Evraz Group S.A.

Unaudited Interim Condensed
Consolidated Financial Statements

Six-month period ended June 30, 2010

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Six-month period ended June 30, 2010

Contents

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Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed financial statements of Evraz Group S.A. as at June 30, 2010 which comprise the interim condensed consolidated statement of financial position as at June 30 2010 and the related interim condensed consolidated statement of operations, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flow for the six-month period then ended, and other 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 as adopted by the EU ("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 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.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Thierry BERTRAND
Luxembourg,

August 31, 2010

Unaudited Interim Condensed Consolidated Statement of Operations

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

	Notes	Six-month period ended June 30, 2010	2009
Revenue			
Sale of goods		**$ 6,256**	$ 4,485
Rendering of services		**123**	154
		6,379	4,639
Cost of revenue		**(5,296)**	(4,297)
Gross profit		**1,083**	342
Selling and distribution costs		**(375)**	(284)
General and administrative expenses		**(375)**	(311)
Social and social infrastructure maintenance expenses		**(33)**	(17)
Gain/(loss) on disposal of property, plant and equipment		**(24)**	(25)
Impairment of assets	**5,7**	**(38)**	(211)
Revaluation deficit on property, plant and equipment	**7**	**(138)**	(564)
Foreign exchange gains/(losses), net		**74**	68
Other operating income		**19**	13
Other operating expenses		**(26)**	(57)
Profit/(loss) from operations		**167**	(1,046)
Interest income		**5**	27
Interest expense		**(368)**	(335)
Share of profits/(losses) of joint ventures and associates	**8**	**22**	(7)
Gain/(loss) on financial assets and liabilities		**(37)**	110
Loss on disposal groups classified as held for sale		**(52)**	(3)
Other non-operating gains/(losses), net		**(1)**	(6)
Profit/(loss) before tax		**(264)**	(1,260)
Income tax benefit/(expense)	**6**	**(6)**	261
Net profit/(loss)		**$ (270)**	$ (999)
Attributable to:			
Equity holders of the parent entity		**$ (267)**	$ (987)
Non-controlling interests		**(3)**	(12)
		$ (270)	$ (999)
Earnings/(losses) per share:			
basic, for profit attributable to equity holders of the parent entity, US dollars	**12**	**$ (1.93)**	$ (7.55)
diluted, for profit attributable to equity holders of the parent entity, US dollars	**12**	**$ (1.93)**	$ (7.55)

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

Unaudited Interim Condensed Consolidated Statement of Comprehensive Income

(In millions of US dollars)

	Notes	Six-month period ended June 30, 2010	2009
Net profit/(loss)		**$ (270)**	$ (999)
Other comprehensive income			
Effect of translation to presentation currency		**(501)**	(465)
Net gains/(losses) on available-for-sale financial assets		**(22)**	20
Net (gains)/losses on available-for-sale financial assets reclassified to profit or loss		**18**	–
Income tax effect		**–**	(2)
		(4)	18
Surplus on revaluation of property, plant and equipment of the Group's subsidiaries	**7**	**2,087**	7,901
Deficit on revaluation of property, plant and equipment recognised in other comprehensive income	**7**	**(1,026)**	(38)
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment		**(38)**	(45)
Income tax effect		**(212)**	(1,656)
		811	6,162
Surplus on revaluation of property, plant and equipment of the Group's joint ventures and associates	**8**	**19**	66
Effect of translation to presentation currency		**(23)**	(37)
Share of other comprehensive income of joint ventures and associates accounted for using the equity method		**(4)**	29
Total other comprehensive income/(loss)		**302**	5,744
Total comprehensive income/(loss), net of tax		**$ 32**	$ 4,745
Attributable to:			
Equity holders of the parent entity		**$ 30**	$ 4,680
Non-controlling interests		**2**	65
		$ 32	$ 4,745

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 Financial Position

(In millions of US dollars)

	Notes	June 30, 2010	December 31, 2009
ASSETS			
Non-current assets			
Property, plant and equipment	**7**	**$ 14,736**	$ 14,941
Intangible assets other than goodwill		**1,016**	1,098
Goodwill	**5**	**2,165**	2,211
Investments in joint ventures and associates	**8**	**738**	687
Deferred income tax assets		**35**	40
Other non-current financial assets	**9**	**91**	66
Other non-current assets	**9**	**161**	128
		18,942	19,171
Current assets			
Inventories		**2,042**	1,886
Trade and other receivables		**1,229**	1,001
Prepayments		**132**	134
Receivables from related parties	**10**	**68**	107
Income tax receivable		**23**	58
Other taxes recoverable		**262**	258
Other current assets		**76**	121
Cash and cash equivalents	**11**	**654**	675
		4,486	4,240
Assets of disposal groups classified as held for sale		**113**	13
		4,599	4,253
Total assets		**$ 23,541**	$ 23,424
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	**12**	**$ 375**	$ 375
Additional paid-in capital	**12**	**1,739**	1,739
Revaluation surplus		**7,059**	6,338
Legal reserve		**36**	36
Unrealised gains and losses		**–**	4
Accumulated profits		**2,990**	3,164
Translation difference		**(1,887)**	(1,372)
		10,312	10,284
Non-controlling interests		**319**	324
		10,631	10,608
Non-current liabilities			
Long-term loans	**13**	**6,133**	5,931
Deferred income tax liabilities		**2,526**	2,537
Finance lease liabilities		**47**	58
Employee benefits		**289**	307
Provisions		**180**	176
Other long-term liabilities		**87**	68
		9,262	9,077
Current liabilities			
Trade and other payables		**1,174**	1,069
Advances from customers		**70**	112
Short-term loans and current portion of long-term loans	**13**	**1,740**	1,992
Payables to related parties	**10**	**231**	235
Income tax payable		**130**	108
Other taxes payable		**185**	140
Current portion of finance lease liabilities		**16**	17
Provisions		**38**	35
Amounts payable under put options for shares of subsidiaries		**4**	17
Dividends payable by the Group's subsidiaries to non-controlling shareholders		**12**	13
		3,600	3,738
Liabilities directly associated with disposal groups classified as held for sale		**48**	1
		3,648	3,739
Total equity and liabilities		**$ 23,541**	$ 23,424

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 Cash Flows

(In millions of US dollars)

	Six-month period ended June 30, 2010	2009
Cash flows from operating activities		
Net profit/(loss)	**$ (270)**	$ (999)
Adjustments to reconcile net profit to net cash flows from operating activities:		
Deferred income tax benefit *(Note 6)*	**(209)**	(354)
Depreciation, depletion and amortisation	**861**	782
(Gain)/loss on disposal of property, plant and equipment	**24**	25
Impairment of assets	**38**	211
Revaluation deficit on property, plant and equipment	**138**	564
Foreign exchange (gains)/losses, net	**(74)**	(68)
Interest income	**(5)**	(27)
Interest expense	**368**	335
Share of (profits)/losses of joint ventures and associates	**(22)**	7
(Gain)/loss on financial assets and liabilities	**37**	(110)
Loss on disposal groups classified as held for sale	**52**	3
Other non-operating (gains)/losses, net	**1**	6
Bad debt expense	**19**	26
Changes in provisions, employee benefits and other long-term assets and liabilities	**(67)**	(25)
Expense arising from the share option plans	**–**	9
Share-based payments under cash-settled award	**(3)**	–
	888	385
Changes in working capital:		
Inventories	**(220)**	778
Trade and other receivables	**(289)**	411
Prepayments	**(2)**	(12)
Receivables from/payables to related parties	**–**	(99)
Taxes recoverable	**89**	214
Other assets	**38**	(48)
Trade and other payables	**205**	(338)
Advances from customers	**(39)**	(40)
Taxes payable	**76**	(126)
Other liabilities	**(2)**	(2)
Net cash flows from operating activities	**744**	1,123
Cash flows from investing activities		
Issuance of loans receivable to related parties *(Note 10)*	**(46)**	–
Proceeds from repayment of loans issued to related parties, including interest	**5**	–
Issuance of loans receivable	**–**	(28)
Proceeds from repayment of loans receivable, including interest	**1**	71
Proceeds from the transaction with a 49% ownership interest in NS Group	**–**	508
Purchases of subsidiaries, net of cash acquired *(Note 4)*	**(17)**	–
Purchases of other investments	**–**	(3)
Sale of other investments	**–**	2
Restricted deposits at banks in respect of investing activities	**16**	–
Short-term deposits at banks, including interest	**4**	11
Purchases of property, plant and equipment and intangible assets	**(397)**	(203)
Proceeds from disposal of property, plant and equipment	**7**	5
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs	**41**	17
Other investing activities, net	**1**	–
Net cash flows from/(used) in investing activities	**(385)**	380

Continued on the next page

Evraz Group S.A.

Unaudited Interim Condensed Consolidated Statement of Cash Flows (continued)

(In millions of US dollars)

	Six-month period ended June 30, 2010	Six-month period ended June 30, 2009
Cash flows from financing activities		
Purchase of treasury shares	**$ –**	$ (3)
Sale of treasury shares	**–**	5
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**126**	(727)
Proceeds from loans and promissory notes	**1,930**	763
Repayment of loans and promissory notes, including interest	**(2,344)**	(1,721)
Gain on derivatives not designated as hedging instruments	**11**	–
Payments under covenants reset	**(15)**	–
Restricted deposits at banks in respect of financing activities	**–**	1
Dividends paid by the parent entity to its shareholders	**–**	(90)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	**–**	(1)
Payments under finance leases, including interest	**(12)**	(12)
Proceeds from sale-leaseback	**–**	10
Net cash flows from/(used) financing activities	**(304)**	(1,775)
Effect of foreign exchange rate changes on cash and cash equivalents	**(55)**	20
Net increase/(decrease) in cash and cash equivalents	–	(252)
Cash of disposal groups classified as held for sale	**(21)**	–
Cash and cash equivalents at beginning of period	**675**	930
Cash and cash equivalents at end of period	**$ 654**	$ 678
Supplementary cash flow information:		
Cash flows during the period:		
Interest paid	**$ (293)**	$ (317)
Interest received	**5**	15
Income taxes paid	**(101)**	(60)

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

(In millions of US dollars)

	Attributable to equity holders of the parent entity										
	Issued capital	**Treasury shares**	**Additional paid-in capital**	**Revaluation surplus**	**Legal reserve**	**Unrealised gains and losses**	**Accumulated profits**	**Translation difference**	**Total**	**Non-controlling interests**	**Total Equity**
At December 31, 2009	**$ 375**	**$ –**	**$ 1,739**	**$ 6,338**	**$ 36**	**$ 4**	**$ 3,164**	**$ (1,372)**	**$ 10,284**	**$ 324**	**$ 10,608**
Net loss	**–**	**–**	**–**	**–**	**–**	**–**	**(267)**	**–**	**(267)**	**(3)**	**(270)**
Other comprehensive income/(loss)	**–**	**–**	**–**	**816**	**–**	**(4)**	**–**	**(515)**	**297**	**5**	**302**
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	**–**	**–**	**–**	**(95)**	**–**	**–**	**95**	**–**	**–**	**–**	**–**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**721**	**–**	**(4)**	**(172)**	**(515)**	**30**	**2**	**32**
Acquisition of non-controlling interests in existing subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**–**	**(2)**	**(6)**	**(8)**
Dividends declared by the Group's subsidiaries to non-controlling shareholders *(Note 12)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**
At June 30, 2010	**$ 375**	**$ –**	**$ 1,739**	**$ 7,059**	**$ 36**	**$ –**	**$ 2,990**	**$ (1,887)**	**$ 10,312**	**$ 319**	**$ 10,631**

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**	**Unrealised gains and losses**	**Accumulated profits**	**Translation difference**	**Total**	**Non-controlling interests**	**Total Equity**
At December 31, 2008	$ 332	$ (9)	$ 1,054	$ 218	$ 30	$ –	$ 4,377	$ (1,330)	$ 4,672	$ 245	$ 4,917
Net loss	–	–	–	–	–	–	(987)	–	(987)	(12)	(999)
Other comprehensive income/(loss)	–	–	–	6,173	–	18		(524)	5,667	77	5,744
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(12)	–	–	12	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	6,161	–	18	(975)	(524)	4,680	65	4,745
Issue of share capital	25	–	195	–	–	–	–	–	220	–	220
Purchase of treasury shares	–	(3)	–	–	–	–	–	–	(3)	–	(3)
Sale of treasury shares	–	12	–	–	–	–	(6)	–	6	–	6
Appropriation of net profit to legal reserve	–	–	–	–	2	–	(2)	–	–	–	–
Dividends declared by the Group's subsidiaries to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(1)	(1)
At June 30, 2009	$ 357	$ –	$ 1,249	$ 6,379	$ 32	$ 18	$ 3,394	$ (1,854)	$ 9,575	$ 309	$ 9,884

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 August 31, 2010.

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

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 produces vanadium products and owns and operates certain mining assets. The Group is one of the largest steel producers globally.

Going Concern

These consolidated financial statements have been prepared on a going concern basis that contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business. The Group's activities in all of its operating segments have been adversely affected by uncertainty and instability in international financial, currency and commodity markets resulting from the global economic crisis of 2008-2009. In the six-month period ended June 30, 2010, the Group reported net loss of $(270) million and EBITDA of $1,154 million whereas in the corresponding period of 2009 the net loss amounted to $(999) million and EBITDA was $468 million (Note 3). The Group expects that the recovery will continue in the second half of 2010.

The Board and the management anticipate that the Group will comply with all debt covenants during twelve months after the reporting period.

2. Significant 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, these 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 annual consolidated financial statements for the year ended December 31, 2009.

Operating results for the six-month period ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010.

Changes in 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, 2009, except for the adoption of new standards and interpretations and revision of the existing IAS as of January 1, 2010.

New/Revised Standards and Interpretations Adopted in 2010:

- IFRS 2 (revised) "Share-based Payment" – Group Cash-settled Share-based Payment Transactions (effective from January 1, 2010)

  The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

- IFRS 3 (revised) "Business Combinations"

  The revised standard introduces significant changes in the accounting for business combinations occurring from January 1, 2010. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes did not have any impact on the financial position or performance of the Group in the reporting period.

- IAS 27 (revised) "Consolidated Financial Statements" (effective for annual periods beginning on or after July 1, 2009)

  The revised standard requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. These amendments had no effect on the accounting policies, financial position nor performance of the Group as the Group applied the same principles in the previous periods.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

- IFRIC 17 "Distributions of Non-Cash Assets to Owners" (effective for annual periods beginning on or after July 1, 2009)

This interpretation provides guidance on accounting for arrangements whereby an entity distributes noncash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position nor performance of the Group.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" – Eligible Hedged Items

The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the accounting policies, financial position nor performance of the Group.

- Amendments to standards following April 2009 "improvements to IFRS" project (separate transitional provisions for each standard).

Amendments resulting from Improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Group.

3. Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments:

- *Steel production* segment includes production of steel and related products at eleven steel mills.
- *Mining* segment includes iron ore and coal mining and enrichment.
- *Vanadium products* segment includes extraction of vanadium ore and production of vanadium products. Vanadium slag arising in steel-making process is also allocated to vanadium segment.
- *Other operations* include energy generating companies, seaports, shipping and railway transportation companies.

Management and investment companies were not allocated to any of the segments.

The following table presents measures of segment profit or loss for the six-month periods ended June 30, 2010 and 2009.

Six-month period ended June 30, 2010

US$ million	Steel	Mining	Vanadium	Other	Eliminations	Total
Revenue						
Sales to external customers	**$ 6,167**	**$ 151**	**$ 165**	**$ 66**	**$ –**	**$ 6,549**
Inter-segment sales	**179**	**934**	**125**	**263**	**(1,501)**	**–**
Total revenue	**6,346**	**1,085**	**290**	**329**	**(1,501)**	**6,549**
Segment result – EBITDA	**$ 818**	**$ 372**	**$ 63**	**$ 56**	**$ (44)**	**$ 1,265**

Six-month period ended June 30, 2009

US$ million	Steel	Mining	Vanadium	Other	Eliminations	Total
Revenue						
Sales to external customers	$ 4,327	$ 78	$ 142	$ 59	$ –	$ 4,606
Inter-segment sales	35	516	–	194	(745)	–
Total revenue	4,362	594	142	253	(745)	4,606
Segment result – EBITDA	$ 320	$ 43	$ 27	$ 49	$ (10)	$ 429

3. Segment Information (continued)

The following table shows a reconciliation of revenue and EBITDA used by the management for decision making and revenue and profit or loss before tax per the consolidated financial statements prepared under IFRS.

Six-month period ended June 30, 2010

US$ million	Steel	Mining	Vanadium	Other	Eliminations	Total
Revenue	**$ 6,346**	**$ 1,085**	**$ 290**	**$ 329**	**$ (1,501)**	**$ 6,549**
Forecasted vs. actual revenue	**(104)**	**(20)**	**(10)**	**(3)**	**–**	**(137)**
Reclassifications and other adjustments	**(446)**	**55**	**10**	**88**	**260**	**(33)**
Revenue per IFRS financial statements	**$ 5,796**	**$ 1,120**	**$ 290**	**$ 414**	**$ (1,241)**	**$ 6,379**
EBITDA	**$ 818**	**$ 372**	**$ 63**	**$ 56**	**$ (44)**	**$ 1,265**
Forecasted vs. actual EBITDA	**(10)**	**(4)**	**(6)**	**2**	**–**	**(18)**
Exclusion of management services from segment result	**30**	**16**	**1**	**1**	**–**	**48**
Unrealised profits adjustment	**(72)**	**–**	**–**	**–**	**(20)**	**(92)**
Reclassifications and other adjustments	**(28)**	**6**	**23**	**26**	**–**	**27**
	(80)	**18**	**18**	**29**	**(20)**	**(35)**
EBITDA based on IFRS financial statements	**$ 738**	**$ 390**	**$ 81**	**$ 85**	**$ (64)**	**$ 1,230**
Unallocated subsidiaries						**(76)**
						$ 1,154
Depreciation, depletion and amortisation expense	**(623)**	**(185)**	**(19)**	**(33)**	**–**	**(860)**
Impairment of goodwill *(Notes 4 and 5)*	**–**	**–**	**(16)**	**–**	**–**	**(16)**
Impairment of property, plant and equipment and intangible assets	**(16)**	**(5)**	**(1)**	**–**	**–**	**(22)**
Gain/(loss) on disposal of property, plant and equipment and intangible assets	**(11)**	**(10)**	**–**	**(3)**	**–**	**(24)**
Revaluation deficit on property, plant and equipment	**(112)**	**(14)**	**(10)**	**(2)**	**–**	**(138)**
Foreign exchange gains/(losses), net	**25**	**3**	**–**	**2**	**–**	**30**
	(737)	**(211)**	**(46)**	**(36)**	**–**	**(1,030)**
Unallocated income/(expenses), net						**43**
Profit/(loss) from operations						**$ 167**
Interest income/(expense), net						**(363)**
Share of profits/(losses) of joint ventures and associates						**22**
Gain/(loss) on financial assets and liabilities						**(37)**
Loss on disposal groups classified as held for sale						**(52)**
Other non-operating gains/(losses), net						**(1)**
Profit/(loss) before tax						**$ (264)**

3. Segment Information (continued)

Six-month period ended June 30, 2009

US$ million	Steel	Mining	Vanadium	Other	Eliminations	Total
Revenue	$ 4,362	$ 594	$ 142	$ 253	$ (745)	$ 4,606
Forecasted vs. actual revenue	(12)	58	(54)	90	(40)	42
Reclassifications and other adjustments	(59)	–	50	–	–	(9)
Revenue per IFRS financial statements	$ 4,291	$ 652	$ 138	$ 343	$ (785)	$ 4,639
EBITDA	$ 320	$ 43	$ 27	$ 49	$ (10)	$ 429
Exclusion of management services from segment result	24	15	–	2	–	41
Unrealised profits adjustment	(32)	1	–	–	32	1
Reclassifications and other adjustments	77	35	(61)	19	–	70
	69	51	(61)	21	32	112
EBITDA based on IFRS financial statements	$ 389	$ 94	$ (34)	$ 70	$ 22	$ 541
Unallocated subsidiaries						(73)
						$ 468
Depreciation, depletion and amortisation expense	(571)	(187)	(8)	(15)	–	(781)
Impairment of goodwill	(128)	–	–	(1)	–	(129)
Impairment of property, plant and equipment and intangible assets	(93)	11	–	–	–	(82)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(15)	(7)	–	(3)	–	(25)
Revaluation deficit on property, plant and equipment	(424)	(112)	(4)	(24)	–	(564)
Foreign exchange gains/(losses), net	(40)	(1)	(2)	(2)	–	(45)
	(1,271)	(296)	(14)	(45)	–	(1,626)
Unallocated income/(expenses), net						112
Profit/(loss) from operations						$ (1,046)
Interest income/(expense), net						(308)
Share of profits/(losses) of joint ventures and associates						(7)
Gain/(loss) on financial assets and liabilities						110
Loss on disposal groups classified as held for sale						(3)
Other non-operating gains/(losses), net						(6)
Profit/(loss) before tax						$ (1,260)

In the six-month period ended June 30, 2010, the Group made a reversal of the allowance for net realisable value in the amount of $30 million.

3. Segment Information (continued)

The material changes in property, plant and equipment during the six-month period ended June 30, 2010 other than those disclosed above are presented below:

US$ million	Steel	Mining	Vanadium	Other	Total
Revaluation surplus/(deficit) recognised in other comprehensive income, net	$ 857	$ 235	$ 21	$ (52)	$ 1,061
Additions	243	138	1	26	408

4. Purchases/Sales of Subsidiaries

Purchases of Subsidiaries

During the reporting period, the Group fully settled $16 million liability under earn-out payments for the acquisition of Stratcor in 2006 and repaid $1 million liability for the acquisition of steel dealers in 2009.

Purchase of Non-controlling Interests

At December 31, 2009, the Group had an 84.84% nominal ownership interest in Vanady-Tula. On February 18, 2010, the Group made an obligatory offer to non-controlling shareholders of Vanady-Tula to sell their stakes to the Group at a price of 3,861.91 roubles per share ($128.83 at the exchange rate at the date of the offer). In the course of the obligatory offer, the Group acquired non-controlling interests of 11.26% in Vanady-Tula for a cash consideration of $13 million. The deposit to secure put option for the shares of OAO Vanady-Tula was repaid to the Group (Note 9).

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.

Sale of Koksovaya

In April, 2010, the Group sold ZAO Koksovaya to Raspadskaya, a subsidiary of Corber, the Group's joint venture, which holds 80% in Raspadskaya. ZAO Koksovaya is an operating hard-coking coal mine, which owns the license for Tomusinskaya 5-6 coal deposit. As part of the transaction, the parties entered into a long-term off-take contract under which Raspadskaya committed to supply to the Group substantially all coal or concentrate produced from coal extracted on the Tomusinskaya 5-6 deposit during 2010-2019.

The cash consideration amounted to $40 million. The loss from sale, net of the Group's share in gain on the transaction recognised by Raspadskaya (Note 8), amounted to $50 million and was included in loss on disposal groups classified as held for sale caption of the consolidated statement of operations.

4. Purchases/Sales of Subsidiaries (continued)

Disposal Groups Classified as Held for Sale

In January 2010, the Board of Directors approved the plan to sell Stratcor, Inc., a North-American division of Strategic Minerals Corporation. Stratcor, Inc. is a producer of vanadium alloys and chemicals for steel and chemical industries, with a mill in Hot Springs, Arkansas, USA. The subsidiary is included in vanadium segment of the Group's operations. The subsidiary is actively marketed and it is expected that it will be sold within one year from the reporting date.

At the date of reclassification of the subsidiary to disposal groups classified as held for sale, the Group performed an impairment test. As a result, the Group recognised an impairment loss of $24 million, including $16 million in respect of goodwill and $8 million in respect of property, plant and equipment. Impairment loss of property, plant and equipment was recorded in other comprehensive income ($7 million) as a decrease in revaluation surplus and statement of operations ($1 million).

5. Goodwill

The table below presents a movement in the carrying amount of goodwill during the six-month period ended June 30, 2010.

US$ million	**Carrying amount**
At December 31, 2009	$ 2,211
Impairment of goodwill allocated to disposal groups classified as held for sale (Note 4)	(16)
Translation difference	(30)
At June 30, 2010	**$ 2,165**

Goodwill was not tested for impairment as of June 30, 2010 as there were no indicators of impairment.

6. Income Taxes

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

US$ million	**2010**	**2009**
Current income tax expense	**$ (213)**	$ (90)
Adjustment in respect of income tax of previous years	**(2)**	(3)
Deferred income tax benefit relating to origination and reversal of temporary differences	**(3)**	(1,304)
Less: deferred income tax recognised directly in other comprehensive income	**212**	1,658
Income tax benefit/(expense) reported in the consolidated statement of operations	**$ (6)**	$ 261

7. Property, Plant and Equipment

The movement in property, plant and equipment for the six-month period ended June 30, 2010 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At December 31, 2009, revalued amount or cost, net of accumulated depreciation and government grants	$ 292	$ 3,921	$ 7,760	$ 272	$ 2,131	$ 27	$ 538	$ 14,941
Revaluation surplus recognised in other comprehensive income	35	816	1,236	–	–	–	–	2,087
Revaluation deficit recognised in other comprehensive income	(32)	(285)	(709)	–	–	–	–	(1,026)
Revaluation deficit recognised in statement of operations	(10)	(69)	(167)	–	–	–	–	(246)
Reversal of revaluation deficit previously recognised in statement of operations	4	54	50	–	–	–	–	108
Additions	–	2	2	3	12	–	389	408
Assets put into operation	1	18	96	33	19	2	(169)	–
Disposals	(1)	(4)	(21)	(2)	(1)	(1)	(4)	(34)
Depreciation and depletion charge	–	(193)	(512)	(21)	(68)	(9)	–	(803)
Impairment losses recognised in statement of operations	–	(2)	(2)	(7)	(60)	–	(55)	(126)
Impairment losses reversed through statement of operations	–	3	4	6	60	–	31	104
Impairment losses recognised or reversed through other comprehensive income	(1)	(10)	(27)	–	–	–	–	(38)
Transfer to/from assets held for sale	(2)	(29)	(44)	–	(96)	–	(2)	(173)
Change in site restoration and decommissioning provision	–	1	–	–	12	–	–	13
Translation difference	(7)	(144)	(249)	(6)	(44)	(1)	(28)	(479)
At June 30, 2010, revalued amount or cost, net of accumulated depreciation and government grants	$ 279	$ 4,079	$ 7,417	$ 278	$ 1,965	$ 18	$ 700	$ 14,736
At June 30, 2010, the carrying amount that would have been recognised had the assets been carried under the cost model	$ 161	$ 1,618	$ 3,429	$ 278	$ 1,965	$ 18	$ 700	$ 8,169

7. Property, Plant and Equipment (continued)

In 2010, in accordance with the accounting policies, the Group revalued the selected classes of property, plant and equipment: land, buildings and constructions, machinery and equipment. The valuation was performed as of March 31, 2010 by an independent professionally qualified valuer. Since most of the assets subject to revaluation represented specialised items of property, plant and equipment that are rarely sold, except as part of a continuing business, the Group used the depreciated replacement cost approach as the main approach to valuation of buildings and constructions and machinery and equipment with the income approach used to support the results of the main approach. The Group used market based valuation approach as the main approach to valuation of land and other non-specialised assets.

The replacement cost was determined as follows:

- land – based on indicative market transactions;
- buildings and constructions – based on the relevant price books adjusted for the subsequent price changes;
- machinery and equipment – based on the related item's weight, where the cost per mass unit was determined in terms of the cost of materials components, labour, engineering and other costs for each type of equipment.

The remaining useful lives were determined based on the linear-age life method using the independent valuer's experience and data provided by technical specialists of the Group. The maximum physical depreciation level for main equipment was limited at the level of 65-90% depending on a type of equipment. Functional obsolescence of assets with the excess capital costs was determined by the independent valuer based on cost-to-capacity analysis. The cost-to-capacity factor applied was 0.7.

The assumptions used for the income approach were as follows:

	Period of forecast, years	**After-tax discount rate, %**	**Commodity**	**Average price of the commodity per ton in 2010**
Russia				
Steel	6	11.87	steel products	$426-$559
Iron ore	8	12.69	iron ore	$74-$75
Coal	8	12.76	coal	$66-$77
Vanadium	8	11.87	vanadium products	$28,191
Other	5	10.20	services	–
Ukraine				
Steel	7	13.10	steel products	$461
Coke	7	12.80	coke	$182-$194
Europe				
Steel	4-7	11.17- 11.50	steel products	$634-$680
Vanadium	7	11.68	vanadium products	$28,340
South Africa				
Steel	6	11.51	steel products	$618
Vanadium	6	11.51	vanadium products	$30,743-$31,950
North America				
Steel	7	9.3-10.43	steel products	$699-$1,347
Vanadium	6	10.10	vanadium products	$37,105

7. Property, Plant and Equipment (continued)

For the periods not covered by the forecasts cash flow projections have been estimated by extrapolating the respective business plans results using a zero real growth rate.

The revaluation resulted in additional charges recognised in the consolidated statement of operations for the six-month period ended June 30, 2010:

- revaluation deficit in the amount of $98 million (net of income tax effect of $40 million),
- additional depreciation expense of $316 million (net of income tax effect of $88 million) as compared to the amount of depreciation expense under the cost model of accounting,
- impairment loss recognised in respect of classes of property, plant and equipment that were not subject to revaluation in the amount of $2 million (net of income tax effect of $1 million).

In 2010, following the independent valuation, the Group changed its estimation of useful lives of property, plant and equipment, which resulted in a decrease in depreciation expense by $54 million as compared to the amount that would have been charged had no change in estimate occurred.

The revaluation surplus arising on revaluation of property, plant and equipment of $837 million, net of income tax effect of $224 million, cannot be distributed to shareholders.

8. Investments in Joint Ventures and Associates

The movement in investments in joint ventures and associates during the six-month period ended June 30, 2010 was as follows:

US$ million	Corber	Streamcore	Other associates	Total
At December 31, 2009	**$ 622**	**$ 44**	**$ 21**	**$ 687**
Group's share in excess of net assets of ZAO Koksovaya transferred to Raspadskaya over consideration received (Note 4)	33	–	–	33
Share of profit/(loss)	39	(8)	(9)	22
Surplus on revaluation of property, plant and equipment	19	–	–	19
Translation difference	(21)	(1)	(1)	(23)
At June 30, 2010	**$ 692**	**$ 35**	**$ 11**	**$ 738**

8. Investments in Joint Ventures and Associates (continued)

Accident at Raspadskaya Mine

On May 9, 2010, the methane gas explosions at the Raspadskaya coal mine killed 69 miners and rescuers and 23 people are reported as missing. Operations at the mine have been stopped since that date and are not expected to be resumed until the forth quarter of 2010.

Raspadskaya coal mine is operated by ZAO Raspadskaya, 80% of which is owned by Corber, the Group's joint venture. The mine represents approximately 65% of Raspadskaya group's total production. Historically, approximately 18% of volume of the Group's coal purchases represented coal from Raspadskaya.

While the mine is out of operation, the Group makes up for any shortfall in coal supply by increasing consumption of coal produced by the Group's subsidiaries and by purchasing coal on the market.

The financial result of Raspadskaya for the reporting period includes the effect of impairment of assets amounting to $48 million, casualty compensations and costs of mine recovery works in the total amount of $20 million.

9. Other Non-Current Assets

Non-Current Financial Assets

US$ million	**June 30, 2010**	December 31, 2009
Investments in Delong Holdings Limited	**$ 21**	$ 43
Restricted deposits at banks	**8**	18
Loan to Lanebrook Limited (Note 10)	**46**	–
Loans receivable	**2**	4
Trade and other receivables from associate	**11**	–
Trade and other receivables	**3**	1
	$ 91	$ 66

Other Non-Current Assets

US$ million	**June 30, 2010**	December 31, 2009
Deposit to secure put option for the shares of OAO Vanady-Tula	**$ –**	$ 12
Prepaids for purchases of non-controlling interests	**–**	8
Prepaid expenses to Lanebrook Limited	**7**	–
Long-term input VAT	**95**	59
Defined benefit plan asset	**17**	15
Fees for future purchases under a long-term contract	**12**	12
Other	**30**	22
	$ 161	$ 128

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	
US$ million	**June 30, 2010**	**December 31, 2009**	**June 30, 2010**	**December 31, 2009**
Kazankovskaya	**$ –**	$ 14	**$ 4**	$ 1
Lanebrook Limited	**53**	53	**–**	–
Raspadsky Ugol	**3**	1	**76**	73
Yuzhny GOK	**10**	22	**144**	154
Other entities	**4**	19	**7**	7
	70	109	**231**	235
Less: allowance for doubtful accounts	**(2)**	(2)	**–**	–
	$ 68	$ 107	**$ 231**	$ 235

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

	Sales to related parties		Purchases from related parties	
US$ million	**2010**	**2009**	**2010**	**2009**
Interlock Security Services	**$ –**	$ –	**$ 17**	$ 12
Kazankovskaya	**4**	2	**11**	10
Raspadsky Ugol	**6**	5	**82**	39
Yuzhny GOK	**3**	3	**–**	23
Other entities	**4**	4	**5**	5
	$ 17	$ 14	**$ 115**	$ 89

Loans to Related Parties

In 2010, the Group issued a $46 million loan to Lanebrook Limited, the controlling shareholder of the Group. The loan bears interest of 7.85% per annum and matures on June 22, 2012. The loan was included in the other non-current financial assets caption of the consolidated statement of financial position as of June 30, 2010 (Note 9). Under the agreement, Lanebrook Limited prepaid the full amount of interest totaling $7 million, which was included in other long-term liabilities caption of consolidated statement of financial position as of June 30, 2010.

10. Related Party Disclosures (continued)

Compensation to Key Management Personnel

Key management personnel totalled 54 and 57 persons as at June 30, 2010 and 2009, 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:

US$ million	**2010**	2009
Salary	**$ 9**	$ 9
Performance bonuses	**7**	8
Social security taxes	**1**	1
Termination benefits	**2**	–
Share-based payments	**–**	5
	$ 19	$ 23

11. Cash and Cash Equivalents

Cash and cash equivalents were denominated in the following currencies:

US$ million	**June 30, 2010**	**December 31, 2009**
US dollar	**$ 328**	$ 304
Russian rouble	**135**	170
South African rand	**60**	110
Euro	**80**	75
Canadian dollar	**26**	14
Czech koruna	**19**	1
Ukrainian hryvnia	**5**	1
Other	**1**	–
	$ 654	$ 675

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

12. Equity

Share Capital

Number of shares	**June 30, 2010**	**December 31, 2009**
Authorised		
Ordinary shares of €2 each	**257,204,326**	257,204,326
Issued and fully paid		
Ordinary shares of €2 each	**145,957,121**	145,957,121

12. Equity (continued)

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 weighted average number of ordinary shares for basic earnings per share does not include 7,333,333 shares issued in 2009 to Lanebrook in exchange for the right to receive 7,333,333 shares lended under the shares lending transactions. These transactions had no impact on equity, as the Group's net assets did not change as a result of these transactions.

The convertible bonds due 2014 issued by the Group in 2009 represent potential dilutive ordinary shares. In the six-month period ended June 30, 2010, the convertible bonds were antidilutive as the Group reported net loss. 10,220,126 contingently issuable shares on conversion of the bonds could potentially dilute basic earnings per share in the future. The Group has no other potential dilutive ordinary shares.

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

	Six-month period ended June 30,	
	2010	**2009**
Weighted average number of ordinary shares outstanding during the period	**138,623,788**	130,814,892
Profit/(loss) for the period attributable to equity holders of the parent entity, US$ million	**$ (267)**	$ (987)
Earnings/(losses) per share, basic and diluted	**$ (1.93)**	$ (7.55)

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

The shareholders meeting held May 17, 2010 resolved not to declare final dividends for 2009.

In the six-month period ended June 30, 2010, certain subsidiaries of the Group declared dividends. The share of non-controlling shareholders in those dividends was $1 million.

13. Loans and Borrowings

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

US$ million	June 30, 2010	December 31, 2009
Bank loans	**$ 4,066**	$ 4,605
8.875 per cent notes due 2013	**1,156**	1,156
7.25 per cent convertible bonds due 2014	**650**	650
8.25 per cent notes due 2015	**577**	577
9.5 per cent notes due 2018	**509**	509
9.25 per cent rouble-denominated notes due 2013	**489**	–
13.5 per cent rouble-denominated bonds due 2014	**653**	661
Unamortised debt issue costs	**(169)**	(196)
Difference between the nominal amount and liability component of convertible bonds	**(115)**	(126)
Interest payable	**57**	87
	$ 7,873	$ 7,923

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.

Pledged Assets

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

At June 30, 2010 and December 31, 2009, the Group had equipment with a carrying value of $Nil and $11 million, respectively, pledged as collateral under the loan agreements. In addition, the Group pledged inventory with a carrying value of $85 million and $81 million, as of June 30, 2010 and December 31, 2009, respectively. At June 30, 2010, 50% less one share of Kachkanarsky Mining-and-Processing Integrated Works were pledged as collateral under bank loans. This subsidiary represents 2.6% of the consolidated assets and 0.4% of the consolidated revenues of the Group. At June 30, 2010, the net assets (including intra-group balances) of Kachkanarsky Mining-and-Processing Integrated Works were $1,070 million.

Issue of Notes and Bonds

In 2010, the Group issued rouble-denominated bonds in the total amount of 15,000 million Russian roubles, which bear interest of 9.25% per annum and mature on March 22, 2013. The currency and interest rate risk exposures of this transaction were partially economically hedged.

13. Loans and Borrowings

Repurchase of Notes and Bonds

In 2009, the Group re-purchased notes due 2009, 2013, 2015 and 2018 with the nominal amount of $412 million for a cash consideration of $297 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 six-month period ended June 30, 2009.

Loans from the Russian State Banks

In six-month period ended June 30, 2010, the Group fully repaid its liabilities under $1,007 million loan from VEB.

Unutilised Borrowing Facilities

As of June 30, 2010, the Group had unutilised bank loans in the amount of $923 million, including $430 million of committed facilities and $493 million of uncommitted facilities.

14. Commitments and Contingencies

Operating Environment of the Group

The Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group’s major subsidiaries are located in Russia, Ukraine, the European Union, the USA, Canada and the Republic of South Africa. Russia and Ukraine are considered to be emerging markets with higher economic and political risks.

In the wake of the global financial crisis, there are certain signs of general economic recovery. The stabilisation measures introduced by governments to provide liquidity and support debt refinancing have led to stronger customer demand, increased production levels and improved liquidity in the banking sector.

Nevertheless, in the first half of 2010, there was no material uplift in the ship-building, pipe-making, railway transportation, construction, oil and gas industries which are the major customers of the Group and pricing remains volatile. The global economic climate is unstable and this may negatively affect the Group’s results and financial position in a manner not currently determinable.

Taxation

Russian and Ukrainian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. The Group'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. As such, significant additional taxes, penalties and interest may be assessed.

14. Commitments and Contingencies (continued)

Taxation (continued)

The Group 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 the Group 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 $36 million.

Contractual Commitments

The Group signed contracts for the purchase of production equipment and construction works for an approximate amount of $376 million as of June 30, 2010.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, health care and social infrastructure development in towns where the Group's assets are located. In the second half of 2010, the Group plans to spend approximately $42 million under these programmes.

Environmental Protection

In the course of the Group's operations, the Group may be subject to environmental claims and legal proceedings. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, improvements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement. The Group 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 2010 to 2015, the Group is committed to spend approximately $287 million under the environmental programmes.

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings. 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 $11 million.

15. Subsequent Events

Borrowings

Subsequent to June 30, 2010, the Group signed long-term bank loan agreements for $50 million. The loan facilities were fully disbursed.