Evraz Group S.A.

Unaudited Interim Condensed
Consolidated Financial Statements

Six-month period ended June 30, 2007

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Six-month period ended June 30, 2007

Contents

ERNST & YOUNG

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel.: 7 (495) 705-9700
7 (495) 755-9700
Fax: 7 (495) 755-9701
www.ey.com/russia

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: 7 (495) 705-9700
7 (495) 755-9700
Факс: 7 (495) 755-9701
ОКПО: 59002827

Report on Review of Interim Condensed Consolidated Financial Statements

The Shareholders and Board of Directors
Evraz Group S.A.

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Evraz Group S.A. and its subsidiaries ("the Group") as at June 30, 2007 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matter

We draw attention to Note 1 to the interim condensed consolidated financial statements. A significant part of the Group's transactions were made with related parties including, but not limited to, associates.

Ernst & Young LLC

October 4, 2007

Evraz Group S.A.
Unaudited Interim Condensed Consolidated Income Statement

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

	Notes	Six-month period ended June 30, 2007	2006*
Revenue			
Sale of goods		**$ 5,917**	$ 3,766
Rendering of services		**106**	59
		6,023	3,825
Cost of revenue		**(3,725)**	(2,517)
Gross profit		**2,298**	1,308
Selling and distribution costs		**(205)**	(118)
General and administrative expenses		**(282)**	(228)
Social and social infrastructure maintenance expenses		**(33)**	(40)
Loss on disposal of property, plant and equipment		**(4)**	(11)
Impairment of assets		**(5)**	(10)
Foreign exchange gains/(losses), net		**(6)**	39
Other operating income/(expenses), net		**(8)**	(6)
Profit from operations		**1,755**	934
Interest income		**19**	8
Interest expense		**(181)**	(107)
Share of profits/(losses) of joint ventures and associates, net	**8**	**46**	10
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	**4**	**2**	–
Loss on financial liabilities		**(2)**	–
Loss on disposal groups classified as held for sale	**4**	**(3)**	–
Other non-operating gains/(losses), net		**2**	3
Profit before tax		**1,638**	848
Income tax expense	**6**	**(476)**	(240)
Net profit		**$ 1,162**	$ 608
Attributable to:			
Equity holders of the parent entity		**$ 1,126**	$ 568
Minority interests		**36**	40
		$ 1,162	$ 608
Earnings per share:			
basic, for profit attributable to equity holders of the parent entity, US dollars	**11**	**$ 9.56**	$ 4.86
diluted, for profit attributable to equity holders of the parent entity, US dollars	**11**	**$ 9.48**	$ 4.82

* The amounts shown here do not correspond to the financial statements for the six-month period ended June 30, 2006 and reflect adjustments made in connection with the completion of initial accounting as detailed in Notes 2 and 4.

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

Evraz Group S.A.

Unaudited Interim Condensed Consolidated Balance Sheet

(In millions of US dollars)

	Notes	**June 30, 2007**	**December 31, 2006***
ASSETS			
Non-current assets			
Property, plant and equipment	**7**	**$ 7,557**	$ 3,665
Intangible assets other than goodwill		**703**	34
Goodwill	**5**	**1,282**	115
Investments in joint ventures and associates	**8**	**835**	1,491
Restricted deposits at banks		**12**	219
Other non-current assets		**129**	67
		10,518	5,591
Current assets			
Inventories		**1,335**	855
Trade and other receivables		**997**	638
Loans receivable		**16**	19
Receivables from related parties	**10**	**48**	54
Income tax receivable		**29**	51
Other taxes recoverable		**319**	331
Short-term investments and notes receivable		**24**	25
Restricted deposits at banks	**9**	**207**	–
Cash and cash equivalents	**9**	**386**	842
		3,361	2,815
Assets of disposal groups classified as held for sale	**4**	**567**	105
		3,928	2,920
Total assets		**$ 14,446**	$ 8,511
EQUITY AND LIABILITIES			
Equity			
Parent shareholders' equity			
Issued capital	**11**	**$ 320**	$ 318
Treasury shares	**11**	**(1)**	–
Additional paid-in capital		**284**	531
Revaluation surplus	**4**	**274**	–
Legal reserve		**29**	28
Accumulated profits		**3,625**	2,748
Translation difference		**542**	439
		5,073	4,064
Minority interests		**119**	169
		5,192	4,233
Non-current liabilities			
Long-term loans	**12**	**2,201**	1,855
Deferred income tax liabilities		**1,228**	289
Finance lease liabilities		**58**	42
Post-employment benefits		**264**	111
Provisions	**13**	**104**	39
Other long-term liabilities		**65**	52
		3,920	2,388
Current liabilities			
Trade and other payables		**856**	532
Short-term loans and current portion of long-term loans	**12**	**2,951**	741
Payables to related parties	**10**	**227**	176
Income tax payable		**139**	66
Other taxes payable		**150**	96
Current portion of finance lease liabilities		**14**	11
Provisions	**13**	**55**	8
Amounts payable under put options for shares of subsidiaries	**4**	**797**	175
Dividends payable by the parent entity to its shareholders		**71**	38
Dividends payable by the Group's subsidiaries to minority shareholders		**27**	24
		5,287	1,867
Liabilities directly associated with disposal groups classified as held for sale	**4**	**47**	23
		5,334	1,890
Total equity and liabilities		**$ 14,446**	$ 8,511

***** The amounts shown here do not correspond to the financial statements as of December 31, 2006 and reflect adjustments made in connection with the completion of initial accounting and reclassifications as detailed in Notes 2 and 4.

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

Evraz Group S.A.

Unaudited Interim Condensed Consolidated Cash Flow Statement

(In millions of US dollars)

	Six-month period ended June 30, 2007	Six-month period ended June 30, 2006*
Cash flows from operating activities		
Net profit	**$ 1,162**	$ 608
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation, depletion and amortisation	**286**	141
Deferred income tax benefit	**(23)**	(32)
Loss on disposal of property, plant and equipment	**4**	11
Impairment of assets	**5**	10
Foreign exchange (gains)/losses, net	**6**	(39)
Share of (profits)/losses of joint ventures and associates, net	**(46)**	(10)
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition	**(2)**	–
Loss on financial liabilities	**2**	–
Loss on disposal groups classified as held for sale	**3**	–
Other non-operating (gains)/losses, net	**(2)**	(3)
Interest income	**(19)**	(8)
Interest expense	**181**	107
Bad debt expense	**8**	10
Share-based payments	**3**	6
	1,568	801
Changes in working capital:		
Inventories	**59**	217
Trade and other receivables	**(51)**	(151)
Prepayments	**14**	8
Receivables from/payables to related parties	**18**	(28)
Taxes recoverable	**109**	85
Other assets	**9**	1
Trade and other payables	**(110)**	38
Advances from customers	**(1)**	30
Taxes payable	**35**	(93)
Other liabilities	**1**	(4)
Net cash flows from operating activities	**1,651**	904
Cash flows from investing activities		
Issuance of loans receivable	**(3)**	–
Proceeds from repayment of loans receivable, including interest	**11**	–
Purchases of subsidiaries, net of cash acquired	**(3,507)**	(11)
Prepayments for purchases of subsidiaries	**–**	(12)
Purchases of minority interests	**(45)**	(1)
Payments to acquire equity of other companies	**(2)**	–
Purchase of interest in associates/joint ventures	**–**	(522)
Restricted deposits at banks	–	10
Short-term deposits at banks, including interest	**14**	(264)
Purchases of property, plant and equipment	**(235)**	(262)
Proceeds from disposal of property, plant and equipment	**8**	5
Proceeds from sale/redemption of debt instruments of other companies	–	1
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	**82**	–
Dividends and advances in respect of future dividends received	**41**	20
Net cash flows used in investing activities	**(3,636)**	(1,036)

* The amounts shown here do not correspond to the financial statements for the six-month period ended June 30, 2006 and reflect adjustments made in connection with the completion of initial accounting as detailed in Notes 2 and 4.

Continued on the next page

Unaudited Interim Condensed Consolidated Cash Flow Statement (continued)

(In millions of US dollars)

	Six-month period ended June 30, 2007	2006*
Cash flows from financing activities		
Proceeds from issuance of share capital, net of transaction costs	**$ –**	$ 1
Proceeds from exercise of share options *(Note 11)*	**35**	–
Purchase of treasury shares *(Note 11)*	**(12)**	–
Sale of treasury shares	**5**	–
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**180**	48
Proceeds from loans and promissory notes	**2,051**	277
Repayment of loans and promissory notes, including interest	**(337)**	(199)
Repayment of loans and promissory notes, including interest, to related parties	**(1)**	–
Dividends paid by the parent entity to its shareholders	**(357)**	(134)
Dividends paid by the Group's subsidiaries to minority shareholders	**(28)**	(24)
Payments under finance leases, including interest	**(11)**	(10)
Payments of restructured taxes, including interest	**–**	(4)
Net cash flows from/(used in) financing activities	**1,525**	(45)
Effect of foreign exchange rate changes on cash and cash equivalents	**4**	18
Net decrease in cash and cash equivalents	**(456)**	(159)
Cash and cash equivalents at beginning of period	**842**	641
Cash and cash equivalents at end of period	**$ 386**	$ 482
Supplementary cash flow information:		
Cash flows during the period:		
Interest paid	**$ (150)**	$ (96)
Interest received	**13**	7
Income taxes paid	**(409)**	(251)

* The amounts shown here do not correspond to the financial statements for the six-month period ended June 30, 2006 and reflect adjustments made in connection with the completion of initial accounting as detailed in Notes 2 and 4.

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

Unaudited Interim Condensed 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**	**Accumulated profits**	**Translation difference**	**Total**	**Minority interests**	**Total Equity**
At December 31, 2006 (as previously reported)	**$ 318**	**$ –**	**$ 531**	**$ –**	**$ 28**	**$ 2,758**	**$ 439**	**$ 4,074**	**$ 176**	**$ 4,250**
Adjustments to provisional values *(Notes 4 and 8)*	**–**	**–**	**–**	**–**	**–**	**(10)**	**–**	**(10)**	**(7)**	**(17)**
At December 31, 2006 (as restated)	**318**	**–**	**531**	**–**	**28**	**2,748**	**439**	**4,064**	**169**	**4,233**
Effect of exchange rate changes	**–**	**–**	**–**	**–**	**–**	**–**	**103**	**103**	**2**	**105**
Revaluation surplus on acquisition of a controlling interest in associates *(Note 4)*	**–**	**–**	**–**	**274**	**–**	**–**	**–**	**274**	**–**	**274**
Total income and expense for the period recognised directly in equity	**–**	**–**	**–**	**274**	**–**	**–**	**103**	**377**	**2**	**379**
Net profit	**–**	**–**	**–**	**–**	**–**	**1,126**		**1,126**	**36**	**1,162**
Total income and expense for the period	**–**	**–**	**–**	**274**	**–**	**1,126**	**103**	**1,503**	**38**	**1,541**
Minority interests arising on acquisition of subsidiaries *(Note 4)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**267**	**267**
Decrease in minority interests arising due to change in ownership within the Group	**–**	**–**	**–**	**–**	**–**	**5**	**–**	**5**	**(5)**	**–**
Derecognition of minority interests in subsidiaries *(Note 4)*	**–**	**–**	**–**	**–**	**–**	**(139)**	**–**	**(139)**	**(317)**	**(456)**
Share-based payments	**–**	**–**	**3**	**–**	**–**	**–**	**–**	**3**	**–**	**3**
Purchase of treasury shares *(Note 11)*	**–**	**(12)**	**–**	**–**	**–**	**–**	**–**	**(12)**	**–**	**(12)**
Exercise of share options *(Note 11)*	**2**	**11**	**33**	**–**	**–**	**(7)**	**–**	**39**	**–**	**39**
Appropriation of net profit to legal reserve	**–**	**–**	**–**	**–**	**1**	**(1)**	**–**	**–**	**–**	**–**
Dividends declared by the parent entity to its shareholders *(Note 11)*	**–**	**–**	**(283)**	**–**	**–**	**(107)**	**–**	**(390)**	**–**	**(390)**
Dividends declared by the Group's subsidiaries to minority shareholders *(Note 11)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(33)**	**(33)**
At June 30, 2007	**$ 320**	**$ (1)**	**$ 284**	**$ 274**	**$ 29**	**$ 3,625**	**$ 542**	**$ 5,073**	**$ 119**	**$ 5,192**

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

Evraz Group S.A.

Unaudited Interim Condensed 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**	**Accumulated profits**	**Translation difference**	**Total**	**Minority interests**	**Total equity**
At December 31, 2005 (as previously reported)	$ 316	$ –	$ 547	$ –	$ 22	$ 1,738	$ 72	$ 2,695	$ 190	$ 2,885
Adjustment to provisional values of the associate	–	–	–	–	–	12	–	12	–	12
At December 31, 2005 (as restated)	316	–	547	–	22	1,750	72	2,707	190	2,897
Effect of exchange rate changes	–	–	–	–	–	–	238	238	11	249
Total income and expense for the period recognised directly in equity	–	–	–	–	–	–	238	238	11	249
Net profit	–	–	–	–	–	568	–	568	40	608
Total income and expense for the period	–	–	–	–	–	568	238	806	51	857
Issue of share capital, net of transaction costs	–	–	1	–	–	–	–	1	–	1
Allocation of losses of prior periods to minority shareholders	–	–	–	–	–	5	–	5	–	5
Acquisition of minority interests in existing subsidiaries	–	–	–	–	–	–	–	–	(1)	(1)
Increase in minority interests arising due to change in ownership within the Group	–	–	–	–	–	(1)	–	(1)	1	–
Reorganisation of ownership structure within a joint venture	–	–	–	–	–	4	–	4	–	4
Share-based payments	–	–	6	–	–	–	–	6	–	6
Appropriation of net profit to legal reserve	–	–	–	–	6	(6)	–	–	–	–
Dividends declared by the parent entity to its shareholders	–	–	(94)	–	–	(64)	–	(158)	–	(158)
Dividends declared by the Group's subsidiaries to minority shareholders	–	–	–	–	–	–	–	–	(24)	(24)
At June 30, 2006	$ 316	$ –	$ 460	$ –	$ 28	$ 2,256	$ 310	$ 3,370	$ 217	$ 3,587

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

1. Corporate Information

These interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors on October 4, 2007.

Evraz Group S.A. ("Evraz Group") is a limited liability company registered under the laws of Luxembourg on December 31, 2004. The registered address of Evraz Group is 1, Allee Scheffer L-2520, Luxembourg.

Lanebrook Limited (Cyprus) is the ultimate controlling party of Evraz Group.

Evraz Group, together with its subsidiaries (the "Group"), is involved in production and distribution of steel and related products. In addition, the Group owns and operates certain mining assets. The Group's steel production and mining facilities are mainly located in the Russian Federation. The Group is one of the biggest steel producers in the Russian Federation.

In the six-month periods ended June 30, 2007 and 2006, approximately 7% of the Group's revenues were generated in transactions with related parties. In addition, a certain part of the Group's purchases was made in transactions with related parties including, but not limited to, a joint venture and associates. For detailed information related to such activities refer to Note 10.

2. Basis of Preparation and Accounting Policies

Basis of Preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". Accordingly, the interim condensed consolidated financial statements do not include all the information and disclosures required for a complete set of financial statements, and should be read in conjunction with the Group's financial statements for the year ended December 31, 2006.

Operating results for the six-month period ended June 30, 2007 are not necessarily indicative of the results that may be expected for the year ended December 31, 2007.

2. Basis of Preparation and Accounting Policies (continued)

Basis of Preparation (continued)

In 2006, the Group finalised its purchase price allocation on the acquisition of ownership interests in Palini e Bertoli. In addition, the Group's joint venture completed initial accounting in respect of the acquisition of MUK-96. As a result, the Group recognised adjustments to the provisional values of identifiable assets, liabilities and contingent liabilities of these entities at the dates of acquisition and restated the Group's consolidated income statement for the six-month period ended June 30, 2006.

In 2007, the Group finalised its purchase price allocation on the acquisition of ownership interest in Strategic Minerals Corporation (Note 4) and adjusted consolidated balance sheet as of December 31, 2006. In addition, adjustments to provisional values have been made in respect of Highveld Steel and Vanadium Corporation (Note 8) resulting in a change in the amount of investments in associates at December 31, 2006.

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

Significant Accounting Policies

In the preparation of the interim condensed consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the complete consolidated financial statements for year ended December 31, 2006, except for the adoption of new standards and interpretations and revision of the existing IAS:

- IFRS 7 "Financial Instruments: Disclosures";
- IAS 1 (amended) "Presentation of Financial Statements";
- IFRIC 8 "Scope of IFRS 2";
- IFRIC 10 "Interim Financial Reporting and Impairment".

The Group has also early adopted IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions".

Adoption of these standards and interpretations did not significantly affect the Group's results of operations or financial position.

The Group has not applied IFRS 8 "Operating Segments" because it is not yet effective.

3. Segment Information

The Group's major business segments are steel production and mining. Steel production segment includes production of steel and related products at six steel mills. Mining segment includes iron ore and coal mining and enrichment.

The following tables present revenue and profit information regarding business segments for the six-month periods ended June 30, 2007 and 2006:

Six-month period ended June 30, 2007

US$ million	**Steel production**	**Mining**	**Other operations**	**Eliminations**	**Total**
Revenue					
Sales to external customers	**$ 5,851**	**$ 107**	**$ 65**	**$ –**	**$ 6,023**
Inter-segment sales	**54**	**698**	**334**	**(1,086)**	**–**
Total revenue	**5,905**	**805**	**399**	**(1,086)**	**6,023**
Result					
Segment result	**$ 1,439**	**$ 298**	**$ 30**	**$ (5)**	**$ 1,762**
Unallocated income/(expenses), net					**(7)**
Profit from operations					**$ 1,755**
Share of profits/(losses) of joint ventures and associates, net	**21**	**25**	**–**		**46**
Other income/(expenses), net					**(163)**
Income tax expense					**(476)**
Net profit					**$ 1,162**

Six-month period ended June 30, 2006

US$ million	**Steel production**	**Mining**	**Other operations**	**Eliminations**	**Total**
Revenue					
Sales to external customers	$ 3,727	$ 53	$ 45	$ –	$ 3,825
Inter-segment sales	37	427	261	(725)	–
Total revenue	3,764	480	306	(725)	3,825
Result					
Segment result	$ 837	$ 106	$ 24	$ (38)	$ 929
Unallocated income/(expenses), net					5
Profit from operations					$ 934
Share of profits/(losses) of joint ventures and associates, net	–	10	–		10
Other income/(expenses), net					(96)
Income tax expense					(240)
Net profit					$ 608

4. Acquisitions of and Changes in Ownership Interests in Subsidiaries

Acquisition of Oregon Steel Mills

On January 12, 2007, the Group acquired 32,470,867 shares of Oregon Steel Mills, Inc. ("OSM") through a tender offer, representing approximately 90.65% of the outstanding ordinary shares of OSM. OSM, located in the United States and Canada, produces plates, pipes, rails and other long steel products.

In accordance with the US legislation, following the acquisition of the controlling interest in OSM, all the untendered shares were converted into the right to receive $63.25 in cash which is the same price per share paid during the tender offer. As a result, the Group effectively acquired a 100% ownership interest in OSM. On January 23, 2007, OSM was merged with the Group's wholly owned subsidiary and the merged entity was named as Evraz Oregon Steel Mills, Inc.

Total cash consideration for the acquisition of a 100% ownership interest in OSM amounted to $2,273 million, including transaction costs of $7 million.

As a result, the financial position and the results of operations of OSM were included in the Group's consolidated financial statements beginning January 12, 2007. The acquisition of OSM was accounted for based on provisional values as the Group, as of the date of authorisation of issue of these financial statements, has not completed purchase price allocation in accordance with IFRS 3 "Business Combinations".

The table below sets forth the provisional fair values of OSM's consolidated identifiable assets, liabilities and contingent liabilities at the date of acquisition:

US$ million	**January 12, 2007**
Property, plant and equipment	$ 1,038
Intangible assets	373
Other non-current assets	3
Inventories	442
Accounts and notes receivable	131
Cash	2
Total assets	**1,989**
Deferred income tax liabilities	359
Non-current liabilities	155
Current liabilities	235
Total liabilities	**749**
Minority interests	**46**
Net assets	**$ 1,194**
Purchase consideration	**$ 2,273**
Goodwill	**$ 1,079**

4. Acquisitions of and Changes in Ownership Interests in Subsidiaries (continued)

Acquisition of Oregon Steel Mills (continued)

Cash flow on acquisition during the six-month period ended June 30, 2007 was as follows:

US$ million		
Net cash acquired with the subsidiary	$	2
Cash paid		(2,269)
Net cash outflow	**$**	**(2,267)**

Certain transaction costs amounting to $4 million were paid in 2006.

For the period from January 12, 2007 to June 30, 2007, OSM reported net loss amounting to $12 million.

Acquisition of West-Siberian Heat and Power Plant

On May 3, 2007, the Group acquired a 93.35% ownership interest in OAO West-Siberian Heat and Power Plant ("ZapSibTETs"), an energy generating company located in Novokuznetsk, the Russian Federation, for cash consideration of 5,945 million roubles ($231 million at the exchange rate as of the date of the transaction). In addition, the Group incurred transaction costs of $1 million.

As a result, the financial position and the results of operations of ZapSibTETs were included in the Group's consolidated financial statements beginning May 3, 2007. The acquisition of ZapSibTETs was accounted for based on provisional values as the Group, as of the date of authorisation of issue of these financial statements, has not completed purchase price allocation in accordance with IFRS 3 "Business Combinations". The table below sets forth the provisional fair values of ZapSibTETs's consolidated identifiable assets, liabilities and contingent liabilities at the date of acquisition:

US$ million		**May 3, 2007**
Property, plant and equipment	$	189
Other non-current assets		1
Inventories		3
Accounts and notes receivable		2
Cash		13
Total assets		**208**
Deferred income tax liabilities		31
Current liabilities		6
Total liabilities		**37**
Net assets	**$**	**171**
Fair value of net assets attributable to 93.35% ownership interest	**$**	**159**
Purchase consideration	**$**	**232**
Goodwill	**$**	**73**

4. Acquisitions of and Changes in Ownership Interests in Subsidiaries (continued)

Acquisition of West-Siberian Heat and Power Plant (continued)

Cash flow on acquisition was as follows:

US$ million		
Net cash acquired with the subsidiary	$	13
Cash paid		(227)
Net cash outflow	**$**	**(214)**

As of June 30, 2007, transaction costs were unpaid and included in accounts payable in the accompanying consolidated balance sheet.

For the period from May 3, 2007 to June 30, 2007, ZapSibTETs reported net loss amounting to $3 million.

In accordance with the Russian legislation, an acquirer, which purchases not less than 30% of the acquiree's share capital, is obliged to offer to minority shareholders to sell their holdings ("obligatory offer"). Following this requirement, on June 4, 2007, the Group made an offer to minority shareholders of ZapSibTETs to sell their stakes to the Group at a price of 10.59 roubles per share ($0.41 at the exchange rate as of June 4, 2007). The total purchase consideration for the ownership interests that could be acquired amounts to 427 million roubles ($17 million at the exchange rate as of June 4, 2007). The Group derecognised all minority interests in ZapSibTETs amounting to $9 million and accrued a liability to the minority shareholders in the amount of $17 million. The excess of the amount of the liability over the carrying value of the derecognised minority interests amounting to $8 million was charged to accumulated profits.

Purchase of a Controlling Interest in Highveld Steel and Vanadium Corporation

On July 13, 2006, the Group acquired a 24.9% ownership interest in Highveld Steel and Vanadium Corporation Limited ("Highveld"), one of the largest steel producers in the South Africa and a leading producer of vanadium products. Cash consideration amounted to $216 million, including $10 million of transaction costs. In addition, the Group entered into option agreements with Anglo South Africa Capital (Proprietary) Limited ("Anglo") and Credit Suisse International ("Credit Suisse"), the major shareholders of Highveld, to increase this stake to 79% within the next 24 months should such a decision be made by the Board of directors of Evraz Group S.A. and subject to receipt of all necessary regulatory approvals.

On February 20, 2007, the European Commission approved the proposed acquisition of the controlling interest in Highveld, subject to certain conditions (Note 14) and the directors resolved to proceed with the purchase transaction at the meeting held on February 26, 2007.

4. Acquisitions of and Changes in Ownership Interests in Subsidiaries (continued)

Purchase of a Controlling Interest in Highveld Steel and Vanadium Corporation (continued)

On April 26, 2007, the Group obtained the regulatory approvals of the South African competition authorities and the share options became exercisable. As a result, the financial position and results of operations of Highveld were included in the Group's consolidated financial statements beginning April 26, 2007 as the Group effectively exercised control over Highveld's operations since that date. In the period from July 13, 2006 to April 26, 2007, the Group accounted for its investment in Highveld under the equity method (Note 8).

The acquisition of Highveld was accounted for based on provisional values as the Group, as of the date of authorisation of issue of these financial statements, has not completed purchase price allocation in accordance with IFRS 3 "Business Combinations". The table below sets forth the provisional fair values of Highveld's consolidated identifiable assets, liabilities and contingent liabilities at the date of the business combination:

US$ million		**April 26, 2007**
Property, plant and equipment	$	382
Intangible assets		339
Other non-current assets		17
Inventories		69
Accounts and notes receivable		147
Cash		60
Assets of disposal groups classified as held for sale		536
Total assets	**$**	**1,550**
Non-current liabilities	$	42
Deferred income tax liabilities		183
Current liabilities		325
Liabilities directly associated with disposal groups classified as held for sale		44
Total liabilities		**594**
Net assets	**$**	**956**

On April 26, 2007, the Group recognised revaluation surplus amounting to $85 million in respect of the change in fair values of identifiable assets, liabilities and contingent liabilities of Highveld allocated to the previously acquired stakes.

Cash flow on acquisition was as follows:

US$ million		
Net cash acquired with the subsidiary	$	60
Cash paid		(241)
Net cash outflow	**$**	**(181)**

4. Acquisitions of and Changes in Ownership Interests in Subsidiaries (continued)

Purchase of a Controlling Interest in Highveld Steel and Vanadium Corporation (continued)

For the period from April 26, 2007 to June 30, 2007, Highveld reported net profit amounting to $20 million.

The acquisition of Highveld was achieved in stages. Cost of the business combination at each stage, the provisional values of Highveld's identifiable consolidated assets, liabilities and contingent liabilities and goodwill are summarised in the table below:

US$ million	**July 13, 2006** *(Note 8)*	**February 26, 2007** *(Note 8)*	**April 26, 2007**	**Total**
Ownership interest acquired	24.9%	54.1%	0%	79%
Cost of business combination	216	442	–	658
Provisional values of Highveld's identifiable consolidated assets, liabilities and contingent liabilities	659	822	956	–
Goodwill/(excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition)	52	(2)	–	50

On May 4, 2007, the Group exercised its option and acquired a 29% ownership interest in Highveld for cash consideration of $238 million from Anglo. In addition, the Group paid transaction costs amounting to $3 million.

In accordance with the South African legislation, an acquirer, which purchases 35% of the acquiree's share capital, is obliged to offer to minority shareholders to sell their holdings.

Following this requirement, on June 4, 2007, the Group made an offer to acquire the entire share capital of Highveld, other than those shares already held by the Group, at a price of $11.40 per share. On July 16, 2007, the Group increased the offer price from the South African rands equivalent of $11.40 per share to 93 South African rands ($13.03 at the exchange rate as of June 4, 2007) which represents an approximately 14% increase to the previous offer price.

The total purchase consideration for the minority interests that could be acquired amounts to $271 million. The Group derecognised minority interests in the amount of $201 million representing 21% ownership interest in Highveld, and accrued a liability to minority shareholders in the amount of $237 million. The liability was measured at a price of $11.40 per share. The excess of the amount of the liability over the carrying value of the derecognised minority interests amounting to $36 million was charged to accumulated profits.

4. Acquisitions of and Changes in Ownership Interests in Subsidiaries (continued)

Purchase of a Controlling Interest in ZAO Yuzhkuzbassugol

On June 8, 2007, the Group acquired an additional 50% ownership interest in ZAO Yuzhkuzbassugol ("Yuzhkuzbassugol"), the Group's associate, for cash consideration of $871 million, including transaction costs of $9 million, increasing the Group's ownership interest in Yuzhkuzbassugol to 100%.

As a result, the financial position and results of operations of Yuzhkuzbassugol were included in the Group's consolidated financial statements beginning June 8, 2007 as the Group effectively exercised control over Yuzhkuzbassugol's operations since that date. In the period from January 1, 2007 to June 8, 2007, the Group accounted for its investment in Yuzhkuzbassugol under the equity method (Note 8).

The acquisition of a controlling interest in Yuzhkuzbassugol was accounted for based on provisional values as the Group, as of the date of authorisation of issue of these financial statements, has not completed purchase price allocation in accordance with IFRS 3 "Business Combinations".

The table below sets forth the provisional fair values of Yuzhkuzbassugol's consolidated identifiable assets, liabilities and contingent liabilities at the date of acquisition:

US$ million	**June 8, 2007**
Mineral reserves	$ 1,578
Other property, plant and equipment	663
Investments in associates	211
Other non-current assets	45
Inventories	38
Accounts and notes receivable	99
Cash	17
Total assets	**2,651**
Deferred income tax liabilities	394
Non-current liabilities	145
Current liabilities	361
Total liabilities	**900**
Minority interests	**9**
Net assets	**$ 1,742**
Fair value of net assets attributable to 50% ownership interest	**$ 871**
Purchase consideration	**$ 871**

4. Acquisitions of and Changes in Ownership Interests in Subsidiaries (continued)

Purchase of a Controlling Interest in ZAO Yuzhkuzbassugol (continued)

On June 8, 2007, the Group recognised revaluation surplus amounting to $189 million in respect of the change in fair values of identifiable assets, liabilities and contingent liabilities of Yuzhkuzbassugol allocated to the previously acquired stake.

Cash flow on acquisition was as follows:

US$ million		
Net cash acquired with the subsidiary	$	17
Cash paid		(862)
Net cash outflow	**$**	**(845)**

As of June 30, 2007, transaction costs were unpaid and included in accounts payable in the accompanying consolidated balance sheet.

For the period from June 8, 2007 to June 30, 2007, Yuzhkuzbassugol reported net loss amounting to $8 million.

Disclosure of Other Information in Respect of Business Combinations

It is impracticable to determine revenues and net profit of the combined entity on the assumption that all business combinations effected during the period had occurred at the beginning of the year.

It is also impracticable to determine the carrying amounts of each class of the acquirees' assets, liabilities and contingent liabilities, determined in accordance with IFRS, immediately before the combination, because the acquirees did not prepare financial statements in accordance with IFRS before acquisitions.

Offers to Acquire Minority Interests in the Group's Subsidiaries

In March 2007, the Group made voluntary offers to minority shareholders of its three subsidiaries (Nizhny Tagil Iron and Steel Plant, Vysokogorsky Mining-and-Processing Integrated Works and Nakhodka Trade Sea Port) to sell their stakes to the Group.

At the dates of voluntary offers, the Group derecognised minority interests in Nizhny Tagil Iron and Steel Plant, Vysokogorsky Mining-and-Processing Integrated Works and Nakhodka Trade Sea Port in the amount of $92 million, $9 million and $2 million, respectively, and accrued a liability to minority shareholders in the amount of $162 million, $9 million and $3 million, respectively.

4. Acquisitions of and Changes in Ownership Interests in Subsidiaries (continued)

Offers to Acquire Minority Interests in the Group's Subsidiaries (continued)

The liabilities were measured based on the expected amounts to be paid to minority shareholders being the highest price for the shares during the period of six months up to the date of its recognition, as required by the legislation. The excess of the amount of the liability over the carrying value of the derecognised minority interests amounting to $70 million, $0 million and $1 million, respectively, was charged to accumulated profits.

The Group acquired minority interests of 1.09%, 0.83% and 1.54% in Nizhny Tagil Iron and Steel Plant, Vysokogorsky Mining-and-Processing Integrated Works and Nakhodka Trade Sea Port, respectively, for cash consideration of $37 million, $2 million and $1 million, respectively.

As a result, the Group has obtained in each of the above mentioned subsidiaries an ownership interest exceeding 95% of the share capital. As such, the Group became subject to the regulations that require a controlling shareholder to acquire the company's shares in case when the minority shareholders are willing to sell their stakes. On the other hand, a controlling shareholder can require the minority shareholders to sell their stakes.

Adjustment to Minority Interests Derecognised in 2006

In 2006, the Group's share in West-Siberian Iron and Steel Plant ("ZapSib") and Kachkanarsky Mining-and-Processing Integrated Works ("KGOK") exceeded 95% and minority interests were derecognised and a liability to minority shareholders was accrued.

In 2007, the liability to minority shareholders as of December 31, 2006 was measured by independent experts. The excess of the new valuation over the liability to minority shareholders recognised as of December 31, 2006 amounting to $24 million was charged to accumulated profits in the accompanying statement of changes in equity for the six-month period ended June 30, 2007.

Sale of Nerungriugol

On April 25, 2007, the Group completed the sale of Nerungriugol, the Group's subsidiary, which was classified as a disposal group held for sale in 2006. In prior year, the Group recognised a loss on assets held for sale relating to Nerungriugol in the amount of $66 million. Upon completion of the transaction, the Group recognised additional loss representing the difference between the estimated recoverable amount of the disposal group as of December 31, 2006 and actual proceeds. This additional loss amounting to $3 million was included in the accompanying income statement for the six-month period ended June 30, 2007.

Adjustments to Provisional Values

In the six-month period ended June 30, 2007, the Group recognised adjustments to the provisional values of identifiable assets, liabilities and contingent liabilities of Strategic Minerals Corporation ("Stratcor") acquired in August 2006.

4. Acquisitions of and Changes in Ownership Interests in Subsidiaries (continued)

Adjustments to Provisional Values (continued)

At December 31, 2006, the acquisition of Stratcor was accounted for based on provisional values as at the date of authorisation of issue of the financial statements for the year ended December 31, 2006 the subsidiary has not completed valuation of assets in accordance with IFRS 3. In 2007, the Group finalised its purchase price allocation on the acquisition of Stratcor. As a result, the Group recognised adjustments to the provisional values of identifiable assets, liabilities and contingent liabilities as at August 23, 2006. Identifiable assets, liabilities and contingent liabilities of the acquiree and the resulting goodwill were as follows:

US$ million	**Initial estimation of fair values**	**Final estimation of fair values**
Property, plant and equipment	$ 123	$ 81
Intangible assets	–	27
Other non-current assets	3	3
Inventories	51	57
Accounts and notes receivable	31	31
Cash	39	39
Total assets	**247**	**238**
Non-current liabilities	41	46
Deferred income tax liabilities	22	22
Current liabilities	50	47
Total liabilities	**113**	**115**
Net assets	**$ 134**	**$ 123**
Fair value of net assets attributable to 72.84% ownership interest	**97**	**89**
Purchase consideration	**125**	**128**
Goodwill	**28**	**39**

5. Goodwill

The table below presents movements in the carrying amount of goodwill during the six-month period ended June 30, 2007.

US$ million	**Carrying amount**
At December 31, 2006 (as previously reported)	$ 104
Adjustments to provisional values	11
At December 31, 2006 (as adjusted)	115
Goodwill recognised on acquisitions of subsidiaries (Note 4)	1,152
Goodwill previously recognised in investments under the equity method (Note 8)	52
Goodwill allocated to disposal groups classified as held for sale (Note 8)	(38)
Translation difference	1
At June 30, 2007	**$ 1,282**

Goodwill arising in 2007 relates to the assembled workforce and synergy from integration of the acquired subsidiaries into the Group.

6. Income Taxes

Major components of income tax expense for the six-month periods ended June 30 were as follows:

	2007	2006
Current income tax expense	**$ (499)**	$ (272)
Deferred income tax benefit		
Relating to origination and reversal of temporary differences	**23**	32
Income tax expense reported in the consolidated income statement	**$ (476)**	$ (240)

7. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

	June 30, 2007	December 31, 2006
Cost:		
Land	**$ 128**	$ 62
Buildings and constructions	**1,622**	1,225
Machinery and equipment	**4,450**	2,258
Transport and motor vehicles	**358**	258
Mining assets	**2,210**	350
Other assets	**141**	69
Assets under construction	**660**	483
	9,569	4,705
Accumulated depreciation, depletion and amortisation:		
Buildings and constructions	**(251)**	(150)
Machinery and equipment	**(1,471)**	(753)
Transport and motor vehicles	**(87)**	(55)
Mining assets	**(136)**	(36)
Other assets	**(59)**	(38)
	(2,004)	(1,032)
Government grants:		
Machinery and equipment, net	**(8)**	(8)
	$ 7,557	$ 3,665

The movement in property, plant and equipment for the six-month period ended June 30, 2007 was as follows:

	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At December 31, 2006 cost, net of accumulated depreciation and government grants (as previously reported)	**$ 62**	**$ 1,089**	**$ 1,508**	**$ 204**	**$ 327**	**$ 40**	**$ 482**	**$ 3,712**
Adjustments to provisional values	**–**	**(14)**	**(11)**	**(1)**	**(13)**	**–**	**1**	**(38)**
Reclassification into intangible assets	**–**	**–**	**–**	**–**	**–**	**(9)**	**–**	**(9)**
At December 31, 2006 (as adjusted)	**62**	**1,075**	**1,497**	**203**	**314**	**31**	**483**	**3,665**
Reclassifications	**(3)**	**(8)**	**9**	**–**	**8**	**–**	**(6)**	**–**
Additions	**–**	**1**	**10**	**11**	**9**	**–**	**208**	**239**
Assets acquired in business combination	**68**	**295**	**1,455**	**42**	**1,746**	**59**	**185**	**3,850**
Assets put into operation	**–**	**33**	**146**	**30**	**6**	**2**	**(217)**	**–**
Disposals	**–**	**(4)**	**(6)**	**(1)**	**(1)**		**(1)**	**(13)**
Depreciation and depletion charge	**–**	**(37)**	**(166)**	**(17)**	**(15)**	**(10)**	**–**	**(245)**
Impairment loss	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**	**(2)**
Assets held for disposal	**–**	**(2)**	**–**	**–**	**–**	**–**	**–**	**(2)**
Translation difference	**1**	**18**	**27**	**3**	**7**	**–**	**9**	**65**
At June 30, 2007, cost, net of accumulated depreciation and government grants	**$ 128**	**$ 1,371**	**$ 2,971**	**$ 271**	**$ 2,074**	**$ 82**	**$ 660**	**$ 7,557**

7. Property, Plant and Equipment (continued)

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $102 million and $117 million as of June 30, 2007 and December 31, 2006, respectively.

8. Investments in Joint Ventures and Associates

The movement in investments in joint ventures and associates during the six months ended June 30, 2007 was as follows:

	Corber	Yuzhkuz-bassugol	Highveld	Other associates	Total
Investment at December 31, 2006 (as restated)	**$ 577**	**$ 679**	**$ 228**	**$ 7**	**$ 1,491**
Share of profit/(loss)	34	(10)	21	1	46
Dividends paid	–	–	(15)	(1)	(16)
Additional investments	–	–	442	–	442
Assets acquired in business combination (Note 4)	–	–	–	211	211
Acquisition of controlling interests (Note 4)	–	(682)	(682)	(6)	(1,370)
Translation difference	9	13	6	3	31
Investment at June 30, 2007	**$ 620**	**$ –**	**$ –**	**$ 215**	**$ 835**

Assets acquired in business combination represent investment in ZAO Kazankovskaya, an associate of Yuzhkuzbassugol. The Group owns 50% in ZAO Kazankovskaya. ZAO Kazankovskaya is a coal mining company.

Highveld

On July 13, 2006, the Group acquired a 24.9% ownership interest in Highveld (Note 4). The Group determined that its ownership interest in Highveld represents an investment in an associate and accounted for it under the equity method.

The acquisition of a 24.9% ownership interest in Highveld was accounted for based on provisional values as the associate, as of the date of authorisation of issue of the financial statements for the year ended December 31, 2006, had not completed valuation of assets in accordance with IFRS 3. In the six-month period ended June 30, 2007, the Group recognised adjustments to the provisional values of identifiable assets, liabilities and contingent liabilities of Highveld as of July 13, 2006.

8. Investments in Joint Ventures and Associates (continued)

Highveld (continued)

The table below sets forth the adjusted provisional fair values of Highveld's consolidated identifiable assets, liabilities and contingent liabilities at the date of acquisition:

US$ million		**July 13, 2006**
Property, plant and equipment	$	376
Intangible assets		303
Other non-current assets		30
Inventories		70
Accounts and notes receivable		128
Cash		78
Assets of disposal groups classified as held for sale		201
Total assets		**1,186**
Non-current liabilities		29
Deferred income tax liabilities		188
Current liabilities		289
Liabilities directly associated with disposal groups classified as held for sale		21
Total liabilities		**527**
Net assets	**$**	**659**
Fair value of net assets attributable to 24.9% ownership interest	**$**	**164**
Purchase consideration	**$**	**216**
Goodwill *(Note 5)*	**$**	**52**
including goodwill associated with disposal groups subsequently classified as held for sale	$	38

On February 26, 2007, when the Board of directors of the Company approved the acquisition transaction, the completion of the acquisition of controlling interest in Highveld became probable and the Group recognised liabilities to Anglo and Credit Suisse under the option agreements in the amount of $442 million.

As a result, taking into account the eventual exercise of potential voting rights under the option agreements concluded by the Group with Anglo and Credit Suisse in 2006 in respect of an additional 54.1% ownership interest in Highveld, under which the exercise price for put and call options was fixed and adjusted for dividends to be distributed by Highveld to Anglo and Credit Suisse, the Group, in substance, obtained access to the economic benefits associated with that additional ownership interest. Consequently, the Group accounted for a 79% ownership interest in the associate under the equity method beginning February 26, 2007.

8. Investments in Joint Ventures and Associates (continued)

Highveld (continued)

The table below sets forth the provisional fair values of Highveld's consolidated identifiable assets, liabilities and contingent liabilities at the date when the beneficial interest has been increased:

US$ million		**February 26, 2007**
Property, plant and equipment	$	375
Intangible assets		310
Other non-current assets		16
Inventories		61
Accounts and notes receivable		162
Cash		46
Assets of disposal groups classified as held for sale		451
Total assets		**1,421**
Non-current liabilities		41
Deferred income tax liabilities		176
Current liabilities		343
Liabilities directly associated with disposal groups classified as held for sale		39
Total liabilities		**599**
Net assets	**$**	**822**
Fair value of net assets attributable to 54.1% beneficial ownership interest	**$**	**444**
Purchase consideration consisting of a liability under the option agreements	**$**	**442**
Excess of interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition *(Note 5)*	**$**	**(2)**

The Group classified assets, including goodwill, and liabilities of the businesses to be disposed of in accordance with the resolution of the European Commission as disposal groups held for sale.

8. Investments in Joint Ventures and Associates (continued)

Highveld (continued)

The movement in investments in Highveld accounted for under the equity method was as follows:

US$ million		Carrying amount
Investment at July 13, 2006	**$**	**216**
Share of profit		15
Dividends paid		(9)
Translation difference		6
Investment at December 31, 2006	**$**	**228**
Share of profit		5
Dividends paid		(15)
Additional investments		442
Translation difference		(3)
Investment at February 26, 2007	**$**	**657**
Share of profit		16
Translation difference		9
Investment at April 26, 2007	**$**	**682**

9. Cash and Cash Equivalents

Cash and cash equivalents were denominated in the following currencies:

		June 30, 2007		December 31, 2006
Russian rouble	**$**	**104**	$	110
US dollar		**195**		665
Euro		**24**		36
Czech koruna		**4**		19
South African rand		**57**		9
Other		**2**		3
	$	**386**	$	842

The above cash and cash equivalents mainly consist of cash at banks.

In addition, as of June 30, 2007 and December 31, 2006, short-term bank deposits with an original maturity of more than three months amounting to $23 million and $24 million, respectively, were included in short-term investments.

Short-term restricted deposits amounting to $207 million represent deposit to secure call option for the Highveld’s shares (Note 4). The deposit does not earn interest and matures upon the completion of the transaction.

10. Related Party Disclosures

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature and terms of related party transactions are consistent with those of a prior period which are disclosed in the annual financial statements.

Amounts owed by/to related parties were as follows:

	Amounts due from related parties		**Amounts due to related parties**	
	June 30, 2007	**December 31, 2006**	**June 30, 2007**	**December 31, 2006**
Corber	**$ –**	$ –	**$ 176**	$ 151
Evrazmetall-Centre	**2**	1	**3**	–
Evrazmetall-Chernozemie	**9**	8	**–**	–
Evrazmetall-Povolzhie	**7**	3	**–**	–
Evrazmetall-Severo-Zapad	**7**	–	**–**	–
Evrazmetall-Sibir	**3**	18	**–**	–
Evrazmetall-Ural	**5**	11	**–**	–
Kazankovskaya	**6**	–	**13**	–
Raspadsky Ugol	**–**	–	**4**	3
Sojitz Noble Alloys Corp.	**3**	–	**7**	8
Yuzhkuzbassugol	**–**	–	**–**	7
Other entities	**7**	13	**24**	7
	49	54	**227**	176
Less: allowance for doubtful accounts	**(1)**	–	**–**	–
	$ 48	$ 54	**$ 227**	$ 176

In addition, as of June 30, 2007, other non-current assets included loans amounting to $42 million granted by Yuzhkuzbassugol to Kazankovskaya in 2004-2005. The loans bear interest of 10% per annum and mature in 2013.

10. Related Party Disclosures (continued)

Transactions with related parties were as follows for the six-month periods ended June 30:

	Sales to related parties		Purchases from related parties	
	2007	2006	**2007**	2006
Evrazmetall-Centre	**$ 92**	$ 56	**$ –**	$ –
Evrazmetall-Chernozemie	**42**	18	**–**	–
Evrazmetall-Povolzhie	**42**	21	**–**	–
Evrazmetall-Severo-Zapad	**30**	20	**–**	–
Evrazmetall-Sibir	**78**	60	**–**	–
Evrazmetall-Ural	**99**	59	**–**	–
Evro-Aziatskaya Energy Company	**–**	13	**–**	61
Highveld	**–**	–	**9**	–
Raspadsky Ugol	**–**	–	**43**	46
Yuzhkuzbassugol	**8**	7	**119**	137
Other entities	**2**	6	**10**	33
	$ 393	$ 260	**$ 181**	$ 277

Compensation to Key Management Personnel

Key management personnel totalled 50 and 35 persons as at June 30, 2007 and 2006, respectively. Total compensation to key management personnel was included in general and administrative expenses and consisted of the following in the six-month periods ended June 30:

	2007	2006
Salary	**$ 9**	$ 6
Performance bonuses	**4**	4
Social security taxes	**1**	1
Share-based payments	**2**	4
	$ 16	$ 15

11. Equity

Share Capital

Number of shares	**June 30, 2007**	**December 31, 2006**
Authorised		
Ordinary shares of €2 each	**157,204,326**	157,204,326
Issued and fully paid		
Ordinary shares of €2 each	**118,309,653**	117,499,606

In the six-month period ended June 30, 2007, some of the share options granted under the Company's Incentive Plans were exercised. The Company issued 810,047 shares with par value of €2 each and received $35 million in cash from the Plan's participants. Share premium of $33 million arising on the transaction was included in additional paid-in capital.

Starting from May 23, 2007, the Group made a decision to cease the issuance of new shares under the share options plans. Since that date the Group acquires its own shares on the open market for the grantees. During the six-month period ended June 30, 2007, the Group purchased 105,407 treasury shares for $12 million and sold 97,700 shares to 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 $7 million was charged to accumulated profits.

As of June 30, 2007, the Group had 7,707 treasury shares.

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.

Share options granted to participants of the Company's Incentive Plans had a dilutive effect. The Group has no other potential dilutive ordinary shares.

11. Equity (continued)

Earnings per Share (continued)

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Six-month period ended June 30,	
	2007	**2006**
Weighted average number of ordinary shares for basic earnings per share	**117,845,831**	116,905,850
Effect of dilution: share options	**899,729**	851,192
Weighted average number of ordinary shares adjusted for the effect of dilution	**118,745,560**	117,757,042
Profit for the period attributable to equity holders of the parent entity, US$ million	**$ 1,126**	$ 568
Basic earnings per share	**$ 9.56**	$ 4.86
Diluted earnings per share	**$ 9.48**	$ 4.82

Dividends

Dividends declared by Evraz Group S.A. in the six-month period ended June 30, 2007 were as follows:

	Date of declaration	To holders registered at	Dividends declared, US$ million	US$ per share
Final for 2006	June 20, 2007	June 6, 2007	390	3.30

The final dividends for 2006 were distributed from accumulated profits to the extent that distributable amounts were available as of December 31, 2006. Distributable profits were determined based on separate financial statements of Evraz Group S.A. prepared in accordance with the statutory requirements. The amount of $283 million representing the excess of declared dividends over the Company's distributable accumulated profits as of December 31, 2006 reduced additional paid-in capital.

In the six-month period ended June 30, 2007, certain subsidiaries of the Group declared dividends. The share of minority shareholders in those dividends was $33 million.

12. Loans and Borrowings

Short-term and long-term loans and borrowings were as follows:

	June 30, 2007	December 31, 2006
Bank loans	**$ 4,116**	$ 1,556
8.25 per cent notes due 2015	**750**	750
10.875 per cent notes due 2009	**300**	300
Unamortised debt issue costs	**(51)**	(40)
Interest payable	**37**	30
	$ 5,152	$ 2,596

As of June 30, 2007 and December 31, 2006, total interest bearing loans and borrowings consisted of short-term loans and borrowings in the amount of $2,725 million and $608 million, respectively, and long-term loans and borrowings in the amount of $2,441 million and $1,998 million, respectively, including the current portion of long-term liabilities of $198 million and $104 million, respectively.

The liabilities are denominated in the following currencies:

	June 30, 2007	December 31, 2006
Rouble	**$ 210**	$ 24
US dollar	**4,514**	2,308
Euro	**323**	304
South African rand	**113**	–
Canadian dollar	**33**	–
Czech koruna	**10**	–
Unamortised debt issue costs	**(51)**	(40)
	$ 5,152	$ 2,596

In the six-month periods ended June 30, 2007 and 2006, average annual interest rates were as follows:

	Long-term borrowings		Short-term borrowings	
	2007	**2006**	**2007**	**2006**
Russian rouble	**6.52%**	–	**6.23%**	7.4%
US dollar	**7.99%**	8.4%	**7.12%**	6.9%
Euro	**5.78%**	5.2%	**6.61%**	3.8%
South African rand	**–**	–	**9.99%**	–
Canadian dollar	**6.25%**	–	**–**	–
Czech koruna	**–**	–	**3.34%**	–

12. Loans and Borrowings (continued)

The liabilities are contractually repayable after the balance sheet date as follows:

	June 30, 2007	**December 31, 2006**
Less than one year	**$ 2,960**	$ 742
Between one year and two years	**522**	382
Between two years and five years	**916**	707
After five years	**805**	805
Unamortised debt issue costs	**(51)**	(40)
	$ 5,152	$ 2,596

In January 2007, the Group utilised a short-term bridge loan facility of $1,800 million to finance the acquisition of OSM (Note 4). As a result, the Group's current liabilities exceed its current assets by $1,406 million at June 30, 2007. The Group's management plans to re-finance this short-term loan with long-term debt. As of the date of the issuance of these financial statements, the Group was in the process of selection of non-binding offers received from certain banks in respect of re-financing of the loan.

Some of the loan agreements and terms and conditions of guaranteed notes provide for certain covenants in respect of Evraz Group S.A. and its subsidiaries. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness and profitability.

The Group pledged its rights under some export contracts as collateral under the loan agreements. All proceeds from sales of steel pursuant to these contracts can be used to satisfy the obligations under the loan agreements in the event of a default.

At June 30, 2007 and December 31, 2006, the Group had equipment with a carrying value of $84 million and $39, respectively, pledged as collateral under the loan agreements. In addition, the Group pledged finished goods with a carrying value of $617 million and $194 million as of June 30, 2007 and December 31, 2006, respectively.

13. Provisions

In the six-month period ended June 30, 2007 the movements in provisions were as follows:

US$ million	Site restoration costs	Legal claims	Other provisions	Total
At December 31, 2006 (as previously reported)	**$ 37**	**$ 3**	**$ 6**	**$ 46**
Adjustment to provisional values	1	–	–	1
At December 31, 2006 (as restated)	**$ 38**	**$ 3**	**$ 6**	**$ 47**
Additional provisions	2	1	4	7
Increase from passage of time	2	–	–	2
Unused amounts reversed	–	(1)	–	(1)
Change in provisions due to business combinations	64	1	45	110
Utilised in the year	(1)	(1)	(5)	(7)
Translation difference	1	–	–	1
At June 30, 2007	**$ 106**	**$ 3**	**$ 50**	**$ 159**

14. Commitments and Contingencies

Operating Environment of the Group

Whilst there have been improvements in the Russian economic situation, such as an increase in gross domestic product and a reduced rate of inflation, Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

14. Commitments and Contingencies (continued)

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on the management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities, which were identified by management at the balance sheet date as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in the accompanying financial statements could be up to approximately $69 million.

Contractual Commitments

The Group signed contracts for the purchase of production equipment and construction works for an approximate amount of $555 million as of June 30, 2007.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, health care and social infrastructure development in towns where the Group's assets are located. As of June 30, 2007, the Group's commitments under these programmes were $70 million which are planned to be incurred in the second half of 2007.

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.

14. Commitments and Contingencies (continued)

Environmental Protection (continued)

The Group has a constructive obligation to reduce environmental polutions and contaminations in the future in accordance with an environmental protection programme. In the period from 2007 to 2012, the Group is obligated to spend approximately $231 million for replacement of old machinery and equipment which will result in reduction of polution.

Divestment Commitments

The Group is obliged to divest Highveld's vanadium extraction, vanadium oxides and vanadium chemicals plants located at the Vanchem site in Witbank, Republic of South Africa (collectively referred to as the Vanchem operations) along with an equity interest or a portion of the Mapoch iron and vanadium ore mine which guarantees supply of ore and slag to Vanchem operations. The divestment package also includes a ferrovanadium smelter located on the site of Highveld steel facility and Highveld's 50% shareholding in SAJV, a joint venture between Highveld and two Japanese partners which own another ferrovanadium smelter at the same site. The assets and liabilities of the above mentioned business units are classified as assets and liabilities of disposal groups held for sale (Note 4).

The Group is obliged to enter into a binding agreement for the sale of the divestment package by November 20, 2007. If the Group fails to meet this requirement, the divestiture trustee approved by the European Commission will arrange a sale with no minimum price.

In addition, the Group committed to maintain and strengthen the existing feedstock supply relationships with Vanadium-Tula, Chussovskoy Metallurgical Plant, both located in Russia, and Treibacher (Austria) – the major consumers of the feedstock sold by the Group and Highveld.

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.

14. Commitments and Contingencies (continued)

Legal Proceedings (continued)

The Group is involved in several litigations that may have an impact on the assets of Vitkovice Steel, the Group's subsidiary acquired in 2005. Accounts receivable of Vitkovice Steel include 409 million Czech koruna ($19 million at the exchange rate as of June 30, 2007) due from OSINEK, the former parent company of Vitkovice Steel. This amount is under dispute between OSINEK and VYSOKE PECE Ostrava, a.s. Management believes that this receivable will be recovered.

15. Subsequent Events

Buy Out of Minority Shares in Subsidiaries

In August 2007, in accordance with Russian legislation allowing a shareholder owning more than 95% of a company to increase its stake to 100%, the Group started the buy out of minority shares of its five Russian subsidiaries (Nizhny Tagil Iron and Steel Plant, West-Siberian Iron and Steel Plant, Kachkanarsky Mining-and-Processing Integrated Works, Vysokogorsky Mining-and-Processing Integrated Works and Nakhodka Trade Sea Port).

Exercise of Share Option

On September 28, 2007, the Credit Suisse option for the acquisition of 24.9% ownership interest in Highveld (Note 4) was exercised by the Group.