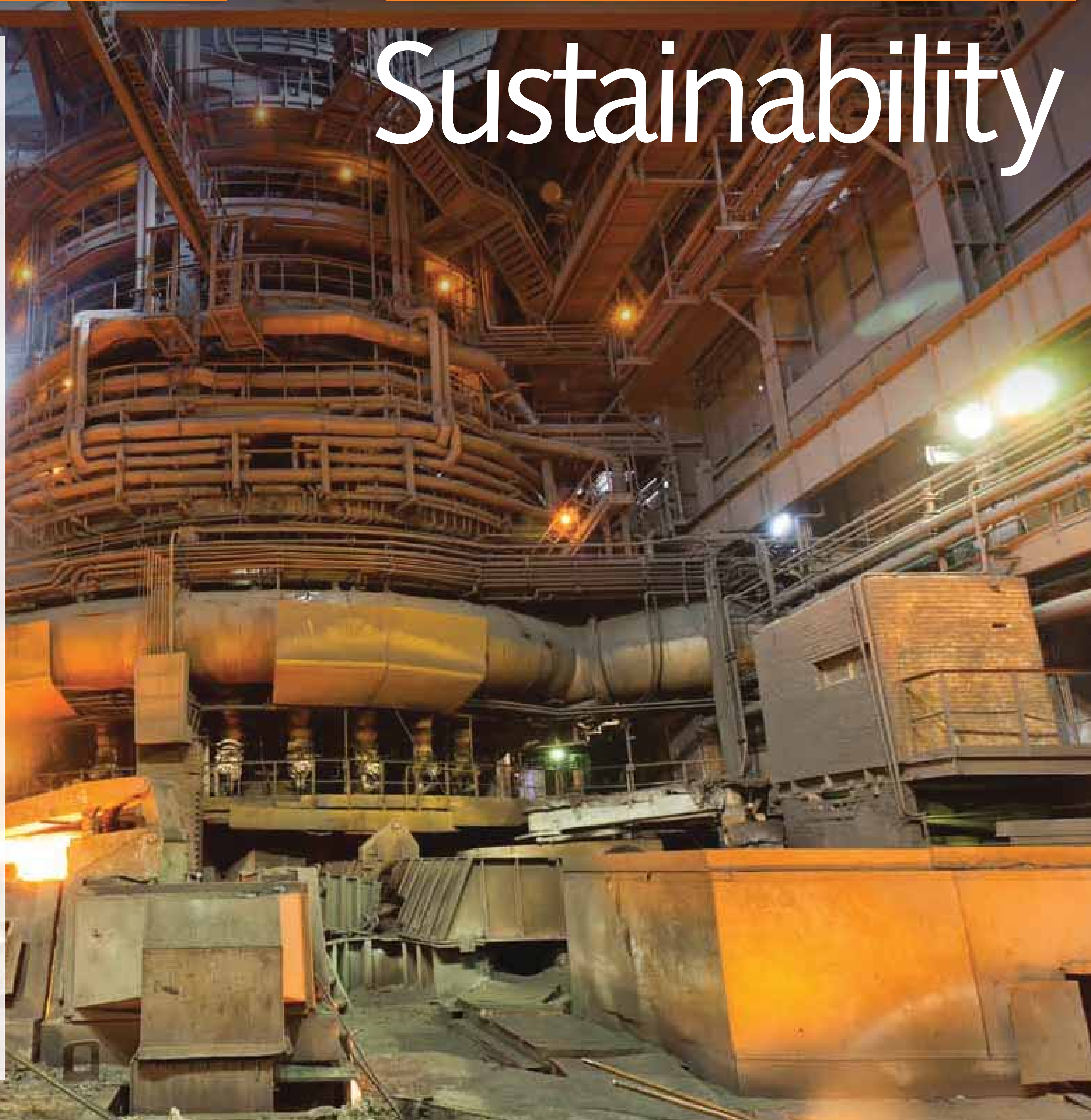
Construction is underway and most of the equipment is on site. The plant commissioning phase is scheduled to start in November 2012, and the plant will be fully operational by the beginning of 2013.

EVRAZ ZSMK Asset Location in Russia

>20%

More than 20% expected reduction in coke consumption

Sustainability

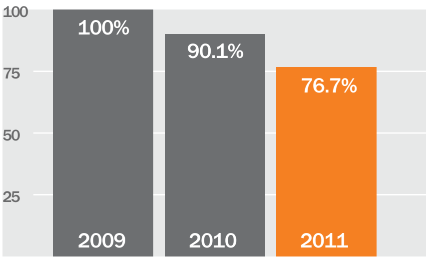


Corporate Social Responsibility

Highlights:

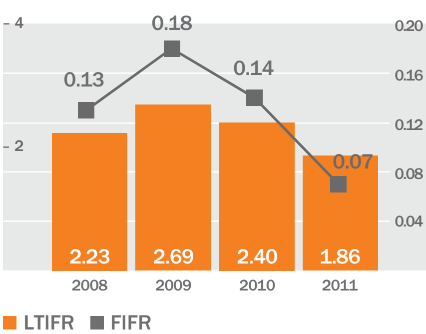
- Introduction of new Group-wide HSE Policy to standardise and improve HSE processes
- 23% reduction in lost time injury frequency rate (LTIFR) and a 50% reduction in fatal incident frequency rate (FIFR) compared to 2010
- Reduction in air emissions of 14% compared to 2010
- US$49 million invested in charity and support of social infrastructure in 2011
- Commitment to continued improvement in systems for the collection of HSE performance data

Air Emission Dynamics



The above graph illustrates the reduction in the total amount of the key air emissions Nitrogen Oxides (NOx), Sulphur Oxides (SOx), Dust and Volatile Organic Compounds (VOC) rebased to 2009.

Lost time injury frequency rate
Fatal incident frequency rate
(Per 1 million hours worked)



Our Approach

Prior to our admission to the Main Market of the London Stock Exchange in November 2011 we began a process of strengthening and consolidating at a Group level our processes for reporting our performance in the areas of health and safety, environmental performance, human capital management and community engagement.

This section of our report provides an overview of our policies and performance in these important areas in 2011 as well as an outline of how we intend to improve our performance in the years ahead.

Additional relevant disclosures are contained in the Principal Risks and Uncertainties on page 26 and the Corporate Governance Report on page 61.

Strategy and Governance

During 2010 we established a Health Safety and Environment ("HSE") Committee of the Board and the Committee's membership and terms of reference were revised in October 2011. The Committee is now chaired by Karl Gruber, Independent Director, and the other members are Alexander Frolov, CEO of EVRAZ plc, and Terry Robinson, Independent Director. Details of the terms of reference and activities of the committee are set out in the Corporate Governance Report on page 61.

Led by the Board Committee, we are committed to improving our HSE performance through the implementation of improved production processes, as well as new management and control systems. In 2011 we appointed our first vice president of HSE, Alexander Kruchinin. The role of the vice president is to co-ordinate the HSE function at Group and site level and report into the Board Committee on material HSE issues.

In 2011 we adopted a new Group HSE Policy to standardise and improve HSE processes across EVRAZ.

The latest versions of the Codes of Ethics and Business Conduct can be found on the Company's web-site.

At a site level each plant manager takes overall responsibility for HSE compliance, with the site level HSE function reporting both to the site management and group level HSE management. The HSE management system is subject to periodic Group level audit.

In addition to our own internal codes and principles, we utilise the OECD (Organisation for Economic Co-operation and Development) Guidelines for Multinational Enterprises to ensure, as far as possible, a uniform approach to business standards across our global operations. We fully endorse the provisions of the Universal Declaration of Human Rights and strive, at all times, to uphold them.

Key Challenges

As a global Company with operations spanning activities across the steel production chain we face a wide range of risks. The significant cultural and regulatory differences which exist in the countries where we operate also represent a challenge in ensuring the consistent application of policies across the Group.

Based upon a review of our business, we believe our four most significant on-going challenges are:

- *Health and safety* – The health and safety of our employees is paramount. Our industry has inherent risk that needs to be managed effectively to ensure a safe working environment. We constantly strive to improve our performance by avoiding or by mitigating these risks.
- *The environment* – Our operations have the potential to have significant impact on the environment through our production and use of the world's natural resources. We are committed to meeting or exceeding legal requirements in order to reduce our impacts on the environment and to maintain our licence to operate.
- *Human capital management* – Retaining the best talent requires investment in the development of our employees and is important to securing our business for the long-term and drive technological development.
- *Community relations* – We are long-term investors in the regions where we operate and are committed to ensuring that local communities benefit from our presence.

Targets

As set out above, we are committed to improving our performance over the long-term, reflecting our development as a business.

During the year the HSE Committee reviewed EVRAZ's performance indicators and activities against the challenges set out above and determined a number of strategic, long-term targets and initiatives:

- A consistent reduction in lost time injury frequency rate and the avoidance of any fatal accidents across the Group.
- Continued implementation of environmental health and safety management systems in accordance with ISO 14001 and OHSAS 18001 across the Group to sites which are not currently certified.
- Improving our systems and processes for collecting and collating key corporate responsibility performance data from across the Group.

HSE Overview

In March 2011 we established our first Group-wide Safety, Health and Environmental Policy. Pursuant to the policy, we aim to meet or exceed all applicable national legislation and to increase the level of industrial safety, labour protection and reduce our impact on the environment across our operations.

During 2011 we also significantly improved our HSE Reporting System in order to improve the collection and sharing of appropriate data across the Group. HSE performance information is now submitted by subsidiaries to the corporate HSE Directorates on a monthly basis to ensure constant monitoring. Information on any significant incidents is immediately escalated to management to enable appropriate investigations to take place in order to develop preventative and corrective actions. We expect that the revised system will lead to an improvement in our ability to assess our HSE performance in the future.

Health & Safety Performance

We continued to deliver an improved safety performance in 2011 with a decline in both fatal accidents as well as in our LTIFR. Group LTIFR fell by 23% whilst our FIFR fell by 50%.

We will continue to prioritise our performance in these areas in 2012.

Environmental Performance

EVRAZ's environmental strategy aims to find optimal solutions for industrial waste management, reduce emissions and promote the efficient use of natural recourses.

In 2011 we spent US$85 million on measures to ensure environmental legal compliance and US$31.6 million on projects to improve our environmental performance. In the period from 2012 to 2017, the Group is committed to spending approximately US$303 million on environmental programmes across its operations.

We continue to strengthen our management and reporting systems to enable us to collect comparable data on our energy consumption across the Group, with a view to reporting on our energy consumption in 2013. We are committed to increasing the number of sites that have implemented ISO 14001.

Air Emissions

Reduction of air emissions is one of the key environmental objectives. Our key emissions primarily comprise nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds (VOC), carbon monoxide (CO), carbon dioxide (CO_2) and methane. We have made significant progress in reducing emissions to air at our operations through investments in modern technologies and by withdrawing obsolete equipment from production. As a result, we have reduced our key air emissions of nitrogen oxides (NOx), sulphur oxides (SOx), dust and volatile organic compounds (VOC) by 23% (37.8 thousand tonnes) in the period since 2009 and 14.9% (21.7 thousand tonnes) during 2011.

For the graph on these key air emissions please refer to page 44.

Corporate Social Responsibility
(Continued)

The main emissions issue associated with our coal mining operations is the release of methane gas after mine degasification. The concentration of such methane in extracted air is low and therefore presents particular difficulties in terms of abatement. However, we continue to investigate solutions for minimising the quantity of methane emitted from our operations.

Waste Management

Where possible we seek to re-use or recycle waste and by-products in order to minimise our environmental impacts whilst maximising operational and financial efficiencies.

Until recently much of the waste we produced was simply disposed of to landfills, however we are developing a strategy to reduce waste storage volumes and to ensure proper waste disposal.

In total, in 2011 we recycled or reused 109.6%[1] of waste and by-products from our non-mining assets compared to 96.6%in 2010. We have achieved this positive result through a number of steps, including:

- The increase of recycling and use of our main metallurgical wastes: slag, scale and sludge. In 2011 we generated 8.6 million tonnes of metallurgical wastes and, in conjunction with the development of old waste deposits, were able to recycle and use 11.8 million tonnes of metallurgical wastes. As a result, in 2011 we recycled and used approximately 135% of the volume of waste metallurgical materials generated, 32% more than in 2010 when we recycled and used 9.1 million tonnes (103% of waste produced).
- The development of new products containing by-products from a number of other operations. For example, in 2011 EVRAZ VGOK developed a new iron flux consisting entirely of wastes generated by three different EVRAZ plants; and
- The recycling of ferrous scrap in steel production. For example, our North American assets use scrap as their main raw-material without impacting metal quality. In 2011 we recycled 3 million tonnes of scrap, 24.6% more than in 2010 (2.4 million tonnes).

Our strategy for dealing with non-hazardous mining wastes, such as depleted rock, tailings and overburden is to use them for land rehabilitation and the construction of dams or roads. In 2011, we reused 46.7% (45.6 million tonnes) of such waste material. In 2010 this figure was 21.8% or 16.4 million tonnes.

In 2012 we will be looking to increase the amount of waste and by-products we recycle even further.

In 2011 there were no significant environmental incidents. We completed remediation and clean-up work at Evrazruda (Russia) in 2011 following a tailings spill which occurred at the end of 2010.

Water Consumption and Wastewater Discharge Prevention

Our objective is to be efficient in our use of water.

The total fresh water intake in 2011 was 495.1 million cubic meters (including 53 million cubic meters of mine waters). It is 1% less than in 2010 (499.6 million cubic meters). Almost 80% of all the water was taken from surface sources, such as rivers, lakes and reservoirs. We continue to work on developing new strategies to minimise the impact of our water use.

Human Capital

We are committed to providing equal rights to our employees regardless of their race, nationality, gender or sexual orientation. Differences exist in policies across our operations as a result of the varied traditions and cultures which exist in the communities where we operate. However, we recognise the importance of diversity in attracting talented employees and are committed to evaluating and standardising our performance going forward.

As of 31 December 2011 we employed almost 112,000 people across Europe, Africa and North America with the majority located in Russia and the Commonwealth of Independent States ("CIS").

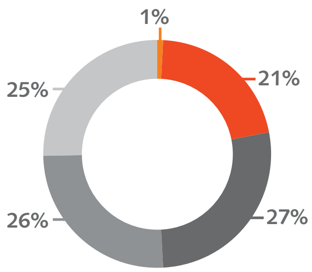
Employment Practices: Attract and Retain

Competition for skilled labour in Russia and many of the markets in which we operate is intense. We strive to attract and retain employees by providing training and career development opportunities across our assets worldwide as we strongly believe that diversity and the sharing of best practice within the Group brings significant commercial benefits that will help improve our competitive position.

We employ on the basis of job requirements and do not discriminate on grounds of age, ethnic or social origin, gender, sexual orientation, politics, religion or disability. We do not employ forced, bonded or child labour. We recognise the right of all employees to choose to belong to a union and seek to bargain collectively. We employ people with disabilities and make every effort to offer suitable alternative employment and retraining to employees who become disabled and can no longer perform their regular duties.

Below Top: EVRAZ Protective Clothing
Below Bottom: Workflow Control Room

Employees by Age



1 The amount of waste recycled or used as a percentage of annual waste generation, not including mining waste.

In 2011, we extended the number of programmes we have put in place to support our employees through the provision of benefits such as health and life insurance, subsidised meals, free transport to work, Company-supported mortgage schemes, retirement benefits and the provision of recreational activities. In 2011, we had an employee turnover rate across the Group of 8%, in line with prior years.

Employment Practices: Develop
In 2011, we increased our focus on the training and development of our workforce to ensure that employees at various levels are provided with the opportunity to fulfil their potential by developing technical, operational and managerial skills.

Our educational programmes operate at three levels: standard training programmes for current managers and high potential employees ("HiPo"); professional training; and strategic tailor-made programmes based on specific business needs; and arranged for a certain group of employees worldwide regardless their location.

We have also developed a structured approach to HiPo development and put a strong emphasis on identifying and developing the leaders of tomorrow. Talent management issues are supervised by a special Talent Committee comprising key EVRAZ executives, all of whom are actively involved in and personally responsible for, tutoring and overseeing a given pool of HiPos.

A further underlying element to our employee development strategy is ensuring the preservation and wider dissemination of technical knowledge already held within EVRAZ. We have launched a special project designed to collate existing in-depth and up to date information through the identification of key expert individuals within the business and their successors. The main goal of the project is to ensure that critical information is passed on, whilst at the same time being included in educational materials and disseminated to employees throughout the Group as part of our in house educational system.

Employment Practices: Retain
Our programmes for our Russian employees included health and life insurance programmes, subsidised meals, free transport to work, company supported mortgage schemes and the provision of recreational activities.

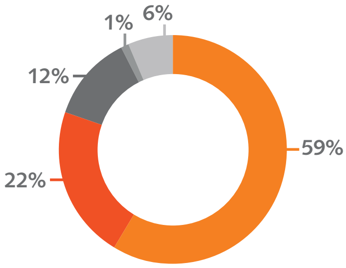
EVRAZ North America also implemented a wide range of social programmes with a special focus on health care issues, retirement plans and various employee benefits.

To foster better and stronger relations between employees, EVRAZ Highveld Steel and Vanadium held various employee events throughout the year. To address issues relating to health and safety, EVRAZ Highveld Steel and Vanadium re-launched its Wellness Campaign in 2011 headed up by a Wellness Committee whose membership comprises Company and trade union representatives.

The Wellness Committee identified health priorities which formed part of the year's wellness programme including HIV/Aids, tuberculosis, diabetes, high blood pressure and others. The Wellness Programme delivered support through counselling for a variety of social, financial, emotional and mental health issues in 2011. EVRAZ Highveld also continued with its Primary Healthcare Policy which provided medical care to employees without medical insurance and free medical testing for HIV, tuberculosis, sugar and blood pressure. Anti-retroviral treatment for HIV was also available to employees and their families.

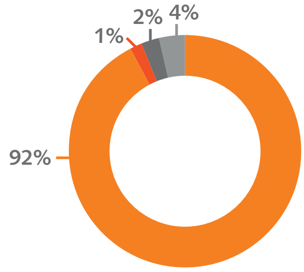
Employee programmes in the Czech Republic included cultural and sports activities, health care programmes, life and pension insurances and various events.

Employees by Business



Steel
Iron ore
Coal
Vanadium
Other

Employees by Region



Russia & CIS
Europe
Africa
North America

EVRAZ New Leaders Programme
Brief overview: The EVRAZ New Leaders Programme began in 2009 with the goal of developing a new generation of senior management within the Company to ensure continuity of leadership.
Description: The programme runs for one year and comprises six modules. Fifty-six EVRAZ employees from Russia, Ukraine, Czech Republic, Italy, South Africa, the US and Canada successfully completed the programme in 2011. This third year of tailor-made training was intended for those employees who have higher technical education and a proven track record in production. It focused on developing those managerial, engineering and technological skills which will enable participants to take senior positions within the Company in the future. The curriculum included lectures (taught by world-renowned professors), workshops, and group work on project development. The comprehensive programme covered many of the complex issues associated with business development, such as strategic planning, project management and negotiations.
In addition, twenty-two of our current top managers shared their experience with the participants. The participants faced a real challenge: to develop a strategic project to drive the further growth of one of the world's leading vertically-integrated steel, mining and vanadium businesses. The final exam consisted of presenting the project to EVRAZs' top-management.
Results: 38% of those who graduated from the programme in 2011 have received a promotion. In the space of three years, 114 employees have graduated from the programme 74% of whom have been since promoted to new positions.

Developing a new generation of senior management

Corporate Social Responsibility
(Continued)

Yuzhkuzbassugol Training Centre

EVRAZ takes pride in its professional growth programmes, using innovative methods to advance its employees knowledge and skills. Having certain skills can be paramount to providing employee's safety, especially in mining operations. A cutting edge Center for Professional Development has been functioning at the coal mining company Yuzhkuzbassugol since the 1970s. The Center serves as a training facility not only for Yuzhkuzbassugol but for other mining companies as well. A model of a belt type conveyor and a special class for radio communication were built for practice. In 2010-2011 the Center introduced a new and unique multimedia programme, which covers various aspects of training, including allowing miners to learn how to operate a tunnelling machine in a computer game-like environment.

Cooperation with Labour Unions

We respect our employees' rights and aim to build a constructive and positive relationship with the labour unions which represent them. All our sites operate through the collective bargaining agreement model.

We generally have high levels of unionisation at our operations, although this can vary significantly across operations and countries. Very high levels of unionisation exist at our South African and Ukrainian operations. For example 92% of EVRAZ Highveld's staff and 100% of employees of Bagleykoks belong to trade unions. Whilst at EVRAZ Palini only 21.9% of employees are union members and across EVRAZ North America unionisation is approximately 58%. In Russia approximately 75% of workforce is unionised and we are an active member of the Russian Steel Manufacturers Association through which we work with the Russian Mining and Metallurgical Trade Union.

Internal Communications

We are committed to keeping our employees informed of major corporate developments as much as possible ensuring they understand and are aligned with our business strategy. EVRAZ has a well-developed internal communications system. We maintain an anonymous whistle blowing system, that allows employees to confidentially raise questions and concerns, including internal surveys, suggestion boxes and a special anonymous hotline.

Community Investments

EVRAZ believes in supporting and engaging with the communities where it operates and where its employees and their families live and work. EVRAZ sees contribution to the social and economic development of these areas as its responsibility and a key determinant of its long-term success.

Any charity or donation is conditional upon an approval request through the Group's internal procedures and its approval from a designated compliance officer. Assistance to schemes which meet our criteria is provided through charitable foundations established by the Company and managed by local Supervisory Boards. Membership of these Boards comprises entirely of local community representatives and their activities are audited annually.

EVRAZ Charity Funds operate in Russia (Siberia and the Urals), Czech Republic, South Africa and the United States. Many projects EVRAZ supported in Russia in 2011 included support for children with special needs, especially those afflicted by cerebral palsy. We have historically prioritised support for children with cerebral palsy as treatment for this condition has been neglected in Russia. We are currently broadening our focus to include children with other special needs as well. Our projects have focused on providing essential equipment for day care centres, career development and healthy lifestyle promotion programmes for youth, such as the construction of playgrounds.

The EVRAZ Charity Fund in the Czech Republic was established in 2006 and supports the long-term development of the Moravian-Silesian region. In 2011 donations were directed towards medical, educational and psychological support for children suffering from various disabilities of the central nervous system.

During 2011, EVRAZ's social investments in South Africa were distributed by the EVRAZ Highveld eMalahleni Community Forum, which was established in July 2010 and officially launched in August 2011. The eMalahleni Community Forum targets the most vulnerable members of the communities within which EVRAZ Highveld operates and will primarily focus on social development, education and health issues.

In particular, we are supporting a hydroponics and agricultural project, which combines realistic, alternative work opportunities for local people whilst also improving access to basic nutrition. This project, in the 60-household village of Makwana, was established in 2011 to support emerging agricultural activities which are hampered by a water shortage. After providing training for villagers in 2011, a hydroponics and agricultural hub will be established in 2012 as a training centre and local market that can provide a reliable outlet of fresh produce from households in the area.

In Canada, EVRAZ is involved with several non-profit organisations, including The United Way, Junior Achievement and others, addressing a variety of issues, such as family violence, drug abuse and education. EVRAZ also supports the Canadian Cancer Society's Relay for Life, an annual event that helps celebrate cancer survivors. In the United States EVRAZ supports several local NGOs including local scouts' chapters, child abuse prevention programmes, an autism awareness campaign, education initiatives – including financial literacy training – and programmes that provide assistance to the needy.

Transformation in South Africa

EVRAZ Highveld has significantly increased diversity across all levels and has successfully improved its Broad-Based Black Economic Empowerment ("B-BBEE") scorecard performance as a result. EVRAZ's B-BBEE scorecard score is now at Level 5 compliance (55.48) compared to Level 8 (30.34) in 2010.

This has been delivered through the establishment of a transformation division in 2010 which has implemented a range of activities such as improving the representation of historically disadvantaged people in senior management structures, the development of education programmes, preferential procurement agreements and support for the development of local black owned businesses as preferred suppliers.

The target for 2012 is a score of 58. Employee input in transformation initiatives was enhanced in 2011 with the establishment of a Diversity and Inclusion Forum. The Forum, whose membership comprises employees and union representatives, is involved in transformation, skills development, equal opportunities and remuneration and awards matters.

Helping Children with Special Needs

Description: EVRAZ Charity Funds in Russia and the Czech Republic pay special attention to providing support for children with special needs, especially those with cerebral palsy. Several innovative projects had been introduced in 2011. EVRAZ funded a centre for hippotherapy in Nizhniy Tagil – a special kind of physical therapy where a trained horse is used for children's treatment – and a Lekoteka in Novokuznetsk (a centre for children with special needs that combines treatment with education through games). A new and promising approach was introduced in Nizhniy Tagil as a result of EVRAZ's support: therapy through storytelling. Other types of activities included art therapy and aquatic therapy (swimming). In Novokuznetsk EVRAZ helped parents of children with cerebral palsy to establish a regional advocacy group that works to raise awareness about the disabled and the issues they are facing.

Pulverised Coal Injection at EVRAZ NTMK

In October 2009 EVRAZ began implementation of a PCI technology in the blast furnace at EVRAZ NTMK. The use of PCI technology at EVRAZ NTMK should lead to higher revenues from extra coke sales and lower hot metal production costs, because of the savings generated by using PCI fuel in place of natural gas and reducing the amount of coke used.

The project scope includes: coal storage, batching and transportation, PCI fuel production and injection.

Construction is underway and commissioning works will start in August 2012 and the project will be finished by the end of 2012.

EVRAZ NTMK Asset Location in Russia

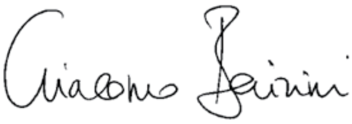
>20%

More than 20% expected reduction in coke consumption

Financial Review

Financial Review
Giacomo Baizini

Revenues grew by 22% to US$16.4 billion, driven primarily by price increases, particularly for steel products. Stronger revenues and a higher proportion of value-added products within the revenue mix had a positive impact on EBITDA, which increased 23% year-on-year to US$2.9 billion.



Giacomo Baizini
Chief Financial Officer

Basis of Preparation
The consolidated financial statements of the Group on pages 84 to 151 have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the European Union. The presentation currency is US dollars.

Overview
We delivered a solid financial performance in 2011, increasing revenues by 22% to US$16.4 billion and our EBITDA to US$2.9 billion, despite the volatile market environment.

We also successfully reduced our net debt by 10% to US$6,442 million as of 31 December 2011.

A further key achievement was the Company’s successful incorporation in the UK during 2011 with a Premium Listing on the Main Market of the LSE. As a result, on 7 December 2011 EVRAZ became a FTSE 100 company and the only steel stock in the UK FTSE All-Share Index.

The listing is enabling us to broaden our shareholder base and provide us with a greater access to international capital markets for our funding requirements.

Operational Results

Revenue and EBITDA	2011		2010		2009	
US$million	EBITDA	Revenue	EBITDA	Revenue	EBITDA	Revenue
Steel production	1,262	14,717	1,485	12,123	927	8,978
Mining	1,628	3,784	935	2,507	279	1,456
Vanadium	22	665	53	566	(12)	363
Other operations	197	966	144	823	167	765
Unallocated	(243)	–	(157)	–	(136)	–
Eliminations	32	(3,732)	(110)	(2,625)	12	(1,790)
Total	**2,898**	**16,400**	**2,350**	**13,394**	**1,237**	**9,772**

Revenues grew by 22% to US$16.4 billion, driven primarily by price increases, particularly for steel products. Stronger revenues and a higher proportion of value-added products within the revenue mix had a positive impact on EBITDA, which increased 23% year-on-year to US$2.9 billion. Whilst the Steel division was the major contributor to revenue growth, our mining operations were responsible for more than half the Group’s EBITDA, reinforcing the value of a strong raw materials asset base.

Below: Premium Listing Market Tombstone

Despite such growth in EBITDA, the net profit attributable to equity holders of EVRAZ plc in 2011 was US$461 million compared with US$486 million in 2010, a decrease of 5%. This is due to the fact that our net profit line in 2011 was negatively affected by one-off items. In H1 2011 we booked a loss of US$161 million relating to the successful incentivised conversion of our 2014 convertible bonds. In H2 2011 we incurred US$19 million of expenses for obtaining the Premium listing on the London Stock Exchange. Without these items our 2011 net profit would have been US$633 million. Our H1 2011 profit was also affected by US$71 million of charges on early repurchase of our 2013 Eurobonds.

Cash Costs

With regard to our cost structure, raw materials and goods for resale represent over 50% of our operating expenses and these costs are largely dependent on commodity prices and the wider market environment. Auxiliary materials, contractor services, production labour and energy account for a further 40% and have been subject to inflation during the year.

With regard to personnel expenses for 2012, we have reached agreements with our Russian operations on wage increases to take effect twice a year, in March/April and October. Wage increases in our operations are agreed at a level of 10-12% for the year in the CIS, and 2-3% for our international operations.

Capital Requirements

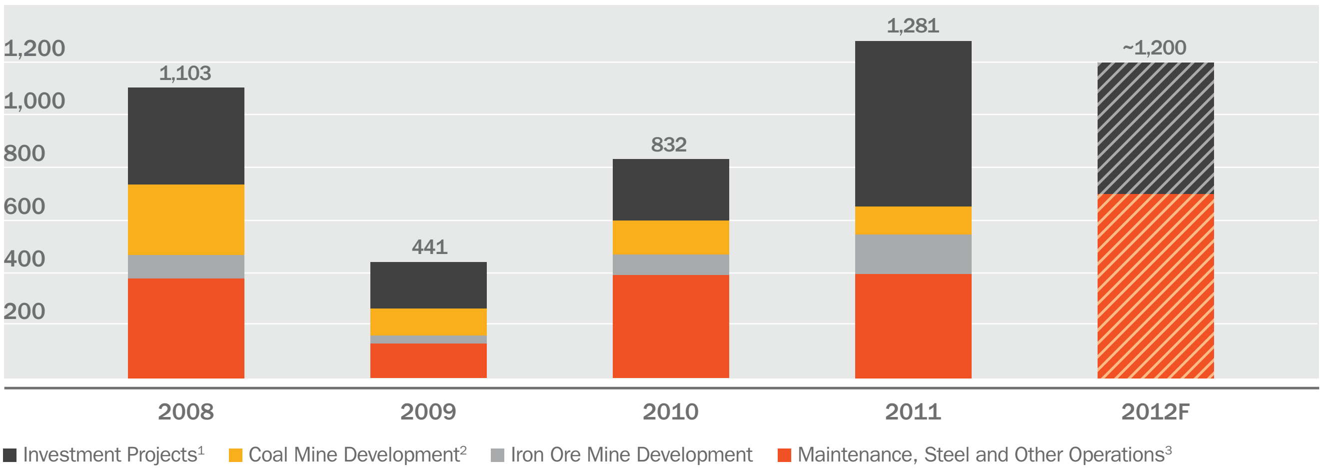
In addition to meeting its working capital requirements, EVRAZ expects that repayments of outstanding debt, capital expenditure, acquisitions and dividend payments will represent the Company's most significant use of funds over the coming years.

Our capital expenditure programme is focused on the reconstruction and modernisation of existing production facilities in order to reduce costs, improve process flows and expand the product range.

We spent US$1.28 billion on total capital expenditure in 2011 compared with US$832 million in 2010, an increase of 54% due to renewed investment in modernisation projects and mine development.

CAPEX Dynamics

2008-2012



1 In 2010 includes US$70 million acquisition of Mezhegey and Mezhegey East licences; in 2011 – US$3 million investments in Yerunakovskaya mine
2 Investment into maintaining and developing mining volumes, such as preparation of coal seams
3 In 2011 includes US$114 million for EVRAZ new Moscow office and difference between IFRS and management accounting

Cash Flow

EVRAZ's operations delivered strong cash performance, generating substantial operating cash flows of US$2.6 billion in the period, an increase of 59% over the previous year. US$1.2 billion of cash flows were used in investing activities, related to own capital expenditure and a further US$1.3 billion were used for financing activities, principally the payment of interest and dividends. This represented a significant increase of 42% over 2010 as we made our first dividend payment since 2008, consisting of an interim dividend and a special dividend, which amounted to $491 million.

Cash Flows Summary US$ million	**2011**	**2010**	**2009**
Operating	2,647	1,662	1,698
Investing	(1,188)	(744)	187
Financing	(1,282)	(899)	(2,157)

Working capital during the period was stable, decreasing by US$119 million (as compared to the end of 2010) and reflecting the Company's focus on effective working capital management despite higher prices and levels of activity.

Financial Review
(Continued)

Net Debt
Over the past three years, EVRAZ has focused on financial management with the objective of reducing its total level of debt and replacing its short-term debt with longer-term debt to better match its funding to its planned long-term capital expenditure. As a result, in 2011 we undertook a number of refinancing transactions which amounted to a total of approximately US$2 billion:
- US$850 million of new 6.75% Eurobond due 2018 issued in May 2011. We used part of the proceeds from this issue to purchase approximately US$622 million of the outstanding bonds due in 2013
- 20 billion rouble-denominated Bonds (approximately US$721 million) placed in June 2011 at 8.40% to take advantage of the Rouble bond market. These were swapped into US dollars at rates of 4.45 – 4.60%.
- A 5-year US$500 million unsecured credit facility from Gazprombank closed in October 2011 used to prepay the existing US$300 million secured loan
- A 5-year US$610 million revolving facility signed with a consortium of banks by our North American subsidiaries at a record-low 1.5% to 2% over LIBOR.

In June 2011, we also incentivised a conversion of US$650 million of convertible bonds due in 2014. These transactions helped the Company to reduce its peak maturities in 2013 and 2014 and extend the average maturity across the debt portfolio, as well as to reduce our consolidated indebtedness and the average cost of debt.

Net debt at the end of the period was US$6,442 million compared to US$7,184 million at the end of 2010, a decrease of 10% year-on-year. Furthermore, we have significantly reduced our short-term debt from US$2 billion in December 2009 to US$626 million at the end of 2011.

The average maturity of our debt is now 3.8 years, up from 3.4 years in June 2009.

As a result of our improved financial position, EVRAZ's credit ratings have been upgraded to B+, Stable from S&P, to Ba3, Stable from Moody's and to BB-, Stable from Fitch.

To manage liquidity risk, our target is to maintain a level of liquidity of above US$1 billion at any time. This is cash as well as any undrawn credit facilities which can be rolled-over for a long-term period.

Dividends
On 10 October 2011 the EVRAZ Board approved a new dividend policy. Under the revised dividend policy EVRAZ is targeting a long-term average dividend payout ratio of at least 25% of the consolidated net profit calculated in accordance with IFRS and adjusted for non-recurring items. Dividends are expected to be paid semi-annually. In addition to the regular dividend payments, the Company may also employ special dividends from time to time at the discretion of the EVRAZ Board to return surplus capital to shareholders.

On the back of our strong financial results, during 2011 Evraz Group S.A. made its first dividend payment since 2008, paying an interim dividend of US$0.60 per share/US$0.20 per GDR and a special dividend of US$2.70 per share/US$0.90 per GDR. EVRAZ plc has also declared a cash final dividend of US$0.17 per share. This gives a total ordinary dividend for 2011 of US$317 million, which is approximately 50% of net profit adjusted for non-recurring items.

Exchange Rate Changes
The Group's exposure to currency risk is disclosed in Note 29 of the Consolidated Financial Statements. The currency risk is mostly related to the fluctuations of the Russian rouble against US dollar.

	Average exchange rates			Exchange rates at 31 December		
	2011	2010	2009	2011	2010	2009
USD/RUB	29.3874	30.3692	31.7231	32.1961	30.4769	30.2442
EUR/USD	1.3920	1.3240	1.3948	1.2939	1.3362	1.4406
CAD/USD	1.0108	0.9708	0.8765	0.9833	1.0054	0.9515
USD/CZK	17.6878	19.1110	19.0569	19.9400	18.7510	18.368
USD/ZAR	7.2579	7.3199	8.4307	8.1319	6.6224	7.3721
USD/UAH	7.9677	7.9355	7.7916	7.9898	7.9617	7.9850

The USD/RUB rate was somewhat volatile during 2011, with the rouble strengthening towards the middle of the year and weakening again in the second half of 2011. This contributed to increasing the costs at our Russian subsidiaries compared to 2010.

Our policy is not to take any specific hedging measures to mitigate fluctuating exchange rates, because we believe that our business is to a large extent naturally hedged against foreign exchange risk. The majority of EVRAZ revenues are received in roubles (for sales in Russia) and US dollars (almost all sales in other countries). However, rouble prices in the Russian domestic market are linked to export parity, so viewed as effectively US dollar prices with a domestic premium in times of higher demand. Also, domestic sales in Russia are generally more profitable compared to exports due to the effect of transportation costs. When the Russian market performs well, the rouble appreciates, which leads to both increased costs and increased revenues in US dollar terms due to both the domestic premium and the higher proportion of domestic sales. On the other hand, when the Russian economy weakens, rouble production costs fall, while steel prices usually follow the RUB/USD exchange rate trend and more steel is exported. Finally, almost all of EVRAZ's debt is US dollar denominated (including the Rouble bonds which are swapped into US dollars).

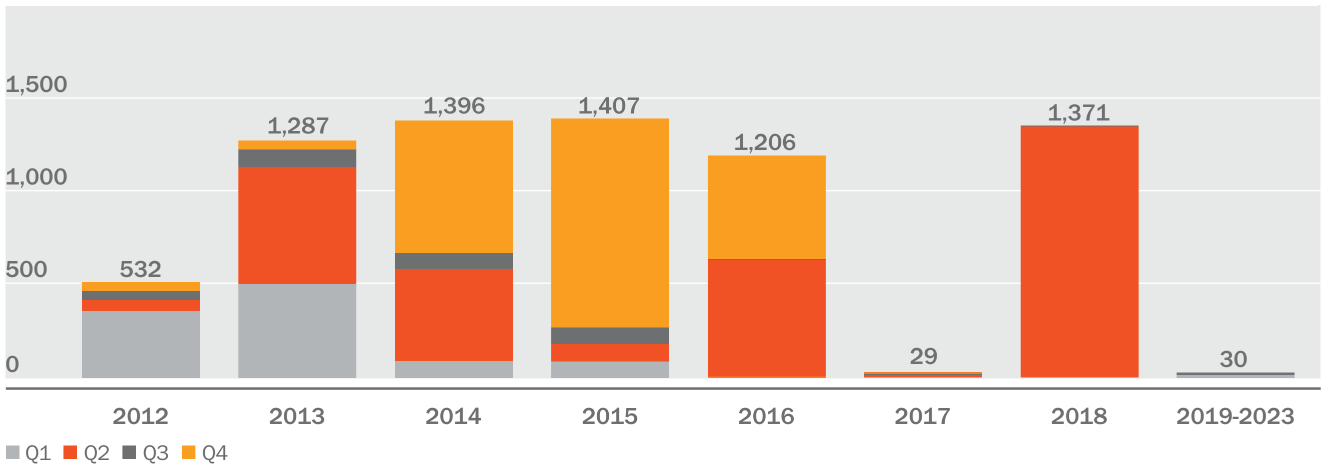
Financial Expenses
Our interest expense relating to debt in 2011 was US$654 million, a decrease of 2% compared with US$670 million in 2010 due to a reduction in total debt. We also realised a gain of US$66 million from the cross-currency swaps on the rouble bonds. This means effectively an interest expense of US$588 million, which includes amortisation of debt issue costs.

Income Tax
Our income tax expense amounted to US$420 million compared to US$163 million in 2010. EVRAZ's effective tax rate, defined as income tax expense (benefit) as a percentage of profit (loss) before tax, increased from 25.8% in 2010 to 48.1% in 2011. EVRAZ's income tax expense in 2010 was partially offset by a benefit of US$142 million relating to enacting a new tax code in Ukraine. In 2011, the US$161 million expense related to the incentivised conversion of the 2014 convertible bonds and the US$71 million of premium paid in the tender of the 2013 Eurobonds were not deductible.

Outlook
Given the challenging outlook for the industry, we continue carefully to monitor and proactively address any potential issues of future compliance with the covenants associated with the Company's financial indebtedness. Furthermore, EVRAZ continues to have substantial financial headroom, having in excess of US$800 million of cash on our balance sheet at the end of 2011 as well as significant liquidity available in committed and uncommitted credit lines to support our operations and investment plans. The successful placement of US$600 million of 2017 Eurobonds at a coupon of 7.40% in April 2012 only helped to strengthen our financial position in preparing for our 2013 maturities.

Debt[1] Maturities Schedule (As of 31 December 2011)
2012-2023

US$ million



1 Maturity of loans and borrowings (principal amount)

Giacomo Baizini
Chief Financial Officer
EVRAZ plc
24 April 2012

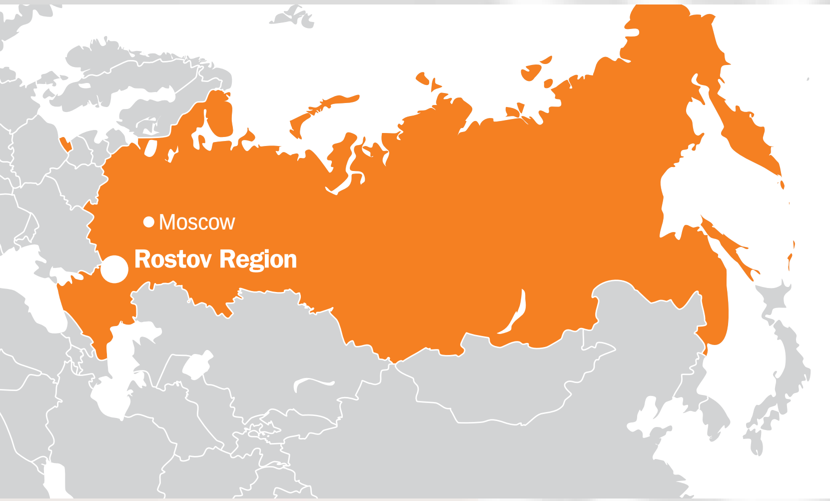
Construction of Yuzhny Rolling Mill in the Rostov Region

In November 2010 EVRAZ began construction of a new rolling mill in the Rostov Region in order to capture a share of this growth market in Southern Russia. The main factory and administrative buildings are currently being built and it is planned that EVRAZ DMZ will supply billets to the new mill.

Yuzhny rolling mill provides for the production of light section products on the basis of a universal rolling mill capacity of 450,000 tonnes per annum.

The mill will be will be operational by mid-2013.

The Rostov Region of Russia



450 ktpa

450,000 tonnes of light section production per annum (expected capacity)

Governance

Board of Directors

Member of the Board

Alexander Abramov, Non-Executive Chairman (born 1959)

Appointment

Founded EvrazMetall company, a predecessor of the Group in 1992. CEO of EVRAZ Group until 1 January 2006, Chairman of the Board until 1 May 2006. Appointed Chairman of EVRAZ plc on 14 October 2011.

Skills and Experience

Alexander Abramov served as non-executive director from May 2006 until his re-appointment as Chairman of the Board on 1 December 2008. A director of OAO Raspadskaya, 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 organization), director of OJSC Bank International Financial Club.

Committee Membership

Member of the Remuneration Committee and Nominations Committee.

Alexander Frolov, Chief Executive Officer (born 1964)

Appointment

Joined EvrazMetall in 1994 and served as EvrazMetall's Chief Financial Officer from 2002 to 2004 and as Senior Executive Vice President of Evraz Group S.A. from 2004 to April 2006. Chairman of the Board of Directors of Evraz Group S.A. from May 2006 until December 2008 and appointed CEO with effect from January 2007. Elected CEO of EVRAZ plc on 14 October 2011.

Skills and Experience

Alexander Frolov has held various positions at EvrazMetall and other companies, predecessors of Evraz Group S.A., since joining in 1994 and has been a member of the Board of Directors of Evraz Group S.A. since 2005. Prior to joining EVRAZ, Mr. Frolov worked as a research fellow at the I.V. Kurchatov Institute of Atomic Energy.

Committee Membership

Member of the Health, Safety and Environment Committee.

Olga Pokrovskaya, Non-Executive Director (born 1969)

Appointment

Member of the Board of Directors of Evraz Group S.A. since August 2006. Appointed to the Board of EVRAZ plc on 14 October 2011.

Skills and Experience

Olga Pokrovskaya is head of corporate finance at Millhouse LLC and a member of the Board of Directors of Highland Gold Mining Ltd. Since 1997, Ms. Pokrovskaya has held several key finance positions with Sibneft, including head of corporate finance. From 1991 to 1997, she worked as a senior audit manager at the accounting firm Arthur Andersen.

Committee Membership

Member of the Audit Committee.

Eugene Shvidler, Non-Executive Director (born 1964)

Appointment

Member of the Board of Directors of Evraz Group S.A. since August 2006. Appointed to the Board of EVRAZ plc on 14 October 2011.

Skills and Experience

Eugene Shvidler currently serves as Chairman of Millhouse LLC and is a member of the Board of Directors of Highland Gold Mining Ltd. Mr. Shvidler served as President of Sibneft from 1998 to 2005.

Committee Membership

Member of the Nominations Committee.

Eugene Tenenbaum, Non-Executive Director (born 1964)

Appointment

Member of the Board of Directors of Evraz Group S.A. since August 2006. Appointed to the Board of EVRAZ plc on 14 October 2011.

Skills and Experience

Eugene Tenenbaum is currently Managing Director of MHC (Services) Ltd. and serves on the Board of Chelsea FC Plc and Highland Gold Mining. He served as Head of Corporate Finance for Sibneft in Moscow from 1998 through 2001. Mr. Tenenbaum joined Salomon Brothers in 1994 as Director for Corporate Finance where he worked until 1998. Prior to that, he spent five years in Corporate Finance with KPMG in Toronto, Moscow and London, including three years (1990-1993) as National Director at KPMG International in Moscow. Mr. Tenenbaum was an accountant in the Business Advisory Group at Price Waterhouse in Toronto from 1987 until 1989.

Committee Membership

Member of the Remuneration Committee.

Sir Michael Peat, Senior Independent Non-Executive Director (born 1949)

Appointment

Appointed to the Board of EVRAZ plc on 14 October 2011.

Skills and Experience

Sir Michael Peat is a qualified chartered accountant with over 40 years' experience. He served as Principal Private Secretary to HRH The Prince of Wales from 2002 until 2011. Prior to this, he spent nine years as the Royal Household's Director of Finance and Property Services, Keeper of the Privy Purse and Treasurer to the Queen and Receiver General of the Duchy of Lancaster. Sir Michael Peat was at KPMG from 1972 and became a partner in 1985. He left KPMG in 1993 to devote himself to his public roles. Sir Michael Peat is a senior advisor at Barclays Wealth and Investment Management and CQS, and is an independent non-executive on the Board of Deloitte LLP. He is an MA, MBA and Fellow of the Institute of Chartered Accountants.

Committee Membership

Chairman of the Nominations Committee and member of the Audit Committee.

Duncan Baxter, Independent Non-Executive Director (born 1952)

Appointment

Elected as independent director of Evraz Group S.A. in May 2011. Appointed to the Board of EVRAZ plc on 14 October 2011.

Skills and Experience

Duncan Baxter, resident in Jersey, has had many years' experience of international banking. He began his career in banking with Barclays International Bank in Zimbabwe before joining RAL Merchant Bank in 1978. In 1985, he became a director of Commercial Bank (Jersey) Ltd, which was subsequently acquired by Swiss Bank Corporation (SBC). In 1988, he became managing director of SBC Jersey Branch. Since leaving SBC in 1998 after its merger with UBS AG, he has undertaken a number of consultancy projects for international banks and investment management companies. He is Non-Executive Chairman of Highland Gold Mining Ltd and also holds other non-executive directorships. Mr. Baxter is a Fellow of the Institute of Chartered Secretaries and Administrators, the Securities Institute, the Chartered Institute of Bankers, the Institute of Management and the Institute of Directors.

Committee Membership

Chairman of the Remuneration Committee and member of the Audit Committee.

Karl Gruber, Independent Non-Executive Director (born 1952)

Appointment

Member of the Board of Directors of Evraz Group S.A. since May 2010. Appointed to the Board of EVRAZ plc on 14 October 2011.

Skills and Experience

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

Committee Membership

Chairman of the Health, Safety and Environment Committee and member of the Remuneration Committee.

Alexander Izosimov, Independent Non-Executive Director (born 1964)

Appointment

Appointed to the Board of EVRAZ plc on 28 February 2012.

Skills and Experience

Alexander Izosimov has extensive managerial and board experience. From 2003 to 2011, he was President and CEO of VimpelCom, a leading emerging market telecommunications operator. From 1996 to 2003 he held various managerial positions at Mars Inc. and was Regional President for CIS, Central Europe and Nordics, and a member of the executive board. Prior to Mars Inc, Mr Izosimov was a consultant with McKinsey & Co. (Stockholm, London) (1991-1996) and was involved in numerous projects in transportation, mining, manufacturing and oil businesses. Mr.Izosimov currently serves on the boards of MTG AB, East Capital AB and Dynasty Foundation. He previously served as director and Chairman of the GSMA (Global association of mobile operators) board of directors, and was also previously a director of Baltika Breweries, confectionery company Sladko, and IT company Teleopti AB.

Committee Membership

Member of the Remuneration Committee and the Nominations Committee.

Terry Robinson, Independent Non-Executive Director (born 1944)

Appointment

Member of the Board of Directors of Evraz Group S.A. since April 2005. Appointed to the Board of EVRAZ plc on 14 October 2011.

Skills and Experience

Terry Robinson is a qualified chartered accountant and has 40 years' international business experience. He spent 20 years at Lonrho PLC, the international mining and trading group, the last ten years of which he served as a main board director. Since 1998, 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 independent director and Deputy Chairman of Katanga Mining Limited and is also an independent and senior non-executive director of Highland Gold Mining Ltd. He is a Fellow of the Institute of Chartered Accountants of England and Wales.

Committee Membership

Chairman of the Audit Committee and member of the Nominations Committee and of the Health, Safety and Environment Committee. Chairman of the Group's Risk Committee, which is an Executive Committee.

Vice Presidents of EVRAZ plc

Leonid Kachur
Senior Vice President
Business Support and Interregional Relations

Pavel Tatyanin
Senior Vice President
Head of International Business

Marat Atnashev
Vice President
Major Projects

Giacomo Baizini
Vice President
Corporate Affairs
Chief Financial Officer

Scott Baus
Vice President
EVRAZ Business System

Grigory Botvinovsky
Vice President
Vanadium Division

Natalia Ionova
Vice President
Human Resources

Aleksey Ivanov
Vice President
Steel Division

Alexander Kruchinin
Vice President
Health, Safety and Environment

Oleg Kuzmin
Vice President
Corporate Communications

Alexander Kuznetsov
Vice President
Strategic and Operational Planning

Konstantin Lagutin
Vice President
Mining Division

Artem Natrusov
Vice President
Information Technologies

Yury Pavlov
Vice President
Procurement

Ilya Shirokobrod[1]
Vice President
Sales

Timur Yanbukhtin
Vice President
Development of International Business

Elena Zhavoronkova
Vice President
Legal Affairs

1 On 23 April 2012 Ilya Shirokobrod was appointed Vice President, Head of Division of Railway Products.

Corporate Governance Report

Introduction

EVRAZ plc is a public company limited by shares incorporated in the United Kingdom. In 2011 pursuant to a share exchange offer with EVRAZ Group S.A., EVRAZ plc became the new ultimate holding company of the Group, and Evraz Group S.A. became a subsidiary of the Company. The Company's shares were admitted to trading on the London Stock Exchange's main market for listed securities on 7 November 2011, becoming eligible for entry into the FTSE 100 Index and affirming the Company's commitment to high standards of corporate governance and control. As part of the listing process, the Company made a number of amendments to its governance documents and Board Committee charters in line with the UK Corporate Governance Code and best practice. Additionally the Company established a Nominations Committee prior to the Company's admission to trading.

Further information on the Company's Corporate Governance policies and principles are available on our website: www.evraz.com. The UK Corporate Governance Code is available at www.frc.org.uk.

Compliance with Corporate Governance Standards

Since its admission to listing on the London Stock Exchange's main market, EVRAZ's approach to corporate governance is primarily based on the UK Corporate Governance Code and the Listing Rules of the UK Listing Authority. The Company follows the "comply or explain" approach and complies with the UK Corporate Governance Code or, if it does not comply, explains the reasons for non-compliance.

As of 31 December 2011 we comply with all the principles and best practice provisions of the UK Corporate Governance Code with the following exceptions:

- Contrary to provisions A.2.1 and A.3.1 of the UK Corporate Governance Code, the Chairman does not meet the independence criteria set out in the UK Corporate Governance Code. However, the other Directors consider that Alexander Abramov's long-term relationship with the Group and his importance to it mean his presence as Chairman is in the best interests of Shareholders. The presence of independent non-executive directors on the Board also helps to ensure that there are appropriate checks and balances in place.
- Contrary to provision C.3.1 of the UK Corporate Governance Code, only two of the three members of the Audit Committee were independent non-executive directors during 2011. Olga Pokrovskaya is a member of the Audit Committee, but does not meet the independence criteria set out in the UK Corporate Governance Code. Since more than 50% of EVRAZ activities and operations are based in the Russian Federation, Olga Pokrovskaya's technical and regional experience and qualifications, as a past senior audit manager at Arthur Anderson and as Head of Corporate Finance at Sibneft, is of particular value to the Committee and her experience would be extremely difficult to replicate, particularly as EVRAZ is seeking to strengthen diversity on its Board. The Company considers that, in light of her involvement with the Group over a number of years and her experience in this area, her membership of the Audit Committee is to the benefit of the Group. Furthermore, on 28 February 2012 Sir Michael Peat, an independent non-executive director, was appointed to the Audit Committee, and the Company has therefore been compliant with provision C.3.1 of the UK Corporate Governance Code since that date.
- Contrary to provision D.2.1 of the UK Corporate Governance Code, only two of the five members of the Remuneration Committee were independent non-executive directors during 2011. Mr. Abramov and Mr. Tenenbaum are members of the Remuneration Committee, but do not meet the independence criteria set out in the UK Corporate Governance Code. However, independent non-executive directors comprise the majority (these are Mr. Baxter (Chairman of the Remuneration Committee), Mr. Gruber and Mr. Izosimov) and, when matters affecting their membership of the Board and Mr. Abramov's chairmanship of the company are discussed, Mr. Abramov and/or Mr. Tenenbaum (as applicable) will not be present, as required.

Board of Directors

The Board of EVRAZ plc was formed upon its incorporation on 14 October 2011. Prior to this date, the Group was controlled by Evraz Group S.A. which was responsible for governance and management of the Group. In 2011, EVRAZ plc held four Board meetings between its incorporation and 31 December 2011. Evraz Group S.A. held 11 meetings during the year prior to the listing of EVRAZ and a further three meetings between that date and 31 December 2011.

The members of the Board of EVRAZ plc as at 31 December 2011 were: Alexander Abramov (Chairman), Alexander Frolov (CEO), Olga Pokrovskaya, Eugene Shvidler, Eugene Tenenbaum, Duncan Baxter, Karl Gruber, Terry Robinson and Sir Michael Peat.

The following tables set out the attendance of each Director at Evraz Group S.A. and EVRAZ plc Board and committee meetings.

Corporate Governance Report (Continued)

Evraz Group S.A. Board Meetings and Committees Attendance During 2011

Board members	Board meetings	Remuneration	HSE	Audit
Alexander Abramov	13 of 14	2 of 2	1 of 1	–
Otari Arshba	12 of 14	–	–	–
Duncan Baxter (elected in May 2011)	10 of 10[1]	2 of 2	–	–
Alexander Frolov	14 of 14	–	1 of 1	–
Karl Gruber	13 of 14	2 of 2	–	–
Olga Pokrovskaya	14 of 14	–	–	5 of 5
Terry Robinson	14 of 14	–	–	5 of 5
Eugene Shvidler	12 of 14	–	–	–
Eugene Tenenbaum	11 of 14	2 of 2	–	–
Gordon Toll (resigned in May 2011)	4 of 4[2]	–	1 of 1	–

1 Mr. Baxter was elected as a director of Evraz Group S.A. in May 2011. Between the date of his appointment and 31 December 2011, ten board meetings were held, all of which Mr. Baxter attended.
2 Mr. Toll resigned as a director of Evraz Group S.A. in May 2011. Between 1 January 2011 and the date of his resignation, four board meetings were held, all of which Mr. Toll attended.

EVRAZ plc Board Meetings Attendance and Committees Attendance During 2011[1]

Board members	Board meetings	Remuneration[2]	HSE	Audit[3]
Alexander Abramov	3 of 4	n/a	–	–
Duncan Baxter	3 of 4	n/a	–	1 of 1
Alexander Frolov	4 of 4	–	1 of 1	–
Karl Gruber	3 of 4	n/a	1 of 1	–
Sir Michael Peat	2 of 4	n/a	–	–
Olga Pokrovskaya	3 of 4	–	–	1 of 1
Terry Robinson	4 of 4	–	1 of 1	1 of 1
Eugene Shvidler	3 of 4	–	–	–
Eugene Tenenbaum	3 of 4	n/a	–	–

1 There were no meetings of the Nominations Committee in 2011. The Nominations Committee was established on 14 October 2011 prior to the Company's admission to trading on the London Stock Exchange's main market. For more information about the Nominations Committee please refer to the Nominations Committee section of this report on page 67.
2 The Remuneration Committee of EVRAZ plc was established on 14 October 2011 prior to the Company's admission to trading on the London Stock Exchange's main market. For more information about the Remuneration Committee please refer to the Remuneration Committee section of this report on pages 66–67 There were no meetings of the Remuneration Committee in 2011.
3 The Audit Committee met three times between 1 January 2012 and 20 April 2012. All members attended all three meetings with the exception of Sir Michael Peat who attended one out of the three meetings. The Audit Committee meeting held on 20 April 2012 was attended via a conference call by all members of the Committee.

Board Balance and Independence

As at 31 December 2011, the Board of EVRAZ plc consisted of nine members, comprising eight non-executive directors and one executive director. In addition, on 28 February 2012, Alexander Izosimov was appointed to the Board as an additional non-executive director. During 2011, there were four members of the Board (those other than Alexander Frolov, Alexander Abramov, Olga Pokrovskaya, Eugene Shvidler and Eugene Tenenbaum) that were deemed to be independent in character and judgement pursuant to the UK Corporate Governance Code and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. In reaching its determination of independence, the Board concluded that each one provided an objective challenge to management and was willing to stand up to defend their own beliefs and viewpoints in order to support the ultimate good of the Company and there were no relationships or circumstances likely to affect, or which could have appeared to affect, the judgement of any of its independent non-executive directors.

For completeness, the Board did consider an arm's length business arrangement between one of the non-independent directors and the son of Sir Michael Peat, the senior independent director of the Company, and satisfied itself that this arrangement has no impact on Sir Michael Peat's independence. Since the appointment of Alexander Izosimov in February 2012, at least half of the members of the Board are independent non-executive directors in compliance with the UK Corporate Governance Code. The Company regards this as an appropriate board structure.

The Company notes the Financial Reporting Council's recent announcement to amend the UK Corporate Governance Code to strengthen the principle of boardroom diversity.

Role of the Board

The Board and management of EVRAZ aim to pursue objectives in the best interests of EVRAZ, its shareholders and other stakeholders, and particularly to create long-term value for shareholders.

The EVRAZ Board is responsible for the following key aspects of governance and performance:
- Financial and operational performance
- Strategic direction
- Major acquisitions and disposals

- Overall risk management
- Capex and operational budgeting
- Business planning

The Board has a formal schedule of matters specifically reserved for its decision. These include the following:
- Responsibility for the Group's long-term objectives and commercial strategy.
- Responsibility for the overall management of the Group.
- Review of performance in the light of the Group's strategy, objectives, business plans and budgets and ensuring that any necessary action is taken to deliver the required performance.
- Changes relating to the Group's management and control structure, capital structure and major changes to corporate structure.
- Approval of Group policies and all circulars, prospectuses and listing particulars.
- Approval of the Annual Report and accounts, results announcements and interim management statements.
- Approval of the dividend policy and any significant changes in accounting policies or practices.
- Approval of resolutions and corresponding documentation to be put forward to shareholders at a general meeting.
- Ensuring maintenance of a sound system of internal control and risk management.
- Changes and appointments to and removals from the Board and Board committees.
- Appointment, re-appointment or removal of the external auditor.
- Determining the remuneration policy for the directors, Company Secretary and key senior management and remuneration policy of the non-executives subject to the articles of association and shareholder approval as appropriate.
- Undertaking a formal and rigorous review annually of its own performance, that of its Committees and individual directors.

Chairman and Chief Executive

The Board determines the division of responsibilities between the Chairman and the Chief Executive Officer.

The Chairman's principal responsibility is the effective running of the Board, ensuring that the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives. The Chief Executive Officer is responsible for leading the Group's operating performance and day-to-day management.

The main roles and responsibilities are outlined below:

Role of the Chairman

The Chairman's key responsibilities include:
- Presiding at all meetings of the shareholders and the Board and being the guardian of the Board's decision-making processes.
- Running the Board, including ensuring delegation of authority to executive directors and management and setting its agenda.
- Ensuring that the Board receives accurate, timely and clear information on the Group's performance and the issues, challenges and opportunities facing the Group so that the Board takes sound decisions and promotes the success of the Group.
- Ensuring that Board agendas take full account of the important, complex and contentious issues facing the Group and the concerns of all Board members and encouraging active engagement by all members of the Board.
- Proposing to the Board, in consultation with the Chief Executive Officer, Company Secretary and Committee Chairmen:
  - A Schedule of Reserved Matters for the Board for its decision;
  - Terms of Reference for each Board Committee; and
  - Other Board policies and procedures.
- Initiating succession planning in board appointments to retain and build an effective and complementary Board, and to facilitate the appointment of effective and suitable members and Chairmen of board committees.
- Ensuring that there is effective communication by the Group with its shareholders and ensuring that members of the Board develop an understanding of the views of the major investors in the Group.
- Ensuring there is a properly constructed induction programme for new directors.
- Ensuring that the performance of the Board as a whole, its Committees, and individual directors is formally and rigorously evaluated at least once a year.
- Promoting the highest standards of integrity, probity and corporate governance throughout the Group and particularly at Board level.

Role of the Chief Executive Officer

The Chief Executive Officer's principal responsibility is running the business of the Company and its subsidiaries.

The key responsibilities of the CEO include:
- Proposing and developing the Group's strategy and overall commercial objectives, which he does in close consultation with the Chairman and the Board.
- Implementing, with the executive team, the decisions of the Board and its Committees including those regarding an annual budget and financial plans, and identification and execution of new business opportunities.
- Ensuring that he/she maintains a dialogue with the Chairman on the important and strategic issues facing the Group, and proposing Board agendas to the Chairman which reflect these.
- Providing input to the Chairman and Company Secretary on appropriate changes to the Schedule of Reserved Matters for the Board and Terms of Reference for each Board Committee.
- Providing information and advice on succession planning to the Chairman, the Nominations Committee and other members of the Board, particularly in respect of executive directors.
- Progressing, in conjunction with the Chief Financial Officer and, where relevant, the Chairman, the communication programme with shareholders.
- Commenting on induction programmes for new directors and ensuring that appropriate management time is made available for the process.
- Ensuring that the development needs of the executive directors and other senior management reporting to him/her are identified and met.
- Ensuring that performance reviews are carried out at least once a year for each of the executive directors and providing input to the wider Board evaluation process.
- Promoting, and conducting the affairs of the Group with the highest standards of integrity, probity and corporate governance.

Corporate Governance Report (Continued)

Board Expertise

The Board has the appropriate skills and experience necessary to discharge its functions. Executive and non-executive directors have the experience required to contribute meaningfully to the Board's deliberations and resolutions. Full details of expertise and sector experience are detailed in the Board of Directors section above.

Induction and Professional Development

The Chairman is responsible for ensuring that there is a properly constructed and timely induction programme for new directors upon joining the Board. They have full access to a regular supply of financial, operational, strategic and regulatory information to help them discharge their responsibilities. The Chairman's duties also include ensuring that the directors continually update their skills and their knowledge of and familiarity with the Company and the regular review and discussion with each director of their training and development needs.

Performance Evaluation

Since EVRAZ plc was incorporated in October 2011 and only four Board meetings took place between that date and 31 December 2011, no formal performance evaluation was undertaken during 2011.

The Company intends to conduct regular performance evaluation of the Board going forward in line with the UK Corporate Governance Code.

Board Committees

The four principal committees of the Board are the Audit Committee, the Remuneration Committee, the Nominations Committee and the Health, Safety and Environment Committee.

Prior to the incorporation of the Company in the UK in October 2011, the Audit Committee, the Remuneration Committee and the Health, Safety and Environment Committee operated as committees of Evraz Group S.A. for the first ten months of 2011. The terms of reference for all Committees of EVRAZ plc are available on the Company's website: www.evraz.com.

Decisions on changes to the structure, size and composition of the Board including appointment of committee members and Chairmen are made by the Board following recommendations from the Nominations Committee.

Alexander Izosimov was appointed as a member of the Remuneration Committee and the Nominations Committee of EVRAZ Board on 28 February 2012. Sir Michael Peat is no longer a member of the Remuneration Committee and has joined the Audit Committee. Eugene Shvidler has been appointed to the Nominations Committee.

The Company has also established a Risk Committee which is an Executive Committee accountable to the Group CEO. Further information on the activities of the Risk Committee can be found in the Risk Management section of the Corporate Governance report.

Audit Committee

The Audit Committee of EVRAZ plc was established on 14 October 2011 as a committee of the Company, as part of the listing process. Prior to this the Audit Committee was a committee of Evraz Group S.A. On 14 October 2011 the Board approved new Terms of Reference for the committee which are aligned with the principles of the UK Corporate Governance Code.

Members: Terry Robinson (Chairman), Duncan Baxter, Olga Pokrovskaya and Sir Michael Peat (appointed 28 February 2012).

Role of the Audit Committee

The Audit Committee has responsibility for reviewing EVRAZ's financial statements and oversees EVRAZ's relationship with external auditors. The responsibilities of the Committee include:

- Monitoring the integrity of the Company's financial statements and annual and interim reports, preliminary statements, interim management statements and other formal announcements relating to its financial performance.
- Monitoring and reviewing the Group's financial and accounting policies and practices including the effectiveness of management processes and internal controls over financial reporting and operations.
- Reviewing and keeping under review the effectiveness of the Internal Controls and Business Risk Management Systems.
- Advising the Board on the Company's risk exposure, risk appetite, tolerance and strategy with consideration as to the financial and economic environment, and with these issues in mind, reviewing the company's risk management process.
- Reviewing the Company's Group-wide whistle blowing facilities and the effectiveness of appropriate follow-up processes, and the Company's systems and controls for the prevention, detection, reporting and investigation of any incidents of bribery or fraud.
- Monitoring and reviewing the effectiveness of the Company's Internal Audit function, particularly in the context of the Company's Business Risk Management Systems.
- Reviewing promptly all internal audit reports and management remediation action and timeframes.
- Considering and making recommendations to the Board as to shareholders' resolutions at the Company's Annual General Meeting for the appointment, re-appointment or removal of the Company's external auditor.
- Overseeing the selection process for a new external auditor for the Company.
- Overseeing the company's relationship with the external auditor including:
  - Making recommendations to the Board as to the external auditor's remuneration;
  - Reviewing and approving non-audit fees; and
  - Assessing annually the external auditors' independence, expertise, effectiveness and objectivity taken as a whole.
- Developing and implementing a policy for the supply of non-audit services.

Meetings

The Audit Committee met five times as a committee of EVRAZ Group S.A. between 1 January 2011 and 14 October 2011 and once as a committee of EVRAZ plc between 14 October 2011 and 31 December 2011. In addition, the Audit Committee met three times between 1 January 2012 and 20 April 2012. All members attended all three meetings in 2012 with the exception of Sir Michael Peat, who attended one out of the three meetings. The Audit Committee meeting held on 20 April 2012 was attended via conference call by all members of the Committee.

Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, Company Secretary, the head and members of the Internal Audit Department and members of the finance function may be invited to attend all or part of any meeting as and when appropriate.

Activities in 2011

The Committee's principal activities during 2011 including the activities of both Evraz Group S.A. Audit Committee and EVRAZ plc Audit Committee were:

Financial Reporting

- Considering the issues and financial reporting timelines and processes relating to the Group and reporting obligations following the primary listing of EVRAZ plc.
- Considering matters relating to the Committee's recommendation to the Board relating to annual Financial Statements for the year ended December 2010 and the audited half year statements as of June 2011, including consideration and testing:
  - The Going Concern review;
  - The Impairment review of operating assets and goodwill; and
  - Other significant accounting judgements and management estimates.
- Receiving reports from the external auditors on matters relating to the annual financial statements, including the letter of representation which were carefully reviewed and discussed with the external auditors.
- Post the finalisation of the Financial Statements for the year to December 2010, reviewing and discussing with management and the external auditors the Management Letter.
- Reviewing Evraz Group S.A.'s MD&A, Preliminary and Results Press statements and the full year, December 2010 and half year, June 2011 and the Investor presentations at each reporting date.
- Similarly considering matters relating to the Committee's review and recommendation to the Board with regard to EVRAZ plc's unaudited Financial Statements and, the inclusion thereof, in the unaudited Preliminary Results Statement for the year to December 2011, together with reviewing the draft 2011 Analysts' presentation. In addition to considering and testing the Impairment review and the significant accounting judgements and management estimates, the Audit Committee, as a result of the uncertainty and instability of the current economic climate considered various sensitized group cash flow models, together with a detailed review of the Group's borrowing covenants. As a consequence, the Audit Committee reported to the Company's directors that after their due and careful consideration and approval, it was appropriate that there was a reasonable expectation that the Group had adequate liquidity and resources to support the going concern Basis of Preparation of the Financial Statements.

Since 31 December 2011, the Audit Committee's activities were:

- Reviewing the Company's 2011 Annual Report, its Financial Statements, operating and financial review, Directors' Report and other reports for consistency with the Financial Statements and regulatory requirements, and recommending the Annual Report for the approval of the Company's directors.

Risk Management

- Reviewing the Group's key risks as detailed and evaluated in the Group's risk register together with the appropriateness of the scope and nature of the management's agreed risk mitigating actions.

External Auditors

- Reviewing the external auditor's terms, independence and scope of engagement and the external audit fee.

Internal Audit

- Reviewing and approving the restated Group Internal Audit Charter.
- Reviewing the key issues of internal audit and agreeing on the implementation of a system of self-assurance.
- Considering the half yearly detailed internal audit reports, including whistle blowing activity.
- Considering the half yearly fraud and security reports.
- Considering an Internal audit report of the Russian Federation supply chain controls and appropriate remediation action.

Additional issues

- Reviewing the listing documents for EVRAZ plc.
- Reviewing all related party transactions for the 2010 year end and for 2011 half year.
- Reviewing the Long Form Report, the Working Capital Report and the report on financial reporting procedures, prepared by the external auditor as a consequence of the additional financial due diligence for the Company's primary listing on the London Stock Exchange.
- Making recommendations for the Company's management to consider:
  - The appointment of an in-house Competent Person to keep under review and report on the Company's significant mining reserves and resources;
  - To set in hand processes to keep under review the parameters for stress testing the Company's liquidity model.

The Committee met separately with the external auditors, EVRAZ management and internal audit on a regular basis for individual discussion. In addition, the Committee has invited to meetings the Group's Head of Accounting and Controlling Directorate and members of the financial accounting team, the Group CEO, the Senior Vice President and CFO of the International Division, Vice President for IT as well as members of the internal audit team.

The Committee Chairman has held individual discussions with a significant investing institution concerning corporate governance in general, risk management and the operation of the Audit Committee.

Corporate Governance Report (Continued)

Non-Audit Services
As reported in previous years, the Group engages accountancy firms for due diligence work in connection with acquisitions and capital market transactions and for tax advice. Where such services are provided by the external auditors, at the discretion of management, the Committee has agreed fee limits for the engagement of non-audit services. The limit for such management discretion is for non-audit fees of US$25,000 or less than US$100,000 in aggregate during the financial year.

In instances where these limits would be exceeded, on the request of management, prior approval to such engagements is required together with the detail and scope of such engagement mandates and corresponding fees. Such approval is given after proper enquiry in the first instance by the Audit Committee Chairman and then by subsequent Audit Committee approval. Generally non-audit engagements are subject to a tender process.

The Committee has recorded with management that it is uncomfortable with the current level of non-audit fees, particularly in comparison with the audit fee. The 2011 audit fee has been increased on a one-off basis by the interim audit connected with the Company's primary listing. Similarly the 2011 non-audit fee has been bolstered by significant capital market engagements relating to the Group's primary listing on the London Stock Exchange, such fees being the normal responsibility of a Company's external auditor. While the Audit Committee does not believe the independence of the external audit is compromised, if engagement of the external auditors for consultative work continues at the 2011 level, there is a danger that the question of independence of the external advisors will increase, in perception if not in reality.

The cause of the increase is that as part of the Group's Project Lean, the external auditor is engaged on a number of separate productivity initiatives and the key issue driving the level of non-audit fees is the scarcity within the CIS of alternative economic and qualified consultants. The Audit Committee has requested management to investigate alternative consultative processes.

Breakdown of Audit and Non-Audit Fees

	2011 US$ million	2010 US$ million	2009 US$ million
Assurance services			
Audit of the parent Company of the Group	4	2	2
Audit of the subsidiaries	7	6	5
Total assurance services	**11**	**8**	**7**
Other services			
Services in connection with capital market transactions	3	1	–
Other non-audit services not covered above	2	1	–
Total other services	**5**	**2**	**–**
Grand total	**16**	**10**	**7**

Remuneration Committee
The Remuneration Committee of EVRAZ plc was established on 14 October 2011 as a committee of the Company, as part of the listing process. Prior to this the Remuneration Committee was a committee of Evraz Group S.A. On 14 October 2011 the Board approved new Terms of Reference for the committee, which are aligned with the principles of the UK Corporate Governance Code.

Members: Duncan Baxter (Chairman), Alexander Abramov (Chairman of the Board), Karl Gruber, Sir Michael Peat and Eugene Tenenbaum.

On 28 February 2012 the following changes occurred in the composition of the Remuneration Committee: (a) Sir Michael Peat left the Remuneration Committee and was appointed to the Audit Committee of the Group; and (b) Alexander Izosimov was appointed as a member.

Role of the Remuneration Committee
The Remuneration Committee makes recommendations to the Board on management compensation, as well as on the remuneration packages of the Chairman and the Executive Director.

No directors are involved in deciding their own remuneration. The Committee may invite other individuals to attend such as the Chief Executive Officer and the Head of Human Resources and external advisers for all or part of any Committee meeting as and when appropriate and necessary.

Responsibilities of the Remuneration Committee are:
- Determining and agreeing with the Board the framework or broad policy for the remuneration of the Chairman of the Board, the Company's Chief Executive Officer, the Company Secretary and key senior management and recommend non-executive directors' remuneration.
- Taking into account all factors which it deems necessary to determine such framework or policy including all relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance.
- Reviewing and taking into account the remuneration trends across the Group when setting remuneration policy for directors.
- Regularly reviewing the ongoing appropriateness and relevance of the remuneration policy.
- Determining the total individual remuneration package of the Chairman of the Board, the Company Secretary and key senior management, including pension rights, bonuses, benefits in kind, incentive payments and share options or other share awards within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive Officer.
- Approving awards for participants where existing share incentive plans are in place.
- Reviewing and approving any compensation payable to executive directors and senior executives.
- Overseeing any major changes in employee benefit structures throughout the Group.

Activities in 2011

During 2011, the Remuneration Committee of Evraz Group S.A. met twice. The purpose of the meetings was to consider and to make recommendations to the Board on management compensation, as well as the remuneration packages of the Chairman and the Executive Director. For the Remuneration Report please refer to page 70.

Nominations Committee

The Nominations Committee was established on 14 October 2011 prior to the Company's admission to trading on the London Stock Exchange's main market.

Members: Sir Michael Peat (Chairman), Alexander Abramov, Terry Robinson, Alexander Izosimov (appointed 28 February 2012), and Eugene Shvidler (appointed 28 February 2012).

Role of the Nominations Committee

The role of the Nominations Committee is to advise the Board on its composition, making recommendations with respect to addition to or replacement of Directors when appropriate.

Responsibilities of the Nominations Committee are as follows:

- Reviewing regularly the structure, size and composition of the Board and making recommendations to the Board on any appropriate changes.
- Identifying and nominating, for the Board's approval, suitable candidates to fill any vacancies for non-executive and, with the assistance of the Chief Executive, executive directors.
- Planning for the orderly succession of directors to the Board.
- Recommending to the Board the membership and chairmanship of the Audit, Remuneration, and Health, Safety and Environmental committees.
- Overseeing senior management development and succession plans to ensure that there is continuity of appropriate executive resource immediately below Board level.

Meetings

There were no appointments to the Board between the admission of EVRAZ plc to the Main Market of the London Stock Exchange and 31 December 2011, and accordingly the Nominations Committee did not meet during 2011. The Nominations Committee's objectives for 2012 are to:

- review the plan for the retirement by rotation and re-election of directors of EVRAZ and the framework for Board succession planning for 2012 to 2013; and
- enhance the knowledge and skills of the Board through the addition of new, suitably diverse directors.

Health, Safety and Environmental Committee

The Health, Safety and Environmental Committee of EVRAZ plc was established on 14 October 2011 as a committee of the Company, as part of the listing process. Prior to this the Health, Safety and Environmental Committee was a committee of Evraz Group S.A. The Evraz Board on 14 October 2011 approved new Terms of Reference for the committee, which are aligned with the principles of the UK Corporate Governance Code and Karl Gruber was elected Chairman of the Committee. The previous Chairman was Gordon Toll who resigned from the Board of Directors of Evraz Group S.A. in May 2011.

Members: Karl Gruber (Chairman), Alexander Frolov and Terry Robinson.

Role of the Health, Safety and Environmental Committee

The Health, Safety and Environment Committee leads the Board's thinking on health and safety issues, as well as maintaining responsibility for environmental, security and local community matters.

Responsibilities of the Health, Safety and Environment Committee are:

- Assessing the performance of the Group with regard to the impact of health, safety, environmental and community relations decisions and actions upon employees, communities and other third parties and on the reputation of the Group.
- On behalf of the Board, receiving reports from management concerning all fatalities and serious accidents within the Group and actions taken by management as a result of such fatalities or serious accidents.
- Reviewing the results of any independent audits of the Group's performance in regard to environmental, health, safety and community relations matters, review any strategies and action plans developed by management in response to issues raised and, where appropriate make recommendations to the Board concerning the same.
- Making whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- Producing a report on its activities to be included in the Company's Annual Report.

Meetings

During 2011, the Committee met twice.

Activities in 2011

- The Committee approved the HSE Policy and Key Safety Requirement for the Group (which was approved by the Board in March 2011).
- The Committee reviewed the performance indicators and activities of the Company with regard to Health, Safety and Environment.
- The Committee reviewed the Group's key HSE risks as detailed and evaluated in the Group's risk register together with the appropriateness of the scope and nature of the management's agreed risk mitigating actions.
- The Committee determined the strategic initiatives for 2012.
- The Committee approved the approach with regard to selection of a corporate consultant and auditor for continued implementation of the safety systems ISO 14001 and OHSAS 18001.
- Presentation of HSE Group statistics and highlights for the year.
- The Committee approached the HSE strategic metrics on 30 November 2011.
- HSE Targets for 2012 were approved on 30 November 2011 in the following areas:
  – Health and safety;
  – Environment; and
  – Ongoing safety projects.

Corporate Governance Report (Continued)

Risk Management and Internal Control

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.

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

The ERM process is fully supported by the 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.

The Group's executive management is responsible for 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.

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

- Risks are identified, documented, assessed, monitored, tested and the risk profile communicated to the relevant risk management team on a regular basis.
- Business management and the risk management team are primarily responsible for ERM and accountable for all risks assumed in their operations.
- The Board is responsible for assessing the optimum balance of risk through the alignment of business strategy and risk tolerance on an enterprise-wide basis.
- All acquired businesses are brought within the Group's system of internal control as soon as practicable. OAO Raspadskaya, in which the Group indirectly holds a 40% interest, is not within the Group's system of internal control.

Risk Committee

The Risk Committee was established on 14 October 2011 prior to the Company's admission to trading on the London Stock Exchange's main market and the terms of reference were approved by the Risk Committee on 30 November 2011.

The Chairman of the Audit Committee, Terry Robinson, a non-executive director, also chairs the Risk Committee. Further members of the Risk Committee include the relevant senior and executive management of EVRAZ plc with accountability for delivering appropriate business and operation risk management mitigation actions as part of their functional responsibility. Furthermore, the Committee invites Head of Group Internal Audit, members of senior management and Audit Committee members to attend all its meetings.

The Committee meets at least twice a year at appropriate times and at other times as required.

The Committee's role is one of oversight and supervision of the Group's risk profile and risk framework. It is tasked with reviewing the overall risk profile and resulting Risk Register of the Group for completeness and monitoring the related risk management actions and risk event management ownership within the divisions, functions and at corporate level.

Responsibilities of the Risk Committee include:

- Reviewing annually the Group's internal control and assurance framework to satisfy itself on the design and completeness of the framework relative to the Group's activities and risk profile;
- Considering and recommending to the Board for approval via the Group Chief Executive and/or the Committee chairman parameters for the Group's risk appetite;
- Reviewing and monitoring the Group's risk profile and the appropriateness of the Group's risk measurement systems;
- Reviewing the completeness of the Group's Principal Risk Categories and appropriateness of the supporting documentation and approving the creation of new Key Risk Categories in the Risk Register; and
- Receiving and reviewing reports that assess the nature and extent of risks facing the Group.

During 2011, the Risk Committee reviewed and updated the Group's risk matrix together with related risk mitigating actions and delivered its proposals to the Board 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.

Additionally, regional executive risk committees were established in North America and South Africa to enhance the risk identification process using a bottom up approach to complement the top down approach which was used for initial risk identification and assessment and preparation of the Group risk register in 2011.

The Committee also reviewed plans to extend the risk management process to the entity-level during 2012.

Controls

EVRAZ's internal control systems have been designed to manage rather than eliminate the risk of failure to achieve business objectives and provide reasonable but not absolute assurance against material misstatement or loss. 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. The process enables the Board and the Audit Committee to review the effectiveness of the system of internal controls in place within the Group to manage significant business, operational and financial risks (including, environmental, safety and ethical risks) throughout the year.

The processes of preparation of Consolidated Financial Statements are designed to prevent any material misstatements and present such Financial Statements fairly in accordance with the Group's accounting policies. The use of our standard accounting manual and reporting pack by our finance teams throughout the group ensures that transactions are recognised and measured in accordance with prescribed accounting policies and that information is gathered and presented in a consistent way that facilitates the production of the Consolidated Financial Statements. The Audit Committee considers all significant judgements and estimates made in the preparation of the Financial Statements for the period and reviews and analyses the Annual Report and Accounts. Each Financial Statements are required to be approved by the Audit Committee and the Company's Board.

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 programmes thereby ensuring that the Group's ongoing internal control process is adequate and effective.

Internal Audit

Internal audit is an independent appraisal function established by the Board to evaluate the adequacy and effectiveness of controls, systems and procedures, within EVRAZ plc, in order to reduce business risks to an acceptable level in a cost effective manner.

The latest version of the Internal Audit Charter of EVRAZ plc was approved by the Board on 13 December 2011. The role of internal audit in the Group is to provide an independent, objective, innovative, responsive and effective value-added internal audit service through a systematic and disciplined approach by assisting management in controlling risks, monitoring compliance, improving the efficiency and effectiveness of internal control systems and governance processes.

In 2011, EVRAZ's Head of Internal Audit 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 during the year 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 predominantly risk-based and in 2011 incorporated particular assignments and priorities agreed by the Audit Committee. Further, the scope of the 2011 annual internal audit plan included a review of the internal control systems of newly acquired trading 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 2011 the internal audit function worked in cooperation with Ernst & Young, EVRAZ's external auditor, in conducting their respective responsibilities for the Group. In 2011 KPMG conducted a quality assessment review of EVRAZ's internal audit function in Russian Federation and Ukraine, and the Institute of Internal Auditors (the IIA) in US and Canada, to attest the conformity of EVRAZ's internal audit activity with the International Standards for the Professional Practice of Internal auditing developed by the Institute of Internal Auditors as well as best practice in internal auditing. Based on this review KPMG and the IIA issued reports with the assessment of the respective EVRAZ's Internal audit activities. Recommendations of these reports contributed to further refinement of the function.

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

Conflicts of Interest

Alexander Abramov is the Chairman of the Company and Alexander Frolov is the CEO. Olga Pokrovskaya, Eugene Shvidler, Alexander Abramov and Alexander Frolov have been appointed to the Board of Directors of the Company by the major shareholder pursuant to the terms of the relationship agreement. The indirect and direct shareholdings of these Directors in the share capital of the Company are set out in the Directors' Report. No other conflicts of interests exist between the private interests of the Directors or Members of Senior Management and their duties to the Company.

Relations with Shareholders

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 210 individual/group meetings, conferences and other public events involving the investment community took place during 2011.

The senior independent director is available to shareholders if they have concerns that have not been resolved by contact through the normal channels of chairman, chief executive or finance director or for which such contact is inappropriate.

Constructive use of Annual General Meeting

The AGM is an opportunity for shareholders to communicate with the Board and the Board welcomes their participation. The Chairman and the respective Chairmen of the respective Committees will be present at the AGM to answer shareholders' questions. The next AGM will be held on 18 June 2012.

Details of the resolutions to be proposed at the next AGM can be found in the Notice of AGM. The Board has determined that voting on all resolutions at the AGM will be by way of a poll. Each member present in person or by proxy has one vote for each fully paid ordinary share of which she/he is a holder.

Information Pursuant to the Takeovers Directive

The Company has provided the additional information required by DTR 7.2.7 (directors interests in shares; appointment and replacement of directors; powers of the directors; restrictions on voting rights and rights regarding control of the Company) in the Directors' Report.

Remuneration Report

This report has been prepared in accordance with The Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. It also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles of good governance as set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010.

The Group's auditors, Ernst & Young LLP, have audited the information contained in the tables set out in the non-executive director Remuneration and executive director emoluments sections below.

Members of the Remuneration Committee

The EVRAZ plc Remuneration Committee was constituted and appointed by the Board on 14 October 2011, superseding the Evraz Group S.A. Remuneration Committee, and the members comprised the following non-executive directors during the period to 31 December 2011:

- Duncan Baxter (Committee Chairman);
- Alexander Abramov;
- Eugene Tenenbaum;
- Karl Gruber;
- Sir Michael Peat

No directors are involved in deciding their own remuneration. The Committee may invite other individuals to attend Committee meetings, in particular the Chief Executive Officer, the Head of Human Resources and external advisers for all or part of any Committee meeting as and when appropriate and necessary.

Role of the Remuneration Committee

The Remuneration Committee is a formal committee of the Board and can operate with a quorum of three Committee members. It is operated according to its Terms of Reference, a copy of which can be found on the Company's website.

The main responsibilities of the Remuneration Committee are:

- To determine and agree with the Board the framework or policy for the remuneration of the Chairman of the Board, the Company's Chief Executive Officer, the Company Secretary and key senior management and recommend non-executive directors' remuneration.
- To take into account all factors which it deems necessary to determine such framework or policy, including all relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code and associated guidance.
- To review and take into account the remuneration trends across the Group when setting remuneration policy for directors.
- To review regularly the ongoing appropriateness and relevance of the remuneration policy.
- To determine the total individual remuneration package of the Chairman of the Board, the Company Secretary and key senior management, including pension rights, bonuses, benefits in kind, incentive payments and share options or other share awards within the terms of the agreed policy and in consultation with the Committee Chairman and/or Chief Executive Officer.
- To approve awards for participants where existing share incentive plans are in place.
- To review and approve any compensation payable to executive directors and senior executives.
- To oversee any major changes in employee benefits structures throughout the Group.

During 2011, the Evraz Group S.A. Remuneration Committee met twice. The purpose of the meetings was to consider and to make recommendations to the Board on management compensation, as well as the remuneration packages of the Chairman and the Executive Director.

Remuneration Policy

The Chairman of the Remuneration Committee, in consultation with the Chairman of the Board and CEO, proposes the level of fees at a Committee meeting and, subject to approval, the proposal is put forward to the Board for consideration. Subject to Board approval the proposed fees are put to shareholders at the AGM.

The Company linked remuneration policy with Company strategy through:

- Alignment to Company strategy achieved through the operation of a performance related bonus which is based on the achievement of Company KPIs.
- Measuring achievement for bonus against three separate KPIs (EBITDA, relative share price performance and return on assets) ensures focus is spread across different aspects of Company performance, necessary for long-term success.
- Use of relative measures (share price and ROA) to ensure focus is on driving performance compared to the market.
- High level of executive director and key management shareholding to promote alignment with creation of shareholder value.
- Fixed remuneration to be sufficient to attract and retain world-class talent.

Details of the executive director and non-executive director remuneration policies are given in the sections that follow. The full text of the Remuneration Policy can be found on the Company's website.

Currently none of the directors receive any fees paid in shares of the Company and they are not entitled to participate in the Group pension plan or long-term incentive schemes.

Executive Director's Remuneration

Mr. Alexander Frolov, as the Chief Executive Officer (CEO) is entitled to a base salary, a performance related bonus and provision of benefits. As a Member of the Board of Directors he is also entitled to the director's fee (US$150,000) and any applicable fees for participation in the work of the Board committees as laid out in the section on non-executive director remuneration. Alexander Frolov's current shareholding (12.32% of issued share capital) provides alignment to the delivery of long-term growth in shareholder value. As such, the CEO does not participate in any long-term incentive plan. However, the Remuneration Committee will review this on an ongoing basis.

The current balance between fixed and variable pay for the executive director means, at target performance, 50% of remuneration is performance-related, rising to 66.7% for the achievement of maximum performance. Bonus levels are based on the CEO's base salary as approved by the Remuneration Committee on 23 May 2008. The pay and conditions of employees across the group (increasing rate, management remuneration level) have been taken into account when setting executive director remuneration. The CEO did not hold any external appointments during the year.

Base Salary

The CEO did not receive an increase in base salary in 2011. From 1 March 2012, the CEO salary will be set at a level which was originally approved by the Remuneration Committee on 23 May 2008, giving a base salary of US$ 2,500,000 (which includes, for the avoidance of doubt, the directors' fees, the fees that are paid for committees' membership and salary in EVRAZ plc subsidiaries). Due to the challenging economic environment at that time, the CEO voluntarily accepted a decrease in salary and deferred the approved increase in base salary to a later date. The CEO has waived the right to receive any catch-up payments forgone between 2008 to 2012.

Annual Bonus

The CEO is eligible to participate in a performance-related bonus which is subject to the agreement of the Remuneration Committee and approval by the Board of Directors. The bonus is linked to the achievement of performance conditions based on predetermined targets set by the Board of Directors. The target bonus is 100% of base salary with a maximum potential of up to 200% of base salary. The calculation of the bonus is based on the CEO's base salary as approved by the Remuneration Committee on 23 May 2008.

The bonus is linked to corporate performance. Three indicators are taken into account when determining the CEO's annual bonus: EBITDA (30% weighting), Return on Assets (40% weighting) and Relative Share Price Performance (30% weighting).

Due to the challenging economic environment, the CEO voluntarily deferred his annual bonus payment for the year 2010 in the amount of US$ 1,340,000. The Remuneration Committee will determine when this payment is made but it is currently expected that part or all of this will be made in 2012. The extent to which any payments are made in 2012 will be disclosed in the 2012 Annual Report.

For 2011, the CEO has been awarded a bonus of 22.6% of base salary (as noted above, this is calculated by reference to the CEO's base salary as approved in 2008). It is expected that this will be also paid in 2012.

Pension and Benefits

The CEO does not participate in any pension plans. Benefits principally consist of a car allowance and private healthcare.

Executive Director's Remuneration

Key elements of the CEO's remuneration package are set out below. Further details are contained in the audited table on page 73.

Alexander V. Frolov	2011 (US$, '000)	2010 (US$, '000)
Salary[1]	817	790
Director fee[2]	155	168
Bonus	565	1,340[3]

1 There was no increase in salary in 2011. The difference is due to exchange rate fluctuations as the CEO's salary is denominated in roubles.
2 Director's fee also includes fee for HSE committee membership (pro rata working days).
3 Payment of this bonus was deferred (see above).

Executive Director's Service Contract

The CEO has a service contract with a subsidiary of EVRAZ Plc.

The terms of the CEO's service contract are summarised below:

Executive directors	Date of contract	Notice period (months)
Alexander V. Frolov	31 December 2010	N/A*

* The service contract does not provide for any specific notice period and therefore, in the event of termination, the applicable notice period will be as provided for in the Russian labour code (where the termination is at the company's initiative the entitlement to pay in lieu of notice is to 3 months' base salary). Other than entitlement to notice and a payment in lieu of notice, the CEO will not be entitled to compensation on termination of his contract.

Non-Executive Director Remuneration

The Company's policy on non-executive director remuneration is based on the following key principles:

- Remuneration should be:
  - sufficient to attract and retain world-class non-executive talent;
  - consistent with recognised best practice standards for non-executive director remuneration;
  - in the form of cash fees, but with the flexibility to forgo all or part of such fees (after deduction of applicable income tax and social security contributions) to acquire shares in the Company should the non-executive director so wish; and
  - set by reference to the responsibilities taken on by the non-executives in chairing the Board and its committees.
- Non-executive directors may not participate in the Company's share incentive schemes or pension arrangements.

A director's remuneration consists of an annual fee of US$150,000 and a fee 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). There was no increase in fees for 2011 and the fees for all non-executive directors will remain unchanged for 2012 except for the Chairman. The fee for the Chairman of the Board was increased at a Board meeting of 28 February 2012 and shall be US$750,000 from the 1 March 2012 (this fee includes, for the avoidance of doubt, the directors fees and the fees that are paid for committees' membership). The fees payable for the chairmanship of a committee include the membership fee, and any director elected chairman of more than one committee is only entitled to receive fees in respect of one chairmanship.

Remuneration Report (Continued)

In addition the Company contributes an annual amount of US$ 30,000 towards secretarial and administrative expenses of non-executive directors.

Non-executive remuneration payable in respect of 2011 and 2010 is given below (audited information):

	2011 (USD, '000)			2010 (USD, '000)		
Non-Executive Director	Total fees[1]	Admin	Total	Total fees	Admin	Total
Alexander G. Abramov	179	–	179	174	–	174
Duncan Baxter	110	19	129	–	–	–
Karl Gruber	224	30	254	131	19	150
Sir Michael Peat	48	6	54	–	–	–
Olga Pokrovskaya	174	–	174	174	–	174
Terry Robinson	279	30	309	255	30	285
Eugene Shvidler	150	–	150	162	–	162
Eugene Tenenbaum	174	–	174	174		174
Otari Arshba[2]	–	–	–	–	–	–
Gennady Bogolyubov[3]	–	–	–	57	–	57
James Campbell[4]	–	–	–	93	13	106
Philippe Delaunois[5]	–	–	–	83	13	96
Gordon Toll[6]	75	11	86	119	19	138

1 Total fees include annual fees and fees for committee membership or chairmanship (pro rata working days).
2 Mr. Arshba, as a member of the Russian Parliament, was not entitled to any remuneration.
3, 4, 5 Resigned on 17 May 2010
6 Resigned on 16 May 2010

Directors' Contracts

Letter of Appointment

Each non-executive director has a Letter of Appointment setting out the terms and conditions covering their appointment. They are required to stand for election at the first Annual General Meeting following their appointment and, subject to the outcome of the AGM, the appointment is for a further one year term. Over and above this arrangement, the appointment may be terminated by the Director giving three months' notice or in accordance with the Articles of Association.

The Board supports the recommendation in the UK Corporate Governance Code that all directors should be subject to annual re-appointment and accordingly each non-executive director will stand for re-election at the AGM on 18 June 2012.

The key terms of the non-executive directors' appointment letters are summarised below:

Non-Executive Directors	Date of contract	Notice period (months)
Alexander G. Abramov	14 October 2011	3 month
Duncan Baxter	14 October 2011	3 month
Karl Gruber	14 October 2011	3 month
Sir Michael Peat	14 October 2011	3 month
Olga Pokrovskaya	14 October 2011	3 month
Terry Robinson	14 October 2011	3 month
Eugene Shvidler	14 October 2011	3 month
Eugene Tenenbaum	14 October 2011	3 month

Share Ownership by the Board of Directors

As at 31 December 2011, the following directors had beneficial interests in EVRAZ shares:

Directors	Total holding, Ordinary shares, %
Alexander Abramov	24.64%
Alexander Frolov	12.32%
Eugene Shvidler	3.50%

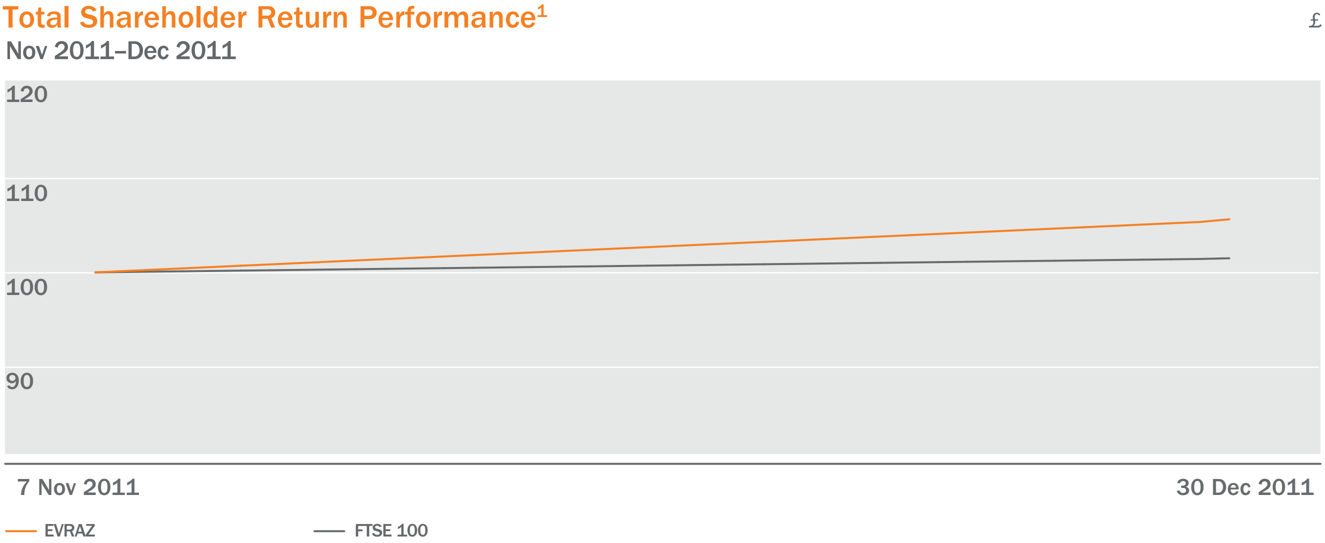
There have been no changes in the figures above between 31 December and 24 April 2012.

Performance Graph

The following graph shows the Company's performance compared to the performance of the FTSE 100 Index since admission to the premium listing segment of the London Stock Exchange on 7 November 2011, measured by total shareholder return. The FTSE 100 Index has been selected as an appropriate benchmark as it is a broad based index to which the Company belongs and which relates to the London Stock Exchange.

Total Shareholder Return Performance[1]

Nov 2011–Dec 2011



1 This graph shows value of hypothetical £100 holding.

Executive Director Emoluments (Audited Information)

The remuneration payable to the executive director in respect of the year is set out below in US dollars ('000):

USD, '000	Salary	Director fees	Annual bonus	Benefits[1]	Total 2011	Total 2010
Alexander V. Frolov	817	155	565	130	**1,667**	2,298

1 This includes payment for vacations entitlement not used.

Signed on behalf of the Board of Directors

Duncan Baxter
Chairman of the Remuneration Committee
EVRAZ plc
24 April 2012

Directors' Report

Principal Activities

EVRAZ plc 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. EVRAZ plc has a Premium Listing on the London Stock Exchange. Additional information on the Group's operations during the year and the information that fulfils the requirements of the Business Review is provided in the Business Overview, Strategy, Operating Review, Sustainability, Financial Review and Governance sections of this document, which are deemed to form part of this report by reference.

Group Reorganisation

In 2011 EVRAZ plc became a new parent company of the Group. EVRAZ plc, registered in the United Kingdom, is a public company limited by shares. The Company's shares are traded on the London Stock Exchange's main market for listed securities and included in the FTSE 100 Index.

The listing of GDRs of Evraz Group S.A. on the London Stock Exchange was cancelled in February 2012. More details on the Group reorganisation are provided in Note 20 of the Consolidated Financial Statements on page 129.

Sustainable Development

The Sustainability section of this report focuses on the health and safety, environmental and employment performance of the Company's operations, and outlines the Company's core values and commitment to the principles of sustainable development and development of community relations programmes.

Going Concern

The financial position and performance of the Group and its cash flows are set out in the Financial Review section of the report on pages 52 to 55.

The Directors have considered the Group's debt maturity and cash flow projections and an analysis of projected debt covenants compliance for the period to the end of 30 June 2013. The Board is satisfied that the Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group will continue in operation for the foreseeable future and has neither the intention nor the need to liquidate or materially curtail the scale of its operations.

For this reason the Group continues to adopt the going concern basis in preparing its financial statements. More details are provided in Note 1 of the Consolidated Financial Statements on page 91 including further information regarding certain risks related to projected debt covenant compliance.

Results and Dividends

On 10 October 2011, the EVRAZ Board approved a new dividend policy. Under the revised dividend policy, EVRAZ is targeting a long-term average dividend payout ratio of at least 25% of the consolidated net profit calculated in accordance with IFRS and adjusted for non-recurring items. Dividends are expected to be paid semi-annually. In addition to the regular dividend payments, the Company may also employ special dividends from time to time at the discretion of the EVRAZ Board to return surplus capital to shareholders.

On the back of our strong financial results, during 2011 Evraz Group S.A. made its first dividend payment since 2008, paying an interim dividend of US$0.60 per share/US$0.20 per GDR and a special dividend of US$2.70 per share/US$0.90 per GDR. EVRAZ plc has also declared a cash final dividend of US$0.17 per share. This gives a total ordinary dividend for 2011 of US$317 million, which is approximately 50% of net profit adjusted for non-recurring items.

Shareholders will be asked to approve the dividend at the Annual General Meeting to be held on 18 June 2012 for payment on 9 July 2012 to ordinary shareholders on the register on 8 June 2012.

Fixed Assets

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.

The last valuation of land was determined as at 31 March 2010 by an independent professionally qualified valuer. At that time, the market value of land was 1.7 times higher than its carrying value. At 31 December 2011, the carrying value of land amounted to US$187 million. In the opinion of the directors, the total market value of land has not decreased significantly since the last valuation.

It is not practicable to estimate the market value of buildings and mineral reserves as at 31 December 2011.

Overseas Branches

EVRAZ does not have any branches. The Company does, however, have a controlling interest in Evraz Group S.A., which owns steel production, mining and trading companies. Information about the indirect subsidiaries of EVRAZ is provided in the Business Review (Production and Trading Subsidiaries) section of this report on page 6.

Future Developments

Information on the Group and its subsidiaries' future developments is provided in the Chairman's Statement, Chief Executive's Report, Strategy, Operational Review and Financial Review sections of this report.

Financial Instruments

The financial risk management and internal control processes and policies and details of hedging policy and exposure to the risks associated with financial instruments can be found in the Strategy section on page 28, the Financial Review on page 54, the Corporate Governance on pages 68 to 69 sections of this report and in Note 29 of the Consolidated Financial Statements.

Political and Charitable Donations

No political donations were made in 2011. The Company's corporate social expenditures support initiatives that benefit the communities local to the Group's operations in the areas of sports, education, charity funds, and infrastructure. In 2011, the Company set aside US$49 million for such initiatives. No donations were made to UK registered charities in 2011.

Events Since the Reporting Date

The major events after 31 December 2011 are disclosed in Note 33 of the Consolidated Financial Statements on page 151.

Directors and Their Interests

Biographical details of the Directors who served on the Board during the year are set out in the Corporate Governance section on pages 58 to 59.

As of 31 December 2011, the following directors and senior managers had beneficial interests in EVRAZ shares:

Directors	Number of Ordinary Shares	% of Issued Ordinary Shares
Alexander Abramov	329,622,798	24.64%
Alexander Frolov	164,811,399	12.32%
Eugene Shvidler	46,825,407	3.50%

So far as the Company is aware, since 31 December 2011 to 24 April 2012 (being the last practicable date prior to the publication of this document), there has been no increase or decrease in the underlying number of beneficial interests held by each of Mr. Abramov, Mr. Frolov and Mr. Shvidler.

Members of EVRAZ plc Board do not receive share-based compensation.

Powers of Directors

Subject to the Company's Articles of Association, UK legislation and to any directions given by special resolution, the business of the Company is managed by the Board, which may exercise all the powers of the Company. The Articles of Association contain specific provisions concerning the Company power to borrow money and also provide the power to make purchases of any of its own shares. The directors have no existing authority to allot and issue ordinary shares or to purchase the Company's own shares, though the Company will be seeking to obtain such authorities at the next AGM. Further details of the proposed authorities are set out in the Notice of AGM.

Director Appointment and Re-election

The Group by ordinary resolution and the directors have the power at any time to elect any person to be a director, but the number of directors must not exceed the maximum number fixed by the Articles of Association of the Company. Any person so appointed by the directors will retire at the next Annual General Meeting and then be eligible for re-election. Under the Articles of Association each director shall retire at the Annual General Meeting held in the fourth calendar year following the year in which he/she was elected or at such earlier Annual General Meeting as the directors may decide. In accordance with the UK Corporate Governance Code, the Directors intend to be subject to annual re–elections from 2012.

Directors' Liabilities (Directors' Indemnities)

The Company has granted qualifying third party indemnities to each of its directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by the Companies Act. In addition, directors and officers of the Company and its subsidiaries are covered by directors and officers liability insurance.

Substantial Shareholdings

As of 31 December 2011, the following significant holdings of voting rights in the share capital of the Company had been disclosed to the Company under Disclosure and Transparency Rule 5.

	Number of Ordinary Shares	% of Issued Ordinary Shares
Lanebrook Ltd.*	967,561,578	72.34%
Lanebrook Ltd. Affiliates	37,499,997	2.80%
Igor Kolomoyskiy	59,865,435	4.48%

* Lanebrook Ltd. (the Major Shareholder) is a limited liability company incorporated under the laws of Cyprus on 16 March 2006. It was established for the purpose of holding a majority interest in the Group. Lanebrook Ltd. is controlled by (i) Mr. Abramovich, who holds a beneficial interest in 463,801,971 ordinary shares in EVRAZ plc (34.68%), (ii) Mr. Abramov, who holds a beneficial interest in 329,622,798 ordinary shares in EVRAZ plc (24.64%), (iii) Mr. Frolov, who holds a beneficial interest in 164,811,399 ordinary shares in EVRAZ plc (12.32%) and (iv) Mr. Shvidler, who holds a beneficial interest in 46,825,407 ordinary shares in EVRAZ plc (3.50%). So far as the Company is aware, since 31 December 2011 to 24 April 2012 (being the last practicable date prior to the publication of this document), there has been no increase or decrease in the underlying number of beneficial interests held by each of Mr. Abramov, Mr. Frolov, Mr. Kolomoysky and Mr. Shvidler.

Significant Contractual Arrangements

The Major Shareholder and the Company have entered into a relationship agreement which regulates the ongoing relationship between them, ensures that the Company is capable of carrying on its business independently of the Major Shareholder and ensures that any transactions and relationships between the Company and the Major Shareholder are at arm's length and on normal commercial terms.

This agreement terminates if the Major Shareholder ceases to own or control (directly or indirectly) at least 30% of the ordinary shares in the Company or if the Major Shareholder ceases to have a larger interest in the Company than the interest of any other shareholder of the Company.

Directors' Report (Continued)

Under the relationship agreement, the Major Shareholder and the Company agree that: (a) the Major Shareholder has the right to appoint the maximum number of non-executive directors that may be appointed whilst ensuring that the composition of the Board remains compliant with the UK Corporate Governance Code for so long as it holds an interest in 30% or more of the Company each appointee a ''Shareholder Director''; (b) the Major Shareholder shall, and shall procure, insofar as it is legally able to do so that each of its affiliates (excluding the Company and its subsidiary undertakings) (the ''Major Shareholder Group'') shall, save to the extent required by law, exercise its powers so far as it is able so that the Company is managed in compliance with the requirements of the Companies Act 2006, the Listing Rules and the Disclosure and Transparency Rules; (c) transactions, relationships and agreements between the Company and/or its subsidiaries (on the one hand) and the Major Shareholder or a member of the Major Shareholder Group (on the other) shall be entered into and conducted on an arm's length and normal commercial basis, unless otherwise agreed by a committee comprising the non-executive directors of the Company whom the Board considers to be independent in accordance with paragraph B.1.1 of the UK Corporate Governance Code (the ''Independent Committee''); (d) the Major Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Major Shareholder Group shall not, take any action which precludes or inhibits the Company and/or its subsidiaries from carrying on its business independently of the Major Shareholder or any member of the Major Shareholder Group; (e) the quorum for any Board meeting of the Company shall be two, of which at least one must be a Director other than a Shareholder Director and/or a Director who is (or has, in the 12 months prior to the relevant date) any business or other relationship with the Major Shareholder or any member of the Major Shareholder Group which could materially interfere with the exercise of his or her independent judgement in matters concerning the Company (''Lanebrook Director''); (f) the Major Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Major Shareholder Group shall not, subject to specified exceptions, take any action (or omit to take any action) to prejudice the Company's status as a listed company or its suitability for listing or its ongoing compliance with the Listing Rules and Disclosure and Transparency Rules; (g) the Major Shareholder shall not, and shall procure, insofar as it is legally able to do so, that each member of the Major Shareholder Group shall not, exercise any of its voting or other rights and powers to procure any amendment to the Articles which would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreement, and will abstain from voting on, and will procure that the Lanebrook Directors abstain from voting on, any resolution to approve a transaction with a related party (as defined in the Listing Rules) involving the Major Shareholder or any member of the Major Shareholder Group; (h) if any matter which, in the opinion of an independent director, gives rise to a potential conflict of interest between the Company and/or its subsidiaries (on the one hand) and the Lanebrook Directors, the Major Shareholder or any member of the Major Shareholder Group (on the other), such matter must be approved at a duly convened meeting of the Independent Committee or in writing by a majority of the Independent Committee; and (i) for so long as the Major Shareholder holds an interest in 50% or more in the Company, the Major Shareholder undertakes that it will not and will use its reasonable endeavours to procure that no other member of the Controlling Shareholder Group becomes involved in any competing business (subject to certain exceptions) in Russia, the Ukraine or the CIS without giving the Company the opportunity to participate in the relevant competing business.

The Board is satisfied that the Company is capable of carrying on its business independently of the Major Shareholder and makes its decisions in a manner consistent with its duties to the Company and stakeholders of EVRAZ plc.

8.875% notes due 2013 and 9.50% notes due 2018, issued by EVRAZ Group S.A., as well as a structured credit facility agreement for a syndicated loan of US$950 million contain change of control provisions. If a change of control occurs under the terms of these notes, noteholders will have the option to require Evraz Group S.A. to redeem notes together with interest accrued, if any. Under the structured credit facility terms, in the event of a change of control over Evraz Group S.A., any lender will have the right to cancel its commitments and declare that amounts relating to that lender's participation in the loan become immediately payable. At 31 December 2011, the principal amount of these borrowings amounted to US$1,993 million, accrued interest was US$21 million.

Supplier Payment Policy and Practice

The Group does not follow any specific published code or standard on payment practice. It is the Group's policy to agree terms of payments with suppliers when entering into contracts, though standard payment periods are adopted where possible and the Group monitors the timeliness of payments. It is the Group's policy to ensure that suppliers are made aware of the terms of payment and to pay suppliers in accordance with applicable contract terms.

Trade creditors of the Group at 31 December 2011 were US$ 1,147 million.

Annual General Meeting ("AGM")

An Annual General Meeting shall be held in each period of twelve months beginning with the day following the Company's annual accounting reference date, at such place or places, date and time as may be decided by the Directors.

A live webcast will be provided of the AGM through EVRAZ's website www.evraz.com. A telephone dial-in facility will also be provided on a listen-only basis. Further details of the dial-in facility and webcast will be available from EVRAZ's website www.evraz.com at least one week in advance of the meeting.

The 2012 AGM will be held on 18 June 2012 in London. At the AGM, shareholders will have the opportunity to put questions to the Board, including the chairmen of the Board committees.

Full details of the AGM, including explanatory notes, are contained in the Notice of AGM which will be distributed at least 20 working days before the meeting. The Notice sets out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM are available on the Company's website at www.evraz.com

Electronic Communications

A copy of the 2011 Annual Report, the Notice of the AGM and other corporate publications, reports and announcements are available on the Company's website at www.evraz.com. Shareholders may elect to receive notification by email of the availability of the annual report on the Company's website instead of receiving paper copies.

Purchase of Own Shares

Details of transactions with treasury shares are provided in Note 20 of the Consolidated Financial Statements on page 129.

Share Capital
As of 31 December 2011 EVRAZ plc ("the Company") subscribed share capital is represented by 1,337,560,713 ordinary shares with a nominal value of US$1 each.

The Company's issued ordinary share capital ranks pari passu in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the ordinary shares.

There are currently no redeemable non-voting preference shares or subscriber shares of the Company in issue.

Articles of Association
The Company's Articles of Association have been adopted with effect from Admission on 7 November 2011 and contain, among others, provisions on the rights and obligations attaching to the Company's shares, including the redeemable non-voting preference shares and the subscriber shares. The Articles of Association may only be amended by special resolution at a general meeting of the shareholders.

Share Rights
Without prejudice to any rights attached to any existing shares, the Company may issue shares with rights or restrictions as determined by either the Company by ordinary resolution or, if the Company passes a resolution, the Directors. The Company may also issue shares which are, or are liable to be, redeemed at the option of the Company or the holder and the directors may determine the terms, conditions and manner of redemption of any such shares.

Voting Rights
There are no other restrictions on Voting rights or Transfers of shares in the Articles other than those described in these paragraphs.

At a general meeting, subject to any special rights or restrictions attached to any class of shares on a poll, every member present in person or by proxy has one vote for every share held by him.

A proxy is not be entitled to vote where the member appointing the proxy would not have been entitled to vote on the resolution had he been present in person. Unless the directors decide otherwise, no member shall be entitled to vote either personally or by proxy or to exercise any other right in relation to general meetings if any sum due from him to the Company in respect of that share remains unpaid.

The trustee of the Company's Employee Share Trust is entitled, under the terms of the trust deed, to vote as it sees fit in respect of the shares held on trust.

Transfer of Shares
The Company's Articles provide that transfers of certificated shares must be effected in writing, and duly signed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect of those shares. As of the date hereof, the Company does not have certificated shares. Transfers of uncertificated shares may be effected by means of CREST unless the CREST Regulations provide otherwise.

The directors may refuse to register an allotment or transfer of shares in favour of more than four persons jointly.

Auditors
Ernst & Young is the Company's auditor and will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc
24 April 2012

Directors' Statement as to Disclosure of Information to Auditors

The directors who were members of the board at the time of approving the directors' report are listed on pages 58 to 59. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirm that:

- To the best of each director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Company's auditors are unaware.
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Responsibility Statement Under the Disclosure and Transparency Rules

Each of the directors listed on pages 58 to 59 confirm that to the best of their knowledge:

- The consolidated financial statements of EVRAZ plc, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole (the 'Group').
- The Directors' Report and the Financial Review on pages 74 to 77 and 52 to 55 include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

Statement of Directors' Responsibilities in Relation to the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under the law, the directors are required to prepare Group financial statements under IFRSs as adopted by the European Union and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under Company Law the directors must not approve the Group and parent company financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing each of the Group and parent company financial statements the directors are required to:

- Present fairly the financial position, financial performance and cash flows of the Group and parent company.
- Select suitable accounting policies in accordance with IAS8 Accounting Policies, changes in Accounting Estimates and Errors and then apply them consistently.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Make judgements and estimates that are reasonable.
- Provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and parent company's financial position and financial performance.
- State that the Group and parent company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures discloses and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, with respect to the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing the Director's Report, the Directors' Remuneration Report and the Corporate Governance Report in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules of the United Kingdom Listing Authority. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Alexander Frolov
Chief Executive Officer
EVRAZ plc
24 April 2012

Construction of Kostanay Rebar Mill in Kazakhstan

In December 2010 EVRAZ started construction of a Rebar Mill in the city of Kostanay, in order to access the growth potential of the Kazakhstan construction market. Kostanay mill is expected to supply 450,000 tonnes per annum of rebar of all grades. The main manufacturing plant and administrative buildings are currently under construction and the mill will be operational by mid-2013.

Location of Kostanay City in Kazakhstan

450 ktpa

450,000 tonnes of rebar per annum (expected capacity)

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Independent Auditor's Report to the Members of EVRAZ plc

We have audited the group financial statements of EVRAZ PLC for the year ended 31 December 2011 which comprise the Consolidated Statement of Operations, the Consolidated Statement of Comprehensive Income, The Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 79, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the group financial statements:
- give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:
- the directors' statement, set out on page 74, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter
We have reported separately on the parent company financial statements of EVRAZ PLC for the period ended 31 December 2011 and on the information in the Remuneration Report that is described as having been audited.

Ken Williamson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
24 April 2012

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

		Year ended 31 December		
	Notes	2011	2010*	2009
Revenue				
Sale of goods	3	**$16,077**	$13,144	$9,505
Rendering of services	3	**323**	250	267
		16,400	13,394	9,772
Cost of revenue	7	**(12,473)**	(10,319)	(8,124)
Gross profit		**3,927**	3,075	1,648
Selling and distribution costs	7	**(1,154)**	(807)	(626)
General and administrative expenses	7	**(921)**	(732)	(628)
Social and social infrastructure maintenance expenses		**(61)**	(64)	(53)
Loss on disposal of property, plant and equipment		**(50)**	(52)	(39)
Impairment of assets	5, 9, 10, 13	**(104)**	(147)	(180)
Foreign exchange gains/(losses), net		**269**	104	156
Other operating income		**50**	63	38
Other operating expenses	7	**(96)**	(110)	(121)
Profit from operations		**1,860**	1,330	195
Interest income	7	**17**	13	40
Interest expense	7	**(708)**	(728)	(677)
Share of profits/(losses) of joint ventures and associates	11	**55**	21	2
Gain/(loss) on financial assets and liabilities, net	7	**(355)**	8	97
Gain/(loss) on disposal groups classified as held for sale, net	12	**8**	(14)	(5)
Gain on bargain purchases	4	**–**	4	6
Other non-operating gains/(losses), net		**(4)**	(1)	4
Profit/(loss) before tax		**873**	633	(338)
Income tax benefit/(expense)	8	**(420)**	(163)	46
Net profit/(loss)		**$453**	$470	$(292)
Attributable to:				
Equity holders of the parent entity		**$461**	$486	$(295)
Non-controlling interests		**(8)**	(16)	3
		$453	$470	$(292)
Earnings/(losses) per share:				
basic, for profit/(loss) attributable to equity holders of the parent entity, US dollars	20	**$0.36**	$0.39	$(0.24)
diluted, for profit/(loss) attributable to equity holders of the parent entity, US dollars	20	**$0.36**	$0.39	$(0.24)

* The amounts shown here do not correspond to the 2010 financial statements and reflect adjustments made in connection with the completion of initial accounting (Note 2).

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 31 December 2011	2010*	2009
Net profit/(loss)		**$453**	$470	$(292)
Other comprehensive income				
Effect of translation to presentation currency		**(620)**	64	108
Net gains/(losses) on available-for-sale financial assets	13	**(20)**	(8)	12
Net (gains)/losses on available-for-sale financial assets reclassified to profit or loss	7, 13	**20**	4	(8)
Income tax effect		**–**	–	–
		–	(4)	4
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	9	**(1)**	(7)	(8)
Income tax effect	8	**–**	1	1
		(1)	(6)	(7)
Effect of translation to presentation currency of the Group's joint ventures and associates	11	**(35)**	(9)	(10)
Share of other comprehensive income of joint ventures and associates accounted for using the equity method		**(35)**	(9)	(10)
Total other comprehensive income/(loss)		**(656)**	45	95
Total comprehensive income/(loss), net of tax		**$(203)**	$515	$(197)
Attributable to:				
Equity holders of the parent entity		**$(177)**	$522	$(228)
Non-controlling interests		**(26)**	(7)	31
		$(203)	$515	$(197)

* The amounts shown here do not correspond to the 2010 financial statements and reflect adjustments made in connection with the completion of initial accounting (Note 2).

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

Consolidated Statement of Financial Position

(in millions of US dollars)

The Financial Statements on pages 83-151 were approved by the Board of Directors on 24 April 2012 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

	Notes	31 December 2011	2010*	2009
ASSETS				
Non-current assets				
Property, plant and equipment	9	**$8,306**	$8,607	$8,585
Intangible assets other than goodwill	10	**838**	1,004	1,098
Goodwill	5	**2,180**	2,219	2,186
Investments in joint ventures and associates	11	**663**	688	634
Deferred income tax assets	8	**79**	100	70
Other non-current financial assets	13	**53**	118	66
Other non-current assets	13	**107**	103	128
		12,226	12,839	12,767
Current assets				
Inventories	14	**2,188**	2,070	1,828
Trade and other receivables	15	**971**	1,213	1,001
Prepayments		**176**	192	134
Loans receivable		**44**	1	1
Receivables from related parties	16	**8**	80	107
Income tax receivable		**83**	54	58
Other taxes recoverable	17	**412**	353	258
Other current financial assets	18	**57**	52	120
Cash and cash equivalents	19	**801**	683	671
		4,740	4,698	4,178
Assets of disposal groups classified as held for sale	12	**9**	2	7
		4,749	4,700	4,185
Total assets		**$16,975**	$17,539	$16,952
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	20	**$1,338**	$375	$375
Treasury shares	20	**(8)**	–	–
Additional paid-in capital	20	**2,289**	1,742	1,739
Revaluation surplus	4	**171**	180	208
Legal reserve	20	**–**	36	36
Unrealised gains and losses		**–**	–	4
Accumulated profits		**3,606**	4,570	4,065
Translation difference		**(1,851)**	(1,214)	(1,260)
		5,545	5,689	5,167
Non-controlling interests		**236**	247	275
		5,781	5,936	5,442
Non-current liabilities				
Long-term loans	21	**6,593**	7,097	5,931
Deferred income tax liabilities	8	**1,020**	1,072	1,231
Finance lease liabilities	22	**26**	38	58
Employee benefits	23	**296**	315	307
Provisions	25	**285**	279	176
Other long-term liabilities	26	**285**	143	68
		8,505	8,944	7,771
Current liabilities				
Trade and other payables	27	**1,460**	1,173	1,069
Advances from customers		**154**	205	112
Short-term loans and current portion of long-term loans	21	**613**	714	1,992
Payables to related parties	16	**98**	217	235
Income tax payable		**92**	78	108
Other taxes payable	28	**188**	180	140
Current portion of finance lease liabilities	22	**13**	19	17
Provisions	25	**53**	54	35
Amounts payable under put options for shares of subsidiaries		**9**	6	17
Dividends payable by the Group's subsidiaries to non-controlling shareholders		**9**	13	13
		2,689	2,659	3,738
Liabilities directly associated with disposal groups classified as held for sale	12	**–**	–	1
		2,689	2,659	3,739
Total equity and liabilities		**$16,975**	$17,539	$16,952

* The amounts shown here do not correspond to the 2010 financial statements and reflect adjustments made in connection with the completion of initial accounting (Note 2).

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

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

	Year ended 31 December		
	2011	2010*	2009
Cash flows from operating activities			
Net profit/(loss)	**$453**	$470	$(292)
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Deferred income tax (benefit)/expense *(Note 8)*	**12**	(186)	(231)
Depreciation, depletion and amortisation *(Note 7)*	**1,153**	925	979
Loss on disposal of property, plant and equipment	**50**	52	39
Impairment of assets	**104**	147	180
Foreign exchange (gains)/losses, net	**(269)**	(104)	(156)
Interest income	**(17)**	(13)	(40)
Interest expense	**708**	728	677
Share of (profits)/losses of associates and joint ventures	**(55)**	(21)	(2)
(Gain)/loss on financial assets and liabilities, net	**355**	(8)	(97)
(Gain)/loss on disposal groups classified as held for sale, net	**(8)**	14	5
Gain on bargain purchases	**–**	(4)	(6)
Other non-operating (gains)/losses, net	**4**	1	(4)
Bad debt expense	**49**	48	41
Changes in provisions, employee benefits and other long-term assets and liabilities	**(29)**	(15)	(16)
Expense arising from equity-settled awards *(Note 24)*	**23**	2	6
Share-based payments under cash-settled awards *(Note 24)*	**(1)**	(3)	(35)
Other	**(4)**	(3)	(3)
	2,528	2,030	1,045
Changes in working capital:			
Inventories	**(204)**	(191)	680
Trade and other receivables	**167**	(239)	438
Prepayments	**(2)**	(44)	(52)
Receivables from/payables to related parties	**(61)**	(34)	(162)
Taxes recoverable	**(123)**	(91)	239
Other assets	**(3)**	38	(56)
Trade and other payables	**367**	107	(353)
Advances from customers	**(44)**	80	1
Taxes payable	**44**	5	(73)
Other liabilities	**(22)**	1	(9)
Net cash flows from operating activities	**2,647**	1,662	1,698
Cash flows from investing activities			
Issuance of loans receivable to related parties	**(3)**	(46)	(28)
Proceeds from repayment of loans issued to related parties, including interest	**46**	5	40
Issuance of loans receivable	**(4)**	(1)	(3)
Proceeds from repayment of loans receivable, including interest	**4**	2	114
Proceeds from the transaction with a 49% ownership interest in NS Group	**–**	–	506
Purchases of subsidiaries, net of cash acquired *(Note 4)*	**(36)**	(27)	(20)
Purchases of interest in associates/joint ventures	**–**	(9)	(42)
Purchases of other investments	**–**	–	(25)
Sale of other investments	**–**	–	48
Restricted deposits at banks in respect of investing activities	**(1)**	17	(16)
Short-term deposits at banks, including interest	**5**	29	20
Purchases of property, plant and equipment and intangible assets	**(1,281)**	(832)	(441)
Proceeds from disposal of property, plant and equipment	**23**	21	6
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs *(Note 12)*	**5**	42	28
Dividends received	**54**	1	1
Other investing activities, net	**–**	54	(1)
Net cash flows from/(used in) investing activities	**(1,188)**	(744)	187

* The amounts shown here do not correspond to the 2010 financial statements and reflect adjustments made in connection with the completion of initial accounting (Note 2).

Continued on the next page.

Consolidated Statement of Cash Flows (continued)

(in millions of US dollars)

	Year ended 31 December		
	2011	2010*	2009
Cash flows from financing activities			
Issue of shares, net of transaction costs of $Nil, $Nil and $5 million, respectively *(Note 20)*	**$–**	$–	$310
Payments relating to conversion of bonds into shares *(Note 21)*	**(161)**	–	–
Proceeds from issue of shares by a consolidated subsidiary to non-controlling shareholders	**1**	–	–
Repurchase of vested share-based awards *(Note 20)*	**–**	–	(3)
Purchase of treasury shares *(Note 20)*	**(22)**	–	(5)
Sale of treasury shares *(Note 20)*	**3**	–	7
Purchases of non-controlling interests *(Note 6)*	**(51)**	(13)	(8)
Contribution from/(distribution to) a shareholder *(Note 4)*	**–**	–	65
Dividends paid by the parent entity to its shareholders *(Note 20)*	**(491)**	–	(90)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	**(1)**	(1)	(2)
Proceeds from bank loans and notes	**3,507**	3,172	3,427
Repayment of bank loans and notes, including interest	**(3,815)**	(4,142)	(4,987)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**(283)**	106	(794)
Payments under covenants reset *(Note 21)*	**–**	(29)	(85)
Gain on derivatives not designated as hedging instruments *(Note 26)*	**66**	31	–
Collateral under swap contracts *(Note 18)*	**(10)**	–	–
Restricted deposits at banks in respect of financing activities	**(1)**	–	1
Payments under finance leases, including interest	**(24)**	(23)	(31)
Proceeds from sale-leaseback	**–**	–	38
Net cash flows used in financing activities	**(1,282)**	(899)	(2,157)
Effect of foreign exchange rate changes on cash and cash equivalents	**(59)**	(7)	13
Net increase/(decrease) in cash and cash equivalents	**118**	12	(259)
Cash and cash equivalents at beginning of year	**683**	671	930
Cash and cash equivalents at end of year	**$801**	$683	$671
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	**$(586)**	$(594)	$(586)
Interest received	**8**	11	29
Income taxes paid by the Group	**(443)**	(341)	(141)

* The amounts shown here do not correspond to the 2010 financial statements and reflect adjustments made in connection with the completion of initial accounting (Note 2).

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 31 December 2010 (as previously reported)	$375	$–	$1,742	$180	$36	$–	$4,632	$(1,214)	$5,751	$247	$5,998
Adjustments to provisional values *(Note 2)*	–	–	–	–	–	–	(62)	–	(62)	–	(62)
At 31 December 2010 (as restated)	375	–	1,742	180	36	–	4,570	(1,214)	5,689	247	5,936
Net profit	–	–	–	–	–	–	461	–	461	(8)	453
Other comprehensive income/(loss)	–	–	–	(1)	–	–	–	(637)	(638)	(18)	(656)
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(8)	–	–	8	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	(9)	–	–	469	(637)	(177)	(26)	(203)
Conversion of bonds *(Notes 20 and 21)*	29	–	524	–	–	–	–	–	553	–	553
Appropriation of net profit to legal reserve	–	–	–	–	3	–	(3)	–	–	–	–
Group's reorganisation *(Notes 1 and 20)*	2,247	–	–	–	(39)	–	(2,219)	–	(11)	11	–
Reduction in par value of shares of EVRAZ plc *(Note 20)*	(1,313)	–	–	–	–	–	1,313	–	–	–	–
Acquisition of non-controlling interests in subsidiaries *(Note 6)*	–	–	–	–	–	–	(18)	–	(18)	(33)	(51)
Sale of non-controlling interests in subsidiaries	–	–	–	–	–	–	–	–	–	34	34
Non-controlling interests arising on establishment of subsidiaries *(Note 4)*	–	–	–	–	–	–	(4)	–	(4)	4	–
Purchase of treasury shares *(Note 20)*	–	(22)	–	–	–	–	–	–	(22)	–	(22)
Transfer of treasury shares to participants of the Incentive Plan *(Notes 20 and 24)*	–	11	–	–	–	–	(11)	–	–	–	–
Sale of treasury shares *(Note 20)*	–	3	–	–	–	–	–	–	3	–	3
Share-based payments *(Note 24)*	–	–	23	–	–	–	–	–	23	–	23
Dividends declared by the parent entity to its shareholders *(Note 20)*	–	–	–	–	–	–	(491)	–	(491)	–	(491)
Dividends declared by the Group's subsidiaries to non-controlling shareholders *(Note 20)*	–	–	–	–	–	–	–	–	–	(1)	(1)
At 31 December 2011	**$1,338**	**$(8)**	**$2,289**	**$171**	**$–**	**$–**	**$3,606**	**$(1,851)**	**$5,545**	**$236**	**$5,781**

	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 31 December 2009	$375	$–	$1,739	$208	$36	$4	$4,065	$(1,260)	$5,167	$275	$5,442
Net profit*	–	–	–	–	–	–	486	–	486	(16)	470
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)	508	46	522	(7)	515
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 31 December 2010*	$375	$–	$1,742	$180	$36	$–	$4,570	$(1,214)	$5,689	$247	$5,936

* The amounts shown here do not correspond to the 2010 financial statements and reflect adjustments made in connection with the completion of initial accounting (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 31 December 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 31 December 2009	$375	$–	$1,739	$208	$36	$4	$4,065	$(1,260)	$5,167	$275	$5,442

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

Notes to the Consolidated Financial Statements
year ended 31 December 2011

1. Corporate Information

These consolidated financial statements were authorised for issue by the Board of Directors of EVRAZ plc on 24 April 2012.

EVRAZ plc ("EVRAZ plc" or "the Company") was incorporated on 23 September 2011 as a public company under the laws of the United Kingdom with the registered number 7784342. The Company's registered office is at 5th Floor, 6 St. Andrew Street, London, EC4A 3AE, United Kingdom.

As a result of the reorganisation implemented by way of the share exchange offer made by the Company for the shares of Evraz Group S.A. (Note 20), on 7 November 2011, the Company became a new parent entity of Evraz Group S.A., a joint stock company registered in Luxembourg in 2004. Evraz Group S.A. is a holding company which owns steel production, mining and trading companies. At 31 December 2011, the Company held 99.82% in Evraz Group S.A. Lanebrook Limited (Cyprus) is the ultimate controlling party of the Group.

The Company, together with its subsidiaries (the "Group"), is involved in the production and distribution of steel and related products and coal and iron ore mining. In addition, the Group produces vanadium products. The Group is one of the largest steel producers globally.

The major subsidiaries included in the consolidated financial statements of the Group were as follows at 31 December:

	Effective ownership interest, %				
Subsidiary	2011	2010	2009	Business activity	Location
EVRAZ Nizhny Tagil Iron & Steel Plant	100.00	100.00	100.00	Steel production	Russia
EVRAZ United West-Siberian Iron & Steel Plant	100.00	100.00	100.00	Steel production	Russia
Novokuznetsk Iron & Steel Plant (in 2011 merged with West-Siberian Iron & Steel Plant)	–	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
EVRAZ Dnepropetrovsk Iron and Steel Works	96.77	96.04	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
Yuzhkuzbassugol	100.00	100.00	100.00	Coal mining	Russia
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	100.00	100.00	100.00	Ore mining and processing	Russia
Evrazruda	100.00	100.00	100.00	Ore mining	Russia
EVRAZ Sukha Balka	99.42	99.42	99.42	Ore mining	Ukraine

At 31 December 2011, the Group employed approximately 112,000 employees, excluding joint venture's and associates' employees.

Going Concern

These consolidated financial statements have been prepared on a going concern basis.

The Group's activities in all of its operating segments continue to be affected by the uncertainty and instability of the current economic environment. In the event that the financial results of the Group deteriorate further and are below the management's current forecasts, the Group may not be in compliance with financial covenants under certain bank loans, which, if not resolved, may trigger a cross default under other debt instruments. Such an event would permit the Group's lenders to demand immediate payment of the outstanding borrowings under the relevant debt instruments.

Directors and management have considered a number of alternatives to proactively address this situation in the event that the Group fails to be in compliance with its financial covenants, including, if and when necessary, a repayment of certain borrowings, a financial covenant reset, a waiver from its lenders and a refinancing of certain borrowings. The Group may incur additional costs related to these alternatives.

Based on the analysis of available alternatives, management's track record of resolving similar matters and the probabilities of their successful implementation, directors and management concluded that there is no material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Consequently, directors and management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Notes to the Consolidated Financial Statements (continued)

year ended 31 December 2011

2. Significant Accounting Policies

Basis of Preparation

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application as of 31 December 2011, but not adopted by the European Union, do not have any impact on the Group's consolidated financial statements.

These consolidated financial statements have been prepared on a going concern basis as the directors believe there are no material uncertainties that lead to significant doubt that the entity can continue as a going concern in the foreseeable future.

The consolidated financial statements have been prepared under the 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.

Group Reorganisation

As the Group has been formed through a reorganisation in which EVRAZ plc became a new parent entity of the Group (Note 20), these consolidated financial statements have been prepared as a continuation of the existing group using the pooling of interests method. The difference in share capital and legal reserve in the amount of $895 million was recorded as an adjustment to accumulated profits. At 31 December 2011, there were shareholders which did not accept the share exchange offer. Accordingly, the Group recognised non-controlling interests of $11 million representing these shareholders.

Completion of Initial Accounting

In 2011, the purchase price allocation for the acquisition of ZAO Koksovaya by the Group's joint venture has been completed (Note 11). As a result, the Group recognised adjustments to the provisional values of identifiable assets, liabilities and contingent liabilities of the entity and restated the consolidated financial statements as of 31 December 2010 and for the year then ended. Consequently, the 2010 comparative information differs from the previously published financial statements.

The effects of the completion of purchase price allocation are summarised below.

	31 December 2010		
US$ million	Restated	As previously reported	Adjustment
ASSETS			
Investments in joint ventures and associates	**$688**	$750	$(62)
Non-current assets	**12,839**	12,901	(62)
Total assets	**$17,539**	$17,601	$(62)
EQUITY AND LIABILITIES			
Accumulated profits	**$4,570**	$4,632	$(62)
Equity	**5,689**	5,751	(62)
Total equity and liabilities	**$17,539**	$17,601	$(62)

	Year ended 31 December 2010		
US$ million	Restated	As previously reported	Adjustment
Share of profits/(losses) of joint ventures and associates	**$21**	$73	$(52)
Gain/(loss) on disposal groups classified as held for sale, net	**(14)**	(4)	(10)
Profit/(loss) before tax	**633**	695	(62)
Net profit/(loss)	**$470**	$532	$(62)
Attributable to:			
Equity holders of the parent entity	**$486**	$548	$(62)
Non-controlling interests	**(16)**	(16)	–
	$470	$532	$(62)

2. Significant Accounting Policies (continued)

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 adoption of new standards and interpretations and revision of the existing standards as of 1 January 2011.

New/Revised Standards and Interpretations Adopted in 2011

- IAS 24 (revised) "Related Party Disclosures"

The amendment clarifies the definition of a related party. The amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

- Amendment to IAS 32 "Financial Instruments: Presentation"

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment had no effect on the financial position or performance of the Group.

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Gains and losses are recognised immediately in profit or loss. The adoption of this interpretation had no effect on the financial statements of the Group.

- Amendments to IFRIC 14/IAS 19 "Prepayments of a Minimum Funding Requirement"

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The amendment to the interpretation had no effect on the financial position or performance of the Group.

- Amendments to standards following the May 2010 "improvements to IFRS" project

The third omnibus of amendments to IFRS was issued primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments did not have significant impact on the financial statements of the Group.

Standards Issued But Not Yet Effective

Standards not yet effective for the financial statements for the year ended 31 December 2011	Effective for annual periods beginning on or after
• Amendments to IFRS 7 "Financial Instruments: Disclosures" – Transfers of Financial Assets	1 July 2011
• Amendments to IAS 1 "Presentation of Financial Statements" – Changes to the Presentation of Other Comprehensive Income	1 July 2012
• Amendments to IAS 12 "Income Taxes" – Deferred Taxes: Recovery of Underlying Asset	1 January 2012
• IFRS 10 "Consolidated Financial Statements"	1 January 2013
• IFRS 11 "Joint Arrangements"	1 January 2013
• IFRS 12 "Disclosure of Interests in Other Entities"	1 January 2013
• IFRS 13 "Fair Value Measurement"	1 January 2013
• Amendments to IAS 19 "Employee Benefits"	1 January 2013
• Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities	1 January 2013
• IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"	1 January 2013
• Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities	1 January 2014
• IFRS 9 "Financial Instruments"	1 January 2015

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.

Amended IAS 19 "Employee Benefits" introduced recognition of actuarial gains and losses in other comprehensive income in the period they occur. This amendment is required to be applied retrospectively. At 31 December 2011, the Group had $261 million actuarial losses (Note 23), they will increase the Group's liabilities under defined benefit plans.

Significant Accounting Judgements and Estimates

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.

Notes to the Consolidated Financial Statements (continued)

year ended 31 December 2011

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty *(continued)*

Impairment of Property, Plant and Equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups 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 2011, 2010 and 2009, the Group recognised an impairment loss of $105 million, $109 million and $23 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 that 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 2011 and 2009, the Group changed its estimation of useful lives of property, plant and equipment, which resulted in a $16 million 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 2010, the change in estimates of useful lives of property, plant and equipment resulted in an additional depreciation expense of approximately $10 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 31 December 2011, 2010 and 2009 was $2,180 million, $2,219 million and $2,186 million, respectively. In 2011, 2010 and 2009, the Group recognised an impairment loss in respect of goodwill in the amount of $Nil, $16 million and $160 million, respectively. More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in 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 the 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.

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 2011 and 2010, the independent experts made a re-assessment of site restoration provisions (Note 25).

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty *(continued)*

Post-Employment Benefits

The Group uses an actuarial valuation method for the 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 31 December 2011, 2010 and 2009, allowances for doubtful accounts in respect of trade and other receivables have been made in the amount of $108 million, $117 million and $92 million respectively (Note 29).

The Group makes an allowance for obsolete and slow-moving raw materials and spare parts. 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 judgement 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 occur 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 for 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 judgements 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 plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that the assessment of future utilisation of deferred tax assets must be reduced, this reduction will be recognised in the statement of operations.

Foreign Currency Transactions

The presentation currency of the Group is the US dollar because 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 functional currencies 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 a 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.

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

2. Significant Accounting Policies (continued)
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 the equity in a subsidiary not attributable, directly or indirectly, to a 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 1 January 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.

Acquisition of Subsidiaries prior to 1 January 2010

The previous accounting policies relating to business combinations include the following differences as compared with the policies applied starting from 1 January 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.

2. Significant Accounting Policies (continued)
Basis of Consolidation (continued)
Purchases of Controlling Interests in Subsidiaries from Entities under Common Control (continued)
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.

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	19
Machinery and equipment	4–45	11
Transport and motor vehicles	7–20	12
Other assets	3–15	6

The Group determines the depreciation charge separately for each significant part of an item of property, plant and equipment.

Depletion of mining assets including capitalised site restoration costs is calculated using the units-of-production method based upon proved and probable mineral reserves.

Notes to the Consolidated Financial Statements (continued)

year ended 31 December 2011

2. Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

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 as to 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 associate 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.

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.

2. Significant Accounting Policies (continued)
Intangible Assets Other Than Goodwill (continued)
The table below presents the useful lives of intangible assets.

	Useful lives (years)	Weighted average remaining useful life (years)
Customer relationships	1–15	11
Trade names and trademarks	5	–
Water rights and environmental permits with definite lives	5	1
Patented and unpatented technology	18	13
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 the Kyoto protocol. Emission rights (allowances) for each compliance period (one year) are issued at the beginning of the year, actual emissions are verified after the end of the year.

Allowances, whether issued by government or purchased, are accounted for as intangible assets in accordance with IAS 38 "Intangible Assets". Allowances that are issued for less than fair value are measured initially at their fair value.

When allowances are issued for less than fair value, the difference between the amount paid and fair value is recognised as a government grant. Initially the grant is recognised as deferred income in the statement of financial position and subsequently recognised as income on a systematic basis over the compliance period for which the allowances were issued, regardless of whether the allowances are held or sold.

As emissions are made, a liability is recognised for the obligation to deliver allowances equal to emissions that have been made. This liability is a provision that is within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and it is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period being the present market price of the number of allowances required to cover emissions made up to the end of the reporting period.

Financial Assets
The Group classified its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. When investments are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its investments after initial recognition.

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading and included in the category "financial assets at fair value through profit or loss". Investments which are included in this category are subsequently carried at fair value; gains or losses on such investments are recognised in income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Non-derivative financial assets with fixed or determinable payments and fixed maturity that management has the positive intent and ability to hold to maturity are classified as held-to-maturity. Held-to-maturity investments are carried at amortised cost using the effective yield method.

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.

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

2. Significant Accounting Policies (continued)
Financial Assets (continued)
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.

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.

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.

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 the 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 if 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, an 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 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 1 January 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 only if they are declared before or 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.

2. Significant Accounting Policies (continued)

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.

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 36%), 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.

Defined Benefit Plans

The Group companies provide pensions and other benefits to their employees (Note 23). 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 independent qualified actuaries in the measurement of employee benefit 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 the 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

The Group has management compensation schemes, under which certain directors, senior executives and employees of the Group receive remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with non-executive directors and employees is measured by reference to the fair value of 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.

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

2. Significant Accounting Policies (continued)
Share-based Payments (continued)
No expense is recognised for awards that do not ultimately vest. Once a share-settled transaction 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.

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 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.

2. Significant Accounting Policies (continued)
Deferred Income Tax (continued)
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 the steel-making process is also allocated to the vanadium segment.
- *Other operations* include energy-generating companies, seaports, shipping and railway transportation companies.

Management and investment companies are 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 results of the operating segments 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, depreciation and amortisation ("EBITDA").

Segment EBITDA is determined as a 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.

The following tables present measures of segment profit or loss based on management accounts.

Year ended 31 December 2011

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue						
Sales to external customers	**$15,622**	**$420**	**$269**	**$166**	**$–**	**$16,477**
Inter-segment sales	**422**	**3,092**	**364**	**656**	**(4,534)**	**–**
Total revenue	**16,044**	**3,512**	**633**	**822**	**(4,534)**	**16,477**
Segment result – EBITDA	**$1,120**	**$1,529**	**$111**	**$176**	**$17**	**$2,953**

Notes to the Consolidated Financial Statements (continued)

year ended 31 December 2011

3. Segment Information (continued)

Year ended 31 December 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 31 December 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 31 December 2011

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue	**$16,044**	**$3,512**	**$633**	**$822**	**$(4,534)**	**$16,477**
Forecasted vs. actual revenue	**134**	**(1)**	**(5)**	**(4)**	**–**	**124**
Reclassifications and other adjustments	**(1,461)**	**273**	**37**	**148**	**802**	**(201)**
Revenue per IFRS financial statements	**$14,717**	**$3,784**	**$665**	**$966**	**$(3,732)**	**$16,400**
EBITDA	**$1,120**	**$1,529**	**$111**	**$176**	**$17**	**$2,953**
Forecasted vs. actual EBITDA	**(63)**	**(10)**	**(5)**	**(1)**	**–**	**(79)**
Exclusion of management services from segment result	**91**	**43**	**3**	**2**	**–**	**139**
Unrealised profits adjustment	**(5)**	**–**	**(3)**	**–**	**15**	**7**
Reclassifications and other adjustments	**119**	**66**	**(84)**	**20**	**–**	**121**
	142	**99**	**(89)**	**21**	**15**	**188**
EBITDA based on IFRS financial statements	**$1,262**	**$1,628**	**$22**	**$197**	**$32**	**$3,141**
Unallocated subsidiaries						**(243)**
						$2,898
Depreciation, depletion and amortisation expense	**(546)**	**(530)**	**(34)**	**(40)**	**–**	**(1,150)**
Impairment of assets	**(78)**	**(31)**	**–**	**5**	**–**	**(104)**
Gain/(loss) on disposal of property, plant and equipment and intangible assets	**(29)**	**(20)**	**–**	**(1)**	**–**	**(50)**
Foreign exchange gains/(losses), net	**(29)**	**103**	**(1)**	**1**	**–**	**74**
	$580	**$1,150**	**$(13)**	**$162**	**$32**	**$1,668**
Unallocated income/(expenses), net						**192**
Profit/(loss) from operations						**$1,860**
Interest income/(expense), net						**$(691)**
Share of profits/(losses) of joint ventures and associates						**55**
Gain/(loss) on financial assets and liabilities						**(355)**
Loss on disposal groups classified as held for sale						**8**
Other non-operating gains/(losses), net						**(4)**
Profit/(loss) before tax						**$873**

3. Segment Information (continued)

Year ended 31 December 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	148	583	(40)
Revenue per IFRS financial statements	$12,123	$2,507	$566	$823	$(2,625)	$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	35	19	(41)	20	–	33
	40	37	(37)	22	45	107
EBITDA based on IFRS financial statements	$1,485	$935	$53	$144	$(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 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
	$878	$613	$(10)	$77	$(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						21
Gain/(loss) on financial assets and liabilities						8
Loss on disposal groups classified as held for sale						(14)
Gain on bargain purchases						4
Other non-operating gains/(losses), net						(1)
Profit/(loss) before tax						$633

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

3. Segment Information (continued)
Year ended 31 December 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 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)
Gain on bargain purchases						6
Other non-operating gains/(losses), net						4
Profit/(loss) before tax						$(338)

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	2011	2010	2009
Steel production			
Construction products	**$4,423**	$3,331	$2,184
Flat-rolled products	**2,760**	2,005	1,448
Railway products	**1,964**	1,466	1,113
Tubular products	**1,321**	1,309	1,008
Semi-finished products	**2,235**	2,340	2,018
Other steel products	**554**	383	236
Other products	**1,165**	1,064	729
Rendering of services	**101**	77	119
	14,523	11,975	8,855
Mining			
Iron ore	**586**	330	175
Coal	**392**	355	219
Other products	**39**	26	22
Rendering of services	**20**	25	19
	1,037	736	435
Vanadium products			
Vanadium in slag	**76**	39	60
Vanadium in alloys and chemicals	**558**	493	290
Other products	**4**	3	3
Rendering of services	**3**	2	1
	641	537	354
Other operations			
Rendering of services	**199**	146	128
	199	146	128
	$16,400	$13,394	$9,772

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

3. Segment Information (continued)

Distribution of the Group's revenues by geographical area based on the location of customers for the years ended 31 December was as follows:

US$ million	2011	2010	2009
CIS			
Russia	**$6,632**	$4,692	$2,950
Ukraine	**623**	471	233
Kazakhstan	**401**	342	210
Others	**163**	147	100
	7,819	5,652	3,493
America			
USA	**2,172**	1,674	1,543
Canada	**1,478**	1,451	861
Others	**91**	37	25
	3,741	3,162	2,429
Asia			
Thailand	**708**	550	285
Taiwan	**360**	459	228
United Arab Emirates	**315**	410	415
China	**252**	367	528
Indonesia	**212**	113	74
Korea	**111**	126	174
Philippines	**84**	285	250
Japan	**81**	71	21
Syria	**51**	65	62
Vietnam	**33**	93	226
Jordan	**6**	29	101
Others	**137**	103	59
	2,350	2,671	2,423
Europe			
Germany	**368**	219	116
Italy	**267**	205	140
Czech Republic	**205**	189	120
Austria	**224**	188	148
Poland	**221**	139	93
Turkey	**145**	118	130
Slovakia	**94**	64	51
Others	**417**	300	230
	1,941	1,422	1,028
Africa			
South Africa	**472**	407	298
Others	**72**	78	83
	544	485	381
Other countries	**5**	2	18
	$16,400	$13,394	$9,772

None of the Group's customers amounts to 10% or more of the consolidated revenues.

3. Segment Information (continued)

Non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets were located in the following countries at 31 December:

US$ million	2011	2010	2009
Russia	$6,153	$6,200	$5,915
USA	2,047	2,119	2,222
Canada	2,069	2,166	2,154
Ukraine	759	892	1,020
South Africa	567	723	767
Czech Republic	213	241	216
Italy	206	221	234
Other countries	52	40	88
	$12,066	$12,602	$12,616

4. Business Combinations

Vanady-Tula

On 20 December, 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 2 November 2009, the date of the business combination). The options were extended to 31 December 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). 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 2 November 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 2 November 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 15 December 2009).

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	2 November 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)**

Notes to the Consolidated Financial Statements (continued)

year ended 31 December 2011

4. Business Combinations (continued)

Vanady-Tula (continued)

At 31 December 2009, the Group's accounts receivable include $12 million due from the seller.

For the period from 2 November 2009 to 31 December 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 15 December, 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 15 October 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 15 October 2009.

The table below sets forth the fair values of consolidated identifiable assets, liabilities and contingent liabilities of the acquiree at the date of business combination:

US$ million	15 October 2009
Property, plant and equipment	$7
Other non-current assets	7
Inventories	73
Accounts and notes receivable	45
Cash	4
Total assets	**136**
Current liabilities	119
Total liabilities	**119**
Net assets	**$17**
Purchase consideration	**$11**
Gain on bargain purchase	**$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. In 2011, the Group made a final payment of $1 million for this acquisition.

For the period from 15 October to 31 December 2009, steel dealers reported net loss amounting to $5 million.

4. Business Combinations (continued)

Inprom Group

On 22 December 2010, the Group acquired 100% in a holding entity owning steel dealers throughout Russia (known as Inprom Group). The 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 22 December 2010.

The table below sets forth the fair values of consolidated identifiable assets, liabilities and contingent liabilities of the acquiree at the date of business combination:

US$ million	22 December 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**
Gain on bargain purchase	**$4**

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)**

In 2011, the Group made a final payment of $1 million for the acquisition of Inprom Group.

For the period from 22 December to 31 December 2010, Inprom Group reported net loss amounting to $1 million.

Other Payments for Acquisition of Subsidiaries

In 2009, the Group and Lanebrook Limited signed an amendment agreement under which the purchase price for the Ukrainian subsidiaries acquired in 2008 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.

In 2010, the Group fully settled a $16 million liability under earn-out payments for the acquisition of Stratcor in 2006. In 2011, the Group paid $3 million of synergy payments related to the same acquisition (Note 26).

In 2011, the Group paid $20 million for the acquisition of Kachkakanar Heat and Power Plant. Under the terms of the purchase agreement, the control over operating activities of the entity is transferred to the Group on 1 January 2012. As such, this payment was included in other non-current assets as of 31 December 2011 (Note 13).

In 2011, the Group purchased a 100% ownership interest in an entity whose assets comprise only land to be used for construction of a rolling mill in Russia. The cash consideration amounted to $11 million. This purchase did not qualify for a business combination, as the acquired company does not constitute a business.

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.

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

5. Goodwill

The table below presents movements in the carrying amount of goodwill.

US$ million	Gross amount	Impairment losses	Carrying amount
At 31 December 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. NA Canada (Surrey)	–	(7)	(7)
Translation difference	94	21	115
At 31 December 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 31 December 2010	**3,132**	**(913)**	**2,219**
Adjustment to contingent consideration	(6)	–	(6)
Translation difference	(35)	2	(33)
At 31 December 2011	**$3,091**	**$(911)**	**$2,180**

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 31 December:

US$ million	2011	2010	2009
EVRAZ Inc. NA	**$1,130**	$1,130	$1,130
Oregon Steel Portland Mill	***412***	*412*	*412*
Rocky Mountain Steel Mills	***410***	*410*	*410*
OSM Tubular – Camrose Mills	***157***	*157*	*157*
Claymont Steel	***135***	*135*	*135*
General Scrap	***16***	*16*	*16*
EVRAZ Inc. NA Canada	**827**	845	801
Calgary	***227***	*232*	*220*
Red Deer	***55***	*57*	*54*
Regina Steel	***389***	*397*	*376*
Regina Tubular	***134***	*137*	*130*
Others	***22***	*22*	*21*
EVRAZ Palini e Bertoli	**74**	78	82
EVRAZ Vanady-Tula	**63**	66	66
Strategic Minerals Corporation	**25**	31	39
Nikom, a.s.	**37**	40	40
EVRAZ Highveld Steel and Vanadium Limited	**24**	29	27
Evro-Aziatskaya Energy Company	**–**	–	1
	$2,180	$2,219	$2,186

The cash-generating units within EVRAZ Inc. NA and EVRAZ Inc. NA Canada represent the smallest identifiable groups of assets, primarily individual mills, which generate cash flows that are largely independent from other assets or groups of assets.

Goodwill was tested for impairment as of 31 December 2011. 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 a value-in-use calculation using cash flow 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.

5. Goodwill (continued)

The key assumptions used by management in the value-in-use calculations are presented in the table below.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of the commodity per tonne in 2012
EVRAZ Inc. NA	5	9.11-14.47	steel products	$966
EVRAZ Inc. NA Canada	5	13.32	steel products	$1,175
EVRAZ Palini e Bertoli	5	12.47	steel plates	€754
EVRAZ Vanady-Tula	5	14.42	vanadium products	$22,583
Strategic Minerals Corporation	5	14.47	ferrovanadium products	$29,917
Nikom, a.s.	5	13.60	ferrovanadium products	$24,460
EVRAZ Highveld Steel and Vanadium Limited	5	14.92	ferrovanadium products	$27,462
			steel products	$986

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 discount rates could lead to an additional impairment at EVRAZ Palini e Bertoli, Strategic Minerals Corporation and General Scrap Inc. cash-generating units. If discount rates were 10% higher, this would lead to an additional impairment of $9 million. The recoverable amount of these cash-generating units based on the discount rates applied exceeds their carrying amount by $38 million.

Sales Prices

The prices of the products sold by the Group were estimated using industry research. The Group expects that the nominal prices will grow with a compound annual gross rate of 4% in 2012–2016, 3.0% in 2017 and thereafter. If the prices assumed for 2012 and 2013 in the impairment test were 10% lower, this would not lead to any additional impairment.

Sales Volumes

Management assumed that the sales volumes of steel products would increase on average by 5% during 2012 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 General Scrap Inc. cash-generating unit. If the sales volumes were 10% lower than those assumed for 2012 and 2013 in the impairment test, this would lead to an additional impairment of $2 million. The recoverable amount of this cash-generating unit based on the sales volumes applied exceeds its carrying amount by $2 million.

Cost Control Measures

The recoverable amounts of cash-generating units are based on the business plans approved by management. A reasonable deviation of cost from these plans could lead to an additional impairment at EVRAZ Vanady-Tula and EVRAZ Palini e Bertoli cash-generating units. If the actual costs were 10% higher than those assumed for 2012 and 2013 in the impairment test, this would lead to an additional impairment of $36 million. The recoverable amount of these cash-generating units based on the cost control measures applied exceeds their carrying amount by $50 million.

6. Acquisitions of Non-controlling Interests in Subsidiaries

Evraztrans

In 2011, the Group acquired an additional non-controlling interest of 24% in Evraztrans, a subsidiary, which renders railway transportation services. The cash consideration amounted to $51 million. The excess of the amounts of consideration over the carrying values of non-controlling interests acquired amounting to $18 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.

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.

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

7. Income and Expenses

Cost of revenues, selling and distribution costs, general and administrative expenses include the following for the years ended 31 December:

US$ million	2011	2010	2009
Cost of inventories recognised as expense	$(7,106)	$(5,241)	$(3,849)
Staff costs, including social security taxes	(2,228)	(1,743)	(1,524)
Depreciation, depletion and amortisation	(1,153)	(925)	(979)

In 2011, 2010 and 2009, the Group made a reversal of the allowance for net realisable value in the amount of $14 million, $35 million and $177 million, respectively.

Staff costs include the following:

US$ million	2011	2010	2009
Wages and salaries	$1,648	$1,347	$1,165
Social security costs	404	257	217
Post-employment benefit expense	59	59	49
Share-based awards	23	2	6
Other compensations	94	78	87
	$2,228	**$1,743**	**$1,524**

The average number of staff employed under contracts of service was as follows:

	2011	2010	2009
Steel production	63,414	61,858	65,471
Mining	37,490	38,336	43,127
Vanadium products	1,212	1,178	1,158
Other operations	3,583	3,855	4,986
Unallocated	3,362	3,279	2,592
	109,061	**108,506**	**117,334**

The major components of other operating expenses were as follows:

US$ million	2011	2010	2009
Idling, reduction and stoppage of production, including termination benefits	$(40)	$(45)	$(70)
Restoration works and casualty compensations in connection with accidents	(4)	(17)	(1)
Site restoration provision accrued with respect to Kazankovskaya (Note 11)	(6)	–	–
Other	(46)	(48)	(50)
	$(96)	**$(110)**	**$(121)**

Interest expense consisted of the following for the years ended 31 December:

US$ million	2011	2010	2009
Bank interest	**$(154)**	$(241)	$(346)
Interest on bonds and notes	**(495)**	(423)	(268)
Finance charges payable under finance leases	**(5)**	(6)	(7)
Interest on liabilities relating to employee benefits and expected return on plan assets (Note 23)	**(28)**	(32)	(28)
Discount adjustment on provisions	**(19)**	(15)	(12)
Interest on contingent consideration	**(1)**	(1)	(2)
Other	**(6)**	(10)	(14)
	$(708)	$(728)	$(677)

Interest income consisted of the following for the years ended 31 December:

US$ million	2011	2010	2009
Interest on bank accounts and deposits	**$6**	$9	$17
Interest on loans receivable	**4**	1	10
Interest on loans receivable from related parties	**3**	2	6
Interest on accounts receivable	**–**	1	7
Other	**4**	–	–
	$17	$13	$40

7. Income and Expenses (continued)

Gain/(loss) on financial assets and liabilities included the following for the years ended 31 December:

US$ million	2011	2010	2009
Impairment of available-for-sale financial assets (Note 13)	**$(20)**	$(2)	$–
Gain/(loss) on extinguishment of debts (Note 21)	**(71)**	–	103
Loss on conversion of bonds (Note 21)	**(161)**	–	–
Change in the fair value of derivatives (Note 26)	**(110)**	4	1
Other	**7**	6	(7)
	$(355)	$8	$97

8. Income Taxes

The Group's income was subject to tax at the following tax rates:

	2011	2010	2009
Russia	**20.00%**	20.00%	20.00%
Canada	**26.50%**	28.00%	29.00%
Cyprus	**10.00%**	10.00%	10.00%
Czech Republic	**19.00%**	19.00%	20.00%
Italy	**31.40%**	31.40%	31.40%
South Africa	**28.00%**	28.00%	28.00%
Switzerland	**10.09%**	10.09%	12.10%
Ukraine	**23.00% and 25.00%**	25.00%	25.00%
USA	**37.95%**	38.32%	38.51%

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 1 April 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 31 December 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 31 December were as follows:

US$ million	2011	2010	2009
Current income tax expense	$(537)	$(415)	$(179)
Adjustment in respect of income tax of previous years	129	(8)	(6)
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	(12)	260	231
Income tax benefit/(expense) reported in the consolidated statement of operations	**$(420)**	$(163)	$46

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 31 December is as follows:

US$ million	2011	2010	2009
Profit/(loss) before income tax	$873	$633	$(338)
At the Russian statutory income tax rate of 20%	(175)	(127)	68
Adjustment in respect of income tax of previous years	129	(8)	(6)
Deferred income tax expense arising on the adjustment to current income tax of prior periods and the change in tax base of underlying assets	(116)	–	–
Deferred income tax benefit resulting from reduction in tax rate	–	17	13
Deferred income tax benefit relating to changes in tax regulations other than tax rates	–	125	–
Effect of non-deductible expenses and other non-temporary differences	(282)	(261)	(135)
Unrecognised temporary differences recognition/reversal	(52)	5	23
Tax on dividends distributed by the Group's subsidiaries to parent company	–	–	(1)
Effect of the difference in tax rates in countries other than the Russian Federation	65	82	68
Deferred income tax provided for undistributed earnings of the Group's subsidiaries	–	–	11
Share of profits in joint ventures and associates	11	4	–
Utilisation of previously unrecognised tax losses	–	–	5
Income tax expense reported in the consolidated statement of operations	**$(420)**	$(163)	$46

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

8. Income Taxes (continued)

Deferred income tax assets and liabilities and their movements for the years ended 31 December were as follows:

Year ended 31 December 2011

US$ million	2011	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	2010
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	**$1,021**	**(1)**	–	–	–	–	**(52)**	**$1,074**
Valuation and amortisation of intangible assets	**221**	**(38)**	–	–	–	–	**(15)**	**274**
Other	**93**	**11**	–	–	–	–	**(7)**	**89**
	1,335	**(28)**	–	–	–	–	**(74)**	**1,437**
Deferred income tax assets:								
Tax losses available for offset	**151**	**14**	–	–	–	–	**(13)**	**150**
Accrued liabilities	**123**	**(17)**	–	–	–	–	**(13)**	**153**
Impairment of accounts receivable	**33**	**3**	–	–	–	–	**(3)**	**33**
Other	**87**	**(40)**	–	–	–	–	**(2)**	**129**
	394	**(40)**	–	–	–	–	**(31)**	**465**
Net deferred income tax asset	**79**	**(17)**	**–**	**–**	**–**	**–**	**(4)**	**100**
Net deferred income tax liability	**$1,020**	**(5)**	**–**	**–**	**–**	**–**	**(47)**	**$1,072**

Year ended 31 December 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	153	23	–	–	–	–	2	128
Impairment of accounts receivable	33	6	–	–	5	–	–	22
Other	129	(3)	–	–	1	–	(1)	132
	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 31 December 2009

US$ million	2009	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	2008
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

As of 31 December 2011, 2010 and 2009, deferred income taxes in respect of undistributed earnings of the Group's subsidiaries have not been provided for, as management does not intend to distribute accumulated earnings in the foreseeable future. The current tax rate on intra-group dividend income varies from 0% to 10%.

At 31 December 2011, the Group has not recognised a deferred tax liability and deferred tax asset in respect of temporary differences of $5,686 million and $3,478 million, respectively (2010: $5,764 million and $2,831 million, 2009: $4,270 million and $2,713 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 31 December 2011, the unused tax losses carry forward approximated $3,481 million (2010: $3,365 million, 2009: $2,757 million). The Group recognised deferred tax asset of $151 million (2010: $150 million, 2009: $203 million) in respect of unused tax losses. Deferred tax asset in the amount of $694 million (2010: $655 million, 2009: $463 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 $2,568 million (2010: $2,555 million, 2009: $1,873 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 $2,479 million (2010: $2,535 million, 2009: $1,870 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and $89 million will expire during 2012–2022 (2010: $20 million, 2009: $3 million).

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

9. Property, Plant and Equipment

Property, plant and equipment consisted of the following as of 31 December:

US$ million	2011	2010	2009
Cost:			
Land	**$187**	$177	$164
Buildings and constructions	**2,594**	2,536	2,456
Machinery and equipment	**5,798**	5,734	5,337
Transport and motor vehicles	**508**	483	445
Mining assets	**2,631**	2,656	2,617
Other assets	**75**	84	77
Assets under construction	**1,027**	702	539
	12,820	12,372	11,635
Accumulated depreciation, depletion and impairment losses:			
Buildings and constructions	**(954)**	(854)	(711)
Machinery and equipment	**(2,358)**	(2,046)	(1,631)
Transport and motor vehicles	**(227)**	(203)	(173)
Mining assets	**(923)**	(607)	(485)
Other assets	**(52)**	(55)	(50)
	(4,514)	(3,765)	(3,050)
	$8,306	$8,607	$8,585

The movement in property, plant and equipment for the year ended 31 December 2011 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 31 December 2010, cost, net of accumulated depreciation	**$177**	**$1,682**	**$3,688**	**$280**	**$2,049**	**$29**	**$702**	**$8,607**
Reclassifications between categories	**–**	**16**	**(25)**	**(1)**	**–**	**(5)**	**15**	**–**
Additions	**12**	**7**	**5**	**–**	**28**	**3**	**1,297**	**1,352**
Assets put into operation	**4**	**193**	**522**	**66**	**101**	**7**	**(893)**	**–**
Disposals	**–**	**(17)**	**(44)**	**(4)**	**(3)**	**(1)**	**(3)**	**(72)**
Depreciation and depletion charge	**–**	**(151)**	**(485)**	**(43)**	**(379)**	**(6)**	**–**	**(1,064)**
Impairment losses recognised in statement of operations	**–**	**(14)**	**(47)**	**(3)**	**(29)**	**–**	**(21)**	**(114)**
Impairment losses reversed through statement of operations	**–**	**6**	**3**	**–**	**–**	**–**	**1**	**10**
Impairment losses recognised or reversed through other comprehensive income	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**
Transfer to/from assets held for sale	**–**	**(4)**	**–**	**–**	**–**	**–**	**(5)**	**(9)**
Change in site restoration and decommissioning provision	**–**	**(3)**	**4**	**–**	**16**	**–**	**–**	**17**
Translation difference	**(6)**	**(75)**	**(180)**	**(14)**	**(75)**	**(4)**	**(66)**	**(420)**
At 31 December 2011, cost, net of accumulated depreciation	**$187**	**$1,640**	**$3,440**	**$281**	**$1,708**	**$23**	**$1,027**	**$8,306**

The movement in property, plant and equipment for the year ended 31 December 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 31 December 2009, cost, net of accumulated depreciation	$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 31 December 2010, cost, net of accumulated depreciation	**$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 31 December 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 31 December 2008, cost, net of accumulated depreciation	$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 31 December 2009, cost, net of accumulated depreciation	$164	$1,745	$3,706	$272	$2,132	$27	$539	$8,585

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $287 million, $250 million and $121 million as of 31 December 2011, 2010 and 2009, 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 31 December 2011 was $13 million (2010: $5 million, 2009: $7 million). In 2011, the rate used to determine the amount of borrowing costs eligible for capitalisation was 4.6% (2010: 6.3%, 2009: 7%), which is the effective interest rate of borrowings that were outstanding during the period, other than borrowings made specifically for the purpose of obtaining qualifying assets.

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

10. Intangible Assets Other Than Goodwill

Intangible assets consisted of the following as of 31 December:

US$ million	2011	2010	2009
Cost:			
Customer relationships	**$1,230**	$1,353	$1,276
Trade names and trademarks	**31**	31	31
Water rights and environmental permits	**64**	64	64
Patented and unpatented technology	**9**	10	9
Contract terms	**16**	11	42
Other	**55**	53	46
	1,405	1,522	1,468
Accumulated amortisation:			
Customer relationships	**(480)**	(441)	(307)
Trade names and trademarks	**(31)**	(25)	(19)
Water rights and environmental permits	**(7)**	(6)	(5)
Patented and unpatented technology	**(8)**	(8)	(6)
Contract terms	**(4)**	(3)	(2)
Other	**(37)**	(35)	(31)
	(567)	(518)	(370)
	$838	$1,004	$1,098

As of 31 December 2011, 2010 and 2009, water rights and environmental permits with a carrying value of $56 million had an indefinite useful life.

The movement in intangible assets for the year ended 31 December 2011 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 31 December 2010, cost, net of accumulated amortisation	**$912**	**$6**	**$58**	**$2**	**$8**	**$18**	**$1,004**
Additions	**–**	**–**	**–**	**–**	**–**	**4**	**4**
Amortisation charge	**(111)**	**(6)**	**(1)**	**–**	**–**	**(5)**	**(123)**
Emission allowances granted	**–**	**–**	**–**	**–**	**–**	**7**	**7**
Emission allowances used/sold/purchased for the period	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
Impairment loss recognised in statement of operations	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Impairment losses reversed through statement of operations	**6**	**–**	**–**	**–**	**5**	**–**	**11**
Translation difference	**(57)**	**–**	**–**	**(1)**	**(1)**	**–**	**(59)**
At 31 December 2011, cost, net of accumulated amortisation	**$750**	**$–**	**$57**	**$1**	**$12**	**$18**	**$838**

10. Intangible Assets Other Than Goodwill (continued)

The movement in intangible assets for the year ended 31 December 2010 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 31 December 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 31 December 2010, cost, net of accumulated amortisation	$912	$6	$58	$2	$8	$18	$1,004

The movement in intangible assets for the year ended 31 December 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 31 December 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 31 December 2009, cost, net of accumulated amortisation	$969	$12	$59	$3	$40	$15	$1,098

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

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 31 December 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 31 December 2009	**569**	**44**	**–**	**21**	**634**
Share of profit/(loss)	95	–	–	1	96
Impairment of investments	–	(23)	–	(10)	(33)
Translation difference	(8)		–	(1)	(9)
Investment at 31 December 2010	**656**	**21**	**–**	**11**	**688**
Additional investments	–	–	–	9	9
Share of profit/(loss)	50	–	–	1	51
Reversal of impairment of investments	–	4	–	–	4
Dividends paid	(52)	–	–	(2)	(54)
Translation difference	(33)	(1)	–	(1)	(35)
Investment at 31 December 2011	**$621**	**$24**	**$–**	**$18**	**$663**

Share of profit/(loss) of joint ventures and associates which is reported in the statement of operations comprised the following:

US$ million	2011	2010	2009
Share of profit/(loss), net	**$51**	$96	$40
Impairment of investments	**4**	(33)	(1)
Group's share in excess of net assets of ZAO Koksovaya transferred to Raspadskaya over consideration received (Note 12)	**–**	(42)	–
Losses recognised in excess of the Group's investment in the associate	**–**	–	(37)
Share of profits/(losses) of joint ventures and associates recognised in the consolidated statement of operations	**$55**	$21	$2

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. Corber is registered in Cyprus. The Group has 50% share in the joint venture, i.e. effectively owns 40% in OAO Raspadskaya (Russia).

The table below sets forth Corber's assets and liabilities as of 31 December:

US$ million	2011	2010	2009
Mineral reserves	$733	$798	$864
Other property, plant and equipment	901	920	746
Other non-current assets	54	27	38
Inventories	84	77	44
Accounts and notes receivable	198	275	335
Cash	180	165	24
Total assets	**2,150**	**2,262**	**2,051**
Non-current liabilities	38	338	325
Deferred income tax liabilities	174	188	186
Current liabilities	455	82	111
Total liabilities	**667**	**608**	**622**
Non-controlling interests	**243**	**335**	**291**
Net assets	**$1,240**	**$1,319**	**$1,138**
Group's share of net assets	620	659	569
Add: cost of guarantee	2	2	2
Less: unrealised profits in inventory balance	(1)	(5)	(2)
Investment	**$621**	**$656**	**$569**

11. Investments in Joint Ventures and Associates (continued)

Corber Enterprises Limited (continued)

The table below sets forth Corber's income and expenses:

US$ million	2011	2010	2009
Revenue	$726	$706	$497
Cost of revenue	(361)	(323)	(252)
Other expenses, including income taxes	(246)	(139)	(141)
Net profit	**$119**	**$244**	**$104**
Attributable to:			
Equity holders of the parent entity	$93	$194	$82
Non-controlling interests	26	50	22
Net profit	**$119**	**$244**	**$104**
50% of unrealised profits on transactions with the joint venture	4	(2)	(1)
Group's share of profits of the joint venture	**$50**	**$95**	**$40**

Kazankovskaya

ZAO Kazankovskaya ("Kazankovskaya") is a Russian 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 31 December:

US$ million	2011	2010	2009
Mineral reserves	$–	$–	$–
Other property, plant and equipment	–	–	21
Inventories	–	1	2
Accounts receivable	1	1	1
Other current assets	2	1	1
Total assets	**3**	**3**	**25**
Non-current liabilities	69	65	48
Deferred income tax liabilities	3	4	8
Current liabilities	25	24	15
Total liabilities	**97**	**93**	**71**
Net assets/(liabilities)	**$(94)**	**$(90)**	**$(46)**

The accumulated unrecognised losses in respect of Kazankovskaya amounted to:

US$ million	2011	2010	2009
Unrecognised losses	$(27)	$(21)	$–

The table below sets forth Kazankovskaya's income and expenses:

US$ million	2011	2010	2009
Revenue	$–	$14	$15
Cost of revenue	(1)	(32)	(26)
Other expenses, including income taxes	(10)	(23)	(55)
Net loss	**$(11)**	**$(41)**	**$(66)**
Group's share of loss of the associate	**$(6)**	**$(21)**	**$(33)**
Including: share of loss allocated against loan receivable from Kazankovskaya	–	–	(33)

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

11. Investments in Joint Ventures and Associates (continued)

Streamcore

In 2009, the Group acquired a 50% interest in Streamcore (Cyprus), 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	4 September 2009
Property, plant and equipment	$59
Inventories	1
Accounts receivable	11
Total assets	**71**
Deferred income tax liabilities	5
Current liabilities	5
Total liabilities	**10**
Net assets	**$61**

The table below sets forth Streamcore's assets and liabilities as of 31 December:

US$ million	2011	2010	2009
Property, plant and equipment	$40	$31	$59
Accounts receivable	11	17	15
Total assets	**51**	**48**	**74**
Non-current liabilities	–	–	2
Deferred income tax liabilities	1	4	5
Current liabilities	1	1	3
Total liabilities	2	5	10
Net assets	**$49**	**$43**	**$64**
Group's share of net assets	24	21	32
Group's share in goodwill	–	–	12
Investment	**$24**	**$21**	**$44**

The table below sets forth Streamcore's income and expenses from the date of acquisition of interest in the joint venture:

US$ million	2011	2010	Period from 4 September to 31 December 2009
Revenue	$9	$10	$5
Cost of revenue	(6)	(9)	(4)
Other expenses, including income taxes	(3)	(1)	(1)
Net profit	**$–**	**$–**	**$–**
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 31 December:

US$ million	2011	2010	2009
Land	$–	$–	$1
Other property, plant and equipment	9	2	6
Assets classified as held for sale	**9**	2	7
Liabilities directly associated with assets classified as held for sale	–	–	1
Net assets classified as held for sale	**$9**	$2	$6

12. Disposal Groups Held for Sale (continued)

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 2009–2011.

US$ million	2011	2010	2009
Property, plant and equipment	$1	$90	$16
Inventory	–	–	3
Accounts and notes receivable	–	22	7
Total assets	1	112	26
Deferred income tax liabilities	–	13	–
Non-current liabilities	–	1	
Current liabilities	–	–	14
Total liabilities	–	14	14
Net assets	**$1**	$98	$12

Cash flows on disposal of subsidiaries and other business units were as follows:

US$ million	2011	2010	2009
Net cash disposed of with subsidiaries	**$–**	$–	$–
Transaction costs	**–**	–	–
Cash received	**5**	42	28
Net cash inflow	**$5**	$42	$28

At 31 December 2010 and 2009, the Group owed $5 million in respect of the disposed business units. In 2011, these payables were written off and recorded as a gain on assets held for sale.

The disposal groups sold during 2009-2011 are described below.

Mine 12

On 1 June 2009, the Group entered into a contractual agreement to sell a 100% ownership interest in Mine 12, a 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 31 December 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 licence for the 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 certain volumes of 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 $15 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.

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

13. Other Non-current Assets

Non-current Financial Assets

US$ million	2011	2010	2009
Available-for-sale financial assets – investments in Delong Holdings Limited (Note 7)	**$17**	$37	$43
Derivatives not designated as hedging instruments (Note 26)	**–**	5	–
Restricted deposits	**15**	9	18
Loans to related parties (Note 16)	**–**	46	–
Loans receivable	**18**	17	4
Trade and other receivables	**3**	3	1
Other	**–**	1	–
	$53	$118	$66

Other Non-current Assets

US$ million	2011	2010	2009
Income tax receivable	**$26**	$24	$2
Input VAT	**11**	11	59
Defined benefit plan asset (Note 23)	**28**	19	15
Fees for future purchases under a long-term contract	**–**	11	12
Prepayments for purchases of subsidiaries (Note 4)	**20**	–	–
Prepayment for purchases of associates and joint ventures	**–**	9	–
Prepayment for purchases of non-controlling interests	**–**	–	8
Deposit to secure put option for the shares of OAO Vanady-Tula (Note 4)	**–**	–	12
Other	**22**	29	20
	$107	$103	$128

Available-for-Sale Financial Assets

At 31 December 2011, the Group holds 82,853,998 shares of Delong Holdings Limited ("Delong"), which is approximately 15.5% of the entity's share capital. Delong is a flat steel producer headquartered in Beijing (China).

The investments in Delong are measured at fair value based on market quotations. The change in the fair value of these shares is initially recorded in other comprehensive income.

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. In 2011, a $20 million loss relating to the decline in quotations of Delong shares was recognised in the statement of operations.

In 2009, the Group sold its 13.65% ownership interest in Cape Lambert Iron Ore, an Australian mining company, acquired in 2008. The cash consideration amounted to $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).

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 the other non-current assets caption of the consolidated statement of financial position as of 31 December 2010. The acquisition was completed in 2011. At 31 December 2011, Mediaholding Provincia was accounted for under the equity method and included in investments in joint ventures and associates.

Impairment of Long-Term Taxes

In 2011, the Group recognised an $9 million loss relating to unrecoverable VAT. This loss was included in the impairment of assets caption of the consolidated statement of operations.

14. Inventories

Inventories consisted of the following as of 31 December:

US$ million	2011	2010	2009
Raw materials and spare parts	**$975**	$974	$724
Work-in-progress	**466**	444	367
Finished goods	**747**	652	737
	$2,188	$2,070	$1,828

As of 31 December 2011, 2010 and 2009, the net realisable value allowance was $90 million, $114 million and $145 million, respectively.

As of 31 December 2011, 2010 and 2009, certain items of inventory with an approximate carrying amount of $250 million, $203 million and $81 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 31 December:

US$ million	2011	2010	2009
Trade accounts receivable	**$1,002**	$1,239	$931
Other receivables	**56**	72	160
	1,058	1,311	1,091
Allowance for doubtful accounts	**(87)**	(98)	(90)
	$971	$1,213	$1,001

Ageing analysis and movement in allowance for doubtful accounts are provided in Note 29.

16. Related Party Disclosures

For the Group related parties include associates and joint venture partners, key management personnel and other entities that are under the control or significant influence of the key management personnel, the Group's ultimate parent or its shareholders. 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 may not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Amounts owed by/to related parties at 31 December were as follows:

	Amounts due from related parties			Amounts due to related parties		
US$ million	2011	2010	2009	2011	2010	2009
Kazankovskaya	**$21**	$21	$14	**$–**	$1	$1
Lanebrook Limited	**–**	53	53	**–**	–	–
Raspadsky Ugol	**2**	2	1	**39**	32	73
Yuzhny GOK	**5**	19	22	**46**	178	154
Other entities	**9**	9	19	**13**	6	7
	37	104	109	**98**	217	235
Less: allowance for doubtful accounts	**(29)**	(24)	(2)	**–**	–	–
	$8	$80	$107	**$98**	$217	$235

Transactions with related parties were as follows for the years ended 31 December:

	Sales to related parties			Purchases from related parties		
US$ million	2011	2010	2009	2011	2010	2009
Interlock Security Services	**$1**	$1	$1	**$43**	$37	$27
Kazankovskaya	**1**	6	5	**5**	14	15
Raspadsky Ugol	**8**	11	11	**207**	192	107
Yuzhny GOK	**42**	20	6	**165**	67	34
Other entities	**8**	8	8	**27**	20	18
	$60	$46	$31	**$447**	$330	$201

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

16. Related Party Disclosures (continued)
In addition to the disclosures presented in this note, the balances and transactions with related parties are disclosed in Notes 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. In 2011, the Group issued a $3 million loan to Kazankovskaya with a maturity date of 31 December 2011 and an interest rate of 8% per annum. At the reporting date, the Group assessed the recoverability of this loan and recognised a loss, which was included in the other non-operating expenses caption of the consolidated statement of operations.

Lanebrook Limited is a controlling shareholder of the Company. At 31 December 2010 and 2009, the amounts receivable from Lanebrook Limited included overpayments for the acquired working capital of the Ukrainian subsidiaries and a $46 million loan. The loan bore interest of 7.85% per annum and was due for repayment on 22 June 2012. At 31 December 2010, the loan was included in other non-current assets. In 2011, Lanebrook early settled the loan and fully repaid its debts relating to the acquisition of the Ukrainian businesses.

In addition, in 2008 the Group acquired from Lanebrook 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 31 December 2012.

OOO Raspadsky Ugol ("Raspadsky Ugol"), a subsidiary of the Group's joint venture, sells coal to the Group. Raspadsky Ugol represents approximately 12% 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 sinter from the entity.

In addition to the purchase transactions disclosed above, in July 2011 the Group acquired an office building for its administrative staff in Moscow from OOO Zapadnye Vorota, an entity under the control of the ultimate principal shareholders of the Group. The cash consideration (including VAT) amounted to $102 million.

The transactions with related parties were based on market terms.

Compensation to Key Management Personnel
Key management personnel include the following positions within the Group:
- directors of the Company,
- vice presidents,
- top managers of major subsidiaries.

In 2011, 2010 and 2009, key management personnel totalled 56, 55 and 58 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	2011	2010	2009
Salary	**$20**	$21	$18
Performance bonuses	**12**	14	10
Social security taxes	**1**	1	1
Share-based payments (Note 24)	**13**	1	3
Termination benefits	**3**	4	–
Other benefits	**1**	3	1
	$50	$44	$33

Disclosures on directors' remuneration required by the Companies Act 2006 and those specified for audit by the Directors' Remuneration Report Regulations 2002 are included in the Directors' Remuneration Report.

17. Other Taxes Recoverable

Taxes recoverable consisted of the following as of 31 December:

US$ million	2011	2010	2009
Input VAT	**$287**	$241	$173
Other taxes	**125**	112	85
	$412	$353	$258

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 31 December:

US$ million	2011	2010	2009
Investments in Yuzhny GOK (Note 16)	**$38**	$38	$38
Bank deposits	**2**	1	22
Restricted deposits at banks	**7**	13	59
Collateral under swap agreements (Note 26)	**10**	–	–
Other short-term investments	**–**	–	1
	$57	$52	$120

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 31 December:

US$ million	2011	2010	2009
US dollar	**$314**	$306	$300
Russian rouble	**262**	200	170
Euro	**89**	46	75
South African rand	**80**	49	110
Ukrainian hryvnia	**25**	10	1
Canadian dollar	**21**	69	14
Czech koruna	**6**	1	1
Other	**4**	2	–
	$801	$683	$671

20. Equity

Share Capital

Prior to the reorganisation, in which the majority of shares of Evraz Group S.A. were exchanged into shares of EVRAZ plc, the share capital of the Group comprised the share capital of Evraz Group S.A.

Share Capital of Evraz Group S.A.

Number of shares	2011	2010	2009
Authorised			
Ordinary shares of €2 each	**257,204,326**	257,204,326	257,204,326
Issued and fully paid			
Ordinary shares of €2 each	**156,214,373**	145,957,121	145,957,121

Scrip Dividends

On 30 January 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.

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

20. Equity (continued)

Share Capital of Evraz Group S.A. *(continued)*

Scrip Dividends (continued)

The voluntary partial scrip dividend alternative was voted for in respect of 97,553,473 shares, representing 79.62% of the share capital of Evraz Group S.A., 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 major shareholder, Lanebrook Limited, subscribed to 9,193,477 shares.

Convertible Bonds and Equity Offerings

On 13 July 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 depositary 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 bore interest of 7.25% per annum payable on a quarterly basis and matured on 13 July 2014.

The conversion could be exercised at the option of bondholders on any date during the period from 11 September 2009 till 6 July 2014. The bonds would be convertible into GDRs at an initial conversion price of $21.20 per GDR. The conversion price represented a 28% premium to the equity offering placement price of $16.50 per GDR, which was the reference price for the convertible bonds. Lanebrook, the Company's parent, and its affiliate, subscribed for $200 million of the bonds.

The Group could early redeem the bonds at their principal amount plus accrued interest if 15% or less of the bonds remained outstanding.

In the equity offering, on 13 July 2009, 6,060,608 new shares were issued as GDRs at an issue price of $16.50 per GDR.

Evraz Group S.A. 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 27 July 2009 and resulted in an increase in the aggregate principal amount of the bonds to $650 million.

Evraz Group S.A. 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 27 July 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.

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 4 August 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 Evraz Group S.A. was substituted for Lanebrook as a lender of the borrowed GDRs. As a result, on 12 August 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. At 31 December 2011, 2010 and 2009, Evraz Group S.A. was the owner of these shares.

Conversion of Bonds into Shares

In July and August 2011, Evraz Group S.A. issued 30,771,756 GDRs representing 10,257,252 ordinary shares to bondholders which had accepted the offer to convert 7.25% convertible bonds due 2014 (Note 21).

Share Capital of EVRAZ plc

On 17 October 2011, following the decision of the Board of directors, Evraz Group S.A. commenced the Group's reorganisation and re-domiciliation to the United Kingdom. This was implemented by means of the share exchange offer made by the Company to the shareholders of Evraz Group S.A. which were entitled to receive 9 shares of EVRAZ plc for each share of Evraz Group S.A.

20. Equity (continued)

Share Capital of EVRAZ plc (continued)

The first share exchange was performed on 7 November 2011: EVRAZ plc issued 1,313,258,883 ordinary shares with par value of $2 each and exchanged them for approximately 98.01% interest in Evraz Group S.A. The new shares were admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities.

On 24 November 2011, the par value of the shares was reduced to $1, and $1,313 million representing distributable reserves were transferred to accumulated profits. All subsequent shares were issued with par value of $1 each. The exchange offer was finally closed on 7 February 2012.

Information about the share exchange is summarised below.

Date of exchange	Number of shares issued by EVRAZ plc	Number of shares of Evraz Group S.A. exchanged	Ownership interest exchanged
7 November 2011	1,313,258,883	145,917,653.67	98.01%
28 November 2011	23,212,353	2,579,150.33	1.73%
16 December 2011	1,089,477	121,053.00	0.08%
Total at 31 December 2011	**1,337,560,713**	**148,617,857.00**	**99.82%**
30 January 2012	839,388	93,265.33	0.06%
8 February 2012	659,790	73,310.00	0.05%
Total at closing of the offer	**1,339,059,891**	**148,784,432.33**	**99.93%**

Upon the closure of the offer, the admission of the global depositary receipts of Evraz Group S.A. to trading on the London Stock Exchange has been cancelled.

On 17 February 2012, the Group purchased the remaining GDRs, representing 96,607.67 shares of Evraz Group S.A., for $4 million and exchanged them for the newly issued shares of EVRAZ plc. Since that date Evraz Group S.A. became a wholly-owned subsidiary of EVRAZ plc.

Treasury Shares

In 2011, the Group purchased 235,878 treasury shares for $22 million, sold 34,332 shares for $3 million and transferred 115,389 shares to participants of the Incentive Plan (Note 24). The cost of treasury shares gifted under the Incentive Plan, amounting to $11 million, was charged to accumulated profits. As of 31 December 2011, after the share exchange described above, the Group had 775,410 treasury shares.

In 2009, the Group purchased 67,569 treasury shares for $5 million and sold 135,000 treasury shares, including 27,902 shares 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, was charged to accumulated profits.

Repurchase of Vested Share-based Awards

In 2007, the Group made a decision to cease the issuance of new shares for the settlement of share-based awards. 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, 234,813 share options were repurchased after vesting. The cash spent on repurchase of vested options, amounting to $3 million, was charged to accumulated profits.

Earnings per Share

Earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the potential dilutive ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2011	2010	2009
Weighted average number of ordinary shares for basic earnings per share	**1,293,795,125**	1,247,614,092	1,210,116,474
Effect of dilution: share-based awards	**2,689,622**	134,937	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,296,484,747**	1,247,749,029	1,210,116,474
Profit/(loss) for the year attributable to equity holders of the parent, US$ million	**$461**	$486	$(295)
Basic earnings/(losses) per share	**$0.36**	$0.39	$(0.24)
Diluted earnings/(losses) per share	**$0.36**	$0.39	$(0.24)

The fair value of shares issued as a scrip alternative on 30 January 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 of Evraz Group S.A. in the calculation of basic earnings per share from the beginning of the earliest period presented.

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

20. Equity (continued)
Earnings per Share (continued)
The weighted average number of ordinary shares for basic earnings per share does not include 7,333,333 shares of Evraz Group S.A. 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 2011 and 2010, 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.

In 2011, the weighted average number of ordinary shares outstanding from 1 January 2011 to the date of the first share exchange ("the reorganisation date") was computed on the basis of the weighted average number of ordinary shares of Evraz Group S.A. outstanding during the period multiplied by the share exchange ratio. The number of ordinary shares outstanding from the reorganisation date to the end of 2011 was the actual number of ordinary shares of EVRAZ plc outstanding during that period. The weighted average number of ordinary shares outstanding and earnings per share for each comparative period have been recalculated using the share exchange ratio.

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 2009–2011 were as follows:

	Date of declaration	To holders registered at	Dividends declared, US$ million	US$ per share
Interim for 2011	10/10/2011	18/09/2011	491	3.30

In 2011, Evraz Group S.A. declared interim dividends of $3.30 per share, including special dividends of $2.70 per share.

The shareholders' meetings held on 16 May 2011 and 17 May 2010 resolved not to declare dividends for 2010 and 2009.

In addition, certain subsidiaries of the Group declared dividends. The share of non-controlling shareholders in those dividends was $1 million in 2011, 2010 and 2009.

Legal Reserve
According to the Luxembourg Law, Evraz Group S.A. 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 2011 and 2010, the Group acquired non-controlling interests in certain subsidiaries (Note 6). The excess of consideration over the carrying value of non-controlling interests amounting to $18 million and $3 million, respectively, was charged to accumulated profits and the excess of acquired non-controlling interests over the consideration amounting to $Nil and $1 million, respectively, was recorded as additional paid-in capital.

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 the construction of a commercial seaport 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
As of 31 December 2011, 2010 and 2009, total interest-bearing loans and borrowings consisted of short-term loans and borrowings in the amount of $339 million, $381 million and $411 million, respectively, and long-term loans and borrowings in the amount of $6,919 million, $7,636 million and $7,747 million, respectively, including the current portion of long-term liabilities of $193 million, $244 million and $1,498 million, respectively.

21. Loans and Borrowings (continued)

Short-term and long-term loans and borrowings were as follows as of 31 December:

US$ million	2011	2010	2009
Bank loans	**$2,613**	$3,472	$4,605
8.875 per cent notes due 2013	**534**	1,156	1,156
7.25 per cent convertible bonds due 2014 (Note 20)	**–**	650	650
8.25 per cent notes due 2015	**577**	577	577
9.5 per cent notes due 2018	**509**	509	509
6.75 per cent notes due 2018	**850**	–	–
13.5 per cent bonds due 2014	**621**	656	661
9.25 per cent bonds due 2013	**466**	492	–
9.95 per cent bonds due 2015	**466**	492	–
8.40 per cent bonds due 2016	**621**	–	–
Liabilities under bonds assumed in business combination	**1**	13	–
Unamortised debt issue costs	**(133)**	(192)	(196)
Difference between the nominal amount and liability component of convertible bonds (Note 20)	**–**	(104)	(126)
Interest payable	**81**	90	87
	$7,206	$7,811	$7,923

The average effective annual interest rates were as follows at 31 December:

	Long-term borrowings			Short-term borrowings		
	2011	2010	2009	2011	2010	2009
US dollar	**6.96%**	8.01%	7.30%	**2.89%**	3.06%	4.18%
Russian rouble	**10.37%**	11.17%	13.49%	**10.83%**	12.50%	13.25%
Euro	**4.66%**	5.05%	5.11%	**3.64%**	1.48%	1.46%
Czech koruna	**–**	–	–	**3.38%**	–	3.38%

The liabilities are denominated in the following currencies at 31 December:

US$ million	2011	2010	2009
US dollar	**$4,790**	$6,079	$7,233
Russian rouble	**2,215**	1,699	701
Euro	**328**	322	297
Czech koruna	**6**	7	14
Unamortised debt issue costs	**(133)**	(192)	(196)
Difference between the nominal amount and liability component of convertible bonds (Note 20)	**–**	(104)	(126)
	$7,206	$7,811	$7,923

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 31 December 2009 was $2,895 million.

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.

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

21. Loans and Borrowings (continued)

Pledged Assets (continued)

At 31 December 2011, 2010 and 2009, the Group had equipment with a carrying value of $Nil, $Nil and $11 million, respectively, pledged as collateral under the loan agreements. In addition, the Group pledged inventory with a carrying value of $250 million, $203 million and $81 million as of 31 December 2011, 2010 and 2009, respectively.

Issue of Notes and Bonds

In 2009, the Group issued convertible bonds in the amount of $650 million, which bore interest of 7.25% per annum and matured on 13 July 2014 (Note 20). These bonds were converted into shares in 2011 (Note 20).

In 2011, the Group issued notes for the amount of $850 million due in 2018. The notes bear semi-annual coupon at the annual rate of 6.75% and must be redeemed at their principal amount on 27 April 2018. The proceeds from the issue of the notes were used for the partial repurchase of 8.875% notes due 2013 and repayment of certain bank loans.

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 16 October 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 22 March 2013, and bonds amounting to 15,000 million Russian roubles which bear interest of 9.95% per annum and mature on 26 October 2015. In 2011, the Group issued bonds in the total amount of 20,000 million Russian roubles, which bear interest of 8.40% per annum and mature on 2 June 2016. The currency and interest rate risk exposures of these transactions were partially economically hedged (Note 26).

Repurchase of Notes and Bonds

In 2009, the Group repurchased 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 31 December 2009.

In 2011, the Group repurchased $622 million of 8.875% notes due 2013 for a cash consideration of $693 million. As a result, the Group recognised a loss on extinguishment of debts in the amount of $71 million within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations for the year ended 31 December 2011 (Note 7).

On 22 June 2011, Evraz Group S.A. made an incentive offer to the holders of 7.25% convertible bonds due 2014 to convert these bonds into GDRs at $21.12 per GDR. In addition, the holders were offered an incentive payment ("conversion premium") of $24,443.89 per bond with the principal amount of $100,000 each. The bondholders owning 6,478 bonds accepted the incentivised conversion. In July and August 2011, Evraz Group S.A. additionally converted 21 bonds and settled 1 bond by cash. The conversion premium paid by Evraz Group S.A. in the amount of $158 million together with $3 million of transaction costs were recognised as a loss (Note 7). Evraz Group S.A. issued 30,771,756 GDRs representing 10,257,252 ordinary shares. As such, the carrying amount of liability amounting to $553 million was reclassified into equity.

Early Settlement

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 31 December 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 31 December 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 an $800 million loan from VEB and a 10,000 million rouble 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 31 December 2009. In 2010, the Group fully repaid its liabilities under a $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 31 December:

US$ million	2011	2010	2009
Unutilised borrowing facilities	**$1,322**	$1,010	$1,345

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 terms ranging from 1 to 15 years. The estimated remaining useful life of leased assets varies from 2 to 29 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 31 December:

US$ million	2011	2010	2009
Buildings and constructions	**$2**	$1	$1
Machinery and equipment	**22**	22	29
Transport and motor vehicles	**83**	93	101
Assets under construction	**–**	10	10
	$107	$126	$141

The leased assets are included in property, plant and equipment in the consolidated statement of financial position (Note 9).

Future minimum lease payments were as follows at 31 December:

	2011		2010		2009	
US$ million	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	**$16**	**$13**	$25	$19	$24	$17
Later than one year and not later than five years	**29**	**24**	41	33	65	51
Later than five years	**3**	**2**	5	5	7	7
	48	**39**	71	57	96	75
Less: amounts representing finance charges	**(9)**	**–**	(14)	–	(21)	–
	$39	**$39**	$57	$57	$75	$75

In the years ended 31 December 2011, 2010 and 2009, the average interest rates under the finance lease liabilities were 9.8%, 9.9% and 10.0%.

23. Employee Benefits

Russian Plans

In 2009–2010, 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 addition, certain Russian subsidiaries have defined benefit plans under which contributions are made to a separately administered non-state pension fund. 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 31 December 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.

Notes to the Consolidated Financial Statements (continued)

year ended 31 December 2011

23. Employee Benefits (continued)

US 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 defined contribution plans and receive a contribution funded by the Group's subsidiaries equal to 2–7% of annual wages, including bonuses for certain employees. The defined contribution plans are funded annually, and participants' benefits vest after three years of service. The subsidiaries also offer qualified Thrift (401(k)) plans to all of their eligible employees.

Other Plans

Defined benefit pension plans and a defined contribution plan are maintained by the subsidiaries located in South Africa, Italy and the Czech Republic.

Defined Contribution Plans

The Group's expenses under defined contribution plans were as follows:

US$ million	2011	2010	2009
Expense under defined contribution plans	**$404**	$257	$217

Defined Benefit Plans

The Russian, Ukrainian and other defined benefit plans are mostly unfunded and the US and Canadian plans are partially funded.

The components of net benefit expense recognised in the consolidated statement of operations for the years ended 31 December 2011, 2010 and 2009 and amounts recognised in the consolidated statement of financial position as of 31 December 2011, 2010 and 2009 for the defined benefit plans were as follows:

Net benefit expense (recognised in cost of sales and general and administrative expenses)

Year ended 31 December 2011

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	**$(7)**	**$(5)**	**$(17)**	**$–**	**$(29)**
Interest cost on benefit obligation	**(16)**	**(9)**	**(33)**	**(2)**	**(60)**
Expected return on plan assets	**–**	**–**	**32**	**–**	**32**
Net actuarial gains/(losses) recognised in the year	**(9)**	**–**	**(5)**	**–**	**(14)**
Past service cost	**1**	**12**	**(1)**	**–**	**12**
Net benefit expense	**$(31)**	**$(2)**	**$(24)**	**$(2)**	**$(59)**

Year ended 31 December 2010

US$ million	Russian plans	Ukrainian plans	US & 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 31 December 2009

US$ million	Russian plans	Ukrainian plans	US & 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)

23. Employee Benefits (continued)

Actual return on plan assets was as follows:

US$ million	2011	2010	2009
Actual return on plan assets including:	**$1**	$44	$66
US & Canadian plans	**1**	44	65
Russian plans	**–**	–	1

Benefit liability

31 December 2011

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	**$203**	**$65**	**$700**	**$21**	**$989**
Plan assets	**(1)**	**–**	**(470)**	**–**	**(471)**
	202	**65**	**230**	**21**	**518**
Unrecognised net actuarial gains/(losses)	**(68)**	**(8)**	**(185)**	**–**	**(261)**
Unrecognised past service cost	**10**	**2**	**(1)**	**–**	**11**
Benefit asset	**–**	**–**	**28**	**–**	**28**
Benefit liability	**$144**	**$59**	**$72**	**$21**	**$296**

31 December 2010

US$ million	Russian plans	Ukrainian plans	US & 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

31 December 2009

US$ million	Russian plans	Ukrainian plans	US & 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

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

23. Employee Benefits (continued)

Movements in benefit obligation

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 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 31 December 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 31 December 2010	**192**	**77**	**629**	**24**	**922**
Interest cost on benefit obligation	16	9	33	2	60
Current service cost	7	5	17	–	29
Past service cost	1	(24)	3	–	(20)
Benefits paid	(15)	(7)	(39)	(1)	(62)
Actuarial (gains)/losses on benefit obligation	14	5	65	–	84
Translation difference	(12)	–	(8)	(4)	(24)
At 31 December 2011	**$203**	**$65**	**$700**	**$21**	**$989**

The amount of contributions expected to be paid to the defined benefit plans during 2012 approximates $73 million.

Changes in the fair value of plan assets

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 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 31 December 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 31 December 2010	**1**	**–**	**463**	**–**	**464**
Expected return on plan assets	–	–	32	–	32
Contributions of employer	15	7	52	1	75
Benefits paid	(15)	(7)	(39)	(1)	(62)
Actuarial gains/(losses) on plan assets	–	–	(31)	–	(31)
Translation difference	–	–	(7)	–	(7)
At 31 December 2011	**$1**	**$–**	**$470**	**$–**	**$471**

23. Employee Benefits (continued)

The major categories of plan assets as a percentage of total plan assets were as follows at 31 December:

	2011	2010	2009
US & Canadian plans:			
Equity funds and investment trusts	**81%**	86%	86%
Corporate bonds and notes	**11%**	11%	9%
Shares	**0%**	0%	0%
Property	**3%**	0%	3%
Cash	**5%**	3%	2%

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	2011	2010	2009	2008	2007
Defined benefit obligation	**$989**	$922	$827	$717	$535
Plan assets	**471**	464	404	325	201
(Deficit)/surplus	**(518)**	(458)	(423)	(392)	(334)
Experience adjustments on plan liabilities	**137**	60	54	(38)	(18)
Experience adjustments on plan assets	**(12)**	9	24	16	5

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

	2011				2010				2009			
	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Russian plans	Ukrainian plans	US & Canadian plans	Other plans
Discount rate	**8%**	**14.0%**	**4.0-5.3%**	**4.0-8.8%**	8%	12.6%	5.1-5.8%	3.9-8.3%	10%	12.4%	5.5-9.3%	4.2-9.5%
Expected rate of return on assets	**12%**	**–**	**0.9-7.1%**	**–**	12%	–	0.9-7.3%	–	12%	–	1.3-8.5%	–
Future benefits increases	**8%**	**8%**	**–**	**3.0-6.3%**	8%	8%	–	3%	8%	9%	3%	3-10%
Future salary increase	**8%**	**8%**	**3.0-3.1%**	**2.0-6.3%**	8%	8%	3.0-3.2%	2.0-6.5%	8%	9%	3-7.5%	6.3-7.5%
Healthcare costs increase rate	**–**	**–**	**6.5-7%**	**7.3-7.5%**	–	–	6.8-10%	6.5-7%	–	–	8-10%	8%

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.

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

24. Share-based Payments

On 5 September 2006, 14 December 2010 and 13 October 2011, 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 Evraz Group S.A. Share options granted on 5 September 2006 under the Incentive Plan 2006 could be exercised at $65.37 per share. Shares under the Incentive Plans 2010 and 2011 are gifted to the participants upon vesting.

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:

Number of Shares of Evraz Group S.A.	Incentive Plan 2006
11 May 2007	99,282
15 April 2008	148,904
15 May 2009	248,183
	496,369

According to the Plan 2010 and 2011, the vesting date for each tranche occurs within the 90-day period after announcement of the annual results. The expected vesting dates of the awards outstanding at 31 December 2011 are presented below:

Number of Shares of EVRAZ plc	Incentive Plan 2011	Incentive Plan 2010
29 March 2012	851,068	739,686
29 March 2013	894,399	739,491
29 March 2014	1,235,903	–
	2,981,370	**1,479,177**

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:

- Plans 2010 and 2011: 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.

There have been no modifications or cancellations to the plans during 2009–2011. In 2011, after the Group's reorganisation (Notes 1 and 20), the shares of Evraz Group S.A., which were granted to the participants, have been substituted by the shares of EVRAZ plc.

The Group accounted for share-based compensation at fair value pursuant to the requirements of IFRS 2 "Share-based Payment". The weighted average fair value of share-based awards granted in 2011, 2010 and 2006 was $48.26, $102.07 and $14.15 per share of Evraz Group S.A., respectively. 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 2011	Incentive Plan 2010	Incentive Plan 2006
Dividend yield (%)	3.6 – 4.8	1.2 – 1.5	4 – 6
Expected volatility (%)	n/a	n/a	45.37
Risk-free interest rates (%)	n/a	n/a	5.42 – 5.47
Expected life (years)	0.5 – 2.5	0.5 – 2.5	0.7 – 2.7
Market prices of the shares of Evraz Group S.A. at the grant dates	$51.57	$103.83	$66.06

The historical volatility has been used for valuation of the share-based awards. The 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.

	2011 No.	2011 WAEP	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at 1 January	**321,898**	**$–**	**–**	**$–**	**370,340**	**$50.71**
Granted during the year	335,069	–	334,755	–	–	–
Forfeited during the year	(45,960)	–	(12,857)	–	(107,625)	48.30
Exercised during the year:	(115,389)	–	–	–	(262,715)	51.70
by purchase of shares on the open market	(115,389)		–		(27,902)	
by repurchase of vested share-based awards	–		–		(234,813)	
Exchange into shares of EVRAZ plc	3,964,929		–		–	
Outstanding at 31 December	**4,460,547**	**$–**	**321,898**	**$–**	**–**	**$–**

The weighted average share price at the dates of exercise was $97.46 and $67.29 in 2011 and 2009, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2011 and 2010 was 1.2 and 1.4 years, respectively.

In the years ended 31 December 2011, 2010 and 2009, expense arising from the share-based compensations was as follows:

US$ million	2011	2010	2009
Expense arising from equity-settled share-based payment transactions	**$23**	$2	$–
Expense arising from cash-settled share-based payment transactions	**–**	–	6
	$23	$2	$6

In 2011, 2010 and 2009, the Group paid $1 million, $3 million and $35 million in respect of the cash-settled share-based compensations, respectively.

25. Provisions

In the years ended 31 December 2011, 2010 and 2009, the movements in provisions was as follows:

US$ million	Site restoration and decommissioning costs	Legal claims	Other provisions	Total
At 31 December 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 31 December 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 31 December 2010	**305**	**17**	**11**	**333**
Additional provisions	45	20	19	84
Increase from passage of time	19	–	–	19
Effect of change in the discount rate	(8)	–	–	(8)
Effect of changes in estimated costs and timing	(9)	(1)	–	(10)
Utilised in the year	(12)	(12)	(14)	(38)
Unused amounts reversed	(2)	(8)	(2)	(12)
Translation difference	(28)	(1)	(1)	(30)
At 31 December 2011	**$310**	**$15**	**$13**	**$338**

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

25. Provisions (continued)
At 31 December the provisions were as follows:

US$ million	2011 Non-current	2011 Current	2010 Non-current	2010 Current	2009 Non-current	2009 Current
Site restoration and decommissioning costs	**$283**	**$27**	$277	$28	$172	$18
Legal claims	**–**	**15**	–	17	–	6
Other provisions	**2**	**11**	2	9	4	11
	$285	**$53**	$279	$54	$176	$35

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 3.7% to 14% (2010: 6.1% to 13%, 2009: from 8% to 13%).

26. Other Long-Term Liabilities
Other long-term liabilities consisted of the following as of 31 December:

US$ million	2011	2010	2009
Contingent consideration payable for the acquisition of Stratcor	**$16**	$24	$31
Deferred consideration payable for the acquisition of Inprom (Note 4)	**11**	21	–
Dividends payable under cumulative preference shares of a subsidiary to a related party	**14**	14	14
Employee income participation plans and compensations	**2**	3	7
Tax liabilities	**26**	33	18
Derivatives not designated as hedging instruments (Note 21)	**209**	38	6
Other liabilities	**16**	24	18
	294	157	94
Less: current portion (Note 27)	**(9)**	(14)	(26)
	$285	$143	$68

Contingent Consideration Payable
Contingent consideration represents additional payments for the acquisition of Stratcor in 2006. This consideration could be paid each year up 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. In 2011, the Group paid $3 million in respect of this liability (2010: $16 million, 2009: $Nil).

Derivatives Not Designated as Hedging Instruments
In 2009–2011, the Group issued rouble-denominated bonds in the total amount of 70,000 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 4.45% to 8.90% per annum plus the notional amount totalling $2,177 million, in exchange for rouble-denominated interest payments plus the notional amount totalling 63,790 million roubles ($1,981 million at the exchange rate as of 31 December 2011). The exchange is exercised on approximately the same dates as the payments under the bonds.

The swap contracts 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 bonds due 2013	15,000	14,778	500	5.75% – 5.90%
9.95 per cent bonds due 2015	15,000	14,997	491	5.65% – 5.88%
8.40 per cent bonds due 2016	20,000	19,996	711	4.45% – 4.60%
	70,000	**63,790**	**$2,177**	

These swap contracts were not designated as cash flow or fair value hedges. The Group accounted for these derivatives at fair value which was determined using valuation techniques. In 2011, 2010 and 2009, the change in fair value of the derivatives of $(176) million, $(27) million and $(6) million, respectively, together with a realised gain on the swap transactions, amounting to $66 million, $31 million and $Nil, 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 31 December:

US$ million	2011	2010	2009
Trade accounts payable	**$1,147**	$880	$780
Accrued payroll	**254**	229	177
Other long-term obligations with current maturities (Note 26)	**9**	14	26
Other payables	**50**	50	86
	$1,460	$1,173	$1,069

The 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 31 December:

US$ million	2011	2010	2009
VAT	**$81**	$90	$67
Social insurance taxes	**53**	40	29
Property tax	**17**	14	16
Land tax	**10**	10	5
Personal income tax	**12**	10	10
Other taxes, fines and penalties	**15**	16	13
	$188	$180	$140

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 (4.2% and 2.4% of total sales, respectively).

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 has 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.

At 31 December the maximum exposure to credit risk is equal to the carrying amount of financial assets, which is disclosed below.

US$ million	2011	2010	2009
Restricted deposits at banks (Notes 13 and 18)	**$22**	$22	$77
Financial instruments included in other non-current and current assets (Notes 13 and 18)	**10**	6	–
Long-term and short-term investments (Notes 13 and 18)	**57**	76	104
Trade and other receivables (Notes 13 and 15)	**974**	1,216	1,002
Loans receivable	**62**	18	5
Receivables from related parties (Notes 13 and 16)	**8**	124	107
Cash and cash equivalents (Note 19)	**801**	683	671
	$1,934	$2,145	$1,966

Receivables from related parties in the table above do not include prepayments in the amount of $Nil, $2 million and $Nil as of 31 December 2011, 2010 and 2009, respectively.

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

29. Financial Risk Management Objectives and Policies (continued)

Credit Risk (continued)

The ageing analysis of trade and other receivables, loans receivable and receivables from related parties at 31 December is presented in the table below.

	2011		2010		2009	
US$ million	Gross amount	Impairment	Gross amount	Impairment	Gross amount	Impairment
Not past due	**$846**	**$(5)**	$1,098	$(8)	$842	$(1)
Past due	**306**	**(103)**	377	(109)	364	(91)
less than six months	**204**	**(24)**	232	(16)	187	(5)
between six months and one year	**30**	**(16)**	27	(10)	28	(8)
over one year	**72**	**(63)**	118	(83)	149	(78)
	$1,152	**$(108)**	$1,475	$(117)	$1,206	$(92)

In the years ended 31 December 2011, 2010 and 2009, the movement in allowance for doubtful accounts was as follows:

US$ million	2011	2010	2009
At 1 January	**$117**	$92	$93
Charge for the year	**45**	45	41
Utilised	**(47)**	(19)	(41)
Translation difference	**(7)**	(1)	(1)
At 31 December	**$108**	$117	$92

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 a 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 has developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

29. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest payments.

Year ended 31 December 2011

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	**$4**	**$1**	**$27**	**$1,019**	**$2,338**	**$1,374**	**$4,763**
Interest	**–**	**23**	**420**	**395**	**741**	**159**	**1,738**
Finance lease liabilities	**–**	**1**	**3**	**4**	**10**	**3**	**21**
Financial instruments included in long-term liabilities	**1**	**1**	**6**	**53**	**178**	**23**	**262**
Total fixed-rate debt	**5**	**26**	**456**	**1,471**	**3,267**	**1,559**	**6,784**
Variable-rate debt							
Loans and borrowings							
Principal	**158**	**213**	**129**	**268**	**1,671**	**56**	**2,495**
Interest	**–**	**22**	**68**	**82**	**148**	**8**	**328**
Finance lease liabilities	**–**	**4**	**8**	**7**	**8**	**–**	**27**
Total variable-rate debt	**158**	**239**	**205**	**357**	**1,827**	**64**	**2,850**
Non-interest bearing debt							
Financial instruments included in other liabilities	**–**	**–**	**–**	**–**	**–**	**4**	**4**
Trade and other payables	**238**	**949**	**10**	**–**	**–**	**–**	**1,197**
Payables to related parties	**67**	**31**	**–**	**–**	**–**	**–**	**98**
Amounts payable under put options for shares of subsidiaries	**9**	**–**	**–**	**–**	**11**	**–**	**20**
Dividends payable	**9**	**–**	**–**	**–**	**–**	**–**	**9**
Total non-interest bearing debt	**323**	**980**	**10**	**–**	**11**	**4**	**1,328**
	$486	**$1,245**	**$671**	**$1,828**	**$5,105**	**$1,627**	**$10,962**

Year ended 31 December 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

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

29. Financial Risk Management Objectives and Policies (continued)
Liquidity Risk (continued)
Year ended 31 December 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

Payables to related parties in the tables above do not include advances received in the amount of $Nil, $1 million and $47 million as of 31 December 2011, 2010 and 2009, respectively.

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 rates.

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.

29. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Interest Rate Risk (continued)

Cash Flow Sensitivity Analysis for Variable Rate Instruments (continued)

In estimating reasonably possible changes the Group assessed the volatility of interest rates during the reporting periods.

	2011		2010		2009	
	Basis points	Effect on PBT	Basis points	Effect on PBT	Basis points	Effect on PBT
		US$ millions		US$ millions		US$ millions
Liabilities denominated in US dollars						
Decrease in LIBOR	**(6)**	**$1**	(25)	$4	(25)	$8
Increase in LIBOR	**6**	**(1)**	100	(17)	100	(30)
Liabilities denominated in euro						
Decrease in EURIBOR	**(15)**	**–**	(25)	1	(25)	1
Increase in EURIBOR	**15**	**$–**	100	$(2)	100	$(2)

Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the functional currencies of the respective Group's subsidiaries. The currencies in which these transactions are denominated are primarily US dollars and euro.

The Group does not have formal arrangements to mitigate currency risks of the Group's operations. However, management believes that the Group is secured from currency risks as foreign currency denominated sales are used to cover repayment of foreign currency denominated borrowings.

The Group's exposure to currency risk determined as the net monetary position in the respective currencies was as follows at 31 December:

US$ million	2011	2010	2009
USD/RUB	**$4,402**	$3,419	$1,732
EUR/RUB	**(321)**	(283)	(297)
EUR/USD	**127**	137	108
CAD/USD	**995**	1,180	1,281
EUR/CZK	**35**	38	22
USD/CZK	**(229)**	(282)	(154)
USD/ZAR	**14**	66	41
EUR/ZAR	**77**	41	43
USD/UAH	**(156)**	(1)	(88)
RUB/UAH	**(1)**	(43)	(15)

Notes to the Consolidated Financial Statements (continued)

year ended 31 December 2011

29. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk *(continued)*

Sensitivity Analysis

The following table demonstrates the sensitivity to reasonably possible changes in the respective currencies, with all other variables held constant, of the Group's profit before tax. In estimating reasonably possible changes the Group assessed the volatility of foreign exchange rates during the reporting periods.

	2011		2010		2009	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	US$ millions	%	US$ millions	%	US$ millions
USD/RUB	**(11.36)**	**(500)**	(9.70)	(332)	(15.65)	(271)
	11.36	**500**	9.70	332	15.65	271
EUR/RUB	**(8.27)**	**27**	(8.79)	25	(12.18)	36
	8.27	**(27)**	8.79	(25)	12.18	(36)
EUR/USD	**(11.37)**	**(15)**	(11.32)	(16)	(12.96)	(14)
	11.37	**15**	11.32	16	12.96	14
CAD/USD	**(9.75)**	**(97)**	(10.97)	(129)	(14.02)	(180)
	9.75	**97**	10.97	129	14.02	180
EUR/CZK	**(5.87)**	**(2)**	(5.30)	(2)	(10.28)	(2)
	5.87	**2**	5.30	2	10.28	2
USD/CZK	**(13.96)**	**32**	(13.79)	39	(18.52)	29
	13.96	**(32)**	13.79	(39)	18.52	(29)
USD/ZAR	**(17.34)**	**(2)**	(13.68)	(9)	(21.41)	(9)
	17.34	**2**	13.68	9	21.41	9
EUR/ZAR	**(13.14)**	**(10)**	(11.59)	(5)	(17.74)	(8)
	13.14	**10**	11.59	5	17.74	8
USD/UAH	**(0.33)**	**1**	(1.71)	–	(31.30)	28
	0.33	**(1)**	1.71	–	31.30	(28)
RUB/UAH	**(11.33)**	**–**	(9.94)	4	(13.53)	2
	11.33	**–**	9.94	(4)	13.53	(2)

Except for the effects of changes in the exchange rates disclosed above, the Group is exposed to currency risk on derivatives not designated as hedging instruments (Note 26). The impact of currency risk on the fair value of these derivatives is disclosed below.

	2011		2010		2009	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	US$ millions	%	US$ millions	%	US$ millions
USD/RUB	**(11.36)**	**252**	(9.70)	167	(15.65)	83
	11.36	**(201)**	9.70	(137)	15.65	(61)

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.

29. Financial Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments (continued)

At 31 December the Group held the following financial instruments measured at fair value:

	2011			2010			2009		
US$ million	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	**17**	**–**	**–**	37	–	–	43	–	–
Financial assets at fair value through profit or loss	**–**	**–**	**–**	–	–	–	–	–	–
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 (Note 26)	**–**	**209**	**–**	–	38	–	–	6	–
Deferred consideration payable for the acquisition of Inprom (Note 4)	**11**	**–**	**–**	21	–	–	–	–	–
Contingent consideration payable for the acquisition of Stratcor (Note 26)	**–**	**–**	**16**	–	–	24	–	–	31
Amounts payable under put options for shares of subsidiaries	**–**	**–**	**9**	–	–	6	–	–	–

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 at 31 December.

	2011		2010		2009	
US$ million	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term fixed-rate bank loans	**$104**	**$115**	$1,201	$1,198	$1,234	$1,197
Long-term variable-rate bank loans	**2,109**	**1,943**	1,807	1,663	2,894	2,847
8.875 per cent notes due 2013	**535**	**559**	1,144	1,248	1,132	1,155
7.25 per cent convertible bonds due 2014	**–**	**–**	551	650	528	624
8.25 per cent notes due 2015	**560**	**581**	555	615	551	554
9.5 per cent notes due 2018	**501**	**520**	499	565	497	508
6.75 per cent notes due 2018	**853**	**759**	–	–	–	–
13.5 per cent bonds due 2014	**635**	**676**	670	740	674	667
9.25 per cent bonds due 2013	**476**	**468**	502	498	–	–
9.95 per cent bonds due 2015	**472**	**478**	498	496	–	–
8.40 per cent bonds due 2016	**623**	**559**				
Liabilities under 12.00 per cent rouble bonds due 2011 and 2013 assumed in business combination	**1**	**1**	13	12	–	–
	$6,869	**$6,659**	$7,440	$7,685	$7,510	$7,552

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	2011	2010	2009
USD	**8.2 – 9.1%**	7.7 – 8.3%	8.6 – 9.5%
EUR	**3.2%**	2.8%	7.0%
RUB	**9.7%**	12.0%	16.0%

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 2011.

Notes to the Consolidated Financial Statements (continued)
year ended 31 December 2011

29. Financial Risk Management Objectives and Policies (continued)

Capital Management (continued)

The Group manages its capital structure and makes adjustments to it by the issue of new shares, dividend payments to shareholders, and the purchase of treasury shares. In addition, the Group monitors distributable profits on a regular basis and determines the amounts and timing of dividend payments.

The capital requirements imposed by certain loan agreements include a $2,000 million minimum representing consolidated equity less goodwill. In 2009–2011, the Group was in compliance with this requirement.

30. Non-cash Transactions

Transactions that did not require the use of cash or cash equivalents were as follows in the years ended 31 December:

US$ million	2011	2010	2009
Liabilities for purchases of property, plant and equipment	**$93**	$70	$49
Purchases of property, plant and equipment settled by an offset with accounts receivable	**10**	12	–
Loan to a partner on Mezhegey coal field project	**39**	–	–
Carrying amount of convertible bonds transferred to equity upon debt conversion (Note 21)	**553**	–	–
Offset of income tax receivable/(payable) against other taxes	**10**	17	18

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, all countries continue to face an uneven economic recovery. Though stabilisation measures introduced by governments had positive effects, nevertheless, in 2010 and 2011, there was no material uplift in the ship-building, pipe-making, railway transportation, construction or oil and gas industries, which are the major customers of the Group. The global steel industry is highly competitive and has historically been characterised by overcapacity. Steel consumption is affected by the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions. The global economic recession resulted in a significantly lower demand for steel products and decreased profitability.

In 2011, the sovereign debt problems in Europe and the USA added extra volatility to commodity markets and led to an additional uncertainty in the process of recovery of the global economy.

The global economic climate continues to be 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 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, the Group 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 financial statements could be up to approximately $46 million.

Contractual Commitments

At 31 December 2011, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $524 million.

In 2010, the Group concluded an agreement for the supply of oxygen, nitrogen and argon by a third party for a period of 20 years. The contractual price comprises a fixed component and a variable component. The total amount of the fixed component approximates 252 million euro. The agreement is within the scope of IFRIC 4 "Determining whether an Arrangement Contains a Lease". At 31 December 2011, the lease had not commenced.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, healthcare and social infrastructure development in towns where the Group's assets are located. In 2012, the Group plans to spend approximately $160 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 2012 to 2017, the Group is committed to spend approximately $303 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 $3 million.

In February 2008, the South African Competition Commission (the "Competition Commission") received a complaint from Petrel Engineering (Pty) Ltd, alleging that EVRAZ Highveld (then Highveld Steel and Vanadium Corporation Limited) and ArcelorMittal South Africa Limited were involved, whether directly or indirectly, in the fixing of the selling prices of their flat steel products. In April 2008, the Competition Commission initiated a complaint against various steel manufacturers, including EVRAZ Highveld.

EVRAZ Highveld provided the Competition Commission with the documentation and information requested by the Competition Commission and the Competition Commission conducted interviews with certain of EVRAZ Highveld employees in February 2009.

On 2 April 2012 EVRAZ Highveld has received a referral of complaint of the Competition Commission to the South African Competition Tribunal (the "Competition Tribunal"), seeking an order inter alia: (i) declaring that the conduct of ArcelorMittal South Africa Limited and EVRAZ Highveld contravened certain provisions of the South African Competition Act, Act 89 of 1998 (the "Competition Act"); and (ii) imposing administrative penalties against both ArcelorMittal South Africa Limited and EVRAZ Highveld. EVRAZ Highveld has to answer the allegations contained in the Referral of Complaint by the beginning of May, 2012. According to the Competition Act the maximum fine which could be imposed on EVRAZ Highveld if it is considered guilty is equal to 10% of its annual revenue. EVRAZ Highveld's revenue in 2011 was $764 million.

No decision has yet been announced by the Competition Tribunal as to whether it will decide to impose any penalty against EVRAZ Highveld or, if imposed, the amount of any such fine. EVRAZ Highveld will have the right to appeal the decision of the Competition Tribunal.

Management believes that EVRAZ Highveld acted in compliance with applicable laws and regulations. Thus, no provision for this matter has been accrued as of 31 December 2011. The Group has cooperated with the Competition Commission throughout the investigation and intends to continue to do so. Currently, the Group is reviewing the Competition Commission's complaint and preparing its response.

32. Auditor's Remuneration

The remuneration of the Group's auditor in respect of the services provided to the Group was as follows.

US$ million	2011	2010	2009
Audit of the parent company of the Group	**$4**	$2	$2
Audit of the subsidiaries	**7**	6	5
Total assurance services	**11**	8	7
Services in connection with capital market transactions	**3**	1	–
Other non-audit services	**2**	1	–
Total other services	**5**	2	–
	$16	**$10**	**$7**

The Group has early adopted the UK Companies Regulations 2011 (Statutory Instrument 2011/2198). Comparative amounts for 2010 and 2009 have been classified accordingly.

33. Subsequent Events

Final Dividends

On 26 March 2012, the Board of directors of EVRAZ plc proposed to declare final dividends for 2011 in the amount of $228 million, which represents $0.17 per share.

Buyback of Shares by Raspadskaya

In November 2011, Raspadskaya, a subsidiary of Corber, the Group's joint venture (Note 11), announced a buyback of up to 10% of its shares from shareholders. At the end of February 2012 Corber sold 48,351,712 shares back to Raspadskaya for $248 million. At 31 December 2011, the market value of these shares was $149 million.

Issue of Notes

In April 2012, Evraz Group S.A. issued notes amounting to $600 million. The notes bear interest of 7.40% per annum payable semi-annually and mature on 24 April 2017. The cash proceeds will be primarily used for the partial re-financing of existing debt.

Independent Auditor's Report to the Members of EVRAZ plc

We have audited the parent company financial statements of EVRAZ PLC for the period ended 31 December 2011 which comprise the Separate Statement of Comprehensive Income, Separate Statement of Financial Position, Separate Statement of Cash Flows, Separate Statement of Changes in Equity and the related notes 1 to 7. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 79, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the parent company financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the group financial statements of EVRAZ PLC for the year ended 31 December 2011.

Ken Williamson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London, United Kingdom
24 April 2012

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Separate Statement of Comprehensive Income
(in millions of US dollars)

	Note	Period from 23 September to 31 December 2011
General and administrative expenses		**$(1)**
Loss before taxation		**(1)**
Income tax benefit/(expense)		**–**
Net loss for the period		**(1)**
Share-based payments	5	**4**
Total comprehensive income for the period		**$3**

The accompanying notes form an integral part of these separate financial statements.

Separate Statement of Financial Position
(in millions of US dollars)

The Financial Statements on pages 153-160 were approved by the Board of Directors on 24 April 2012 and signed on its behalf by Alexander Frolov, Chief Executive Officer.

	Note	31 December 2011
ASSETS		
Non-current assets		
Investments in subsidiaries	3	**$2,073**
TOTAL ASSETS		**2,073**
EQUITY AND LIABILITIES		
Capital and reserves		
Issued capital	4	**1,338**
Reorganisation reserve	4	**(582)**
Share-based payments	5	**4**
Accumulated profits	4	**1,312**
Total equity		**2,072**
LIABILITIES		
Current liabilities		
Other payables		**1**
TOTAL LIABILITIES		**1**
TOTAL EQUITY AND LIABILITIES		**$2,073**

The accompanying notes form an integral part of these separate financial statements.

Separate Statement of Cash Flows
(in millions of US dollars)

	Period from 23 September to 31 December 2011
Cash flows from operating activities	
Net loss	**$(1)**
Changes in working capital:	
Trade and other payables	**1**
Net cash flow from/(used in) operating activities	**–**
Net increase/(decrease) in cash and cash equivalents	**–**
Cash and cash equivalents at the beginning of the period	**–**
Cash and cash equivalents at end of year	**$–**

The accompanying notes form an integral part of these separate financial statements.

Separate Statement of Changes in Equity
(in millions of US dollars)

	Note	Issued capital	Reorganisation reserve	Share-based payments	Accumulated profits	Total
At 23 September 2011		**$–**	**$–**	**$–**	**$–**	**$–**
Total comprehensive income/(expense) for the period	5	**–**	**–**	**4**	**(1)**	**3**
Issue of share capital in exchange for the shares of Evraz Group S.A.	4	**2,651**	**(582)**	**–**	**–**	**2,069**
Reduction in par value of shares	4	**(1,313)**	**–**		**1,313**	**–**
At 31 December 2011		**$1,338**	**$(582)**	**$4**	**$1,312**	**$2,072**

The accompanying notes form an integral part of these separate financial statements.

Notes to the Separate Financial Statements
for the period from 23 September to 31 December 2011

1. Corporate Information
These separate financial statements of EVRAZ plc were authorised for issue in accordance with a resolution of the directors on 24 April 2012.

EVRAZ plc ("EVRAZ plc" or "the Company") was incorporated on 23 September 2011 as a public company under the laws of the United Kingdom. The company was incorporated under the Companies Act 2006 with the registered number 7784342 (originally called Project Savannah plc which name was changed to EVRAZ plc by a resolution on 13 October 2011).The Company's registered office is at 5th Floor, 6 St. Andrew Street, London, EC4A 3AE, United Kingdom.

As a result of the reorganisation implemented by way of the share exchange offer made by the Company for the shares of Evraz Group S.A. (Luxembourg), on 7 November 2011, the Company became a new parent entity of Evraz Group S.A., a joint stock company registered in Luxembourg in 2004. Evraz Group S.A. is a holding company which owns steel production, mining and trading companies. At 31 December 2011, the Company held 99.82% in Evraz Group S.A.

The Company, together with its subsidiaries (the "Group"), is involved in the production and distribution of steel and related products and coal and iron ore mining. In addition, the Group produces vanadium products. The Group is one of the largest steel producers globally.

Lanebrook Limited (Cyprus) is the ultimate controlling party of the Group.

2. Significant Accounting Policies
Basis of Preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union and applicable requirements of the UK law.

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application as of 31 December 2011, but not adopted by the European Union, do not have any impact on the Company's financial statements. The standards issued but not yet effective for the financial statements for the year ended 31 December 2011 are disclosed in the consolidated financial statements.

These financial statements have been prepared on a going concern basis as the directors believe there are no material uncertainties that lead to significant doubt the entity can continue as a going concern in the foreseeable future.

Foreign Currency Transactions
The presentation and functional currency of the Company is US dollar. Transactions in foreign currencies are initially recorded in US dollar at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Investments in Subsidiaries
Participations in subsidiaries are initially stated at acquisition cost. Write-downs are recorded if, in the opinion of the management, there is any permanent impairment in value.

The cost of investment in Evraz Group S.A. was measured at the carrying amount of the equity items of Evraz Group S.A. as a separate legal entity at the date of the reorganisation.

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.

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.

3. Investments in Subsidiaries

Investments in subsidiaries consisted of the following as of 31 December 2011:

	Ownership interest	Cost, US$ million
Evraz Group S.A.	99.82%	2,073

On 17 October 2011, following the decision of the Board of directors, Evraz Group S.A. commenced the Group's reorganisation and re-domiciliation to the United Kingdom. This was implemented by means of the share exchange offer made by the Company to the shareholders of Evraz Group S.A., which were entitled to receive 9 shares of EVRAZ plc for each share of Evraz Group S.A.

Information about the share exchange is summarised below.

Date of exchange	Number of shares issued by EVRAZ plc	Number of shares of Evraz Group S.A. exchanged	Ownership interest exchanged
7 November 2011	1,313,258,883	145,917,653.67	98.01%
28 November 2011	23,212,353	2,579,150.33	1.73%
16 December 2011	1,089,477	121,053.00	0.08%
Total at 31 December 2011	**1,337,560,713**	**148,617,857.00**	**99.82%**
30 January 2012	839,388	93,265.33	0.06%
8 February 2012	659,790	73,310.00	0.05%
Total at closing of the offer	**1,339,059,891**	**148,784,432.33**	**99.93%**

On 17 February 2012, Mastercroft Finance Limited, an indirect subsidiary of EVRAZ plc, purchased the remaining GDRs of Evraz Group S.A. for $4 million and exchanged them for 869,469 newly issued shares of EVRAZ plc. Since that date Evraz Group S.A. became a wholly-owned subsidiary of EVRAZ plc.

The cost of investments in Evraz Group S.A. was measured at the carrying amount of the equity items shown in the separate accounts of Evraz Group S.A. at the dates of share exchange. In addition, the cost of investments in Evraz Group S.A. includes $4 million of share-based compensations to participants of Incentive Plans which are employed by the Company's indirect subsidiaries (Note 5).

4. Share Capital

Number of shares	31 December 2011
Issued and fully paid	
Ordinary shares of $1 each	**1,337,560,713**

EVRAZ plc does not have an authorised limit on its share capital.

At 31 December 2011 and 22 April 2012, Mastercroft Finance Limited had 0.06% and 0.12% interest, respectively, in the Company's issued capital.

As described in Note 3, the shares of EVRAZ plc were issued in the course of the share exchange offer. The first share exchange was performed on 7 November 2011: EVRAZ plc issued 1,313,258,883 ordinary shares with par value of $2 each and exchanged them for approximately 98.01% interest in Evraz Group S.A. The new shares were admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities.

The Company recognised a reorganisation reserve of $(582) million being the difference between the net assets of Evraz Group S.A. at 7 November 2011 and the par value of the issued shares of EVRAZ plc. This charge to equity reduced the amount of distributable reserves.

On 24 November 2011, the par value of the shares was reduced to $1, and $1,313 million representing distributable reserves were transferred to accumulated profits. All subsequent shares were issued with par value of $1 each.

Notes to the Separate Financial Statements (continued)
for the period from 23 September to 31 December 2011

5. Share-based Payments

As disclosed in Note 24 of the consolidated financial statements, in 2011 the Group had 2 Incentive Plans under which certain senior executives and employees (“participants”) could be gifted shares of Evraz Group S.A.

After the Group’s reorganisation the shares of Evraz Group S.A. granted under Incentive Plans have been substituted by the shares of EVRAZ plc. As such, EVRAZ plc recognised an expense arising from the share-based compensations from 7 November 2011 till the year end in the amount of $4 million as a cost of investments in Evraz Group S.A. with a corresponding increase in equity.

The share-based awards which were not exercised at 31 December 2011 amounted to 4,460,547 shares of EVRAZ plc. More details are provided in Note 24 of the consolidated financial statements.

6. Related Party Transactions

For the Company its direct and indirect subsidiaries, associates and joint venture partners, key management personnel and other entities that are under the control or significant influence of the key management personnel, the Company’s parent or its shareholders represent related parties.

In 2011, there were no transactions with related parties, except for the share exchange with Mastercoft Finance Limited (“MFL”) in the course of the reorganisation described in Note 3. MFL exchanged the global depositary receipts (“GDRs”) of Evraz Group S.A. into 775,410 shares of EVRAZ plc.

7. Subsequent Events

On 26 March 2012, the Board of directors of EVRAZ plc proposed to declare final dividends for 2011 in the amount of $228 million, which represent $0.17 per share.

Glossary of Selected Terms

Term	Definition
6S	A six-step system (sort, set in order, scrub, safety, standardise and sustain) used for improving the organisation of a workplace.
API-certified	American Petroleum Institute certified (API grade) products.
Average cash cost	Cash cost represents the cost of revenues and SG&A expenses less depreciation, foreign exchange (gains)/losses, impairment of assets and (gain)/loss on disposal of assets (i.e. all major non-cash items) plus maintenance CAPEX, the result is divided by sales volumes. Raw materials from EVRAZ's mining segment are supplied at market prices.
B-category rails	Thermally hardened rails of premium quality.
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.
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.
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.
Coking coal	Highly volatile coal used to manufacture coke.
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.
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.
Cut-to-length processing	Cutting-to-length is a stage in the preparation of flat rolled steel where coils are cut to lengths as required by customers.
Dividend payout ratio	The percentage of earnings paid to shareholders in dividends.
EBITDA	EBITDA represents profit from operations plus depreciation, depletion and amortisation, impairment of assets, loss (gain) on disposal of property, plant and equipment, and foreign exchange loss (gain).
Electrolyte (for vanadium redox batteries)	A type of rechargeable flow battery that uses vanadium ions in differing states of oxidation to store chemical potential energy.
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.
GDR	Global Depositary Receipt, a bank certificate issued in more than one country for shares in a foreign company.
Greenfield	The development or exploration of a new project not previously examined.
Hard coal	Alternative name for anthracite, the coal with the lowest levels of impurities and highest levels of carbon. Steam/thermal coal and metallurgical coking coal are both forms of hard coal.
Head-hardened rails	High strength rails with head hardened by heat treatment.
Hot-rolled finished steel	Steel which has been heated above recrystallisation temperature and passed through rollers.
HSE	Health, Safety and Environment.

Glossary of Selected Terms (continued)

Term	Definition
Indurating machine	A machine used to harden pellets.
Inventory turnover	Inventory turnover is the average number of days required to manufacture and sell inventory. The inventory turnover is determined as the average quarterly inventory balances for the reported year divided by the cost of goods sold and multiplied by 365.
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.
ISO 14001	The International Standardisation Organisation's standard for environmental management systems.
JORC Code	The Australasian Joint Ore Reserves Committee, which is widely accepted as a standard for professional reporting of Mineral Resources and Ore Reserves.
Ladle furnace	The secondary metallurgy vessel used between steelmaking and casting operations to allow the composition of molten steel to be brought to the required customer specification.
Lean	Lean is philosophy of managing the business that is based on a set of principles that define the way to work.
Long products	Include bars, rods and structural products that are 'long' rather than 'flat' and are produced from blooms or billets.
Longwall	An underground mining process in which the coal face is dug out by a shearer and transported above ground by conveyors.
LTIFR	Lost time injury frequency rate, which represents the number of lost time (1 day or more of absence) divided by the total number of hours worked expressed in millions of hours.
Lumping iron ore	Iron ore between 6mm and 30mm in size. Lump is preferred in the blast furnace as its particle size allows oxygen to circulate around the raw materials and melt them efficiently.
Maintenance CAPEX	Maintenance capex represents costs of replacement of items of property, plant and equipment during their useful lives.
Metallurgical coke	A carbon material manufactured by the "destructive distillation" of various blends of bituminous coal.
Net Debt	Net debt represents long-term and short-term loans and finance lease liabilities less cash and cash equivalents and short-term bank deposits.
Net profit adjusted for non-recurring items	Net profit represents net profit plus losses less gains on transactions that occur in very rare cases.
OCTG pipe	Oilfield Casing and Tubing Goods or Oil Country Tubular Goods – pipes used in the oil industry.
OHSAS 18001	The internationally recognised assessment specification for occupational health and safety management systems.
Old order/New order mining rights	Reference terms for South African mining agreements. Old order mining rights are those licences which were issued during the apartheid era, for New order mining rights to be awarded operators must collaborate with the Black Economic Empowerment partners.
OSB technology	Open Slag Bath Furnace. An electric steelmaking furnace, where the electrodes are not submersed, but are operated in a "brush" arc mode, where the electrode is just above the liquid slag.
Other steel products	Include rounds, grinding balls, mine uprights, strips etc.
Pellet	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.
Pipe blanks	A flat sheet of metal, a semi-finished product, sold to pipemakers to manufacture pipes.
Plate	A long thin square shaped construction element made from slabs.
Polychlorinated biphenyl	Type of organochloride, historically used in dielectric and coolant fluids.
Premium listing	Companies with a Premium Listing on the UK Main Market are required to meet the UK's super-equivalent rules and expected to meet the UK's highest standards of regulation and corporate governance.
Pulverised coal injection (PCI)	A cost-reducing technique in iron-making, where cheaper coal is prepared to replace normal coking coal in the blast furnace. The coal is pulverised into very small particles before injection into the furnace.

Term	Definition
Railway products	Include rails, rail fasteners, wheels, tyres and other goods for the railway sector.
Raw steam coal	Also known as thermal coal. Mainly used in energy generation.
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.
Revenue	Revenue is the amount of money in US dollars received or receivable from sales of our goods and services during the period.
Rolled steel products	Products finished in a rolling mill; these include bars, rods, plate, beams etc.
Rolling mill	A machine which converts semi-finished steel into finished steel products by passing them through sets of rotating cylinders which form the steel into finished products.
Rotary kiln	This device is used to raise materials to a high temperature so calcination can take place.
Scrap	Iron containing recyclable materials (mainly industrial or household waste) that is generally remelted and processed into new steel.
SAF technology	Submerged-arc furnace, a type of electrical steel making furnace technology.
Semi-finished 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.
Single-Minute Exchange of Die (SMED)	A production method used to speed up the production 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 manufacture.
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.
Steel sales volumes	Measured in millions of tonnes, combining all types of steel which was produce around the world by EVRAZ.
Tailings	Also called mine dumps, are the materials left over after the process of separating the valuable content from the uneconomic remainder (gangue) of an ore. These materials can be reprocessed using new methods to recover additional minerals.
Titaniferrous ores	Ore containing or yielding titanium. Titaniferous magnetite deposits are a significant source of vanadium.
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.
Vanadium converter slag	Vanadium slag produced from pig iron in the converter shop and used as a raw material by producers of ferroalloys and vanadium products.

Notes

Registered Name and Number

EVRAZ plc
(Company No. 07784342)

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Unsolicited Calls

Unsolicited telephone calls and correspondence

Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. These are typically from overseas-based 'brokers' who target US or UK shareholders, offering to sell them what often turns out to be worthless or high risk shares. These operations are commonly known as 'boiler rooms' and the 'brokers' can be very persistent and extremely persuasive.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/fsaregister and contacting the firm using the details on the register.
- Report the matter to the FSA either by calling 0845 606 1234 or visiting www.fsa.gov.uk/scams.
- If the calls persist, hang up.

Details of any share dealing facilities that the company endorses will be included in Company mailings.

Electronic Shareholder Communications

EVRAZ uses its website www.evraz.com as its primary means of communication with its shareholders provided that the shareholder has agreed or is deemed to have agreed that communications may be sent or supplied in that manner in accordance with the Companies Act 2006.

Electronic communications allows shareholders to access information instantly as well as helping EVRAZ reduce its costs and its impact on the environment. Shareholders can sign up for electronic communications via Computershare's Investor Centre website at www.investorcentre.co.uk Shareholders that have consented or are deemed to have consented to electronic communications can revoke their consent at any time by contacting the Company's registrar, Computershare.

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