OAO Severstal and subsidiaries

Consolidated financial statements
for the years ended December 31, 2011, 2010 and 2009

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Years ended December 31, 2011, 2010 and 2009

Contents

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Independent Auditors' Report

Board of Directors
OAO Severstal

We have audited the accompanying consolidated financial statements of OAO Severstal (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2011, 2010 and 2009, and the related consolidated income statements and consolidated statements of comprehensive income, consolidated statements of changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

ZAO KPMG

ZAO KPMG

17 April 2012

OAO Severstal and subsidiaries

Consolidated income statements
Years ended December 31, 2011, 2010 and 2009

(Amounts expressed in thousands of US dollars, except as otherwise stated)

		Year ended December 31,		
	Note	2011	2010*	2009*
Revenue				
Revenue - third parties		15,573,090	12,756,783	9,023,203
Revenue - related parties	10	239,310	62,335	53,118
	4	15,812,400	12,819,118	9,076,321
Cost of sales		(10,903,222)	(8,716,766)	(6,901,797)
Gross profit		4,909,178	4,102,352	2,174,524
General and administrative expenses		(725,043)	(585,043)	(484,319)
Distribution expenses		(1,101,191)	(990,727)	(791,504)
Other taxes and contributions		(145,854)	(136,572)	(113,640)
Share of associates' profit		7,319	20,361	13,298
Loss on remeasurement and disposal of financial investments	6	(4,652)	(146,322)	(10,137)
Loss on disposal of property, plant and equipment and intangible assets		(20,939)	(42,790)	(27,771)
Net other operating expenses		(1,461)	(15,953)	(43,445)
Profit from operations		2,917,357	2,205,306	717,006
Reversal of impairment/(impairment) of non-current assets	7	438	(80,130)	(78,422)
Net other non-operating expenses	8	(65,381)	(43,599)	(33,484)
Profit before financing and taxation		2,852,414	2,081,577	605,100
Interest income		49,681	100,595	91,301
Interest expense		(436,141)	(617,785)	(459,450)
Foreign exchange differences		(36,980)	109,736	(133,369)
Profit before income tax		2,428,974	1,674,123	103,582
Income tax expense	9	(466,012)	(427,306)	(110,244)
Profit/(loss) from continuing operations		1,962,962	1,246,817	(6,662)
Profit/(loss) from discontinued operations	27	210,773	(1,761,396)	(1,093,545)
Profit/(loss) for the period		2,173,735	(514,579)	(1,100,207)
Attributable to:				
shareholders of OAO Severstal		2,034,833	(574,914)	(1,018,352)
non-controlling interests		138,902	60,335	(81,855)
Weighted average number of shares outstanding during the period (millions of shares)		1,005.2	1,005.2	1,005.2
Basic and diluted earnings/(loss) per share (US dollars)		2.02	(0.57)	(1.01)
Basic and diluted earnings/(loss) per share - continuing operations (US dollars)		1.89	1.22	(0.01)
Basic and diluted earnings/(loss) per share - discontinued operations (US dollars)		0.13	(1.79)	(1.00)

* These amounts reflect adjustments made in connection with the presentation of discontinued operations, with the completion of purchase price allocation and the early adoption of the revised IAS 19 "Employee benefits".

These consolidated financial statements were approved by the Board of Directors on April 17, 2012.

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

OAO Severstal and subsidiaries

Consolidated statements of comprehensive income
Years ended December 31, 2011, 2010 and 2009

(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Year ended December 31,		
	2011	2010*	2009*
Profit/(loss) for the period	2,173,735	(514,579)	(1,100,207)
Other comprehensive loss			
Foreign exchange differences	(407,245)	(242,832)	(114,714)
Changes in fair value of cash flow hedges	1,109	-	(2,860)
Deferred tax on changes in fair value of cash flow hedges	(120)	-	809
Changes in fair value of available-for-sale financial assets	(20,158)	50,876	40,466
Deferred tax on changes in fair value of available-for-sale financial assets	4,850	(7,626)	(4,398)
Actuarial losses	(8,884)	(14,886)	(18,888)
Other comprehensive loss for the period, net of tax	(430,448)	(214,468)	(99,585)
Total comprehensive income/(loss) for the period	1,743,287	(729,047)	(1,199,792)
Attributable to:			
shareholders of OAO Severstal	1,628,462	(801,730)	(1,158,706)
non-controlling interests	114,825	72,683	(41,086)

* These amounts reflect adjustments made in connection with the completion of purchase price allocation and the early adoption of the revised IAS 19 "Employee benefits".

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

OAO Severstal and subsidiaries

Consolidated statements of financial position
December 31, 2011, 2010 and 2009

(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Note	December 31, 2011	December 31, 2010*	December 31, 2009
Assets				
Current assets:				
Cash and cash equivalents	12	1,863,538	2,012,662	2,853,376
Short-term bank deposits	13	-	12,690	95,533
Short-term financial investments	14	10,500	27,463	73,129
Trade accounts receivable	15	1,219,961	967,837	1,457,651
Accounts receivable from related parties	11	27,349	12,359	26,716
Restricted financial assets		-	41,313	-
Inventories	16	2,519,154	2,369,134	2,974,227
VAT recoverable		193,885	279,626	288,032
Income tax recoverable		90,916	39,578	106,019
Other current assets	17	327,163	298,183	285,453
Assets held for sale	27	2,677,310	3,509,882	24,415
Total current assets		8,929,776	9,570,727	8,184,551
Non-current assets:				
Long-term financial investments	18	182,262	204,542	128,616
Investments in associates and joint ventures	19	301,315	158,564	143,857
Property, plant and equipment	20	7,463,394	7,299,849	9,485,480
Intangible assets	21	770,454	1,930,942	1,369,204
Restricted financial assets		22,638	61,714	17,541
Deferred tax assets	9	99,651	103,777	239,835
Other non-current assets		140,301	78,266	74,802
Total non-current assets		8,980,015	9,837,654	11,459,335
Total assets		17,909,791	19,408,381	19,643,886
Liabilities and shareholders' equity				
Current liabilities:				
Trade accounts payable		1,115,110	897,389	1,378,300
Accounts payable to related parties	11	1,583,031	16,717	16,656
Short-term debt finance	22	1,185,467	1,423,551	1,478,301
Income taxes payable		28,086	41,230	34,150
Other taxes and social security payable		141,353	156,078	209,084
Dividends payable		111,208	17,131	5,704
Other current liabilities	23	655,420	554,577	743,230
Liabilities related to assets held for sale	27	550,123	3,272,354	11,979
Total current liabilities		5,369,798	6,379,027	3,877,404
Non-current liabilities:				
Long-term debt finance	22	4,790,631	4,722,926	5,748,559
Deferred tax liabilities	9	287,126	515,071	394,990
Retirement benefit liabilities	24	161,734	164,555	738,328
Other non-current liabilities	25	233,179	277,149	508,266
Total non-current liabilities		5,472,670	5,679,701	7,390,143
Equity:				
Share capital	26	3,311,288	3,311,288	3,311,288
Treasury shares		(1,586,293)	(26,303)	(26,303)
Additional capital		1,165,530	1,165,530	1,165,530
Foreign exchange differences		(642,228)	(297,219)	(52,478)
Retained earnings		4,386,461	2,805,232	3,436,270
Other reserves		44,738	76,411	43,600
Total equity attributable to shareholders of OAO Severstal		6,679,496	7,034,939	7,877,907
Non-controlling interests		387,827	314,714	498,432
Total equity		7,067,323	7,349,653	8,376,339
Total equity and liabilities		17,909,791	19,408,381	19,643,886

* These amounts reflect adjustments made in connection with the completion of purchase price allocation.

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

OAO Severstal and subsidiaries

Consolidated statements of cash flows
Years ended December 31, 2011, 2010 and 2009

(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Year ended December 31,		
	2011	2010*	2009*
Operating activities:			
Profit before financing and taxation	2,852,414	2,081,577	605,100
Adjustments to reconcile profit to cash generated from operations:			
Depreciation and amortization	646,821	615,979	609,727
(Reversal of impairment)/impairment of non-current assets (Note 7)	(438)	80,130	78,422
Movements in provision for inventories, receivables and other provisions	34,295	9,684	(99,177)
Loss on disposal of property, plant and equipment and intangible assets	20,939	42,790	27,771
Gain on disposal of subsidiaries (Note 28)	(21,033)	-	-
Loss on remeasurement and disposal of financial investments	4,652	146,322	10,137
Share of associates' results less dividends from associates	16,176	(8,661)	(13,298)
Changes in operating assets and liabilities:			
Trade accounts receivable	(280,836)	(156,036)	120,172
Amounts receivable from related parties	(59,578)	15,001	28,966
VAT recoverable	42,708	(48,884)	65,006
Inventories	(535,842)	(431,073)	548,555
Trade accounts payable	272,951	130,238	19,058
Amounts payable to related parties	11,290	197	(37,446)
Other taxes and social security payables	22,882	22,611	8,233
Other non-current liabilities	3,335	(621)	(199,189)
Assets held for sale	7,242	(3,378)	(422)
Net other changes in operating assets and liabilities	94,406	(94,695)	(71,117)
Cash generated from operations	3,132,384	2,401,181	1,700,498
Interest paid	(441,295)	(551,884)	(481,886)
Income tax paid	(514,150)	(309,983)	(17,918)
Net cash from operating activities - continuing operations	2,176,939	1,539,314	1,200,694
Net cash from/(used in) operating activities - discontinued operations	402,496	(280,140)	410,497
Net cash from operating activities	2,579,435	1,259,174	1,611,191
Investing activities:			
Additions to property, plant and equipment	(1,609,493)	(1,011,870)	(698,130)
Additions to intangible assets	(106,722)	(63,552)	(22,042)
Net decrease/(increase) in short-term bank deposits	13,150	(46,661)	668,121
Additions to financial investments and associates	(40,619)	(211,125)	(109,636)
Net cash outflow on acquisitions of subsidiaries (Note 28)	-	(7,535)	-
Net cash inflow from disposals of subsidiaries (Note 28)	96,994	118,647	5,010
Proceeds from disposal of property, plant and equipment	16,722	5,910	28,571
Proceeds from disposal of financial investments	7,892	169,430	69,793
Interest received	44,236	96,889	108,238
Dividends received	28,435	-	-
Cash (used in)/from investing activities - continuing operations	(1,549,405)	(949,867)	49,925
Cash used in investing activities - discontinued operations	(352,115)	(549,399)	(280,562)
Cash used in investing activities	(1,901,520)	(1,499,266)	(230,637)
Financing activities:			
Proceeds from debt finance	2,000,414	3,478,424	2,754,383
Repayment of debt finance	(2,010,250)	(3,218,308)	(3,332,855)
Repayments under lease obligations	(8,020)	(4,323)	(3,987)
Dividends paid	(380,162)	(130,068)	(116,106)
Acquisitions of non-controlling interests	(3,020)	(113,297)	(15,170)
Disposal of non-controlling interests	-	5,744	-
Contributions from non-controlling interests	13,610	-	-
Cash (used in)/from financing activities - continuing operations	(387,428)	18,172	(713,735)
Cash used in financing activities - discontinued operations	(151,626)	(306,053)	(468,105)
Cash used in financing activities	(539,054)	(287,881)	(1,181,840)
Effect of exchange rates on cash and cash equivalents	(70,852)	(104,719)	1,774
Net increase/(decrease) in cash and cash equivalents	68,009	(632,692)	200,488
Less cash and cash equivalents of discontinued operations and assets held for sale at end of the period	(217,133)	(208,022)	-
Cash and cash equivalents at beginning of the period	2,012,662	2,853,376	2,652,888
Cash and cash equivalents at end of the period	1,863,538	2,012,662	2,853,376

* These amounts reflect adjustments made in connection with the presentation of discontinued operations, with the completion of purchase price allocation and the change in presentation described in Note 2 of these consolidated financial statements.

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

OAO Severstal and subsidiaries

Consolidated statements of changes in equity
Years ended December 31, 2011, 2010 and 2009
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Attributable to the shareholders of OAO Severstal							Non-controlling interests	Total
	Share capital	Treasury shares	Additional capital	Foreign exchange differences	Retained earnings	Other reserves	Total		
Balances at December 31, 2008	3,311,288	(26,303)	1,165,530	84,987	4,488,396	27,601	9,051,499	501,117	9,552,616
Loss for the period*	-	-	-	-	(1,018,352)	-	(1,018,352)	(81,855)	(1,100,207)
Foreign exchange differences	-	-	-	(137,465)	-	-	(137,465)	22,751	(114,714)
Other comprehensive (loss)/income*	-	-	-	-	(18,888)	17,557	(1,331)	20,049	18,718
Deferred tax on other comprehensive (loss)/income*	-	-	-	-	-	(1,558)	(1,558)	(2,031)	(3,589)
Total comprehensive (loss)/income for the period				(137,465)	(1,037,240)	15,999	(1,158,706)	(41,086)	(1,199,792)
Dividends	-	-	-	-	-	-	-	(3,501)	(3,501)
Effect of acquisitions and disposals without a change in control	-	-	-	-	(14,886)	-	(14,886)	41,902	27,016
Balances at December 31, 2009	3,311,288	(26,303)	1,165,530	(52,478)	3,436,270	43,600	7,877,907	498,432	8,376,339
Loss for the period*	-	-	-	-	(574,914)	-	(574,914)	60,335	(514,579)
Foreign exchange differences	-	-	-	(244,741)	-	-	(244,741)	1,909	(242,832)
Other comprehensive (loss)/income*	-	-	-	-	(14,886)	37,242	22,356	13,634	35,990
Deferred tax on other comprehensive (loss)/income*	-	-	-	-	-	(4,431)	(4,431)	(3,195)	(7,626)
Total comprehensive (loss)/income for the period				(244,741)	(589,800)	32,811	(801,730)	72,683	(729,047)
Dividends	-	-	-	-	(140,963)	-	(140,963)	-	(140,963)
Effect of acquisitions and disposals without a change in control	-	-	-	-	99,725	-	99,725	(550,796)	(451,071)
Effect of acquisitions and disposals with a change in control	-	-	-	-	-	-	-	294,395	294,395
Balances at December 31, 2010	3,311,288	(26,303)	1,165,530	(297,219)	2,805,232	76,411	7,034,939	314,714	7,349,653
Profit for the period	-	-	-	-	2,034,833	-	2,034,833	138,902	2,173,735
Foreign exchange differences	-	-	-	(387,822)	-	-	(387,822)	(19,423)	(407,245)
Other comprehensive loss	-	-	-	-	(8,661)	(13,297)	(21,958)	(5,975)	(27,933)
Deferred tax on other comprehensive loss	-	-	-	-	-	3,409	3,409	1,321	4,730
Total comprehensive (loss)/income for the period				(387,822)	2,026,172	(9,888)	1,628,462	114,825	1,743,287
Dividends	-	-	-	-	(469,434)	-	(469,434)	-	(469,434)
Gold segment separation (Note 27)	-	(1,559,990)	-	-	-	-	(1,559,990)	-	(1,559,990)
Effect of acquisitions without a change in control	-	-	-	-	(9,228)	-	(9,228)	(41,712)	(50,940)
Effect of disposals with a change in control	-	-	-	42,813	33,719	(21,785)	54,747	-	54,747
Balances at December 31, 2011	3,311,288	(1,586,293)	1,165,530	(642,228)	4,386,461	44,738	6,679,496	387,827	7,067,323

* These amounts reflect adjustments made in connection with the completion of purchase price allocation and with the early adoption of the revised IAS 19 "Employee benefits".

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

1. Operations

These consolidated financial statements of OAO Severstal and subsidiaries comprise the parent company, OAO Severstal ('Severstal' or 'the Parent Company') and its subsidiaries (collectively 'the Group') as listed in Note 28.

Severstal began operations on August 24, 1955 and completed the development of an integrated iron and steel mill in Cherepovets during February 1959 when the first steel was rolled. On September 24, 1993, as a part of the Russian privatization program, Severstal was registered as a Joint Stock Company ('OAO') and privatized. Through participating in Severstal's privatization auctions and other purchases, Alexey Mordashov (the "Majority Shareholder") had purchased shares in Severstal such that as at December 31, 2011 he controlled indirectly 82.94% of Severstal's share capital (at December 31, 2010 he controlled indirectly 77.98% of Severstal's share capital and had an option to purchase another 4.96%; at December 31, 2009 he controlled, directly or indirectly 82.37% of Severstal's share capital).

Severstal's global depositary receipts (GDRs) have been quoted on the London Stock Exchange since November 2006. Severstal's shares are quoted on the Russian Trading System ('RTS') and on the Moscow Interbank Currency Exchange ('MICEX'). Severstal's registered office is located at Ul. Mira 30, Cherepovets, Russia.

The Group comprises the following segments:

- *Steel Resources* (previously included into Severstal Resource) – this segment comprises two iron ore complexes, Karelsky Okatysh and Olkon in northwest Russia, and two coal mining complexes, Vorkutaugol in northwest Russia and PBS Coals Limited located in the USA.
- *Gold (discontinued, Note 27)* (previously included into Severstal Resource) – this segment comprises the extraction and refining facilities that are located in the Russian Federation, Burkina Faso, Guinea and Kazakhstan and is classified as held for sale and discontinued operations as at December 31, 2011.
- *Russian Steel* – this segment consists primarily of the Group's steel production and high-grade automotive galvanizing facilities in Cherepovets; rolling mill 5000 in Kolpino; a large-diameter pipe mill in Izhora, all in northwest Russia; metalware plants located in Russia, Ukraine and Italy; a ferrous scrap metal recycling business operating in northwest and central Russia, as well as various worldwide supporting functions for trading, maintenance and transportation.
- *Severstal North America* – this segment includes an integrated iron and steel mill, Severstal Dearborn LLC, in the Midwest region; a mini-mill, Severstal Columbus LLC, in the southeast of the USA. The Severstal North America segment also included three integrated iron and steel mills: Severstal Sparrows Point LLC, in the South Atlantic located on the East Coast of the USA, Severstal Wheeling Inc (formerly the Esmark group of companies) in the Midwest region of the USA, Severstal Warren LLC (formerly WCI Steel Inc) in the Midwest region of the USA and a coking coal production facility, Mountain State Carbon LLC located on the border of the South and Midwest regions of the USA, which were classified as held for sale and discontinued operations as at December 31, 2010 and disposed in 2011 (*Note 27*).
- *Lucchini (discontinued, Note 27)* – this segment included two integrated steel producers in Italy, four electric furnace based steel plants in France and several processing plants and joint ventures in Italy. All Lucchini segment assets were combined into the Piombino and Ascometal business units based on geographical location (Italy and France, respectively). Products of the segment included rails, wire rod, special and high quality bars and commercial

slabs. The segment also included a distribution network serving both business units from locations primarily in Western Europe and an engineering research center located in France.

A segmental analysis of the consolidated statements of financial position and consolidated income statements is given in Note 29.

Economic environment

A large part of the Group is based in the Russian Federation and is consequently exposed to the economic and political effects of the policies adopted by the Russian government. These conditions and future policy changes could affect the operations of the Group and the realization and settlement of its assets and liabilities.

International sales of rolled steel from the Group's Russian operations have been the subject of several anti-dumping investigations. The Group has taken steps to address the concerns of such investigations and participates actively in their resolution. A brief description of protective measures effective at Severstal's key export markets is given below:

- Exports of hot-rolled coils and thin sheets from Russia to the USA are subject to annual quotas and minimum prices issued quarterly by the US Department of Commerce;
- Exports of hot-rolled plates from Russia to the USA are subject to minimum prices established based on the producer's actual cost and profit on the domestic market. Severstal is the first and currently only Russian company, for which, since September 2005, the hot-rolled plates market is open;
- The European Union ('EU') market is protected by quotas. Under the terms of the Agreement between Russia and the EU on trade metal quotas have been rose consistently during the last few years, equaling 3.489 million tonnes in 2011. Severstal traditionally gets approximately 35% of the total Russian quota and strives to utilise it fully because the EU market is a key market for the Group.

2. Basis for preparation of the consolidated financial statements

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

Basis of measurement

The consolidated financial statements are prepared on the historic cost basis except for financial instruments at fair value through profit and loss and available-for-sale financial assets stated at fair value.

The Group's statutory financial records are maintained in accordance with the legislative requirements of the countries in which the individual entities are located, which differ in certain respects from IFRS. The accounting policies applied in the preparation of these consolidated financial statements are set out in Note 3.

Critical accounting judgments, estimates and assumptions

Preparation of the consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions relate to:

- useful lives of property, plant and equipment;
- impairment of assets;
- allowances for doubtful debts, obsolete and slow-moving inventories;
- decommissioning liability;
- retirement benefit liabilities;
- litigations; and
- deferred income tax assets.

Useful lives 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.

Impairment of assets

The Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. In making the assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Subsequent changes to the cash-generating unit allocation or to the timing of cash flows could impact the carrying value of the respective assets.

Allowance for doubtful debts

The Group makes allowance 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 debts, 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.

Allowance for obsolete and slow-moving inventories

The Group makes allowance for obsolete and slow-moving raw materials and spare parts. In addition, certain finished goods of the Group are carried at net realizable value. Estimates of net realizable 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.

Decommissioning liability

The Group reviews its decommissioning liability, representing site restoration provisions, at each reporting date and adjusts it to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities". The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date 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 judgment is required in forecasting future site restoration costs. Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision when there is sufficient objective evidence that they will occur.

Retirement benefit liabilities

The Group uses an actuarial valuation method for 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, etc.).

Litigations

The Group exercises judgment in measuring and recognizing 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. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or 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.

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 utilized. The estimation of that probability includes judgments based on the expected performance. Various factors are considered to assess the probability of the future utilization of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from that 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 utilization of deferred tax assets must be reduced, this reduction will be recognized in the income statement.

Functional and presentation currency

The presentation currency of these consolidated financial statements is the US dollar.

The functional currency is determined separately for each of the Group's entities. For most Russian entities the functional currency is the Russian ruble. The functional currency of the Group's entities located in North America is the US dollar. The functional currency of the majority of the Group's entities located in Western Europe is the Euro.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

The translation into the presentation currency is made as follows:

- all assets and liabilities, both monetary and non-monetary, are translated at the closing exchange rates at the dates of each statement of financial position presented;
- all income and expenses in each income statement are translated at the average exchange rates for the periods presented; and
- all resulting exchange differences are recognized as a separate component in other comprehensive income.

Any conversion of amounts into US dollars should not be construed as a representation that such amounts have been, could be, or will be in the future, convertible into US dollars at the exchange rates used, or at any other exchange rate.

Adoption of amended and revised Standards and Interpretations

A number of amendments to Standards and Interpretations were adopted for the year ended December 31, 2011, and have been applied in these consolidated financial statements.

Standards and Interpretations	Effective for annual periods beginning on or after
IAS 1 (Amended) "Presentation of financial statements"	January 1, 2011
IAS 19 (Revised) "Employee benefits"	January 1, 2013
IAS 24 (Revised) "Related party disclosure"	January 1, 2011
IAS 27 (Amended) "Consolidated and separate financial statements"	July 1, 2010
IAS 32 (Amended) "Financial instruments: presentation"	February 1, 2010
IAS 34 (Amended) "Interim financial reporting"	January 1, 2011
IFRS 3 (Amended) "Business combinations"	July 1, 2010
IFRS 7 (Amended) "Financial instruments: disclosures"	January 1, 2011
IFRIC 13 (Amended) "Customer loyalty programmes"	January 1, 2011
IFRIC 14 (Amended) "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction"	January 1, 2011
IFRIC 19 (Amended) "Extinguishing financial liabilities with equity instruments"	July 1, 2010

Amended IAS 1 *Presentation of financial statements* clarified that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is required to be presented, but may be presented either in the statement of changes in equity or in the notes. These amendments did not have a significant effect on the Group's consolidated financial statements.

As of December 31, 2011 the Group made an early adoption of the revised IAS 19 *Employee benefits* which requires retrospective application.

The impact of the early adoption of the revised IAS 19 *Employee benefits* on the Group's consolidated financial statements is the following:

- Actuarial gains and losses were recognized immediately in other comprehensive income and will not be recycled through profit or loss in subsequent periods;

- Annual expense for a funded benefit plan included interest expense calculated by applying the discount rate to the net defined liability that replaced the finance charge and expected return on plan assets.

Revised IAS 24 *Related party disclosures* provided a revised definition of a related party which includes new relationships and led to the increased number of parties considered related to the Group. Revised IAS 24 became effective as at 1 January 2011 and requires retrospective application.

Amended IAS 27 *Consolidated and separate financial statements* clarified consequential amendments to other related international financial reporting standards. These amendments did not have a significant effect on the Group's consolidated financial statements.

Amended IAS 32 *Financial instruments: presentation* incorporated changes in respect of the classification of rights issues and their accounting. These amendments did not have a significant effect on the Group's consolidated financial statements.

Amended IAS 34 *Interim financial reporting* provided additional examples to the list of events or transactions that require disclosure and removed references to materiality that describes other minimum disclosures. These amendments did not have a significant effect on the Group's consolidated financial statements.

Amended IFRS 3 *Business combinations* incorporated transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS 3 and limited the accounting policy choice to measure non-controlling interest. These changes did not have a significant effect on the Group's consolidated financial statements.

Amended IFRS 7 *Financial instruments: presentation* incorporated a number of clarifications to the existing disclosure requirements that did not have a significant effect on the Group's consolidated financial statements.

Amended IFRIC 13 *Customer loyalty programmes* provided guidance in respect of measuring the fair value of award credits and did not have a significant effect on the Group's consolidated financial statements.

Amended IFRIC 14 *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction* provided guidance in respect of recognition of prepaid contributions and did not have a significant effect on the Group's consolidated financial statements.

Amended IFRIC 19 *Extinguishing financial liabilities with equity instruments* provided guidance on the accounting for debt for equity swaps and did not have a significant effect on the Group's consolidated financial statements.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

New accounting pronouncements

A number of new Standards and amendments to Standards were not yet effective for the year ended December 31, 2011, and have not been applied in these consolidated financial statements.

Standards and Interpretations	Effective for annual periods beginning on or after
IAS 1 (Amended) "Presentation of financial statements"	July 1, 2012
IAS 12 (Amended) "Income taxes"	January 1, 2012
IAS 27 (Amended) "Separate financial statements"	January 1, 2013
IAS 28 (Amended) "Investments in associates and joint ventures"	January 1, 2013
IFRS 1 (Amended) "First-time adoption of international financial reporting standards"	July 1, 2011
IFRS 7 (Amended) "Financial instruments: disclosures"	July 1, 2011
IFRS 9 "Financial instruments"	January 1, 2015
IFRS 10 "Consolidated financial statements"	January 1, 2013
IFRS 11 "Joint arrangements"	January 1, 2013
IFRS 12 "Disclosure of interests in other entities"	January 1, 2013
IFRS 13 " Fair value measurement"	January 1, 2013
IFRIC 20 "Stripping costs in the production phase of a surface mine"	January 1, 2013

The adoption of the pronouncements listed above is not expected to have a significant impact on the Group's consolidated financial statements in future periods except for those discussed below.

Amended IAS 1 *Presentation of financial statements* requires a separate presentation of items of other comprehensive income that may be reclassified to profit or loss in the future from those that will never be reclassified to profit or loss. Amended IAS 1 will be effective for annual periods beginning on or after 1 July 2012 and requires retrospective application.

IFRS 9 *Financial instruments* is expected to become effective for annual periods beginning on or after 1 January 2015 based on the current exposure draft. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 *Financial instruments: recognition and measurement*.

The first and second phases of IFRS 9 were finalized in November 2009 and October 2010, respectively, and relate to the recognition and measurement of financial assets and liabilities. The Group recognizes that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analyzed during the course of the project as further phases of the standard are issued.

IFRS 11 *Joint arrangement*s supersedes IAS 31 *Interests in joint ventures* and introduces a classification of all joint arrangements either as joint operations, which are consolidated on a proportionate basis, or as joint ventures, for which the equity method is applied. IFRS 11 will be effective for annual periods beginning on or after 1 January 2013 and requires retrospective application.

IFRS 12 *Disclosures of interests in other entities* requires extended disclosures for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 will be effective for annual periods beginning on or after 1 January 2013 and requires retrospective application.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

IFRS 13 *Fair value measurement* provides a revised definition of fair value, establishes a framework for measuring fair value and sets out expanded disclosure requirements for fair value measurements. IFRS 13 will be effective for annual periods beginning on or after 1 January 2013 and requires prospective application.

IFRIC 20 *Stripping costs in the production phase of a surface mine* addresses accounting of stripping costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Under the interpretation, production stripping costs that provide access to ore to be mined in the future are capitalized as non-current assets if the component of the ore body for which access has been improved can be identified and future benefits arising from the improved access are both probable and reliably measurable. The interpretation also addresses how capitalized production stripping costs should be depreciated and how capitalized amounts should be allocated between inventory and the stripping activity asset.

IFRIC 20 will be effective for annual periods beginning on or after 1 January 2013 and requires prospective application to production stripping costs incurred on or after the beginning of the earliest period presented. The Group considers whether to early adopt IFRIC 20 for annual periods beginning on or after 1 January 2012. The Group’s management does not currently possess all necessary information to disclose the effect of the early adoption of IFRIC 20 on these consolidated financial statements.

Restatements

Netting of additions and disposals of highly liquid promissory notes

In order to conform to the current year presentation the following reclassifications to the prior years were made for the netting of additions and disposals of highly liquid promissory notes used for settlements with suppliers and customers in the Statements of cash flows:

	Year ended December 31,	
	2010	**2009**
Decrease in additions to financial investments and associates	961,608	148,753
Decrease in proceeds from disposal of financial investments	(961,608)	(148,753)

Early adoption of the revised IAS 19 Employee benefits

These consolidated financial statements have been adjusted for the effect of the early adoption of the revised IAS 19 *Employee benefits*:

	Year ended December 31,	
	2010	**2009**
Consolidated income statements		
Increase in cost of sales	(254)	(6,010)
(Increase)/decrease in general and administrative expenses	(21)	6,353
Decrease in loss from discontinued operations	15,161	18,545
Consolidated statements of comprehensive income		
Increase in actuarial losses	(14,886)	(18,888)

3. Summary of the principal accounting policies

The following significant accounting policies have been consistently applied in the preparation of these consolidated financial statements throughout the Group.

a. Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled, directly or indirectly, by the Parent Company. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The non-controlling interests represent the non-controlling shareholders' proportion of the net identifiable assets of the subsidiaries, including the non-controlling shareholders' share of fair value adjustments on acquisitions. The non-controlling interests are presented in the statement of financial position within equity, separately from the parent's shareholders' equity.

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing these consolidated financial statements; unrealized losses are also eliminated unless the transaction provides an evidence of impairment of the asset transferred.

Acquisition of Subsidiaries

The purchase method of accounting was used to account for the acquisition of subsidiaries by the Group.

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, the liabilities assumed and the consideration transferred. If the initial accounting for a business combination is incomplete by the end of the period in which the combination is effected, the Group accounts for the combination using the provisional values for the items for which the accounting is incomplete. The Group recognizes any adjustments to those provisional values as a result of completing the initial accounting within twelve months from the acquisition date. As a result goodwill or gain from bargain purchase is adjusted accordingly.

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

Accounting for business combinations of entities under common control

IFRS provides no guidance on accounting for business combinations of entities under common control. Management adopted the accounting policy for such transactions based on the relevant guidance of accounting principles generally accepted in the United States ('US GAAP'). Management believes that this approach and the accounting policy disclosed below are in compliance with IFRS.

Acquisitions of controlling interests in companies that were previously under the control of the Majority Shareholder are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date on which control was obtained by the Majority Shareholder. The assets and liabilities acquired are recognized at their book values. The components of equity of the acquired companies are added to the same components within Group equity except that any share capital of the acquired companies is recorded as a part of additional capital. The cash consideration for such acquisitions is recognized as a liability to or a reduction of receivables from related parties, with a corresponding reduction in equity, from the date the acquired company is included in these consolidated financial statements until the cash consideration is paid. Parent Company shares issued in consideration for the acquired companies are recognized from the moment the acquired companies are included in these financial statements.

No goodwill is recognized where the Group acquires additional interests in the acquired companies from the Majority shareholder. The difference between the share of net assets acquired and consideration transferred is recognized directly in equity.

Business combination achieved in stages

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the associates or joint ventures at its acquisition date fair value and recognizes the resulting gain or loss, if any, in profit or loss in the income statement.

Investments in associates

Associates are those enterprises in which the Group has significant influence, but does not have control over the financial and operating policies.

Investments in associates are accounted for under the equity method and are initially recognized at cost, from the date that significant influence commences until the date that significant influence ceases. 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, after adjustments to align the accounting policies with those of the Group. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

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

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognized in its financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on the accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using 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 the joint venture. The income statement reflects the Group’s share of the results of operations of the joint venture.

Unrealized gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group’s interest in the joint venture; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill

Goodwill is measured as the difference between:

- the aggregate of the acquisition-date fair value of the consideration transferred, the amount of any non-controlling interest, and in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree; and
- the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill in respect of subsidiaries is disclosed as an intangible asset and goodwill relating to associates and jointly controlled entities is included within the carrying value of the investments in these entities.

No goodwill is recognized where the Group acquires additional interests in the acquired companies (acquisitions of non-controlling interest). The difference between the share of net assets acquired and the consideration transferred is recognized directly in equity.

Where goodwill forms a part of a cash-generating unit and the part of the operations within that unit is disposed of, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Gain from bargain purchase represents the excess of the Group’s share in the fair value of acquired identifiable assets and the liabilities assumed over the consideration transferred, and in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquire. It is recognized in the income statement at the date of the acquisition.

b. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of each entity at the foreign exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of each entity at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency of the entity at the foreign exchange rate ruling at the date of the transaction. Foreign exchange gains and losses arising on the translation are recognized in the income statement.

c. Exploration for and evaluation of mineral resources

Expenditures associated with search for specific mineral resources are recognized as exploration and evaluation assets. The following expenditure comprises cost of exploration and evaluation assets:

- obtaining of the rights to explore and evaluate mineral reserves and resources including costs directly related to this acquisition;
- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods;
- compiling prefeasibility and feasibility studies;
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral recourse.

Administration and other overhead costs are charged to the cost of exploration and evaluation assets only if directly related to an exploration and evaluation project.

If a project does not prove viable, all irrecoverable exploration and evaluation expenditure associated with the project net of any related impairment allowances is written off to the income statement.

The Group measures its exploration and evaluation assets at cost and classifies as tangible or intangible according to the nature of the assets acquired and applies the classification consistently. Exploration and evaluation assets considered to be tangible are recorded as a component of property, plant and equipment at cost less impairment charges. Otherwise, they are recorded as intangible assets, such as licenses. To the extent that tangible asset is consumed in developing an intangible asset, the amount reflecting that consumption is capitalized as a part of the cost of the intangible asset.

As the asset is not available for use, it is not depreciated. All exploration and evaluation assets are monitored for indications of impairment.

An exploration and evaluation asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and the development of the deposit is sanctioned by management. The carrying amount of such exploration and evaluation asset is reclassified into development asset.

d. Development expenditure

Development expenditure includes costs directly attributable to the construction of a mine and the related infrastructure and is accumulated separately for each area of interest. Development expenditure is capitalized and is recorded as a component of property, plant and equipment or intangible assets, as appropriate. No depreciation is charged on the development expenditure before the start of commercial production.

To the extent that revenue arises from test production during the development stage, an amount is charged from development expenditure to the cost of sales so as to reflect a zero net gross margin.

e. Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and, for qualifying assets, borrowing costs capitalized. In the case of assets constructed by the Group, related works and direct project overheads are included in cost. The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Repair and maintenance expenses are charged to the income statement as incurred. Gains or losses on disposals of property, plant and equipment are recognized in the income statement.

Depreciation is provided so as to write off property, plant and equipment over its expected useful life. Depreciation is calculated using the straight-line basis, except for depreciation on vehicles and certain metal-rolling equipment, which is calculated on the basis of mileage and units of production, respectively. The estimated useful lives of assets are reviewed regularly and revised when necessary.

The principal periods over which assets are depreciated are as follows:

Buildings and constructions	20 – 50 years
Plant and machinery	10 – 20 years
Other productive assets	5 – 20 years
Infrastructure assets	5 – 50 years

f. Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement as a part of 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.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

g. Intangible assets (excluding goodwill)

Intangible assets acquired by the Group are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized over their estimated useful lives using the straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The table below presents the useful lives of intangible assets:

Mineral rights	12 - 25 years
Software	3 - 10 years
Other intangible assets	3 - 50 years

The major components of the other intangible assets include capitalized favorable contracts and land lease rights. Amortization of intangible assets is included in the captions “Cost of sales” and “General and administrative expenses” in the consolidated income statement.

h. Impairment of assets

The carrying amount of goodwill is tested for impairment annually. At each reporting date the Group assesses whether there is any indication of impairment of the Group’s other assets. If any such indication exists, the asset’s recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Calculation of recoverable amount

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and its recoverable amount that is the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate. For other assets the recoverable amount is the greater of the fair value less cost to sale and value in use. 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 assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a held-to-maturity investment, loan or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

i. Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads. Allowances are recorded against slow-moving and obsolete inventories.

j. Financial assets

Financial assets include cash and cash equivalents, investments, and loans and receivables.

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the carrying value of a financial asset held at amortized cost and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial instruments, which are managed and performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in the income statement incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less any impairment.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

AFS financial assets

Available for sale financial assets are those non-derivative financial assets that are not classified as financial assets at FVTPL, held-to-maturity or loans and receivables and are stated at fair value. Listed shares that are traded in an active market are stated at their market value. Investments in unlisted shares that do not have a quoted market price in an active market are measured at management's estimate of fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income with the exception of impairment losses, which are recognized directly in the income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the equity is included in the income statement for the period.

Dividends on AFS equity instruments are recognized in the income statement when the Group's right to receive the dividends is established.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

k. Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms a part of a group of financial instruments, which are managed and where performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Borrowing costs on loans specifically for the purchase or construction of a qualifying asset are capitalized as a part of the cost of the asset they are financing.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized in the income statement.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

l. Hedging instruments

The Group holds cash flow hedging instruments in order to hedge the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and which could affect profit or loss.

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss that has been previously recognized in other comprehensive income remains in equity until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount that has been recognized in other comprehensive income is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

m. Dividends payable

Dividends are recognized as a liability in the period in which they are authorized by the shareholders.

n. Other taxes and contributions

Other taxes and contributions are taxes and mandatory contributions paid to the government, or government controlled agencies, that are calculated on a variety of bases, but exclude taxes calculated on profits, value added taxes calculated on revenues and purchases and social security costs calculated on wages and salaries. Social security costs are included in cost of sales, distribution expenses and general and administrative expenses in accordance with the nature of related wages and salaries expenses.

o. Income tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income, in which case it is recognized in other comprehensive income.

Current tax expense is calculated by each entity on the pre-tax income determined in accordance with the tax law of the country, in which the entity is incorporated, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which these assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized in respect of the following:

- investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future;
- if it arises from the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss;
- initial recognition of goodwill.

p. Provisions

Employee benefits

The Group pays retirement, healthcare and other long-term benefits to its employees.

The Group has two types of retirement benefits: defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts in respect of those benefits. The Group's only obligation is to pay contributions as they fall due, including contributions to the Russian Federation State pension fund. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans are post-employment benefits plans other than defined contribution plans. The Group uses an actuarial valuation method for 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, etc.). The discount rate used is the yield at the balance sheet date on high quality corporate bonds for a respective country that have maturity dates approximating the terms of the Group's obligations. The calculation of the Group's net obligation in respect of defined retirement benefit plans is performed annually using the projected unit credit method. In accordance with this method, the Group's net obligation is calculated separately for each defined benefit plan. Any actuarial gain or loss arising from the calculation of the retirement benefit liability is fully recognized in other comprehensive income.

Other long-term employee benefits include various compensations, non-monetary benefits and a long-term incentive program.

Decommissioning liability

The Group has environmental liabilities related to restoration of soil and other related works, which are due upon the closures of certain of its production sites. Decommissioning liabilities are estimated case-by-case based on available information, taking into account applicable local legal requirements. The estimation is made using existing technology, at current prices, and discounted using a real discount rate. Future decommissioning costs, discounted to net present value, are capitalized and the corresponding decommissioning liability raised as soon as the constructive obligation to incur such costs arises. Future decommissioning costs are capitalized in property, plant and equipment and are depreciated over the life of the related asset. The effect of the time value of money on the decommissioning liability is recognized in the consolidated income statement as an interest expense. Ongoing rehabilitation costs are expensed when incurred.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

Other provisions

Other provisions are recognized in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

q. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

Repurchase of issued shares

When share capital recognized as equity is repurchased, the amount of the consideration paid which includes directly attributable costs, is net of any tax effects, and is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

r. Operating income and expenses

The Group presents profit or loss from operations, which includes various types of income and expenses arising in the course of production and sale of the Group's products, disposal of property, plant and equipment, participation in joint ventures and associates, securities operations and other Group's regular activities.

Certain items are presented separately from profit or loss from operations by virtue of their size, incidence or nature to enable a full understanding of the Group's financial performance. Such items, which are included in profit or loss before financing and taxation, primarily include impairment of non-current assets, negative goodwill and other non-operating income and expenses, as, for example, gain or loss from disposal of subsidiaries and associates and charitable donations.

s. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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 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.

Sale of goods

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

t. Interest income

Interest income is recognized in the income statement on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

u. Interest expense

Interest expense is recognized in the income statement as it accrues, taking into account the effective yield on the liability.

v. Gain on remeasurement and disposal of financial investments

Gain on remeasurement and disposal of financial investments comprises dividend income (except for dividends from equity associates), realized and unrealized gains on financial assets at fair value through profit or loss, realized gains and impairment losses on available-for-sale and held-to-maturity investments.

w. Earnings per share

Earnings per share is calculated by dividing the net profit by the weighted average number of shares outstanding during the year, assuming that shares issued in consideration for the companies acquired from the Majority Shareholder were issued from the moment these companies are included in these consolidated financial statements.

x. Discontinued operations

Discontinued operations are disclosed when a component of the Group either has been disposed of during the reporting period, or is classified as held for sale at the reporting date. This condition is regarded as met only when the disposal is highly probable within one year from the date of classification.

The comparative income statement is presented as if the operation had been discontinued from the beginning of the comparative period.

Assets and liabilities of a disposal group are presented in the statement of financial position separately from other assets and liabilities. Comparative information related to discontinued operations is not amended in the balance sheet.

y. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The reportable segments' amounts in the disclosure are stated before intersegment elimination and are measured on the same basis as those in the consolidated financial statements, except that:

- non-monetary long-term investments in subsidiaries are translated into the presentation currency at the historic exchange rate;
- no impairment is recognized on investments in subsidiaries.

Inter-segment pricing is determined on an arm's length basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

z. Government grants

Government grants are recognized when there is a reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Government grants related to assets are presented as a deduction from the cost of the asset.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

4. Revenue

Revenue by product was as follows:

	Year ended December 31,		
	2011	2010	2009
Hot-rolled strip and plate	5,002,608	3,964,534	2,741,271
Galvanized and other metallic coated sheet	1,998,091	1,532,821	1,289,472
Cold-rolled sheet	1,655,157	1,587,051	1,156,140
Large diameter pipes	1,006,714	961,348	777,303
Metalware products	964,353	832,397	624,227
Shipping and handling costs billed to customers	876,119	677,955	527,613
Coal and coking coal concentrate	843,197	686,179	272,176
Semi-finished products	769,474	635,134	279,958
Pellets and iron ore	725,764	383,727	217,194
Long products	595,173	470,015	350,636
Others tubes and pipes, formed shapes	511,805	347,834	255,103
Colour-coated sheet	305,777	288,147	246,442
Scrap	76,849	98,222	58,303
Others	481,319	353,754	280,483
	15,812,400	12,819,118	9,076,321

Revenue by delivery destination was as follows:

	Year ended December 31,		
	2011	2010	2009
Russian Federation	7,476,438	5,811,686	3,651,502
North America	3,912,225	3,131,834	2,448,497
Europe	2,506,408	1,979,612	1,297,643
China and Central Asia	735,692	469,246	673,182
The Middle East	446,919	437,766	418,542
Central and South America	335,059	422,484	152,643
South-East Asia	273,322	454,799	295,007
Africa	126,337	111,691	139,305
	15,812,400	12,819,118	9,076,321

5. Staff costs

Employment costs were as follows:

	Year ended December 31,		
	2011	2010	2009
Wages and salaries	(1,455,418)	(1,237,287)	(1,149,296)
Social security costs	(427,759)	(217,946)	(190,433)
Retirement benefit service costs	(4,107)	(5,152)	(1,975)
	(1,887,284)	(1,460,385)	(1,341,704)

Key management's remuneration for the year ended December 31, 2011, consisting of salaries and bonuses, totalled US$ 43.0 million (2010: US$ 33.4 million; 2009: US$ 18.7 million). Additionally, in 2011, provision for their long-term incentive programmes was accrued in the amount of US$ 34.2 million (2010: US$ 19.4 million; 2009: US$ 0.9 million). This provision is subject to further adjustments, depending on a range of the Group's and its industry peers' financial indicators.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

6. Loss on remeasurement and disposal of financial investments

	Year ended December 31,		
	2011	2010	2009
Held-for-trading securities			
(Loss)/gain on disposal	(111)	481	742
Remeasurement to fair value	-	-	(6,366)
Held-to-maturity securities, deposits and loans			
Loss on disposal	(32,866)	(13,982)	-
Discounting	-	-	(3,955)
Impairment (Note 30)	(835)	(133,969)	-
Available-for-sale financial assets			
Net gain/(loss) on disposal transferred from equity	725	(5,042)	(2,701)
Dividend income	28,435	6,190	2,143
	(4,652)	(146,322)	(10,137)

7. Reversal of impairment/(impairment) of non-current assets

	Year ended December 31,		
	2011	2010	2009
Reversal of impairment/(impairment) of property, plant and equipment	438	(54,077)	(35,646)
Impairment of intangible assets	-	(26,053)	(42,776)
	438	(80,130)	(78,422)

For the purpose of impairment testing, the recoverable amount of each cash-generating unit has been determined based on value in use calculations. The value in use calculation uses cash flow projections based on actual operating results and the business plan approved by management and a corresponding discount rate which reflects the time value of money and risks associated with each individual cash-generating unit. Key assumptions management used in their value in use calculations are as follows:

- For all cash-generating units, apart from the Steel Resources segment, cash flow projections cover a period of five years. Cash flows beyond the five-year period have been extrapolated taking into account business cycles. Cash flow projections for cash-generating units of the Steel Resources segment cover a period which corresponds to the contractual time of the respective mining licenses.
- Cash flow projections were prepared in nominal terms.
- Cash flow projections during the forecast period are based on long-term price trends for both sales prices and material costs specific for each segment and geographic region and operating cost inflation in line with consumer price inflation for each country. Consumer price inflation expectations (in local currency) during the forecast period are as follows in percentage terms:

	Year ended December 31,		
	2011	2010	2009
Russia	n/a	5.4 - 7.0	6.2 - 8.2
USA	2.1 - 2.3	1.3 - 2.8	1.4 - 2.8
Italy	1.9 - 2.5	1.5 - 2.0	0.9 - 1.6

(Amounts expressed in thousands of US dollars, except as otherwise stated)

- Discount rates for each cash-generating unit were estimated in nominal terms based on the weighted average cost of capital. These rates, presented by segment, are as follows in percentage terms:

	Year ended December 31,		
	2011	2010	2009
Steel Resources:			
USA	17.0	18.0	16.5
Russian Steel:			
Russia*	n/a	13.3	15.6
Italy*	17.3	16.9	17.0
Severstal North America	n/a	16.5 - 19.6	18.5 - 23.7

*US$ rate

Values assigned to key assumptions and estimates used to measure the unit's recoverable amount are consistent with external sources of information and historic data for each cash-generating unit. Management believes that the values assigned to the key assumptions and estimates represent the most realistic assessment of future trends.

Steel Resources segment

Vorkutaugol

2009

The impairment loss was recognized in 2009 in the amount of US$ 3.7 million in relation to specific items of property, plant and equipment.

PBS Coals Limited

2009

As a result of value in use calculation no impairment loss was recognized in 2009.

The carrying amount of goodwill allocated to the cash-generating unit was US$ 111.0 million as of December 31, 2009.

The following assumptions were used in the impairment test:

- the forecast extraction volumes increase by 30% in 2010, decrease on average by 2% p.a. in 2011 to 2012, increase on average by 26% p.a. in 2013 to 2014 and remain constant at the 2014 level thereafter;
- the forecast coking coal concentrate prices increase on average by 4% p.a. in 2010 to 2014 and remain constant at the 2014 level thereafter;
- the forecast steam coal prices increase on average by 2% p.a. during the five-year forecast period and remain constant at the 2014 level thereafter;
- operating costs are forecast to increase by 23% in 2010, decrease on average by 2% p.a. in 2011 to 2012, increase on average by 22% p.a. in 2013 to 2014; thereafter costs are assumed to be constant at the 2014 level;

- pre-tax discount rate of 16.5% (in US$ terms).

The above estimates are particularly sensitive in the following areas:

- a 1% increase in discount rate causes the carrying amount of the cash-generating unit to exceed its recoverable amount by US$ 34.5 million;
- a 10% decrease in future planned revenues causes the carrying amount of the cash-generating unit to exceed its recoverable amount by US$ 258.7 million.

Specific impairment loss in the amount of US$ 35 million was recognized in 2009 and was allocated to intangible assets.

2010

As a result of value in use calculation no impairment loss was recognized in 2010.

The carrying amount of goodwill allocated to the cash-generating unit was US$ 111.7 million as of December 31, 2010.

The following assumptions were used in the impairment test:

- the forecast extraction volumes increase by 5% in 2011 and remain constant at the 2011 level thereafter;
- the coking coal concentrate prices are forecast to remain generally constant;
- the forecast steam coal prices increase on average by 4% p.a. during the five-year forecast period, increase by 2% in 2016 and remain constant at the 2016 level thereafter;
- operating costs are forecast to decrease by 3% in 2011 and remain constant at the 2011 level thereafter;
- pre-tax discount rate of 18.0% (in US$ terms).

The above estimates are particularly sensitive in the following areas:

- a 1% increase in discount rate causes the carrying amount of the cash-generating unit to exceed its recoverable amount by US$ 18.5 million;
- a 10% decrease in future planned revenues causes the carrying amount of the cash-generating unit to exceed its recoverable amount by US$ 210.1 million.

Specific impairment loss in the amount of US$ 5.7 million was recognized in 2010 and was allocated to intangible assets.

2011

As a result of value in use calculation no impairment loss was recognized in 2011.

The carrying amount of goodwill allocated to the cash-generating unit was US$ 111.7 million as of December 31, 2011.

The following assumptions were used in the impairment test:

- the forecast extraction volumes increase by 17% in 2012 and remain constant at the 2012 level thereafter;

- the forecast coking coal concentrate prices decrease by 22% in 2012, increase on average by 4% p.a. in 2013 to 2015, increase by 2% in 2016, increase by 3% in 2017 and remain constant at the 2017 level thereafter;
- the forecast steam coal prices decrease by 7% in 2012, increase on average by 4% p.a. in 2013 to 2015, increase by 2% in 2016, increase by 3% in 2017 and remain constant at the 2017 level thereafter;
- operating costs are forecast to increase by 8% in 2012, further grow on average by 2% p.a. in 2013 to 2016, decrease by 2% in 2017 and remain constant at the 2017 level thereafter;
- pre-tax discount rate of 17.0% (in US$ terms).

The above estimates are particularly sensitive in the following areas:

- a 10% decrease in future planned revenues causes the carrying amount of the cash-generating unit to exceed its recoverable amount by US$ 31.7 million.

Other units

2009

The impairment loss was recognized in 2009 in the amount of US$ 0.4 million in relation to specific items of property, plant and equipment.

2010

The impairment loss was recognized in 2010 in the amount of US$ 9.1 million in relation to specific items of property, plant and equipment and intangible assets.

Russian Steel segment

Neva-Metall

2009

As a result of value in use calculation no impairment loss was recognized in 2009.

2010

As a result of value in use calculation no impairment loss was recognized in 2010.

The carrying amount of goodwill allocated to cash-generating unit was US$ 10.6 million as of December 31, 2010.

The following specific assumptions were used in the impairment test:

- cash flow projections are based on financial forecasts approved by management covering a five-year period;
- volumes are assumed to increase on average by 10% p.a. during the forecast period and remain constant at the 2015 level thereafter;
- the forecast sales prices increase by 8% in 2011, increase on average by 5% p.a. in 2012 to 2015 and increase on average by 1.8% p.a. thereafter;

- operating costs are forecast to increase by 19% in 2011, increase on average by 5% p.a. in 2012 to 2015 and increase on average by 1.8% p.a. thereafter;
- pre-tax discount rate of 13.3% (in US$ terms).

Redaelli Techna S.p.A.

2009

As a result of value in use calculation no impairment loss was recognized in 2009.

The carrying amount of goodwill allocated to the cash-generating unit was US$ 33.9 million as of December 31, 2009.

The following assumptions were used in the impairment test:

- the forecast sales volumes increase on average by 19% p.a. in 2010 to 2011 and remain constant thereafter;
- forecasted sales prices increase on average by 4% p.a. in 2010 to 2014 and remain constant at the 2014 level thereafter;
- operating costs are forecast to increase by 23% in 2010, increase on average by 7% p.a. in 2011 to 2014 and remain constant thereafter;
- pre-tax discount rate of 17.0% (in US$ terms).

The above estimates are particularly sensitive in the following areas:

- a 10% decrease in future planned revenues causes the carrying amount of the cash-generating unit to exceed its recoverable amount by US$ 77.9 million.

2010

As a result of value in use calculation no impairment loss was recognized in 2010.

The carrying amount of goodwill allocated to the cash-generating unit was US$ 31.4 million as of December 31, 2010.

The following assumptions were used in the impairment test:

- the forecast sales volumes decrease by 7% in 2011, increase on average by 4% p.a. in 2012 to 2015 and remain constant thereafter;
- forecast sales prices decrease on average by 4% p.a. in 2011 to 2012 and then increase on average by 2% p.a. in 2013 to 2015 and increase on average by 1.8% p.a. thereafter;
- operating costs are forecast to decrease by 8% in 2011, increase on average by 1% p.a. in 2012 to 2015 and increase on average by 1.8% p.a. thereafter;
- pre-tax discount rate of 16.9% (in US$ terms).

The above estimates are particularly sensitive in the following areas:

- a 1% increase in discount rate causes the carrying amount of the cash-generating unit to exceed its recoverable amount by US$ 5.1 million;
- a 10% decrease in future planned revenues causes the carrying amount of the cash-generating unit to exceed its recoverable amount by US$ 72.1 million.

2011

As a result of value in use calculation no impairment loss was recognized in 2011.

The carrying amount of goodwill allocated to the cash-generating unit was US$ 30.4 million as of December 31, 2011.

The following assumptions were used in the impairment test:

- the forecast sales volumes decrease by 7% in 2012 and increase on average by 4% p.a. in 2013 to 2016 and remain constant at the 2016 level thereafter;
- forecast sales prices decrease by 8% in 2012, increase by 12% in 2013, decrease by 6% in 2014, increase on average by 9% p.a. in 2015 to 2016 and remain constant at the 2016 level thereafter;
- operating costs are forecast to decrease by 14% in 2012, increase on average by 7% p.a. in 2013 to 2016 and remain constant at the 2016 level thereafter;
- pre-tax discount rate of 17.3% (in US$ terms).

The above estimates are particularly sensitive in the following areas:

- a 1% increase in discount rate causes the carrying amount of the cash-generating unit to exceed its recoverable amount by US$ 12.8 million;
- a 10% decrease in future planned revenues causes the carrying amount of the cash-generating unit to exceed its recoverable amount by US$ 64.2 million.

Scrap processing companies

2009

The impairment loss was recognized in 2009 in the amount of US$ 33.8 million and was allocated to property, plant and equipment in the amount of US$ 26 million and to intangible assets in the amount of US$ 7.8 million.

The following specific assumptions were used in the impairment test:

- the forecast sales volumes increase by 53% in 2010, increase on average by 5% p.a. in 2011 to 2014 and remain constant at the average level of the forecast period thereafter;
- the forecast scrap prices increase by 30% in 2010, increase on average by 2% p.a. in 2011 to 2014 and remain constant at the average level of the forecast period thereafter;
- operating costs are forecast to increase by 76% in 2010, increase on average by 8% p.a. in 2011 to 2014 and remain constant at the average level of the forecast period thereafter;
- pre-tax discount rate of 15.6% (in US$ terms).

The above estimates are particularly sensitive in the following areas:

- a 1% increase in discount rate increases the impairment loss by US$ 3.5 million;
- a 10% decrease in future planned revenues increases the impairment loss by US$ 31.7 million.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

Other units

2009

The impairment loss related to other cash-generating units within the segment was recognized in the amount of US$ 5.6 million in 2009 and was allocated to specific items of property, plant and equipment.

2010

The impairment loss related to other cash-generating units within the segment was recognized in the amount of US$ 21.1 million in 2010 and was allocated to specific items of property, plant and equipment in the amount of US$ 10.7 million and intangible assets in the amount of US$ 10.4 million.

2011

The reversal of impairment loss related to other cash-generating units within the segment was recognized in the amount of US$ 0.4 million in 2011 and was allocated to specific items of property, plant and equipment.

Severstal North America segment

2010

An impairment loss was recognized in the amount of US$ 44.2 million in 2010 and was allocated to specific items of property, plant and equipment in the amount of US$ 34.1 million and intangible assets in the amount of US$ 10.1 million.

8. Net other non-operating expenses

	Year ended December 31,		
	2011	**2010**	**2009**
Social expenditure	(43,314)	(29,067)	(19,737)
Charitable donations	(39,504)	(15,542)	(14,007)
Gain on disposal of subsidiaries (Note 28)	21,033	-	-
Depreciation of infrastructure assets	(1,776)	(1,783)	(2,496)
Other	(1,820)	2,793	2,756
	(65,381)	(43,599)	(33,484)

(Amounts expressed in thousands of US dollars, except as otherwise stated)

9. Taxation

The following is an analysis of the income tax expense:

	Year ended December 31,		
	2011	2010	2009
Current tax charge	(481,303)	(383,054)	(94,236)
Corrections to prior year's current tax charge	(4,806)	27,132	8,831
Deferred tax benefit/(expense)	20,097	(71,384)	(24,839)
Income tax expense	(466,012)	(427,306)	(110,244)

The following table is a reconciliation of the reported net income tax expense and the amount calculated by applying the Russian statutory tax rate of 20% to reported profit before income tax.

	Year ended December 31,		
	2011	2010	2009
Profit before income tax	2,428,974	1,674,123	103,582
Tax charge at Russian statutory rate	(485,795)	(334,825)	(20,716)
Profits taxed at different rates	4,287	83,758	304,856
Corrections to prior years' current tax charge	(4,806)	27,132	8,831
Non-tax deductible expenses, net	(41,550)	(56,147)	(24,486)
Tax-loss carry forwards expired	(4,638)	-	(10,662)
Changes in non-recognized deferred tax assets	71,572	(151,874)	(366,760)
Reassessment of deferred tax liabilities	(5,082)	4,650	(1,307)
Income tax expense	(466,012)	(427,306)	(110,244)

The composition of the net deferred tax liability based on the temporary differences arising between the fiscal and reporting balance sheets of the consolidated companies, is given below:

	December 31,		
	2011	2010	2009
Deferred tax assets:			
Tax-loss carry forwards	276,782	300,717	426,618
Property, plant and equipment	8,839	51,954	23,368
Intangible assets	281	495	12,401
Inventory	35,030	29,965	54,268
Accounts receivable	38,373	18,683	26,306
Provisions	117,206	73,366	372,907
Financial investments	93,734	37,705	28,292
Other	52,742	114,624	165,234
Gross deferred tax assets	622,987	627,509	1,109,394
Less offsetting with deferred tax liabilities	(523,336)	(523,732)	(869,559)
Recognized deferred tax assets	99,651	103,777	239,835

	December 31,		
	2011	2010	2009
Deferred tax liabilities:			
Property, plant and equipment	(555,062)	(560,735)	(756,112)
Provisions	(7,812)	(3,570)	(4,635)
Intangible assets	(138,536)	(382,392)	(239,353)
Inventory	(17,290)	(23,842)	(97,032)
Investments in joint ventures and associates	(36,817)	(38,164)	(75,095)
Accounts receivable	(249)	(62)	-
Financial liabilities	(6,988)	(24,875)	(19,050)
Other	(47,708)	(5,163)	(73,272)
Gross deferred tax liabilities	(810,462)	(1,038,803)	(1,264,549)
Less offsetting with deferred tax assets	523,336	523,732	869,559
Recognized deferred tax liabilities	(287,126)	(515,071)	(394,990)
Net deferred tax liability	(187,475)	(411,294)	(155,155)

The movement in the net deferred tax liability was as follows:

	Year ended December 31,		
	2011	2010	2009
Opening balance	(411,294)	(155,155)	(249,838)
Recognized in income statement	8,515	(76,938)	78,623
Recognized in other comprehensive income	4,730	(7,626)	(3,589)
Business combinations	-	(120,139)	-
Reclassified to liabilities related to assets held for sale	198,118	(51,690)	-
Foreign exchange differences	12,456	254	19,649
Closing balance	(187,475)	(411,294)	(155,155)

The Group has not recognized cumulative tax-loss carry forwards in the following amounts and with the following expiry dates (stated in millions of US dollars):

	December 31,		
	2011	2010	2009
In the following year	-	0.1	2.1
Between one and five years	-	67.9	125.5
Between five and ten years	49.9	127.0	30.5
Between ten and twenty years	2,014.3	1,836.4	1,177.0
No expiry	-	85.5	109.6
	2,064.2	2,116.9	1,444.7

Taxable differences, related to investments in subsidiaries where the Group is able to control the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future, amounted to US$ 5,066.2 million at December 31, 2011 (December 31, 2010: US$ 4,603.4 million; December 31, 2009: US$ 4,139.0 million).

(Amounts expressed in thousands of US dollars, except as otherwise stated)

10. Related party transactions

	Year ended December 31,		
	2011	2010	2009
Sales to related parties:			
Sales to associates	147,345	30,194	3,866
Sales to joint ventures	48,235	859	372
Sales to other related parties	43,730	31,282	48,880
Interest income from related parties:			
Interest income from joint ventures	3,240	-	-
Interest income from other related parties	23,350	33,153	36,642
	265,900	95,488	89,760
Purchases from related parties:			
Purchases from associates:			
Non-capital expenditures	74,717	60,586	54,550
Purchases from joint ventures:			
Non-capital expenditures	254,504	92,739	57,529
Purchases from other related parties:			
Non-capital expenditures	33,657	20,266	60,443
Capital expenditures	874	6,862	20,782
Interest expense	68	3,533	5,606
	363,820	183,986	198,910

(Amounts expressed in thousands of US dollars, except as otherwise stated)

11. Related party balances

	December 31,		
	2011	2010	2009
Joint ventures' balances			
Short-term trade accounts receivable	8,048	-	-
Long-term loans	35,821	34,792	-
Short-term trade accounts payable	26,284	7,959	6,136
Associates' balances			
Short-term trade accounts receivable	10,040	3,046	-
Long-term loans	3,965	3,915	21,804
Long-term trade accounts receivable	8,859	-	-
Short-term trade accounts payable	8,760	6,510	-
Other related party balances			
Cash and cash equivalents at related party bank and pension fund	689,388	669,643	642,824
Short-term deposits with related party bank and pension fund	-	12,627	84,701
Accounts receivable from other related parties:			
Trade accounts receivable	3,040	2,603	12,560
Advances paid	5,506	5,870	10,606
Other receivables	715	840	3,550
Short-term loans	1,741	487	12,697
Short-term promissory notes	207	4,146	4,940
Long-term loans	2,490	-	3,563
Available-for-sale financial assets	5,434	7,653	-
	19,133	21,599	47,916
Short-term trade accounts payable to other related parties:			
Trade accounts payable	705	556	7,972
Advances received	208	-	600
Liability related to Gold segment separation (Note 27)	1,546,951	-	-
Other accounts payable	123	1,692	1,948
	1,547,987	2,248	10,520
Debt financing includes the following balances with other related parties:			
Short-term debt financing	19	-	1,324
Long-term debt financing	4,104	4,315	60,020
	4,123	4,315	61,344

The amounts outstanding are expected to be settled in cash, except liability related to Gold segment separation. The Group did not hold any collateral for amounts owed by related parties.

Loans given to related parties were provided at interest rates ranging from nil to 15% per annum, and were given to finance working capital and investments.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

12. Cash and cash equivalents

	December 31, 2011	2010	2009
Petty cash	368	412	386
Cash at bank	813,417	1,043,239	1,840,855
Short-term deposits with maturity of less than 3 months	1,049,753	969,011	1,012,135
	1,863,538	2,012,662	2,853,376

13. Short-term bank deposits

Short-term bank deposits totaled US$ nil at December 31, 2011 (December 31, 2010: US$ 12.7 million, December 31, 2009: US$ 95.5 million) and consisted of deposits with an original maturity of more than three months but remaining period to maturity of less than one year.

14. Short-term financial investments

	December 31, 2011	2010	2009
Held-for-trading securities	4,093	18,350	25,505
Held-to-maturity securities	3,619	5,232	16,164
Loans	2,772	3,881	30,893
Available-for-sale financial assets	16	-	567
	10,500	27,463	73,129

15. Trade accounts receivable

	December 31, 2011	2010	2009
Customers	1,277,898	1,033,179	1,540,787
Allowance for doubtful debts	(57,937)	(65,342)	(83,136)
	1,219,961	967,837	1,457,651

16. Inventories

	December 31, 2011	2010	2009
Raw materials and supplies	1,201,155	1,157,403	1,472,724
Finished goods	780,984	691,778	960,561
Work-in-progress	537,015	519,953	540,942
	2,519,154	2,369,134	2,974,227

Of the above amounts US$ 24.2 million (December 31, 2010: US$ 709.3 million, December 31, 2009: US$ 434.3 million) were stated at net realizable value.

During the year ended December 31, 2011, the Group recognized a US$ 70.8 million release and a US$ 68.9 million allowance to reduce the carrying amount to a net realizable value (December 31, 2010: US$ 44.8 million and US$ 42.5 million, respectively; December 31, 2009: US$ 136.4 million and US$ 8.2 million, respectively).

(Amounts expressed in thousands of US dollars, except as otherwise stated)

17. Other current assets

	December 31,		
	2011	2010	2009
Advances paid and prepayments	247,250	248,180	193,564
Other taxes and social security prepaid	10,159	8,826	23,774
Other assets	69,754	41,177	68,115
	327,163	298,183	285,453

18. Long-term financial investments

	December 31,		
	2011	2010	2009
Loans	146,621	38,935	26,184
Available-for-sale financial assets	32,347	155,477	88,778
Held-to-maturity securities and deposits	3,294	10,130	13,654
	182,262	204,542	128,616

19. Investments in associates and joint ventures

The Group's investments in associates and joint ventures companies are described in the table below. The Group structure and certain additional information on investments in associates and joint ventures, including ownership percentages, are presented in Note 28.

	December 31,		
	2011	2010	2009
Associates			
SPG Mineracao S.A.	42,290	-	-
Air Liquide Severstal	21,858	17,878	13,829
Iron Mineral Beneficiation Services (Proprietary) Ltd	17,169	7,177	-
Intex Resources ASA	12,264	14,609	-
Other	1,429	693	2,164
Joint ventures			
Mountain State Carbon LLC	102,135	-	-
Spartan Steel Coating LLC	46,810	47,507	49,082
OOO Gestamp-Severstal-Kaluga	16,316	18,032	16,267
Double Eagle Steel Coating Company	14,269	18,476	15,623
OOO Gestamp Severstal Vsevolozhsk	13,868	14,907	15,869
OOO Severstal-Gonvarri-Kaluga	8,918	10,015	-
Todlem S.L.	3,605	3,723	2,773
Ohio Coatings Company	-	-	17,762
Bethlehem Roll Technologies LLC	-	-	3,916
Other	384	5,547	6,572
	301,315	158,564	143,857

(Amounts expressed in thousands of US dollars, except as otherwise stated)

The following is summarized financial information in respect of associates:

	December 31,		
	2011	2010	2009
Current assets	1,586,019	107,385	63,274
Non-current assets	187,242	121,949	171,495
Short-term liabilities	1,500,621	20,212	28,142
Long-term liabilities	165,916	62,558	103,588
Equity	106,724	146,564	103,039

	Year ended December 31,		
	2011	2010	2009
Revenues	2,746,807	67,647	70,094
Net income	136,265	8,178	4,709

The following is summarized financial information in respect of joint ventures:

	December 31,		
	2011	2010	2009
Current assets	236,649	119,923	73,158
Non-current assets	478,223	347,489	292,450
Short-term liabilities	147,122	84,228	61,042
Long-term liabilities	114,210	111,484	59,462
Equity	453,540	271,700	245,104

	Year ended December 31,		
	2011	2010	2009
Revenues	609,852	91,749	204,579
Net income	19,785	6,095	16,273

(Amounts expressed in thousands of US dollars, except as otherwise stated)

20. Property, plant and equipment

	Land and buildings	Plant and machinery	Other productive assets	Infrastructure assets	Construction-in-progress	Total assets
Cost:						
December 31, 2008	2,810,894	9,410,282	468,384	103,811	1,660,058	14,453,429
Reclassifications	(1,902)	(41,591)	17,917	742	24,834	-
Additions	-	-	-	-	904,775	904,775
Offsetting with government grant	(29,717)	-	-	-	-	(29,717)
Disposals	(37,954)	(125,201)	(16,137)	(12,880)	(17,865)	(210,037)
Reclassified to assets held for sale	(20,566)	(8,592)	-	-	-	(29,158)
Reclassified from assets held for sale	-	2,976	-	-	-	2,976
Transfer to other assets	-	-	-	-	(16,401)	(16,401)
Transfers	164,600	571,352	57,128	17,295	(810,375)	-
Foreign exchange differences	(43,523)	(100,916)	(8,314)	(2,184)	(7,234)	(162,171)
December 31, 2009	2,841,832	9,708,310	518,978	106,784	1,737,792	14,913,696
Reclassifications	(18,926)	163,680	(175,453)	(811)	31,510	-
Additions	-	-	-	-	1,229,687	1,229,687
Business combinations	4,621	117,088	5,453	-	6,899	134,061
Disposals	(20,215)	(99,457)	(5,833)	(5,071)	(14,609)	(145,185)
Business de-combinations	(22,409)	(42,310)	-	-	-	(64,719)
Reclassified to assets held for sale	(693,951)	(3,397,658)	(102,788)	(172)	(319,585)	(4,514,154)
Transfers from/(to) other assets	-	-	15,511	-	(26,706)	(11,195)
Transfers	117,307	330,463	26,814	5,874	(480,458)	-
Foreign exchange differences	(47,894)	(133,004)	(1,248)	(998)	(16,786)	(199,930)
December 31, 2010	2,160,365	6,647,112	281,434	105,606	2,147,744	11,342,261
Reclassifications	4,451	(16,244)	12,773	(864)	(116)	-
Additions	-	-	-	-	1,873,516	1,873,516
Disposals	(16,121)	(104,408)	(9,354)	(1,023)	(24,345)	(155,251)
Reclassified to assets held for sale	(254,136)	(352,456)	(15,006)	(96)	(196,147)	(817,841)
Transfers (to)/from other assets and liabilities	(30,694)	(206)	30,279	(868)	(124,153)	(125,642)
Transfers	417,072	1,314,725	114,945	3,323	(1,850,065)	-
Foreign exchange differences	(103,389)	(298,464)	(16,464)	(5,666)	(91,612)	(515,595)
December 31, 2011	2,177,548	7,190,059	398,607	100,412	1,734,822	11,601,448

Of the above amounts of additions to construction-in-progress US$ 62.1 million (2010: US$ 42.3 million, 2009: US$ 23.6 million) is interest capitalized.

The Group applied the weighted average capitalization rate of 7.31% to determine the amount of borrowing costs eligible for capitalization for the year ended December 31, 2011.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Land and buildings	Plant and machinery	Other productive assets	Infrastructure assets	Construction-in-progress	Total assets
Depreciation and impairment:						
December 31, 2008	769,456	3,489,770	194,954	70,871	100,986	4,626,037
Reclassifications	50	(7,435)	7,117	268	-	-
Depreciation expense	108,753	657,139	73,352	2,496	-	841,740
Disposals	(18,050)	(87,905)	(12,476)	(8,516)	(11,585)	(138,532)
Reclassified to assets held for sale	(14,150)	(5,678)	-	-	-	(19,828)
Transfers	1,510	7,495	199	119	(9,323)	-
Impairment of assets	89,019	57,356	837	469	28,562	176,243
Foreign exchange differences	(16,404)	(33,665)	(2,103)	(2,395)	(2,877)	(57,444)
December 31, 2009	920,184	4,077,077	261,880	63,312	105,763	5,428,216
Reclassifications	6,740	73,465	(79,064)	(1,141)	-	-
Depreciation expense	95,759	604,997	58,338	1,783	-	760,877
Disposals	(9,369)	(74,230)	(4,281)	(1,887)	(11,337)	(101,104)
Reclassified to assets held for sale	(225,023)	(1,602,879)	(100,593)	(51)	(33,411)	(1,961,957)
Business de-combinations	(15,949)	(32,337)	-	-	-	(48,286)
Transfers	1,488	3,725	140	81	(5,434)	-
Impairment/(reversal of impairment) of assets	5,298	(14,494)	33,307	(22)	17,310	41,399
Foreign exchange differences	(11,710)	(62,560)	(2,057)	1,121	(1,527)	(76,733)
December 31, 2010	767,418	2,972,764	167,670	63,196	71,364	4,042,412
Reclassifications	2,613	(12,581)	10,468	(500)	-	-
Depreciation expense	95,373	523,985	47,987	1,776	-	669,121
Disposals	(8,965)	(86,333)	(8,937)	(536)	(10,721)	(115,492)
Reclassified to assets held for sale	(90,245)	(133,912)	(7,885)	(29)	(3,061)	(235,132)
Transfers	-	4,285	82	445	(4,812)	-
Transfers from/(to) other assets and liabilities	6,840	(2,913)	(2,575)	3,447	(11,323)	(6,524)
Impairment of assets	-	-	15	391	2,226	2,632
Foreign exchange differences	(44,055)	(162,499)	(7,461)	(3,628)	(1,320)	(218,963)
December 31, 2011	728,979	3,102,796	199,364	64,562	42,353	4,138,054
Net book values:						
December 31, 2009	1,921,648	5,631,233	257,098	43,472	1,632,029	9,485,480
December 31, 2010	1,392,947	3,674,348	113,764	42,410	2,076,380	7,299,849
December 31, 2011	1,448,569	4,087,263	199,243	35,850	1,692,469	7,463,394

Other productive assets include transmission equipment, transportation equipment and tools.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

21. Intangible assets

	Goodwill	Mineral rights	Software	Evaluation and exploration assets	Other intangible assets	Total
Cost:						
December 31, 2008	720,929	669,443	62,815	285,801	293,394	2,032,382
Additions	-	4,326	28,530	36,485	3,567	72,908
Disposals	-	(407)	-	(3,630)	(979)	(5,016)
Foreign exchange differences	(17,790)	(30,936)	312	(9,712)	2,936	(55,190)
December 31, 2009	703,139	642,426	91,657	308,944	298,918	2,045,084
Additions	-	4,753	33,075	64,798	33,336	135,962
Business combinations	7,542	660,251	-	14,961	456	683,210
Transfers from other assets	-	-	7,422	-	903	8,325
Disposals	-	(19,985)	-	-	(3,404)	(23,389)
Business de-combinations	-	-	-	-	(13,676)	(13,676)
Reclass to assets held for sale	(70,943)	-	(45,210)	-	(118,435)	(234,588)
Foreign exchange difference	(3,516)	(7,440)	(384)	(2,135)	(193)	(13,668)
December 31, 2010	636,222	1,280,005	86,560	386,568	197,905	2,587,260
Reclassifications	-	61,499	8,472	(44,328)	(25,643)	-
Additions	-	44,058	57,112	120,507	1,961	223,638
Transfers from/(to) other assets	-	6,731	5,888	73,052	(12,162)	73,509
Disposals	-	(101)	-	-	(812)	(913)
Reclass to assets held for sale	(87,554)	(988,781)	(2,577)	(388,262)	(674)	(1,467,848)
Foreign exchange differences	(5,907)	(11,699)	(8,088)	(17,631)	(6,030)	(49,355)
December 31, 2011	542,761	391,712	147,367	129,906	154,545	1,366,291
Amortization and impairment:						
December 31, 2008	461,159	28,949	9,990	-	21,626	521,724
Amortization expense	-	44,165	8,849	-	62,410	115,424
Impairment	-	-	-	-	42,776	42,776
Disposals	-	-	-	-	(113)	(113)
Foreign exchange differences	(848)	(3,316)	228	-	5	(3,931)
December 31, 2009	460,311	69,798	19,067	-	126,704	675,880
Amortization expense	-	77,680	7,143	-	24,551	109,374
Impairment	-	-	-	982	26,204	27,186
Disposals	-	(2,312)	-	(29)	(4)	(2,345)
Business de-combinations	-	-	-	-	(13,044)	(13,044)
Reclass to assets held for sale	(70,943)	-	(10,328)	-	(57,293)	(138,564)
Foreign exchange differences	(1,043)	(337)	(215)	3	(577)	(2,169)
December 31, 2010	388,325	144,829	15,667	956	106,541	656,318
Reclassifications	-	1,556	5,278	683	(7,517)	-
Amortization expense	-	121,049	11,388	-	1,135	133,572
Impairment	-	19	-	3,684	-	3,703
Transfers from/(to) other assets	-	20,660	(1,555)	(231)	6,295	25,169
Reclass to assets held for sale	-	(210,563)	(879)	(4,179)	-	(215,621)
Foreign exchange differences	(1,492)	(3,397)	(663)	(176)	(1,576)	(7,304)
December 31, 2011	386,833	74,153	29,236	737	104,878	595,837
Net book values:						
December 31, 2009	242,828	572,628	72,590	308,944	172,214	1,369,204
December 31, 2010	247,897	1,135,176	70,893	385,612	91,364	1,930,942
December 31, 2011	155,928	317,559	118,131	129,169	49,667	770,454

(Amounts expressed in thousands of US dollars, except as otherwise stated)

22. Debt finance

	December 31, 2011	2010	2009
Eurobonds 2013	543,552	543,552	1,250,000
Eurobonds 2014	375,000	375,000	375,000
Eurobonds 2016	500,000	-	-
Eurobonds 2017	1,000,000	1,000,000	-
Ruble bonds 2012	465,895	492,176	495,963
Ruble bonds 2013	465,895	492,176	-
Severstal Columbus bonds	525,000	525,000	-
Other issued notes and bonds	1,783	150,427	31,780
Bank financing	2,017,230	2,474,183	4,960,512
Factoring of receivables	-	-	71,592
Other financing	44,124	68,896	53,549
Accrued interest	110,675	106,629	102,232
Unamortized balance of transaction costs	(73,056)	(81,562)	(113,768)
	5,976,098	6,146,477	7,226,860

	2011	2010	2009
Total debt is denominated in the following currencies:			
US Dollars	4,285,094	4,192,629	4,389,704
Rubles	1,048,915	1,092,543	669,616
Euro	642,089	827,305	2,152,251
Other currencies	-	34,000	15,289
	5,976,098	6,146,477	7,226,860

	2011	2010	2009
Total debt is contractually repayable after the balance sheet date as follows:			
Less than one year	1,185,467	1,423,551	1,478,301
Between one and five years	3,256,897	3,096,833	5,602,895
After more than five years	1,533,734	1,626,093	145,664
	5,976,098	6,146,477	7,226,860

Bonds issued

In April 2004, Citigroup Germany, a non-related party, issued US dollar-denominated loan participation notes in an aggregate principal amount of US$ 375.0 million for the sole purpose of financing a loan facility between the Group and Citigroup Germany. The loan is due in April 2014 and bears interest at an annual rate of 9.25% payable semi-annually in April and in October each year. As at December 31, 2011 the amount outstanding under this facility was US$ 375.0 million.

In July 2008, the Group issued US$ 1,250.0 million US dollar-denominated bonds maturing in 2013. Bonds bear an interest rate of 9.75 % per annum which is payable semi-annually in January and July each year. As at December 31, 2011 the amount outstanding under this facility was US$ 543.6 million.

In September 2009, the Group issued US$ 494.0 million bonds denominated in rubles maturing in three years with an option for early redemption, exercisable by the bondholders after two years. At the issuance the bonds had an interest rate of 14% per annum which is payable semi-annually in March and September each year. In September 2011, the interest rate was decreased to 7.5% per annum as part of the option execution programme. As at December 31, 2011 the amount outstanding under this facility was US$ 465.9 million.

In February 2010, the Group's subsidiary Severstal Columbus issued US dollar-denominated bonds in an aggregate principal amount of US$ 525.0 million maturing in 2018. These bonds bear an interest rate of 10.25% per annum, which is payable semi-annually in February and August each year, beginning in August 2010. As at December 31, 2011 the amount outstanding under this facility was US$ 525.0 million.

In February 2010, the Group issued ruble-denominated bonds in an aggregate principal amount of US$ 498.0 million maturing in 2013. These bonds bear an interest rate of 9.75% per annum, which is payable semi-annually in February and August each year, beginning in August 2010. As at December 31, 2011 the amount outstanding under this facility was US$ 465.9 million.

In October 2010, the Group issued US$ 1.0 billion US dollar-denominated bonds maturing in 2017. Bonds bear an interest rate of 6.7 % per annum which is payable semi-annually in April and October each year, beginning in April 2011. These bonds were issued under the Group's newly established US$ 3.0 billion Loan Participation Note Programme. As at December 31, 2011 the amount outstanding under this facility was US$ 1.0 billion. The proceeds from the bonds issuance were used to fund the purchase of US$ 706.4 million nominal of Group's US$ 1,250.0 million Eurobonds in US dollars and for refinancing of certain other Group's debts.

In July 2011, the Group issued US$ 500.0 million bonds denominated in US dollars maturing in 2016. These bonds bear an interest rate of 6.25% per annum, which is payable semi-annually in July and January each year, beginning in January 2012. The proceeds from the bonds issuance were partially utilized to refinance short-term loan facilities. As at December 31, 2011 the amount outstanding under this facility was US$ 500.0 million.

Bank financing

In December 2007 the Group entered into a syndicated facility with the European Bank for Reconstruction and Development (EBRD) (subsequently amended in March 2008), for a maximum principal amount of € 600.0 million. The facility expires in 2017 with the outstanding principal amount being amortized from 2009 until the expiration date and bear interest at EURIBOR six month plus 2.0-2.2%. As at December 31, 2011 the amount outstanding under this facility was US$ 473.0 million.

In September 2008, the Group entered into a PXF syndicated facility with mandated lead arrangers for a maximum principal amount of US$ 2,500.0 million maturing in 2013, with the outstanding amount being amortized from 2010 until the expiration date and bearing interest at LIBOR three month plus 2.35%. As at December 31, 2011 the amount outstanding under this facility was US$ 560.0 million.

Debt finance arising from banks and unused long term credit lines were secured by the following charges:

- US$ 2,677.9 million (December 31, 2010: US$ 2,255.0 million; December 31, 2009: US$ 2,081.0 million) of the net book value of plant and equipment;
- US$ 1,280.8 million (December 31, 2010: US$ 892.3 million; December 31, 2009: US$ 1,267.0 million) of current assets and revenues from export contracts;
- US$ 246.2 million (December 31, 2010: US$ 112.0 million; December 31, 2009: US$ 59.3 million) of investments to available-for-sale financial assets;
- all Group's investment in Mountain State Carbon LLC, Spartan Steel Coating LLC and Double Eagle Steel Coating Company, the Group's joint ventures, at December 31, 2011;
- all Group's ownership in Societe Des Mines de Taparko and Guinor Gold Corporation, 50% of Group's ownership in Mountain State Carbon LLC, the Group's subsidiaries, and investments in Spartan Steel Coating LLC and Double Eagle Steel Coating Company, the Group's joint ventures, at December 31, 2010;

(Amounts expressed in thousands of US dollars, except as otherwise stated)

- all Group's ownership in Berezitovy Rudnik LLC, Societe Des Mines de Taparko, 99.56% of Group's ownership in OJSC Buryatzoloto, 50% of Group's ownership in Mountain State Carbon LLC, the Group's subsidiaries, and investments in Spartan Steel Coating LLC and Double Eagle Steel Coating Company, the Group's joint ventures, at December 31, 2009.

A part of the Group's debt financing is subject to certain covenants. The Group complied with all debt covenants, including equity ratios, during the years ended December 31, 2011, 2010 and 2009.

At the reporting date the Group had US$ 393.4 million (December 31, 2010: US$ 350.0 million; December 31, 2009: US$ 537.0 million) of unused long-term credit lines available to it.

23. Other current liabilities

	December 31,		
	2011	2010	2009
Advances received	269,094	210,314	172,855
Amounts payable to employees	229,245	189,944	273,832
Provisions (Note 25)	64,269	29,161	101,919
Accrued expenses	24,302	23,786	31,778
Derivative financial liabilities	13,242	5,713	22,448
Decommissioning liability (Note 25)	12,403	-	17,123
Retirement benefit liability (Note 24)	8,942	17,127	49,386
Lease liabilities	6,112	7,965	12,896
Deferred income	1,393	61	5,227
Onerous contracts	-	-	20,415
Payable for acquisition of subsidiaries and other payables	26,418	70,506	35,351
	655,420	554,577	743,230

24. Retirement benefit liabilities

The Group provides for its employees the following retirement benefits, which are actuarially calculated as defined benefit obligations: lump sums payable to employees on retirement, monthly pensions, jubilee benefits, invalidity and death lump sums, burial expenses compensations, healthcare benefits, life insurance and other benefits.

The current portion of retirement benefit liabilities is included in caption 'Other current liabilities'. The total amount of the retirement benefit liabilities is presented in the table below:

	December 31,		
	2011	2010	2009
Current portion	8,942	17,127	49,386
Non-current portion	161,734	164,555	738,328
	170,676	181,682	787,714

The Group's weighted average duration of the defined benefit obligations equaled to 15 years as at December 31, 2011.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

The following assumptions were used to calculate the retirement benefit liability:

	December 31,		
	2011	2010	2009
Discount rates:			
Russia	8.3% to 8.4%	7.3% to 7.8%	8.5% to 8.7%
USA	4.3%	4.8%	5.3% to 6.1%
UK	-	-	5.7%
Italy and France	-	-	4.7%
Future rates of benefit increase:			
Russia	4.7%	5.2% to 6.3%	6.6% to 7.4%
USA	Fixed at 0%	Fixed at 0%	Fixed at 0% or 3.5% to 10.0%
UK	-	-	2.7%
Italy and France	-	-	2.5%

The present value of the defined benefit obligation less the fair value of plan assets is recognized as a retirement benefit liability in the statement of financial position.

	December 31,				
	2011	2010	2009	2008	2007
Present value of the defined benefit obligation	230,517	237,109	1,008,654	987,418	495,713
Fair value of the plan assets	(59,841)	(55,427)	(220,940)	(208,122)	(108,315)
Retirement benefit liability	170,676	181,682	787,714	779,296	387,398

The movements in the defined benefit obligation were as follows:

	Year ended December 31,		
	2011	2010	2009
Opening balance	237,109	1,008,654	987,418
Reclassified to liabilities related to assets held for sale	-	(787,660)	-
Benefits paid	(23,820)	(55,486)	(69,282)
Interest cost	17,210	48,551	56,496
Service cost	4,107	20,984	35,867
Curtailment	-	-	(12,010)
Actuarial losses*	7,475	14,416	13,701
Foreign exchange differences	(11,564)	(12,350)	(3,536)
Closing balance	230,517	237,109	1,008,654

* Actuarial losses arise primarily from changes in financial assumptions.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

The movements in the plan assets were as follows:

	Year ended December 31,		
	2011	2010	2009
Opening balance	55,427	220,940	208,122
Reclassified to assets held for sale	-	(162,163)	-
Contributions made during the year	11,409	16,588	40,711
Benefits paid	(5,703)	(27,944)	(39,053)
Return on assets	4,162	10,323	15,998
Actuarial losses*	(1,409)	(470)	(5,187)
Foreign exchange differences	(4,045)	(1,847)	349
Closing balance	59,841	55,427	220,940

* Actuarial losses arise primarily from changes in financial assumptions.

The defined benefit obligation analysis was as follows:

	December 31,		
	2011	2010	2009
Wholly unfunded	139,994	143,724	361,101
Partly funded	90,523	93,385	647,553
	230,517	237,109	1,008,654

The plan assets analysis was as follows:

	December 31,		
	2011	2010	2009
Corporate bonds	32,283	22,747	55,607
Shares in mutual funds	13,830	12,479	14,760
Deposits	4,488	4,585	8,953
Equity instruments	3,661	8,912	55,160
Government bonds	2,658	2,688	30,264
Cash	545	1,067	54,260
Other investments	2,376	2,949	1,936
	59,841	55,427	220,940

The Group's best estimate of contributions expected to be paid to the plan in 2012 is US$ 22.2 million.

The Group’s retirement benefit service costs are allocated and recognized in the income statement as part of ‘Cost of sales’ and ‘General and administrative expenses’ proportionally to related salary expenses.

Interest cost and return on plan assets are recognized as part of ‘Interest expense’; actuarial gains/ (losses) are recognized as a separate component in other comprehensive income.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

25. Other non-current liabilities

	December 31,		
	2011	2010	2009
Decommissioning liability	106,899	182,894	262,303
Deferred income	29,837	2,610	3,908
Derivative financial liabilities	24,938	16,573	26,508
Amounts payable to employees	24,562	29,735	45,755
Provisions	15,404	18,271	101,119
Lease liabilities	1,821	2,894	38,211
Restructured tax liabilities	-	725	1,811
Other liabilities	29,718	23,447	28,651
	233,179	277,149	508,266

Decommissioning liability

The Group has environmental liabilities related to restoration of soil and other related works, which are due upon the closures of its mines and production facilities. These costs are expected to be incurred between 2012 – 2045. The present value of expected cash outflows were estimated using existing technology, and discounted using a real discount rate. These rates, presented by segment, are as follows:

	Discount rates, %		
	2011	2010	2009
Steel Resources:			
Russia	3.0 - 4.7	0.0 - 2.0	0.1 - 2.4
USA	3.4 - 4.6	1.0 - 3.3	1.7 - 2.9
Gold:			
Kazakhstan	-	0.1 - 0.9	0.2 - 0.4
Burkina Faso	-	0.6	-
Guinea	-	0.8	-
Severstal North America	-	-	1.7 - 2.9

The movements in the decommissioning liability were as follows:

	Year ended December 31,		
	2011	2010	2009
Opening balance	182,894	279,426	260,048
Additional accrual	66,146	10,508	25,666
Change in assumptions	(76,860)	-	-
Interest cost	15,505	10,597	9,998
Business combinations	-	9,828	-
Usage of decommissioning liability	(1,103)	(21,762)	(12,157)
Reclassified to liabilities related to assets held for sale	(61,262)	(104,637)	-
Foreign exchange differences	(6,018)	(1,066)	(4,129)
Closing balance	119,302	182,894	279,426

The change in assumptions in 2011 related to the re-scheduling of the decommissioning of the Vorkutaugol mines and the change in the discount rate.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

	December 31,		
	2011	2010	2009
Current portion	12,403	-	17,123
Non-current portion	106,899	182,894	262,303
	119,302	182,894	279,426

Provisions

The current portion of provisions is included in the caption ‘Other current liabilities’. The total amount of the provisions is presented in the table below:

	December 31,		
	2011	2010	2009
Legal claims	32,375	26,219	18,633
Tax and social security claims	26,837	2,555	36,713
Other employee related	7,400	9,724	28,013
Environmental claims	2,092	2,682	36,708
Restructuring	-	-	43,671
Other	10,969	6,252	39,300
	79,673	47,432	203,038

	December 31,		
	2011	2010	2009
Current portion	64,269	29,161	101,919
Non-current portion	15,404	18,271	101,119
	79,673	47,432	203,038

These provisions represent management’s best estimate of the potential losses arising in these cases, calculated based on available information and appropriate assumptions used. The actual outcome of those cases is currently uncertain and might differ from the recorded provisions.

The movements in the provisions were as follows:

	Year ended December 31,		
	2011	2010	2009
Opening balance	47,432	203,038	220,363
Charge to the income statement	62,987	7,919	58,763
Business combinations	-	22,841	-
Usage of provisions	(6,582)	(14,459)	(72,705)
Reclassified to liabilities related to assets held for sale	(23,442)	(165,217)	-
Foreign exchange differences	(722)	(6,690)	(3,383)
Closing balance	79,673	47,432	203,038

26. Share capital

The Parent Company’s share capital consists of ordinary shares with a nominal value of RUB 0.01 each. Authorized share capital of Severstal at December 31, 2011, 2010 and 2009 comprised 1,007,701,355 issued and fully paid shares.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

The nominal amount of initial share capital was converted into US dollars using exchange rates during the Soviet period, when the Government contributed the original capital funds to the enterprise. These capital funds were converted into ordinary shares on September 24, 1993 and sold by the Government at privatization auctions.

The total value of issued share capital presented in these consolidated financial statements comprised:

	Number of shares, thsd.	US$'000
Share capital at December 31, 2009	1,007,701	3,311,288
Share capital at December 31, 2010	1,007,701	3,311,288
Share capital at December 31, 2011	1,007,701	3,311,288

All shares carry equal voting and distribution rights.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. This policy includes compliance with certain externally imposed minimum capital requirements. The Group's management constantly monitors profitability and leverage ratios and compliance with the minimum capital requirements. The Group uses the return on capital employed ratio which is defined as profit before financing and taxation for the last twelve months divided by capital employed and the leverage ratio calculated as net debt, comprising of long-term and short-term indebtedness less cash, cash equivalents and short-term bank deposits, divided by shareholder's equity. The level of dividends is also monitored by the Board of Directors of the Group.

There were no changes in the Group's approach to capital management during the year.

Dividends

The maximum dividend payable is restricted to the total accumulated retained earnings of the Parent Company determined according to Russian law.

On December 20, 2010 an Extraordinary Meeting of Shareholders approved an interim dividend of RUB 4.29 (US$ 0.14 at December 20, 2010 exchange rate) per share and per GDR for the nine months of 2010.

On June 27, 2011 the Meeting of Shareholders approved an annual dividend of RUB 2.42 (US$ 0.09 at June 27, 2011 exchange rate) per share and per GDR for the year 2010 and an interim dividend of RUB 3.9 (US$ 0.14 at June 27, 2011 exchange rate) per share and per GDR for the first quarter of 2011.

On September 30, 2011 the Meeting of Shareholders approved an interim dividend of RUB 4.37 (US$ 0.14 at September 30, 2011 exchange rate) per share and per GDR for the first six months of 2011.

On December 30, 2011 an Extraordinary Meeting of Shareholders approved an interim dividend of RUB 3.36 (US$ 0.10 at December 30, 2011 exchange rate) per share and per GDR for the first nine months of 2011.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

27. Discontinued operations and assets held for sale

The Group's discontinued operations represent the Lucchini segment, Severstal Sparrows Point LLC, Severstal Warren LLC, Severstal Wheeling Inc and Mountain State Carbon LLC, which are an operating segment within the North America reporting segment, and the Gold segment, following the management's decision to sell these businesses within 12 months after the reporting date.

The results of discontinued operations were as follows:

	Year ended December 31,		
	2011	2010	2009
Revenue	1,949,534	5,041,064	3,985,283
Expenses	(1,720,251)	(5,357,717)	(5,171,214)
Loss on remeasurement of disposal groups to fair value less costs to sell	-	(1,300,050)	-
Profit/(loss) before income tax	229,283	(1,616,703)	(1,185,931)
Income tax (expense)/benefit	(77,605)	(144,693)	92,386
Profit/(loss) net of tax	151,678	(1,761,396)	(1,093,545)
Gain on sale of discontinued operations	59,095	-	-
Profit/(loss) for the period	210,773	(1,761,396)	(1,093,545)
Attributable to:			
shareholders of OAO Severstal	127,563	(1,800,086)	(1,002,056)
non-controlling interests	83,210	38,690	(91,489)

Lucchini segment

In March 2010, the Group acquired a 20.2% stake in Lucchini S.p.A. from a Lucchini family company for a total consideration of € 82.5 million (US$ 113.3 million at the transaction date exchange rate). After the acquisition, the Group's share in the capital of Lucchini S.p.A. became 100%.

In June 2010, the Group sold its 50.8% stake in Lucchini S.p.A. to the Majority Shareholder for a total consideration of € 1 (US$ 1.2 at the transaction date exchange rate). The Group continued to consolidate the Lucchini segment primarily due to a call option exercisable within the following five years and a contractual entitlement, for the benefit of the Group, to any gain on a subsequent sale of this stake to a third party. In view of the projected disposal the Group classified the Lucchini segment as assets held for sale and discontinued operations.

The fair value less costs to sell of the Lucchini segment as of December 31, 2010 was measured using a combination of valuation techniques. The loss on remeasurement of the Lucchini segment to fair value less costs to sell recognized in 2010 in the amount of US$ 1,010.3 million was allocated to property, plant and equipment and intangible assets on a pro-rata basis.

In February 2011, the Group signed an amendment to Lucchini's share purchase agreement with the Majority Shareholder which cancelled the call option and the entitlement, for the benefit of the Group, to any gain on a subsequent sale of this stake to a third party. Effective from the date of this amendment the Group accounts for the investment in Lucchini using the equity method.

Upon deconsolidation, the Group's investment in Lucchini was stated at fair value of US$ nil with the difference on remeasuring to fair value recognized within the profit/(loss) from discontinued operations.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

Included in expenses in 2009 is an impairment loss in the amount of US$ 104.6 million in respect of the Lucchini segment.

A cumulative net loss of US$ 46.8 million was recognized in the Group's other comprehensive income as at December 31, 2010 in relation to foreign exchange differences and changes in cash flow hedges for the Lucchini segment.

North America disposal group

As of December 31, 2010 the North America disposal group was measured at the fair value less costs to sell determined based on price offers available.

The loss on remeasurement of the North America disposal group to fair value less costs to sell recognized in 2010 in the amount of US$ 289.8 million was allocated to property, plant and equipment and intangible assets on a pro-rata basis.

In March 2011, the Group sold its 100% stake in Severstal Sparrows Point LLC, Severstal Warren LLC, Severstal Wheeling Inc and a 50% stake in Mountain State Carbon LLC. Preliminarily, the total consideration is assessed by management in the amount of US$ 151.7 million. The remaining share in Mountain State Carbon LLC of 50% is accounted for using the equity method.

Upon deconsolidation, the Group's investment in Mountain State Carbon LLC was stated at fair value of US$ 116.1 million with the difference on remeasuring to fair value recognized within the profit/(loss) from discontinued operations.

Included in expenses in 2009 is an impairment loss in the amount of US$ 26.5 million in respect of Severstal Warren LLC.

A cumulative net income of US$ 33.0 million was recognized in the Group's other comprehensive income as at December 31, 2010 in relation to the fair value adjustment upon acquisition of subsidiary to previously held interest for the North America disposal group.

A summary of assets and liabilities disposed during the years ended December 31, 2011, 2010 and 2009 is presented below:

	Year ended December 31,		
	2011	2010	2009
Assets held for sale	(3,599,109)	-	-
Liabilities related to assets held for sale	3,495,149	-	-
Net identifiable assets	(103,960)	-	-
Foreign exchange differences and other reserves	(53,872)	-	-
Fair value adjustment for equity accounted investments	83,943	-	-
Consideration:			
Consideration in cash	84,094	-	-
Consideration in other financial assets	67,600	-	-
Selling costs	(18,710)	-	-
Net gain on disposal	59,095	-	-
Net change in cash and cash equivalents	84,094	-	-

Gold segment

In November 2011, the Group decided to separate the Gold segment by exchange of 100% shares of Nord Gold N.V., the segment's holding company, for OAO Severstal shares and GDRs based on the relative fair values. The separation happened after the reporting date (*Note 32*).

At December 31, 2011 the Group recognized the liability for the Gold segment separation of US$ 1,547.0 million (*Note 11*) equal to the book value of the Gold segment's net assets attributable to shareholders of OAO Severstal at that date. The book value was used for the assessment of liability since the Gold segment continued to be controlled by the Group's majority shareholder after separation. The transaction costs of US$ 13.0 million were recognized as an addition to treasury shares.

A cumulative net income of US$ 119.5 million was recognized in the Group's other comprehensive income as at December 31, 2011 in relation to foreign exchange differences and changes in fair value of available-for-sale financial assets for the Gold segment's foreign operations.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

The Group's assets held for sale represent the Gold segment that is classified as held for sale as at December 31, 2011 and the Lucchini segment and Severstal Sparrows Point LLC, Severstal Warren LLC, Severstal Wheeling Inc and Mountain State Carbon LLC as at December 31, 2010.

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 at December 31, 2011, 2010 and 2009 were as follows:

	December 31,		
	2011	**2010**	**2009**
Current assets:			
Cash and cash equivalents	217,133	208,928	1,267
Short-term financial investments	3,596	5,862	-
Trade accounts receivable	367	711,162	5,868
Accounts receivable from related parties	594	3,835	-
Inventories	387,590	1,135,314	1,617
VAT recoverable	57,031	8,870	263
Income tax recoverable	3,051	13,163	-
Other current assets	73,301	65,429	1,627
Total current assets	742,663	2,152,563	10,642
Non-current assets:			
Long-term financial investments	86,370	38,972	-
Investments in associates and joint ventures	4,775	70	-
Property, plant and equipment	582,709	1,204,978	13,773
Intangible assets	1,252,227	70,335	-
Deferred tax assets	2,812	-	-
Other non-current assets	5,754	42,964	-
Total non-current assets	1,934,647	1,357,319	13,773
Total assets	2,677,310	3,509,882	24,415
Current liabilities:			
Trade accounts payable	95,190	680,535	2,870
Short-term debt finance	58,811	1,071,286	-
Income tax payable	18,176	4,360	-
Other taxes and social security payable	25,496	64,433	111
Other current liabilities	76,961	223,160	8,360
Total current liabilities	274,634	2,043,774	11,341
Non-current liabilities:			
Long-term debt finance	-	354,820	-
Deferred tax liabilities	200,930	53,723	-
Retirement benefit liabilities	-	592,772	-
Other non-current liabilities	74,559	227,265	638
Total non-current liabilities	275,489	1,228,580	638
Total liabilities	550,123	3,272,354	11,979

As of December 31, 2010 the short-term debt finance included US$ 767.0 million of the Lucchini segment debt finance reclassified to short-term due to breach of finance covenants of related loan agreements.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

28. Subsidiaries, associates and joint ventures

The following is a list of the Group's significant subsidiaries, associates and joint ventures and the effective ownership holdings therein:

Company	December 31, 2011	2010	2009	Location	Activity
Russian Steel segment:					
Subsidiaries:					
ZAO Severgal	100.0%	100.0%	100.0%	Russia	Hot dip galvanizing
ZAO Severstal SMZ-Kolpino	100.0%	100.0%	100.0%	Russia	Steel constructions
ZAO Severstal TPZ-Sheksna	100.0%	100.0%	100.0%	Russia	Steel constructions
ZAO Severstal Steel Solutions	100.0%	100.0%	100.0%	Russia	Steel constructions
ZAO Severstal Long Products Mill Balakovo	100.0%	100.0%	100.0%	Russia	Iron & steel mill
OOO SSM-Tyazhmash	100.0%	100.0%	100.0%	Russia	Repairs&construction
OAO Domnaremont	65.5%	65.5%	82.7%	Russia	Repairs&construction
OOO Severstal-Promservis	99.9%	99.9%	99.9%	Russia	Repairs&construction
OAO Metallurgremont	75.0%	75.0%	n/a	Russia	Repairs&construction
OOO Energoremont	n/a	n/a	100.0%	Russia	Repairs&construction
OOO Electroremont	n/a	n/a	100.0%	Russia	Repairs&construction
Victory Industries Inc	99.9%	99.9%	99.9%	USA	Repairs&construction
OOO AviaCompany Severstal	100.0%	100.0%	100.0%	Russia	Air transport
Severstal Export GmbH	99.8%	99.8%	99.8%	Switzerland*	Steel sales
AS Severstallat	84.2%	84.2%	84.2%	Latvia*	Steel sales
Latvijas Metals	84.2%	84.2%	84.2%	Latvia*	Steel sales
ZAO SeverStalBel	100.0%	100.0%	100.0%	Belarus*	Steel sales
Severstal-Ukraine LLC	100.0%	51.0%	51.0%	Ukraine*	Steel sales
Armaturu Servisa Centrs SIA	n/a	n/a	84.2%	Latvia*	Steel service center
ZAO Neva-Metall	100.0%	100.0%	100.0%	Russia	Shipping operations
Upcroft Limited	100.0%	100.0%	100.0%	Cyprus*	Holding company
Varndell Limited	n/a	100.0%	100.0%	Cyprus*	Holding company
Baracom Limited	100.0%	100.0%	100.0%	Cyprus*	Holding company
ZAO Vtorchermet	85.6%	85.6%	71.2%	Russia	Processing scrap
ZAO Rospromresursy	100.0%	100.0%	100.0%	Russia	Processing scrap
OAO Murmanskvtormet	74.6%	74.6%	50.9%	Russia	Processing scrap
OAO Arhangelskii vtormet	75.0%	75.0%	50.0%	Russia	Processing scrap
ZAO Trade House Severstal-Invest	100.0%	100.0%	100.0%	Russia	Metal sales
ZAO North Steel Company	99.9%	99.9%	99.9%	Russia	Leasing
OAO Rostovmetall	84.8%	95.0%	94.6%	Russia	Leasing
ZAO PPTK-1	100.0%	100.0%	100.0%	Russia	Leasing
ZAO RC Group	100.0%	100.0%	n/a	Russia	Leasing
ZAO Izhora Pipe Mill	100.0%	100.0%	100.0%	Russia	Wide pipes
OAO Severstal-Metiz	100.0%	100.0%	100.0%	Russia	Steel machining
OAO Dneprometiz	98.7%	98.7%	98.7%	Ukraine	Steel machining
Redaelli Tecna S.p.A.	100.0%	100.0%	100.0%	Italy	Steel machining
OOO UniFence	100.0%	100.0%	100.0%	Russia	Steel machining
OOO "Severstal-metiz: welding consumables"	n/a	n/a	100.0%	Russia	Welding consumables
Associates:					
Air Liquide Severstal	25.0%	25.0%	25.0%	Russia	Production liquid oxygen
Lucchini SpA	49.2%	n/a	n/a	France	Holding company
GSI Lucchini SpA	34.1%	n/a	n/a	Italy	Steel spheres
Servola SpA	49.2%	n/a	n/a	Italy	Asset holding
Sideris Steel SAS	49.2%	n/a	n/a	France	Investment holding
Lucchini Holland BV	49.2%	n/a	n/a	The Netherlands	Investment holding
Bari Fonderie Meridionali SpA	49.2%	n/a	n/a	Italy	Forgings

(*) – Russian Steel segment contains Russian production entities, foreign trading companies, which sell products primarily produced in Russia, and other foreign companies, which either provide services to Russian production entities or are managed from Russia.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

Company	December 31, 2011	2010	2009	Location	Activity
Russian Steel segment (continue):					
Joint ventures					
Todlem S.L.	25.0%	25.0%	25.0%	Spain	Holding company
OOO Severstal-Gonvarri-Kaluga	50.0%	50.0%	n/a	Russia	Iron & steel mill
OOO Gestamp-Severstal-Kaluga	25.0%	25.0%	25.0%	Russia	Production car body components
OOO Gestamp Severstal Vsevolozhsk	25.0%	25.0%	22.5%	Russia	Production car body components
Subsidiaries classified as held for sale:					
OOO "Severstal-metiz: welding consumables"	n/a	100.0%	n/a	Russia	Welding consumables
Carrington Wire Ltd	n/a	n/a	100.0%	UK	Steel machining
Severstal North America segment:					
Subsidiaries:					
Severstal US Holdings LLC	100.0%	100.0%	100.0%	USA	Holding company
Severstal Dearborn LLC	100.0%	100.0%	100.0%	USA	Iron & steel mill
Severstal Columbus LLC	100.0%	100.0%	100.0%	USA	Steel mill
Severstal Warren LLC	n/a	n/a	100.0%	USA	Iron & steel mill
Severstal Wheeling Inc	n/a	n/a	100.0%	USA	Steel mill
Severstal Sparrows Point LLC	n/a	n/a	100.0%	USA	Iron & steel mill
Mountain State Carbon LLC	n/a	n/a	100.0%	USA	Coking coal
Associates:					
Delaco Processing LLC	49.0%	49.0%	49.0%	USA	Steel slitting
Joint ventures:					
Spartan Steel Coating LLC	48.0%	48.0%	48.0%	USA	Hot dip galvanizing
Double Eagle Steel Coating Company	50.0%	50.0%	50.0%	USA	Electro-galvanizing
Bethlehem Roll Technologies LLC	n/a	50.0%	50.0%	USA	Grinding steel mill rolls
Ohio Coatings Company	n/a	50.0%	50.0%	USA	Tin plate steel
Mississippi Steel Processing LLC	20.0%	20.0%	n/a	USA	Steel service center
Mountain State Carbon LLC	50.0%	n/a	n/a	USA	Coking coal
Subsidiaries classified as discontinued operations:*					
Severstal Warren LLC	n/a	100.0%	n/a	USA	Iron & steel mill
Severstal Sparrows Point LLC	n/a	100.0%	n/a	USA	Iron & steel mill
Severstal Wheeling Inc	n/a	100.0%	n/a	USA	Steel mill
Mountain State Carbon LLC	n/a	100.0%	n/a	USA	Coking coal
Lucchini segment (classified as discontinued operation)*:					
Subsidiaries:					
Lucchini SpA	n/a	49.2%	79.8%	France	Holding company
Ascometal SAS	n/a	49.2%	79.8%	France	Steel manufacturing
Ascometal GmbH	n/a	49.2%	79.8%	Germany	Sales
Bari Fonderie Meridionali SpA	n/a	49.2%	79.8%	Italy	Forgings
GSI Lucchini SpA	n/a	34.1%	55.3%	Italy	Steel spheres
Lucchini Asia Pacific Pte Ltd	n/a	49.2%	79.8%	Singapore	Sales
Lucchini Holland BV	n/a	49.2%	79.8%	The Netherlands	Investment holding
Lucchini Iberia SI	n/a	49.2%	79.8%	Spain	Sales
Lucchini USA Inc	n/a	49.2%	79.8%	USA	Sales
Servola SpA	n/a	49.2%	79.8%	Italy	Asset holding
Sideris Steel SAS	n/a	49.2%	79.8%	France	Investment holding
Associates:					
ESPRA SAS	n/a	17.2%	27.9%	France	Steel scrap
Tecnologie Ambientali Pulite Srl	n/a	12.2%	19.9%	Italy	Environmental services
GICA SA	n/a	12.3%	19.9%	Switzerland	Carbon dioxide trading

(*) – Note 27.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

Company	December 31, 2011	2010	2009	Location	Activity
Steel Resource segment:					
Subsidiaries:					
OAO Karelsky Okatysh	100.0%	100.0%	100.0%	Russia	Iron ore pellets
OAO Olkon	100.0%	100.0%	100.0%	Russia	Iron ore concentrate
Severstal Liberia Iron Ore Ltd	61.5%	61.5%	61.5%	Liberia	Iron ore
OAO Vorkutaugol	88.1%	88.1%	94.0%	Russia	Coking coal concentrate
OAO Mine Vorgashorskaya	75.0%	75.0%	75.0%	Russia	Coking coal concentrate
PBS Coals Limited	100.0%	100.0%	100.0%	USA	Coking coal concentrate
OOO SPB-Giproshakht	100.0%	100.0%	100.0%	Russia	Engineering
Mining Holding Company LLC	100.0%	100.0%	100.0%	Russia	Holding company
Lybica Holding B.V.	100.0%	100.0%	100.0%	The Netherlands	Holding company
7029740 Canada Limited	100.0%	100.0%	100.0%	Canada	Holding company
Altcom Limited	100.0%	100.0%	100.0%	The Netherlands	Holding company
Associates:					
Iron Mineral Beneficiation Services (Proprietary) Ltd	33.0%	25.6%	n/a	Republic of South Africa	Research & investing
Intex Resources ASA	21.7%	21.7%	n/a	Norway	Mining and exploration
SPG Mineracao S.A.	25.0%	n/a	n/a	Brazil	Iron ore
Gold segment (classified as discontinued operation)*:					
Subsidiaries:					
OOO Neryungri Metallic	100.0%	100.0%	100.0%	Russia	Gold mining
ZAO Mine Aprelkovo	100.0%	100.0%	100.0%	Russia	Gold mining
Celtic Resources Holdings Ltd	100.0%	100.0%	100.0%	Ireland	Holding company
JSC FIC Alel	100.0%	100.0%	100.0%	Kazakhstan	Gold mining
Zherek LLP	100.0%	100.0%	100.0%	Kazakhstan	Gold mining
High River Gold Mines Ltd	75.1%	72.6%	50.1%	Canada	Holding company
OJSC Buryatzoloto	63.8%	61.6%	42.6%	Russia	Gold mining
Berezitovy Rudnik LLC	75.0%	72.6%	49.6%	Russia	Gold mining
Societe Des Mines de Taparko	67.6%	65.4%	45.1%	Burkina Faso	Gold mining
Semgeo LLP	100.0%	100.0%	100.0%	Kazakhstan	Gold mining
Crew Gold Corporation	100.0%	93.4%	n/a	Canada	Holding company
Societe Miniere de Dinguiraye	100.0%	93.4%	n/a	Guinea	Gold mining
Nord Gold N.V.	100.0%	100.0%	100.0%	The Netherlands	Holding company

(*) – Note 27.

In addition, at the reporting date, a further 111 (December 31, 2010: 53; December 31, 2009: 47) subsidiaries and associates, which are not material to the Group, either individually or in aggregate, have been included in these consolidated financial statements.

Information on carrying amounts of associates and joint ventures is disclosed in Note 19 of these consolidated financial statements.

Investments in associates and other equity investments

Investments in 2010

In May 2010, the Group acquired a 16.5% stake in Core Mining Limited ("CML") for a total consideration of US$ 15.0 million. CML is a private company registered in the Isle of Man focused on the exploration, development and operation of iron ore projects in Central and Western Africa, mainly in Republic of Congo (Brazzaville) and Republic of Gabon.

In September 2010, the Group acquired a 21.7% stake in Intex Resources ASA ("Intex") for a total consideration of US$ 13.0 million. Intex is a public mining and exploration company listed on Oslo Stock Exchange with its headquarters in Oslo, Norway. Intex's main asset is the Mindoro Nickel Project — a substantial nickel laterite deposit in the Philippines. In addition, Intex has two molybdenum assets in Norway, as well as Maniitsoq, a diamond province in Greenland.

During 2010, the Group acquired an 11% stake in Sacre-Coeur Minerals Ltd ("SCM") for a total consideration of US$ 6.2 million, increasing its ownership up to 18.1%. SCM is engaged in the acquisition, exploration and development of properties for the potential mining of gold and metals in South America, initially focusing on exploration for gold on its properties in Guyana.

During 2010, the Group acquired a 25.6% stake in Iron Mineral Beneficiation Services (Proprietary) Limited (IMBS) for a total consideration of US$ 7.5 million. IMBS is a research and development company based in Johannesburg, South Africa. IMBS has developed a coal-based Finesmelt technology capable of processing unusable iron ore fines and thermal coal into valuable metallic products similar to DRI/HBI. Currently IMBS is developing its first commercial project in Phalaborwa, South Africa.

Investments in 2011

In March 2011, the Group acquired a 7.4% stake in Iron Mineral Beneficiation Services (Proprietary) Limited (IMBS) for a total consideration of US$ 7.4 million, increasing its ownership interest up to 33.0%.

In May 2011, the Group acquired a 25.0% stake in SPG Mineracao S.A. for a total consideration of US$ 49.0 million, of which US$ 25.0 million are payable during the next three years. The Group has also entered into a call option agreement to purchase an additional 50% stake in this company, exercisable upon fulfillment of certain future conditions. SPG Mineracao S.A. owns exploration licenses for a number of high prospective iron ore properties in the northern state of Amapa, Brazil.

Acquisitions of subsidiaries from third parties

Acquisitions in 2010

During October-November 2010, the Group paid a US$ 7.2 million of contingent consideration in respect of the acquired 61.5% stake in African Iron Ore Group Ltd (re-named to Severstal Liberia Iron Ore Ltd) in December 2008.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

Acquisitions of non-controlling interests

Acquisitions in 2009

In June 2009, the Group completed the acquisition of a 100% stake in Severstal Columbus LLC by acquiring the remaining 8.2% stake in the company from the former management for a total consideration of US$ 14.9 million.

Acquisitions in 2011

In March 2011, the Group acquired an additional 49% stake in Severstal-Ukraine LLC for a total consideration of US$ 3.0 million, increasing its ownership interest up to 100%.

Disposals of subsidiaries (other than discontinued operations)

Disposals in 2010

In May 2010, the Group sold Northern Steel Group, a group of companies within the Severstal North America segment, for a total consideration of US$ 124.0 million.

Disposals in 2011

In March 2011, the Group sold its 100% stake in SSM RP Holding B.V. and its wholly owned subsidiary OOO Severstal-metiz: welding consumables for a total consideration of US$ 12.9 million.

In July 2011, the Group sold its 91.6% stake in OAO Stalmag for a total consideration of RUB 448 thousand (US$ 14 thousand).

A summary of assets and liabilities disposed during 2011, 2010 and 2009 is presented below:

	Year ended December 31,		
	2011	2010	2009
Trade accounts receivable	-	(49,723)	-
Inventories	-	(90,841)	-
Other assets	-	(1,547)	-
Property, plant and equipment	-	(16,433)	-
Intangible assets	-	(632)	-
Assets held for sale	(14,884)	-	-
Trade accounts payable	-	35,307	-
Liabilities related to assets held for sale	23,003	-	-
Other liabilities	-	5,222	-
Net identifiable assets	8,119	(118,647)	-
Consideration in cash	12,914	118,647	-
Net gain on disposal	21,033	-	-
Net change in cash and cash equivalents	12,914	118,647	-

Disposals of non-controlling interests

In November 2010, the Group sold a 5.9% stake in OAO Vorkutaugol for a total consideration of US$ 5.8 million.

Transactions within discontinued operations

Crew Gold Corporation

In February 2010, the Group acquired a 26.6% stake in Crew Gold Corporation for a total consideration of US$ 90.3 million. Crew Gold Corporation is a mining company based in London, UK. Crew Gold Corporation owns and operates a gold mining project in Guinea, West Africa.

In July 2010, the Group acquired an additional 13.8% stake in Crew Gold Corporation for a total consideration of US$ 84.5 million, increasing its ownership interest up to 40.4%.

In July 2010, the Group acquired an additional 9.8% stake in Crew Gold Corporation for a total consideration of US$ 70.9 million, increasing its ownership interest up to 50.2%.

The acquiree's profit from the beginning of the period to the date of acquisition comprised US$ 10.8 million. The acquiree's revenue from the beginning of the period to the date of acquisition comprised US$ 140.6 million. The loss since the acquisition date included in the Group's profit/(loss) from discontinued operations amounted to US$ 14.5 million. Revenue since the acquisition date included in the Group's revenue from discontinued operations amounted to US$ 98.6 million.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

A summary of assets and liabilities acquired from third parties during 2011, 2010 and 2009 is presented below:

	Year ended December 31,		
	2011	2010	2009
Cash and cash equivalents	-	29,929	-
Trade accounts receivable	-	16,500	-
Inventories	-	51,251	-
Other current assets	-	6,896	-
Property, plant and equipment	-	134,061	-
Intangible assets	-	675,668	-
Other non-current assets	-	9,745	-
Trade accounts payable	-	(20,037)	-
Other taxes and social security payable	-	(51)	-
Other current liabilities	-	(67,345)	-
Deferred tax liabilities	-	(120,139)	-
Debt finance	-	(113,055)	-
Other non-current liabilities	-	(11,715)	-
Net identifiable assets and liabilities acquired	-	591,708	-
Non-controlling interests	-	(294,395)	-
Severstal's share of net identifiable assets and liabilities acquired	-	297,313	-
Investments at equity	-	(182,846)	-
Fair value adjustment upon acquisition of subsidiary to previously held interest	-	(42,170)	-
Consideration:			
Consideration in cash	-	(70,879)	-
Negative goodwill on acquisition of subsidiaries	-	1,418	-
Net change in cash and cash equivalents	-	(40,950)	-

In September 2010, the Group acquired an additional 43.2% stake in Crew Gold Corporation for a total consideration of US$ 214.8 million, increasing its ownership interest up to 93.4%.

In January 2011, the Group acquired an additional 6.6% stake in Crew Gold Corporation for a total consideration of US$ 32.9 million, increasing its ownership interest up to 100%.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

During the twelve months ended December 31, 2011 management completed the purchase price allocation of Crew Gold Corporation acquired in July 2010. The effect of the final purchase price allocation on these consolidated financial statements was the following:

	Increase/(decrease) compared to the provisional purchase price allocation at December 31, 2010 US$, thousands
Inventories	2,210
VAT recoverable	1,032
Property, plant and equipment	(51,986)
Goodwill	(43,221)
Intangible assets	174,387
Deferred tax assets	2,371
Other assets	(4,931)
Debt finance	4,443
Deferred tax liabilities	21,791
Other liabilities	23,746
Retained earnings	25,042
Non-controlling interests	4,840

For the year ended December 31, 2010 as a result of the completion of the purchase price allocation the Group's loss from discontinued operations increased by US$ 15.9 million.

The comparative information at December 31, 2010 has been restated as if the accounting for the business combination had been completed at the acquisition date.

High River Gold Mines Ltd

In June 2009, the Group acquired all newly issued shares in High River Gold Mines Ltd resulting in a 3.5% stake increase. Furthermore, in August 2009, the Group acquired an additional 4.5% stake in High River Gold Mines Ltd from non-controlling shareholders for a total consideration of US$ 8 million.

In December 2009, the Group's share in High River Gold Mines Ltd decreased from 61.7% to 50.1% as a result of a private placement of 150 million common shares to a third party for a total consideration of US$ 54.3 million.

In May 2010, the Group acquired an additional 18.8% stake in High River Gold Mines Ltd for a total consideration of US$ 107.3 million, increasing its ownership interest up to 68.9%.

In August 2010, the Group acquired an additional stake in High River Gold Mines Ltd upon exercise of warrants held by the Group for a total consideration of US$ 25.1 million, increasing its ownership interest up to 70.4%.

In October 2010, the Group acquired an additional 2.3% stake in High River Gold Mines Ltd for a total consideration of US$ 19.7 million, increasing its ownership interest up to 72.6%.

In August 2011, the Group acquired an additional 2.4% stake in High River Gold Mines Ltd for a total consideration of US$ 26.5 million, increasing its ownership interest up to 75.1 %

(Amounts expressed in thousands of US dollars, except as otherwise stated)

29. Segment information

Segmental statements of financial position as at December 31, 2011:

	Steel Resources	Gold	Russian Steel	Severstal North America	Inter segment balances	Conso-lidated
Assets						
Current assets:						
Cash and cash equivalents	429,801	-	1,184,963	248,774	-	1,863,538
Short-term financial investments	332,557	-	871,805	-	(1,193,862)	10,500
Trade accounts receivable	243,453	-	675,514	300,994	-	1,219,961
Amounts receivable from related parties	161,756	-	41,548	1,186	(177,141)	27,349
Inventories	155,062	-	1,604,877	807,752	(48,537)	2,519,154
VAT recoverable	23,558	-	170,327	-	-	193,885
Income tax recoverable	6,618	-	73,822	10,476	-	90,916
Other current assets	97,753	-	186,590	42,820	-	327,163
Assets held for sale	-	2,680,066	-	-	(2,756)	2,677,310
Total current assets	1,450,558	2,680,066	4,809,446	1,412,002	(1,422,296)	8,929,776
Non-current assets:						
Long-term financial investments	1,437,168	-	6,307,481	100,000	(7,662,387)	182,262
Investments in associates and joint ventures	71,211	-	66,196	163,908	-	301,315
Property, plant and equipment	1,186,872	-	3,645,189	2,659,039	(27,706)	7,463,394
Intangible assets	582,820	-	182,297	5,337	-	770,454
Restricted financial assets	21,455	-	1,001	182	-	22,638
Deferred tax assets	14,323	-	40,804	44,524	-	99,651
Other non-current assets	18,359	-	25,096	96,846	-	140,301
Total non-current assets	3,332,208	-	10,268,064	3,069,836	(7,690,093)	8,980,015
Total assets	4,782,766	2,680,066	15,077,510	4,481,838	(9,112,389)	17,909,791
Liabilities						
Current liabilities:						
Trade accounts payable	114,471	-	507,656	492,983	-	1,115,110
Amounts payable to related parties	4,995	-	158,756	49,070	1,370,210 *	1,583,031
Short-term debt finance	488,060	-	1,161,699	64,309	(528,601)	1,185,467
Income taxes payable	17,135	-	10,916	35	-	28,086
Other taxes and social security payable	78,599	-	62,632	122	-	141,353
Dividends payable	-	-	111,208	-	-	111,208
Other current liabilities	120,852	-	441,547	93,021	-	655,420
Liabilities related to assets held for sale	-	894,094	-	-	(343,971)	550,123
Total current liabilities	824,112	894,094	2,454,414	699,540	497,638	5,369,798
Non-current liabilities:						
Long-term debt finance	209,307	-	3,926,889	2,172,470	(1,518,035)	4,790,631
Deferred tax liabilities	160,421	-	135,551	-	(8,846)	287,126
Retirement benefit liabilities	19,975	-	83,621	58,138	-	161,734
Other non-current liabilities	144,677	-	35,776	52,726	-	233,179
Total non-current liabilities	534,380	-	4,181,837	2,283,334	(1,526,881)	5,472,670
Equity	3,424,274	1,785,972	8,441,259	1,498,964	(8,083,146)	7,067,323
Total equity and liabilities	4,782,766	2,680,066	15,077,510	4,481,838	(9,112,389)	17,909,791

* This amount includes US$ 1,547.0 million liability related to Gold segment separation (Note 11).

(Amounts expressed in thousands of US dollars, except as otherwise stated)

Segmental statements of financial position as at December 31, 2010:

	Steel Resources	Gold	Russian Steel	Lucchini	Severstal North America	Inter segment balances	Conso-lidated
Assets							
Current assets:							
Cash and cash equivalents	66,497	212,182	1,700,229	-	33,754	-	2,012,662
Short-term bank deposits	22	-	12,668	-	-	-	12,690
Short-term financial investments	48,904	2,070	677,564	-	-	(701,075)	27,463
Trade accounts receivable	142,397	1,260	613,854	-	210,326	-	967,837
Amounts receivable from related parties	207,708	-	110,524	-	39	(305,912)	12,359
Restricted financial assets	-	-	41,313	-	-	-	41,313
Inventories	101,091	283,479	1,527,266	-	522,968	(65,670)	2,369,134
VAT recoverable	26,454	32,510	220,662	-	-	-	279,626
Income tax recoverable	4,437	3,833	20,570	-	10,738	-	39,578
Other current assets	56,072	32,400	171,495	-	38,216	-	298,183
Assets held for sale	3,266	-	10,899	1,853,849	1,643,991	(2,123)	3,509,882
Total current assets	656,848	567,734	5,107,044	1,853,849	2,460,032	(1,074,780)	9,570,727
Non-current assets:							
Long-term financial investments	1,325,960	120,185	6,409,105	-	6,000	(7,656,708)	204,542
Investments in associates and joint ventures	21,336	5,547	67,142	-	64,539	-	158,564
Property, plant and equipment	1,088,406	488,164	3,573,159	-	2,174,087	(23,967)	7,299,849
Intangible assets	497,342	1,275,184	137,918	-	19,229	1,269	1,930,942
Restricted financial assets	19,017	5,453	37,244	-	-	-	61,714
Deferred tax assets	4,166	11,163	38,448	-	50,000	-	103,777
Other non-current assets	8,042	6,052	16,982	-	47,190	-	78,266
Total non-current assets	2,964,269	1,911,748	10,279,998	-	2,361,045	(7,679,406)	9,837,654
Total assets	3,621,117	2,479,482	15,387,042	1,853,849	4,821,077	(8,754,186)	19,408,381
Liabilities							
Current liabilities:							
Trade accounts payable	102,108	57,879	408,026	-	329,376	-	897,389
Amounts payable to related parties	6,067	-	175,419	-	8,306	(173,075)	16,717
Short-term debt finance	282,991	280,241	1,301,799	-	57,777	(499,257)	1,423,551
Income taxes payable	6,765	26,231	8,234	-	-	-	41,230
Other taxes and social security payable	61,849	25,909	67,766	-	554	-	156,078
Dividends payable	-	-	17,131	-	-	-	17,131
Other current liabilities	70,035	77,509	354,597	-	48,289	4,147	554,577
Liabilities related to assets held for sale	12,795	-	1,057	2,026,696	1,705,094	(473,288)	3,272,354
Total current liabilities	542,610	467,769	2,334,029	2,026,696	2,149,396	(1,141,473)	6,379,027
Non-current liabilities:							
Long-term debt finance	235,481	116,174	3,731,224	-	1,370,428	(730,381)	4,722,926
Deferred tax liabilities	169,418	206,524	153,090	-	-	(13,961)	515,071
Retirement benefit liabilities	22,582	-	88,894	-	53,079	-	164,555
Other non-current liabilities	141,613	63,409	36,566	-	35,553	8	277,149
Total non-current liabilities	569,094	386,107	4,009,774	-	1,459,060	(744,334)	5,679,701
Equity	2,509,413	1,625,606	9,043,239	(172,847)	1,212,621	(6,868,379)	7,349,653
Total equity and liabilities	3,621,117	2,479,482	15,387,042	1,853,849	4,821,077	(8,754,186)	19,408,381

(Amounts expressed in thousands of US dollars, except as otherwise stated)

Segmental statements of financial position as at December 31, 2009:

	Steel Resources	Gold	Russian Steel	Lucchini	Severstal North America	Inter segment balances	Conso-lidated
Assets							
Current assets:							
Cash and cash equivalents	35,880	90,670	2,063,808	473,765	189,253	-	2,853,376
Short-term bank deposits	123	13	89,597	-	5,800	-	95,533
Short-term financial investments	41,402	64,941	315,927	567	-	(349,708)	73,129
Trade accounts receivable	80,912	81	670,978	411,831	293,849	-	1,457,651
Amounts receivable from related parties	83,827	17,389	28,875	3,726	3,063	(110,164)	26,716
Inventories	104,765	154,187	1,129,755	600,883	996,344	(11,707)	2,974,227
VAT recoverable	26,073	26,106	172,336	63,517	-	-	288,032
Income tax recoverable	4,929	4,562	18,440	5,594	72,494	-	106,019
Other current assets	38,599	18,989	127,102	18,180	82,583	-	285,453
Assets held for sale	-	-	23,115	-	1,300	-	24,415
Total current assets	416,510	376,938	4,639,933	1,578,063	1,644,686	(471,579)	8,184,551
Non-current assets:							
Long-term financial investments	782,103	66,792	5,942,956	8,438	11,752	(6,683,425)	128,616
Investments in associates and joint ventures	-	6,572	48,738	2,164	86,383	-	143,857
Property, plant and equipment	1,039,556	340,279	3,391,735	1,481,522	3,262,165	(29,777)	9,485,480
Intangible assets	506,831	602,463	113,576	37,197	109,137	-	1,369,204
Restricted financial assets	17,541	-	-	-	-	-	17,541
Deferred tax assets	17,805	12,516	45,563	73,951	90,000	-	239,835
Other non-current assets	-	2,252	24,072	3,932	45,526	(980)	74,802
Total non-current assets	2,363,836	1,030,874	9,566,640	1,607,204	3,604,963	(6,714,182)	11,459,335
Total assets	2,780,346	1,407,812	14,206,573	3,185,267	5,249,649	(7,185,761)	19,643,886
Liabilities							
Current liabilities:							
Trade accounts payable	86,062	30,026	326,088	423,598	512,526	-	1,378,300
Amounts payable to related parties	-	24,287	92,792	233	9,756	(110,412)	16,656
Short-term debt finance	182,149	145,100	648,419	156,672	560,015	(214,054)	1,478,301
Income taxes payable	1,988	615	25,454	4,786	1,307	-	34,150
Other taxes and social security payable	42,106	14,010	75,490	57,004	20,474	-	209,084
Dividends payable	-	32	5,672	-	-	-	5,704
Other current liabilities	78,523	30,205	270,754	136,922	226,826	-	743,230
Liabilities related to assets held for sale	-	-	11,979	-	-	-	11,979
Total current liabilities	390,828	244,275	1,456,648	779,215	1,330,904	(324,466)	3,877,404
Non-current liabilities:							
Long-term debt finance	647,575	86,192	4,198,250	1,009,304	1,097,674	(1,290,436)	5,748,559
Deferred tax liabilities	179,806	71,198	143,053	3,143	-	(2,210)	394,990
Retirement benefit liabilities	22,828	-	110,048	117,123	488,329	-	738,328
Other non-current liabilities	153,321	35,284	25,242	75,910	219,489	(980)	508,266
Total non-current liabilities	1,003,530	192,674	4,476,593	1,205,480	1,805,492	(1,293,626)	7,390,143
Equity	1,385,988	970,863	8,273,332	1,200,572	2,113,253	(5,567,669)	8,376,339
Total equity and liabilities	2,780,346	1,407,812	14,206,573	3,185,267	5,249,649	(7,185,761)	19,643,886

(Amounts expressed in thousands of US dollars, except as otherwise stated)

Segmental income statements for the year ended December 31, 2011:

	Steel Resources	Gold	Russian Steel	Lucchini	Severstal North America	Inter segment transactions	Conso-lidated
Revenue							
Revenue - third parties	1,762,604	-	10,388,391	-	3,422,095	-	15,573,090
Revenue - related parties	1,948,828	-	158,440	-	-	(1,867,958)	239,310
	3,711,432	-	10,546,831	-	3,422,095	(1,867,958)	15,812,400
Cost of sales	(1,745,500)	-	(7,748,673)	-	(3,291,548)	1,882,499	(10,903,222)
Gross profit	1,965,932	-	2,798,158	-	130,547	14,541	4,909,178
General and administrative expenses	(160,307)	-	(497,400)	-	(82,698)	15,362	(725,043)
Distribution expenses	(326,582)	-	(774,609)	-	-	-	(1,101,191)
Other taxes and contributions	(63,524)	-	(82,807)	-	477	-	(145,854)
Share of associates' (loss)/profit	(2,727)	-	1,873	-	8,173	-	7,319
Gain/(loss) on remeasurement and disposal of financial investments	33	-	(4,685)	-	-	-	(4,652)
Loss on disposal of property, plant and equipment and intangible assets	(7,848)	-	(11,140)	-	(1,951)	-	(20,939)
Net other operating (expenses)/income	(10,761)	-	20,610	-	6,993	(18,303)	(1,461)
Profit from operations	1,394,216	-	1,450,000	-	61,541	11,600	2,917,357
Reversal of impairment of non-current assets	-	-	438	-	-	-	438
Net other non-operating expenses	(21,207)	-	(53,283)	-	-	9,109	(65,381)
Profit before financing and taxation	1,373,009	-	1,397,155	-	61,541	20,709	2,852,414
Interest income	24,768	-	183,677	-	79	(158,843)	49,681
Interest expense	(106,751)	-	(358,642)	-	(98,178)	127,430	(436,141)
Foreign exchange differences	65,689	-	(102,669)	-	-	-	(36,980)
Profit/(loss) before income tax	1,356,715	-	1,119,521	-	(36,558)	(10,704)	2,428,974
Income tax expense	(285,097)	-	(171,056)	-	(4,884)	(4,975)	(466,012)
Profit/(loss) from continuing operations	1,071,618	-	948,465	-	(41,442)	(15,679)	1,962,962
Profit/(loss) from discontinued operations	-	277,582	-	129,217	(226,231)	30,205	210,773
Profit/(loss) for the period	1,071,618	277,582	948,465	129,217	(267,673)	14,526	2,173,735
Additional information:							
depreciation and amortization expense	201,974	155,873	329,613	-	117,432	(2,199)	802,693
capital expenditures	490,833	320,306	712,319	-	573,696	-	2,097,154
intersegment revenue (incl. in revenue from related parties)	1,789,829	-	78,129	-	-	(1,867,958)	-

(Amounts expressed in thousands of US dollars, except as otherwise stated)

Segmental income statements for the year ended December 31, 2010:

	Steel Resources	Gold	Russian Steel	Lucchini	Severstal North America	Inter segment transactions	Conso-lidated
Revenue							
Revenue - third parties	1,235,576	-	8,610,139	-	2,911,068	-	12,756,783
Revenue - related parties	1,496,440	-	204,615	-	444	(1,639,164)	62,335
	2,732,016	-	8,814,754	-	2,911,512	(1,639,164)	12,819,118
Cost of sales	(1,387,112)	-	(6,006,406)	-	(2,909,333)	1,586,085	(8,716,766)
Gross profit	1,344,904	-	2,808,348	-	2,179	(53,079)	4,102,352
General and administrative expenses	(84,435)	-	(424,161)	-	(78,353)	1,906	(585,043)
Distribution expenses	(210,559)	-	(780,872)	-	-	704	(990,727)
Other taxes and contributions	(60,210)	-	(75,802)	-	(560)	-	(136,572)
Share of associates' profit	4,727	-	2,906	-	12,728	-	20,361
Loss on remeasurement and disposal of financial investments	(6,171)	-	(140,151)	-	-	-	(146,322)
(Loss)/gain on disposal of property, plant and equipment and intangible assets	(25,852)	-	(20,337)	-	3,399	-	(42,790)
Net other operating (expenses)/income	(10,997)	-	(2,855)	-	1,473	(3,574)	(15,953)
Profit/(loss) from operations	951,407	-	1,367,076	-	(59,134)	(54,043)	2,205,306
Impairment of non-current assets	(14,834)	-	(21,136)	-	(44,160)	-	(80,130)
Net other non-operating expenses	(17,088)	-	(26,511)	-	-	-	(43,599)
Profit/(loss) before financing and taxation	919,485	-	1,319,429	-	(103,294)	(54,043)	2,081,577
Interest income	19,098	-	282,853	-	184	(201,540)	100,595
Interest expense	(161,234)	-	(469,673)	-	(151,024)	164,146	(617,785)
Foreign exchange differences	62,214	-	47,522	-	-	-	109,736
Profit/(loss) before income tax	839,563	-	1,180,131	-	(254,134)	(91,437)	1,674,123
Income tax expense	(144,722)	-	(235,830)	-	(58,505)	11,751	(427,306)
Profit/(loss) from continuing operations	694,841	-	944,301	-	(312,639)	(79,686)	1,246,817
Profit/(loss) from discontinued operations	-	148,700	-	(1,210,076)	(742,684)	42,664	(1,761,396)
Profit/(loss) for the period	694,841	148,700	944,301	(1,210,076)	(1,055,323)	(37,022)	(514,579)
Additional information:							
depreciation and amortization expense	177,048	121,415	287,571	37,981	237,711	-	861,726
capital expenditures	262,114	171,673	575,633	15,183	341,620	-	1,366,223
intersegment revenue (incl. in revenue from related parties)	1,496,377	-	142,787	7,121	-	(1,646,285)	-

OAO Severstal and subsidiaries

Notes to the consolidated financial statements
for the years ended December 31, 2011, 2010 and 2009

(Amounts expressed in thousands of US dollars, except as otherwise stated)

Segmental income statements for the year ended December 31, 2009:

	Steel Resources	Gold	Russian Steel	Lucchini	Severstal North America	Inter segment transactions	Conso-lidated
Revenue							
Revenue - third parties	629,284	-	6,081,434	-	2,312,485	-	9,023,203
Revenue - related parties	723,931	-	97,707	-	-	(768,520)	53,118
	1,353,215	-	6,179,141	-	2,312,485	(768,520)	9,076,321
Cost of sales	(1,099,428)	-	(4,079,630)	-	(2,491,902)	769,163	(6,901,797)
Gross profit/(loss)	253,787	-	2,099,511	-	(179,417)	643	2,174,524
General and administrative expenses	(81,572)	-	(334,346)	-	(71,603)	3,202	(484,319)
Distribution expenses	(141,935)	-	(638,735)	-	(13,470)	2,636	(791,504)
Other taxes and contributions	(49,466)	-	(64,011)	-	(163)	-	(113,640)
Share of associates' (loss)/profit	(2)	-	5,084	-	8,216	-	13,298
(Loss)/gain on remeasurement and disposal of financial investments	(22)	-	3,592	-	-	(13,707)	(10,137)
(Loss)/gain on disposal of property, plant and equipment and intangible assets	(17,668)	-	(10,906)	-	824	(21)	(27,771)
Net other operating expenses	(22,525)	-	(16,114)	-	(2,139)	(2,667)	(43,445)
(Loss)/profit from operations	(59,403)	-	1,044,075	-	(257,752)	(9,914)	717,006
Impairment of non-current assets	(39,058)	-	(39,364)	-	-	-	(78,422)
Net other non-operating expenses	(9,672)	-	(26,591)	-	-	2,779	(33,484)
(Loss)/profit before financing and taxation	(108,133)	-	978,120	-	(257,752)	(7,135)	605,100
Interest income	39,788	-	303,507	-	519	(252,513)	91,301
Interest expense	(212,201)	-	(346,705)	-	(96,110)	195,566	(459,450)
Foreign exchange differences	18,955	-	(152,324)	-	-	-	(133,369)
(Loss)/profit before income tax	(261,591)	-	782,598	-	(353,343)	(64,082)	103,582
Income tax benefit/(expense)	49,612	-	(169,672)	-	11,002	(1,186)	(110,244)
(Loss)/profit from continuing operations	(211,979)	-	612,926	-	(342,341)	(65,268)	(6,662)
Loss from discontinued operations	-	(17,917)	-	(411,505)	(723,434)	59,311	(1,093,545)
(Loss)/profit for the period	(211,979)	(17,917)	612,926	(411,505)	(1,065,775)	(5,957)	(1,100,207)
Additional information:							
depreciation and amortization expense	194,348	88,158	272,726	158,002	246,113	(2,183)	957,164
capital expenditures	149,446	92,879	368,627	133,247	238,476	(4,992)	977,683
intersegment revenue (incl. in revenue from related parties)	723,925	-	44,595	7,105	-	(775,625)	-

(Amounts expressed in thousands of US dollars, except as otherwise stated)

The following is a summary of non-current assets other than financial instruments, investments in associates and joint ventures and deferred tax assets by location:

	December 31,		
	2011	2010	2009
Russian Federation	4,784,705	5,111,242	4,830,744
North America	3,336,165	2,790,550	3,978,452
Africa	128,910	1,063,247	262,206
Europe	92,863	130,269	1,618,873
Central Asia	-	275,463	256,752
	8,342,643	9,370,771	10,947,027

The locations are primarily represented by the following countries:

- In Europe: Latvia, Italy and Ukraine (as at December 31, 2011 and 2010); Italy and France (as at December 31, 2009);
- In Africa: Liberia (as at December 31, 2011); Burkina Faso, Liberia and Guinea (as at December 31, 2010 and 2009);
- In the Central Asia: Kazakhstan (as at December 31, 2010 and 2009);
- In North America: the USA.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

30. Financial instruments

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's Board of Directors oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Exposure to credit, liquidity, interest rate and currency risk arises in the normal course of the Group's business. The Steel Resources segment of the Group has not used derivative financial instruments to reduce exposure to fluctuations in foreign exchange rates and interest rates. The use in the Russian Steel and Severstal North America segments of derivatives to hedge their interest rates, commodity inputs and foreign exchange rate exposures were not material to these consolidated financial statements.

Management believes that the fair value of its financial assets and liabilities approximates their carrying amounts except for the following borrowings:

	December 31, 2011		
	Market value	Book value	Difference
Ruble bonds 2012	464,404	465,895	(1,491)
Ruble bonds 2013	476,471	465,895	10,576
Eurobonds 2013	581,503	543,552	37,951
Eurobonds 2014	399,578	375,000	24,578
Eurobonds 2016	468,240	500,000	(31,760)
Eurobonds 2017	943,910	1,000,000	(56,090)
Severstal Columbus bonds	547,313	525,000	22,313
	3,881,419	3,875,342	6,077

	December 31, 2010		
	Market value	Book value	Difference
Ruble bonds 2012	516,834	492,176	24,658
Ruble bonds 2013	514,160	492,176	21,984
Eurobonds 2013	605,044	543,552	61,492
Eurobonds 2014	418,361	375,000	43,361
Eurobonds 2017	988,125	1,000,000	(11,875)
Severstal Columbus bonds	561,425	525,000	36,425
	3,603,949	3,427,904	176,045

	December 31, 2009		
	Market value	Book value	Difference
Ruble bonds	518,331	495,963	22,368
Eurobonds 2013	1,265,663	1,250,000	15,663
Eurobonds 2014	377,858	375,000	2,858
	2,161,852	2,120,963	40,889

The above amounts exclude accrued interest.

The market value of the Group's Eurobonds was determined based on London Stock Exchange quotations. The market value of the Group's Ruble bonds was determined based on Moscow Interbank Currency Exchange.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position and guarantees (*Note 31e*). The Group has developed policies and procedures for the management of credit exposures, including the establishment of credit committees that actively monitors credit risk.

The maximum exposure to credit risk for financial instruments including accounts receivable from related parties was:

	December 31,		
	2011	**2010**	**2009**
Cash and cash equivalents	1,863,538	2,012,662	2,853,376
Loans and receivables	1,465,579	1,138,656	1,653,386
Held-to-maturity securities and deposits	6,913	28,052	125,351
Available-for-sale financial assets	32,363	155,477	89,345
Held-for-trading securities	4,093	18,350	25,505
Restricted financial assets	22,638	103,027	17,541
	3,395,124	3,456,224	4,764,504

The maximum exposure to credit risk for trade receivables including trade receivables from related parties by geographic region was:

	December 31,		
	2011	**2010**	**2009**
Russian Federation	549,392	432,626	404,500
North America	332,720	228,910	324,492
Europe	216,797	202,661	568,448
The Middle East	79,088	3,787	25,943
South-East Asia	32,129	26,457	9,245
China and Central Asia	24,625	35,973	99,159
Central and South America	18,352	6,121	16,065
Africa	35	37,311	28,062
	1,253,138	973,846	1,475,914

The maximum exposure to credit risk for trade receivables including trade receivables from related parties by type of customer was:

	December 31,		
	2011	**2010**	**2009**
Industrial consumers	751,943	757,760	1,253,325
Wholesale customers	412,155	122,215	159,040
Retail customers	18,219	59,769	39,956
Other customers	70,821	34,102	23,593
	1,253,138	973,846	1,475,914

The Group holds bank and other guarantees provided as collateral for financial assets. Amount of collateral held does not fully cover Group's exposure to credit risk.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

Impairment losses

The aging of trade receivables including trade receivables from related parties was:

	December 31,					
	2011		2010		2009	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
Not past due	1,116,018	(49,251)	887,212	(17,795)	1,178,117	(6,432)
Past due 0-30 days	118,613	(487)	55,913	(179)	143,154	(484)
Past due 31-90 days	39,223	(92)	18,566	(162)	55,568	(3,023)
Past due 91-180 days	10,605	(1,073)	12,410	(1,139)	89,670	(3,118)
Past due 181-365 days	10,799	(1,724)	25,479	(10,948)	30,394	(19,284)
More than one year	47,839	(37,332)	41,516	(37,027)	64,660	(53,308)
	1,343,097	(89,959)	1,041,096	(67,250)	1,561,563	(85,649)

The impairment allowance at December 31, 2011 included the impairment allowance in respect of trade receivables from related parties for the total amount of US$ 31.9 million (December 31, 2010: US$ 3.4 million; December 31, 2009: US$ 2.0 million).

At December 31, 2011 trade receivables included accounts in the amount of US$ nil (December 31, 2010: US$ nil; December 31, 2009: US$ 4.5 million) whose terms of settlements were renegotiated during 2011 (2010 and 2009, respectively). Management of the Group believes that receivables will be repaid in full, thus no impairment loss is recognized.

The movement in allowance for impairment in respect of trade receivables including trade receivables from related parties during the years was as follows:

	Year ended December 31,		
	2011	2010	2009
Opening balance	(67,250)	(85,649)	(101,364)
Impairment loss recognized	(58,445)	(64,920)	(36,333)
Impairment loss reversed	27,234	64,584	51,023
Reclassified to assets held for sale	6,474	16,288	-
Foreign exchange differences	2,028	2,447	1,025
Closing balance	(89,959)	(67,250)	(85,649)

The allowance account in respect of trade receivables including trade receivables from related parties is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

The allowance for doubtful debts contains primarily individually impaired trade receivables from debtors placed under liquidation or companies which are in breach of contract terms.

At December 31, 2011 the Group recognized an impairment allowance in respect of deposit in the amount of US$ nil (December 31, 2010: US$ 134.0 million; December 31, 2009: US$ nil) (*Note 6*).

Concentration of credit risk

2011

The Group has a concentration of cash and short-term bank deposits with AB Russia, OAO Bank VTB, OAO Metcombank and OAO Gazprombank that at December 31, 2011 represented US$ 373.8 million, US$ 335.7 million, US$ 259.0 million and US$ 326.5 million respectively.

2010

The Group has a concentration of cash and short-term bank deposits with AB Russia, OAO Bank VTB, OAO Sberbank Russia and OAO Metcombank that at December 31, 2010 represented US$ 322.8 million, US$ 393.5 million, US$ 300.0 million and US$ 168.2 million, respectively.

The Group has a concentration of available-for-sale financial assets with Detour Gold Corporation that at December 31, 2010 represented US$ 90.6 million.

2009

The Group has a concentration of cash and short-term bank deposits with AB Russia, OAO Bank VTB and OAO Metcombank that at December 31, 2009 represented US$ 365.2 million, US$ 454.7 million and US$ 306.9 million, respectively.

Liquidity risk

The Group manages liquidity risk with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due by preparing an annual budgets, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

December 31, 2011

	Carrying amount	Contractual cash flows	less than 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Debt finance	5,976,098	(7,265,954)	(1,457,545)	(1,769,545)	(2,336,373)	(1,702,491)
Lease liabilities	7,933	(7,933)	(5,880)	(238)	-	(1,815)
Trade and other payables	1,318,534	(1,322,204)	(1,289,456)	(10,024)	(22,724)	-
Derivative financial liabilities	38,180	(43,089)	(15,286)	(26,360)	(1,443)	-
	7,340,745	(8,639,180)	(2,768,167)	(1,806,167)	(2,360,540)	(1,704,306)

December 31, 2010

	Carrying amount	Contractual cash flows	less than 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Debt finance	6,146,477	(7,716,557)	(1,784,457)	(1,126,555)	(2,619,640)	(2,185,905)
Lease liabilities	10,859	(10,860)	(7,966)	(842)	(952)	(1,100)
Trade and other payables	1,025,190	(1,029,186)	(1,002,788)	(5,250)	(17,646)	(3,502)
Derivative financial liabilities	22,286	(28,445)	(9,377)	(4,642)	(14,426)	-
	7,204,812	(8,785,048)	(2,804,588)	(1,137,289)	(2,652,664)	(2,190,507)

December 31, 2009

	Carrying amount	Contractual cash flows	less than 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Debt finance	7,226,860	(8,886,216)	(1,862,856)	(1,567,264)	(5,291,367)	(164,729)
Lease liabilities	51,107	(58,882)	(13,375)	(17,474)	(19,142)	(8,891)
Trade and other payables	1,454,830	(1,454,830)	(1,435,411)	(18,635)	(741)	(43)
Derivative financial liabilities	48,956	(71,026)	(37,487)	(13,293)	(20,246)	-
	8,781,753	(10,470,954)	(3,349,129)	(1,616,666)	(5,331,496)	(173,663)

2011

At December 31, 2011, the Group has a concentration of bank financing with Deutsche Bank AG and European Bank for Reconstruction and Development of US$ 560.0 million and US$ 473.0 million, respectively.

2010

At December 31, 2010, the Group has a concentration of bank financing with Deutsche Bank AG and European Bank for Reconstruction and Development of US$ 880.0 million and US$ 618.4 million, respectively.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

2009

At December 31, 2009, the Group has a concentration of bank financing with Deutsche Bank AG and European Bank for Reconstruction and Development of US$ 1,201.2 million and US$ 803.8 million, respectively.

Currency risk

Currency risk arises when a Group entity enters into transactions and balances not denominated in its functional currency. The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	December 31, 2011					
	Euro	**USD**	**GBP**	**RUB**	**CAD**	**NOK**
Available-for-sale financial assets	-	14,349	-	-	-	-
Loans and receivables	824,868	1,738,321	24	53	49,406	1,833
Cash and cash equivalents	184,146	703,401	-	4,716	-	-
Restricted financial assets	1,001	-	-	-	-	-
Debt finance	(703,474)	(3,500,569)	-	(1,730)	(49,366)	-
Finance lease liabilities	(26)	-	-	-	-	-
Trade and other payables	(148,425)	(224,059)	(45)	(5)	-	-
Derivative financial liabilities	-	(12,048)	-	-	-	-
Net exposure	158,090	(1,280,605)	(21)	3,034	40	1,833

	December 31, 2010								
	Euro	**USD**	**GBP**	**RUB**	**CHF**	**CAD**	**KZT**	**NOK**	**Other**
Available-for-sale financial assets	-	15,582	6,920	-	-	-	-	-	-
Held-to-maturity securities and deposits	-	-	-	-	-	690	-	-	-
Loans and receivables	1,332,624	1,527,205	18,736	33,520	-	67,322	54,501	-	310
Cash and cash equivalents	210,260	944,596	596	22	3,311	-	-	-	2,686
Restricted financial assets	14,082	29,337	-	-	-	-	-	-	-
Debt finance	(853,446)	(3,680,171)	(3,435)	(660)	-	(120,504)	-	(83,169)	(383)
Finance lease liabilities	(236)	(662)	-	-	-	-	-	-	-
Trade and other payables	(192,984)	(94,896)	(175)	(981)	(52)	(10)	-	-	-
Derivative financial liabilities	-	(14,039)	-	-	-	-	-	-	-
Net exposure	510,300	(1,273,048)	22,642	31,901	3,259	(52,502)	54,501	(83,169)	2,613

(Amounts expressed in thousands of US dollars, except as otherwise stated)

	December 31, 2009							
	Euro	**USD**	**GBP**	**RUB**	**CHF**	**CAD**	**KZT**	**Other**
Available-for-sale financial assets	22	-	-	-	-	-	-	-
Held-to-maturity securities and deposits	57,898	9,356	-	-	-	-	-	-
Loans and receivables	274,262	1,380,710	1,926	67,122	2,858	65,516	59,010	4,238
Cash and cash equivalents	325,831	519,778	1,170	-	4,083	-	-	259
Debt finance	(1,036,645)	(3,923,995)	-	(18,304)	-	(101,002)	-	-
Finance lease liabilities	(774)	(2,185)	-	-	-	-	-	-
Trade and other payables	(214,471)	(88,978)	(562)	(24,876)	(140)	(319)	-	(326)
Derivative financial liabilities	-	(39,949)	-	-	-	-	-	-
Net exposure	(593,877)	(2,145,263)	2,534	23,942	6,801	(35,805)	59,010	4,171

Sensitivity analysis

A 10 percent strengthening of the following currencies against the functional currency at December 31, 2011 would have increased/(decreased) profit and equity by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant and no translation difference into the presentation currency is included. The analysis is performed on the same basis for 2010 and 2009.

	Year ended December 31,		
	2011	**2010**	**2009**
Net profit			
Euro	12,724	40,241	(47,509)
USD	(100,897)	(98,234)	(170,415)
GBP	(2)	1,684	203
CHF	-	294	544
CAD	3	(3,923)	(3,625)
RUB	212	2,690	2,890
KZT	-	4,103	3,629
NOK	128	(5,988)	-
Other	-	209	385

A 10 percent weakening of these currencies against the functional currency at December 31, 2011 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rates on the Group’s debt finance are either fixed or variable, at a fixed spread over LIBOR or EURIBOR for the duration of each contract. Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group’s exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favorable to the Group over the expected period until maturity.

(Amounts expressed in thousands of US dollars, except as otherwise stated)

The Group's interest-bearing financial instruments at variable rates were:

	December 31,		
	2011	**2010**	**2009**
Variable rate instruments			
Financial assets	21,091	31,386	539,818
Financial liabilities	(1,942,638)	(2,279,275)	(4,280,828)
	(1,921,547)	(2,247,889)	(3,741,010)

Other Group's interest-bearing financial instruments are at fixed rate.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased/(decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010 and 2009.

	Net profit	
	100 bp increase	**100 bp decrease**
December 31, 2011		
Financial assets	28	(28)
Financial liabilities	(14,304)	14,304
Cash flow sensitivity (net)	(14,276)	14,276
December 31, 2010		
Financial assets	251	(251)
Financial liabilities	(18,234)	18,234
Cash flow sensitivity (net)	(17,983)	17,983
December 31, 2009		
Financial assets	4,319	(4,319)
Financial liabilities	(34,249)	34,249
Cash flow sensitivity (net)	(29,930)	29,930

(Amounts expressed in thousands of US dollars, except as otherwise stated)

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, except financial instruments measured at amortized cost, by valuation method. The levels in the fair value hierarchy into which the fair value measurements are categorized were disclosed in accordance with IFRS.

	Level 1	Level 2	Level 3	Total
Balance at 31 December 2011	8,098	(34,196)	24,374	(1,724)
Available-for-sale financial assets	8,098	-	24,265	32,363
Held-for-trading securities	-	3,984	109	4,093
Derivative financial liabilities	-	(38,180)	-	(38,180)
Balance at 31 December 2010	120,863	(4,051)	34,729	151,541
Available-for-sale financial assets	120,748	-	34,729	155,477
Held-for-trading securities	115	18,235	-	18,350
Derivative financial liabilities	-	(22,286)	-	(22,286)
Balance at 31 December 2009	69,309	(15,012)	11,597	65,894
Available-for-sale financial assets	69,309	8,439	11,597	89,345
Held-for-trading securities	-	25,505	-	25,505
Derivative financial liabilities	-	(48,956)	-	(48,956)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	Available-for-sale financial assets	Held-for-trading securities
Balance at 31 December 2011	24,265	109
Gains recognized in other comprehensive income	276	-
Purchases of financial instruments	-	109
Sales of financial instruments	(3,417)	-
Issues of financial instruments	415	-
Transfers out of Level 3	(6,942)	-
Other movements	(796)	-
Balance at 31 December 2010	34,729	-
Losses recognized in other comprehensive income	(580)	-
Purchases of financial instruments	23,712	-
Balance at 31 December 2009	11,597	-
Purchases of financial instruments	6,567	-
Sales of financial instruments	(4,277)	-
Other movements	(3,295)	-
Balance at 31 December 2008	12,602	-

31. Commitments and contingencies

a. For litigation, tax and other liabilities

The taxation system and regulatory environment of the Russian Federation, Kazakhstan, Burkina Faso and Guinea are relatively new and characterized by numerous taxes and frequently changing legislation, which is often unclear, contradictory and subject to varying interpretations between the differing regulatory authorities and jurisdictions, who are empowered to impose significant fines, penalties and interest charges. Events during recent years suggest that the regulatory authorities within these countries are adopting a more assertive stance regarding the interpretation and enforcement of legislation. This situation creates substantial tax and regulatory risks. Management believes that it has complied in all material respects with all relevant legislation.

At the reporting date, the actual and potential contingent claims for taxes, fines and penalties made by the Russian, Kazakhstan, Burkina Faso and Guinea tax authorities to certain Group's entities amounted approximately US$ 17.7 million (December 31, 2010: US$ 113.6 million, December 31, 2009: US$ 6.3 million). Management does not agree with the tax authorities' claims and believes that the Group has complied with existing legislation in all material respects. Management is unable to assess the ultimate outcome of the claims and the outflow of financial sources to settle such claims, if any. Management believes that it has made adequate provisions for other probable tax claims.

b. Long-term purchase and sales contracts

In the normal course of business group companies enter into long-term purchase contracts for raw materials, and long-term sales contracts. These contracts allow for periodic adjustments in prices dependent on prevailing market conditions.

c. Capital commitments

At the reporting date the Group had contractual capital commitments of US$ 1,085.9 million (December 31, 2010: US$ 1,546.6 million; December 31, 2009: US$ 1,142.0 million).

d. Insurance

The Group has insured its property and equipment to compensate for expenses arising from accidents. In addition, the Group has insurance for business interruption on a basis of reimbursement of certain fixed costs. The Group has also insured third party liability in respect of property or environmental damage. However, the Group does not have full insurance coverage.

e. Guarantees

At the reporting date the Group had US$ 88.2 million (December 31, 2010: US$ 38.2 million; December 31, 2009: US$ 43.5 million) of guarantees issued, including guarantees issued for related parties of US$ 74.9 million (December 31, 2010: US$ 10.0 million; December 31, 2009: US$ 26.8 million).

32. Subsequent events

In January 2012, the Group acquired an additional 15.8% stake in AS Severstallat for a total consideration of EUR 6.0 million (US$ 7.8 million at the transaction date exchange rate), increasing its ownership interest up to 100%.

In January 2012, the Group sold its 21.7% stake in Intex for a total consideration of US$ 20.0 million.

In March 2012, the Group completed the separation of the Gold segment by exchange of 100% shares of Nord Gold N.V., the segment's holding company, for OAO Severstal shares and GDRs resulting in the increase of the Group's treasury stock by 192,900,120 shares.

In April 2012, the Group acquired an additional 38.5% stake in Severstal Liberia Iron Ore Ltd for a total consideration of US$ 127.9 million, of which US$ 62.9 million are payable during the next three years, increasing its ownership interest up to 100%.

In April 2012, the Extraordinary Meeting of Shareholders approved the reduction of the Parent Company's share capital by buy-back and cancellation of its shares of up to 170,000,000 shares.