EVRAZ making the world stronger

FOR IMMEDIATE RELEASE

EVRAZ ANNOUNCES PRELIMINARY UNAUDITED FINANCIAL RESULTS FOR 2011

28 March 2012 – EVRAZ plc (LSE: EVR) (together with its subsidiaries referred to as “EVRAZ” or the “Group”), today announces its preliminary unaudited financial results for the year ended 31 December 2011.

The financial information presented in this preliminary announcement has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority, International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with the provisions of the Companies Act 2006. The financial information presented in this preliminary announcement is also consistent with IFRS as issued by the International Accounting Standards Board.

EVRAZ plc was incorporated on 23 September 2011 as a public company under the laws of the United Kingdom and became a new parent entity of the Group. The unaudited financial information for the year ended 31 December 2011 contained in this document does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The Group’s statutory financial statements for the year ended 31 December 2011, which are the first statutory financial statements of EVRAZ plc to be presented since its incorporation, will be approved by the Directors, audited and delivered to the Registrar of Companies in due course.

As the Group has been formed through a reorganisation in which EVRAZ plc became a new parent entity of the Group, the consolidated financial information has been prepared as a continuation of the existing group.

2011 Highlights:

Financials:

- Consolidated revenue **US$16,400 million** (+22% vs. 2010)
- Consolidated adjusted EBITDA **US$2,898 million** (+23%)
- Net profit **US$453 million** (-4%)
- Operating cash flow **US$2,647 million** (+59%)
- Net debt **US$6,442 million** (-10% vs. 31 December 2010)
- Final dividend of **US$228 million** announced

Steel segment:

- Crude steel production 16.8 million tonnes (+3%)
- Total external steel sales volumes 15.5 million tonnes (+0%)
- Steel segment revenue US$14,717 million (+21%)

Mining segment:

- Iron ore production 21.2 million tonnes (+7%)
- Raw coking coal production 6.3 million tonnes (-16%)
- Steam coal production 3.0 million tonnes (-23%)
- Mining segment revenue US$3,784 million (+51%)

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Vanadium segment:

- Primary vanadium (slag) production 20,741 tonnes (+0.4%)
- External vanadium product sales volumes 26,632 tonnes (+34%)
- Vanadium segment revenue US$665 million (+17%)

Corporate developments:

- Move to a Premium Listing on the London Stock Exchange
- Inclusion in the FTSE 100
- Appointment of Sir Michael Peat as Senior Non-Executive Independent Director
- Appointment of Alexander Izosimov as an Independent Non-Executive Director

Financial management:

- Issuance of US$850 million Eurobonds at a coupon rate of 6.75% due 2018
- Early redemption of US$622 million of 2013 Eurobonds
- Issuance of RUB20 billion (US$621 million) 5-year Rouble bonds at a coupon rate of 8.40%
- Conversion of US$650 million convertible bonds originally due in 2014 resulted in a US$553 million decrease of debt
- 5-year US$500 million credit facility signed with Gazprombank
- 5-year US$610 million revolving facility signed with a consortium of banks by North American subsidiary at record-low 1.5% to 2% over LIBOR
- Rating upgrades by Moody's, Standard & Poor's and Fitch to "Ba3", "B+" and "BB-" respectively

CAPEX:

- CAPEX in 2011 amounted to US$1,281 million compared with US$832 million in 2010
- Launch of Yerunakovskaya-VIII coking coal mine development
- Expansion of our largest iron ore mine KGOK started

Dividends:

- Under the revised dividend policy EVRAZ will target to maintain a long-term average dividend payout ratio of at least 25% of the consolidated net profit adjusted for non-recurring items, for the relevant period
- EVRAZ declares a gross final dividend of US$0.17/ordinary share of EVRAZ plc
- Ex-dividend date – 6 June 2012, record date – 8 June 2012; deadline for currency election – 11 June 2012; fixing of FX rate date – 22 June 2012; payment date – 9 July 2012.

Alexander Abramov, Chairman of the Board of EVRAZ plc, commented:

"2011 was a landmark year in the development of EVRAZ. We produced a robust operating performance in volatile markets, posted strong financial results, delivered against key management objectives, simplified the company's capital structure and moved up to trading on the Main Market of the London Stock Exchange, becoming a Premium Listed UK company and a constituent of the FTSE100 Index.

"That the group was able to deliver such a resilient performance in a year characterised by global economic uncertainty is testament to the power of our integrated business model, the sustainability of our strategy and the efforts of our management team and employees. Although the new company, EVRAZ plc, represents the same underlying assets as EVRAZ Group S.A., the listing will enable us to broaden our shareholder base, improve the liquidity of the Company's shares, and provide better access to the international capital markets. Importantly the listing also shows EVRAZ's commitment to the highest standards of governance, transparency and information disclosure.

“As a global organisation our undertaking is to make the world Stronger, Safer and Cleaner and to this end, we are increasing our emphasis on the Health, Safety and Environmental management of the Group.”

Alexander Frolov, Chief Executive of EVRAZ plc, commented:

“First of all, I’d like to emphasise that the safety of our employees remains our top priority. In 2011 we have recorded significant improvement in both lost time injury frequency rate and fatal injury frequency rate, with the former down 23% and the latter down 50% year-on-year. Our main goal now is to make these improvements sustainable.

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

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

Mining Segment

"In 2011, we focused on investments in the development of our iron ore resource base, primarily the expansion of the Kachkanar iron ore operations to ensure steady supply of iron ore to our steelmaking operations in the years to come. As a result, our KGOK plant increased production of raw iron ore from 52 to 55 million tonnes. Production of iron ore products increased as a result of continuous efforts on debottlenecking. Our mining segment sold 18% more iron ore products to our steel segment and to external customers in 2011 compared to 2010.

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

“2011 was not an exception as we had to temporarily stop the Alardinskaya and Osinnikovskaya mines for longwall repositionings and additional implementation of safety equipment. In the fourth quarter these works were finished and all the mines became operative. In October, production was launched at the Ulyanovskaya mine. As a result, fourth quarter production was up 19% compared to the third quarter.

“To prepare for the future depletions of existing mines and increase our coking coal self-coverage we launched construction of the Yerunakovskaya 8 mine. We have also looked into possible variants of starting the development of the Mezhegey coal deposit, even with limited mining volumes, as early as 2013.

“With implementation of all the plans we expect the production volumes of coking coal in 2012 to increase over the 2011 level, bringing our coking coal self-coverage to over 100% by the end of 2013, which will help improve profitability of our business.

Steel Segment

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

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

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

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

Operational Improvements

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

“In 2011, we streamlined further our business by moving into our new headquarters in Moscow, relocated our North American centre of operations, and commenced the consolidation of our European assets into a single unit. We also merged our two major integrated steel plants, NKMK, the leading rail producer in Russia, and ZSMK, Siberia’s largest steel mill, into a new unified business, United ZSMK, creating one of the largest steel plants in Russia.

Positioned for Growth

"We are committed to enhancing our mining asset base, modernising our steel making facilities and improving product quality in order to maintain and strengthen our competitive position in our key markets. To achieve these goals, we invested US$1.28 billion in a number of projects in 2011. Some of them will come on-stream by the end of 2012, starting with the increased production of our iron ore mine at Kachkanar, followed in 2013 by (1) an additional 2 million tonnes of raw coking coal per year to be mined at the Yerunakovskaya 8 mine and (2) the start of mining at the Mezhegey coking coal deposit, with an estimated 700 million tonnes of reserves and resources. The development of new deposits will help to underpin our goal of reaching integration levels in excess of 100% self-coverage in iron ore and coking coal.

“By the end of 2012, we will start using pulverised coal injection technology (PCI) at all our Russian steelmaking facilities, which will reduce coking coal consumption by 20% and eliminate the need for natural gas in blast furnace production, thus lowering our steelmaking costs.

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

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

Giacomo Baizini, EVRAZ plc Chief Financial Officer, commented:

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

“Notwithstanding our growth in EBITDA, our net profit contracted by 3% in 2011 as it was negatively affected by a number of one-off items. In H1 it was negatively impacted by US$161 million relating to the incentivised conversion of our 2014 convertible bonds. In H2 we incurred US$19 million of expenses for the move to the Premium Listing on the London Stock Exchange. Without these items our 2011 net profit would have been US$633 million.

“Our H1 2011 profit was also affected by US$71 million of charges on the early repurchase of our 2013 Eurobonds, and H2 2011 profit was also negatively affected by an increased mining depletion charge of US$182 million. This was due to the growth in per tonne depletion rates caused by estimation of relatively higher per tonne future capital expenditures required to develop proved and probable reserves that were added by the Group as a result of independent JORC valuation of the Group’s iron ore and coal reserves and resources in the middle of the year.

“The business delivered strong cash performance, generating operating cashflow of US$2.6 billion, which supported capital expenditure of US$1.28 billion. The Group produced free cashflow of US$641 million (vs. US$282 million in 2010). The strong cash generation and the incentivised conversion of the 2014 convertible bonds resulted in a reduction of net debt during the year of US$742 million to US$6.4 billion at 31 December 2011.

“Refinancing of short-term debt using debt instruments with longer-term maturities remains our financial management strategy. In April 2011 we repurchased US$622 million of the 2013 Eurobonds and issued a new US$850 million 7-year Eurobond at an interest rate of 6.75%. We also continued to take advantage of the Rouble bond market with a further RUB 20 billion issue, which was then swapped into US dollars at very attractive rates. We signed a 5-year US$500 million credit line with Gazprombank in October 2011 and a 5-year revolving credit facility in North America at a record-low interest rate.

“We also converted US$650 million convertible bonds originally due in 2014 thereby reducing our debt level by US$553 million. Our short-term debt has decreased by 15% and now stands at US$626 million – less than 10% of our total debt. Leverage was 2.2x net debt to LTM Adjusted EBITDA and we have no material maturities until 2013.

“Our improved financial position was reflected in credit rating upgrades by Moody’s, Standard & Poor’s and Fitch Ratings.

“On the back of such results we are today announcing a final dividend for 2011 of US$228 million or US$0.17 per share. Including the interim ordinary dividend of US$89 million paid in October, this gives a total ordinary dividend for 2011 of US$317 million, or 50% of net profit adjusted for non-recurring items of US$633 million, (where non-recurring items are US$161 million of incentivised conversion premium and US$19 million of expenses related to the Premium Listing on the London Stock Exchange).This is in-line with the Company’s stated policy of targeting a long-term average dividend payout ratio of at least 25% of adjusted net profit”.

Outlook

Commenting on the outlook for 2012 and beyond **Mr. Frolov** said:

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

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

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

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

"In Russia steel prices have remained broadly flat in Q1 2012 on Q4 2011, and our cost base is increasing due to the ongoing strengthening of the Rouble. Prices of steel products have remained broadly flat since the beginning of 2012. Russian Railroads remains a very strong customer and we expect it to maintain purchase volumes over the next several years. In addition, we expect to improve our product mix and generate additional revenue through our rail mill and wheel shop modernisation.

“Demand for our products in North America remains strong and the relative performance of this region so far in 2012 is higher than in 2011.

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

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

Mr. Baizini added:

“Given the challenging outlook for the industry, we continue carefully to monitor and proactively address any potential issues of future compliance with the covenants associated with the Company's financial indebtedness. Furthermore, EVRAZ continues to have substantial financial headroom, having in excess of US$800 million of cash on our balance sheet at the end of 2011 as well as significant liquidity available in committed and uncommitted credit lines to support our operations and investment plans.”

Full year to 31 December (US$ million)	**2011**	2010 [1]	Change
Revenue	**16,400**	13,394	22.4%
Adjusted EBITDA [2]	**2,898**	2,350	23.3%
Profit from operations	**1,860**	1,330	39.8%
Net profit	**453**	470	(3.6)%
Earnings per share, (US$)	**0.36**	0.39	(7.7)%

1 The amounts shown here and in similar tables throughout the press release do not correspond to the 2010 financial statements and reflect adjustments made in connection with the completion of initial accounting
2 Refer to Appendix 1 for reconciliation to profit from operations

2011 Results Summary:

EVRAZ's consolidated revenues for the year ended 31 December 2011 increased by 22.4% to US$16,400 million compared with US$13,394 million in 2010. Increases in both prices and volumes contributed to this revenue growth. Price increases accounted for US$2,774 million, or approximately 92% of the revenue growth, while volume increases accounted for US$232 million, or approximately 8% of the revenue growth.

The price effect was partially attributable to the change in shipment terms by EVRAZ's Russian mills to domestic customers (except for sales of rails to Russian Railways) from ExWorks to CPT (Carriage paid to) Incoterms from April 2011. Transportation included in 2011 revenues for CPT shipments in Russia amounted for approximately US$248 million.

The steel segment accounted for the majority of the increase in revenue due to higher average prices of steel products. EVRAZ's sales volumes of steel products to external customers remain at the same level as in 2010.

While total steel sales volumes did not change in 2011 compared to 2010, there were some changes between the markets. Sales volumes in the Russian and Ukrainian markets increased by 1.2 million tonnes and 0.1 million tonnes respectively compared to 2010. This increase was fully offset by a decrease in export sales volumes from EVRAZ's Russian and Ukrainian operations, which reflects EVRAZ's strategy to direct sales away from export markets where prices for its steel products were generally lower in 2011, to domestic CIS markets, where prices for steel products were higher. Sales volumes of EVRAZ's European operations increased by 0.1 million tonnes, while volumes of North American operations increased by 0.1 million tonnes. Steel sales volumes of EVRAZ's South African operations remained flat in 2011.

Geographic breakdown of consolidated revenues

	Year ended 31 December				
	2011		2010		2011 v 2010
	US$ million	**% of total**	US$ million	% of total	% change
Russia	**6,632**	**40.4%**	4,692	35.0%	41.3%
Americas	**3,741**	**22.8%**	3,162	23.6%	18.3%
Asia	**2,350**	**14.3%**	2,671	20.0%	(12.0)%
Europe	**1,941**	**12.0%**	1,422	10.6%	36.4%
CIS	**1,187**	**7.2%**	960	7.2%	23.6%
Africa	**544**	**3.3%**	485	3.6%	12.2%
Rest of the world	**5**	**0.0%**	2	0.0%	150.0%
Total	**16,400**	**100.0%**	13,394	100.0%	22.4%

Revenues from sales in Russia increased both in absolute terms and as a proportion of total revenues from 35.0% to 40.4%, driven by improving demand for construction products in the Russian market supported by additional sales through sales branches of EVRAZ Metall Inprom.

In 2011, revenues from non-Russian sales rose by 12.3% to US$9,768 million compared with US$8,702 million in 2010 but decreased as a percentage of total revenues to 59.6%, compared with 65.0% in 2010.

In 2011, the consolidated cost of revenues amounted to 76.1% of consolidated revenues, or US$12,473 million compared with 77.0% of consolidated revenues, or US$10,319 million, in 2010.

Gross profit rose by 27.7% from US$3,075 million in 2010 to US$3,927 million in 2011. This increase in gross profit margin primarily resulted from an increase in steel and mining product prices.

Selling, general and administrative (SG&A) expenses as a percentage of consolidated revenues increased year-on-year from 11.5% to 12.7%.

Total loss on the disposal of property, plant and equipment in 2011 amounted to US$50 million compared with US$52 million in 2010.

Total impairment of assets amounted to US$104 million in 2011 as compared to US$147 million in 2010. Impairment in 2010 was partly attributable to impairment of goodwill in the amount of US$16 million related to Stratcor. EVRAZ recognized impairment of assets, other than goodwill, in the amounts of US$104 million and US$131 million in 2011 and 2010 respectively, including impairment of certain items of property, plant and equipment and intangible assets.

The total foreign exchange gain amounted to US$269 million in 2011 compared to US$104 million in 2010. The foreign exchange gain in 2011 primarily related to gains in respect of intercompany loans issued by Russian subsidiaries to Mastercroft Finance Ltd (a Cyprus based subsidiary) in Roubles (gains recognised in Mastercroft Finance Ltd) and intercompany loans issued by Russian subsidiaries in US dollars (gains recognised in Russian subsidiaries) due to the depreciation of the Rouble against the US dollar between 31 December 2010 and 31 December 2011.

Profit from operations improved from US$1,330 million, or 9.9% of consolidated revenues, in 2010, to US$1,860 million, or 11.3% of consolidated revenues, in 2011.

Consolidated adjusted EBITDA increased by 23.3% to US$2,898 million in 2011 compared to US$2,350 million in 2010, with adjusted EBITDA margin of 17.6% and 17.5% respectively.

Interest expense decreased 2.7% to US$708 million in 2011 compared with US$728 million in 2010 due to reduction in total debt.

In 2011, income tax expense amounted to US$420 million compared to US$163 million in 2010. EVRAZ's effective tax rate, defined as income tax expense (benefit) as a percentage of profit (loss) before tax, increased from 25.8% in 2010 to 48.1% in 2011. The lower effective rate in 2010 is explained by a US$142 million benefit arising from a new tax code in Ukraine.

The net profit attributable to equity holders of EVRAZ plc in 2011 was US$461 million compared with US$486 million in 2010.

Review of Operations

Steel Segment Results

Full year to 31 December (US$ million)	**2011**	2010	Change
Revenues*	**14,717**	12,123	21.4%
Profit from operations	**580**	878	(33.9)%
Adjusted EBITDA	**1,262**	1,485	(15.0)%
Adjusted EBITDA margin	**8.6%**	12.2%	(3.6)%

**Segment revenues include intersegment sales*

Steel Segment Sales*

	Year ended 31 December				
	2011		2010		2011 v 2010
	US$ million	**% of total**	US$ million	% of total	% change
Steel products					
Construction products [1]	**4,430**	**30.1%**	3,337	27.5%	32.8%
Railway products [2]	**1,969**	**13.4%**	1,472	12.1%	33.8%
Flat-rolled products [3]	**2,763**	**18.8%**	2,007	16.6%	37.7%
Tubular products [4]	**1,322**	**9.0%**	1,309	10.8%	1.0%
Semi-finished products [5]	**2,235**	**15.2%**	2,340	19.3%	(4.5)%
Other steel products [6]	**592**	**4.0%**	411	3.4%	44.0%
Other products [7]	**1,406**	**9.5%**	1,247	10.3%	12.8%
Total	**14,717**	**100.0%**	12,123	100.0%	21.4%

[1] Includes rebars, wire rods, wire, H-beams, channels and angles.
[2] Includes rail and wheels.
[3] Includes plates and coils.
[4] Includes large diameter, ERW seamless pipes and casing.
[5] Includes billets, slabs, pig iron, pipe blanks and blooms.
[6] Includes rounds, grinding balls, mine uprights and strips.
[7] Includes coke and coking products, refractory products, ferroalloys and resale of coking coal.

Steel Products Sales Volumes*

Full year to 31 December ('000 tonnes)	**2011**	2010	Change
Steel products			
Construction products	**5,515**	**5,090**	8.3%
Railway products	**2,098**	**1,913**	9.7%
Flat-rolled products	**2,872**	**2,573**	11.6%
Tubular products	**912**	**924**	(1.3)%
Semi-finished products	**3,479**	**4,481**	(22.4)%
Other steel products	**674**	**584**	15.5%
Total	**15,550**	**15,565**	(0.1)%

** Including intersegment sales*

Steel segment revenues increased by 21.4% to US$14,717 million in 2011 compared with US$12,123 million in 2010, a reflection of increasing prices for steel products, as described above.

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

The proportion of revenues attributable to sales of railway products increased in 2011 compared with 2010 due to growth in sales volumes. In 2010, EVRAZ signed an agreement with Russian Railways that linked the prices for EVRAZ's rails supplied to Russian Railways to the market prices of scrap metal. This agreement had the effect of protecting EVRAZ's margin.

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

The proportion of revenues attributable to sales of tubular products decreased due to relative stability of prices and volumes of tubular products compared with the growing revenues of other product groups.

The proportion of revenues attributable to sales of semi-finished products decreased largely due to lower sales volumes of semi-finished products sold by the Russian and Ukrainian operations to export markets.

Revenues from sales in Russia amounted to approximately 41.7% of steel segment revenues in 2011, compared with 35.3% in 2010. The increased share of revenues from sales in Russia resulted from the reallocation of steel volumes from Asian export markets to the Russian market.

Steel segment cost of revenues increased to 83.8% of steel segment revenues in 2011, or US$12,380 million, compared with 82.3% of steel segment revenues, or US$9,983 million, in 2010. The increase in cost of revenues in monetary terms is attributable to a rise of 33.5% in raw material costs due to growth in the prices of all key raw materials (particularly coking coal and iron ore) and appreciation of Russian Rouble and other Group's reporting currencies against the US dollar; increased energy costs (+24.5%) due to higher energy prices and the currencies appreciation against the US dollar; and enhanced staff costs (+23.6%). Costs of semi-finished products increased by 20.2% mainly due to increased slab usage volumes in EVRAZ North America, and higher average cost of slabs.

In 2011, the steel segment recorded an operating profit of US$580 million (3.9% of steel segment revenues), compared with US$878 million (7.2% of steel segment revenues) in 2010.

Mining Segment Results

Full year to 31 December (US$ million)	2011	2010	Change
Revenues	**3,784**	2,507	50.9%
Profit/(loss) from operations	**1,150**	613	87.6%
Adjusted EBITDA	**1,628**	935	74.1%
Adjusted EBITDA margin	**43.0%**	37.3%	5.7%

Mining Segment Sales*

	Year ended 31 December				
	2011		2010		2011 v 2010
	US$ million	**% of total**	US$ million	% of total	% change
Iron ore products	**2,438**	**64.4%**	**1,526**	**60.9%**	**59.8%**
Iron ore concentrate	723	19.1%	516	20.6%	40.1%
Sinter	576	15.2%	369	14.7%	56.1%
Pellets	853	22.5%	521	20.8%	63.7%
Other	286	7.6%	120	4.8%	138.3%
Coal products	**1,247**	**33.0%**	**901**	**35.9%**	**38.4%**
Raw coking coal	157	4.1%	161	6.4%	(2.5)%
Coking coal concentrate	862	22.8%	501	20.0%	72.1%
Raw steam coal	52	1.4%	108	4.3%	(51.9)%
Steam coal concentrate	176	4.7%	131	5.2%	34.4%
Other revenues	**99**	**2.6%**	**80**	**3.2%**	**23.8%**
Total	**3,784**	**100.0%**	**2,507**	**100.0%**	**50.9%**

Full year to 31 December ('000 tonnes)	2011	2010	Change
Iron ore products	**19,951**	16,936	17.8%
Iron ore concentrate	6,434	5,825	10.5%
Sinter	4,423	3,969	11.4%
Pellets	6,064	5,451	11.2%
Other	3,030	1,691	79.2%
Coal products	**8,595**	9,456	(9.1)%
Raw coking coal	1,595	2,444	(34.7)%
Coking coal concentrate	4,150	3,568	16.3%
Raw steam coal	1,437	2,247	(36.0)%
Steam coal concentrate	1,413	1,197	18.0%

* *Including intersegment sales*

Mining segment revenues rose 50.9% to US$3,784 million in 2011, compared with US$2,507 million in 2010, primarily reflecting higher prices of iron ore and coking coal products in 2011.

Total sales volumes of EVRAZ's mining segment in 2011 as compared to 2010 increased by 17.8% in respect of iron ore products and decreased by 9.1% in respect of coal products. The decrease in total sales volumes of coking coal products in 2011 was caused by lower production volumes of raw coking coal following temporary stoppages of some mines in 2011 for additional implementation of safety equipment and procedures Sales volumes of steam coal decreased by 17.2% due to lower volumes of raw steam coal mined as some steam coal facilities were not operating in 2011. In monetary terms, a higher proportion of raw coal processed by EVRAZ's mining segment into coal concentrate, sold at higher prices, offset the impact of decreased mined raw coal volumes.

In 2011, mining segment sales to the steel segment amounted to US$2,706 million, or 71.5% of mining segment sales, compared with US$1,747 million, or 69.7% of mining segment sales, in 2010.

In H1 2011, EVRAZ's iron ore requirements were self-covered by approximately 99% and in H2 2011 by approximately 106% compared with 90% in H1 2010 and 102% in H2 2010. Self-coverage in coking coal (including 40% share of Raspadskaya production) was 88% in H1 2011 and 71% in H2 2011 compared to 90% and 80% respectively in 2010. Excluding the Raspadskaya share self-coverage was 62% in 1H 2011 and 49% in H2 2011.

Approximately 40% of the mining segment's external sales in 2011 were to customers in Russia compared with 48% in 2010. The decrease in the share of third party sales outside Russia is largely attributable to higher sales volumes of iron ore in the CIS and European markets.

Mining segment cost of revenues decreased to 62.4% of mining segment revenues, or US$2,363 million, in 2011 from 62.6% of mining segment revenues, or US$1,569 million, in 2010. The increase in monetary terms was primarily attributable to the growth in raw materials costs (+114.7%) which resulted from higher prices and volumes of external coking coal purchased by the mining segment for processing (due to decrease in the Yuzhkuzbassugol's mining volumes) and increased prices of purchased iron ore; higher depreciation and depletion costs (+92.5%) as a result of an increased mining depletion charge of US$180 million in 2011, fixed assets additions and appreciation of the Russian Rouble against the US dollar.

Vanadium Segment Results

Full year to 31 December (US$ million)	**2011**	2010	Change
Revenues	**665**	566	17.5%
Loss from operations	**(13)**	(10)	
Adjusted EBITDA	**22**	53	(58.5)%
Adjusted EBITDA margin	**3.3%**	9.4%	(6.1)%

Vanadium Segment Sales*

	Year ended 31 December				
	2011		2010		2011 v 2010
	US$ million	**% of total**	US$ million	% of total	% change
Vanadium in slag	76	11.4%	39	6.9%	94.9%
Vanadium in alloys and chemicals	579	87.1%	516	91.2%	12.2%
Other revenues	10	1.5%	11	1.9%	(9.1)%
Total	**665**	**100.0%**	**566**	**100.0%**	**17.5%**

Full year to 31 December (‘000 tonnes of pure Vanadium)	**2011**	2010	Change
Vanadium products	**27.4**	20.6	33.0%
Vanadium in slag	**6.7**	3.1	116.1%
Vanadium in alloys and chemicals	**20.7**	17.5	18.3%

** Including intersegment sales*

Vanadium segment revenues increased by 17.5% to US$665 million in 2011, compared with US$566 million in 2010, reflecting significantly higher sales volumes of vanadium products despite lower prices. Sales volumes of the vanadium segment increased from 20.6 thousand tonnes of pure vanadium in 2010 to 27.4 thousand tonnes of pure vanadium in 2010.

Vanadium segment cost of revenues increased to 91.7% of vanadium segment revenues, or US$610 million, in 2011 from 88.5% of vanadium segment revenues, or US$501 million, in 2010. The increase in monetary terms was primarily attributable to higher sales volumes.

Other operations segment results

Full year to 31 December (US$ million)	**2011**	2010	Change
Revenues	**966**	823	17.4%
Profit from operations	**162**	77	110.4%
Adjusted EBITDA	**197**	144	36.8%
Adjusted EBITDA margin	**20.4%**	17.5%	2.9%

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

Consolidated Group Financial Position

Cash flow

Cash flow from operating activities increased from US$1,662 million in 2010 to US$2,647 million in 2011. Cash provided by operating activities before working capital adjustments increased from US$2,030 million in 2010 to US$2,528 million in 2011.

Net cash used in investing activities totalled US$1,188 million in 2011 compared with US$744 million in 2010. Substantially, all the cash used in investing activities related to own capital expenditures.

In 2011, EVRAZ's capital expenditure totalled US$1,281 million, including US$678 million in respect of the steel segment and US$452 million in respect of the mining segment. EVRAZ's capital expenditure plans are subject to change depending, among other things, on the development of market conditions and the cost and availability of funds. EVRAZ's 2012 budget anticipates total capital expenditure for 2012 to be in line with 2011.

Net cash used in financing activities amounted to US$1,282 million in 2011 compared to US$899 million in 2010 reflecting a reduction in debt and interest paid.

Statement of financial position

As of 31 December 2011 total debt decreased to US$7,206 million compared to US$7,811 million as of 31 December 2010. Cash and cash equivalents together with short-term bank deposits amounted to US$803 million, against US$684 million as of 31 December 2010. Liquidity, defined as cash and cash equivalents, amounts available under credit facilities and short-term bank deposits with original maturity of more than three months, totalled approximately US$2,125 million as of 31 December 2011 compared with approximately US$1,694 million as of 31 December 2010. *(Please refer to Appendix 2 for calculation of liquidity)*

As of 31 December 2011, EVRAZ had unutilised borrowing facilities of US$1,322 million, including US$560 million of committed facilities and US$762 million of uncommitted facilities. Committed facilities consisted of credit facilities available for Russian and North American operations in the amounts of US$261 million and US$299 million respectively. Uncommitted facilities consisted of revolving credit lines of US$522 million with international banks for export trade financing at East Metals and credit facilities available for South African, European, North American and Russian operations in the amounts of US$49 million, US$136 million, US$15 million and US$40 million respectively.

EVRAZ's current ratio, defined as current assets divided by current liabilities, slightly decreased from 1.77 as of 31 December 2010 to 1.76 as of 31 December 2011.

Net debt amounted to US$6,442 million as of 31 December 2011 compared with US$7,184 million as of 31 December 2010. *(Please refer to Appendix 3 for calculation of net debt)*

# # #

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Appendix 1

Adjusted EBITDA

Adjusted EBITDA represents profit from operations plus depreciation, depletion and amortisation, impairment of assets, loss (gain) on disposal of property, plant and equipment, and foreign exchange loss (gain). EVRAZ presents an Adjusted EBITDA because it considers Adjusted EBITDA to be an important supplemental measure of its operating performance and believes Adjusted EBITDA is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the same industry. Adjusted EBITDA is not a measure of financial performance under IFRS and it should not be considered as an alternative to net profit as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. EVRAZ's calculation of Adjusted EBITDA may be different from the calculation used by other companies and therefore comparability may be limited. Adjusted EBITDA has limitations as an analytical tool and potential investors should not consider it in isolation, or as a substitute for an analysis of our operating results as reported under IFRS. Some of these limitations include:

- Adjusted EBITDA does not reflect the impact of financing or financing costs on EVRAZ's operating performance, which can be significant and could further increase if EVRAZ were to incur more debt.
- Adjusted EBITDA does not reflect the impact of income taxes on EVRAZ's operating performance.
- Adjusted EBITDA does not reflect the impact of depreciation and amortisation on EVRAZ's operating performance. The assets of EVRAZ's businesses which are being depreciated and/or amortised will have to be replaced in the future and such depreciation and amortisation expense may approximate the cost to replace these assets in the future. Adjusted EBITDA, due to the exclusion of this expense, does not reflect EVRAZ's future cash requirements for these replacements. Adjusted EBITDA also does not reflect the impact of a loss on disposal of property, plant and equipment.

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

	Year ended 31 December	
	2011	2010
	(US$ million)	
Consolidated Adjusted EBITDA reconciliation		
Profit from operations	1,860	1,330
Add:		
Depreciation, depletion and amortisation	1,153	925
Impairment of assets	104	147
Loss on disposal of property, plant & equipment	50	52
Foreign exchange gain	(269)	(104)
Consolidated Adjusted EBITDA	**2,898**	**2,350**
Steel segment Adjusted EBITDA reconciliation		
Profit from operations	580	878
Add:		
Depreciation and amortisation	546	558
Impairment of assets	78	81
Loss on disposal of property, plant & equipment	29	33
Foreign exchange loss/(gain)	29	(65)
Steel segment Adjusted EBITDA	**1,262**	**1,485**
Mining segment Adjusted EBITDA reconciliation		
(Loss)/profit from operations	1,150	613
Add:		
Depreciation, depletion and amortisation	530	282
Impairment of assets	31	20
Loss on disposal of property, plant & equipment	20	18
Foreign exchange loss/(gain)	(103)	2
Mining segment Adjusted EBITDA	**1,628**	**935**
Vanadium segment Adjusted EBITDA reconciliation		
Loss from operations	(13)	(10)
Add:		
Depreciation and amortisation	34	47
Impairment of assets	0	16
Foreign exchange loss	1	0
Vanadium segment Adjusted EBITDA	**22**	**53**
Other operations Adjusted EBITDA reconciliation		
Profit from operations	162	77
Add:		
Depreciation and amortisation	40	37
Impairment of assets	(5)	30
Loss on disposal of property, plant & equipment	1	1
Foreign exchange gain	(1)	(1)
Other operations Adjusted EBITDA	**197**	**144**
Unallocated Adjusted EBITDA reconciliation		
Profit from operations	(51)	(118)
Add:		
Depreciation and amortisation	3	1
Foreign exchange gain	(195)	(40)
Unallocated Adjusted EBITDA	**(243)**	**157**
Intersegment eliminations		
Profit from operations	32	(110)
Eliminations Adjusted EBITDA	**32**	**(110)**

Appendix 2

Liquidity

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

	31 December 2011	31 December 2010
	(US$ million)	
Liquidity Calculation		
Cash and cash equivalents	801	683
Amounts available under credit facilities	1,322	1,010
Short-term bank deposits	2	1
Total estimated liquidity	2,125	1,694

Appendix 3

Net Debt

Net Debt represents long-term loans, net of current portion, plus short-term loans and current portion of long-term loans, plus finance lease liablilities, including current portion of finance lease liabilities, less cash and cash equivalents (excluding restricted deposits). Net Debt is not a measure under IFRS and it should not be considered as an alternative to other measures of financial position. EVRAZ's calculation of Net Debt may be different from the calculation used by other companies and therefore comparability may be limited.

Net Debt has been calculated as follows:

	31 December 2011	31 December 2010
	(US$ million)	
Net Debt Calculation		
Add:		
Long-term loans, net of current portion	6,593	7,097
Short-term loans and current portion of long-term loans	613	714
Finance lease liabilities, including current portion		
Less:	39	57
Short-term bank deposits	(2)	(1)
Cash and cash equivalents	(801)	(683)
Net Debt	**6,442**	**7,184**

EVRAZ plc

Unaudited Consolidated Financial Statements

Year ended 31 December 2011

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EVRAZ plc

Unaudited Consolidated Statement of Operations

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

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

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

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

Unaudited Consolidated Statement of Comprehensive Income

(In millions of US dollars)

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

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

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

EVRAZ plc

Unaudited Consolidated Statement of Financial Position

(In millions of US dollars)

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

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

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

Unaudited Consolidated Statement of Cash Flows

(In millions of US dollars)

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

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

Continued on the next page

EVRAZ plc

Unaudited Consolidated Statement of Cash Flows (continued)

(In millions of US dollars)

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

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

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

EVRAZ plc

Unaudited Consolidated Statement of Changes in Equity

(In millions of US dollars)

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

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

EVRAZ plc

Unaudited Consolidated Statement of Changes in Equity (continued)

(In millions of US dollars)

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Legal reserve	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total Equity
At 31 December 2009	$ 375	$ –	$ 1,739	$ 208	$ 36	$ 4	$ 4,065	$ (1,260)	$ 5,167	$ 275	$ 5,442
Net profit*	–	–	–	–	–	–	486	–	486	(16)	470
Other comprehensive income/(loss)	–	–	–	(6)	–	(4)	–	46	36	9	45
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(22)	–	–	22	–	–	–	–
Total comprehensive income/(loss) for the period*	–	–	–	(28)	–	(4)	508	46	522	(7)	515
Acquisition of non-controlling interests in existing subsidiaries *(Note 6)*	–	–	1	–	–	–	(3)	–	(2)	(14)	(16)
Derecognition of non-controlling interests in subsidiaries *(Note 20)*	–	–	–	–	–	–	–	–	–	(6)	(6)
Share-based payments *(Note 24)*	–	–	2	–	–	–	–	–	2	–	2
Dividends declared by the Group's subsidiaries to non-controlling shareholders *(Note 20)*	–	–	–	–	–	–	–	–	–	(1)	(1)
At 31 December 2010*	$ 375	$ –	$ 1,742	$ 180	$ 36	$ –	$ 4,570	$ (1,214)	$ 5,689	$ 247	$ 5,936

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

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

EVRAZ plc

Unaudited Consolidated Statement of Changes in Equity (continued)

(In millions of US dollars)

	Attributable to equity holders of the parent entity										
	Issued capital	**Treasury shares**	**Additional paid-in capital**	**Revaluation surplus**	**Legal reserve**	**Unrealised gains and losses**	**Accumulated profits**	**Translation difference**	**Total**	**Non-controlling interests**	**Total Equity**
At 31 December 2008	$ 332	$ (9)	$ 1,054	$ 218	$ 30	$ –	$ 4,377	$ (1,330)	$ 4,672	$ 245	$ 4,917
Net loss	–	–	–	–	–	–	(295)	–	(295)	3	(292)
Other comprehensive income/(loss)	–	–	–	(7)	–	4	–	70	67	28	95
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(3)	–	–	3	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	–	(10)	–	4	(292)	70	(228)	31	(197)
Issue of share capital *(Note 20)*	43	–	492	–	–	–	–	–	535	–	535
Transaction costs in respect of the issue of shares *(Note 20)*	–	–	(5)	–	–	–	–	–	(5)	–	(5)
Equity component of convertible bonds *(Note 20)*	–	–	133	–	–	–	–	–	133	–	133
Derecognition of non-controlling interests arising on acquisition of subsidiaries *(Note 4)*	–	–	–	–	–	–	(5)	–	(5)	–	(5)
Contribution from a shareholder *(Note 4)*	–	–	65	–	–	–	–	–	65	–	65
Purchase of treasury shares *(Note 20)*	–	(5)	–	–	–	–	–	–	(5)	–	(5)
Sale of treasury shares *(Note 20)*	–	12	–	–	–	–	(6)	–	6	–	6
Exercise of share options *(Note 20)*	–	2	–	–	–	–	(3)	–	(1)	–	(1)
Appropriation of net profit to legal reserve *(Note 20)*	–	–	–	–	6	–	(6)	–	–	–	–
Dividends declared by the Group's subsidiaries to non-controlling shareholders *(Note 20)*	–	–	–	–	–	–	–	–	–	(1)	(1)
At 31 December 2009	$ 375	$ –	$ 1,739	$ 208	$ 36	$ 4	$ 4,065	$ (1,260)	$ 5,167	$ 275	$ 5,442

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

1. Corporate Information

The financial information presented in this preliminary announcement was authorised for issue by the Board of Directors of EVRAZ plc on 26 March 2012.

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

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

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

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

Subsidiary	Effective ownership interest, % 2011	2010	2009	Business activity	Location
EVRAZ Nizhny Tagil Iron & Steel Plant	100.00	100.00	100.00	Steel production	Russia
EVRAZ United West-Siberian Iron & Steel Plant	100.00	100.00	100.00	Steel production	Russia
Novokuznetsk Iron & Steel Plant (in 2011 merged with West-Siberian Iron & Steel Plant)	–	100.00	100.00	Steel production	Russia
EVRAZ Vitkovice Steel a.s.	100.00	100.00	100.00	Steel production	Czech Republic
EVRAZ Highveld Steel and Vanadium Limited	85.12	85.12	85.12	Steel production	South Africa
EVRAZ Dnepropetrovsk Iron and Steel Works	96.04	96.04	96.03	Steel production	Ukraine
EVRAZ Inc. NA	100.00	100.00	100.00	Steel mill	USA
EVRAZ Inc. NA Canada	100.00	100.00	100.00	Steel mill	Canada
Yuzhkuzbassugol	100.00	100.00	100.00	Coal mining	Russia
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	100.00	100.00	100.00	Ore mining and processing	Russia
Evrazruda	100.00	100.00	100.00	Ore mining	Russia
EVRAZ Sukha Balka	99.42	99.42	99.42	Ore mining	Ukraine

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

1. Corporate Information (continued)

Going Concern

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

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

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

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

2. Significant Accounting Policies

Basis of Preparation

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

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

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

The consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below. Exceptions include, but are not limited to, property, plant and equipment at the date of transition to IFRS accounted for at deemed cost, available for sale investments measured at fair value, assets classified as held for sale measured at the lower of their carrying amount or fair value less costs to sell and post-employment benefits measured at present value.

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Group Reorganisation (continued)

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

Completion of Initial Accounting

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

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

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

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

2. Significant Accounting Policies (continued)

Changes in Accounting Policies

In the preparation of these consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the previous year, except for the adoption of new standards and interpretations and revision of the existing standards as of 1 January 2011.

New/Revised Standards and Interpretations Adopted in 2011

- IAS 24 (revised) "Related Party Disclosures"

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

- Amendment to IAS 32 "Financial Instruments: Presentation"

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

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

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

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

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

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

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

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

Standards Issued But Not Yet Effective

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

The Group expects that the adoption of the pronouncements listed above will not have a significant impact on the Group's results of operations and financial position in the period of initial application.

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

Significant Accounting Judgements and Estimates

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Impairment of Property, Plant and Equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. In 2011, 2010 and 2009, the Group recognised an impairment loss of $105 million, $109 million and $23 million, respectively (Note 9).

The determination of impairments of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists. The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the fair value and, ultimately, the amount of any impairment.

Useful Lives of Items of Property, Plant and Equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period.

In 2011 and 2009, the Group changed its estimation of useful lives of property, plant and equipment, which resulted in a $16 million and $102 million decrease in depreciation expense, respectively, as compared to the amounts that would have been charged had no change in estimate occurred. In 2010, the change in estimates of useful lives of property, plant and equipment resulted in an additional depreciation expense of approximately $10 million.

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Fair Values of Assets and Liabilities Acquired in Business Combinations

The Group is required to recognise separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in a business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques which require considerable judgement in forecasting future cash flows and developing other assumptions.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of goodwill at 31 December 2011, 2010 and 2009 was $2,180 million, $2,219 million and $2,186 million, respectively. In 2011, 2010 and 2009, the Group recognised an impairment loss in respect of goodwill in the amount of $Nil, $16 million and $160 million, respectively. More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in Note 5.

Mineral Reserves

Mineral reserves are a material factor in the Group's computation of depreciation, depletion and amortisation charge. The Group estimates its mineral reserves in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"). Estimation of reserves in accordance with JORC Code involves some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data, which also requires use of subjective judgement and development of assumptions.

Site Restoration Provisions

The Group reviews site restoration provisions at each reporting date and adjusts them to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the end of the reporting period based on the requirements of the current legislation of the country where the respective operating assets are located. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable judgement is required in forecasting future site restoration costs.

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Site Restoration Provisions (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision when there is sufficient objective evidence that they will occur.

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

Post-Employment Benefits

The Group uses an actuarial valuation method for the measurement of the present value of post-employment benefit obligations and related current service cost. This involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate, future salary and benefit levels, expected rate of return on plan assets, etc.).

Allowances

The Group makes allowances for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements. As of 31 December 2011, 2010 and 2009, allowances for doubtful accounts in respect of trade and other receivables have been made in the amount of $108 million, $117 million, $92 million respectively (Note 29).

The Group makes an allowance for obsolete and slow-moving raw materials and spare parts. In addition, certain finished goods of the Group are carried at net realisable value (Note 14). Estimates of net realisable value of finished goods are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the end of the reporting period to the extent that such events confirm conditions existing at the end of the period.

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Litigations

The Group exercises judgment in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. Revisions to the estimates may significantly affect future operating results. More details are provided in Note 31.

Current Taxes

Russian and Ukrainian tax, currency and customs legislation is subject to varying interpretations and changes occur frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group's entities may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group's entities may be assessed for additional taxes, penalties and interest, which can be significant. In Russia and Ukraine the periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. More details are provided in Note 31.

Deferred Income Tax Assets

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes judgments based on the expected performance. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plan, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively affected. In the event that the assessment of future utilisation of deferred tax assets must be reduced, this reduction will be recognised in the statement of operations.

2. Significant Accounting Policies (continued)

Foreign Currency Transactions

The presentation currency of the Group is the US dollar because the presentation in US dollars is convenient for the major current and potential users of the consolidated financial statements.

The functional currencies of the Group's subsidiaries are the Russian rouble, US dollar, euro, Czech koruna, South African rand, Canadian dollar and Ukrainian hryvnia. As at the reporting date, the assets and liabilities of the subsidiaries with the functional currency other than the US dollar, are translated into the presentation currency at the rate of exchange ruling at the end of the reporting period, and their statements of operations are translated at the exchange rates that approximate the exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a subsidiary with the functional currency other than the US dollar, the deferred cumulative amount recognised in equity relating to that particular subsidiary is recognised in the statement of operations.

Transactions in foreign currencies in each subsidiary of the Group are initially recorded in the functional currency at the rate ruling at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. All resulting differences are taken to the statement of operations.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Basis of Consolidation

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than 50% of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

2. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the parent's shareholders' equity.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisition of Subsidiaries from 1 January 2010

Business combinations are accounted for using the acquisition method.

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using those provisional values. The Group recognises any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date.

Comparative information presented for the periods before the completion of initial accounting for the acquisition is presented as if the initial accounting had been completed from the acquisition date.

2. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Acquisition of Subsidiaries Prior to 1 January 2010

The previous accounting policies relating to business combinations include the following differences as compared with the policies applied strating from 1 January 2010:

- Transaction costs directly attributable to the acquisition formed part of the acquisition costs.
- The non-controlling interest (formerly known as minority interest) could be measured only at the proportionate share of the acquiree's identifiable net assets.
- Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.
- Contingent consideration was recognised if the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Increases in Ownership Interests in Subsidiaries

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases is either added to additional paid-in capital, if positive, or charged to accumulated profits, if negative, in the consolidated financial statements.

Purchases of Controlling Interests in Subsidiaries from Entities under Common Control

Purchases of controlling interests in subsidiaries from entities under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these financial statements at the historical cost of the controlling entity (the "Predecessor"). Related goodwill inherent in the Predecessor's original acquisition is also recorded in the financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to the shareholders' equity.

These financial statements, including corresponding figures, are presented as if a subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Put Options Over Non-controlling Interests

The Group derecognises non-controlling interests if non-controlling shareholders have a put option over their holdings. The difference between the amount of the liability recognised in the statement of financial position over the carrying value of the derecognised non-controlling interests is charged to accumulated profits.

2. Significant Accounting Policies (continued)

Investments in Associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control.

Investments in associates are accounted for under the equity method of accounting and are initially recognised at cost including goodwill. Subsequent changes in the carrying value reflect the post acquisition changes in the Group's share of net assets of the associate and goodwill impairment charges, if any.

The Group's share of its associates' profits or losses is recognised in the statement of operations and its share of movements in reserves is recognised in equity. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has legal or constructive obligations to make payments to, or on behalf of, the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Interests in Joint Ventures

The Group's interest in its joint ventures is accounted for under the equity method of accounting whereby an interest in jointly controlled entities is initially recorded at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of joint ventures. The statement of operations reflects the Group's share of the results of operations of joint ventures.

Property, Plant and Equipment

The Group's property, plant and equipment is stated at purchase or construction cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of plant and equipment when that cost is incurred and recognition criteria are met.

The Group's property, plant and equipment include mining assets, which consist of mineral reserves, mine development and construction costs and capitalised site restoration costs. Mineral reserves represent tangible assets acquired in business combinations. Mine development and construction costs represent expenditures incurred in developing access to mineral reserves and preparations for commercial production, including sinking shafts and underground drifts, roads, infrastructure, buildings, machinery and equipment.

2. Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

At each end of the reporting period management makes an assessment to determine whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is the higher of an asset's fair value less cost to sell and its value in use. The carrying amount is reduced to the recoverable amount, and the difference is recognised as impairment loss in the statement of operations or other comprehensive income. An impairment loss recognised for an asset in previous years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

Land is not depreciated. Depreciation of property, plant and equipment, except for mining assets, is calculated on a straight-line basis over the estimated useful lives of the assets. The useful lives of items of property, plant and equipment and methods of their depreciation are reviewed, and adjusted as appropriate, at each fiscal year-end. The table below presents the useful lives of items of property, plant and equipment.

	Useful lives (years)	Weighted average remaining useful life (years)
Buildings and constructions	15-60	19
Machinery and equipment	4-45	11
Transport and motor vehicles	7-20	12
Other assets	3-15	6

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

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

Maintenance costs relating to items of property, plant and equipment are expensed as incurred. Major renewals and improvements are capitalised, and the replaced assets are derecognised.

The Group has the title to certain non-production and social assets, primarily buildings and facilities of social infrastructure, which are carried at their recoverable amount of zero. The costs to maintain such assets are expensed as incurred.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

2. Significant Accounting Policies (continued)

Leases (continued)

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised from the commencement of the lease term at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to interest expense.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets, which are owned. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of operations on a straight-line basis over the lease term.

Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred for an acquisition of a subsidiary or an associte and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the acquiree, the difference is recognised in the consolidated statement of operations.

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill on acquisition of an associate is included in the carrying amount of the investments in associates.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or the group of cash generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2. Significant Accounting Policies (continued)

Intangible Assets Other Than Goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditures on internally generated intangible assets, excluding capitalised development costs, are expensed as incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are reviewed at least at each year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortised, they are tested for impairment annually either individually or at the cash generating unit level.

The table below presents the useful lives of intangible assets.

	Useful lives (years)	**Weighted average remaining useful life (years)**
Customer relationships	1-15	11
Trade names and trademarks	5	–
Water rights and environmental permits with definite lives	5	1
Patented and unpatented technology	18	13
Contract terms	1-49	45
Other	5-10	8

Certain water rights and environmental permits are considered to have indefinite lives as management believes that these rights will continue indefinitely.

The most part of the Group’s intangible assets represents customer relationships arising on business combinations (Note 10).

2. Significant Accounting Policies (continued)

Intangible Assets Other Than Goodwill (continued)

Emission Rights

One of the Group's subsidiaries participates in the programme for emission reduction established by the Kyoto protocol. Emission rights (allowances) for each compliance period (one year) are issued at the beginning of the year, actual emissions are verified after the end of the year.

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

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

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

Financial Assets

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

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

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

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

2. Significant Accounting Policies (continued)

Financial Assets (continued)

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the end of the reporting period or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of operations. Reversals of impairment losses in respect of equity instruments are not recognised in the statement of operations. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the statement of operations.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s-length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis or other valuation models.

All purchases and sales of financial assets under contracts to purchase or sell financial assets that require delivery of the asset within the time frame generally established by regulation or convention in the market place are recognised on the settlement date i.e. the date the asset is delivered by/to the counterparty.

Accounts Receivable

Accounts receivable, which generally are short term, are recognised and carried at the original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

The Group establishes an allowance for impairment of accounts receivable that represents its estimate of incurred losses. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar receivables in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

2. Significant Accounting Policies (continued)

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis and includes expenditure incurred in acquiring or producing inventories and bringing them to their existing location and condition. The cost of finished goods and work in progress includes an appropriate share of production overheads based on normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Value Added Tax

The tax authorities permit the settlement of sales and purchases value added tax ("VAT") on a net basis.

The Group's subsidiaries located in Russia apply the accrual method for VAT recognition, under which VAT becomes payable upon invoicing and delivery of goods or rendering services as well upon receipt of prepayments from customers. VAT on purchases, even if not settled at the end of the reporting period, is deducted from the amount of VAT payable.

Where provision has been made for impairment of receivables, an impairment loss is recorded for the gross amount of the debtor, including VAT.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs. After initial recognition borrowings are measured at amortised cost using the effective interest rate method; any difference between the amount initially recognised and the redemption amount is recognised as interest expense over the period of the borrowings.

Prior to 2008, borrowing costs were expensed as incurred. Since 1 January 2008 borrowing costs relating to qualifying assets are capitalised (Note 9).

Financial Guarantee Liabilities

Financial guarantee liabilities issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issue of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period and the amount initially recognised.

2. Significant Accounting Policies (continued)

Equity

Share Capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Treasury Shares

Own equity instruments which are acquired by the Group (treasury shares) are deducted from equity. No gain or loss is recognised in statement of operations on the purchase, sale, issue or cancellation of the treasury shares.

Dividends

Dividends are recognised as a liability and deducted from equity only if they are declared before or the end of the reporting period. Dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period but before the financial statements are authorised for issue.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Provisions for site restoration costs are capitalised within property, plant and equipment.

2. Significant Accounting Policies (continued)

Employee Benefits

Social and Pension Contributions

Defined contributions are made by the Group to the Russian and Ukrainian state pension, social insurance, medical insurance and unemployment funds at the statutory rates in force (approximately 36%), based on gross salary payments. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits. Its only obligation is to pay contributions as they fall due. These contributions are expensed as incurred.

Defined Benefit Plans

The Group companies provide pensions and other benefits to their employees (Note 23). The entitlement to these benefits is usually conditional on the completion of a minimum service period. Certain benefit plans require the employee to remain in service up to retirement age. Other employee benefits consist of various compensations and non-monetary benefits. The amounts of benefits are stipulated in the collective bargaining agreements and/or in the plan documents.

The Group involves independent qualified actuaries in the measurement of employee benefits obligations.

The liability recognised in the statement of financial position in respect of post-employment benefits is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the benefits is determined by discounting the estimated future cash outflows using interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligations.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for each individual plan exceed 10% of the higher of defined benefit obligation and the fair value of plan assets. The excess of cumulative actuarial gains or losses over the 10% of the higher of defined benefit obligation and the fair value of plan assets are recognised over the expected average remaining working lives of the employees participating in the plan.

The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately. The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly.

The Group includes expected return on plan assets the in interest expense caption of the consolidated statement of operations.

2. Significant Accounting Policies (continued)

Employee Benefits (continued)

Other Costs

The Group incurs employee costs related to the provision of benefits such as health services, kindergartens and other services. These amounts principally represent an implicit cost of employment and, accordingly, have been charged to cost of sales.

Share-based Payments

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

The cost of equity-settled transactions with non-executive directors and employees is measured by reference to the fair value of the Company's shares at the date on which they are granted. The fair value is determined using the Black-Scholes-Merton model, further details of which are given in Note 24. In valuing equity-settled transactions, no account is taken of any conditions, other than market conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity (additional paid-in capital), over the period in which service conditions are fulfilled, ending on the date on which the relevant persons become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit in the statement of operations for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest. Once a share-settled transaction is vested, no further accounting entries are made to reverse the cost already charged, even if the instruments that are the subject of the transaction are subsequently forfeited. In this case, the Group makes a transfer between different components of equity.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2. Significant Accounting Policies (continued)

Share-based Payments (continued)

Cash-settled share-based payments represent transactions in which the Group acquires goods or services by incurring a liability to transfer cash or other assets to the supplier of those goods or services for amounts that are based on the price (or value) of the Group's shares or other equity instruments.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes-Merton model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date with changes in fair value recognised in the statement of operations.

The dilutive effect of outstanding share-based awards is reflected as additional share dilution in the computation of earnings per share (Note 20).

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

When goods are sold or services are rendered in exchange for dissimilar goods or services, the revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. The moment of transfer of the risks and rewards of ownership is determined by the contract terms.

Rendering of Services

The Group’s revenues from rendering of services include electricity, transportation, port and other services. Revenue is recognised when services are rendered.

Interest

Interest is recognised using the effective interest method.

2. Significant Accounting Policies (continued)

Revenue (continued)

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Rental Income

Rental income is accounted for on a straight-line basis over the lease term on ongoing leases.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of operations.

Deferred Income Tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

3. Segment Information

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

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

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

No operating segments have been aggregated to form the above reportable segments.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

Management monitors the results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA. This performance indicator is calculated based on management accounts that differ from the IFRS consolidated financial statements for the following reasons:

1) for the last month of the reporting period, the statement of operations for each operating segment is prepared using a forecast for that month;
2) the statement of operations is based on local GAAP figures with the exception of depreciation expense which approximates the amount under IFRS.

Segment revenue is revenue reported in the Group's statement of operations that is directly attributable to a segment and the relevant portion of the Group's revenue that can be allocated on a reasonable basis to a segment, whether from sales to external customers or from transactions with other segments.

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated on a reasonable basis to the segment, including expenses relating to external counterparties and expenses relating to transactions with other segments.

Segment result is segment revenue less segment expense that is equal to earnings before interest, tax and depreciation and amortisation ("EBITDA").

Segment EBITDA is determined as segment's profit/(loss) from operations adjusted for impairment of assets, profit/(loss) on disposal of property, plant and equipment and intangible assets, foreign exchange gains/(losses) and depreciation, depletion and amortisation expense.

3. Segment Information (continued)

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

Year ended 31 December 2011

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

Year ended 31 December 2010

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 12,592	$ 322	$ 280	$ 140	$ –	$ 13,334
Inter-segment sales	359	2,056	257	536	(3,208)	–
Total revenue	12,951	2,378	537	676	(3,208)	13,334
Segment result – EBITDA	$ 1,445	$ 898	$ 90	$ 122	$ (155)	$ 2,400

Year ended 31 December 2009

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 9,292	$ 188	$ 226	$ 117	$ –	$ 9,823
Inter-segment sales	129	1,160	36	439	(1,764)	–
Total revenue	9,421	1,348	262	556	(1,764)	9,823
Segment result – EBITDA	$ 950	$ 179	$ 12	$ 110	$ –	$ 1,251

3. Segment Information (continued)

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

Year ended 31 December 2011

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

3. Segment Information (continued)

Year ended 31 December 2010

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue	$ 12,951	$ 2,378	$ 537	$ 676	$ (3,208)	$ 13,334
Forecasted vs. actual revenue	112	(7)	(4)	(1)	–	100
Reclassifications and other adjustments	(940)	136	33	148	583	(40)
Revenue per IFRS financial statements	$ 12,123	$ 2,507	$ 566	$ 823	$ (2,625)	$ 13,394
EBITDA	$ 1,445	$ 898	$ 90	$ 122	$ (155)	$ 2,400
Forecasted vs. actual EBITDA	(24)	(14)	(1)	–	–	(39)
Exclusion of management services from segment result	62	32	2	2	–	98
Unrealised profits adjustment	(33)	–	3	–	45	15
Reclassifications and other adjustments	35	19	(41)	20	–	33
	40	37	(37)	22	45	107
EBITDA based on IFRS financial statements	$ 1,485	$ 935	$ 53	$ 144	$ (110)	$ 2,507
Unallocated subsidiaries						(157)
						$ 2,350
Depreciation, depletion and amortisation expense	(558)	(282)	(47)	(37)	–	(924)
Impairment of goodwill	–	–	(16)	–	–	(16)
Impairment of assets	(81)	(20)	–	(30)	–	(131)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(33)	(18)	–	(1)	–	(52)
Foreign exchange gains/(losses), net	65	(2)	–	1	–	64
	$ 878	$ 613	$ (10)	$ 77	$ (110)	$ 1,291
Unallocated income/(expenses), net						39
Profit/(loss) from operations						$ 1,330
Interest income/(expense), net						(715)
Share of profits/(losses) of joint ventures and associates						21
Gain/(loss) on financial assets and liabilities						8
Loss on disposal groups classified as held for sale						(14)
Gain on bargain purchases						4
Other non-operating gains/(losses), net						(1)
Profit/(loss) before tax						$ 633

3. Segment Information (continued)

Year ended 31 December 2009

US$ million	Steel production	Mining	Vanadium products	Other operations	Eliminations	Total
Revenue	$ 9,421	$ 1,348	$ 262	$ 556	$ (1,764)	$ 9,823
Forecasted vs. actual revenue	(54)	(2)	3	–	–	(53)
Reclassifications and other adjustments	(389)	110	98	209	(26)	2
Revenue per IFRS financial statements	$ 8,978	$ 1,456	$ 363	$ 765	$ (1,790)	$ 9,772
EBITDA	$ 950	$ 179	$ 12	$ 110	$ –	$ 1,251
Forecasted vs. actual EBITDA	(27)	–	–	–	–	(27)
Exclusion of management services from segment result	53	30	–	4	–	87
Unrealised profits adjustment	(15)	–	–	–	12	(3)
Reclassifications and other adjustments	(34)	70	(24)	53	–	65
	(23)	100	(24)	57	12	122
EBITDA based on IFRS financial statements	$ 927	$ 279	$ (12)	$ 167	$ 12	$ 1,373
Unallocated subsidiaries						(136)
						$ 1,237
Depreciation, depletion and amortisation expense	(624)	(281)	(38)	(35)		(978)
Impairment of goodwill	(160)	–	–	–		(160)
Impairment of assets	(24)	4	–	–		(20)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(25)	(12)	–	(2)		(39)
Foreign exchange gains/(losses), net	54	1	–	–		55
	$ 148	$ (9)	$ (50)	$ 130	$ 12	$ 95
Unallocated income/(expenses), net						100
Profit/(loss) from operations						$ 195
Interest income/(expense), net						(637)
Share of profits/(losses) of joint ventures and associates						2
Gain/(loss) on financial assets and liabilities						97
Loss on disposal groups classified as held for sale						(5)
Gain on bargain purchases						6
Other non-operating gains/(losses), net						4
Profit/(loss) before tax						$ (338)

3. Segment Information (continued)

The revenues from external customers for each group of similar products and services are presented in the following table:

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

3. Segment Information (continued)

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

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

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

3. Segment Information (continued)

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

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

4. Business Combinations

Vanady-Tula

On December 20, 2007, the Group signed an option agreement with OOO SGMK-Engineering (the “Seller”) in respect of shares of OAO Vanady-Tula (“Vanady-Tula”), a vanadium refinery located in Russia. Under the agreement, the Group had the right to acquire (the call option) and OOO SGMK-Engineering had the right to sell to the Group (the put option) 90.84% of shares in Vanady-Tula for 3,140 million roubles ($108 million at the exchange rate as of 2 November 2009, the date of the business combination). The options were extended to 31 December 2009. The exercise of the options was conditional upon the approval of the regulatory authorities. To secure the put option, the Group provided the seller with a non-interest bearing deposit in the amount of 3,091 million roubles ($121 million at the exchange rate as at the payment date). The deposit would have been repayable to the Group if neither the call option nor the put option were exercised before their expiration.

During 2008 and 2009, the Group purchased shares in Vanady-Tula and immediately prior to the business combination held a 1.88% ownership interest in the entity. The consideration paid for these shares was $2 million.

On 2 November 2009, the Group obtained the necessary regulatory approvals. The share options became exercisable and economic benefits have been effectively transferred to the Group since that date. As a result, the financial position and results of operations of Vanady-Tula were included in the Group’s consolidated financial statements beginning 2 November 2009 as the Group effectively exercised control over the entity’s operations since that date.

In December 2009, the option agreement was dissolved and the companies entered into a new agreement for the purchase of an 82.96% ownership interest in Vanady-Tula. The purchase consideration amounted to 2,854 million roubles ($95 million at the exchange rate as of the date of the transaction, which was completed on 15 December 2009).

4. Business Combinations (continued)

Vanady-Tula (continued)

The table below sets forth the fair values of Vanady-Tula's consolidated identifiable assets, liabilities and contingent liabilities at the date of business combination:

US$ million		**2 November 2009**
Property, plant and equipment	$	54
Inventories		14
Accounts and notes receivable		16
Total assets		**84**
Deferred income tax liabilities		9
Current liabilities		31
Total liabilities		**40**
Net assets	**$**	**44**
Fair value of net assets attributable to 92.72% ownership interest		**41**
Purchase consideration	**$**	**110**
Goodwill	**$**	**69**

In 2009, cash flow on acquisition was as follows:

US$ million		
Net cash acquired with the subsidiary	$	–
Cash paid		(5)
Net cash outflow	**$**	**(5)**

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

For the period from 2 November 2009 to 31 December 2009, Vanady-Tula reported net profit amounting to $2 million.

In accordance with the Russian legislation, an acquirer, which purchases at least 30% of the acquiree's share capital, is obliged to offer to other shareholders to sell their holdings ("obligatory offer"). On December 15, 2009, the date when the Group became the legal owner of the shares under the new purchase agreement, the Group derecognised all non-controlling interests in the entity and accrued a liability to the non-controlling shareholders in the amount of $17 million. This transaction resulted in a $5 million charge to accumulated profits.

In February, 2010, the Group made an offer to non-controlling shareholders of Vanady-Tula to sell their stakes to the Group. The non-controlling shareholders sold an 11.26% ownership interest to the Group. The Russian legislation allows a shareholder owning more than 95% of a company to increase its stake to 100% through a forced disposal of the shares held by non-controlling shareholders. Consequently, in August 2010, the Group started the buy out of non-controlling shares of Vanady-Tula. In November 2010, the Group completed the buy-out of the remaining shares (3.90%).

4. Business Combinations (continued)

Vanady-Tula (continued)

The total purchase consideration for a 15.16% ownership interest amounted to 521 million Russian roubles ($18 million at the exchange rate as of the dates of transactions).

Steel Dealers

On 15 October 2009, the Group acquired a 100% interest in a holding company owning steel dealers throughout Russia (formerly known as Carbofer). The purchase consideration amounted to $11 million.

The financial position and the results of operations of this holding were included in the Group's consolidated financial statements beginning 15 October 2009.

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

US$ million		**15 October 2009**
Property, plant and equipment	$	7
Other non-current assets		7
Inventories		73
Accounts and notes receivable		45
Cash		4
Total assets		**136**
Current liabilities		119
Total liabilities		**119**
Net assets	**$**	**17**
Purchase consideration	**$**	**11**
Gain on bargain purchase	**$**	**6**

In 2009, cash flow on acquisition was as follows:

US$ million		
Net cash acquired with the subsidiary	$	4
Cash paid		(9)
Net cash outflow	**$**	**(5)**

In 2010, the Group paid $1 million of purchase consideration. In 2011, the Group made a final payment of $1 million for this acquisition.

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

4. Business Combinations (continued)

Inprom Group

On December 22, 2010, the Group acquired 100% in a holding entity owning steel dealers throughout Russia (known as Inprom Group). Purchase consideration consisted of cash amounting to $19 million plus the fair value of a deferred consideration of $21 million.

The financial position and the results of operations of Inprom were included in the Group's consolidated financial statements beginning December 22, 2010.

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

US$ million		**22 December 2010**
Property, plant and equipment	$	123
Other non-current assets		26
Inventories		31
Accounts and notes receivable		24
Cash		8
Total assets		**212**
Non-current liabilities		8
Current liabilities		161
Total liabilities		**169**
Non-controlling interests		**(1)**
Net assets	**$**	**44**
Purchase consideration	**$**	**40**
Gain on bargain purchase	**$**	**4**

In 2010, cash flow on acquisition was as follows:

US$ million		
Net cash acquired with the subsidiary	$	8
Cash paid		(18)
Net cash outflow	**$**	**(10)**

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

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

4. Business Combinations (continued)

Other Payments for Aquisition of Subsidiaries

In 2009, the Group and Lanebrook Limited signed an amendment agreement under which the purchase price for the Ukrainian subsidiaries acquired in 2008 has been reduced by $65 million. This reduction in the purchase price was accounted for as a contribution from a shareholder in the consolidated statement of changes in equity.

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

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

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

Disclosure of Other Information in Respect of Business Combinations

As the acquired subsidiaries either did not prepare financial statements in accordance with IFRS before the business combinations or applied accounting policies that are significantly different from the Group’s accounting policies, it is impracticable to determine revenues and net profit of the combined entity for each year presented on the assumption that all business combinations effected during each year had occurred at the beginning of the respective year.

5. Goodwill

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

US$ million	**Gross amount**	**Impairment losses**	**Carrying amount**
At 31 December 2008	**$ 2,923**	**$ (756)**	**$ 2,167**
Goodwill recognised on acquisitions of subsidiaries (Note 4)	69	–	69
Adjustment to contingent consideration	(5)	–	(5)
Impairment	–	(160)	(160)
Palmrose	–	*(100)*	*(100)*
Claymont Steel	–	*(49)*	*(49)*
General Scrap	–	*(4)*	*(4)*
Evraz Inc. N.A. Canada (Surrey)	–	*(7)*	*(7)*
Translation difference	94	21	115
At 31 December 2009	**3,081**	**(895)**	**2,186**
Adjustment to contingent consideration	8	–	8
Impairment	–	(16)	(16)
Stratcor, Inc.	–	*(16)*	*(16)*
Translation difference	43	(2)	41
At 31 December 2010	**3,132**	**(913)**	**2,219**
Adjustment to contingent consideration	(6)	–	(6)
Translation difference	(35)	2	(33)
At 31 December 2011	**$ 3,091**	**$ (911)**	**$ 2,180**

Goodwill relates to the assembled workforce and synergy from integration of the acquired subsidiaries into the Group. The carrying amount of goodwill was allocated among cash generating units as follows at 31 December:

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

5. Goodwill (continued)

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

Goodwill was tested for impairment as of 31 December 2011. For the purpose of the goodwill impairment testing the Group assessed the recoverable amount of each cash generating unit to which the goodwill relates. The recoverable amount has been determined based on a value-in-use calculation using cash flows projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting time value of money and risks associated with respective cash generating units. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the respective business plans results using a zero real growth rate.

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

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

The calculations of value-in-use are most sensitive to the following assumptions:

Discount Rates

Discount rates reflect the current market assessment of the risks specific to each cash generating unit. The discount rates have been determined using the Capital Asset Pricing Model and analysis of industry peers. Reasonable changes in discount rates could lead to an additional impairment at Evraz Palini e Bertoli, Strategic Minerals Corporation and General Scrap Inc. cash generating units. If discount rates were 10% higher, this would lead to an additional impairment of $9 million. The recoverable amount of these cash generating units based on the discount rates applied exceeds their carrying amount by $38 million.

5. Goodwill (continued)

Sales Prices

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

Sales Volumes

Management assumed that the sales volumes of steel products would increase on average by 5% during 2012 and would grow evenly during the following four years to reach normal asset capacity thereafter. Reasonable changes in sales volumes could lead to an additional impairment at General Scrap Inc. cash generating unit. If the sales volumes were 10% lower than those assumed for 2012 and 2013 in the impairment test, this would lead to an additional impairment of $2 million. The recoverable amount of this cash generating unit based on the sales volumes applied exceeds its carrying amount by $2 million.

Cost Control Measures

The recoverable amounts of cash generating units are based on the business plans approved by management. A reasonable deviation of cost from these plans could lead to an additional impairment at Evraz Vanady-Tula and Evraz Palini e Bertoli cash generating units. If the actual costs were 10% higher than those assumed for 2012 and 2013 in the impairment test, this would lead to an additional impairment of $36 million. The recoverable amount of these cash generating units based on the cost control measures applied exceeds their carrying amount by $50 million.

6. Acquisitions of Non-Controlling Interests in Subsidiaries

Evraztrans

In 2011, the Group acquired an additional non-controlling interest of 24% in Evraztrans, a subsidiary, which renders railway transportation services. Cash consideration amounted to $51 million. The excess of the amounts of consideration over the carrying values of non-controlling interests acquired amounting to $18 million was charged to accumulated profits.

Stratcor

In 2010, the Group acquired an additional non-controlling interest of 5.92% in Strategic Minerals Corporation (“Stratcor”) for a cash consideration of $8 million paid in 2009. The excess of the amount of consideration paid over the carrying value of acquired non-controlling interest amounting to $3 million was charged to accumulated profits.

LDPP

In 2010, the Group acquired an additional non-controlling interest of 25% in OAO Large Diameter Pipe Plant (“LDPP”) for a cash consideration of $8 million. The excess of the carrying value of acquired non-controlling interest over the amount of consideration paid amounting to $1 million was recorded in additional paid-in capital.

7. Income and Expenses

Cost of revenues, selling and distribution costs, general and administrative expenses include the following for the years ended 31 December:

US$ million	**2011**	2010	2009
Cost of inventories recognised as expense	**$ (7,106)**	$ (5,241)	$ (3,849)
Staff costs, including social security taxes	**(2,228)**	(1,743)	(1,524)
Depreciation, depletion and amortisation	**(1,153)**	(925)	(979)

In 2011, 2010 and 2009, the Group made a reversal of the allowance for net realisable value in the amount of $14 million, $35 million and $177 million, respectively.

Staff costs include the following:

US$ million	**2011**	2010	2009
Wages and salaries	**$ 1,648**	$ 1,347	$ 1,165
Social security costs	**404**	257	217
Post-employment benefit expense	**59**	59	49
Share-based awards	**23**	2	6
Other compensations	**94**	78	87
	$ 2,228	**$ 1,743**	**$ 1,524**

The average number of staff employed under contracts of service was as follows:

	2011	2010	2009
Steel Production	**63,414**	61,858	65,471
Mining	**37,490**	38,336	43,127
Vanadium Products	**1,212**	1,178	1,158
Other Operations	**3,583**	3,855	4,986
Unallocated	**3,362**	3,279	2,592
	109,061	108,506	117,334

The major components of other operating expenses were as follows:

US$ million	**2011**	2010	2009
Idling, reduction and stoppage of production, including termination benefits	**$ (40)**	$ (45)	$ (70)
Restoration works and casualty compensations in connection with accidents	**(4)**	(17)	(1)
Site restoration provision accrued with respect to Kazankovskaya (Note 11)	**(6)**	–	–
Other	**(46)**	(48)	(50)
	$ (96)	$ (110)	$ (121)

7. Income and Expenses (continued)

Interest expense consisted of the following for the years ended 31 December:

US$ million	**2011**	2010	2009
Bank interest	**$ (154)**	$ (241)	$ (346)
Interest on bonds and notes	**(495)**	(423)	(268)
Finance charges payable under finance leases	**(5)**	(6)	(7)
Interest on liabilities relating to employee benefits and expected return on plan assets (Note 23)	**(28)**	(32)	(28)
Discount adjustment on provisions	**(19)**	(15)	(12)
Interest on contingent consideration	**(1)**	(1)	(2)
Other	**(6)**	(10)	(14)
	$ (708)	$ (728)	$ (677)

Interest income consisted of the following for the years ended 31 December:

US$ million	**2011**	2010	2009
Interest on bank accounts and deposits	**$ 6**	$ 9	$ 17
Interest on loans receivable	**4**	1	10
Interest on loans receivable from related parties	**3**	2	6
Interest on accounts receivable	**–**	1	7
Other	**4**	–	–
	$ 17	$ 13	$ 40

Gain/(loss) on financial assets and liabilities included the following for the years ended 31 December:

US$ million	**2011**	2010	2009
Impairment of available-for-sale financial assets (Note 13)	**$ (20)**	$ (2)	$ –
Gain/(loss) on extinguishment of debts (Note 21)	**(71)**	–	103
Loss on conversion of bonds (Note 21)	**(161)**	–	–
Change in the fair value of derivatives (Note 26)	**(110)**	4	1
Other	**7**	6	(7)
	$ (355)	$ 8	$ 97

8. Income Taxes

The Group's income was subject to tax at the following tax rates:

	2011	2010	2009
Russia	**20.00%**	20.00%	20.00%
Canada	**26.50%**	28.00%	29.00%
Cyprus	**10.00%**	10.00%	10.00%
Czech Republic	**19.00%**	19.00%	20.00%
Italy	**31.40%**	31.40%	31.40%
South Africa	**28.00%**	28.00%	28.00%
Switzerland	**10.09%**	10.09%	12.10%
Ukraine	**23.00% and 25.00%**	25.00%	25.00%
USA	**37.95%**	38.32%	38.51%

In 2010, a new Tax Code has been adopted in Ukraine, which introduced a gradual reduction in income tax rates from 25% in 2010 to 16% in 2014. In addition, in accordance with the new Tax Code the carrying values of property, plant and equipment per statutory books as of 1 April 2011 will become a new tax base of these assets for income tax calculations. The Group's subsidiaries measured the respective deferred tax assets and liabilities at 31 December 2010 based on the new tax bases using the announced tax rates and a forecast of temporary differences reversal.

Major components of income tax expense for the years ended 31 December were as follows:

US$ million	2011	2010	2009
Current income tax expense	**$ (537)**	$ (415)	$ (179)
Adjustment in respect of income tax of previous years	**129**	(8)	(6)
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**(12)**	260	231
Income tax benefit/(expense) reported in the consolidated statement of operations	**$ (420)**	$ (163)	$ 46

8. Income Taxes (continued)

The major part of income taxes is paid in the Russian Federation. A reconciliation of income tax expense applicable to profit before income tax using the Russian statutory tax rate to income tax expense as reported in the Group's consolidated financial statements for the years ended 31 December is as follows:

US$ million	**2011**	2010	2009
Profit before income tax	**$ 873**	$ 633	$ (338)
At the Russian statutory income tax rate of 20%	**(175)**	(127)	68
Adjustment in respect of income tax of previous years	**129**	(8)	(6)
Deferred income tax expense arising on the adjustment to current income tax of prior periods and the change in tax base of underlying assets	**(116)**	–	–
Deferred income tax benefit resulting from reduction in tax rate	**–**	17	13
Deferred income tax benefit relating to changes in tax regulations other than tax rates	**–**	125	–
Effect of non-deductible expenses and other non-temporary differences	**(282)**	(261)	(135)
Unrecognised temporary differences recognition/reversal	**(52)**	5	23
Tax on dividends distributed by the Group's subsidiaries to parent company	**–**	–	(1)
Effect of the difference in tax rates in countries other than the Russian Federation	**65**	82	68
Deferred income tax provided for undistributed earnings of the Group's subsidiaries	**–**	–	11
Share of profits in joint ventures and associates	**11**	4	–
Utilisation of previously unrecognised tax losses	**–**	–	5
Income tax expense reported in the consolidated statement of operations	**$ (420)**	$ (163)	$ 46

8. Income Taxes (continued)

Deferred income tax assets and liabilities and their movements for the years ended 31 December were as follows:

Year ended 31 December 2011

US$ million	**2011**	**Change recognised in statement of operations**	**Received from tax authorities**	**Change recognised in other comprehen-sive income**	**Change due to business combina tions**	**Change due to disposal of subsidiaries**	**Translation difference**	**2010**
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	**$ 1,021**	**(1)**	**–**	**–**	**–**	**–**	**(52)**	**$ 1,074**
Valuation and amortisation of intangible assets	**221**	**(38)**	**–**	**–**	**–**	**–**	**(15)**	**274**
Other	**93**	**11**	**–**	**–**	**–**	**–**	**(7)**	**89**
	1,335	**(28)**	**–**	**–**	**–**	**–**	**(74)**	**1,437**
Deferred income tax assets:								
Tax losses available for offset	**151**	**14**	**–**	**–**	**–**	**–**	**(13)**	**150**
Accrued liabilities	**123**	**(17)**	**–**	**–**	**–**	**–**	**(13)**	**153**
Impairment of accounts receivable	**33**	**3**	**–**	**–**	**–**	**–**	**(3)**	**33**
Other	**87**	**(40)**	**–**	**–**	**–**	**–**	**(2)**	**129**
	394	**(40)**	**–**	**–**	**–**	**–**	**(31)**	**465**
Net deferred income tax asset	**79**	**(17)**	**–**	**–**	**–**	**–**	**(4)**	**100**
Net deferred income tax liability	**$ 1,020**	**(5)**	–	–	**–**	**–**	**(47)**	**$ 1,072**

Year ended 31 December 2010

US$ million	**2010**	**Change recognised in statement of operations**	**Received from tax authorities**	**Change recognised in other comprehen-sive income**	**Change due to business combina tions**	**Change due to disposal of subsidiaries**	**Translation difference**	**2009**
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	$ 1,074	(184)	–	(1)	5	(13)	10	$ 1,257
Valuation and amortisation of intangible assets	274	(38)	–	–	–	–	15	297
Other	89	(7)	–	–	–	–	4	92
	1,437	(229)	–	(1)	5	(13)	29	1,646
Deferred income tax assets:								
Tax losses available for offset	150	5	(74)	–	11	–	5	203
Accrued liabilities	153	23	–	–	–	–	2	128
Impairment of accounts receivable	33	6	–	–	5	–	–	22
Other	129	(3)	–	–	1	–	(1)	132
	465	31	(74)	–	17	–	6	485
Net deferred income tax asset	100	24	–	–	10	–	(4)	70
Net deferred income tax liability	$ 1,072	(236)	74	(1)	(2)	(13)	19	$ 1,231

8. Income Taxes (continued)

Year ended 31 December 2009

US$ million	2009	Change recognised in statement of operations	Received from tax authorities	Change recognised in other comprehen-sive income	Change due to business combina tions	Change due to disposal of subsidiaries	Translation difference	2008
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	$ 1,257	(42)	–	(1)	9	–	17	$ 1,274
Valuation and amortisation of intangible assets	297	(49)	–	–	–	–	36	310
Undistributed earnings of subsidiaries	–	(11)	–	–	–	–	–	11
Other	92	31	–	–	–	–	3	58
	1,646	(71)	–	(1)	9	–	56	1,653
Deferred income tax assets:								
Tax losses available for offset	203	154	–	–	4	–	2	43
Accrued liabilities	128	(20)	–	–	–	–	1	147
Impairment of accounts receivable	22	(3)	–	–	2	–	(1)	24
Other	132	29	–		1	–	8	94
	485	160	–	–	7	–	10	308
Net deferred income tax asset	70	20	–	–	8	–	(2)	44
Net deferred income tax liability	$ 1,231	(211)	–	(1)	10	–	44	$ 1,389

As of 31 December 2011, 2010 and 2009, deferred income taxes in respect of undistributed earnings of the Group's subsidiaries have not been provided for, as management does not intend to distribute accumulated earnings in the foreseeable future. The current tax rate on intra-group dividend income varies from 0% to 10%.

At 31 December 2011, the Group has not recognised a deferred tax liability and deferred tax asset in respect of temporary differences of $5,686 million and $3,478 million, respectively (2010: $5,764 million and $2,831 million, 2009: $4,270 million and $2,713 million, respectively). These differences are associated with investments in subsidiaries and were not recognised as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies, except for the companies registered in Cyprus where group relief can be applied. As of 31 December 2011, the unused tax losses carry forward approximated $3,481 million (2010: $3,365 million, 2009: $2,757 million). The Group recognised deferred tax asset of $151 million (2010: $150 million, 2009: $203 million) in respect of unused tax losses. Deferred tax asset in the amount of $694 million (2010: $655 million, 2009: $463 million) has not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. Tax losses of $2,568 million (2010: $2,555 million, 2009: $1,873 million) for which deferred tax asset was not recognised arose in companies registered in Luxembourg, Cyprus, Russia, Ukraine and Canada. Losses in the amount of $2,479 million (2010: $2,535 million, 2009: $1,870 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and $89 million will expire during 2012 – 2022 (2010: $20 million, 2009: $3 million).

9. Property, Plant and Equipment

Property, plant and equipment consisted of the following as of 31 December:

US$ million	2011	2010	2009
Cost:			
Land	**$ 187**	$ 177	$ 164
Buildings and constructions	**2,594**	2,536	2,456
Machinery and equipment	**5,798**	5,734	5,337
Transport and motor vehicles	**508**	483	445
Mining assets	**2,631**	2,656	2,617
Other assets	**75**	84	77
Assets under construction	**1,027**	702	539
	12,820	12,372	11,635
Accumulated depreciation, depletion and impairment losses:			
Buildings and constructions	**(954)**	(854)	(711)
Machinery and equipment	**(2,358)**	(2,046)	(1,631)
Transport and motor vehicles	**(227)**	(203)	(173)
Mining assets	**(923)**	(607)	(485)
Other assets	**(52)**	(55)	(50)
	(4,514)	(3,765)	(3,050)
	$ 8,306	$ 8,607	$ 8,585

The movement in property, plant and equipment for the year ended 31 December 2011 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2010, cost, net of accumulated depreciation	**$ 177**	**$ 1,682**	**$ 3,688**	**$ 280**	**$ 2,049**	**$ 29**	**$ 702**	**$ 8,607**
Reclassifications between categories	**–**	**16**	**(25)**	**(1)**	**–**	**(5)**	**15**	**–**
Additions	**12**	**7**	**5**	**–**	**28**	**3**	**1,297**	**1,352**
Assets put into operation	**4**	**193**	**522**	**66**	**101**	**7**	**(893)**	**–**
Disposals	**–**	**(17)**	**(44)**	**(4)**	**(3)**	**(1)**	**(3)**	**(72)**
Depreciation and depletion charge	**–**	**(151)**	**(485)**	**(43)**	**(379)**	**(6)**	**–**	**(1,064)**
Impairment losses recognised in statement of operations	**–**	**(14)**	**(47)**	**(3)**	**(29)**	**–**	**(21)**	**(114)**
Impairment losses reversed through statement of operations	**–**	**6**	**3**	**–**	**–**	**–**	**1**	**10**
Impairment losses recognised or reversed through other comprehensive income	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**
Transfer to/from assets held for sale	**–**	**(4)**	**–**	**–**	**–**	**–**	**(5)**	**(9)**
Change in site restoration and decommissioning provision	**–**	**(3)**	**4**	**–**	**16**	**–**	**–**	**17**
Translation difference	**(6)**	**(75)**	**(180)**	**(14)**	**(75)**	**(4)**	**(66)**	**(420)**
At 31 December 2011, cost, net of accumulated depreciation	**$ 187**	**$ 1,640**	**$ 3,440**	**$ 281**	**$ 1,708**	**$ 23**	**$ 1,027**	**$ 8,306**

9. Property, Plant and Equipment (continued)

The movement in property, plant and equipment for the year ended 31 December 2010 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2009, cost, net of accumulated depreciation	$ 164	$ 1,745	$ 3,706	$ 272	$ 2,132	$ 27	$ 539	$ 8,585
Reclassifications between categories	–	1	(4)	1	3	(1)	–	–
Additions	–	2	4	6	25	–	840	877
Assets acquired in business combination	11	47	55	2	–	3	5	123
Assets put into operation	1	54	423	45	70	11	(604)	–
Disposals	(1)	(9)	(39)	(3)	(12)	(2)	(10)	(76)
Depreciation and depletion charge	–	(149)	(453)	(40)	(151)	(10)	–	(803)
Impairment losses recognised in statement of operations	–	(4)	(40)	–	(8)	–	(65)	(117)
Impairment losses reversed through statement of operations	–	3	8	–	1	–	3	15
Impairment losses recognised or reversed through other comprehensive income	–	(4)	(1)	–	(2)	–	–	(7)
Transfer to/from assets held for sale	–	(6)	(9)	–	(75)	–	–	(90)
Change in site restoration and decommissioning provision	–	2	–	–	71	–	–	73
Translation difference	2	–	38	(3)	(5)	1	(6)	27
At 31 December 2010, cost, net of accumulated depreciation	$ 177	$ 1,682	$ 3,688	$ 280	$ 2,049	$ 29	$ 702	$ 8,607

The movement in property, plant and equipment for the year ended 31 December 2009 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2008, cost, net of accumulated depreciation	$ 157	$ 1,813	$ 3,747	$ 297	$ 2,244	$ 63	$ 691	$ 9,012
Reclassifications	5	35	(12)	(1)	5	(34)	2	–
Additions	–	–	10	1	11	–	371	393
Assets acquired in business combination	–	31	26	2	–	–	2	61
Assets put into operation	3	56	346	24	72	15	(516)	–
Disposals	–	(11)	(26)	(4)	(1)	(1)	(6)	(49)
Depreciation and depletion charge	–	(151)	(445)	(43)	(147)	(17)	–	(803)
Impairment losses recognised in statement of operations	–	(28)	(33)	–	(4)	–	(7)	(72)
Impairment losses reversed through statement of operations	–	15	20	–	22	–	–	57
Impairment losses recognised or reversed through other comprehensive income	(4)	(3)	(1)	–	–	–	–	(8)
Disposal of assets due to sale of a subsidiary	–	(1)	–	–	(10)	–	–	(11)
Transfer to/from assets held for sale	–	(3)	–	–	–	(2)	–	(5)
Change in site restoration and decommissioning provision	–	5	6	–	3	–	–	14
Translation difference	3	(13)	68	(4)	(63)	3	2	(4)
At 31 December 2009, cost, net of accumulated depreciation	$ 164	$ 1,745	$ 3,706	$ 272	$ 2,132	$ 27	$ 539	$ 8,585

9. Property, Plant and Equipment (continued)

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $287 million, $250 million and $121 million as of 31 December 2011, 2010 and 2009, respectively.

Impairment losses were identified in respect of certain items of property, plant and equipment that were recognised as functionally obsolete or as a result of the testing at the level of cash generating units.

The amount of borrowing costs capitalised during the year ended 31 December 2011 was $13 million (2010: $5 million, 2009: $7 million). In 2011, the rate used to determine the amount of borrowing costs eligible for capitalisation was 4.6% (2010: 6.3%, 2009: 7%), which is the effective interest rate of borrowings that were outstanding during the period, other than borrowings made specifically for the purpose of obtaining qualifying assets.

10. Intangible Assets Other Than Goodwill

Intangible assets consisted of the following as of 31 December:

US$ million	**2011**	2010	2009
Cost:			
Customer relationships	**$ 1,230**	$ 1,353	$ 1,276
Trade names and trademarks	**31**	31	31
Water rights and environmental permits	**64**	64	64
Patented and unpatented technology	**9**	10	9
Contract terms	**16**	11	42
Other	**55**	53	46
	1,405	1,522	1,468
Accumulated amortisation:			
Customer relationships	**(480)**	(441)	(307)
Trade names and trademarks	**(31)**	(25)	(19)
Water rights and environmental permits	**(7)**	(6)	(5)
Patented and unpatented technology	**(8)**	(8)	(6)
Contract terms	**(4)**	(3)	(2)
Other	**(37)**	(35)	(31)
	(567)	(518)	(370)
	$ 838	$ 1,004	$ 1,098

As of 31 December 2011, 2010 and 2009, water rights and environmental permits with a carrying value $56 million had an indefinite useful life.

10. Intangible Assets Other Than Goodwill (continued)

The movement in intangible assets for the year ended 31 December 2011 was as follows:

US$ million	Customer relation-ships	Trade names and trademarks	Water rights and environ-mental permits	Patented and unpatented technology	Contract terms	Other	Total
At 31 December 2010, cost, net of accumulated amortisation	**$ 912**	**$ 6**	**$ 58**	**$ 2**	**$ 8**	**$ 18**	**$ 1,004**
Additions	**–**	**–**	**–**	**–**	**–**	**4**	**4**
Amortisation charge	**(111)**	**(6)**	**(1)**	**–**	**–**	**(5)**	**(123)**
Emission allowances granted	**–**	**–**	**–**	**–**	**–**	**7**	**7**
Emission allowances used/sold/purchased for the period	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
Impairment loss recognised in statement of operations	**–**	**–**	**–**	**–**	**–**	**(2)**	**(2)**
Impairment losses reversed through statement of operations	**6**	**–**	**–**	**–**	**5**	**–**	**11**
Translation difference	**(57)**	**–**	**–**	**(1)**	**(1)**	**–**	**(59)**
At 31 December 2011, cost, net of accumulated amortisation	**$ 750**	**$ –**	**$ 57**	**$ 1**	**$ 12**	**$ 18**	**$ 838**

The movement in intangible assets for the year ended 31 December 2010 was as follows:

US$ million	Customer relation-ships	Trade names and trademarks	Water rights and environ-mental permits	Patented and unpatented technology	Contract terms	Other	Total
At 31 December 2009, cost, net of accumulated amortisation	$ 969	$ 12	$ 59	$ 3	$ 40	$ 15	$ 1,098
Additions	–	–	–	–	–	7	7
Amortisation charge	(113)	(6)	(1)	(2)	(1)	(4)	(127)
Emission allowances granted	–	–	–	–	–	6	6
Emission allowances used/sold/purchased for the period	–	–	–	–	–	(5)	(5)
Impairment loss recognised in statement of operations	–	–	–	–	(30)	–	(30)
Impairment losses reversed through statement of operations	1	–	–	–	–	–	1
Translation difference	55	–	–	1	(1)	(1)	54
At 31 December 2010, cost, net of accumulated amortisation	$ 912	$ 6	$ 58	$ 2	$ 8	$ 18	$ 1,004

The movement in intangible assets for the year ended 31 December 2009 was as follows:

US$ million	Customer relation-ships	Trade names and trademarks	Water rights and environ-mental permits	Patented and unpatented technology	Contract terms	Other	Total
At 31 December 2008, cost, net of accumulated amortisation	$ 946	$ 16	$ 60	$ 5	$ 58	$ 23	$ 1,108
Additions	–	–	–	–	–	1	1
Amortisation charge	(104)	(5)	(1)	(2)	(18)	(4)	(134)
Emission allowances granted	–	–	–	–	–	5	5
Emission allowances used/sold for the period	–	–	–	–	–	(11)	(11)
Impairment loss recognised in statement of operations	(15)	–	–	–	–	–	(15)
Impairment losses reversed through statement of operations	8	2	–	–	–	–	10
Translation difference	134	(1)	–	–	–	1	134
At 31 December 2009, cost, net of accumulated amortisation	$ 969	$ 12	$ 59	$ 3	$ 40	$ 15	$ 1,098

11. Investments in Joint Ventures and Associates

The Group accounted for investments in joint ventures and associates under the equity method.

The movement in investments in joint ventures and associates was as follows:

US$ million	Corber	Streamcore	Kazankov-skaya	Other associates	Total
Investment at 31 December 2008	**$ 541**	**$ –**	**$ –**	**$ 10**	**$ 551**
Additional investments	–	42	–	13	55
Share of profit/(loss)	40	–	–	–	40
Impairment of investments	–	–	–	(1)	(1)
Disposal of investments	–	–	–	(1)	(1)
Translation difference	(12)	2	–	–	(10)
Investment at 31 December 2009	**569**	**44**	–	**21**	**634**
Share of profit/(loss)	95	–	–	1	96
Impairment of investments	–	(23)	–	(10)	(33)
Translation difference	(8)		–	(1)	(9)
Investment at 31 December 2010	**656**	**21**	–	**11**	**688**
Additional investments	–	–	–	9	9
Share of profit/(loss)	50	–	–	1	51
Reversal of impairment of investments	–	4	–	–	4
Dividends paid	(52)	–	–	(2)	(54)
Translation difference	(33)	(1)	–	(1)	(35)
Investment at 31 December 2011	**$ 621**	**$ 24**	**$ –**	**$ 18**	**$ 663**

Share of profit/(loss) of joint ventures and associates which is reported in the statement of operations comprised the following:

US$ million	**2011**	**2010**	**2009**
Share of profit/(loss), net	**$ 51**	$ 96	$ 40
Impairment of investments	**4**	(33)	(1)
Group's share in excess of net assets of ZAO Koksovaya transferred to Raspadskaya over consideration received (Note 12)	**–**	(42)	**–**
Losses recognised in excess of the Group's investment in the associate	**–**	–	(37)
Share of profits/(losses) of joint ventures and associates recognised in the consolidated statement of operations	**$ 55**	$ 21	$ 2

11. Investments in Joint Ventures and Associates (continued)

Corber Enterprises Limited

Corber Enterprises Limited ("Corber") is a joint venture established in 2004 for the purpose of exercising joint control over economic activities of Raspadskaya Mining Group. Corber is registered in Cyprus. The Group has 50% share in the joint venture, i.e. effectively owns 40% in OAO Raspadskaya (Russia).

The table below sets forth Corber's assets and liabilities as of 31 December:

US$ million	2011	2010	2009
Mineral reserves	$ 733	$ 798	$ 864
Other property, plant and equipment	901	920	746
Other non-current assets	54	27	38
Inventories	84	77	44
Accounts and notes receivable	198	275	335
Cash	180	165	24
Total assets	**2,150**	**2,262**	**2,051**
Non-current liabilities	38	338	325
Deferred income tax liabilities	174	188	186
Current liabilities	455	82	111
Total liabilities	**667**	**608**	**622**
Non-controlling interests	**243**	**335**	**291**
Net assets	**$ 1,240**	**$ 1,319**	**$ 1,138**
Group's share of net assets	620	659	569
Add: cost of guarantee	2	2	2
Less: unrealised profits in inventory balance	(1)	(5)	(2)
Investment	**$ 621**	**$ 656**	**$ 569**

The table below sets forth Corber's income and expenses:

US$ million	2011	2010	2009
Revenue	$ 726	$ 706	$ 497
Cost of revenue	(361)	(323)	(252)
Other expenses, including income taxes	(246)	(139)	(141)
Net profit	**$ 119**	**$ 244**	**$ 104**
Attributable to:			
Equity holders of the parent entity	$ 93	$ 194	$ 82
Non-controlling interests	26	50	22
Net profit	**$ 119**	**$ 244**	**$ 104**
50% of unrealised profits on transactions with the joint venture	4	(2)	(1)
Group's share of profits of the joint	**$ 50**	**$ 95**	**$ 40**

venture

11. Investments in Joint Ventures and Associates (continued)

Kazankovskaya

ZAO Kazankovskaya ("Kazankovskaya") is a Russian coal mining company that was acquired as part of the purchase of Yuzhkuzbassugol in 2007. The Group owns 50% in Kazankovskaya.

The table below sets forth Kazankovskaya's assets and liabilities as of 31 December:

US$ million	2011	2010	2009
Mineral reserves	$ –	$ –	$ –
Other property, plant and equipment	–	–	21
Inventories	–	1	2
Accounts receivable	1	1	1
Other current assets	2	1	1
Total assets	**3**	**3**	**25**
Non-current liabilities	69	65	48
Deferred income tax liabilities	3	4	8
Current liabilities	25	24	15
Total liabilities	**97**	**93**	**71**
Net assets/(liabilities)	**$ (94)**	**$ (90)**	**$ (46)**

The accumulated unrecognised losses in respect of Kazankovskaya amounted to:

US$ million	2011	2010	2009
Unrecognised losses	$ (27)	$ (21)	$ –

The table below sets forth Kazankovskaya's income and expenses:

US$ million	2011	2010	2009
Revenue	$ –	$ 14	$ 15
Cost of revenue	(1)	(32)	(26)
Other expenses, including income taxes	(10)	(23)	(55)
Net loss	**$ (11)**	**$ (41)**	**$ (66)**
Group's share of loss of the associate	**$ (6)**	**$ (21)**	**$ (33)**
including: share of loss allocated against loan receivable from Kazankovskaya	–	–	(33)

11. Investments in Joint Ventures and Associates (continued)

Streamcore

In 2009, the Group acquired a 50% interest in Streamcore (Cyprus), a joint venture established for the purpose of exercising joint control over facilities for scrap procurement and processing in Siberia, Russia. Cash consideration amounted to $42 million.

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

US$ million	**4 September 2009**
Property, plant and equipment	$ 59
Inventories	1
Accounts receivable	11
Total assets	**71**
Deferred income tax liabilities	5
Current liabilities	5
Total liabilities	**10**
Net assets	**$ 61**

The table below sets forth Streamcore's assets and liabilities as of 31 December:

US$ million	**2011**	**2010**	**2009**
Property, plant and equipment	$ 40	$ 31	$ 59
Accounts receivable	11	17	15
Total assets	**51**	**48**	**74**
Non-current liabilities	–	–	2
Deferred income tax liabilities	1	4	5
Current liabilities	1	1	3
Total liabilities	2	5	10
Net assets	**$ 49**	**$ 43**	**$ 64**
Group's share of net assets	24	21	32
Group's share in goodwill	–	–	12
Investment	**$ 24**	**$ 21**	**$ 44**

The table below sets forth Streamcore's income and expenses from the date of acquisition of interest in the joint venture:

US$ million	**2011**	**2010**	**Period from 4 September to 31 December 2009**
Revenue	$ 9	$ 10	$ 5
Cost of revenue	(6)	(9)	(4)
Other expenses, including income taxes	(3)	(1)	(1)
Net profit	**$ –**	**$ –**	**$ –**
Group's share of profit of the joint	**$ –**	**$ –**	**$ –**

venture

12. Disposal Groups Held for Sale

The major classes of assets and liabilities of the disposal groups measured at the lower of carrying amount and fair value less costs to sell were as follows as of 31 December:

US$ million	**2011**	**2010**	**2009**
Land	$ –	$ –	$ 1
Other property, plant and equipment	9	2	6
Assets classified as held for sale	**9**	2	7
Liabilities directly associated with assets classified as held for sale	–	–	1
Net assets classified as held for sale	**$ 9**	$ 2	$ 6

The table below demonstrates the carrying values of assets and liabilities, at the dates of disposal, of the subsidiaries and other business units disposed of during 2009-2011.

US$ million	**2011**	**2010**	**2009**
Property, plant and equipment	$ 1	$ 90	$ 16
Inventory	–	–	3
Accounts and notes receivable	–	22	7
Total assets	1	112	26
Deferred income tax liabilities	–	13	–
Non-current liabilities	–	1	
Current liabilities	–	–	14
Total liabilities	–	14	14
Net assets	**$ 1**	$ 98	$ 12

Cash flows on disposal of subsidiaries and other business units were as follows:

US$ million	**2011**	**2010**	**2009**
Net cash disposed of with subsidiaries	**$ –**	$ –	$ –
Transaction costs	–	–	–
Cash received	**5**	42	28
Net cash inflow	**$ 5**	$ 42	$ 28

At 31 December 2010 and 2009, the Group owed $5 million in respect of the disposed business units. In 2011, these payables were written off and recorded as a gain on assets held for sale.

12. Disposal Groups Held for Sale (continued)

The disposal groups sold during 2009-2011 are described below.

Mine 12

On 1 June 2009, the Group entered into a contractual agreement to sell a 100% ownership interest in Mine 12, the coal mine located in Russia, for a cash consideration of $2 million. Under the terms of the agreement, control over Mine 12 was transferred to the purchaser at the date of the agreement and the Group ceased to consolidate Mine 12 from that date. In July 2009, the regulatory approval for the acquisition of Mine 12 was received and the transaction was completed.

Loss from the sale of Mine 12 in the amount of $9 million was included in the consolidated statement of operations for the year ended 31 December 2009.

Sale of Koksovaya

In April, 2010, the Group sold ZAO Koksovaya to Raspadskaya, a subsidiary of Corber, the Group's joint venture, which holds 80% in Raspadskaya. ZAO Koksovaya is an operating hard-coking coal mine, which owns the 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 certain volumes of coal or concentrate produced from coal extracted on the Tomusinskaya 5-6 deposit during 2010-2019.

The cash consideration amounted to $40 million. The loss from sale, net of the Group's share in gain on the transaction recognised by Raspadskaya (Note 11), amounted to $15 million and was included in loss on disposal groups classified as held for sale caption of the consolidated statement of operations.

Other Disposal Groups Held for Sale

Other disposal groups held for sale included a few small subsidiaries involved in non-core activities (construction business, trading activity and recreational services) and other non-current assets.

13. Other Non-Current Assets

Non-Current Financial Assets

US$ million		2011		2010		2009
Available-for-sale financial assets – investments in Delong Holdings Limited (Note 7)	**$**	**17**	$	37	$	43
Derivatives not designated as hedging instruments (Note 26)		**–**		5		–
Restricted deposits		**15**		9		18
Loans to related parties (Note 16)		**–**		46		–
Loans receivable		**18**		17		4
Trade and other receivables		**3**		3		1
Other		**–**		1		–
	$	**53**	$	118	$	66

Other Non-Current Assets

US$ million		2011		2010		2009
Income tax receivable	**$**	**26**	$	24	$	2
Input VAT		**11**		11		59
Defined benefit plan asset (Note 23)		**28**		19		15
Fees for future purchases under a long-term contract		**–**		11		12
Prepayments for purchases of subsidiaries (Note 4)		**20**		–		–
Prepayment for purchases of associates and joint ventures		**–**		9		–
Prepaids for purchases of non-controlling interests		**–**		–		8
Deposit to secure put option for the shares of OAO Vanady-Tula (Note 4)		**–**		–		12
Other		**22**		29		20
	$	**107**	$	103	$	128

Available-For-Sale Financial Assets

At 31 December 2011, the Group holds 82,853,998 shares of Delong Holdings Limited (“Delong”), which is approximately 15.5% of the entity’s share capital. Delong is a flat steel producer headquartered in Beijing (China).

The investments in Delong are measured at fair value based on market quotations. The change in the fair value of these shares is initially recorded in other comprehensive income.

In 2009, the Group exercised the swap contract for the shares of Delong and used the proceeds to acquire approximately 5.47% of Delong shares for a cash consideration of

S$31 million ($22 million at the exchange rate as of the date of the transaction).

13. Other Non-Current Assets (continued)

Available-For-Sale Financial Assets (continued)

The loss of $7 million, being the difference between the acquisition cost and fair value of the shares at the reporting date, was recognised in gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations, within gain/(loss) on available-for-sale financial assets (Note 7).

In 2010, the Group recognised $6 million impairment loss on Delong shares, including $4 million – through comprehensive income and $2 million – through the statement of operations. In 2011, a $20 million loss relating to the decline in quotations of Delong shares was recognised in the statement of operations.

In 2009, the Group sold its 13.65% ownership interest in Cape Lambert Iron Ore, an Australian mining company, acquired in 2008. The cash consideration amounted to $17 million. The gain in the amount of $7 million was recognised in gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations, within gain/(loss) on available-for-sale financial assets (Note 7).

Prepayment for Purchases of Associates and Joint Ventures

In 2010, the Group made a prepayment to a key management person for the acquisition of 29% ownership interest in Mediaholding Provincia. This prepayment was included in the other non-current assets caption of the consolidated statement of financial position as of 31 December 2010. The acquisition was completed in 2011. At 31 December 2011, Mediaholding Provincia was accounted for under the equity method and included in investments in joint ventures and associates.

Impairment of Long-Term Taxes

In 2011, the Group recognised an $9 million loss relating to unrecoverable VAT. This loss was included in the impairment of assets caption of the consolidated statement of opertions.

14. Inventories

Inventories consisted of the following as of 31 December:

US$ million	**2011**	**2010**	**2009**
Raw materials and spare parts	**$ 975**	$ 974	$ 724
Work-in-progress	**466**	444	367
Finished goods	**747**	652	737
	$ 2,188	$ 2,070	$ 1,828

As of 31 December 2011, 2010 and 2009, the net realisable value allowance was $90 million, $114 million and $145 million, respectively.

As of 31 December 2011, 2010 and 2009, certain items of inventory with an approximate carrying amount of $250 million, $203 million and $81 million, respectively, were pledged to banks as collateral against loans provided to the Group (Note 21).

15. Trade and Other Receivables

Trade and other receivables consisted of the following as of 31 December:

US$ million	**2011**	2010	2009
Trade accounts receivable	**$ 1,002**	$ 1,239	$ 931
Other receivables	**56**	72	160
	1,058	1,311	1,091
Allowance for doubtful accounts	**(87)**	(98)	(90)
	$ 971	$ 1,213	$ 1,001

Ageing analysis and movement in allowance for doubtful accounts are provided in Note 29.

16. Related Party Disclosures

For the Group related parties include associates and joint venture partners, key management personnel and other entities that are under the control or significant influence of the key management personnel, the Group's ultimate parent or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

Amounts owed by/to related parties at 31 December were as follows:

	Amounts due from related parties			**Amounts due to related parties**		
US$ million	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Kazankovskaya	**$ 21**	$ 21	$ 14	**$ –**	$ 1	$ 1
Lanebrook Limited	**–**	53	53	**–**	–	–
Raspadsky Ugol	**2**	2	1	**39**	32	73
Yuzhny GOK	**5**	19	22	**46**	178	154
Other entities	**9**	9	19	**13**	6	7
	37	104	109	**98**	217	235
Less: allowance for doubtful accounts	**(29)**	(24)	(2)	**–**	–	–
	$ 8	$ 80	$ 107	**$ 98**	$ 217	$ 235

Transactions with related parties were as follows for the years ended 31 December:

	Sales to related parties			**Purchases from related parties**		
US$ million	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Interlock Security Services	**$ 1**	$ 1	$ 1	**$ 43**	$ 37	$ 27
Kazankovskaya	**1**	6	5	**5**	14	15
Raspadsky Ugol	**8**	11	11	**207**	192	107

Yuzhny GOK	**42**	20	6	**165**	67	34
Other entities	**8**	8	8	**27**	20	18
	$ 60	$ 46	$ 31	**$ 447**	$ 330	$ 201

16. Related Party Disclosures (continued)

In addition to the disclosures presented in this note, the balances and transactions with related parties are disclosed in Notes 11 and 13.

Interlock Security Services is a group of entities controlled by a member of the key management personnel. The entities provide security services to the Russian subsidiaries of the Group.

Kazankovskaya is an associate of the Group (Note 11). The Group purchased coal from the entity and sold mining equipment and inventory to Kazankovskaya. In 2011, the Group issued a $3 million loan to Kazankovskaya with the maturity date on 31 December 2011 and an interest rate of 8% per annum. At the reporting date, the Group assessed the recoverability of this loan and recognised a loss, which was included in the other non-operating expenses caption of the consolidated statement of operations.

Lanebrook Limited is a controlling shareholder of the Company. At 31 December 2010 and 2009, the amounts receivable from Lanebrook Limited included overpayments for the acquired working capital of the Ukrainian subsidiaries and a $46 million loan. The loan bore interest of 7.85% per annum and was due for repayment on 22 June 2012. At 31 December 2010, the loan was included in other non-current assets. In 2011, Lanebrook early settled the loan and fully repaid its debts relating to the acquisition of the Ukrainian businesses.

In addition, in 2008, the Group acquired from Lanebrook a 1% ownership interest in Yuzhny GOK for a cash consideration of $38 million (Note 18). As part of the transaction, the Group signed a put option agreement that gives the Group the right to sell these shares back to Lanebrook Limited for the same amount. The put option expires on 31 December 2012.

OOO Raspadsky Ugol ("Raspadsky Ugol"), a subsidiary of the Group's joint venture, sells coal to the Group. Raspadsky Ugol represents approximately 12% of volume of the Group's coal purchases. The coal was sold at prevailing market prices at the dates of transactions. The Group sells steel products and renders services to Raspadsky Ugol.

Yuzhny GOK, the ore mining and processing plant, is an associate of Lanebrook Limited. The Group sold steel products to Yuzhny GOK and purchased sinter from the entity.

In addition to the purchase transactions disclosed above, in July 2011, the Group acquired an office building for its administrative staff in Moscow from OOO Zapadnye Vorota, an entity under the control of the ultimate principal shareholders of the Group. The cash consideration (including VAT) amounted to $102 million.

The transactions with related parties were based on market terms.

Compensation to Key Management Personnel

Key management personnel include the following positions within the Group:

- directors of the Company,
- vice presidents,
- top managers of major subsidiaries.

16. Related Party Disclosures (continued)

Compensation to Key Management Personnel (continued)

In 2011, 2010 and 2009, key management personnel totalled 56, 55 and 58 persons, respectively. Total compensation to key management personnel were included in general and administrative expenses in the consolidated statement of operations and consisted of the following:

US$ million	**2011**	2010	2009
Salary	**$ 20**	$ 21	$ 18
Performance bonuses	**12**	14	10
Social security taxes	**1**	1	1
Share-based payments (Note 24)	**13**	1	3
Termination benefits	**3**	4	–
Other benefits	**1**	3	1
	$ 50	$ 44	$ 33

Disclosures on directors' remuneration required by the Companies Act 2006 and those specified for audit by the Director's Remuneration Report Regulations 2002 are included in the Directors' Remuneration Report.

17. Other Taxes Recoverable

Taxes recoverable consisted of the following as of 31 December:

US$ million	**2011**	2010	2009
Input VAT	**$ 287**	$ 241	$ 173
Other taxes	**125**	112	85
	$ 412	$ 353	$ 258

Input VAT, representing amounts payable or paid to suppliers, is recoverable from the tax authorities via offset against VAT payable to the tax authorities on the Group's revenue or direct cash receipts from the tax authorities. Management periodically reviews the recoverability of the balance of input value added tax and believes it is fully recoverable within one year.

18. Other Current Financial Assets

Other current assets included the following as of 31 December:

US$ million	**2011**	2010	2009
Investments in Yuzhny GOK (Note 16)	**$ 38**	$ 38	$ 38
Bank deposits	**2**	1	22

Restricted deposits at banks		**7**		13		59
Collateral under swap agreements (Note 26)		**10**		–		–
Other short-term investments		**–**		–		1
	$	**57**	$	52	$	120

18. Other Current Financial Assets (continued)

Financial Assets at Fair Value through Profit or Loss

In 2009, the Group recognised $7 million gain on swaps for the shares of Delong and Cape Lambert Iron Ore, which was included in gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations, within change in the fair value of derivatives.

19. Cash and Cash Equivalents

Cash and cash equivalents, mainly consisting of cash at banks, were denominated in the following currencies as of 31 December:

US$ million		**2011**		**2010**		**2009**
US dollar	**$**	**314**	$	306	$	300
Russian rouble		**262**		200		170
Euro		**89**		46		75
South African rand		**80**		49		110
Ukrainian hryvnia		**25**		10		1
Canadian dollar		**21**		69		14
Czech koruna		**6**		1		1
Other		**4**		2		–
	$	**801**	$	683	$	671

20. Equity

Share Capital

Prior to the reorganisation, in which the majority of shares of Evraz Group S.A. were exchanged into shares of EVRAZ plc, the share capital of the Group comprised the share capital of Evraz Group S.A.

Share Capital of Evraz Group S.A.

Number of shares	**2011**	**2010**	**2009**
Authorised			
Ordinary shares of €2 each	**257,204,326**	257,204,326	257,204,326
Issued and fully paid			
Ordinary shares of €2 each	**156,214,373**	145,957,121	145,957,121

Scrip Dividends

On 30 January 2009, the Extraordinary General Meeting approved the modification of the method of payment of the 2008 interim dividends: euro equivalent of the outstanding dividends of $2.25 per share could be either exchanged for new shares of Evraz Group S.A. or paid in cash to the shareholders who voted against or abstained from voting.

20. Equity (continued)

Share Capital of Evraz Group S.A. (continued)

Scrip Dividends (continued)

The voluntary partial scrip dividend alternative was voted for in respect of 97,553,473 shares, representing 79.62% of the share capital of Evraz Group S.A., entitling the holders to subscribe to 9,755,347 new shares issued at a price of $22.50 per share. The new shares are ranked pari passu with the existing ordinary shares of Evraz Group S.A. The major shareholder, Lanebrook Limited, subscribed to 9,193,477 shares.

Convertible Bonds and Equity Offerings

On 13 July 2009, Evraz Group S.A. completed the offering of $600 million unsecured convertible bonds (the “Convertible Bonds Offering”) and $300 million equity in the form of global depository receipts (“GDRs”) listed on the London Stock Exchange, representing ordinary shares of Evraz Group S.A. (the “Equity Offering”).

The bonds were issued at 100% of their principal amount. They bore interest of 7.25% per annum payable on a quarterly basis and matured on 13 July 2014.

The conversion could be exercised at the option of bondholders on any date during the period from 11 September 2009 till 6 July 2014. The bonds would be convertible into GDRs at an initial conversion price of $21.20 per GDR. The conversion price represented a 28% premium to the equity offering placement price of $16.50 per GDR, which was the reference price for the convertible bonds. Lanebrook, the Company’s parent, and its affiliate, subscribed for $200 million of the bonds.

The Group could early redeem the bonds at their principal amount plus accrued interest if 15% or less of the bonds remained outstanding.

In the equity offering, on 13 July 2009, 6,060,608 new shares were issued as GDRs at an issue price of $16.50 per GDR.

Evraz Group S.A. granted to Goldman Sachs and Morgan Stanley (the “Joint Bookrunners”) in the convertible bonds offering an over-allotment option to subscribe to additional bonds for up to $50 million, which was exercised in full on 27 July 2009 and resulted in an increase in the aggregate principal amount of the bonds to $650 million.

Evraz Group S.A. granted to the Joint Bookrunners in the equity offering an over-allotment option to subscribe to up to 909,090 additional GDRs, represented by 303,030 additional new shares, corresponding to additional gross proceeds of $15 million. This option was exercised in full on 27 July 2009. Transaction costs relating to the bonds and equity offerings amounted to $10 million and $5 million, respectively.

The Group considered that the convertible bonds represent a financial instrument that creates a financial liability and grants an option to the holders of the instrument to convert it into an equity instrument of the Company. The Group recognised the liability and equity components separately in its statement of financial position.

20. Equity (continued)

Share Capital of Evraz Group S.A. (continued)

Convertible Bonds and Equity Offerings (continued)

The Group determined the carrying amount of the liability component by measuring the fair value of a similar liability that does not have an associated equity component. The fair value of this liability was calculated based on cash flows discounted at the Group’s market rate of interest (without a conversion option) at the date of the convertible bonds offering (13.26%).

The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares was then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. Transaction costs relating to the convertible bonds offering were allocated between liability and equity components on a pro rata basis. As a result, the equity component of the convertible bonds amounting to $133 million was included in equity.

Shares Lending Transactions

In order to facilitate the issuance of the convertible bonds, Morgan Stanley offered to certain institutional investors an opportunity to borrow ordinary shares of Evraz Group S.A., represented by GDRs, during the term of the bonds by means of a loan of GDRs beneficially owned by Lanebrook (the "Borrowed GDRs").

On 4 August 2009, the Board of Directors approved the issue of the new ordinary shares to Lanebrook in the amount equal to the number of shares underlying the borrowed GDRs. The Group effected a novation of the shares lending arrangements, whereby Evraz Group S.A. was substituted for Lanebrook as a lender of the borrowed GDRs. As a result, on 12 August 2009, 7,333,333 new shares were issued to Lanebrook in exchange for the right to receive 7,333,333 shares lended under the shares lending transactions. These transactions had no impact on equity, as the Group's net assets did not change as a result of these transactions. At 31 December 2011, 2010 and 2009, Evraz Group S.A. was the owner of these shares.

Conversion of Bonds into Shares

In July and August 2011, Evraz Group S.A. issued 30,771,756 GDRs representing 10,257,252 ordinary shares to bondholders that have accepted the offer to convert 7.25% convertible bonds due 2014 (Note 21).

20. Equity (continued)

Share Capital of EVRAZ plc

On 17 October 2011, following the decision of the Board of directors, Evraz Group S.A. commenced the Group's reorganisation and re-domiciliation to the United Kingdom. This was implemented by means of the share exchange offer made by the Company to the shareholders of Evraz Group S.A., which were entitlied to receive 9 shares of EVRAZ plc for each share of Evraz Group S.A.

The first share exchange was performed on 7 November 2011: EVRAZ plc issued 1,313,258,883 ordinary shares with par value of $2 each and exchanged them for approximately 98.01% interest in Evraz Group S.A. The new shares were admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities.

On 24 November 2011, the par value of the shares was reduced to $1, and $1,313 million representing distributable reserves were transferred to accumulated profits. All subsequent shares were issued with par value of $1 each. The exchange offer was finally closed on 7 February 2012.

Information about the share exchange is summarised below.

Date of exchange	Number of shares issued by EVRAZ plc	Number of shares of Evraz Group S.A. exchanged	Ownership interest exchanged
7 November 2011	1,313,258,883	145,917,653.67	98.01%
28 November 2011	23,212,353	2,579,150.33	1.73%
16 December 2011	1,089,477	121,053.00	0.08%
Total at 31 December 2011	**1,337,560,713**	**148,617,857.00**	**99.82%**
30 January 2012	839,388	93,265.33	0.06%
8 February 2012	659,790	73,310.00	0.05%
Total at closing of the offer	**1,339,059,891**	**148,784,432.33**	**99.93%**

Upon the closure of the offer, the admission of the global depository receipts of Evraz Group S.A. to trading on the London Stock Exchange has been cancelled.

On 17 February 2012, the Group purchased the remaining GDRs, representing 96,607.67 shares of Evraz Group S.A., for $4 million and exchanged them for the newly issued shares of EVRAZ plc. Since that date Evraz Group S.A. became a wholly-owned subsidiary of EVRAZ plc.

Treasury Shares

In 2011, the Group purchased 235,878 treasury shares for $22 million, sold 34,332 shares for $3 million and transferred 115,389 shares to participants of the Incentive Plan (Note 24). The cost of treasury shares gifted under the Incentive Plan, amounting to $11 million, was charged to accumulated profits. As of 31 December 2011, after the share exchange described above, the Group had 775,410 treasury shares.

20. Equity (continued)

Treasury Shares (continued)

In 2009, the Group purchased 67,569 treasury shares for $5 million and sold 135,000 treasury shares, including 27,902 shares that were sold to the plan participants at exercise prices determined in the Incentive Plans. The excess of the purchase cost of treasury shares over the proceeds from their sale, amounting to $6 million was charged to accumulated profits.

Repurchase of Vested Share-Based Awards

In 2007, the Group made a decision to cease the issuance of new shares for the settlement of share-based awards. Since that date the Group acquired its own shares (in the form of global depositary receipts) on the open market for the grantees or repurchased the share options after vesting. In 2009, 234,813 share options were repurchased after vesting. The cash spent on repurchase of vested options amounting to $3 million was charged to accumulated profits.

Earnings per Share

Earnings per share are calculated by dividing the net income attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the potential dilutive ordinary shares into ordinary shares.

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

	2011	**2010**	**2009**
Weighted average number of ordinary shares for basic earnings per share	**1,293,795,125**	1,247,614,092	1,210,116,474
Effect of dilution: share-based awards	**2,689,622**	134,937	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,296,484,747**	1,247,749,029	1,210,116,474
Profit/(loss) for the year attributable to equity holders of the parent, US$ million	**$ 461**	$ 486	$ (295)
Basic earnings/(losses) per share	**$ 0.36**	$ 0.39	$ (0.24)
Diluted earnings/(losses) per share	**$ 0.36**	$ 0.39	$ (0.24)

20. Equity (continued)

Earnings per Share (continued)

The fair value of shares issued as a scrip alternative on 30 January 2009 exceeded the cash alternative, thus giving rise to a bonus element in the issue of shares. The per share figures for all the periods presented have been restated to include a bonus element of 1,045,216 shares of Evraz Group S.A. in the calculation of basic earnings per share from the beginning of the earliest period presented.

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

In 2011 and 2010, share-based awards (Note 24) had a dilutive effect. In 2009, the Group reported net loss. Consequently, they were antidilutive.

In 2010 and 2009, the convertible bonds were antidilutive as the interest (net of tax) per ordinary share obtainable on conversion exceeded basic earnings per share.

In 2011, the weighted average number of ordinary shares outstanding from 1 January 2011 to the date of the first share exchange ("the reorganisation date") was computed on the basis of the weighted average number of ordinary shares of Evraz Group S.A. outstanding during the period multiplied by the share exchange ratio. The number of ordinary shares outstanding from the reorganisation date to the end of 2011 was the actual number of ordinary shares of EVRAZ plc outstanding during that period. The weighted average number of ordinary shares outstanding and earnings per share for each comparative period have been recalculated using the share exchange ratio.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

Dividends

Dividends declared by Evraz Group S.A. during 2009-2011 were as follows:

	Date of declaration	To holders registered at	Dividends declared, US$ million	US$ per share
Interim for 2011	10/10/2011	18/09/2011	491	3.30

In 2011, Evraz Group S.A. declared interim dividends of $3.30 per share, including special dividends of $2.70 per share.

The shareholders meetings held 16 May 2011 and 17 May 2010 resolved not to declare dividends for 2010 and 2009.

In addition, certain subsidiaries of the Group declared dividends. The share of non-controlling shareholders in those dividends was $1 million in 2011, 2010 and 2009.

20. Equity (continued)

Legal Reserve

According to the Luxembourg Law, Evraz Group S.A. is required to create a legal reserve of 10% of share capital per the Luxembourg statutory accounts by annual appropriations which should be at least 5% of the annual net profit per statutory financial statements. The legal reserve can be used only in case of a bankruptcy.

Other Movements in Equity

Acquisitions of Non-Controlling Interests in Subsidiaries

In 2011 and 2010, the Group acquired non-controlling interests in certain subsidiaries (Note 6). The excess of consideration over the carrying value of non-controlling interests amounting to $18 million and $3 million, respectively, was charged to accumulated profits and the excess of acquired non-controlling interests over the consideration amounting to $Nil and $1 million, respectively, was recorded as additional paid-in capital.

Derecognition of Non-Controlling Interests in Subsidiaries

In 2009, the Group derecognised non-controlling interests in Vanady-Tula resulting in a $5 million charge to accumulated profits (Note 4).

In 2010, the non-controlling shareholder's right to put a 49% share in Frotora Holdings Ltd. ("Frotora") to the Group at fair value of the ownership interest become exercisable. The Group derecognised a 49% ownership interest in Frotora amounting to $6 million and accrued a liability for the same amount. The assets of Frotora comprised mostly the rights under a long-term lease of land to be used for a construction of a commercial sea port in Ukraine. These rights are included in contract terms category of the intangible assets. In 2010, the Group recognised an impairment loss of $30 million in respect of these rights due to the change in plans for the use of this land.

21. Loans and Borrowings

As of 31 December 2011, 2010 and 2009, total interest bearing loans and borrowings consisted of short-term loans and borrowings in the amount of $339 million, $381 million and $411 million, respectively, and long-term loans and borrowings in the amount of $6,919 million, $7,636 million and $7,747 million, respectively, including the current portion of long-term liabilities of $193 million, $244 million and $1,498 million, respectively.

21. Loans and Borrowings (continued)

Short-term and long-term loans and borrowings were as follows as of 31 December:

US$ million	**2011**	2010	2009
Bank loans	**$ 2,613**	$ 3,472	$ 4,605
8.875 per cent notes due 2013	**534**	1,156	1,156
7.25 per cent convertible bonds due 2014 (Note 20)	**–**	650	650
8.25 per cent notes due 2015	**577**	577	577
9.5 per cent notes due 2018	**509**	509	509
6.75 per cent notes due 2018	**850**	–	–
13.5 per cent bonds due 2014	**621**	656	661
9.25 per cent bonds due 2013	**466**	492	–
9.95 per cent bonds due 2015	**466**	492	–
8.40 per cent bonds due 2016	**621**	–	–
Liabilities under bonds assumed in business combination	**1**	13	–
Unamortised debt issue costs	**(133)**	(192)	(196)
Difference between the nominal amount and liability component of convertible bonds (Note 20)	**–**	(104)	(126)
Interest payable	**81**	90	87
	$ 7,206	$ 7,811	$ 7,923

The average effective annual interest rates were as follows at 31 December:

	Long-term borrowings			**Short-term borrowings**		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**
US dollar	**6.96%**	8.01%	7.30%	**2.89%**	3.06%	4.18%
Russian rouble	**10.37%**	11.17%	13.49%	**10.83%**	12.50%	13.25%
Euro	**4.66%**	5.05%	5.11%	**3.64%**	1.48%	1.46%
Czech koruna	**–**	–	–	**3.38%**	–	3.38%

The liabilities are denominated in the following currencies at 31 December:

US$ million	**2011**	**2010**	**2009**
US dollar	**$ 4,790**	$ 6,079	$ 7,233
Russian rouble	**2,215**	1,699	701
Euro	**328**	322	297
Czech koruna	**6**	7	14
Unamortised debt issue costs	**(133)**	(192)	(196)
Difference between the nominal amount and liability component of convertible bonds (Note 20)	–	(104)	(126)
	$ 7,206	$ 7,811	$ 7,923

21. Loans and Borrowings (continued)

Covenants Reset

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

In November 2009, the lenders under certain bank facilities approved the requested amendments to the agreements, which included a reset of the financial covenants. The total principal amount of these borrowings at 31 December 2009 was $2,895 million.

In December 2009, the Group received the consent of the holders of its notes due in 2013, 2015 and 2018 totalling $2,242 million to amend the terms of certain covenants in the notes. The financial covenant ratios of the notes were subsequently amended in a manner similar to the amendments to the bank facilities.

In connection with the covenants reset, the Group incurred transaction costs comprising consent fees and legal fees amounting to $114 million, which will be amortised during the period of the borrowings. These costs were fully paid during 2009 and 2010.

Pledged Assets

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

At 31 December 2011, 2010 and 2009, the Group had equipment with a carrying value of $Nil, $Nil and $11 million, respectively, pledged as collateral under the loan agreements. In addition, the Group pledged inventory with a carrying value of $250 million, $203 million and $81 million as of 31 December 2011, 2010 and 2009, respectively.

Issue of Notes and Bonds

In 2009, the Group issued convertible bonds in the amount of $650 million, which bore interest of 7.25% per annum and matured on 13 July 2014 (Note 20). These bonds were converted into shares in 2011 (Note 20).

In 2011, the Group issued notes for the amount of $850 million due in 2018. The notes bear semi-annual coupon at the annual rate of 6.75% and must be redeemed at their principal amount on 27 April 2018. The proceeds from the issue of the notes were used for the partial repurchase of 8.875% notes due 2013 and repayment of certain bank loans.

21. Loans and Borrowings (continued)

Issue of Notes and Bonds (continued)

In 2009, the Group issued bonds in the total amount of 20,000 million Russian roubles, which bear interest of 13.50% per annum and mature on 16 October 2014. In 2010, the Group issued bonds in the amount of 15,000 million Russian roubles, which bear interest of 9.25% per annum and mature on 22 March 2013 and bonds amounting to 15,000 million Russian roubles, which bear interest of 9.95% per annum and mature on 26 October 2015. In 2011, the Group issued bonds in the total amount of 20,000 million Russian roubles, which bear interest of 8.40% per annum and mature on 2 June 2016. The currency and interest rate risk exposures of these transactions were partially economically hedged (Note 26).

Repurchase of Notes and Bonds

In 2009, the Group re-purchased notes due 2009, 2013, 2015 and 2018 with the nominal amount of $417 million for a cash consideration of $302 million. As a result, the Group recognised a gain on extinguishment of debts in the amount of $115 million within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations for the year ended 31 December 2009.

In 2011, the Group re-purchased $622 million of 8.875% notes due 2013 for a cash consideration of $693 million. As a result, the Group recognised a loss on extinguishment of debts in the amount of $71 million within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations for the year ended 31 December 2011 (Note 7).

On 22 June 2011, Evraz Group S.A. made an incentive offer to the holders of 7.25% convertible bonds due 2014 to convert these bonds into GDRs at $21.12 per GDR. In addition, the holders were offered an incentive payment (“conversion premium”) of $24,443.89 per bond with the principal amount of $100,000 each. The bondholders owning 6,478 bonds accepted the incentivised conversion. In July and August 2011, Evraz Group S.A. additionally converted 21 bonds and settled 1 bond by cash. The conversion premium paid by Evraz Group S.A. in the amount of $158 million together with $3 million of transaction costs were recognised as a loss (Note 7). Evraz Group S.A. issued 30,771,756 GDRs representing 10,257,252 ordinary shares. As such, the carrying amount of liability amounting to $553 million was reclassified into equity.

Early Settlement

In 2009, the Group repaid a bank loan ahead of schedule. As a result, the Group recognised a loss on extinguishment of debts in the amount of $13 million within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations for the year ended 31 December 2009.

Loans from the Russian State Banks

In 2008, the Group signed loan agreements for $1,807 million with Vnesheconombank (“VEB”) and 10,000 million Russian roubles ($340 million as of 31 December 2008) with VTB. The facilities matured in one year from the dates of disbursement. The interest rates were set at one year LIBOR plus 5% per annum (VEB) and 16.50% per annum (VTB).

21. Loans and Borrowings (continued)

Loans from the Russian State Banks (continued)

In 2008, the Group utilised $1,342 million under these loan agreements and $805 million were disbursed in 2009. These facilities were used for refinancing of short-term loans.

In December 2009, the Group fully repaid its liabilities under $800 million loan from VEB and 10,000 million roubles loan from VTB.

In November 2009, the maturity of the VEB loan facility in the total amount of $1,007 million was extended for another twelve months. Consequently, the VEB tranches totalling $805 million have been classified as non-current liabilities in the consolidated statement of financial position as of 31 December 2009. In 2010, the Group fully repaid its liabilities under $1,007 million loan from VEB.

Unamortised Debt Issue Costs

Unamortised debt issue costs represent agent commission and transaction costs paid by the Group in relation to the arrangement and reset of loans and notes.

Unutilised Borrowing Facilities

The Group had the following unutilised borrowing facilities as of 31 December:

US$ million	**2011**	2010	2009
Unutilised borrowing facilities	**$ 1,322**	$ 1,010	$ 1,345

22. Finance Lease Liabilities

The Group has several lease agreements under which it has an option to acquire the leased assets at the end of lease term ranging from 1 to 15 years. The estimated remaining useful life of leased assets varies from 2 to 29 years. The leases were accounted for as finance leases in the consolidated financial statements. The carrying value of the leased assets was as follows as at 31 December:

US$ million	**2011**	2010	2009
Buildings and constructions	**$ 2**	$ 1	$ 1
Machinery and equipment	**22**	22	29
Transport and motor vehicles	**83**	93	101
Assets under construction	**–**	10	10
	$ 107	$ 126	$ 141

22. Finance Lease Liabilities (continued)

The leased assets are included in property, plant and equipment in the consolidated statement of financial position (Note 9).

Future minimum lease payments were as follows at 31 December:

US$ million	2011		2010		2009	
	Minimum lease payments	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Not later than one year	**$ 16**	**$ 13**	$ 25	$ 19	$ 24	$ 17
Later than one year and not later than five years	**29**	**24**	41	33	65	51
Later than five years	**3**	**2**	5	5	7	7
	48	**39**	71	57	96	75
Less: amounts representing finance charges	**(9)**	**–**	(14)	–	(21)	–
	$ 39	**$ 39**	$ 57	$ 57	$ 75	$ 75

In the years ended 31 December 2011, 2010 and 2009, the average interest rates under the finance lease liabilities were 9.8%, 9.9% and 10.0%.

23. Employee Benefits

Russian Plans

In 2009-2010, the Russian subsidiaries of the Group provided regular lifetime pension payments and lump-sum amounts payable at the retirement date. These benefits generally depend on years of service, level of remuneration and amount of pension payment under the collective bargaining agreements. Other post-employment benefits consist of various compensations and certain non-cash benefits. The Group funds the benefits when the amounts of benefits fall due for payment.

In addition, certain Russian subsidiaries have defined benefit plans under which contributions are made to a separately administered non-state pension fund. The Group matches 100% of the employees’ contributions to the fund up to 4% of their monthly salary. The Group’s contributions become payable at the participants’ retirement dates.

In 2009, the Group realised a staff optimisation programme. The Group paid $22 million as termination benefits to approximately 10,000 employees discharged as a result of the staff optimisation measures. The termination payments were recognised as expense and included in other operating expense caption of the consolidated statement of operations for the year ended 31 December 2009.

Defined contribution plans represent payments made by the Group to the Russian state pension, social insurance, medical insurance and unemployment funds at the statutory rates in force, based on gross salary payments. The Group has no legal or constructive obligation to pay further contributions in respect of those benefits.

23. Employee Benefits (continued)

Ukrainian Plans

The Ukrainian subsidiaries make regular contributions to the State Pension Fund thereby partially compensating preferential pensions paid by the fund to employees who worked under harmful and hard conditions. The amount of such pension depends on years of service and salary.

The Ukrainian enterprises gradually increase these compensations and in 2012 they will compensate 100% of preferential pensions. In addition, employees receive lump-sum payments on retirement under collective labour agreements. These benefits are based on years of service and level of compensation. All these payments are considered as defined benefit plans.

USA and Canadian Plans

The Group's subsidiaries in the USA and Canada have defined benefit pension plans, post-retirement healthcare and life insurance benefit plans and supplemental retirement plans that cover all eligible employees. Benefits are based on pensionable years of service, pensionable compensation, or a combination of both depending on the individual plan. Certain employees that were hired after specified dates are no longer eligible to participate in the defined benefit plans. Those employees are instead enrolled in defined contribution plans and receive a contribution funded by the Group's subsidiaries equal to 2-7% of annual wages, including bonuses for certain employees. The defined contribution plans are funded annually, and participants' benefits vest after three years of service. The subsidiaries also offer qualified Thrift (401(k)) plans to all of their eligible employees.

Other Plans

Defined benefit pension plans and a defined contribution plan are maintained by the subsidiaries located in South Africa, Italy and the Czech Republic.

Defined Contribution Plans

The Group's expenses under defined contribution plans were as follows:

US$ million	**2011**	**2010**	**2009**
Expense under defined contribution plans	**$ 404**	$ 257	$ 217

Defined Benefit Plans

The Russian, Ukrainian and the Other defined benefit plans are mostly unfunded and the USA and Canadian plans are partially funded.

23. Employee Benefits (continued)

The components of net benefit expense recognised in the consolidated statement of operations for the years ended 31 December 2011, 2010 and 2009 and amounts recognised in the consolidated statement of financial position as of 31 December 2011, 2010 and 2009 for the defined benefit plans were as follows:

Net benefit expense (recognised in cost of sales and general and administrative expenses)

Year ended 31 December 2011

US$ million	**Russian plans**	**Ukrainian plans**	**USA & Canadian plans**	**Other plans**	**Total**
Current service cost	**$ (7)**	**$ (5)**	**$ (17)**	**$ –**	**$ (29)**
Interest cost on benefit obligation	**(16)**	**(9)**	**(33)**	**(2)**	**(60)**
Expected return on plan assets	**–**	**–**	**32**	**–**	**32**
Net actuarial gains/(losses) recognised in the year	**(9)**	**–**	**(5)**	**–**	**(14)**
Past service cost	**1**	**12**	**(1)**	**–**	**12**
Net benefit expense	**$ (31)**	**$ (2)**	**$ (24)**	**$ (2)**	**$ (59)**

Year ended 31 December 2010

US$ million	**Russian plans**	**Ukrainian plans**	**USA & Canadian plans**	**Other plans**	**Total**
Current service cost	$ (5)	$ (5)	$ (14)	$ (1)	$ (25)
Interest cost on benefit obligation	(16)	(8)	(34)	(2)	(60)
Expected return on plan assets	–	–	28	–	28
Net actuarial gains/(losses) recognised in the year	(3)	–	(4)	–	(7)
Past service cost	6	(2)	1	–	5
Minimum funding requirements	–	–	1	–	1
Curtailment gain/(loss)	–	–	(1)	–	(1)
Net benefit expense	$ (18)	$ (15)	$ (23)	$ (3)	$ (59)

Year ended 31 December 2009

US$ million	**Russian Plans**	**Ukrainian plans**	**USA & Canadian plans**	**Other plans**	**Total**
Current service cost	$ (5)	$ (6)	$ (13)	$ (1)	$ (25)
Interest cost on benefit obligation	(11)	(7)	(33)	(2)	(53)
Expected return on plan assets	–	–	25	–	25
Net actuarial gains/(losses) recognised in the year	–	(1)	(2)	(1)	(4)
Past service cost	1	(2)	(1)	–	(2)
Minimum funding requirements	–	–	7	–	7
Curtailment gain/(loss)	1	–	(1)	–	–
Net benefit expense	$ (14)	$ (16)	$ (18)	$ (4)	$ (52)

23. Employee Benefits (continued)

Actual return on plan assets was as follows:

US$ million	**2011**	2010	2009
Actual return on plan assets	**$ 1**	$ 44	$ 66
including:			
USA & Canadian plans	**1**	44	65
Russian plans	**–**	–	1

Benefit liability

31 December 2011

US$ million	Russian Plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
Benefit obligation	**$ 203**	**$ 65**	**$ 700**	**$ 21**	**$ 989**
Plan assets	**(1)**	**–**	**(470)**	**–**	**(471)**
	202	**65**	**230**	**21**	**518**
Unrecognised net actuarial gains/ (losses)	**(68)**	**(8)**	**(185)**	**–**	**(261)**
Unrecognised past service cost	**10**	**2**	**(1)**	**–**	**11**
Benefit asset	**–**	**–**	**28**	**–**	**28**
Benefit liability	**$ 144**	**$ 59**	**$ 72**	**$ 21**	**$ 296**

31 December 2010

US$ million	Russian Plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
Benefit obligation	$ 192	$ 77	$ 629	$ 24	$ 922
Plan assets	(1)	–	(463)	–	(464)
	191	77	166	24	458
Unrecognised net actuarial gains/ (losses)	(68)	(2)	(95)	–	(165)
Unrecognised past service cost	12	(10)	1	–	3
Benefit asset	–	–	19	–	19
Benefit liability	$ 135	$ 65	$ 91	$ 24	$ 315

31 December 2009

US$ million	Russian plans	Ukrainian plans	USA & Canadian Plans	Other plans	Total
Benefit obligation	$ 173	$ 72	$ 562	$ 20	$ 827
Plan assets	(1)	–	(403)	–	(404)
	172	72	159	20	423
Unrecognised net actuarial gains/ (losses)	(55)	(4)	(74)	–	(133)
Unrecognised past service cost	14	(12)	–	–	2
Benefit asset	–	–	15	–	15
Benefit liability	$ 131	$ 56	$ 100	$ 20	$ 307

23. Employee Benefits (continued)

Movements in benefit obligation

US$ million	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
At 31 December 2008	**$ 150**	**$ 72**	**$ 475**	**$ 20**	**$ 717**
Interest cost on benefit obligation	11	7	33	2	53
Current service cost	5	6	13	1	25
Benefits paid	(12)	(5)	(43)	(2)	(62)
Actuarial (gains)/losses on benefit obligation	29	(6)	46	(5)	64
Curtailment gain	(5)	–	–	–	(5)
Disposal of subsidiaries	(2)	–	–	–	(2)
Translation difference	(3)	(2)	38	4	37
At 31 December 2009	**173**	**72**	**562**	**20**	**827**
Interest cost on benefit obligation	16	8	34	2	60
Current service cost	5	5	14	1	25
Past service cost	(4)	–	–	–	(4)
Benefits paid	(13)	(6)	(37)	(1)	(57)
Actuarial (gains)/losses on benefit obligation	17	(2)	39	–	54
Disposal of subsidiaries	(1)	–	–	–	(1)
Translation difference	(1)	–	17	2	18
At 31 December 2010	**192**	**77**	**629**	**24**	**922**
Interest cost on benefit obligation	16	9	33	2	60
Current service cost	7	5	17	–	29
Past service cost	1	(24)	3	–	(20)
Benefits paid	(15)	(7)	(39)	(1)	(62)
Actuarial (gains)/losses on benefit obligation	14	5	65	–	84
Translation difference	(12)	–	(8)	(4)	(24)
At 31 December 2011	**$ 203**	**$ 65**	**$ 700**	**$ 21**	**$ 989**

The amount of contributions expected to be paid to the defined benefit plans during 2012 approximates $73 million.

23. Employee Benefits (continued)

Changes in the fair value of plan assets

US$ million	Russian plans	Ukrainian plans	USA & Canadian plans	Other plans	Total
At 31 December 2008	**$ 1**	**$ –**	**$ 316**	**$ –**	**$ 317**
Expected return on plan assets	–	–	25	–	25
Contributions of employer	11	5	24	2	42
Benefits paid	(12)	(5)	(43)	(2)	(62)
Actuarial gains/(losses) on plan assets	1	–	40	–	41
Minimum funding requirements	–	–	7	–	7
Translation difference	–	–	34	–	34
At 31 December 2009	**1**	**–**	**403**	**–**	**404**
Expected return on plan assets	–	–	28	–	28
Contributions of employer	13	6	37	1	57
Benefits paid	(13)	(6)	(37)	(1)	(57)
Actuarial gains/(losses) on plan assets	–	–	16	–	16
Minimum funding requirements	–	–	1	–	1
Translation difference	–	–	15	–	15
At 31 December 2010	**1**	**–**	**463**	**–**	**464**
Expected return on plan assets	–	–	32	–	32
Contributions of employer	15	7	52	1	75
Benefits paid	(15)	(7)	(39)	(1)	(62)
Actuarial gains/(losses) on plan assets	–	–	(31)	–	(31)
Translation difference	–	–	(7)	–	(7)
At 31 December 2011	**$ 1**	**$ –**	**$ 470**	**$ –**	**$ 471**

The major categories of plan assets as a percentage of total plan assets were as follows at 31 December:

	2011	**2010**	**2009**
USA & Canadian plans:			
Equity funds and investment trusts	**81%**	86%	86%
Corporate bonds and notes	**11%**	11%	9%
Shares	**0%**	0%	0%
Property	**3%**	0%	3%
Cash	**5%**	3%	2%

23. Employee Benefits (continued)

The following table is a summary of the present value of the benefit obligation, fair value of the plan assets and experience adjustments for the current year and previous four annual periods.

US$ million	**2011**	2010	2009	2008	2007
Defined benefit obligation	**$ 989**	$ 922	$ 827	$ 717	$ 535
Plan assets	**471**	464	404	325	201
(Deficit)/surplus	**(518)**	(458)	(423)	(392)	(334)
Experience adjustments on plan liabilities	**137**	60	54	(38)	(18)
Experience adjustments on plan assets	**(12)**	9	24	16	5

The principal assumptions used in determining pension obligations for the Group's plans are shown below:

	2011				**2010**				**2009**			
	Russian plans	**Ukrainian plans**	**USA & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**USA & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**USA & Canadian plans**	**Other plans**
Discount rate	**8%**	**14.0%**	**4.0-5.3%**	**4.0-8.8%**	8%	12.6%	5.1-5.8%	3.9-8.3%	10%	12.4%	5.5-9.3%	4.2-9.5%
Expected rate of return on assets	**12%**	**–**	**0.9-7.1%**	**–**	12%	–	0.9-7.3%	–	12%	–	1.3-8.5%	–
Future benefits increases	**8%**	**8%**	**–**	**3.0-6.3%**	8%	8%	–	3%	8%	9%	3%	3-10%
Future salary increase	**8%**	**8%**	**3.0-3.1%**	**2.0-6.3%**	8%	8%	3.0-3.2%	2.0-6.5%	8%	9%	3-7.5%	6.3-7.5%
Healthcare costs increase rate	**–**	**–**	**6.5-7%**	**7.3-7.5%**	–	–	6.8-10%	6.5-7%	–	–	8-10%	8%

The expected long-term rate of return on defined benefit pension plan assets represents the weighted-average asset return for each forecasted asset class return over several market cycles.

A one percentage point change in the assumed rate of increase in healthcare costs would have insignificant effects on the Group's current service cost and the defined benefit obligation.

24. Share-based Payments

On 5 September 2006, 14 December 2010 and 13 October 2011, the Group adopted Incentive Plans under which certain members of the Board of Directors, senior executives and employees ("participants") could acquire or be gifted shares of Evraz Group S.A. Share options granted on 5 September 2006 under the Incentive Plan 2006 could be exercised at $65.37 per share. Shares under the Incentive Plans 2010 and 2011 are gifted to the participants upon vesting.

Under Plan 2006, the vesting date for each tranche was the date falling 15 days after the date when the Board of Directors approves the annual results.

24. Share-based Payments (continued)

The actual vesting dates were as follows:

Number of Shares of Evraz Group S.A.	**Incentive Plan 2006**
11 May 2007	99,282
15 April 2008	148,904
15 May 2009	248,183
	496,369

According to the Plan 2010 and 2011, the vesting date for each tranche occurs within the 90 days period after announcement of the annual results. The expected vesting dates of the awards outstanding at 31 December 2011 are presented below:

Number of Shares of EVRAZ plc	**Incentive Plan 2011**	**Incentive Plan 2010**
29 March 2012	851,068	739,686
29 March 2013	894,399	739,491
29 March 2014	1,235,903	–
	2,981,370	**1,479,177**

The plans are administrated by the Board of Directors of the Company. The Board of Directors has the right to accelerate vesting of the grant. In the event of a participant's employment termination the following rules were established:

- Plans 2010 and 2011: unless otherwise determined by the Board or by a decision of the authorised person, a participant loses the entitlement for the shares that were not gifted up to the date of termination.
- Plan 2006: all options granted to a participant, whether vested or not, expired on termination date.

There have been no modifications or cancellations to the plans during 2009 – 2011. In 2011, after the Group's reorganisation (Notes 1 and 20) the shares of Evraz Group S.A., which were granted to the participants, have been substituted by the shares of EVRAZ plc.

The Group accounted for share-based compensation at fair value pursuant to the requirements of IFRS 2 "Share-based Payment". The weighted average fair value of share-based awards granted in 2011, 2010 and 2006 was $48.26, $102.07 and $14.15 per share of Evraz Group S.A., respectively. The fair value of these awards was estimated at the date of grant using the Black-Scholes-Merton option pricing models with the following inputs, including assumptions:

	Incentive Plan 2011	**Incentive Plan 2010**	**Incentive Plan 2006**
Dividend yield (%)	3.6 – 4.8	1.2 – 1.5	4 – 6
Expected volatility (%)	n/a	n/a	45.37
Risk-free interest rates (%)	n/a	n/a	5.42 – 5.47
Expected life (years)	0.5 – 2.5	0.5 – 2.5	0.7 – 2.7
Market prices of the shares of Evraz	$51.57	$103.83	$66.06

Group S.A. at the grant dates

24. Share-based Payments (continued)

The historical volatility has been used for valuation of the share-based awards. The volatility reflects the assumption that it is indicative of future trends which may not necessarily be the actual outcome.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share-based awards during the years.

	2011 No.	2011 WAEP	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at 1 January	**321,898**	**$ –**	**–**	**$ –**	**370,340**	**$ 50.71**
Granted during the year	335,069	–	334,755	–	–	–
Forfeited during the year	(45,960)	–	(12,857)	–	(107,625)	48.30
Exercised during the year:	(115,389)	–	–	–	(262,715)	51.70
by purchase of shares on the open market	*(115,389)*		–		*(27,902)*	
by repurchase of vested share-based awards	–		–		*(234,813)*	
Exchange into shares of EVRAZ plc	3,964,929		–		–	
Outstanding at 31 December	**4,460,547**	**$ –**	**321,898**	**$ –**	**–**	**$ –**

The weighted average share price at the dates of exercise was $97.46 and $67.29 in 2011 and 2009, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2011 and 2010 was 1.2 and 1.4 years, respectively.

In the years ended 31 December 2011, 2010 and 2009, expense arising from the share-based compensations, was as follows:

US$ million	2011	2010	2009
Expense arising from equity-settled share-based payment transactions	**$ 23**	$ 2	$ –
Expense arising from cash-settled share-based payment transactions	–	–	6
	$ 23	$ 2	$ 6

In 2011, 2010 and 2009, the Group paid $1 million, $3 million and $35 million in respect of the cash-settled share-based compensations, respectively.

25. Provisions

In the years ended 31 December 2011, 2010 and 2009, the movements in provisions was as follows:

US$ million	Site restoration and decom-missioning costs	Legal claims	Other provisions	Total
At 31 December 2008	**$ 160**	**$ 4**	**$ 52**	**$ 216**
Additional provisions	15	7	28	50
Increase from passage of time	12	–	–	12
Effect of changes in estimated costs and timing	(1)	–	–	(1)
Utilised in the year	(6)	(3)	(59)	(68)
Unused amounts reversed	–	(2)	(6)	(8)
Translation difference	10	–	–	10
At 31 December 2009	**190**	**6**	**15**	**211**
Additional provisions	23	18	12	53
Increase from passage of time	15	–	–	15
Effect of change in the discount rate	20	–	–	20
Effect of changes in estimated costs and timing	55	–	–	55
Utilised in the year	(5)	(5)	(15)	(25)
Unused amounts reversed	–	(2)	(1)	(3)
	7	–	–	7
At 31 December 2010	**305**	**17**	**11**	**333**
Additional provisions	45	20	19	84
Increase from passage of time	19	–	–	19
Effect of change in the discount rate	(8)	–	–	(8)
Effect of changes in estimated costs and timing	(9)	(1)	–	(10)
Utilised in the year	(12)	(12)	(14)	(38)
Unused amounts reversed	(2)	(8)	(2)	(12)
Translation difference	(28)	(1)	(1)	(30)
At 31 December 2011	**$ 310**	**$ 15**	**$ 13**	**$ 338**

At 31 December the provisions were as follows:

US$ million	**2011**		**2010**		**2009**	
	Non-current	**Current**	**Non-current**	**Current**	**Non-current**	**Current**
Site restoration and decommissioning costs	**$ 283**	**$ 27**	$ 277	$ 28	$ 172	$ 18
Legal claims	**–**	**15**	–	17	–	6
Other provisions	**2**	**11**	2	9	4	11
	$ 285	**$ 53**	$ 279	$ 54	$ 176	$ 35

25. Provisions (continued)

Site Restoration Costs

Under the legislation, mining companies and steel mills have obligations to restore mining sites and contaminated land. The respective liabilities were measured based on estimates of restoration costs which are expected to be incurred in the future discounted at the annual rate ranging from 3.7% to 14% (2010: 6.1% to 13%, 2009: from 8% to 13%).

26. Other Long-Term Liabilities

Other long-term liabilities consisted of the following as of 31 December:

US$ million	**2011**	2010	2009
Contingent consideration payable for the acquisition of Stratcor	**$ 16**	$ 24	$ 31
Deferred consideration payable for the acquisition of Inprom (Note 4)	**11**	21	–
Dividends payable under cumulative preference shares of a subsidiary to a related party	**14**	14	14
Employee income participation plans and compensations	**2**	3	7
Tax liabilities	**26**	33	18
Derivatives not designated as hedging instruments (Note 21)	**209**	38	6
Other liabilities	**16**	24	18
	294	157	94
Less: current portion (Note 27)	**(9)**	(14)	(26)
	$ 285	$ 143	$ 68

Contingent Consideration Payable

Contingent consideration represents additional payments for the acquisition of Stratcor in 2006. This consideration could be paid each year up to 2019. The payments depend on the deviation of the average prices for vanadium pentoxide from certain levels and the amounts payable for each year are limited to maximum amounts. In 2011, the Group paid $3 million in respect of this liability (2010: $16 million, 2009: Nil).

Derivatives Not Designated As Hedging Instruments

In 2009-2011, the Group issued rouble-denominated bonds in the total amount of 70,000 million Russian roubles (Note 21). To manage the currency exposure, the Group concluded swap contracts under which it agreed to deliver US dollar-denominated interest payments at the rates ranging from 4.45% to 8.90% per annum plus the notional amount totalling $2,177 million, in exchange for rouble-denominated interest payments plus the notional amount totalling 63,790 roubles ($1,981 million at the exchange rate as of 31 December 2011). The exchange is exercised on approximately the same dates as the payments under the bonds.

26. Other Long-Term Liabilities

Derivatives Not Designated As Hedging Instruments (continued)

The swap contracts are summarised in the table below.

	Principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
13.5 per cent bonds due 2014	20,000	14,019	$ 475	7.50% - 8.90%
9.25 per cent bonds due 2013	15,000	14,778	500	5.75% - 5.90%
9.95 per cent bonds due 2015	15,000	14,997	491	5.65% - 5.88%
8.40 per cent bonds due 2016	20,000	19,996	711	4.45% - 4.60%
	70,000	**63,790**	**$ 2,177**	

These swap contracts were not designated as cash flow or fair value hedges. The Group accounted for these derivatives at fair value which was determined using valuation techniques. In 2011, 2010 and 2009, the change in fair value of the derivatives of $(176) million, $(27) million and $(6) million, respectively, together with a realised gain on the swap transactions, amounting to $66 million, $31 million and $Nil, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

27. Trade and Other Payables

Trade and other payables consisted of the following as of 31 December:

US$ million	**2011**	2010	2009
Trade accounts payable	**$ 1,147**	$ 880	$ 780
Accrued payroll	**254**	229	177
Other long-term obligations with current maturities (Note 26)	**9**	14	26
Other payables	**50**	50	86
	$ 1,460	$ 1,173	$ 1,069

Maturity profile of the accounts payable is shown in Note 29.

28. Other Taxes Payable

Taxes payable were mainly denominated in roubles and consisted of the following as of 31 December:

US$ million	**2011**	2010	2009
VAT	**$ 81**	$ 90	$ 67
Social insurance taxes	**53**	40	29
Property tax	**17**	14	16
Land tax	**10**	10	5
Personal income tax	**12**	10	10
Other taxes, fines and penalties	**15**	16	13
	$ 188	$ 180	$ 140

29. Financial Risk Management Objectives and Policies

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and trade accounts receivable.

To manage credit risk related to cash, the Group maintains its available cash, mainly in US dollars, in reputable international banks and major Russian banks. Management periodically reviews the creditworthiness of the banks in which it deposits cash.

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. There are no significant concentrations of credit risk within the Group. The Group defines counterparties as having similar characteristics if they are related entities. The major customers are Russian Railways and Vanomet AG (4.2% and 2.4% of total sales, respectively).

Some part of the Group's sales is made on terms of letter of credit. In addition, the Group requires prepayments from certain customers. The Group does not require collateral in respect of trade and other receivables, except when a customer asks for a payment period which is longer than normal terms. In this case, the Group requires bank guarantees or other liquid collateral. The Group developed standard payment terms and constantly monitors the status of accounts receivable collection and the creditworthiness of the customers.

Certain of the Group's long-standing Russian customers for auxiliary products, such as heat and electricity, represent municipal enterprises and governmental organisations that experience financial difficulties. The significant part of doubtful debts allowance consists of receivables from such customers. The Group has no practical ability to terminate the supply to these customers and negotiates with regional and municipal authorities the terms of recovery of these receivables.

At 31 December the maximum exposure to credit risk is equal to the carrying amount of financial assets, which is disclosed below.

US$ million	**2011**	**2010**	**2009**
Restricted deposits at banks (Notes 13 and 18)	**$ 22**	$ 22	$ 77
Financial instruments included in other non-current and current assets (Notes 13 and 18)	**10**	6	–
Long-term and short-term investments (Notes 13 and 18)	**57**	76	104
Trade and other receivables (Notes 13 and 15)	**974**	1,216	1,002
Loans receivable	**62**	18	5
Receivables from related parties (Notes 13 and 16)	**8**	124	107
Cash and cash equivalents (Note 19)	**801**	683	671

	2011	2010	2009
	$ 1,934	$ 2,145	$ 1,966

29. Financial Risk Management Objectives and Policies (continued)

Credit Risk (continued)

Receivables from related parties in the table above do not include prepayments in the amount of $nil, $2 million and $nil as of 31 December 2011, 2010 and 2009, respectively.

The ageing analysis of trade and other receivables, loans receivable and receivables from related parties at 31 December is presented in the table below.

US$ million	**2011**		**2010**		**2009**	
	Gross amount	**Impairment**	**Gross amount**	**Impairment**	**Gross amount**	**Impairment**
Not past due	**$ 846**	**$ (5)**	$ 1,098	$ (8)	$ 842	$ (1)
Past due	**306**	**(103)**	377	(109)	364	(91)
Less than six months	**204**	**(24)**	232	(16)	187	(5)
between six months and one year	**30**	**(16)**	27	(10)	28	(8)
over one year	**72**	**(63)**	118	(83)	149	(78)
	$ 1,152	**$ (108)**	$ 1,475	$ (117)	$ 1,206	$ (92)

In the years ended 31 December 2011, 2010 and 2009, the movement in allowance for doubtful accounts was as follows:

US$ million	**2011**	**2010**	**2009**
At 1 January	**$ 117**	$ 92	$ 93
Charge for the year	**45**	45	41
Utilised	**(47)**	(19)	(41)
Translation difference	**(7)**	(1)	(1)
At 31 December	**$ 108**	$ 117	$ 92

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves and borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

29. Financial Risk Management Objectives and Policies (continued)

The Group prepares the rolling 12-month financial plan which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities as they arise. The Group exercises a daily monitoring of cash proceeds and payments. The Group maintains credit lines and overdraft facilities that can be drawn down to meet short-term financing needs. The Group's objective is to refinance its short-term debt by long-term borrowings. The Group developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest payments.

Year ended 31 December 2011

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	**$ 4**	**$ 1**	**$ 27**	**$1,019**	**$ 2,338**	**$ 1,374**	**$ 4,763**
Interest	**–**	**23**	**420**	**395**	**741**	**159**	**1,738**
Finance lease liabilities	**–**	**1**	**3**	**4**	**10**	**3**	**21**
Financial instruments included in long-term liabilities	**1**	**1**	**6**	**53**	**178**	**23**	**262**
Total fixed-rate debt	**5**	**26**	**456**	**1,471**	**3,267**	**1,559**	**6,784**
Variable-rate debt							
Loans and borrowings							
Principal	**158**	**213**	**129**	**268**	**1,671**	**56**	**2,495**
Interest	**–**	**22**	**68**	**82**	**148**	**8**	**328**
Finance lease liabilities	**–**	**4**	**8**	**7**	**8**	**–**	**27**
Total variable-rate debt	**158**	**239**	**205**	**357**	**1,827**	**64**	**2,850**
Non-interest bearing debt							
Financial instruments included in other liabilities	**–**	**–**	**–**	**–**	**–**	**4**	**4**
Trade and other payables	**238**	**949**	**10**	**–**	**–**	**–**	**1,197**
Payables to related parties	**67**	**31**	**–**	**–**	**–**	**–**	**98**
Amounts payable under put options for shares of subsidiaries	**9**	**–**	**–**	**–**	**11**	**–**	**20**
Dividends payable	**9**	**–**	**–**	**–**	**–**	**–**	**9**
Total non-interest bearing debt	**323**	**980**	**10**	**–**	**11**	**4**	**1,328**
	$ 486	**$ 1,245**	**$ 671**	**$ 1,828**	**$ 5,105**	**$ 1,627**	**$ 10,962**

29. Financial Risk Management Objectives and Policies (continued)

Year ended 31 December 2010

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$ 7	$ 20	$ 124	$ 25	$ 5,039	$ 538	$ 5,753
Interest	–	55	462	509	955	123	2,104
Finance lease liabilities	–	1	2	3	7	3	16
Financial instruments included in long-term liabilities	1	2	11	8	60	21	103
Total fixed-rate debt	8	78	599	545	6,061	685	7,976
Variable-rate debt							
Loans and borrowings							
Principal	235	224	15	283	1,487	20	2,264
Interest	–	19	56	62	89	4	230
Finance lease liabilities	–	5	17	12	19	2	55
Total variable-rate debt	235	248	88	357	1,595	26	2,549
Non-interest bearing debt							
Financial instruments included in other liabilities	–	–	–	–	–	5	5
Trade and other payables	104	795	31	–	–	–	930
Payables to related parties	177	37	2	–	–	–	216
Amounts payable under put options for shares of subsidiaries	6	–	–	–	21	–	27
Dividends payable	13	–	–	–	–	–	13
Total non-interest bearing debt	300	832	33	–	21	5	1,191
	$ 543	$ 1,158	$720	$ 902	$ 7,677	$ 716	$ 11,716

29. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

Year ended 31 December 2009

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$ 5	$ 25	$ 273	$ 930	$ 2,488	$ 1,091	$ 4,812
Interest	–	32	384	374	841	217	1,848
Finance lease liabilities	–	1	2	3	7	5	18
Financial instruments included in long-term liabilities	17	–	1	7	28	25	78
Total fixed-rate debt	22	58	660	1,314	3,364	1,338	6,756
Variable-rate debt							
Loans and borrowings							
Principal	242	229	1,135	904	795	41	3,346
Interest	–	30	103	69	42	5	249
Finance lease liabilities	–	5	16	22	32	3	78
Total variable-rate debt	242	264	1,254	995	869	49	3,673
Non-interest bearing debt							
Financial instruments included in other liabilities	5	–	–	–	–	–	5
Trade and other payables	196	647	23	–	–	–	866
Payables to related parties	112	62	14	–	–	–	188
Amounts payable under put options for shares of subsidiaries	17	–	–	–	–	–	17
Dividends payable	13	–	–	–	–	–	13
Total non-interest bearing debt	343	709	37	–	–	–	1,089
	$ 607	$ 1,031	$ 1,951	$ 2,309	$ 4,233	$ 1,387	$ 11,518

Payables to related parties in the tables above do not include advances received in the amount of $Nil, $1 million and $47 million as of 31 December 2011, 2010 and 2009, respectively.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures, while optimising the return on risk.

Interest Rate Risk

The Group borrows on both a fixed and variable rate basis and has other interest-bearing liabilities, such as finance lease liabilities and other obligations.

The Group incurs interest rate risk on liabilities with variable interest rates. The Group's treasury function performs analysis of current interest rates. In case of changes in market fixed or variable interest rates management may consider the refinancing of a particular debt on more favourable terms. The Group does not have any financial assets with variable interest rates.

29. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Interest Rate Risk (continued)

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the Group's profits.

The Group does not account for any fixed rate financial assets as assets available for sale. Therefore, a change in interest rates at the reporting date would not affect the Group's equity.

Cash Flow Sensitivity Analysis for Variable Rate Instruments

Based on the analysis of exposure during the years presented, reasonably possible changes in floating interest rates at the reporting date would have changed profit before tax ("PBT") by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In estimating reasonably possible changes the Group assessed the volatility of interest rates during the reporting periods.

	2011		**2010**		**2009**	
	Basis points	**Effect on PBT**	**Basis points**	**Effect on PBT**	**Basis points**	**Effect on PBT**
		US$ millions		*US$ millions*		*US$ millions*
Liabilities denominated in US dollars						
Decrease in LIBOR	**(6)**	**$ 1**	(25)	$ 4	(25)	$ 8
Increase in LIBOR	**6**	**(1)**	100	(17)	100	(30)
Liabilities denominated in euro						
Decrease in EURIBOR	**(15)**	**–**	(25)	1	(25)	1
Increase in EURIBOR	**15**	**$ –**	100	$ (2)	100	$ (2)

Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's subsidiaries. The currencies in which these transactions primarily are denominated are US dollars and euro.

The Group does not have formal arrangements to mitigate currency risks of the Group's operations. However, management believes that the Group is secured from currency risks as foreign currency denominated sales are used to cover repayment of foreign currency denominated borrowings.

29. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (continued)

The Group's exposure to currency risk determined as the net monetary position in respective currencies was as follows at 31 December:

US$ million	**2011**	2010	2009
USD/RUB	**$ 4,402**	$ 3,419	$ 1,732
EUR/RUB	**(321)**	(283)	(297)
EUR/USD	**127**	137	108
CAD/USD	**995**	1,180	1,281
EUR/CZK	**35**	38	22
USD/CZK	**(229)**	(282)	(154)
USD/ZAR	**14**	66	41
EUR/ZAR	**77**	41	43
USD/UAH	**(156)**	(1)	(88)
RUB/UAH	**(1)**	(43)	(15)

Sensitivity Analysis

The following table demonstrates the sensitivity to reasonably possible changes in the respective currencies, with all other variables held constant, of the Group's profit before tax. In estimating reasonably possible changes the Group assessed the volatility of foreign exchange rates during the reporting periods.

	2011		**2010**		**2009**	
	Change in exchange rate	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**
	%	*US$ millions*	*%*	*US$ millions*	*%*	*US$ millions*
USD/RUB	**(11.36)**	**(500)**	(9.70)	(332)	(15.65)	(271)
	11.36	**500**	9.70	332	15.65	271
EUR/RUB	**(8.27)**	**27**	(8.79)	25	(12.18)	36
	8.27	**(27)**	8.79	(25)	12.18	(36)
EUR/USD	**(11.37)**	**(15)**	(11.32)	(16)	(12.96)	(14)
	11.37	**15**	11.32	16	12.96	14
CAD/USD	**(9.75)**	**(97)**	(10.97)	(129)	(14.02)	(180)
	9.75	**97**	10.97	129	14.02	180
EUR/CZK	**(5.87)**	**(2)**	(5.30)	(2)	(10.28)	(2)
	5.87	**2**	5.30	2	10.28	2
USD/CZK	**(13.96)**	**32**	(13.79)	39	(18.52)	29
	13.96	**(32)**	13.79	(39)	18.52	(29)
USD/ZAR	**(17.34)**	**(2)**	(13.68)	(9)	(21.41)	(9)
	17.34	**2**	13.68	9	21.41	9
EUR/ZAR	**(13.14)**	**(10)**	(11.59)	(5)	(17.74)	(8)
	13.14	**10**	11.59	5	17.74	8
USD/UAH	**(0.33)**	**1**	(1.71)	–	(31.30)	28
	0.33	**(1)**	1.71	–	31.30	(28)
RUB/UAH	**(11.33)**	**–**	(9.94)	4	(13.53)	2
	11.33	**–**	9.94	(4)	13.53	(2)

29. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (continued)

Except for the effects of changes in the exchange rates disclosed above, the Group is exposed to currency risk on derivatives not designated as hedging instruments (Note 26). The impact of currency risk on the fair value of these derivatives is disclosed below.

	2011		2010		2009	
	Change in exchange rate	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**
	%	*US$ millions*	*%*	*US$ millions*	*%*	*US$ millions*
USD/RUB	**(11.36)**	**252**	(9.70)	167	(15.65)	83
	11.36	**(201)**	9.70	(137)	15.65	(61)

Fair Value of Financial Instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

The carrying amounts of financial instruments, such as cash, short-term and long-term investments, short-term accounts receivable and payable, short-term loans receivable and payable and promissory notes, approximate their fair value.

At 31 December the Group held the following financial instruments measured at fair value:

	2011			2010			2009		
US$ million	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value									
Available for sale financial assets	**17**	**–**	**–**	37	–	–	43	–	–
Financial assets at fair value through profit or loss	**–**	**–**	**–**	–	–	–	–	–	–
Derivatives not designated as hedging instruments	**–**	**–**	**–**	–	5	–	–	–	–
Liabilities measured at fair value									
Liability at fair value through profit or loss	**–**	**–**	**–**	–	–	16	–	–	12
Derivatives not designated as hedging instruments (Note 26)	**–**	**209**	**–**	–	38	–	–	6	–
Deferred consideration payable for the acquisition of Inprom (Note 4)	**11**	**–**	**–**	21	–	–	–	–	–
Contingent consideration payable for the acquisition of Stratcor (Note 26)	**–**	**–**	**16**	–	–	24	–	–	31
Amounts payable under put options	**–**	**–**	**9**	–	–	6	–	–	–

for shares of subsidiaries

29. Financial Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments (continued)

During the reporting period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table shows financial instruments which carrying amounts differ from fair values at 31 December.

US$ million	**2011**		**2010**		**2009**	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Long-term fixed-rate bank loans	**$ 104**	**$ 115**	$ 1,201	$ 1,198	$ 1,234	$ 1,197
Long-term variable-rate bank loans	**2,109**	**1,943**	1,807	1,663	2,894	2,847
8.875 per cent notes due 2013	**535**	**559**	1,144	1,248	1,132	1,155
7.25 per cent convertible bonds due 2014	**–**	**–**	551	650	528	624
8.25 per cent notes due 2015	**560**	**581**	555	615	551	554
9.5 per cent notes due 2018	**501**	**520**	499	565	497	508
6.75 per cent notes due 2018	**853**	**759**	–	–	–	–
13.5 per cent bonds due 2014	**635**	**676**	670	740	674	667
9.25 per cent bonds due 2013	**476**	**468**	502	498	–	–
9.95 per cent bonds due 2015	**472**	**478**	498	496	–	–
8.40 per cent bonds due 2016	**623**	**559**				
Liabilities under 12.00 per cent rouble bonds due 2011 and 2013 assumed in business combination	**1**	**1**	13	12	–	–
	$ 6,869	**$ 6,659**	$ 7,440	$ 7,685	$ 7,510	$ 7,552

The fair value of the non-convertible bonds and notes was determined based on market quotations. The fair value of convertible bonds and long-term bank loans was calculated based on the present value of future principal and interest cash flows, discounted at the Group's market rates of interest at the reporting dates. The discount rates used for valuation of financial instruments were as follows:

Currency in which financial instruments are denominated	**2011**	**2010**	**2009**
USD	**8.2 – 9.1%**	7.7 – 8.3%	8.6 – 9.5%
EUR	**3.2%**	2.8%	7.0%
RUB	**9.7%**	12.0%	16.0%

Capital Management

Capital includes equity attributable to the equity holders of the parent entity. Revaluation surplus which is included in capital is not subject to capital management because of its nature.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise the return to shareholders. The Board of Directors reviews the Group's performance and establishes key performance indicators. In addition, the Group and certain of its subsidiaries are subject to externally imposed capital requirements (loans and bonds covenants) which are used for capital monitoring. There were no changes in the objectives, policies and processes during 2011.

29. Financial Risk Management Objectives and Policies (continued)

Capital Management (continued)

The Group manages its capital structure and makes adjustments to it by issue of new shares, dividend payments to shareholders, purchase of treasury shares. In addition, the Group monitors distributable profits on a regular basis and determines the amounts and timing of dividends payments.

The capital requirements imposed by certain loan agreements include a $2,000 million minimum representing consolidated equity less goodwill. In 2009-2011, the Group was in compliance with this requirement.

30. Non-cash Transactions

Transactions that did not require the use of cash or cash equivalents were as follows in the years ended 31 December:

US$ million	**2011**	2010	2009
Liabilities for purchases of property, plant and equipment	**$ 93**	$ 70	$ 49
Purchases of property, plant and equipment settled by an offset with accounts receivable	**10**	12	–
Loan to a partner on Mezhegey coal field project	**39**	–	–
Carrying amount of convertible bonds transferred to equity upon debt conversion (Note 21)	**553**	–	–
Offset of income tax receivable/(payable) against other taxes	**10**	17	18

31. Commitments and Contingencies

Operating Environment of the Group

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

In the wake of the global financial crisis, all countries continue to face an uneven economic recovery. Though stabilisation measures introduced by governments had positive effects, nevertheless, in 2010 and 2011, there was no material uplift in the ship-building, pipe-making, railway transportation, construction, oil and gas industries which are the major customers of the Group. The global steel industry is highly competitive and has historically been characterised by overcapacity. Steel consumption is affected by the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions. The global economic recession resulted in a significantly lower demand for steel products and decreased profitability.

31. Commitments and Contingencies (continued)

Operating Environment of the Group (continued)

In 2011, the sovereign debt problems in Europe and the USA added extra volatility to commodity markets and led to an additional uncertainty in the process of recovery of the global economy.

The global economic climate continues to be unstable and this may negatively affect the Group’s results and financial position in a manner not currently determinable.

Taxation

Russian and Ukrainian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in 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 management’s best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities, which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these financial statements could be up to approximately $46 million.

Contractual Commitments

At 31 December 2011, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $524 million.

In 2010, the Group concluded an agreement for the supply of oxygen, nitrogen and argon by a third party for a period of 20 years. The contractual price comprises a fixed component and a variable component. The total amount of a fixed component approximates 252 million euro. The agreement is within the scope of IFRIC 4 “Determining whether an arrangement contains a lease”. At 31 December 2011, the lease had not commenced.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, health care and social infrastructure development in towns where the Group’s assets are located. In 2012, the Group plans to spend approximately $160 million under these programmes.

31. Commitments and Contingencies (continued)

Environmental Protection

In the course of the Group's operations, the Group may be subject to environmental claims and legal proceedings. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, improvements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement. Management believes that any pending environmental claims or proceedings will not have a material adverse effect on its financial position and results of operations.

In the period from 2012 to 2017, the Group is committed to spend approximately $303 million under the environmental programmes.

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on the Group's operations or financial position. Possible liabilities, which were identified by the Group at the end of the reporting period as those that can be subject to different interpretations of legislation and are not accrued in these financial statements could be up to approximately $3 million.

32. Auditor's Remuneration

The remuneration of the Group's auditor in respect of the services provided to the Group was as follows.

US$ million	**2011**	**2010**	**2009**
Audit of the parent company of the Group	**$ 4**	$ 2	$ 2
Audit of the subsidiaries	**7**	6	5
Total assurance services	**11**	8	7
Services in connection with capital market transactions	**3**	1	–
Other non-audit services	**2**	1	–
Total other services	**5**	2	–
	$ 16	$ 10	$ 7

The Group has early adopted the UK Companies Regulations 2011 (Statutory Instrument 2011/2198). Comparative amounts for 2010 and 2009 have been classified accordingly.

33. Subsequent Events

Final Dividends

On 26 March 2012, the Board of directors of EVRAZ plc proposed to declare final dividends for 2011 in the amount of $228 million, which represents $0.17 per share.

Buyback of Shares by Raspadskaya

In November 2011, Raspadskaya, a subsidiary of Corber, the Group's joint venture (Note 11), announced a buyback of up to 10% of its shares from shareholders. The buyback programme commenced on 7 February 2012 and runs till 31 March 2012. At the end of February 2012 Corber sold 48,351,712 shares back to Raspadskaya for $248 million. At 31 December 2011, the market value of these shares was $149 million.