IMPORTANT NOTICE

THE PROSPECTUS (THE "**PROSPECTUS**") FOLLOWING THIS PAGE MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (''**QIBs**'') WITHIN THE MEANING OF RULE 144A (''**RULE 144A**'') UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE ''**SECURITIES ACT**''), OR (2) NON-U.S. PERSONS OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S (''**REGULATION S"**) UNDER THE SECURITIES ACT.

IMPORTANT: You must read the following before continuing. The following applies to the Prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of this document. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

RESTRICTIONS: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE NOTES IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY NOTE TO BE ISSUED HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

WITHIN THE UNITED KINGDOM, THE PROSPECTUS IS DIRECTED ONLY AT (1) PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "**ORDER**") OR (B) WHO ARE PERSONS FALLING WITHIN ARTICLE 49(2)(a) TO (d) OF THE ORDER OR (C) TO WHOM IT MAY OTHERWISE LAWFULLY BE DISTRIBUTED IN ACCORDANCE WITH THE ORDER ("**RELEVANT PERSONS**"). THE PROSPECTUS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS IN THE UNITED KINGDOM WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY IN THE UNITED KINGDOM TO WHICH THE PROSPECTUS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. FOR A MORE COMPLETE DESCRIPTION OF RESTRICTIONS ON OFFERS AND SALES, SEE "*SUBSCRIPTION AND SALE*" IN THE PROSPECTUS.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE

GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Confirmation of your Representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the Notes described herein, (1) each prospective investor in respect of the Notes being offered within the United States must be a QIB, (2) each prospective investor in respect of the Notes being offered outside the United States in an offshore transaction pursuant to Regulation S must be a person other than a U.S. Person (as defined in Regulation S) and (3) each prospective investor in respect of the Notes being offered in the United Kingdom must be a Relevant Person. By accepting this e-mail and accessing, reading or making any other use of the attached document, you shall be deemed to have represented to the Joint Lead Managers and Bookrunners (as defined herein), and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**") that (1) you have understood and agree to the terms set out herein, (2) you are (or the person you represent is): (i) a QIB or (ii) a person other than a U.S. Person, and that the electronic mail (or e-mail) address to which, pursuant to your request, the Prospectus has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, (3) in respect of the Notes being offered in the United Kingdom, you are (or the person you represent is) a Relevant Person, (4) you consent to delivery by electronic transmission, (5) you will not transmit the Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Joint Lead Managers and Bookrunners and the Issuer, and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase of any of the Notes.

Prospective purchasers that are QIBs are hereby notified that the seller of the securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any jurisdiction or place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers and Bookrunners or any affiliate of the Joint Lead Managers and Bookrunners is a licensed broker or dealer in that jurisdiction, any offering of Notes shall be deemed to be made by the Joint Lead Managers and Bookrunners or such affiliate on behalf of the Issuer in such jurisdiction.

This Prospectus does not constitute an advertisement or an offer of or an invitation to make offers, sell, purchase, exchange or transfer the Notes in the Russian Federation or for the benefit of any Russian person. This Prospectus and any information contained therein are not intended to be and must not be distributed or otherwise made publicly available in the Russian Federation except as may be permitted by Russian law. The Notes are securities of a foreign issuer under Russian law, will not be registered or admitted to placement and/or public circulation in Russia and will not be eligible for "advertisement", "offering", "placement" and "circulation" unless and to the extent otherwise permitted under Russian law.

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of any securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently

neither the Joint Lead Managers and Bookrunners nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers and Bookrunners.

EVRAZ GROUP S.A.

U.S.$750,000,000 5.375% NOTES DUE 2023

Issue price of the Notes: 100%

Evraz Group S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg having its registered office at 13, avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, registered with the Register of Trade and Companies under number B105615 (the "**Issuer**" and, together with its consolidated subsidiaries, "**Evraz**"), is issuing an aggregate principal amount of U.S.$750,000,000 5.375% Notes due 2023 (the "**Notes**") (the "**Offering**"). The Notes will be constituted by, and have the benefit of, a trust deed dated on or about 20 March 2017 (the "**Trust Deed**"), between the Issuer and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**").

Except as set forth herein, payments in respect of the Notes will be made without any deduction or withholding for or on account of taxes of any Relevant Jurisdiction.

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on 20 March 2023. All, but not some only, of the Notes are subject to redemption at their principal amount (together with interest accrued to but excluding the redemption date) at the option of the Issuer at any time in the event of certain changes affecting taxation in any Relevant Jurisdiction (as defined in Condition 8 of the Notes (*Taxation*)). The Issuer may also redeem the Notes, in whole or in part, at any time on at least 30 days' notice but not more than 60 days' notice to Noteholders at their principal amount plus the Applicable Premium (as defined in Condition 19 of the Notes (*Definitions*)), together with accrued interest to the redemption date (see Condition 7.3 of the Notes (*Redemption at Make-Whole*)).

Interest on the Notes is payable semi-annually in arrear on 20 March and 20 September of each year, as described in Condition 5 of the Notes (*Interest*). The Notes will bear interest from, and including, 20 March 2017 at a rate of 5.375% per annum. The issue price of the Notes is 100% of their principal amount, and the issue date of the Notes is 20 March 2017 (the "**Issue Date**").

INVESTING IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "*RISK FACTORS*" BEGINNING ON PAGE 27.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes are being offered and sold outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only to (i) qualified institutional buyers ("**QIBs**") (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) in reliance on the exemption from registration under the Securities Act provided by Rule 144A (the "**Rule 144A Notes**") and (ii) in offshore transactions to non-U.S. persons in reliance on Regulation S (the "**Regulation S Notes**"). Prospective purchasers of the Rule 144A Notes are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions, see "*Subscription and Sale*".

This prospectus (the "**Prospectus**") has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Directive 2003/71/EC, as amended (the "**Prospectus Directive**"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the The Irish Stock Exchange plc (the "**Irish Stock Exchange**") for the Notes to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**"). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area. This Prospectus comprises a Prospectus for purposes of the Prospectus Directive. The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

The Notes are expected to be rated B1 by Moody's Investors Service Ltd. ("**Moody's**") and B+ by Standard & Poor's Credit Markets Services Europe Limited ("**Standard & Poor's**"). The Issuer has been rated BB- (negative) by Fitch Ratings Limited ("**Fitch**"), Ba3 (negative) by Moody's and BB- (stable) by Standard & Poor's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**") unless the rating is provided by a credit rating agency operating in the European Community before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused. Each of Fitch, Moody's and Standard & Poor's is a credit rating agency established and operating in the European Community prior to 7 June 2010 and registered under the CRA Regulation.

The Notes will be offered and sold in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. The Regulation S Notes will be represented by interests in an unrestricted global certificate (the "**Regulation S Global Note Certificate**") without interest coupons, which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), on the Issue Date. Beneficial interests in the Regulation S Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg. The Rule 144A Notes will be represented by one or more restricted note certificates (the "**Rule 144A Global Note Certificate**") (the Regulation S Global Note Certificate and the Rule 144A Global Note Certificate, together the "**Global Note Certificates**") each without interest coupons, which will be deposited with a custodian for, and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**") on the Issue Date. Beneficial interests in the Rule 144A Global Note Certificate will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. See "*Summary of Provisions relating to the Notes while in Global Form*". Individual, definitive note certificates in registered form ("**Individual Certificates**") will only be available in certain limited circumstances as described herein. No Individual Certificate will be available in bearer form.

The net proceeds from the offering of the Notes will be used to finance the purchase of the Existing Notes (as defined herein) pursuant to the Tender Offers (as defined herein) launched by the Issuer on 2 March 2017, pursuant to a tender offer memorandum of the same date, expected to be settled on or about (i) 15 March 2017 in respect of the 2018 Existing Notes (as defined herein) and (ii) 21 March 2017 in respect of the 2020 Existing Notes (as defined herein).

Joint Lead Managers and Bookrunners

Citigroup **Deutsche Bank** **Bank GPB International S.A.** **J.P. Morgan** **VTB Capital**

The date of this Prospectus is 16 March 2017.

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

This document (the "**Prospectus**") comprises a prospectus for the purposes of the Prospectus Directive for the purpose of giving information with respect to the Issuer, Evraz and the Notes and which, according to the particular nature of the Issuer, Evraz and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and Evraz. The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

THE NOTES ARE OF A SPECIALIST NATURE AND SHOULD ONLY BE BOUGHT AND TRADED BY INVESTORS WHO ARE PARTICULARLY KNOWLEDGEABLE IN INVESTMENT MATTERS. AN INVESTMENT IN THE NOTES IS SPECULATIVE, INVOLVES A HIGH DEGREE OF RISK AND MAY RESULT IN THE LOSS OF ALL OR PART OF THE INVESTMENT.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of the relevant financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Issuer confirms that: (i) this Prospectus contains all information with respect to Evraz and the Notes that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this Prospectus relating to Evraz are in every material respect true and accurate and not misleading; (iii) the opinions, expectations and intentions expressed in this Prospectus with regard to Evraz are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to Evraz or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Prospectus misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer or Bank GPB International S.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc and VTB Capital plc (the "**Joint Lead Managers and Bookrunners**") or the Trustee to subscribe for or purchase any Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Joint Lead Managers and Bookrunners and the Trustee to inform themselves about

and to observe any such restrictions. For a description of certain further restrictions on offers, sales and deliveries of Notes and distribution of this Prospectus and other offering material, see "*Subscription and Sale*".

No person is authorised to provide any information or to make any representation not contained in this Prospectus, and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Trustee or the Joint Lead Managers and Bookrunners. None of Evraz's websites or any other websites referred to herein forms any part of the contents of this Prospectus.

Neither the delivery of this Prospectus nor any offering, sale or delivery of any Note made in connection herewith shall, under any circumstances, create any implication that the information contained herein is correct as at any time subsequent to its date nor does it imply that there has been no change in the affairs of Evraz since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of Evraz since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

None of the Issuer, the Trustee, the Joint Lead Managers and Bookrunners or any of their respective representatives makes any representation to any offeree or purchaser of the Notes offered hereby, regarding the legality of an investment by such offeree or purchaser under applicable legal, investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of the purchase of the Notes.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess this Prospectus. Any consents or approvals that are needed in order to purchase any Notes must be obtained. The Issuer, the Joint Lead Managers and Bookrunners are not responsible for compliance with these legal requirements. No representation or warranty is made as to whether or the extent to which the Notes constitute a legal investment for investors whose investment authority is subject to legal restrictions, and investors should consult their legal advisers regarding such matters.

In connection with the issue of the Notes, J.P. Morgan Securities plc (the "**Stabilising Manager**") (or any person acting on behalf of it) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if commenced, may be discontinued at any time and must be brought to an end no later than the earlier of 30 calendar days after the issue date of the Notes and 60 calendar days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any person acting on behalf of it) in accordance with all applicable laws and rules.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE JOINT LEAD MANAGERS AND BOOKRUNNERS OR ANY OF THEIR AFFILIATES OR ANY PERSON ACTING ON THEIR BEHALF AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS DOCUMENT, AND NOTHING CONTAINED IN THIS DOCUMENT IS, OR SHALL BE RELIED UPON AS, A PROMISE OR REPRESENTATION, WHETHER AS TO THE PAST OR THE FUTURE. NONE OF THE JOINT LEAD MANAGERS AND BOOKRUNNERS OR ANY OF THEIR AFFILIATES OR ANY PERSON ACTING ON THEIR BEHALF ASSUMES ANY RESPONSIBILITY FOR

THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS PROSPECTUS. EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT SUCH PERSON HAS NOT RELIED ON THE JOINT LEAD MANAGERS AND BOOKRUNNERS OR ANY OF THEIR AFFILIATES OR ANY PERSON ACTING ON THEIR BEHALF IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION OR ITS INVESTMENT DECISION. EACH PERSON CONTEMPLATING MAKING AN INVESTMENT IN THE NOTES MUST MAKE ITS OWN INVESTIGATION AND ANALYSIS OF THE CREDITWORTHINESS OF THE ISSUER AND EVRAZ AND ITS OWN DETERMINATION OF THE SUITABILITY OF ANY SUCH INVESTMENT WITH PARTICULAR REFERENCE TO ITS OWN INVESTMENT OBJECTIVES AND EXPERIENCE AND ANY OTHER FACTORS WHICH MAY BE RELEVANT TO IT IN CONNECTION WITH SUCH INVESTMENT.

NOTICE TO U.S. INVESTORS

This Offering is being made in the United States in reliance upon an exemption from registration under the Securities Act for an offer and sale of the Notes which does not involve a public offering. In making your purchase, you will be deemed to have made certain acknowledgements, representations, warranties and agreements that are described in this Prospectus.

This Prospectus is being provided (1) to a limited number of United States investors that the Issuer reasonably believes to be ‘‘qualified institutional buyers’’ under Rule 144A for informational use solely in connection with their consideration of the purchase of the Notes and (2) to investors outside the United States who are not U.S. persons in connection with offshore transactions complying with Rule 903 or Rule 904 of Regulation S. Prospective investors are hereby notified that the sellers may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

The Notes described in this Prospectus have not been registered with, recommended by or approved by, the United States Securities and Exchange Commission (the “**SEC**”), any state securities commission in the United States or any other securities commission or regulatory authority, nor has the SEC, any state securities commission in the United States or any such securities commission or authority passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence.

NOTICE TO UNITED KINGDOM RESIDENTS

This Prospectus is only being distributed to and is only directed at: (i) persons who are outside the United Kingdom; (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”); (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order; and (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”) in connection with the issue or sale of any securities of the Issuer may otherwise lawfully be communicated or be caused to be communicated (all such persons together being referred to as “**Relevant Persons**”). Any investment or investment activity to which this Prospectus relates is only available to, and the Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, Relevant Persons. Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents, and should return this Prospectus as soon as possible and take no other action. By accepting receipt of this Prospectus, each recipient is deemed to confirm, represent and warrant to the Issuer, each Joint Lead Manager and Bookrunner that it is a person to whom this Prospectus can be lawfully distributed.

NOTICE TO RUSSIAN FEDERATION INVESTORS

Neither this Prospectus nor the information contained herein is an offer, or an invitation to make offers, to sell, exchange or otherwise transfer securities in the Russian Federation to or for the benefit of any Russian person or entity, and it does not constitute an advertisement or offering of securities in the Russian Federation within the meaning of Russian securities laws. Information contained in this Prospectus is not intended for any persons in the Russian Federation who are not "qualified investors" within the meaning of Article 51.2 of the Federal Law No. 39-FZ "On the Securities Market" dated 22 April 1996, as amended (the "**Russian QIs**"), and must not be distributed or circulated into Russia or made available in Russia to any persons who are not Russian QIs, unless and to the extent they are otherwise permitted to access such information under Russian law. The Notes have not been and will not be registered in Russia and are not intended for "placement" or "public circulation" in Russia (each as defined in Russian securities laws) unless and to the extent otherwise permitted under Russian law. No person should at any time carry out any activities in breach of the restrictions set out in "*Subscription and Sale—Russian Federation*".

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Principal Paying Agent (as defined below) for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Principal Paying Agent, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are not historical facts but constitute "*forward-looking statements*" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act which relate to, without limitation, any of Evraz's plans, financial position, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. Forward-looking statements made by Evraz from time to time may contain words such as "aims", "anticipates", "believes", "continue", "could", "estimates", "expects", "forecast", "guidance", "intends", "may", "plans", "potential", "predict", "project", "targets", "will", "would" and any similar expressions to identify forward-looking statements. These forward-looking statements are contained under the headings "*Summary*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Business*" and elsewhere in this Prospectus, or may be made by Evraz and not included in this Prospectus and include projections or expectations of revenues, income, loss, earnings per share, dividends, capital structure or financial items or ratios, among others.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Prospective investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to:

- worldwide economic conditions, inflation and deflation, monetary conditions and policies of central banks, interest rates, exchange rates and financial market conditions generally;
- the effects of economic conditions in Russia, including GDP growth, increases or decreases in inflation or changes to interest rates or foreign exchange rates;
- the effects of, and changes in, the policy of a government;
- the effects of domestic Russian and international political events on Evraz's business;
- the volatility of prices of steel, iron ore and coal;
- the impact of regulatory initiatives including labour laws, taxation, health and safety regulations and environmental laws adopted by various national and international bodies and governmental agencies, among others;
- competition from other producers of steel, iron ore and coal;
- availability of funding in domestic and international capital markets affecting Evraz's ability to raise sufficient capital;
- Evraz's ability to operate its business and carry out its current and future capital expenditure plans and other obligations;
- Evraz's ability to adjust its prices to reflect raw material prices and tariffs on gas and rail transport set by government agencies to reflect changing market conditions;
- acts of war, terrorist acts, geopolitical events, pandemic or other such events, natural and other disasters, adverse weather and similar events; and
- Evraz's success at managing the risks of the aforementioned factors.

Forward-looking statements also appear herein in relation to estimates of Evraz's reserves and resources and those of certain of its affiliates, which have been derived from reports by the IMC Group Consulting Ltd. or are attributable to the Federal Agency for Mineral Resources or otherwise. These estimates reflect a number of assumptions, including future global and domestic pricing for iron ore and coal, expected taxation levels, the application of Russian law and regulations consistent with Evraz's expectations and compliance with certain licence obligations. See "*Risk Factors – Risks Relating to Evraz's Business and Industry — Estimates of Evraz's mining reserves are subject to uncertainties*". Evraz may not pursue its development plans in their current form and there can be no assurance that the results and events contemplated by the forward-looking statements contained in this Prospectus will, in fact, occur. Prospective investors should specifically consider the factors identified in this Prospectus which could cause actual results to differ before making an investment decision.

Additional factors that could cause actual results, performances or achievements to differ materially include, but are not limited to, those discussed under the heading "*Risk Factors*". The forward-looking statements made by Evraz are only such as of the date of this Prospectus and, except as required by applicable law, rule or regulation, Evraz expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements in this Prospectus to reflect any change in its expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. The above list of important factors is not exhaustive. When relying on forward-looking statements, prospective investors should carefully consider the aforementioned factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which Evraz operates. Such forward-looking statements speak only as at the date on which they are made and are not subject to any continuing obligations under any guidelines issued by the Irish Stock Exchange. Evraz does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Accordingly, prospective purchasers of the Notes should not place undue reliance on these forward-looking statements.

ENFORCEABILITY OF JUDGMENTS

The Issuer is a corporation organised under the laws of Luxembourg. All of its officers reside outside the United States and the United Kingdom. In addition, the majority of the Issuer's assets and the majority of the assets of its directors and officers are located outside the United States and the United Kingdom. As a result, prospective investors may have difficulties effecting service of process in the United States and the United Kingdom upon the Issuer or its directors and officers or to enforce in the United States or the United Kingdom courts or outside the United States judgments obtained against them in United States or the United Kingdom courts or in courts outside the United States, including judgments predicated upon the civil liability provisions of the United States federal securities laws or the securities laws of any state or territory within the United States. There is also doubt as to the enforceability in England and Wales, whether by original actions or by seeking to enforce judgments of United States courts, of claims based on the federal securities laws of the United States.

The Notes and any non-contractual obligations arising out of or in connection with them are governed by English law. Additionally, actions in respect of the Notes may be brought in the English courts.

Further, the majority of Evraz's assets are located in Russia. Judgments rendered by a court in any jurisdiction outside Russia will generally be recognised by courts in Russia only if: (i) an international treaty exists between Russia and the country where the judgment was rendered providing for the recognition of judgments in civil cases; and/or (ii) a federal law of Russia providing for the recognition and enforcement of foreign court judgments is adopted. No such federal law has been passed, and no such treaty exists, between Russia, on the one hand, and the United States or the United Kingdom, on the other hand. Evraz is aware of at least one instance in which Russian courts have recognised and enforced an English court judgment on the basis of a combination of the principle of reciprocity and the existence of a number of bilateral and multilateral treaties to which both the United Kingdom and Russia are parties. However, in the absence of established court practice, it is difficult to predict whether a Russian court will be inclined in any particular instance to recognise and enforce foreign court judgments (including a judgment of an English court) on these grounds. Furthermore, Russian courts have limited experience in the enforcement of foreign court judgments.

In Luxembourg, the enforcement of judgments obtained outside of Luxembourg is conditional upon obtaining an enforcement order in Luxembourg pursuant to Regulation (EC) 1215/2012 or Regulation (EC) 805/2004 or exequatur proceeding pursuant to the Luxembourg New Code of Civil Procedure, as the case may be. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Luxembourg.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Market and Other Statistical Data

Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced, and as far as the Issuer is aware and is able to ascertain from the information published by the aforementioned sources, no facts have been omitted which would render the reproduced information, data and statistics inaccurate or misleading.

Where information in this Prospectus is based on Evraz's own information or estimates, this information has been identified as such.

Market data used in this Prospectus, as well as certain statistics, including statistics in respect of product sales, volumes of third parties and market share, have been extracted from official and industry sources and other third-party sources that the Issuer believes to be reliable, such as the Central Bank of the Russian Federation (the "**CBR**"), the International Monetary Fund (the "**IMF**"), Worldsteel, Metal Expert, the U.S. Geological Survey, the Russian State Mineral Resources Agency ("**Rosnedra**") and the Russian Federal State Statistics Service ("**Rosstat**"), among others.

Reserves and Resources Data

The reserve and resources data for Evraz included in this Prospectus has been extracted from (i) a report by the IMC Group Consulting Ltd. ("**IMC**") dated 30 June 2013 (the **2013 Reserves Report**") or from Evraz's annual internal reporting as of 31 December 2016 (the "**Internal Reserves Data**"). Evraz has calculated the Internal Reserves Data by adjusting the data from the 2013 Reserves Report for (i) mineral extraction that has occurred in the intervening period since the 2013 Reserves Report was published and (ii) known, observable changes to the factors effecting the economic model set out in the 2013 Reserves Report. These new figures are taken as inputs to the models used for the 2013 Reserves Report data and then recalculated.

In each case, reserves and resources data set out herein is identified as having been extracted from the 2013 Reserves Report or being part of the Internal Reserves Data.

Presentation of Financial Information

The consolidated financial information of Evraz included in this Prospectus:

- as of and for the year ended 31 December 2016 has, unless otherwise indicated, been derived from the audited consolidated financial statements of Evraz as of and for the year ended 31 December 2016 (the "**2016 Consolidated Financial Statements**");
- as of and for the year ended 31 December 2015 has, unless otherwise indicated, been derived from the audited consolidated financial statements of Evraz as of and for the year ended 31 December 2015 (the "**2015 Consolidated Financial Statements**"); and
- as of and for the year ended 31 December 2014 has, unless otherwise indicated, been derived from the audited consolidated financial statements of Evraz as of and for the year ended 31 December 2014 (the "**2014 Consolidated Financial Statements**" and, together with the 2015 Consolidated Financial Statements and 2016 Consolidated Financial Statements, the "**Audited Consolidated Financial Statements**").

The Audited Consolidated Financial Statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**") and were audited in accordance with International Standards on Auditing as adopted for Luxembourg by the European Union.

The Audited Consolidated Financial Statements, together with the related independent auditor's reports, are set out in the Appendix to this Prospectus beginning on page F-2 of this Prospectus.

Restatement of the 2014 Consolidated Financial Statements

EVRAZ plc, Evraz's parent entity, transferred an additional 41% indirect equity interest in Raspadskaya in October 2015 and a 60.016% interest in Actionfield Limited, the company which owns and operates the Mezhegey coal field project ("**Mezhegeyugol**"), to Evraz in April 2016. Both transfers are reflected in the 2016 Consolidated Financial Statements. Furthermore, the financial information as of and for the year ended 31 December 2014 included in the 2016 Consolidated Financial Statements has been restated to reflect the adjustments relating to the Raspadskaya acquisition and has been restated to also reflect, among other things, the adjustments relating to the Mezhegeyugol acquisition. See Note 2 to the 2016 Consolidated Financial Statements for more information. Additionally, the financial information as of and for the year ended 31 December 2014 included in the 2015 Consolidated Financial Statements has been restated to reflect the adjustments relating to the Raspadskaya acquisition. See Note 2 to the 2015 Consolidated Financial Statements for more information.

The financial information as of and for the year ended 31 December 2014 included in this Prospectus are the restated amounts and so have been extracted or derived from the 2016 Consolidated Financial Statements. As a result, the financial information as of and for the year ended 31 December 2014 presented herein will conform to the financial information as of and for the year ended 31 December 2014 in the 2016 Consolidated Financial Statements, but will not, where restated, conform in all respects to the 2014 Consolidated Financial Statements or the financial information as of and for the year ended 31 December 2014 included in the 2015 Consolidated Financial Statements.

Restatement of the 2015 Consolidated Financial Statements

The financial information as of and for the year ended 31 December 2015 included in the 2016 Consolidated Financial Statements has been restated to reflect, among other things, the adjustments relating to the Mezhegeyugol acquisition which occurred in April 2016. See Note 2 to the 2016 Consolidated Financial Statements for more information.

The financial information as of and for the year ended 31 December 2015 included in this Prospectus are the restated amounts and so have been extracted or derived from the 2016 Consolidated Financial Statements. As a result, the financial information as of and for the year ended 31 December 2015 presented herein will conform to the financial information as of and for the year ended 31 December 2015 in the 2016 Consolidated Financial Statements, but will not, where restated, conform in all respects to the 2015 Consolidated Financial Statements.

Presentation of Non-IFRS Measures or Alternative Performance Measures

In this Prospectus, Evraz uses in the analysis of its business, financial position and results of operations the following metrics, which it considers constitute Alternative Performance Measures as defined in the European Securities and Markets Authority Guidelines ("**ESMA Guidelines**"):

- EBITDA;
- Liquidity;
- Current ratio;

- Net debt;
- Total debt; and
- Amounts available under credit facilities (collectively, the "**APMs**").

The APMs are presented as supplemental measures of Evraz's operating performance that Evraz believes are regularly used by security analysts, rating agencies, investors and other parties to evaluate a company's performance in the industries in which Evraz operates. All such supplemental measures have important limitations as analytical tools and investors should not consider any one of them in isolation, or any combination of them together, as substitutes for analysis of Evraz's operating results as reported under IFRS.

For example, some of the limitations of EBITDA are as follows:

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

Net debt is not a balance sheet measure under IFRS and should not be considered as an alternative to other measures of financial position. Evraz uses net debt to provide an assessment of its overall indebtedness, because it is a commonly used measure in the investment analyst community. However, the use of net debt effectively assumes that total borrowings can be reduced by cash. It is unlikely that Evraz would use all available cash to reduce total borrowings all at once, as cash must also be available to pay employees, suppliers and taxes, and to meet other operating needs and capital expenditure requirements.

Other companies in the industries in which Evraz operates may calculate the APMs differently or may use each of them for different purposes than the Group, limiting their usefulness as comparative measures.

The Group relies primarily on its operating results as reported under IFRS and uses the APMs only as supplemental measures. See the Audited Consolidated Financial Statements included elsewhere in this Prospectus. The APMs are not defined by, or presented in accordance with, IFRS. The APMs are not measurements of Evraz's operating performance under IFRS and should not be considered as alternatives to net profit, cash flows from operating activities or any other measures of performance under IFRS or as measures of Evraz's liquidity. In particular, EBITDA should not be considered as a measure of discretionary cash available to Evraz to invest in the growth of its business.

Currencies

In this Prospectus, all references to the "**Canadian dollar**" and "**CAD**" are to the lawful currency of Canada; all references to "**CZK**" and "**Czech Koruna**" are to the lawful currency of the Czech Republic; all references to the "**€**", "**EUR**" and "**Euro**" are to the lawful currency of the participating member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended; all references to the "**Rand**", "**rand**" and "**ZAR**" are to the lawful currency of South Africa; all references to "**RUB**" and "**Rouble**" are to the lawful currency of the Russian Federation ("**Russia**"); all references to "**Ukrainian Hryvnia**" or "**UAH**" are to the lawful currency

of Ukraine; and all references to "**U.S.$**", "**U.S. dollar**" and "**dollar**" are to the lawful currency of the United States of America.

Exchange Rate Information

Evraz's functional currency varies, depending on the subsidiary (Czech Koruna, Canadian dollar, Rand, Rouble, Ukrainian Hryvnia, Euro and U.S. dollar). The currency in which its direct costs and other costs are denominated likewise depends on the subsidiary. However, financial statements are reported in U.S. dollars. As a result, fluctuations in the value of these currencies and, in particular, the value of the Rouble against the U.S. dollar may affect these results when translated into U.S. dollars. See "*Risk Factors – Risks Relating to Evraz's Business and Industry – Currency fluctuations may materially adversely affect Evraz's results of operations*".

The following table sets forth, for the periods and dates indicated, certain information regarding the exchange rate between the Rouble and the U.S. dollar, based on the official exchange rate quoted by the CBR. Fluctuations in the exchange rates between the Rouble and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future. These rates may also differ from the actual rates used in the preparation of Evraz's financial statements and other information presented in this Prospectus.

	Roubles per U.S. dollar			
Year Ended 31 December	**High**	**Low**	**Average(1)**	**Period End**
2012	34.0395	28.9468	31.0742	30.3727
2013	33.4656	29.9251	31.9063	32.7292
2014	67.7851	32.6587	38.4217	56.2584
2015	72.8827	49.1777	60.9579	72.8827
2016	83.5913	60.2730	67.0349	60.6569

	Roubles per U.S. dollar			
Month	**High**	**Low**	**Average(1)**	**Period End**
October 2016	63.3960	62.0480	62.6810	62.9037
November 2016	65.8591	63.2025	64.3658	64.9449
December 2016	65.2382	60.2730	62.2006	60.6569
January 2017	60.6569	59.1489	59.9583	60.1618
February 2017	60.3099	56.7719	58.5364	57.9371
March 2017 (through 1 March)	58.3776	58.3776	58.3776	58.3776

Source: CBR

Note:

(1) The average of the exchange rates on each calendar day for the relevant period.

Solely for the convenience of the reader, and except as otherwise stated, this Prospectus contains translations of some Rouble amounts into U.S. dollars at the average conversion rate for the relevant period as published by the CBR.

No representation is made that the Rouble amounts referred to in this Prospectus could have been or could be converted into U.S. dollars at the above exchange rates or at any other rate.

References

In this Prospectus, all references to "**U.S**." are to the United States of America, all references to "**U.K.**" are to the United Kingdom and all references to "**European Union**" are to the European Union and its member states as of the date of this Prospectus. All references to "**CIS**" are to the countries that formerly comprised the Union of Soviet Socialist Republics and that are now members of the Commonwealth of Independent States: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

In this Prospectus, all references to "**tonnes**" are to metric tonnes, and one metric tonne is equal to one thousand kilograms.

Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly, and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

CONTENTS

OVERVIEW

Overview of Evraz

This overview should be read as an introduction to, and is qualified in its entirety by reference to, the more extensive information contained elsewhere in this Prospectus. This overview may not contain all the information that prospective investors should consider before deciding to invest in the Notes. Accordingly, any decision by a prospective investor to invest in the Notes should be based on a consideration of this Prospectus as a whole. Prospective investors should read this entire Prospectus carefully, including the Audited Consolidated Financial Statements and related notes and the information set forth under the headings "Risk Factors" and "Forward Looking Statements".

Evraz is a globally vertically integrated steel, mining and vanadium business with operations in Russia, Ukraine, Kazakhstan, North America, the European Union and South Africa. In 2016, Evraz produced 13.5 million tonnes of crude steel and sold 13.5 million tonnes of steel products and pig iron to third parties. According to Evraz's estimates, Evraz was the fourth largest crude steel producer by crude steel volume in Russia in 2016, and the largest manufacturer by volume of long products for the construction and railway industries in Russia and the CIS in 2016. Evraz also produces significant quantities of iron ore products and coking coal, most of which are used in its own steelmaking operations. In 2016, Evraz produced 19.7 million tonnes of iron ore and mined 22.3 million tonnes of coking coal. Evraz is also one of the leading producers of vanadium globally. In 2016, Evraz produced 12.9 thousand tonnes of ferrovanadium and other finished vanadium products.

For management purposes Evraz has four reportable operating segments:

Steel segment includes production of steel and related products at all mills except for those located in North America. Extraction of vanadium ore and production of vanadium products, iron ore mining and enrichment and certain energy-generating companies are also included in this segment as they are closely related to the main process of steel production.

Steel, North America is a segment, which includes production of steel and related products in the USA and Canada.

Coal segment includes coal mining and enrichment. It also includes operations of Nakhodka Trade Sea Port as it is used to a significant extent for shipping of products of the coal segment to the Asian markets.

Other operations include energy-generating companies, shipping and railway transportation companies.

Evraz's principal assets as of the date of this Prospectus are:

- **Steel segment facilities**:
  - EVRAZ Nizhny Tagil Metallurgical Plant ("**EVRAZ NTMK**"), an integrated steel production mill located in the Sverdlovsk region of Russia, one of the world's biggest processor of vanadium-enriched titan ferrous ores with succeeding vanadium recovery in blast oxygen furnaces and in oxygen converters using special technologies;
  - EVRAZ Consolidated West-Siberian Metallurgical Plant ("**EVRAZ ZSMK**"), the business unit that combines two integrated steel production facilities, both of which are located near Novokuznetsk, in the Kemerovo region of Russia, which is the fourth largest steel mill in Russia and the largest steel mill in Siberia;

- EVRAZ Dneprovsk Metallurgical Plant (formerly known as EVRAZ Dnepropetrovsk Iron and Steel Works) (“**EVRAZ DMP**”), an integrated steel mill and coke-chemical production facility located in Dnepr, Ukraine;
- EVRAZ Yuzkoks (formerly known as EVRAZ Bagleykoks) (“**EVRAZ Yuzkoks**”), a coke production facility located in Kamenskoe, Ukraine;
- EVRAZ Caspian Steel (“**EVRAZ Caspian Steel**”), a light-section rolling mill in Kostanay, Kazakhstan, which was launched at the end of 2013;
- Evrazruda (“**Evrazruda**”), which operates a number of ore mining and ore enrichment enterprise in the Kemerovo region of Russia;
- EVRAZ Kachkanarsky Ore Mining and Processing Plant (“**EVRAZ KGOK**”), the fifth largest ore mining enterprise in Russia located in the Sverdlovsk region of Russia;
- EVRAZ Sukha Balka (“**EVRAZ Sukha Balka**”), an iron ore mining and processing complex located in Ukraine;
- EVRAZ Nikom, a.s. (“**EVRAZ Nikom**”), a ferrovanadium producer located in the Czech Republic;
- EVRAZ Vametco Holdings (“**EVRAZ Vametco**”), which operates an ore mine and a production facility in Brits, South Africa;
- EVRAZ Vanady-Tula (“**EVRAZ Vanady-Tula**”), the largest Russian producer of ferrovanadium located in Tula; and
- EVRAZ Stratcor Inc. (“**EVRAZ Stratcor**”), a producer of high-purity vanadium alloys and chemicals and a major supplier of vanadium to the chemical and titanium industries, located in the United States.

- **Steel, North America**:
  - EVRAZ Inc. N.A. and EVRAZ Inc. N.A. Canada (together referred as “**EVRAZ North America**”), a diversified steel manufacturer in North America, located at multiple sites in the United States and Canada producing steel and related products in the USA and Canada.
- **Coal segment facilities**:
  - Yuzhkuzbassugol (“**Yuzhkuzbassugol**”), a coking coal producer located in Novokuznetsk in the Kemerevo region;
  - Raspadskaya (“**Raspadskaya**”), a coking coal producer located in the Kuznetsky coal basin in the Kemerovo region of Russia;
  - Mezhegeyugol (“**Mezhegeyugol**”), a coal mining facility located on the Mezhegey Deposit in the center of Tyva, East Siberia; and
  - EVRAZ Nakhodka Trade Sea Port (“**EVRAZ NMTP**”), one of the largest stevedoring companies in the Far East of Russia.
- **Other operations segment**:
  - Metallenergofinance (“**MEF**”), electricity supplier to Evraz’s steel and mining operations and to third parties; and
  - Evraztrans Ukraina, a transportation company in Ukraine, as well as some other companies that operate in businesses which are auxiliary to Evraz’s main operations.

Evraz is wholly owned by EVRAZ plc, a public limited company incorporated under the laws of England and Wales and listed on the premium segment of the Official List of the Financial Services Authority and admitted to trading on the Regulated Market of the London Stock Exchange. For additional information on EVRAZ plc please see "*Principal Shareholders*".

Overview of Consolidated Financial and Other Information

The selected consolidated financial information set forth below presents historical consolidated financial information and other operating information of the Issuer as of 31 December 2016, 2015 and 2014 and for the years then ended. The selected consolidated financial information has been extracted without material adjustment from, and should be read in conjunction with, the Audited Consolidated Financial Statements. The selected consolidated financial information should also be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Consolidated Statement of Operations Data

	Year ended 31 December		
	2016	**2015[1]**	**2014[2]**
		(U.S.$ millions)	
Revenue	7,713	8,767	13,061
Cost of revenue	(5,521)	(6,583)	(9,734)
Gross Profit	2,192	2,184	3,327
Selling and distribution costs	(623)	(728)	(930)
General and administration expenses	(462)	(545)	(811)
Other operating income and expenses, net	(633)	(936)	(1,705)
Profit/(loss) from operations	474	(25)	(119)
Non-operating income and expenses, net	(486)	(665)	(984)
Loss before tax	(12)	(690)	(1,103)
Income tax benefit/(expense)	(96)	(12)	(194)
Net loss	(108)	(702)	(1,297)
Net loss attributable to equity holders of the parent entity	(135)	(627)	(1,194)
Net loss attributable to non-controlling interests	27	(75)	(103)

Notes:

(1) Certain amounts shown here have been restated to reflect certain adjustments relating to, among other things, the Mezhegeyugol acquisition.

(2) Certain amounts shown here have been restated to reflect certain adjustments relating to the Raspadskaya acquisition and, among other things, adjustments relating to the Mezhegeyugol acquisition.

Segmental Statement of Operations Data

	Year ended 31 December		
	2016	**2015[2]**	**2014[3]**
		(U.S.$ millions)	
Steel			
Revenue[1]	5,497	5,987	9,519
Cost of revenue[1]	(4,068)	(4,431)	(6,920)
Gross profit	1,429	1,556	2,599
Selling and distribution expenses	(432)	(484)	(687)

	Year ended 31 December		
	2016	2015[(2)]	2014[(3)]
		(U.S.$ millions)	
General and administration expenses	(196)	(231)	(356)
Other operating income and expenses, net	(99)	(403)	(165)
Profit/(loss) from operations	702	437	1,391
Steel, North America			
Revenue[(1)]	1,464	2,270	3,160
Cost of revenue[(1)]	(1,243)	(1,977)	(2,622)
Gross profit	221	293	538
Selling and distribution expenses	(186)	(242)	(259)
General and administration expenses	(116)	(136)	(164)
Other operating income and expenses, net	(467)	(370)	(284)
Profit/(loss) from operations	(548)	(455)	(169)
Coal			
Revenue[(1)]	1,322	1,068	1,318
Cost of revenue[(1)]	(701)	(758)	(1,053)
Gross profit	621	310	265
Selling and distribution expenses	(54)	(50)	(46)
General and administration expenses	(46)	(54)	(89)
Other operating income and expenses, net	54	(299)	(465)
Profit/(loss) from operations	575	(93)	(335)
Other operations			
Revenue[(1)]	363	433	648
Cost of revenue[(1)]	(278)	(322)	(519)
Gross profit	85	111	129
Selling and distribution expenses	(65)	(94)	(87)
General and administration expenses	(5)	(6)	(9)
Other operating income and expenses, net	(1)	4	2
Profit/(loss) from operations	14	15	35

Notes:

(1) Segment revenue and cost of revenue include inter-segment sales.

(2) Certain amounts shown here have been restated to reflect certain adjustments relating to, among other things, the Mezhegeyugol acquisition.

(3) Certain amounts shown here have been restated to reflect certain adjustments relating to the Raspadskaya acquisition and, among other things, adjustments relating to the Mezhegeyugol acquisition.

Consolidated Statement of Financial Position Data

	As of 31 December		
	2016	2015[1]	2014[2]
		(U.S.$ millions)	
Non-current assets	6,440	6,090	8,052
Current assets	3,020	2,973	3,460
Equity	986	205	1,349
Non-current liabilities	6,425	6,745	6,997
Current liabilities	2,049	2,113	3,166

Notes:

(1) Certain amounts shown here have been restated to reflect certain adjustments relating to, among other things, the Mezhegeyugol acquisition.

(2) Certain amounts shown here have been restated to reflect certain adjustments relating to the Raspadskaya acquisition and, among other things, adjustments relating to the Mezhegeyugol acquisition.

Consolidated Cash Flows Data

	Year ended 31 December		
	2016	2015	2014
		(U.S.$ millions)	
Net cash flows from operating activities	1,507	1,629	1,953
Net cash flows used in investing activities	(607)	(359)	(258)
Net cash flows used in financing activities	(1,092)	(948)	(1,974)

Overview of the Notes

Issuer	Evraz Group S.A.
Issue	U.S.$750,000,000 5.375% Notes due 2023
Issue Price	100% of the principal amount of the Notes
Issue Date	20 March 2017
Maturity Date	20 March 2023
Joint Lead Managers and Bookrunners	Bank GPB International S.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc and VTB Capital plc
Trustee	BNY Mellon Corporate Trustee Services Limited
Principal Paying Agent and Transfer Agent	The Bank of New York Mellon, London Branch
U.S. Paying Agent	The Bank of New York Mellon, New York Branch
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Interest	The Notes will bear interest from and including 20 March 2017 at a rate of 5.375% per annum payable semi-annually in arrear on 20 March and 20 September in each year.
Form and Denomination	The Notes will be issued in registered form, in minimum denominations of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof. The Regulation S Notes will be represented on issue by the Regulation S Global Note Certificate and the Rule 144A Notes will be represented by the Rule 144A Global Note Certificates, in each case in registered form without coupons. The Global Note Certificates will be exchangeable for Individual Certificates only in the limited circumstances specified in the Global Note Certificates. No Individual Certificate will be available in bearer form.
Initial Delivery of Notes	On or before the Issue Date, the Regulation S Global Note Certificate will be deposited with, and registered in the name of a nominee for, The Bank of New York Mellon, London Branch as common depositary for Euroclear and Clearstream, Luxembourg and the Rule 144A Global Note Certificate will be registered in the name of Cede & Co., and deposited with The Bank of New York Mellon, New York Branch as custodian for DTC.
Risk Factors	An investment in the Notes involves a high degree of risk. See "*Risk Factors*".
Status of the Notes	The Notes are direct, unconditional and unsecured obligations of the Issuer which rank and will rank *pari passu*, without any preference among themselves, with all other outstanding present and future unsecured and unsubordinated obligations of

	the Issuer.
Covenants	The Terms and Conditions of the Notes (the "**Terms and Conditions**") contain restrictions on certain activities of the Issuer and certain subsidiaries of the Issuer, including: (i) limitation on the incurrence of liens; (ii) limitation on the incurrence of indebtedness; (iii) limitation on transactions with affiliates; (iv) limitation on asset sales; (v) limitation on certain mergers and similar transactions; (vi) requirements for the maintenance of authorisations, property and insurance; (vii) requirements for the payment of taxes and other claims; (viii) requirement for the provision of certain financial information; (ix) restriction on change of line of business; and (x) limitation on dividend and other payment restrictions affecting Material Subsidiaries, and an obligation to declare and pay dividends by Material Subsidiaries. There are significant exceptions to the requirements contained in these covenants and certain covenants cease to apply should the Issuer achieve multiple investment grade ratings. Provided there has been no Issuer Substitution (as defined below), the Terms and Conditions permit the Issuer to designate EVRAZ plc as guarantor of the Notes (the "**Designation**") and require EVRAZ plc to comply with the Terms and Conditions. As a result of the Designation, EVRAZ plc will become subject to the Terms and Conditions of the Notes (including the covenants set out in Condition 4 (*Covenants*)) and any intercompany transaction among EVRAZ plc, on the one hand, and the Issuer and its subsidiaries, on the other, will be treated in the same manner as transactions among the Issuer and its Subsidiaries prior to the Designation. After Designation, reports required to be provided to Noteholders under the Terms and Conditions will be provided by, and will contain consolidated financial information of, EVRAZ plc (instead of the Issuer) and the Leverage Ratio (as defined in the Terms and Conditions) and other financial measures will be calculated based on the consolidated financial statements of EVRAZ plc (instead of the Issuer). The Designation will be subject to conditions, including meeting a Leverage Ratio test on a pro forma basis giving effect to the Designation, and that, at the time of the Designation, the assets and indebtedness of EVRAZ plc on a stand-alone basis be less than 10% of the consolidated assets and indebtedness of EVRAZ plc on a consolidated basis. See

	Condition 4 (*Covenants*) and Condition 19 (*Definitions*) for a further description of the restrictions and definitions set forth above.
Issuer Substitution	The Issuer may, without the consent of the Noteholders, elect that EVRAZ plc be substituted in its place as issuer (such substitution, an "**Issuer Substitution**"), provided the conditions set out in Condition 3.8 (*Substitution of Issuer*) are met. Upon any Issuer Substitution, references to "Issuer" in the Terms and Conditions of the Notes, the Trust Deed and the Agency Agreement will be deemed to be to EVRAZ plc rather than the Issuer. See Condition 3.8 *(Substitution of Issuer*). If a Rating Downgrade (as defined in Condition 19 (*Definitions*)) occurs within 60 calendar days of an Issuer Substitution, a holder of a Note will have the option to require the Issuer to redeem such Note at its principal amount together with accrued and unpaid interest (if any). See Condition 7.4 (*Redemption at the option of Noteholders upon a Rating Downgrade*).
Cross Default	The Notes contain a cross-default provision in respect of certain indebtedness of the Issuer or any Material Subsidiary (as defined in Condition 19 (*Definitions*) in excess of U.S.$50 million (or its equivalent in another currency) in the aggregate. See Condition 10 (*Events of Default*).
Ratings	The Notes are expected to be rated B1 by Moody's and B+ by Standard & Poor's. The Issuer has been rated BB- (negative) by Fitch, Ba3 (negative) by Moody's and BB- (stable) by Standard & Poor's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. The ratings do not address the likelihood that the principal of the Notes will be prepaid or paid on a particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes could adversely affect the price that a subsequent purchaser would be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating. Each of Fitch, Moody's and Standard & Poor's is a credit rating agency established and operating in the European Community prior to 7 June 2010 and registered under the CRA Regulation.
Redemption at Make Whole	The Issuer may redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, plus accrued and unpaid interest to, the redemption date. See Condition 7.3 (*Redemption at Make-Whole*).

Redemption for Taxation Reasons	The Issuer may redeem the Notes, in whole but not in part, at their principal amount together with interest accrued to but excluding the date of redemption in the event of certain changes in taxation by a Relevant Jurisdiction. See Condition 7.2 (*Redemption for Taxation Reasons*).
Redemption at the option of Noteholders following a Rating Downgrade	If a Rating Downgrade occurs following an Issuer Substitution, the holder of a Note will have the option to require the Issuer to redeem such Note at 100% of its principal amount together with accrued and unpaid interest (if any). See Condition 7.4 (*Redemption at the option of Noteholders upon a Rating Downgrade*).
Taxation	Except as set forth herein, payments in respect of the Notes will be made without any deduction or withholding for or on account of taxes of any Relevant Jurisdiction.
ERISA	In general, subject to certain conditions, Benefit Plan Investors (as defined in "*ERISA and Certain Other United States Considerations*") will be eligible to purchase (or hold an interest in) the Notes. See "*ERISA and Certain Other United States Considerations*".
Listing	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market. The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive.
Selling Restrictions	United Kingdom, United States and Russian Federation. See "*Subscription and Sale*".
Governing Law and Jurisdiction	The Notes, the Trust Deed and the Agency Agreement (as defined below) and any non-contractual obligations arising out of or in relation to the Notes, the Trust Deed and the Agency Agreement are governed by English law and contain provisions for disputes to be referred to the English courts. The provisions of articles 84 to 94-8 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, are excluded.
Use of Proceeds	The net proceeds to Evraz from the Offering of the Notes are expected to be approximately U.S.$745,000,000, and Evraz intends to use these net proceeds to refinance existing indebtedness, as described in "*Use of Proceeds*".
Security Codes	Regulation S ISIN: XS1533915721 Common Code: 153391572 CFI Code: DYFXXR Rule 144A ISIN: US30050AAG85 Common Code: 111731110

	CUSIP: 30050A AG8
Clearing	Euroclear and Clearstream, Luxembourg (in the case of the Regulation S Notes) and DTC (in the case of the Rule 144A Notes).
Yield	The annual yield of the Notes when issued is 5.375%.

RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors in the Notes should carefully consider the risks described below and the other information contained in this Prospectus before making a decision to invest in the Notes. Any of the following risks, individually or together, could adversely affect Evraz's business, financial condition and results of operations, and accordingly the value of the Notes.

This section describes the risks and uncertainties that Evraz's management believes are material, but these risks and uncertainties may not be the only ones that Evraz faces. Additional risks and uncertainties, including those that Evraz's management currently does not know about or deems immaterial, may also result in decreased revenues, assets and cash inflows, increased expenses, liabilities or cash outflows, or other events that could result in a decline in the value of the Notes, or which could have a material adverse effect on Evraz's business, financial condition, results of operations and prospects. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on Evraz's business, financial condition, results of operations and prospects or on the trading price of the Notes.

Risks relating to Evraz's Business and Industry

Evraz's business is dependent on the global economic environment as the steel, mining and vanadium businesses are cyclical, and any local or global downturn in the markets for these products may have an adverse effect on Evraz's results of operations and financial condition.

Evraz's primary products, steel, coal, iron ore and vanadium, are subject to cyclical market conditions. The steel industry is cyclical because the major industries in which the majority of its steel customers operate, and particularly the construction industry, are themselves cyclical and sensitive to changes in general economic conditions. The demand for steel products is thus generally correlated with macroeconomic fluctuations in the economies in which steel producers sell products, which are, in turn, affected by global economic conditions. Coal and iron ore are subject to similar cyclical fluctuations, as is vanadium. Moreover, as Evraz's primary products are sold to similar markets, there is a high degree of correlation between the cyclicality of each product. The prices of these commodities, and of Evraz's steel products, more generally, are influenced by many factors, including demand, worldwide production capacity, capacity utilisation rates, raw material costs, exchange rates and trade barriers.

Both demand for and global production capacity of, and, as a result, the price of, these commodities and Evraz's steel products have been heavily influenced by the emerging markets, particularly China and India. For example, China is the largest global steel producer, and the balance between its domestic production and consumption has been an important driver of steel prices globally. Since 2011, steel prices have experienced downward pressure due to a combination of factors, including a slowdown of steel demand in China following a peak in demand in 2013, problems of global production overcapacity in the industry and the continuing increases in seaborne iron ore supplies from the global producers. In 2014 and 2015, demand for steel continued to decline as a result of slower economic growth in many regions, particularly China, which, in turn, led to downward pressure on global prices. In 2016, in spite of continuing decreasing demand for steel in Russia and North America, developments in China (primarily, steady to increasing demand, the Chinese government's stimulus program and cuts in Chinese steel production capacity) as well as rising prices of raw materials and consolidation trends across the global steel industry resulted in a slight increase in steel prices accompanied by a high degree of volatility. Current market conditions are highly dependent on balancing the existing overcapacity and regional economic growth.

Additionally, concerns over declining growth rates of the Chinese economy, which for a number of years has been one of the main drivers in the mining and steel industries, may adversely affect the demand for Evraz's primary products. All of these developments as well as a lack of, or mediocre, economic growth or recessions in other regions, in particular Europe and the United States, may cause steel prices to continue to decline. A sustainable weakness in sectors of the economy that are substantial consumers of steel products in particular could adversely affect Evraz's business.

In the future, the prices for the commodities that Evraz sells may experience significant fluctuations as a result of these and other factors, many of which are beyond Evraz's control and any of which could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

The global economy is generally subject to a number of uncertainties, including mounting government deficits, discontinuation of certain government stimulus programmes, deflation in certain markets, continuing high levels of unemployment, or an economic slowdown resulting from the exit of the UK from the European Union ("**Brexit**"). See "*Risk Factors — Economic and political uncertainty, particularly in Europe, may impact Evraz's business*". If global economic conditions deteriorate or a similar economic contraction were to reoccur in any of Evraz's key geographic markets, the resulting contraction in demand for many of Evraz's products and the tightening of the credit markets could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects. See "*Industry*".

The majority of Evraz's operations are dependent on the Russian and North American markets, and, in particular, on the Russian construction and infrastructure industry. An overall economic decline in either of these regions or industries could have a material adverse effect on Evraz's business, financial condition and results of operations.

Evraz derived approximately 40%, 35% and 40% of its revenue in 2016, 2015 and 2014, respectively, from sales to customers in Russia and 22%, 27% and 25% of its revenue in 2016, 2015 and 2014, respectively, from sales to customers in North America. The overall success of Evraz's operations, therefore, is closely tied to the economic prosperity, stability and demand for its products from these two regions. The economies of these two regions can be volatile and unpredictable. The Russian economy, for example, has experienced significantly fluctuating growth rates over the past two decades. In 2009, the effect of the global economic and financial crisis resulted in Russia's real GDP declining by 7.8% and industrial production declining by 10.3% according to the World Bank. In the same year, the United States posted a real GDP decline of 2.8% and its industrial production declined by 6.1% according to the World Bank. With the gradual global recovery in the following years, Russia's real GDP increased by 3.5% in 2012, with the growth slowing to 1.3% in 2013 and 0.7% in 2014 according to the World Bank. According to the estimates of the World Bank, Russia's real GDP contracted by 3.7% in 2015 and is projected to contract further by 0.7% in 2016. During the same period, the United States' real GDP rose by 2.2% in 2012, 1.7% in 2013, 2.4% in 2014 and 2.6% in 2015 according to the World Bank. The World Bank forecasts that the United States economy will grow by 2.7% in 2016.

Evraz's primary market in Russia is the construction industry, which is particularly vulnerable to general economic downturns, leaving Evraz exposed to such downturns. Any further significant decrease in demand for steel products or decline in the price of these products, particularly in Russia or in North America, could result in significantly reduced revenue, thereby materially adversely affecting Evraz's business, financial condition, results of operations and future prospects.

Changes in the price or supply of raw materials may cause Evraz's financial results to vary, which could have a material adverse effect on its results of operations.

Evraz requires substantial amounts of raw materials in the steel production process, including coal, iron ore and scrap. Although Evraz is a vertically integrated business, with the potential to supply its steel-producing subsidiaries' requirements to a significant extent with iron ore and coal from its own mining

reserves, Evraz still buys significant amounts of raw materials, including iron ore, coal and scrap, in Russia and North America, from third parties due to price, location and grade considerations. The price and/or availability of such raw materials may be negatively affected by a number of factors largely beyond Evraz's control, including increases in demand for such materials, interruptions in production by suppliers, supplier allocation to other purchasers and transportation costs. In addition, Evraz's operations require substantial amounts of other raw materials and energy, including various types of limestone, alloys, refractories, oxygen, fuel, electricity and natural gas, the price and availability of which are also subject to market conditions. Evraz may not be able to adjust its prices to recover the costs of increases in the prices of such raw materials. Any significant change in the prices or supply of these raw materials could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

The steel and mining industry is highly competitive and Evraz may not be able to compete successfully against other major international steel producers and mining companies.

The markets for steel and steel products, as well as for mining products, are highly competitive. Evraz's competitors include major international steel producers and mining companies, as well as other Russian steel and mining producers. A number of Evraz's Russian competitors have undertaken modernisation and expansion plans, which may make them more efficient, allow them to develop new products and/or decrease their prices. Evraz also faces price-based competition from steel and mining producers in other emerging markets countries. Competitors may have advantages in terms of location and transportation routes. Evraz's competitive position may also be affected by the general trend towards consolidation in the steel industry. ArcelorMittal and other international steel companies that have more extensive global operations than Evraz may also have greater financial resources. Moreover, the steel industry has historically suffered from production overcapacity. The highly competitive nature of the industry, combined with periodic excess production capacity for some steel products, has exerted, and may in the future exert, downward pressure on the prices of certain of Evraz's products. There can be no assurance that Evraz will be able to compete effectively in the future due to these factors. Failure by Evraz to compete effectively for any of these reasons could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

Equipment failures or other hazards, particularly in Evraz's mining operations, could lead to unexpected production delays, reduced sales, increased costs, damage to property or injury or death to persons.

Despite the safety initiatives and internal control procedures implemented by Evraz, the manufacturing processes of all steel producers and mine operators depend on critical pieces of equipment, which may, on occasion, go out of service unexpectedly as a result of failures, unplanned maintenance or otherwise. Evraz's steel manufacturing processes depend on critical pieces of steelmaking equipment, such as furnaces, continuous casters and rolling equipment, and electrical equipment, such as transformers. This equipment could be damaged or malfunction. In the event of equipment failure or damage to its facilities, Evraz may experience loss of revenue or customers due to material plant shutdowns or periods of reduced production and may require large capital expenditures to repair or replace faulty machinery or to repair damaged facilities. In addition, the mining business involves a number of other risks and hazards normally associated with the exploration, development and production of natural resources, any of which could result in production shortfalls or damage to persons or property. In particular, hazards associated with Evraz's open-pit mining operations include flooding of the open pit, collapses of the open-pit wall, accidents related to the operation of large open-pit mining and rock transportation equipment, accidents related to the preparation and ignition of large-scale openpit blasting operations, production disruptions due to weather and hazards related to the disposal of mineralised wastewater, such as groundwater and waterway contamination. Hazards associated with Evraz's underground mining operations include: underground fires and explosions, including those caused by flammable gas; cave-ins or ground falls; discharge of gases;

flooding; sinkhole formation and ground subsidence; and other accidents and conditions resulting from drilling, blasting and removing and processing material from an underground mine. If any of these hazards or accidents results in significant injury to employees and/or damage to equipment or other property, Evraz may experience unexpected production delays, increased production costs and increased capital expenditures to repair or replace equipment or property, as well as claims from affected employees or their survivors and environmental and other authorities for any alleged breaches of applicable laws or regulations. For example, in May 2010, a methane gas explosion occurred at Raspadskaya, which was not part of Evraz at that time, killing 91 miners and rescuers. Operations at the mine were halted as a result of the explosion and the mine, while currently operational, is yet to be fully restored. In March 2013, a mine shaft flooded at Yuzhkuzbassugol's Osinnikovskaya mine, killing four miners and resulting in the temporary closure of the mine. Any such disruptions to mining, delays and costs could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

The ongoing armed conflict in Eastern Ukraine and the international reaction to Russia's actions in the Crimean region, which resulted in the imposition of sanctions, could further materially adversely affect the economic environment in Russia, including Evraz's business, financial condition, results of operations and future prospects, and create significant political and economic uncertainty.

The continuing significant civil and political crisis in Ukraine and the armed conflict in Eastern Ukraine have affected Russia's relations with the European Union, the U.S. and certain other countries (including Canada, Australia and Norway). In March 2014, a referendum on the status of Crimea was held which resulted in a majority of votes in favour of seceding from Ukraine and joining the Russian Federation as a federal constituent entity. On 18 March 2014, Russia and Crimea signed an agreement on the accession of the Republic of Crimea to the Russian Federation. On 21 March 2014, the Russian parliament passed legislation extending the effect of Russian laws and operation of governmental authorities to the territory of Crimea.

The events in Ukraine and Crimea have brought about a negative reaction from the European Union, the U.S. and certain other countries (including Canada, Australia and Norway). A number of countries imposed various sanctions against Russia and refused to recognise the referendum in Crimea as legal. The U.S. and the European Union have imposed sanctions on a number of Russian officials and individuals, former Ukrainian officials, and several Russian companies, banks and businessmen, with the consequences that entities and individuals in the U.S. and European Union cannot do business with them or provide funds or economic resources to them, with assets in the relevant sanctioning jurisdictions subject to seizure and the individuals to visa bans. In addition, the U.S. and European Union have applied "sectoral" sanctions, whose principal consequences are that several leading Russian banks have been restricted from accessing Western capital. Similar sanctions have been imposed on companies in the oil and gas sector and on military defence companies. The current sanction regime is a result of multiple extensions by the U.S. and European Union in the term and scope of sanctions, the most recent of which was given effect in December 2016. The U.S. executive order implementing sectoral sanctions also permits sanctions to be applied against companies in the metals and mining sectors.

The reaction of Western countries to the events in Eastern Ukraine and Crimea, in particular the economic sanctions described above, has adversely affected the Russian economy and Russia's financial markets, increased the cost of capital and capital outflows, and worsened the investment climate in Russia. In the course of 2014 and 2015, each of Standard & Poor's, Moody's and Fitch downgraded the Russian sovereign rating, Standard & Poor's lowered Russia's long-term foreign currency sovereign bond rating to "BB+" with negative outlook in January 2015, Moody's cut its sovereign rating for the Russian Federation to Ba1 with negative outlook in February 2015 and Fitch downgraded Russia's long-term foreign and local currency rating to "BBB-" with negative outlook in January 2015, resulting in two out of three ratings of the

big three rating agencies falling below investment grade. In September and October of 2016 respectively, Standard & Poor's and Fitch revised their ratings outlook to "stable".

Evraz is currently not subject to any sanctions introduced by the U.S. or the European Union. The Issuer is an EU entity and Evraz has a number of operating subsidiaries based in the U.S. and/or the European Union and the Issuer and its respective subsidiaries as well as their directors, officers and employees are required to observe the applicable EU or U.S. laws, including those with regard to the sanctions programmes.

None of the proceeds of the issue of the Notes will be used to fund activities or persons that are subject to sanctions introduced by the U.S. and the EU, in violation of such sanctions.

As Evraz's main production assets are located in the Russian Federation, if sanctions were to be expanded to the metals and mining sector, such expansion could cause difficulties in (i) the implementation of investment and maintenance projects involving supplies of imported equipment and (ii) raising funds on the EU and U.S. markets. Potential risks include the failure to implement executed contracts and an inability to execute new contracts for the supply of equipment, machines, components and spare parts manufactured in Western countries. In addition, U.S./EU sanctions could apply to the Issuer, its U.S. or EU-based subsidiaries and affiliates, U.S. and EU directors, officers and employees of Evraz and its subsidiaries, meaning such companies' operations could potentially be hindered or, in the worst case, halted and the individuals could not continue their business with the sanctioned organisations or enter into transactions to which sanctions apply.

The impact of any escalation in tensions between Russia and Ukraine could negatively affect the Russian economy. This, in turn, could result in a general lack of confidence among international investors in the region's economic and political stability and in Russian investments generally. Such a lack of confidence could result in reduced liquidity, trading volatility and significant declines in the price of listed securities of companies with significant operations in Russia, and in Evraz's inability to raise debt or equity capital in the international capital markets, which may materially adversely affect its business, financial condition, results of operations and prospects. See "*Risk Factors — Evraz's ability to raise financing to finance its investment and maintenance plans or to refinance its existing debt may be limited*".

The conflict in Ukraine is ongoing and could continue or escalate, which may result in further strengthening and broadening of the sanctions against Russian persons. An introduction of sanctions targeting metals and mining companies, Evraz specifically, or a broader segment of the Russian economy could interfere with Evraz's operations, which may have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects, including Evraz's ability to conduct business with its customers, suppliers, agents and other third parties, including the Trustee, as well as Evraz's ability to service its payments under its debt obligations (including the Notes) or the trading price of the Notes or its other bonds.

Economic and political uncertainty may impact Evraz's business.

During 2016, a number of geopolitical events occurred which could have a negative impact on the global economy, particularly in Europe. Any resulting market uncertainty as a result of such events could have a significant impact on the European or the global economy and could potentially result in increased capital markets volatility and lower economic growth.

In particular, on 23 June 2016, the United Kingdom held a non-binding referendum in which voters approved the United Kingdom's exit from the European Union, commonly referred to as "Brexit". The announcement of Brexit immediately caused and is expected to continue to cause political uncertainty, significant volatility in global stock markets and currency exchange rate fluctuations. It is expected that Brexit will take place within two years after the United Kingdom formally notifies the European Council of its intention to withdraw. However, there is still considerable uncertainty relating to the potential consequences and precise timeframe for the exit, how the negotiations for the withdrawal and new trade agreements will be

conducted, and whether the United Kingdom's exit will increase the likelihood of other countries also departing the European Union.

The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. In certain parts of the European Union, candidates from opposition parties are gaining popularity and the upcoming elections in Germany, France and The Netherlands may cause further uncertainty and instability on the financial markets. In addition, policy positions taken by the new U.S. presidential administration may result in turbulence in the financial markets and lead to greater uncertainty regarding the status of trade relations between the U.S. and some of its largest trade partners, including the U.S.'s existing trade agreements. Such developments could also lead to an increase of the already high level of protectionism globally, including in the steel industry. The worsening of trade relations between certain of the larger global economies could have a knock-on effect on global trade generally and the broader economic environment.

Furthermore, financial markets and the supply of credit are likely to continue to be impacted by concerns surrounding the sovereign debts of Greece and potentially other European Union countries, the possibility of further credit rating downgrades of, or defaults on, such sovereign debt, concerns about a slowdown in growth in certain economies and uncertainties regarding the stability and overall standing of the European Monetary Union. Governments have implemented various measures to respond to such risks but their actual impact is difficult to predict. If the Eurozone debt crisis is not resolved, one or more countries may default on their debt, resulting in unpredictable market volatility. In addition, the departure of one or more countries from the European Monetary Union may result in the imposition of, among other things, exchange controls and mandatory payment laws.

These political and financial events give rise to risks that are beyond Evraz's control and their nature and impact are difficult to predict. Some of Evraz's customers are located in the European Union and certain of Evraz's operating subsidiaries as well as the Issuer are located within the EU, and to the extent that the economic conditions in the European Union worsen or that political and regulatory conditions globally become increasingly uncertain, a decline in demand for Evraz's products and/or increased costs associated with complying with uncertain and changing regulatory requirements could have a material adverse effect on Evraz's business, financial condition, prospects or results of operations and the trading price of the Notes.

Evraz's ability to raise financing to finance its investment and maintenance plans or to refinance its existing debt may be limited.

Evraz, like other steel and mining companies, has ongoing operations requiring regular maintenance as well as investments to increase or support the current levels of production. Likewise, Evraz has incurred a significant amount of debt in order to finance its capital expenditures, acquisitions or for other purposes. Funding the investment and maintenance projects and refinancing the debt may be done from resources generated from operating activities or may require raising financing from external sources, such as capital and banking markets. There can be no assurance, however, that the external sources of financing may be available or available at an acceptable cost. A market reaction similar to that which occurred in the global financial crisis may occur in the future and adversely impact the ability of companies such as Evraz to borrow from banks or obtain financing through capital markets and may increase the cost of such borrowing or financing. Moreover, any escalation of geopolitical tensions in general or the Ukrainian conflict in particular could result in either a lack of liquidity or confidence by investors in the international markets, limiting Evraz's ability to raise or refinance debt. In addition, any extension of existing sanctions programmes against Russia or the introduction of new sanctions may severely limit or shut down access to external financing for it. See "*Risk Factors — The ongoing armed conflict in Eastern Ukraine and the international reaction to Russia's actions in the Crimean region, which resulted in the imposition of sanctions, could further materially adversely affect the economic environment in Russia, including Evraz's business, financial condition, results of operations and future prospects, and create significant political and economic uncertainty*".

During the last review Moody's and Standard & Poor's affirmed Evraz's Ba3 (negative) and BB- (negative) ratings in May 2016, respectively, (though Standard & Poor's recently adjusted Evraz's outlook to "stable") and Fitch affirmed Evraz's BB- (negative) rating in September 2016, it cannot be excluded that in the future, due to the factors and circumstances detailed above and/or further internal considerations by the rating agencies, negative rating actions may be taken against Evraz thus restricting its ability to raise funds on reasonable terms or at all.

Estimates of Evraz's mining reserves are subject to uncertainties.

The estimates concerning Evraz's iron ore and coal reserves contained in this Prospectus are subject to considerable uncertainties. No independent valuation of Evraz's iron ore and coal reserves has been conducted since the 2013 Reserves Report, though Evraz does conduct internal annual reviews of its iron ore and coal reserves. The estimates in the 2013 Reserves Report are based on interpretations of geological data obtained from sampling techniques and projected rates of production in the future and Evraz's internal annual estimates are derived from the estimates set out in the 2013 Reserves Report, taking into account annual production data and changes to near term development plans that have occurred in the intervening period since the 2013 Reserves Report. See "*Presentation of Financial and Other Information – Reserves and Resources*".

Actual production results may differ significantly from reserves estimates. It may take many years from the initial phase of drilling and exploration before production is possible. During that time, the economic feasibility of exploiting a discovery may change as a result of changes in the market price of iron ore or coal. In addition, some of Evraz's mining reserves have not yet been evaluated in accordance with international methodologies. Furthermore, as the estimates of Evraz's iron ore and coal reserves reported in this Prospectus other than data extracted from the 2013 Reserves Report have not been independently evaluated, there can be no assurance that either the estimates in the 2013 Reserves Report or set out in the Internal Reserves Data are correct or, if Evraz were to commission an independent reserves report in the future, which it has done on an irregular basis from time to time and may continue to do so in the future, that such a report would not have material variances from the Internal Reserves Data or the 2013 Reserves Report.

If a material amount of Evraz's iron ore and coal reserves were to have been incorrectly estimated or prove uneconomic to exploit in the future, Evraz would have to reduce the value of its reserves, which in turn could have a material adverse effect on Evraz's business ability to supply its steel making operations with its own raw materials and its financial condition, results of operations and future prospects.

Incomplete, unreliable or inaccurate official data and statistics could create uncertainty.

Evraz relies on, and this Prospectus refers to, information and statistics from various third-party sources and internal estimates. The accuracy of such statistical information has not been separately verified and no assurance can be given that any such information, where it differs from that provided by other sources, is more accurate or reliable. Where specified, certain statistical information has been estimated based on information currently available and should not be relied upon as definitive or final. Such information may be subject to future adjustment. In addition, in certain cases, the information is not available for recent periods and, accordingly, such information has not been updated. Any relevant information for past periods should not be viewed as indicative of current circumstances or periods not presented and there can be no assurance that statistics derived from third-party sources are true and accurate in all material respects.

Evraz's licences may be suspended, amended or terminated prior to the end of their terms or may not be renewed.

Evraz's business depends on the issuance, validity and renewal of its licences, including subsoil licences for its global mining operations. Evraz currently conducts its mining operations under licences that expire over time. Regulatory authorities exercise considerable discretion when issuing licences and when renewing and monitoring licensees' compliance with licence terms. The continued validity and extension of

these licences are conditional upon Evraz's compliance with their terms, which generally include obligations to restore the mined land, maintain a certain level of production, implement certain investment commitments, recruit qualified personnel, maintain necessary equipment and a system of quality control, comply with environmental laws and periodically submit information to licensing authorities. Evraz's failure to comply with any of these conditions could result in the suspension, amendment, termination or non-renewal of a mining licence or could compel Evraz to incur substantial costs in eliminating or remedying violations. If Evraz is unable to obtain, maintain or renew necessary licences or is only able to obtain or renew them with newly introduced material restrictions, it may be unable to operate its business as in the past and may be unable to fully exploit its reserves, and its business, results of operations and future prospects could be materially adversely affected.

Evraz is leveraged and is required to meet certain financial and other restrictive covenants under the terms of its indebtedness.

Evraz is a leveraged company with a significant amount of loans and borrowings. Short-term and long-term loans and borrowings as of 31 December 2016, 31 December 2015 and as of 31 December 2014 amounted to U.S.$5,894 million, U.S.$6,347 million and U.S.$6,231 million, respectively. Cash and cash equivalents as of 31 December 2016, 31 December 2015 and as of 31 December 2014 amounted to U.S.$1,155 million, U.S.$1,359 million and U.S.$1,049 million, respectively. The contractual terms associated with certain loans and borrowings contain various covenants in respect of the activities of Evraz. These covenants impose restrictions in respect of certain transactions and Evraz is required to meet certain financial ratios, including restrictions in respect of its indebtedness.

Although Evraz is currently in compliance with its financial covenants, there can be no assurance that Evraz will continue to comply with such covenants in the future. Evraz's continued compliance with these covenants depends on a number of factors, some of which are outside of Evraz's control. In the first half of 2016, Evraz agreed with its lenders amendments to certain of its credit facilities, whereby the testing of financial ratios was suspended for three semi-annual testing periods starting on 30 June 2016, subject to Evraz's compliance with certain additional restrictions on indebtedness and dividends.

More generally, Evraz's current or future indebtedness and other contractual commitments related to such indebtedness may adversely affect its ability to raise additional capital at an acceptable cost in order to fund the entirety of its budgeted growth over the long term or limit its ability to react to changes in the economy or industry or prevent it from meeting its obligations under the Notes and its other indebtedness, and otherwise adversely affect the results of operations, financial condition and future prospects. In addition, Evraz may need to reprioritise the uses to which its capital is put to the potential detriment of Evraz's business needs, which, depending on the level of Evraz's earnings, borrowings, prevailing interest rates and exchange rate fluctuations, could result in reduced funds being available for capital expenditures, acquisitions and other general corporate purposes, which may have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

An increase in existing trade barriers or the imposition of new trade barriers in Evraz's principal export markets or the imposition of export tariffs on steel producers by the Russian government could cause a significant decrease in the demand for its products in those markets.

Some of the products of Evraz's Russian operations are subject to trade barriers, such as anti-dumping duties, tariffs and quotas. These trade barriers affect the demand for Evraz's products by effectively increasing the prices for those products compared to domestically available products. For example, Evraz's imports of certain raw materials for the production of ferrovanadium into the United States from Russia were the subject of an inquiry by the United States Department of Commerce as to whether or not this circumvented certain rules which impose duties on the import of ferrovanadium from Russia. In August 2012, a final ruling in favour of Evraz was handed down by the Department of Commerce,

allowing Evraz to continue these imports. Other goods that Evraz produces for export or other semi-finished goods which it exports to other countries for further refinement by other business units could conceivably face similar inquiries or trade barriers and Evraz's responses to such trade barriers could, in turn, increase its cost of production for ferrovanadium. An increase in existing trade barriers, or the imposition of new trade barriers, could cause a significant decrease in the demand for Evraz's products in its principal export markets, which could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

The Russian government has, from time to time, considered adopting export tariffs on certain steel products, potentially including products produced by Evraz. Certain of Evraz's major customers, as well as other major consumers of steel products, have presented, and may in the future present, to the Russian government, initiatives to introduce such export duties in order to affect the pricing of steel products in the domestic market. No decision has been announced to this effect. However, any such export tariffs imposed by the Russian Government in the future could have a material adverse effect on Evraz's business, results of operations, financial condition and future prospects.

Environmental, health and safety regulations, standards and expectations evolve over time and additional or stricter rules and regulations may significantly increase Evraz's cost of compliance.

Evraz's steel mills and mining operations involve potential environmental consequences, including generation of pollutants and storage and disposal of wastes and other hazardous materials. Evraz's operations generate significant amounts of pollutants and waste, some of which are hazardous, such as sulphur oxide, sulphuric acid, organic compounds and multi-component sludges containing heavy metals (chrome, copper, nickel and zinc). The discharge, storage and disposal of such hazardous waste are subject to environmental regulations, including some that require the clean-up of contamination and reclamation. Pollution risks are often challenging to characterise precisely and any related clean-up cost estimates are often subjective and made on the basis of certain assumptions. Evraz's operations are also associated with the emission of carbon dioxide and other "greenhouse gases". The Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC) that aims to limit greenhouse gas emissions may result in the introduction of additional regulations in the future and may have an adverse impact on Evraz's operations. Russia is a signatory to the Paris Agreement and a plan for its ratification in Russia is currently under development. According to a Decree of the Russian Government dated 2 April 2014, Russian companies will be obliged to report on their greenhouse gas emissions to the state authorities starting in 2017. A draft bill amending the Federal Law No. 7-FZ "On the Protection of the Environment" is under parliamentary review which will, among other things, establish certain requirements regarding the level of greenhouse gas emissions.

In addition, there is a risk that governments in emerging markets countries in which Evraz operates, such as Russia and Ukraine, may introduce stricter environmental legislation or regulations. Continuation of the global trend towards stricter laws and regulations may result in significant increases in the cost of complying with (or failing to comply with) such environmental rules and regulations and could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects. Evraz is also subject to health and safety laws, regulations and standards, including workplace health and safety requirements.

Evraz's compliance with these environmental, health and safety laws and regulations necessitates a commitment of significant financial resources. These laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from environmental, health and safety incidents and other impacts of Evraz's past and current operations, as well as the operations of previous owners of Evraz's assets, and could lead to the imposition of substantial fines, penalties, other civil or criminal sanctions, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and/or orders to take

preventative steps against possible future violations. In the ordinary course of its business, Evraz faces a certain number of administrative inquiries, remedial orders or lawsuits from public or private partners. While none of these is currently material to Evraz, there can be no assurance that a future such event would not have a material adverse effect on Evraz. Furthermore, evolving regulatory standards and expectations may result in increased litigation and/or increased costs, all of which could have a material and adverse effect on Evraz's business, financial condition, results of operations and future prospects. Additionally, compliance with voluntary environmental programmes and initiatives as well as additional environmental targets that Evraz adopts from time to time may involve additional costs.

Evraz's competitive position and future prospects are dependent on Evraz's senior management's experience and expertise.

Evraz's ability to maintain its competitive position and to implement its business strategy is dependent to a significant extent on the services of certain members of Evraz's senior management team. Evraz depends on its current senior management for the implementation of its strategy and the operation of its day-to-day activities, and the personal connections and relationships of members of Evraz's senior management are important to the conduct of Evraz's business. However, there can be no assurance that these individuals will continue to make their services available to Evraz in the future. The loss of, or a diminution in, the services of members of Evraz's senior management team or an inability to attract and retain additional or replacement senior management personnel could have a material adverse effect on Evraz's business, financial condition, results of operations or future prospects. As a result of these factors, the departure of key members of Evraz's management could have a material adverse effect on the business, results of operations or future prospects of Evraz.

A number of anti-monopoly requirements apply to Evraz and its subsidiaries in a number of jurisdictions in which Evraz operates, as such Evraz could face administrative restrictions, sanctions, could be required to divest certain assets or be subject to limitations in its operating flexibility.

Evraz's business has grown substantially, both through the acquisition of companies abroad and the acquisition and founding of companies incorporated and operating in Russia, many of which required the prior approval or subsequent notification of the relevant competition authorities. Evraz's acquisition, establishment or reorganisation of companies in Russia could require either a prior approval or a post-closing notification of the Russian Federal Antimonopoly Service (the "**FAS**"). The law that contemplates such prior approvals or notifications is subject to varying interpretations. If the FAS were to conclude that a company was acquired, created or reorganised in contravention of the applicable anti-monopoly laws and that the competition in the Russian market has been or could be limited as a result of such acquisition, creation or reorganisation, the FAS could seek redress, including by seeking to invalidate the transaction in a Russian court, imposing an obligation on the acquirer or founder to restore competition, seeking control or the liquidation of the relevant company or imposing significant fines. Any of these actions could materially adversely affect Evraz's business, financial condition, results of operations and prospects.

A number of anti-monopoly requirements apply to Evraz in the Russian Federation and abroad. To the extent any of Evraz's Russian subsidiaries, collectively or individually, is found to hold a dominant position in a market in which it operates, Evraz may be subject to certain legal restrictions applicable by virtue of the relevant antitrust laws and would be prohibited from abusing such dominant position. In connection with enforcing merger control regulations and other antitrust rules, the FAS has the authority to issue mandatory prescriptions that may apply to Evraz's Russian subsidiaries.

There can be no assurance that the FAS will treat Evraz's compliance as full or adequate with respect to its operations, or that its past conduct may not be challenged. An identification of a breach of Russian anti-monopoly regulations may result in the imposition of sanctions or require divestiture or other action,

which could materially and adversely affect Evraz's business, financial condition, results of operations and future prospects.

In the event that the title to any company acquired by Evraz through privatisation, bankruptcy sale or otherwise is successfully challenged, Evraz may lose its ownership interest in that company or its assets.

Almost all of Evraz's steelmaking and mining assets in Russia consist of companies that have been privatised or that Evraz acquired through bankruptcy proceedings or directly or indirectly from others who acquired them through privatisation or bankruptcy proceedings, and Evraz may seek to acquire additional companies in Russia or outside Russia that have been privatised, or that have undergone bankruptcy proceedings. Privatisation legislation in Russia and Ukraine is generally considered to be vague, internally inconsistent and in conflict with other respective provisions of Russian and Ukrainian legislation. As a result, many privatisations in Russia and Ukraine are arguably deficient and may be subject to challenge, at least on technical grounds, including through selective and arbitrary action by governmental authorities motivated by political or other considerations. Additionally, several of Evraz's Russian assets were subject to bankruptcy proceedings prior to their acquisition by Evraz, including EVRAZ NTMK, EVRAZ ZSMK and EVRAZ KGOK, and Evraz acquired the assets of Kuznetsk Iron and Steel Mill through a bankruptcy auction process. Due to their cumbersome nature, it may be difficult to be in full compliance with regulations governing Russian insolvency proceedings. Disputes arising over title to Evraz's assets acquired through bankruptcy or privatisation proceedings could result in lengthy court proceedings and conceivably could result in Evraz losing control over assets acquired in such proceedings. Certain of those assets are, individually, material contributors to Evraz's revenue and, if Evraz lost control over them or over several of Evraz's smaller assets at the same time, that could materially adversely affect its business, financial condition, results of operations and future prospects.

Problematic labour relations and/or restrictive labour and employment laws, as well as increasing costs of skilled labour, could have a material adverse impact on Evraz.

Although Evraz believes its labour relations with its employees are good, a work slowdown or a work stoppage could occur at any of Evraz's operating units or greenfield operations. At most of Evraz's business units, there are collective bargaining agreements in place with labour unions. Any future work stoppages, disputes with employee unions or other labour-related developments or disputes, including any such stoppages in connection with the renegotiation of collective bargaining agreements, could result in a decrease in Evraz's production levels and adverse publicity and/or an increase in costs, which could have a material adverse effect on Evraz's business, results of operations, financial condition and future prospects. In addition, competition for skilled labour is intense in the steel and mining industries, and labour costs are increasing. The demand for, and hence costs associated with, employing skilled engineers, construction workers and operators is likely to continue to increase, reflecting the significant demand from other industries and public infrastructure projects. Moreover, increases in statutory rates may result in higher defined contributions paid to the Russian state funds for employees that may be exposed to hazardous substances. Continued high demand for skilled labour and continuing increases in labour costs could make it difficult for Evraz to attract qualified employees at a commercially reasonable cost or at all and such a difficulty could have a material adverse effect on Evraz's business, results of operations, financial condition and future prospects.

Evraz depends on the availability of uninterrupted transportation services for the transportation of its materials and end products across significant distances and the prices for such services could increase.

Evraz's Russian and Ukrainian subsidiaries are dependent on railway transportation to deliver raw materials and products to their facilities and customers located in Russia and the CIS, as well as to ports for

onward transportation overseas. Moreover, Evraz's Russian production facilities, for example, are located at a greater distance from their primary markets and sea ports than are many of Evraz's competitors in the Russian market. As a result, Evraz's transportation costs are generally higher than those of its Russian and CIS peers. Evraz is exposed to the cost of any increase in these tariffs, which (as they are not generally driven by market demand) are difficult to forecast. A number of Evraz's major Russian competitors ship their products to export markets primarily via Baltic Sea and Black Sea ports that are located relatively close to their major production facilities, whereas Evraz ships a significant part of its Russia-produced steel products for non-CIS sales via sea ports in Russia's Far East (EVRAZ Nakhodka Trade Sea Port), which are comparatively more distant from its Russian production facilities. Further, Evraz is exposed to potential shortages of railway tonnage capacity or rolling stock for the transportation of its products. As a result, increases in transportation costs or delays in transportation may adversely affect Evraz's ability to compete successfully both in the Russian and CIS, as well as non-CIS, markets. In addition, Russian railway tariffs are currently regulated by the Russian government and, as such, they are insulated from market forces and therefore can increase in unpredictable amounts and at unpredictable times. Any such tariff increase could materially and adversely affect Evraz's business, financial condition, results of operations and future prospects.

In addition, Evraz requires the availability of suitable railcars to transport raw materials from its mines to steel plants and from the steel plants to sea ports or other delivery points. Evraz may not be able to procure such railcars on commercially acceptable terms. Increases in the price of leasing or renting railcars, or their availability in the market, could have a material adverse effect on Evraz's business, results of operations, financial condition and future prospects.

Evraz is dependent on Russian Railways as its principal purchaser of railway products in Russia.

Evraz sells most of its railway products in Russia to Joint Stock Company "Russian Railways" ("**Russian Railways**") (pursuant to a multi-year contract, which expires at the end of 2017), which is the primary customer for rails made by Evraz's Russian subsidiaries, accounting for 90% of Evraz's total Russian sales of rails by volume in 2015 and 92% of Evraz's total Russian sales of rails by volume in 2016. While demand from Russian Railways for railway products has historically been consistent, any reduction in Russian Railways' investment budget, its supply requirements for railway products, a decrease in the purchase prices of such products, increased competition from other producers for sales to Russian Railways (in particular, in 2016, Mechel started supplies of rails to Russian Railways) or an inability of Evraz to renegotiate the extension of the contract with Russian Railways on favourable terms could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

Currency fluctuations may materially adversely affect Evraz's results of operations.

Evraz, like many large multinational companies, faces a mismatch of the currencies in which its revenue and costs are denominated. As a result, it is vulnerable to some degree to margin erosion if the currencies in which its costs are denominated appreciate against the currencies in which its revenue is denominated. The mix of Evraz's revenue and costs is such that appreciation of the Rouble against the U.S. dollar tends to result in an increase in Evraz's costs relative to its revenue, while depreciation of the Rouble against the U.S. dollar tends to result in a decrease in Evraz's costs relative to its revenue. The Rouble experienced significant depreciation against the U.S. dollar in 2014 and 2015, largely as a result of the Central Bank of Russia's free-float Rouble exchange rate policy and the significant fall in prices of oil and commodities that are the principal generators of Russia's export earnings. The Rouble-to-U.S.-dollar exchange rate has varied from RUB32.7292 for U.S.$1.00 as of 31 December 2013 to RUB56.2584 for U.S.$1.00 as of 31 December 2014, to RUB72.8827 for U.S.$1.00 as of 31 December 2015 and to RUB60.6569 for U.S.$1.00 as of 31 December 2016 (each exchange rate as published by the Central Bank of Russia). There can be no assurance that the Rouble will not increase in value in U.S. dollar terms, particularly if the price of oil rises. Any significant appreciation of the Rouble against the U.S. dollar, in the absence of an

increase in domestic demand for steel products, may materially adversely affect Evraz's financial condition and results of operations.

Evraz's presentational currency is the U.S. dollar. Its functional currencies vary, depending on the subsidiary. The currency in which its direct costs and other costs, such as interest expenses, are denominated likewise depends on the subsidiary, but are primarily Roubles and U.S. dollars. Accordingly, depreciation of the Rouble against the U.S. dollar results in a decrease in the reported U.S. dollar value of Evraz's Rouble-denominated assets (and liabilities) and appreciation of the Rouble against the U.S. dollar results in an increase in the reported U.S. dollar value of Evraz's Rouble-denominated assets (and liabilities), particularly when the income statements of Evraz's Russian subsidiaries are translated into U.S. dollars in connection with the preparation of Evraz's consolidated financial statements. See Note 28 to the 2016 Consolidated Financial Statements for further information.

Wage increases throughout Evraz may reduce Evraz's profit margins.

Wage costs in Russia and Ukraine have historically been significantly lower than wage costs for similarly skilled employees in more developed markets, such as North America and Europe. While wage costs have been increasing globally, wage costs in Russia and Ukraine generally have been increasing and at a faster rate than wages in North America and Europe. Even though this trend reversed in 2014 and 2015 and did not recommence in 2016 in Russia and Ukraine due to the consequences of the Rouble and the Ukrainian Hryvnia's significant depreciation, if the wage costs were to increase and if Evraz was not able to adjust its prices to recover such increases in costs, this could result in a reduction in Evraz's profit margins. Unless Evraz is able to continue to increase the efficiency and productivity of its employees, in particular in Russia and Ukraine, wage increases could have a material adverse effect on its business, results of operations, financial condition and future prospects.

Inflation could negatively impact Evraz's business, operations and financial results.

In 2014, the inflation rate in Russia was 7.8%. The Russian economy is closely tied to the performance of the oil and gas sector and, following a rapid fall of oil prices in the world markets in the second half of 2014, the Rouble lost a significant part of its value, causing the Central Bank of Russia to hike its benchmark rate in response to the fast currency devaluation. As a consequence of that, inflation in Russia accelerated and reached 15.5% in 2015, according to the World Bank. Evraz tends to experience inflation-driven increases in certain of its Rouble-denominated costs, including salaries, rents and fuel and energy costs, which are sensitive to rises in the general price level in Russia. In the event that Evraz experiences cost increases resulting from inflation, Evraz's operating margins may decrease. Accordingly, Evraz's business, results of operations, financial condition and future prospects could be materially adversely affected.

Increased electricity and other energy prices, or a disruption in the supply of energy or electricity sources, could adversely affect Evraz's business.

For steel and mining companies, energy costs, particularly the cost of electricity, comprise a significant portion of the cost of production. Since 1998, the Russian electricity market has been the subject of various stages of reform, the primary purposes of which are to introduce competition, liberalise the wholesale electricity market and move from regulated pricing to a market-based system. The most recent step has been price liberalisation, which took effect from 1 January 2011. Evraz's Russian operations purchase significant amounts of electricity from various privatised generation companies in Russia that were formerly government controlled. Any potential interruptions in the supply of energy, as well as price liberalisation and changes in legislation or other factors that may result in higher wholesale prices for electricity for Evraz's Russian subsidiaries, could have a material adverse effect on Evraz's business, results of operations, financial condition and future prospects.

In addition, Evraz's Russian operations purchase significant volumes of natural gas from subsidiaries of Gazprom, a government-controlled entity, as well as from independent gas producers. Changes in Russian

government policy might impact gas producers, particularly Gazprom, and thus Evraz's supply of natural gas. Moreover, Evraz may also face interruptions in the supply of natural gas to its Ukrainian assets due to ongoing disputes between Ukraine and Russia, a major gas supplier. Thus, any interruption in the supply of natural gas or a substantial increase in costs associated with satisfying its demand for natural gas could adversely affect Evraz's business, financial condition, results of operations and future prospects.

Evraz's existing and future insurance coverage may not be sufficient to cover costs arising from hazards and other operational risks arising from its steel and mining operations.

Although Evraz believes that, with respect to each of its production facilities, it maintains insurance at levels generally in line with the relevant local market standards and peers, a number of its business divisions, including those in Russia and Ukraine, do not have comprehensive business interruption insurance coverage and do not maintain comprehensive general liability insurance coverage (in addition to the compulsory policies with very limited indemnity), including product and environmental liability. In line with customary industry practice, Evraz does not insure its coal mining assets as such insurance is, in Evraz's management's opinion, very limited in value and coverage, very expensive and not available for certain risks. Evraz may, therefore, suffer significant losses in the event of damage to or destruction of any of its principal operating assets or in the event that any claim is brought against Evraz by a third party in regard to personal injury, death or property damage caused by Evraz's operations in Russia and Ukraine. Evraz maintains all insurance compulsory under the local laws of the jurisdictions in which it operates as well as accident and medical insurance for its employees and senior managers, but no life insurance. No assurance can be given, however, that Evraz will always be able to maintain existing insurance levels or that the existing insurance levels are adequate to cover the risks they are purchased to insure. There is also no assurance that Evraz will be able to obtain additional insurance coverage at commercially reasonable rates, which could lead to future shortfalls between Evraz's liabilities and its insurance coverage. Any such liability shortfalls or losses due to a lack of insurance coverage could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

Employees and former employees of Evraz and service providers or customers of Evraz (as well as neighbouring populations) may have been exposed, and, to a certain extent, may still be exposed, to toxic or hazardous substances.

Evraz's steel and mining operations use, and have in the past used, large quantities of heavy metals, chemical, toxic and hazardous substances. Notwithstanding safety and monitoring procedures implemented by Evraz at each production site, employees, and in some cases the employees of other companies and service providers, have been or may have been exposed to such substances and some employees may have developed specific pathologies from such exposure which could induce them to file claims against Evraz in future years. In addition, employees of Evraz or its service providers or customers or persons living near Evraz's manufacturing facilities are exposed, or have in the past been exposed, to certain substances that are currently considered not to be hazardous. However, chronic toxicity, even in very low concentrations or exposure doses, could be discovered in the future. This could also lead to claims against Evraz. If any of the events described above leads to a material liability for Evraz in the future, this could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

The Issuer's subsidiaries in Russia are in many cases the largest employers in their respective regions, and as a result Evraz may be limited in its ability to make rapid and significant reductions in the numbers of its employees.

The Issuer's Russian subsidiaries are in many instances the largest employers in the cities in which they operate, for example, EVRAZ NTMK in Nizhny Tagil, EVRAZ ZSMK in Novokuznetsk and EVRAZ KGOK in Kachkanar. While the Issuer does not have any specific legal or social obligations or responsibilities with respect to these regions, its ability to reduce the numbers of its employees may

nevertheless be subject to political and social considerations. Any inability to make planned reductions in numbers of employees in response to reduced demand or otherwise or to make changes to Evraz's operations could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

Evraz is controlled by Lanebrook Limited, whose interests could conflict with those of the other shareholders and creditors of Evraz.

Evraz is indirectly controlled by Lanebrook Limited ("**Lanebrook**"), which, as at the date of this Prospectus, directly held a 63.79% share in EVRAZ plc, which in turn holds a 100% interest in Evraz. As a result of its controlling interest in EVRAZ plc, Lanebrook has the ability to exert control over certain actions of EVRAZ plc, including actions requiring the approval of EVRAZ plc, as the sole shareholder of Evraz. As such, Lanebrook has the ability to exert control over the election of directors, the declaration of dividends, the appointment of management and other policy decisions of EVRAZ plc and, in turn, Evraz. While transactions with Lanebrook and its affiliates can benefit Evraz, the interests of Lanebrook or its affiliates could at times conflict with the interests of the other shareholders and the creditors of Evraz. Evraz is required to comply with the related party transactions regime under the UK Listing Rules and has in the past sought, and continues to seek, to conduct all related party transactions on an arm's length basis, and has adopted procedures for entering into transactions with related parties. However, should any conflicts of interest arise between Evraz, its affiliates and Lanebrook or its affiliates, resulting in the conclusion of transactions on terms not determined by market forces, such conflict of interest could adversely affect Evraz's business, financial condition and results of operations.

The Issuer and its subsidiaries could be treated as tax resident, or as having a permanent establishment, in a jurisdiction other than the jurisdiction of their incorporation.

The Issuer considers that neither it nor any of its subsidiaries should be treated as being resident in any jurisdiction other than the jurisdiction of their incorporation (a "**foreign jurisdiction**") for tax purposes, nor should they have permanent establishments in a foreign jurisdiction. However, there can be no assurance that tax authorities of a foreign jurisdiction will not argue that the Issuer or any of its subsidiaries should be treated as resident in that foreign jurisdiction for tax purposes, or as having a permanent establishment in that foreign jurisdiction, whether for past or future periods, where there have been relevant activities of Evraz or its representatives in that jurisdiction. A successful challenge from the tax authorities of a foreign jurisdiction on either of these grounds could result in the Issuer or one or more of its subsidiaries being subject to tax in the relevant foreign jurisdiction and, possibly in increased withholding tax on dividends, interest and other similar payments made by or to such companies being due. Such an occurrence could materially increase Evraz's tax liabilities and adversely affect Evraz's financial position.

Amendments to the Russian double tax treaty with Luxembourg and changes to other Russian double tax treaties may affect Evraz's business.

A protocol amending certain provisions of the double tax treaty between Russia and Luxembourg became effective on 30 July 2013 (the "**Protocol**"). The Protocol, among other matters, sets forth revised rules for determining the effective place of business of a company for the tax treaty purposes, the taxation of income of a person from disposal of shares, provided that more than 50% of their value is constituted by real estate based in the taxing state, and enhanced coordination of activities between Luxembourg and Russian tax authorities. In addition, the Russian Federation initiated the process of making changes to its other double tax treaties, some of which may affect Evraz, directly or indirectly, given that many of Evraz's subsidiaries are based in jurisdictions other than Russia.

As Evraz has subsidiaries in multiple jurisdictions, including Russia, the revision of Russian double tax treaties, which may provide for new tax rules and/or which the competent tax authorities may interpret

differently to the treaties previously in force, may impact the ongoing relations between various members of Evraz's Group and result in additional tax costs for Evraz.

Risks relating to Russia and Other Emerging Markets

The majority of Evraz's assets are located in emerging markets, such as Russia, Kazakhstan and Ukraine, which are subject to greater risks than the more developed markets.

As is the case for other large multinational companies, Evraz sells its products throughout the world and produces them in many countries, which exposes it to a variety of risks associated with being a global business. Evraz has production facilities in Russia, where a substantial number of its fixed assets are located, Ukraine, Kazakhstan, the United States and Canada. Because a substantial amount of Evraz's assets are located in Russia, Evraz has significant exposure to risks relating to the country. Evraz's operations in Ukraine, Kazakhstan and South Africa expose it to similar risks that are common to most emerging markets. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. In particular, investors should be aware that emerging markets are subject to greater risk than more developed markets, including significant political, economic and legal risks. Prospective investors should also note that emerging economies are subject to rapid change and that some or all of the information set out in this Prospectus may become outdated relatively quickly. Moreover, financial turmoil in any emerging market tends to adversely affect prices in debt and equity markets of all emerging markets, as investors move their money to more stable, developed markets. In case of a global economic downturn, financial problems caused by the global economic slowdown and an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in emerging markets, resulting in an outflow of capital and an adverse effect on these economies. Similarly, decisions by central banks of developed countries, such as the Federal Reserve System, to increase their lending rates may have a negative impact on emerging markets, prompting investors to sell their assets in emerging markets to invest in developed countries' securities and assets. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide whether, in light of those risks, their investment is appropriate.

As with any investment, there exists the risk of adverse political or regulatory developments, including, but not limited to, nationalisation, appropriation without fair compensation, terrorism, war or currency restrictions, which could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects. This risk is compounded in certain countries where political instability has been an inherent part of the country's development.

Regional political conflicts or Russia's involvement in conflicts in other countries could create an uncertain operating environment that could adversely impact Evraz's business and hinder its long-term planning ability.

Ethnic, religious, historical and other divisions in the Russian Federation and former Soviet Union republics have, on occasion, given rise to tensions and, in certain cases, acts of terrorism (principally connected with the North Caucasus region) and military conflict, including the military conflict between the Russian Federation and Georgia in 2008 and the ongoing military conflict in Eastern Ukraine. See "*Risk Factors — The ongoing armed conflict in Eastern Ukraine and the international reaction to Russia's actions in the Crimean region, which resulted in the imposition of sanctions, could further materially adversely affect the economic environment in Russia, including Evraz's business, financial condition, results of operations and future prospects, and create significant political and economic uncertainty*". If existing conflicts remain unresolved, or new disturbances or hostilities arise, this could have significant political consequences and, as a result, Evraz may be unable to access capital, or access capital on terms reasonably acceptable to it, which may have a material adverse effect on Evraz's business, results of operations, financial condition and

prospects. See "*Risk Factors — Evraz's ability to raise financing to finance its investment and maintenance plans or to refinance its existing debt may be limited*".

Certain government policies, or the application of such policies, could have an adverse effect on Evraz's business, financial condition, results of operations and future prospects, as well as investments in the emerging markets more generally.

Major policy shifts could hinder or reverse political, economic and regulatory reforms. Government authorities may adopt policies that could adversely affect private sector companies generally or in any particular sector, or in which there is significant foreign ownership. If Russia were to adopt restrictive economic measures against countries that are important to Evraz's business, or if trade between Russia and such countries were otherwise to be interrupted for political reasons, Evraz's business, financial condition, results of operations and future prospects could be materially and adversely affected.

Moreover, regulatory authorities in emerging markets countries often tend to have a high degree of discretion and at times appear to exercise their discretion selectively or arbitrarily. Such arbitrary governmental actions have reportedly included denial or withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions. Furthermore, government authorities have the power in certain circumstances to interfere with the performance of, nullify or terminate contracts and, through their tax, environmental and prosecutorial arms, may engage in investigations and prosecutions of particular companies or persons. Such actions, if directed at Evraz's operations, could have a material adverse effect on Evraz's business, financial condition, results of operations or future prospects.

Shareholder liability under Russian legislation could cause the Issuer to become liable for the obligations of its Russian subsidiaries and its Russian joint venture entities.

Under Russian law, the Issuer may be jointly and severally liable for the obligations of its Russian subsidiaries or joint venture entities together with such entities if: (i) the Issuer has the ability to make decisions for such Russian subsidiaries or joint venture entities as a result of its ownership interest, the terms of a binding contract with such Russian subsidiary or joint venture entity or in any other way; and (ii) the relevant Russian subsidiary or joint venture entity concluded the transaction giving rise to the obligations pursuant to the Issuer's instructions or consent. In addition, the Issuer may have secondary liability for the obligations of its Russian subsidiaries or joint venture entities in a situation where the respective Russian subsidiary or joint venture entity fails to meet its obligations if the relevant Russian subsidiary or joint venture entity becomes insolvent or bankrupt and this is attributable to the Issuer (i.e. the Issuer has issued its instructions or given its consent knowing that this would result in insolvency or bankruptcy of the relevant Russian subsidiary or joint venture entity). This type of liability could result in significant losses, and could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

The Russian Law on Strategic Enterprises may adversely affect Evraz's business, results of operations and financial condition.

On 7 May 2008, the Federal Law No. 57-FZ "On the Procedure for Implementing Foreign Investment in Commercial Enterprises Having Strategic Importance for Securing the National Defense and Security of the State" (the "**Law on Strategic Enterprises**") became effective. Under the Law on Strategic Enterprises, foreign investors (or their groups of companies) acquiring direct or indirect "control" (as defined in the Law on Strategic Enterprises) over Russian companies that have strategic importance for securing the national defence and security of Russia ("**Strategic Enterprises**") are required to obtain the prior approval, or, in certain cases, post-transaction approval, of a special commission created by the Russian Government (the "**Foreign Investments Supervision Commission**"). Such approval is subject to a determination by the Ministry of Defence of Russia and the Federal Security Service of Russia that the acquisition of control does not threaten the national defence and security of the Russian state. Additionally,

the approval may be subject to the fulfilment of certain conditions by the foreign investor, including, among others, implementing the Strategic Enterprise's business plan, ensuring the employment of a certain number of personnel and processing in Russia of the natural resources produced by the Strategic Enterprise in Russia. If a transaction were to be concluded without the pre- or post-, as applicable, approval of the Foreign Investments Supervision Commission, the regulator may attempt through a Russian court to block voting of that interest in the subsidiary that had been designated a Strategic Enterprise.

Strategic Enterprises include companies that conduct certain types of activities listed in the Law on Strategic Enterprises, for example, companies that produce and sell metals and alloys that are used for production of weapons and military machinery and hold a dominant position in the market for the production and sale of such metals and alloys are considered Strategic Enterprises. Under the Law on Strategic Enterprises, certain Russian subsidiaries of Evraz are, or may be recognised as, Strategic Enterprises. For example, EVRAZ NMTP provides services in the area of transportation terminal (port services) of Nakhodka and, therefore, is included in the register of "natural monopolies" in accordance with the Federal Law No. 147-FZ "On Natural Monopolies" dated 17 August 1995 (as amended). As a natural monopoly EVRAZ NMTP is presumed to be a Strategic Enterprise.

As a result, a direct or indirect acquisition of control over subsidiaries that are recognised as strategic enterprises by a foreign investor (or its group of companies) may be subject to the prior consent, or, in limited circumstances, post-transaction approval, of the Foreign Investments Supervision Commission. The Russian Law on Strategic Enterprises should apply to a transfer of shares in a company considered to be or have a Strategic Enterprise where a purchaser acquires an interest of more than 50% (or more than 25% in the case of an acquisition by a sovereign or state-controlled purchaser), whether directly or indirectly, in such company. Accordingly, the ability of Evraz to sell certain of its Russian subsidiaries to foreign investors or the ability of Evraz's ultimate beneficial owners to sell a controlling stake in the Issuer's shares to a foreign investor may be restricted. In addition, the potential necessity to receive consent from the Foreign Investments Supervision Commission and the chance of not being granted such consent may affect Evraz's ability to create joint ventures with foreign partners. In relation to Strategic Enterprises, certain intra-group restructuring transactions that are transactions with or between entities under the direct or indirect control of Russian Federation or Russian citizens are subject to an exemption from a requirement for prior consent. Violation of the Law on Strategic Enterprises may lead to transactions being voided or the deprivation of voting rights. If any of these potential restrictions were to be imposed on Evraz, it could have a material adverse effect on Evraz's strategy, business, financial condition, results of operations and future prospects.

Property law in emerging markets is subject to uncertainty and contradiction.

Evraz's assets are located primarily in emerging markets, such as Russia, Kazakhstan and Ukraine. The legal framework relating to the ownership and use of land in these countries is not yet sufficiently developed to support private ownership of land to the same extent as is common in some of the more developed market economies of North America and Europe. Land use and title systems rely on complex traditional ownership systems. As a result, the title of land that Evraz might invest in may be unclear or in doubt. Moreover, the validity of Evraz's right to title or use of its properties may be successfully challenged or invalidated due to technical violations or defects in title. Such instability creates uncertainties in the operating environment in the emerging market nations, which could hinder Evraz's long-term planning efforts and may prevent Evraz from carrying out its business strategy effectively and efficiently. If the real property owned or leased by Evraz is found not to be in compliance with all applicable approvals, consents, registrations or other regulations, Evraz may lose the use of such real property, which could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects and the value of the Notes.

Fluctuations in the global economy, as well as the general economic instability of Russia, could materially adversely affect Evraz's business, financial condition, results of operations and future prospects.

Russia is a developing economy, with a large portion of its GDP being supported by strong export activity. This makes it particularly vulnerable to global market downturns or slowdowns.

The Russian economy has been subject to abrupt downturns in the past. As a major oil producer, Russia is particularly vulnerable to oil price fluctuations. Russia is also a major producer and exporter of metal products and its economy is vulnerable to fluctuations in world commodity prices and the imposition of tariffs and/or anti-dumping measures by the United States, the European Union or by other principal export markets. A sustained decline in the prices of crude oil, natural gas and other commodities could have a substantial adverse impact on the Russian economy, which, in turn, could have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects. While from 2010 commodity prices generally recovered from low prices set during the previous financial crisis, oil prices significantly fell in the second half of 2014, with the global benchmark Brent crude falling from U.S.$111/bbl on 30 June 2014 to U.S.$55/bbl on 31 December 2014 and further to U.S.$37.72/bbl on 31 December 2015. During 2016 oil prices slightly recovered from U.S.$37.72/bbl on 31 December 2015 to U.S.$54.96/bbl on 31 December 2016. Correspondingly, in 2014, as a consequence of the Ukrainian crisis and the falling oil prices, Russia's real GDP growth slowed to 0.7% and contracted by 2.8% in 2015 and contracted by 0.2% in 2016, according to Rosstat. Any further decrease or volatility in world commodity prices in the future would have a materially adverse impact on the Russian economy, which, in turn, could have a material adverse effect on Evraz's Russian operations, affecting its business, results of operations and future prospects.

The introduction or maintenance of currency restrictions may limit Evraz's ability to execute its strategy or operate its business or could otherwise adversely affect the markets in which it operates.

Despite recent liberalisation, there can be no assurance that the currency regulation and control regimes in the jurisdictions in which Evraz operates will not impose new restrictions or prohibitions. Restrictions or prohibitions on hard currency payments and operations could limit Evraz's ability to invest in its capital improvement programmes, pursue attractive acquisition opportunities, purchase raw materials or sell its products internationally. In addition, such restrictions or prohibitions may limit Evraz's ability to repatriate earnings from securities of its subsidiaries located in the country where such restrictions or prohibitions apply, or otherwise have a negative impact on the capital markets of that country. The consequences of any new restrictions or prohibitions could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects.

Weakness relating to the legal systems and legislation in Russia and some other jurisdictions in which Evraz operates creates an uncertain environment for investment and business activity that could, in turn, have a material adverse effect on Evraz's business, financial condition, results of operations and future prospects.

Evraz's assets are located primarily in emerging markets, such as Russia, Kazakhstan and Ukraine. At the heart of a successful transition to a market economy is a comprehensive and well-developed legal system. Legal frameworks in the aforementioned countries are still under development and large portions of these frameworks have only recently become operational. The relatively recent enactment of many laws and the lack of consensus about the aims, scope, content and pace of economic and political reforms have resulted in ambiguities and inconsistencies in these legal systems. The recent nature of much of the legislation and the rapid evolution of legal systems in these countries may place the enforceability of more recently enacted laws in doubt, and many new laws remain untested. Any or all of these weaknesses could affect Evraz's ability to determine whether, for example, it has adequate property rights, or whether it can enforce its legal rights, including rights under its contracts, or to defend against claims by others.

Furthermore, the independence of the judicial systems in emerging markets remains largely untested. The court system in these countries is sometimes understaffed and/or underfunded and not immune to external influences. Judges and the courts are often inexperienced in interpreting and applying many aspects of business and corporate law. Judicial precedents generally have no binding effect on subsequent decisions. Not all court decisions are readily available to the public. Enforcement of court judgments can, in practice, be very difficult in emerging markets. All of these factors make judicial decisions difficult to predict, and effective redress uncertain. Additionally, court claims and prosecutions could potentially be influenced by, or used in furtherance of, private interests. Evraz may be subject to such claims and may not be able to receive a fair trial.

In addition, the current status of the Russian legal system makes it uncertain whether Evraz would be able to enforce its rights in disputes with its contractual partners or other parties. The Budget Code sets additional requirements for enforcing rights against the federal budget, which may potentially delay the payment of sums due to Evraz from the federal budget. Furthermore, the dispersion of regulatory power among a number of government agencies in Russia has resulted in inconsistent or contradictory regulations and unpredictable enforcement. Evraz's ability to operate in Russia could thus be adversely affected by difficulties in protecting and enforcing its rights and by future changes to local laws and regulations.

The risks of the current legal system in Russia include, but are not limited to:

- inconsistencies between and among the laws, presidential decrees and governmental, ministerial and local orders, decisions, resolutions and other acts;
- limited judicial and administrative guidance on interpreting legislation;
- gaps in the regulatory structure due to the absence of or delay in implementing regulations;
- the relative inexperience of judges and courts in interpreting new principles of law, particularly in relation to business and commercial law;
- bankruptcy procedures that are still under development;
- problematic and time-consuming enforcement of both domestic and foreign judicial orders and international arbitration awards;
- a high degree of discretion on the part of governmental authorities, leaving significant opportunities for arbitrary government action; and
- a tendency to formalism in interpreting procedural requirements.

All of the above risks could affect Evraz's ability to ascertain its rights or to seek or obtain effective redress in the Russian courts, which could have a material adverse effect on Evraz's business, financial condition and results of operations.

Foreign judgments and arbitral awards may not be enforceable against the Issuer's Russian, Kazakh and Ukrainian subsidiaries.

Although the Issuer is incorporated in Luxembourg, most of Evraz's assets are located in Russia and some in Ukraine and Kazakhstan. Judgments rendered by a court in any jurisdiction outside of these countries are likely to be recognised by courts in Russia, Ukraine or Kazakhstan only if: (i) an international treaty providing for the recognition and enforcement of judgments in civil cases exists between Russia (or Ukraine or Kazakhstan) and the country where the judgment is rendered; and/or (ii) a federal law of Russia (or Ukraine or Kazakhstan) providing for the recognition and enforcement of foreign court judgments is adopted. No such federal law has been passed and no such treaty exists between Luxembourg, the United Kingdom and Russia, Ukraine or Kazakhstan for the reciprocal enforcement of foreign courts' judgments. In

the absence of an applicable treaty or convention providing for the recognition and enforcement of judgments in civil and commercial matters between the United Kingdom and Russia, Ukraine or Kazakhstan, a judgment of a court in England may be recognised and enforced in Russia, Ukraine or Kazakhstan only on the grounds of reciprocity. In each case, reciprocity must be established and, in the absence of a developed court practice, it is difficult to predict whether a Russian or Ukrainian or Kazakh court will be inclined to recognise and enforce a Luxembourg or English court judgment on the grounds of reciprocity in any particular instance.

Russian tax legislation is subject to frequent change.

Despite certain improvements in the taxation system made by the Russian Government over the past decade Russian tax legislation is still subject to frequent change, varying interpretations, and inconsistent and selective enforcement. Over time, it is expected that Russian tax legislation will become more sophisticated and that additional revenue-raising measures will be introduced. Such developments may negatively influence the financial position of Evraz's Russian subsidiaries.

While, in recent years, the highest Russian courts have attempted to regulate court practice in the sphere of taxation and to develop unified approaches to judging particular types of cases, there are still no clear rules for distinguishing between lawful tax optimisation and tax evasion. Courts have attempted to develop some anti-avoidance principles, such as concepts of a taxpayer "acting in bad faith" and "unjustified tax benefits", thereby moving towards a substance-over-form approach and limiting the opportunity for corporate taxpayers to rely on a literal interpretation of the law. However, these concepts are formulated broadly and are open to different interpretations and their status in the Russian legal system is hence unclear. The views of the highest courts are also somewhat volatile and may change within a relatively short period of time and ordinary court decisions do not create precedent law or rules in Russia.

On 1 January 2012, amended transfer pricing legislation was introduced to the Russian tax law. Due to the recent nature of the legislation, there is an element of risk and uncertainty with regard to the tax position of the Issuer's Russian subsidiaries, and the outcome of any transfer pricing disputes with the Russian tax authorities is unpredictable.

Misinterpretation of, or failure to properly implement, the Russian transfer pricing law could have a material adverse effect on Evraz's business, financial condition and results of operations.

Risks relating to the Notes and the Trading Market

The Notes may not have an active trading market, which may have an adverse impact on the value of the Notes.

An active trading market for the Notes may not develop. The Notes have not been registered under the Securities Act or any U.S. state securities laws and, unless so registered, may not be offered or sold except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws. Application has been made for admission to trading of the Notes on the Main Securities Market. However, there can be no assurance that a liquid market will develop for the Notes, that holders of the Notes will be able to sell their Notes or that such holders will be able to sell their Notes for a price that reflects their value. Liquidity may be further limited if the Issuer makes large allocations of the Notes to a limited number of investors.

In addition, the markets for emerging markets debt have been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. There can be no assurance that the market for the Notes will not be subject to similar disruptions. Any such disruptions may have an adverse effect on holders of the Notes.

Payments under the Notes are effectively subordinated to secured indebtedness of the Issuer and structurally subordinated to secured and unsecured indebtedness of the Issuer's subsidiaries.

The obligations of the Issuer under the Notes, for which there is no guarantor, may be effectively subordinated to other secured obligations of the Issuer to the extent of the collateral over which security has been given and structurally subordinated to the existing obligations, both secured and unsecured, of the Issuer's subsidiaries. As of 31 December 2016, Evraz's short-term and long-term loans and borrowings amounted to U.S.$5,894 million. Some of this indebtedness is secured indebtedness of the Issuer's subsidiaries and the Notes may be structurally subordinated to this secured indebtedness.

Subject to certain limitations set forth in the Terms and Conditions, the Issuer may be able to incur substantial secured debt, and its subsidiaries may be able to incur substantial additional structurally senior debt, secured or unsecured, in the future. The incurrence of additional indebtedness by either the Issuer or any of its subsidiaries, including in particular indebtedness that is structurally or effectively senior to the Notes, may have a material adverse effect on the value of an investment in the Notes. See "*Terms and Conditions of the Notes*".

In addition, the Issuer is a holding company with limited assets other than the shares of its subsidiaries and, accordingly, will depend upon payments from its subsidiaries to make payments on the Notes. The subsidiaries of the Issuer are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the Notes or to make any funds available for these purposes, whether by dividends, loans, distributions or other payments, and do not guarantee the payment of interest on, or principal of, the Notes. Any right that the Issuer has to receive any assets of any operating subsidiary upon liquidation or reorganisation, and the consequent right of holders of Notes to realise proceeds from the sale of such a subsidiary's assets, will be effectively subordinated to claims of that subsidiary's creditors, including trade creditors and holders of debt issued by that subsidiary.

The Terms and Conditions include certain restrictions on Evraz's operations that may have a material adverse effect on Evraz's business, financial condition, results of operations or prospects.

The Terms and Conditions will, among other things, restrict, with certain exceptions, the ability of the Issuer and, in certain cases, its Subsidiaries (as defined in Condition 19 of the Notes (*Definitions*)) to: (i) incur liens; (ii) incur indebtedness; (iii) engage in transactions with affiliates; (iv) sell assets; and (v) undertake certain mergers and similar transactions. The terms and conditions of the 9.50% notes due in 2018 (the "**9.50% 2018 Notes**"), the 6.75% notes due in 2018 (the "**6.75% 2018 Notes**"), the 6.50% notes due in 2020 (the "**6.50% 2020 Notes**"), the 8.25% notes due in 2021 (the "**8.25% 2021 Notes**") and the 6.75% notes due in 2022 (the "**6.75% 2022 Notes**") are substantially similar.

Although these restrictions are intended to preserve the creditworthiness of Evraz and the Notes, as well as of the 6.75% 2018 Notes, the 9.50% 2018 Notes, the 6.50% 2020 Notes, the 8.25% 2021 Notes and the 6.75% 2022 Notes, they may also hinder the ability of Evraz to implement its business strategy and could have a material adverse effect on Evraz's business, financial condition, results of operations or prospects.

To the extent that Evraz does not comply with the Terms and Conditions of the Notes, the 6.75% 2018 Notes, the 9.50% 2018 Notes, the 6.50% 2020 Notes, the 8.25% 2021 Notes or the 6.75% 2022 Notes or any other indebtedness and is not able to obtain a waiver, the relevant indebtedness (including the Notes) as well as other indebtedness may become immediately repayable. Any such acceleration of Evraz's indebtedness would have a material adverse effect on its business, financial condition, results of operations and prospects.

Financial turmoil in emerging markets could cause the price of the Notes to suffer.

The market price of the Notes will be influenced by economic and market conditions in the countries of residence of the Issuer and, to a varying degree, economic and market conditions in other emerging markets generally. Financial turmoil in emerging markets in 1997-1998 as well as in 2008-2009 adversely

affected market prices in the world's securities markets for companies that operate in developing economies. Even if the economies of the countries in which the Issuer has its main operations remain relatively stable, financial turmoil in these countries could materially adversely affect the market price of the Notes. Since the beginning of the current financial and economic crisis, many global securities markets have experienced extreme price and volume fluctuations, particularly those in developing economies. Continuation or intensification of financial or economic turmoil could materially adversely affect the market price of the Notes.

The Notes may be subject to prepayment.

In the event that the Issuer is obliged to increase the amounts payable under the Notes, as a result of any tax becoming applicable to such payments, the Issuer may, at its option, prepay the Notes. If the Issuer redeems the Notes in such circumstances, the redemption prices will be equal to 100% of the principal amount of the Notes plus any accrued interest and additional amounts due. See "*Terms and Condition of the Notes—Redemption and Purchase—Redemption for Taxation Reasons*". The Issuer may also redeem the Notes, in whole or in part, at any time on at least 30 days' notice but not more than 60 days' notice to Noteholders at their principal amount plus Applicable Premium (as defined in Condition 19 of the Notes (*Definitions*)) together with accrued interest to the redemption date. See "*Terms and Conditions of the Notes—Redemption and Purchase—Redemption at Make-Whole*".

The liquidity of the market for the Notes may be diminished if the proposed financial transactions or any similar tax were adopted.

The European Commission published a proposal for a directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). In December 2015 Estonia withdrew from the group of states willing to introduce the FTT.

The proposed financial transactions tax has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States and the scope of any tax is uncertain. Additional Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

The Notes are subject to interest rate risk.

As the Notes bear a fixed rate of interest, an investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

The Notes are subject to exchange rate risk and exchange controls.

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the

Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease: (i) the Investor Currency's equivalent yield on the Notes; (ii) the Investor's Currency equivalent value of the principal payable on the Notes; and (iii) the Investor's Currency equivalent market value of the Notes.

Changes to the credit ratings of the Issuer or the Notes may adversely affect the value of the Notes.

The Notes are expected to be rated B1 by Moody's and B+ by Standard & Poor's. The foregoing credit ratings do not mean that the Notes are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The ratings do not address the likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. The significance of each rating should be analysed independently from any other rating. Any changes in the credit ratings of the Issuer or the Notes could adversely affect the value of the Notes and the price that a subsequent purchaser will be willing to pay for the Notes.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to investment laws and regulations, or to the review by, or regulation of, certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Notes are legal investments to it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

As the Global Note Certificates are held by or on behalf of DTC, Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfers, payments and communications with the Issuer.

The Notes will initially only be issued in global certificated form, and held through the clearing systems. Interests in the Global Note Certificates will trade in book-entry form only, and Individual Certificates will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of Notes. The common depositary, or its nominee, for the clearing systems will be the sole registered holder of the relevant Global Note Certificate. Payments of principal, interest and other amounts owing on or in respect of a Global Note Certificate will be made to the Principal Paying Agent, who will make payments to the clearing systems. Thereafter, these payments will be credited to accounts of participants who hold book-entry interests in a Global Note Certificate representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for the clearing systems, none of the Issuer, the Joint Lead Managers and Bookrunners or the Trustee will have any responsibility or liability for the payment of interest, principal or other amounts to the owners of the book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of the clearing systems, and, if you are not a participant in the clearing systems, on the procedures of the participant through which you hold your interest, to exercise any rights and obligations of a holder of Notes under the Trust Deed.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests of waivers or other actions from holders of the notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from the relevant clearing system. The procedures implemented for granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an Event of Default under the Notes, unless and until Individual Certificates are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC, Euroclear and Clearstream, Luxembourg. The procedures to be implemented through DTC, Euroclear and Clearstream, Luxembourg may not be adequate to ensure the timely exercise of rights under the Notes.

USE OF PROCEEDS

The net proceeds to Evraz from the offering of the Notes are expected to be approximately U.S.$745,000,000. Evraz intends to use these net proceeds to refinance its indebtedness, including, without limitation, to finance the purchase of (i) the U.S.$1,000,000,000 6.50% Notes due 22 April 2020 (Regulation S: Common Code: 080863861, ISIN: XS0808638612; Rule 144A: Common Code: 78394986, ISIN: US30050AAF03, CUSIP: 30050AAF0) (the "**2020 Existing Notes**"), (ii) the U.S.$700,000,000 9.50% Notes due 24 April 2018 (Regulation S: Common Code: 035938133, ISIN: XS0359381331; Rule 144A: Common Code: 035938362, ISIN: US30050AAB98, CUSIP: 30050AAB9) (the "**First 2018 Existing Notes**") and (iii) the U.S.$850,000,000 6.75% Notes due 27 April 2018 (Regulation S: Common Code: 061890521, ISIN: XS0618905219; Rule 144A: Common Code: 062063190, ISIN: US30050AAD54, CUSIP: 30050AAD5) (the "**Second 2018 Existing Notes**" and, together with the First 2018 Existing Notes, the "**2018 Existing Notes**" and, the 2018 Existing Notes together with 2020 Existing Notes, the "**Existing Notes**") in each case issued by the Issuer and tendered and accepted for purchase in accordance with the terms and conditions of the Tender Offers (as defined herein) that will be settled on or about (i) 15 March 2017 in respect of the 2018 Existing Notes and (ii) 21 March 2017 in respect of the 2020 Existing Notes.

CAPITALISATION

The following table sets forth, as of 31 December 2016, Evraz's consolidated historical cash and cash equivalents, short- and long-term borrowings, equity and total capitalisation.

	As of 31 December 2016
	(U.S.$ millions)
Cash and cash equivalents	1,155
Short-term loans and current portion of long-term loans	392
Long-term loans[(1)]	5,502
Issued capital	404
Additional paid-in capital	3,176
Revaluation surplus	112
Legal reserve	39
Unrealised gains and losses	–
Accumulated profits	782
Translation difference	(3,713)
Non-controlling interests	186
Total equity	986
Total capitalisation[(2)(3)]	**6,488**

Notes:

(1) For a description of Evraz's loans, please see Note 22 to the 2016 Consolidated Financial Statements.

(2) Sum of long-term borrowings, net of current portion, and total equity. Evraz does not expect total capitalisation to significantly change following the issuance of the Notes, because the net proceeds will be used to refinance existing indebtedness.

(3) Events occurring since 31 December 2016 affecting Evraz's capitalisation include, among others:

- In January 2017, Evraz partially prepaid its U.S.$500 million syndicated pre-export financing facility, repaying a further U.S.$110 million of principal. As of the date of this Prospectus, the total principal amount outstanding under the facility was U.S.$270 million.

- On 2 March 2017, Evraz announced the tender offers for the 2018 Existing Notes (the "**2018 Tender Offers**") and the tender offer for the 2020 Existing Notes (the "**2020 Tender Offer**" and, together with the 2020 Tender Offer, the "**Tender Offers**"). Following the expiration of the Tender Offers, Evraz accepted for purchase U.S.$50,232,000, U.S.$331,503,000 and U.S.$300,000,000 in principal amount of the First 2018 Existing Notes, the Second 2018 Existing Notes and the 2020 Existing Notes, respectively, thus agreeing to pay U.S.$681,735,000 in aggregate for such notes tendered and accepted. The Tender Offers are expected to be settled on or about (i) 15 March 2017 in respect of the 2018 Existing Notes and (ii) 21 March 2017 in respect of the 2020 Existing Notes.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information set forth below presents historical consolidated financial information and other operating information of the Issuer as of 31 December 2016, 2015 and 2014 and for the years then ended. The selected consolidated financial information has been extracted without material adjustment from, and should be read in conjunction with, the Audited Consolidated Financial Statements. The selected consolidated financial information should also be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Evraz's operating results were affected by the Issuer's acquisitions and disposals of assets. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Acquisitions and Disposals*".

Consolidated Statement of Operations Data

	Year ended 31 December		
	2016	**2015[(1)]**	**2014[(2)]**
		(U.S.$ millions)	
Revenue	7,713	8,767	13,061
Cost of revenue	(5,521)	(6,583)	(9,734)
Gross Profit	2,192	2,184	3,327
Selling and distribution costs	(623)	(728)	(930)
General and administration expenses	(462)	(545)	(811)
Other operating income and expenses, net	(633)	(936)	(1,705)
Profit/(loss) from operations	474	(25)	(119)
Non-operating income and expenses, net	486	(664)	(984)
Loss before tax	(12)	(690)	(1,103)
Income tax benefit/(expense)	(96)	(12)	(194)
Net loss	(108)	(702)	(1,297)
Net loss attributable to equity holders of the parent entity	(135)	(627)	(1,194)
Net loss attributable to non-controlling interests	27	(75)	(103)

Notes:

(1) Certain amounts shown here have been restated to reflect certain adjustments relating to, among other things, the Mezhegeyugol acquisition.

(2) Certain amounts shown here have been restated to reflect certain adjustments relating to the Raspadskaya acquisition and, among other things, adjustments relating to the Mezhegeyugol acquisition.

Consolidated Statement of Financial Position Data

	As of 31 December		
	2016	**2015[(1)]**	**2014[(2)]**
		(U.S.$ millions)	
Non-current assets	6,440	6,090	8,052
Current assets	3,020	2,973	3,460

	As of 31 December		
	2016	2015[(1)]	2014[(2)]
Equity	986	205	1,349
Non-current liabilities	6,425	6,745	6,997
Current liabilities	2,049	2,113	3,166

Notes:

(1) Certain amounts shown here have been restated to reflect certain adjustments relating to, among other things, the Mezhegeyugol acquisition.

(2) Certain amounts shown here have been restated to reflect certain adjustments relating to the Raspadskaya acquisition and, among other things, adjustments relating to the Mezhegeyugol acquisition.

Consolidated Cash Flows Data

	Year ended 31 December		
	2016	2015	2014
		(U.S.$ millions)	
Net cash flows from operating activities	1,507	1,629	1,953
Net cash flows used in investing activities	(607)	(359)	(258)
Net cash flows used in financing activities	(1,092)	(948)	(1,974)

Segmental Statement of Operations Data

	Year ended 31 December		
	2016	2015[(2)]	2014[(3)]
		(U.S.$ millions)	
Steel			
Revenue[(1)]	5,497	5,987	9,519
Cost of revenue[(1)]	(4,068)	(4,431)	(6,920)
Gross profit	1,429	1,556	2,599
Selling and distribution expenses	(432)	(484)	(687)
General and administration expenses	(196)	(231)	(356)
Other operating income and expenses, net	(99)	(403)	(165)
Profit/(loss) from operations	702	437	1,391
Steel, North America			
Revenue[(1)]	1,464	2,270	3,160
Cost of revenue[(1)]	(1,243)	(1,977)	(2,622)
Gross profit	221	293	538
Selling and distribution expenses	(186)	(242)	(259)
General and administration expenses	(116)	(136)	(164)
Other operating income and expenses, net	(467)	(370)	(284)
Profit/(loss) from operations	(548)	(455)	(169)
Coal			
Revenue[(1)]	1,322	1,068	1,318

	Year ended 31 December		
	2016	2015[2]	2014[3]
		(U.S.$ millions)	
Cost of revenue[1]	(701)	(758)	(1,053)
Gross profit	621	310	265
Selling and distribution expenses	(54)	(50)	(46)
General and administration expenses	(46)	(54)	(89)
Other operating income and expenses, net	54	(299)	(465)
Profit/(loss) from operations	575	(93)	(335)
Other operations			
Revenue[1]	363	433	648
Cost of revenue[1]	(278)	(322)	(519)
Gross profit	85	111	129
Selling and distribution expenses	(65)	(94)	(87)
General and administration expenses	(5)	(6)	(9)
Other operating income and expenses, net	(1)	4	2
Profit/(loss) from operations	14	15	35

Notes:

(1) Segment revenue and cost of revenue include inter-segment sales.

(2) Certain amounts shown here have been restated to reflect certain adjustments relating to, among other things, the Mezhegeyugol acquisition.

(3) Certain amounts shown here have been restated to reflect certain adjustments relating to the Raspadskaya acquisition and, among other things, adjustments relating to the Mezhegeyugol acquisition.

Other Measures

	Year ended 31 December		
	2016	2015	2014
		(U.S.$ millions)	
Consolidated EBITDA[1]	1,549	1,446	2,366
Steel segment EBITDA[1]	1,004	1,081	1,933
Steel, North America, segment EBITDA[1]	28	55	280
Coal segment EBITDA[1]	644	351	376
Other operations EBITDA[1]	17	14	37
Net Debt at end of period[2]	4,804	5,365	5,906
Cash and cash equivalents at end of period	1,155	1,359	1,049

Notes:

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

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

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

	Year ended 31 December		
	2016	2015	2014
		(U.S.$ millions)	
Consolidated EBITDA reconciliation			
Profit/(loss) from operations	474	(25)	(119)
Depreciation, amortisation and depletion	521	585	833
Social and social infrastructure maintenance expenses	23	28	30
Impairment of assets	465	441	540
Loss on disposal of property, plant and equipment	22	41	48
Foreign exchange gains/(losses), net	44	376	1,034
Consolidated EBITDA[1]	1,549	1,446	2,366
Steel segment EBITDA reconciliation			
Profit from operations	702	437	1,391
Depreciation, depletion and amortisation expense	219	260	389
Social and social infrastructure maintenance expenses	21	24	21
Impairment of assets	11	81	196
Loss on disposal of property, plant and equipment and intangible assets	8	8	20
Foreign exchange (gains)/losses, net	43	270	(84)
Steel segment EBITDA[1]	1,004	1,081	1,933
Steel, North America segment EBITDA reconciliation			
Loss from operations	(548)	(455)	(169)
Depreciation, amortisation and depletion	155	153	165
Social and social infrastructure maintenance expenses	–	–	1
Impairment of assets	430	258	261
Loss on disposal of property, plant and equipment and intangible assets	5	10	1
Foreign exchange gains/(losses), net	(14)	89	21
Steel, North America, segment EBITDA[1]	28	55	280
Coal segment EBITDA reconciliation			
Profit/(loss) from operations	575	(107)	(335)
Depreciation, depletion and amortisation expense	141	165	267
Social and social infrastructure maintenance expenses	2	1	3
Impairment of assets	24	102	81
Loss on disposal of property, plant and equipment and intangible assets	9	23	27
Foreign exchange gains/(losses), net	(107)	153	333

	Year ended 31 December		
	2016	2015	2014
		(U.S.$ millions)	
Coal segment EBITDA[1]	644	351	376
Other operations segment EBITDA reconciliation			
Profit from operations	14	15	35
Depreciation, depletion and amortisation expense	3	3	4
Impairment of assets	_	–	2
Foreign exchange gains/(losses), net	–	(4)	(4)
Other operations EBITDA	17	14	37

Note:

(1) Includes inter-segment sales.

(2) Net debt represents total debt less cash and liquid short-term financial assets, including those related to disposal groups classified as held for sale. Net debt is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. Evraz's calculation of net debt may be different from the calculation used by other companies and therefore comparability may be limited. The current calculation is different from that used for covenant compliance calculations.

Net debt has been calculated as follows:

	As of 31 December		
	2016	2015	2014
		(U.S.$ millions)	
Total debt[1]	5,961	6,724	6,962
Cash and cash equivalents	(1,155)	(1,359)	(1,049)
Cash of assets classified as held for sale	(2)	—	—
Collateral under swaps	—	—	(7)
Net debt	4,804	5,365	5,906

Note:

(1) Total debt represents the nominal value of loans and borrowings plus unpaid interest, finance lease liabilities, loans of assets classified as held for sale, the nominal effect of cross-currency swaps on principal of Rouble-denominated notes. Total debt is not a measure under IFRS and should not be considered as an alternative to other measures of financial position. Evraz's calculation of total debt may be different from the calculation used by other companies and therefore comparability may be limited. The current calculation is different from that used for covenant compliance calculations

Total debt has been calculated as follows

:

	As of 31 December		
	2016	2015	2014
		(U.S.$ millions)	
Long-term loans, net of current portion	5,502	5,850	5,470
Short-term loans and current portion of long-term loans	392	497	761
Loans payable to related parties	-	-	55
Add back: Unamortised debt issue costs less fair value adjustment to liabilities assumed in business combination	43	47	37
Nominal effect of cross-currency swaps on principal of Rouble-denominated notes	19	325	635
Finance lease liabilities, including current portion	5	5	4
Total debt	5,961	6,724	6,962

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of Evraz's financial condition and results of operations is based on the Audited Consolidated Financial Statements prepared in accordance with IFRS. This discussion should be read in conjunction with the information in "Selected Consolidated Financial Information", "Presentation of Financial and Other Information", the Audited Consolidated Financial Statements and the notes thereto appearing elsewhere in this Prospectus.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Evraz's actual results could differ materially from those expressed or implied in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "Risk Factors" and "Forward-looking Statements".

Overview

Evraz is a globally vertically integrated steel, mining and vanadium business with operations in Russia, Ukraine, Kazakhstan, North America, the European Union and South Africa. In 2016, Evraz produced 13.5 million tonnes of crude steel and sold 13.5 million tonnes of rolled steel products and pig iron to third parties. According to Evraz's estimates, Evraz was the fourth largest crude steel producer by crude steel volume in Russia in 2016, and the largest manufacturer by volume of long products for the construction and railway industries in Russia and the CIS in 2016. Evraz also produces significant quantities of iron ore products and coking coal, most of which are used in its own steelmaking operations. In 2016, Evraz produced 19.7 million tonnes of iron ore and mined 22.3 million tonnes of coking coal. Evraz is also one of the leading producers of vanadium globally. In 2016, Evraz produced 12.9 thousand tonnes of ferrovanadium and other finished vanadium products.

Business Structure

Segments

Evraz's business is divided into four principal segments:

- the steel segment, which includes production of steel and related products at all mills except for those located in North America. Extraction of vanadium ore and production of vanadium products, iron ore mining and enrichment and certain energy-generating companies are also included in this segment;
- the steel, North America, segment, which includes production of steel and related products in the USA and Canada;
- the coal segment, which includes coal mining and enrichment and the operations of Nakhodka Trade Sea Port as it is used to a significant extent for shipping of products of the coal segment to Asian markets; and
- the other operations segment, which includes energy-generating companies, shipping and railway transportation companies.

Inter-segment Sales

Evraz is a vertically integrated steel and mining group. For additional information on Evraz's iron ore and coking coal self-coverage, see "*Business — Steel Segment*" and "*Business — Coal*". The objective of Evraz's vertical integration is not, however, to only use raw materials produced by its subsidiaries. Rather, Evraz takes a commercial approach to sourcing its raw materials, and may buy and sell iron ore and coal from

and to third parties (instead of internal sources) depending on a number of factors, including pricing, grade and quality of coal and geographic proximity of raw materials to Evraz's facilities.

Evraz's inter-segment product sales are at arm's length, and are based on prices that could be received from unrelated third parties. Inter-segment transactions are included in the presentation of the respective segments.

Acquisitions and Disposals

Evraz has sought to develop an integrated steel and mining business through the purchase of assets that it believes offer significant value creation potential, particularly in the light of Evraz's implementation of improved working practices and operational methods. Evraz also, from time to time, disposes of certain assets. Acquisitions during the period under review, which covers the years ended 31 December 2014, 2015 and 2016 (the "**period under review**"), comprised the transfers to Evraz of an additional 41% equity interest in Raspadskaya and a 60.016% equity interest in Actionfield Limited, the company which owns and operates the Mezhegey coal field project ("**Mezhegeyugol**"), from its parent entity EVRAZ plc. Material disposals during the period under review comprised Evraz's sale of its North American structural tubing business, which was agreed on 6 March 2015, and the sale of EVRAZ Vitkovice Steel on 4 April 2014. Additionally, on 13 April 2015, EVRAZ Highveld Steel and Vanadium was placed under business rescue procedures in order to avoid liquidation. As a result of such action, Evraz no longer controls EVRAZ Highveld Steel and Vanadium and ceased to consolidate it in its financial results starting from 14 April 2015.

Significant Factors Affecting Results of Operations

General Economic Conditions

Since the economic downturn in 2008 and 2009, global economic growth has been intermittent with certain effects of the crisis as well as other negative macroeconomic events such as the sovereign debt problems in Europe and a substantial degree of volatility in the rate of Chinese economic growth, impacted by governmental policy interventions in the Chinese market, occurring during the period under review. In 2014, the economies around the world grew slowly or stagnated. As a result, Evraz's financial results for 2014 declined as its revenue fell in response to economic decline or reduced growth rates in markets such as Russia and China. In 2015, demand for steel continued to decline as a result of slower economic growth in many regions, particularly China, which, in turn, led to downward pressure on global prices. This, combined with weakening demand in Russia, had a negative effect on Evraz's revenue. In addition, the North American oil country tubular goods ("**OCTG**") market slumped by 50% in 2015 following a steep decline in global oil prices, which had a negative effect on EVRAZ North America's financial results and operations. In 2016, in spite of continuing decreasing demand for steel in Russia and North America, developments in China (primarily, steady to increasing demand, the Chinese government's stimulus program and cuts in Chinese steel production capacity) as well as rising prices of raw materials and consolidation trends across the global steel industry resulted in a slight increase in average annual steel prices accompanied by a high degree of volatility (50% plus price swings). Iron ore prices were largely driven by movements in the global steel markets, with prices also increasing slightly as compared to 2015. Coking coal prices surged in 2016 as a result of reduced supply due to the bankruptcy of several producers, bad weather impacting key producing regions and a 276 working day limit imposed on all Chinese mines.

While steel prices declined overall during the period under review, the depreciation of the Rouble and the Ukrainian Hryvnia as a result of general economic pressures as well as geopolitical uncertainty generally supported Evraz's margin in 2015 and 2016.

Volume and Pricing

Evraz's revenue is dependent to a significant extent on pricing and volume of its products as well as the product mix. In 2014, steel production decreased marginally, primarily as a result of the sale of EVRAZ

Vitkovice Steel and the closure of the Claymont plant in the United States. In 2015, steel production decreased due to the deconsolidation of EVRAZ Highveld Steel and Vanadium and certain stoppages for maintenance and repair. In 2016, steel production decreased due to weak tubular and rail markets in North America and reduced crude steel production at EVRAZ ZSMK due to planned repairs of blast furnaces, as well as the deconsolidation of EVRAZ Highveld Steel and Vanadium in April 2015 being reflected for the entire 2016 year. Evraz's production of crude steel was 13.5 million tonnes in 2016, 14.4 million tonnes in 2015 and 15.5 million tonnes in 2014.

In the period under review, Evraz's Russian iron ore production amounted to 17.1 million tonnes, 17.6 million tonnes and 17.6 million tonnes of sellable iron ore products in 2016, 2015 and 2014, respectively. Evraz mined 22.3 million tonnes, 20.9 million tonnes and 21.5 million tonnes of raw coking coal in 2016, 2015 and 2014, respectively. As part of a strategic decision to cease producing non-core steam coal, Evraz ceased producing it during 2014. Evraz's production of ferrovanadium and other finished vanadium products amounted to 12.9 thousand tonnes in 2016, compared to 14.7 thousand tonnes in 2015 and 18.4 thousand tonnes in 2014.

The average price per tonne at which Evraz sold its steel products varied across its products and geographies, but steel prices generally held steady for most of 2014, but experienced a decline at the end of the year, which continued through 2015 and 2016. Vanadium prices remained consistent throughout the period under review. Coal prices declined during 2014, experienced an increase in mid-2015, but on average remained lower in 2015 than in 2014. In 2016, coal prices increased in line with global benchmarks. Prices of iron ore do not have a significant impact on Evraz's consolidated results as Evraz consumes a significant portion of the iron ore it produces.

Foreign Exchange

A significant part of Evraz's revenue is generated in U.S. dollars and its reporting currency is the U.S. dollar, but Evraz incurs costs in several currencies, particularly the Rouble. Therefore, Evraz's results of operations are impacted by the movements of the currencies in which it incurs costs against the U.S. dollar. The depreciation of local currencies against the U.S. dollar contributed to a general decrease in costs (in U.S. dollar terms) throughout 2014 and 2015. This was particularly true of the Rouble which depreciated significantly against the dollar in 2014 and 2015, which, in turn, caused the costs of many of Evraz's production inputs to decline substantially. See Note 28 to the 2015 Consolidated Financial Statements for further information. In 2016, the performance of Evraz's local currencies as against the local currencies in which Evraz operates was mixed. In particular, the Rouble appreciated significantly against the dollar, reversing in part the cost declines that Evraz had experienced in prior years. The following table shows the movements on the average exchange rates of currencies relevant to Evraz's subsidiaries against the U.S. dollar between 2015 and 2014 and between 2015 and 2016:

Currency	**Average exchange rates depreciation 2015 - 2016**[(1)]	**Average exchange rates depreciation 2014 - 2015**[(1)]	**Operations**
Rouble................................	(10.0)%	(58.7)%	Evraz's Russian operations
South African Rand............	(15.3)%	(17.6)%	EVRAZ Vametco
Ukrainian Hryvnia..............	(21.0)%	(83.3)%	Evraz's Ukrainian operations
Canadian Dollar	(3.6)%	(15.7)%	EVRAZ Inc. N.A. Canada

Note:

(1) The average of the exchange rates on each calendar day for the relevant period.

Cost Factors

Evraz's business requires large amounts of raw materials, semi-finished products, fuel and energy. The raw materials that Evraz uses include coking coal, coke, iron ore and scrap iron. Evraz purchases these inputs from third-party providers and produces them at its subsidiaries. As a result, Evraz's results of operations can be impacted by volatility in the costs, and the availability of, these raw materials. Evraz sources a large percentage of its coal and iron ore requirements from its subsidiaries, which partially mitigates the impact on Evraz's results of operations from increased prices of raw materials. In addition to raw materials, staff costs, fuel and other energy costs represent a substantial portion of Evraz's production costs. Raw materials, staff costs, fuel and energy costs generally decreased throughout the period under review.

Transportation costs for raw materials and finished products also affect Evraz's results of operations. Competition in the railway transport industry in Russia is limited and Evraz is, in part, dependent on Russian Railways, the monopoly railway service provider for delivery of both raw materials and products. Russian Railways regularly increases tariffs for its services and can do so at a rate which is higher than the rate at which Evraz can increase its prices. Transportation costs generally declined throughout the period under review primarily as a result of the depreciation of the Rouble, but this trend was not consistent across all segments and geographies as, for example in the coal segment, increased production caused transportation costs to rise despite the benefits from depreciation.

As of 31 December 2016, Evraz employed 77,834 employees. Staff costs impact Evraz's results of operations. Employee costs and other costs, such as auxiliary materials and services which Evraz purchases, are costs that are not generally tied to the volume of product that it sells. These costs are, however, a smaller percentage of its overall costs than raw materials, energy and transport costs and do not have as significant an impact on Evraz's results of operations. In 2016, the key cost cutting initiatives included improvements in raw material consumption yields and in productivity, the energy efficiency programme, maintenance procedures, general and administrative expenses, and asset optimisation

Acquisitions and Disposals

Evraz's results of operations were affected by its acquisitions and disposals of assets. On 13 April 2015, EVRAZ Highveld was placed under business rescue procedures, as a result of which Evraz no longer controlled EVRAZ Highveld. Accordingly, Evraz ceased to consolidate the financial results of EVRAZ Highveld starting from 14 April 2015 and recorded a loss of U.S.$167 million. See Note 4 to the 2016 Consolidated Financial Statements for further information. EVRAZ Vitkovice Steel was sold on 3 April 2014 for cash consideration of U.S.$287 million, but Evraz recognised only a U.S.$90 million gain in respect of the disposal at the time of the sale. See Note 12 to the 2016 Consolidated Financial Statements for further information.

In April 2016, EVRAZ Greenfield Development S.A., a direct subsidiary of EVRAZ plc, sold its 60.016% indirect interest in Mezhegeyugol to Evraz. As the result of this acquisition, Mezhegeyugol became a consolidated subsidiary of Evraz. Evraz applied the pooling of interests method with respect to this acquisition and presented its 2016 Consolidated Financial Statements as if the transfer of the controlling interest in Actionfield Limited had occurred from the date of the acquisition by EVRAZ plc. See Note 2 to the 2016 Consolidated Financial Statements for further information. The financial information as of and for the years ended 31 December 2015 and 2014 used in this Prospectus has been restated to give effect to, among other things, the Mezhegeyugol acquisition. See *"Presentation of Financial and Other Information — Presentation of Financial Information"*.

In October 2015, Evraz obtained an additional 41% equity interest in Raspadskaya from EVRAZ plc by way of a contribution in kind to Evraz. In consideration for such contribution, EVRAZ plc received additional shares in Evraz. As a result of the equity contribution, Raspadskaya became a consolidated subsidiary of Evraz. Evraz applied the pooling of interests method with respect to this acquisition and

presented its 2015 Consolidated Financial Statements as if the transfer of controlling interest in Raspadskaya had occurred from the date of the acquisition from EVRAZ plc. See Note 2 to the 2015 Consolidated Financial Statements for further information. The financial information as of and for the year ended 31 December 2014 used in this Prospectus has been restated to give effect to the Raspadskaya acquisition. See *"Presentation of Financial and Other Information — Presentation of Financial Information"*.

Seasonality

Seasonal effects have a relatively limited impact on Evraz. Nonetheless, a slowing of demand and a consequent reduction in sales volumes, accompanied by an increase in inventories, is typically evident in the first and fourth quarters of the financial year reflecting the general reduction in economic activity associated with the New Year holiday period in Russia and elsewhere. The Russian construction market, in particular, experiences reduced activity in the winter months and export markets generally tend to slow down during the first and second quarters of the year.

Critical Accounting Policies

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of equity, assets and liabilities, revenue and expenses. The estimates and underlying assumptions are based on historical experience, available information, future expectations and other factors and assumptions that Evraz considers to be reasonable under the circumstances. Actual results may differ from these estimates. See Note 2 to the 2016 Consolidated Financial Statements.

Recent Developments

In January 2017, Evraz partially prepaid its U.S.$500 million syndicated pre-export financing facility, repaying a further U.S.$110 million of principal. As of the date of this Prospectus, the total principal amount outstanding under the facility was U.S.$270 million.

On 2 March 2017, Evraz announced the Tender Offers. Following the expiration of the Tender Offers, Evraz accepted for purchase U.S.$50,232,000, U.S.$331,503,000 and U.S.$300,000,000 in principal amount of the First 2018 Existing Notes, the Second 2018 Existing Notes and the 2020 Existing Notes, respectively, thus agreeing to pay U.S.$681,735,000 in aggregate for such notes tendered and accepted. The Tender Offers will be settled on or about (i) 15 March 2017 in respect of the 2018 Existing Notes and (ii) 21 March 2017 in respect of the 2020 Existing Notes.

Results of Operations for the Years Ended 31 December 2016, 2015 and 2014

The following table sets out Evraz's consolidated statement of operations data for the years ended 31 December 2016, 2015 and 2014:

	Year ended 31 December					
	2016		2015		2014	
	Amount in U.S.$m	Percentage of revenue	Amount in U.S.$m	Percentage of revenue	Amount in U.S.$m	Percentage of revenue
Revenue[1]	7,713	100%	8,767	100.0%	13,061	100.0%
Cost of revenue	(5,521)	(71.6)%	(6,583)	(75.1)%	(9,734)	(74.5)%
Gross profit	**2,192**	**28.4%**	**2,184**	**24.9%**	**3,327**	**25.5%**
Selling and distribution costs	(623)	(8.1)%	(728)	(8.3)%	(930)	(7.1)%
General and administrative expenses	(462)	(6.0)%	(545)	(6.2)%	(811)	(6.2)%
Other operating income and expenses, net	(633)	(8.2)%	(936)	(10.7)%	(1,705)	(13.1)%
Profit/(Loss) from operations	**474**	**6.1%**	**(25)**	**(0.3)%**	**(119)**	**(0.9)%**

	Year ended 31 December					
	2016		2015		2014	
	Amount in U.S.$m	Percentage of revenue	Amount in U.S.$m	Percentage of revenue	Amount in U.S.$m	Percentage of revenue
Non-operating income and expenses, net	(486)	(6.3)%	(665)	(7.6)%	(984)	(7.5)%
Loss before tax	**(12)**	**(0.2)%**	**(690)**	**(7.9)%**	**(1,103)**	**(8.4)%**
Income tax expense	(96)	(1.2)%	(12)	(0.1)%	(194)	(1.5)%
Net loss	**(108)**	**(1.4)%**	**(702)**	**(8.0)%**	**(1,297)**	**(9.9)%**
Net loss attributable to equity holders of the parent entity	(135)	(1.8)%	(627)	(7.1)%	(1,194)	(9.1)%
Net loss attributable to minority interests	27	0.4%	(75)	(0.9)%	(103)	(0.8)%

Note:

(1) Includes revenue from sales of services of U.S.$236 million, U.S.$215 million and U.S.$316 million for the years ended 31 December 2016, 2015 and 2014, respectively. Sales of services consist primarily of heat and electricity supply, port charges, transportation and steel coating.

In the years ended 31 December 2016, 2015 and 2014, transactions with related parties accounted for approximately 0.4%, 0.4% and 0.5%, respectively, of Evraz's revenue. In addition, Evraz made purchases from associates (primarily scrap metal from Vtorresource-Pererabotka) and other related parties (iron ore from Yuzhny GOK). See "*Related Party Transactions*" and Note 16 to the 2016 Consolidated Financial Statements.

Revenue

Evraz's consolidated revenue in the year ended 31 December 2016 totalled U.S.$7,713 million, a 12% decrease compared to revenue of U.S.$8,767 million in the year ended 31 December 2015. This decrease was primarily attributable to lower revenue from sales of steel products, which fell by 8.6% year-on-year and was in turn primarily attributable to a decrease in prices in line with global benchmarks and lower sales volumes.

External sales volumes of steel products and pig iron decreased from 14.4 million tonnes in the year ended 31 December 2015 to 13.5 million tonnes in the year ended 31 December 2016.

Evraz's consolidated revenue in the year ended 31 December 2015 totalled U.S.$8,767 million, a 32.9% decrease compared to revenue of U.S.$13,063 million in the year ended 31 December 2014. Declines in price and volume of Evraz's products contributed to this decrease, with price declines being the predominant factor, particularly in the steel segment, while in the steel, North America and coal segments volume declines were an equally significant driver of the overall revenue decline.

Sales volumes of steel products and pig iron decreased from 15.2 million tonnes in the year ended 31 December 2014 to 14.4 million tonnes in the year ended 31 December 2015.

The following table presents Evraz's consolidated revenue by segment for the years ended 31 December 2016, 2015 and 2014:

	Year ended 31 December		
	2016	2015	2014
	(U.S.$ million, except percentages)		
Steel segment	5,497	5,987	9,519
Steel, North America, segment	1,464	2,270	3,160
Coal segment	1,322	1,068	1,318

	Year ended 31 December		
	2016	2015	2014
	(U.S.$ million, except percentages)		
Other operations	363	433	648
Eliminations	(933)	(991)	(1,584)
Consolidated revenue	**7,713**	**8,767**	**13,061**
% from steel segment	68.55%	65.23%	68.39%
% from steel, North America, segment	18.97%	25.90%	24.18%
% from coal segment	10.86%	7.40%	6.04%
% from other operations	1.62%	1.47%	1.39%

Steel Segment

Steel segment revenue decreased by 8.2% to U.S.$5,497 million in the year ended 31 December 2016 as compared to U.S.$5,987 million in the year ended 31 December 2015. This was primarily the result of lower prices of semi-finished products and a decrease in sales volumes of construction products. The decrease in sales volumes was primarily due to weak tubular and rail markets in North America and reduced crude steel production at EVRAZ ZSMK due to planned repairs of blast furnaces, as well as the deconsolidation of EVRAZ Highveld Steel and Vanadium in April 2015 impacting the full 2016 year.

Steel segment revenue decreased by 37.1% to U.S.$5,987 million in the year ended 31 December 2015 as compared to U.S.$9,519 million in the year ended 31 December 2014. This was primarily a result of lower revenue from the sale of steel products, particularly driven by lower steel prices and assisted by a moderate decline in steel sales volumes and a shift in product mix towards semi-finished products.

The following table presents Evraz's steel segment sales and prices by major product groups in the years ended 31 December 2016, 2015 and 2014:

	Year ended 31 December								
	2016			2015			2014		
	Steel segment sales	Percentage of total sales	Average price	Steel segment sales	Percentage of total sales	Average price	Steel segment sales	Percentage of total sales	Average price
	(U.S.$ million)	(%)	(U.S.$/ tonne)	(U.S.$ million)	(%)	(U.S.$/ tonne)	(U.S.$ million)	(%)	(U.S.$/ tonne)
Steel products, external sales									
Semi-finished products[(1)]	1,694	30.8%	302	1,867	31.2%	333	2,359	24.8%	498
Construction products[(2)]	1,783	32.5%	431	1,999	33.4%	436	3,286	34.5%	639
Railway products[(3)]	584	10.6%	515	550	9.2%	547	1,022	10.7%	771
Flat-rolled products[(4)]	162	2.9%	462	179	3.0%	466	487	5.1%	617
Other steel products[(5)]	246	4.5%	431	257	4.3%	393	356	3.7%	620
Steel product, inter-segment sales	184	3.4%	–	238	4.0%	–	543	5.7%	–
Iron ore products	155	2.8%	37	167	2.8%	38	278	3.0%	61
Vanadium products	302	5.5%	18	305	5.1%	17	484	5.1%	23
Other revenue	387	7.0%	–	425	7.0%	–	704	7.4%	–
Total	**5,497**	**100.0%**		**5,987**	**100.0%**		**9,519**	**100.0%**	

Notes:

(1) Includes billets, slabs, pig iron, pipe blanks and other semi-finished products.

(2) Includes rebars, wire rods, wire, H-beams, channels and angles.

(3) Includes rails, wheels, tyres and other railway products.

(4) Includes commodity plate and other flat-rolled products.

(5) Includes rounds, grinding balls, mine uprights, strips and tubular products.

Revenue attributable to external sales of semi-finished products decreased in the year ended 31 December 2016 as compared to the year ended 31 December 2015, primarily as a result of lower average prices (down by 9.3%) and a decrease in sales volumes. Decreased sales volumes of slab and pig iron, primarily in the Russian and European markets, were partially offset by increased sales volumes of billets to Africa. This shift in production mix supported Evraz's profit margin as billets are higher margin products than slab or pig iron.

Revenue attributable to external sales of semi-finished products decreased in the year ended 31 December 2015 as compared to the year ended 31 December 2014, primarily as the result of lower average prices partially offset by an increase in sales volumes. External sales of billets, slabs and other steel products increased year-on-year, mainly due to demand for certain finished products, particularly those used in construction, in the CIS. Export sales of semi-finished products to non-CIS countries grew strongly as these markets replaced weak domestic demand for finished steel goods due to the economic downturn.

Revenue attributable to sales of construction products to third parties decreased in the year ended 31 December 2016 as compared to the year ended 31 December 2015, mostly due to a decrease in sales volumes (down by 9.8%) as a result of weak demand in Russia and the CIS and lower prices (down by 1.0%).

Revenue attributable to sales of construction products decreased in the year ended 31 December 2015 as compared to the year ended 31 December 2014, mostly due to lower average prices and weaker demand in Russia as well as deconsolidation of EVRAZ Highveld Steel and Vanadium. Given the latter, domestic prices did not increase to reflect the rouble's steep fall in 2015.

Revenue attributable to external sales of railway products in the year ended 31 December 2016 increased as compared to the year ended 31 December 2015 due to higher sales volumes (up by 12.6%), partially offset by lower prices (down by 6.4%). The increase in sales volumes of railway products in 2016 was primarily attributable to operational improvements at EVRAZ ZSMK's rolling mill, an improved product mix, increased demand for rails from Russian Railways and export customers, as well as a general increase in demand for railcar sections. External revenue from sales of flat-rolled products decreased, primarily due to a decrease in sales volumes (down by 8.4%) as a result of the full year impact of the deconsolidation of EVRAZ Highveld Steel and Vanadium and weaker demand and due to lower prices (down by 1.1%).

Revenue attributable to external sales of railway products in the year ended 31 December 2015 decreased as compared to the year ended 31 December 2014 due to changes in average prices (down by 29.1%). Sales volumes of railway products in 2015 also fell due to lower demand in the CIS, caused by a decline in new railway infrastructure construction and maintenance projects, and a slump in demand from railcar producers and repair shops. Sales to Russian Railways, however, remained flat year-on-year reaching 632 thousand tonnes. External revenue from sales of flat-rolled products dropped. This was mostly due to lower sales volumes and average prices following the deconsolidation of EVRAZ Vitkovice Steel and EVRAZ Highveld Steel and Vanadium, as well as lower sales of third-party producers' flat-rolled goods by EVRAZ Metall Inprom amid reduced demand. Revenue from sales of other steel products (mainly rounds, grinding balls and mine uprights sold in Russia) decreased in the year ended 31 December 2015 as compared to the year ended 31 December 2014, primarily as the result of declining sales prices.

Steel segment revenue attributable to sales of iron ore products decreased in the year ended 31 December 2016 as compared to the year ended 31 December 2015. This was due to a decrease in sales

volumes (down by 4.5%) following the deconsolidation of EVRAZ Highveld Steel and Vanadium, as well as lower iron ore prices (down by 2.7%). Prices for iron ore products decreased slightly in 2016, in line with global benchmarks.

Revenue attributable to sales of iron ore products decreased in the year ended 31 December 2015 as compared to the year ended 31 December 2014. This was due to lower iron ore prices (down 37.2%) and sales volumes (down 2.7%) resulting from the deconsolidation of EVRAZ Highveld Steel and Vanadium. Prices of iron ore products generally declined in 2015, in line with global benchmarks.

Revenue attributable to sales from vanadium products declined as a result of lower prices, which reflected global price trends, and lower sales volumes, which were caused by the deconsolidation of EVRAZ Highveld Steel and Vanadium, while average selling prices mirrored the downward trends in the global steel market.

Revenue attributable to sales from vanadium products declined as a result of lower prices, which reflected global price trends, and lower sales volumes, which were caused by the deconsolidation of EVRAZ Highveld Steel and Vanadium, while average selling prices mirrored the downward trends in the global steel market.

Revenue from inter-segment sales totalled U.S.$184 million in the year ended 31 December 2016 compared to U.S.$238 million in the year ended 31 December 2015 and U.S.$543 million in the year ended 31 December 2014.

The following table presents the geographic breakdown of Evraz Steel segment's revenue from sales of steel products to third parties in the years ended 31 December 2016, 2015 and 2014 (based on location of customer) in absolute terms and as a percentage of total revenue:

	Year ended 31 December					
	2016	**Percentage of total**	**2015**	**Percentage of total**	**2014**	**Percentage of total**
	(U.S.$ million, except percentages)					
Russia	2,223	49.7%	2,342	48.3%	4,088	54.4%
Asia	1,001	22.4%	1,047	21.6%	1,621	21.6%
Europe	438	9.8%	578	11.9%	523	7.0%
CIS	384	8.6%	437	9.0%	671	8.9%
Africa, Americas and rest of the world	424	9.5%	448	9.2%	607	8.1%
Total	**4,470**	**100.0%**	**4,852**	**100.0%**	**7,510**	**100.0%**

Revenue from sales in Russia decreased in absolute terms in the year ended 31 December 2016 as compared to the year ended 31 December 2015, mainly due to a decrease in sales volumes (down 7.7%). However, the share of revenue from sales in Russia as a proportion of total revenue increased from 48.3% in 2015 to 49.7% in 2016, mainly due to shifting sales from Europe and the CIS to the Russian market.

Revenue from sales in Russia decreased in absolute terms and as a proportion of total revenue in the year ended 31 December 2015 as compared to the year ended 31 December 2014. The principal driver of this decrease was management's decision to shift sales from the Russian market to certain export markets in order to help stabilise production volumes and increase profitability in an environment where the Rouble was depreciating. Additionally, a decline of sales prices in the Russian market due to decrease in demand and devaluation of the Rouble helped to accelerate this trend.

Revenue from sales in Asia decreased in absolute terms but increased as a proportion of total revenue in the year ended 31 December 2016 as compared to the year ended 31 December 2015. The decrease in revenue was primarily attributable to lower prices, especially for construction products and semi-finished products, partially offset by an increase in sales volumes.

Revenue from sales in Asia decreased in absolute terms but increased as a proportion of total revenue in the year ended 31 December 2015 as compared to the year ended 31 December 2014. Sales volumes in Asia remained relatively stable in the reporting periods as the decrease in revenue was primarily attributable to a decline in prices, especially for semi-finished products, which followed the general trend in the global steel market.

Revenue from sales in Europe decreased in absolute terms and as a proportion of total revenue in the year ended 31 December 2016 as compared to the year ended 31 December 2015, primarily as a result of lower prices and a decrease in sales volumes of semi-finished products and pig iron.

Revenue from sales in Europe increased in absolute terms and as a proportion of total revenue in the year ended 31 December 2015 as compared to the year ended 31 December 2014. This increase was associated with an increase in sales volumes of semi-finished products to the region and was partially offset by lower sales prices.

Revenue from sales in the CIS decreased in absolute terms and as a proportion of total revenue in the year ended 31 December 2016 as compared to the year ended 31 December 2015, primarily as a result of a decrease in sales volumes, principally of construction products, as well as lower sales prices of railway products and construction products.

Revenue from sales in the CIS decreased in absolute terms but increased as a proportion of total revenue in the year ended 31 December 2015 as compared to the year ended 31 December 2014. The principal driver of the lower revenue from the CIS was a decline in prices for steel products.

Revenue from sales in Africa, the Americas and the rest of the world decreased in absolute terms but increased as a proportion of total revenue in the year ended 31 December 2016 as compared to the year ended 31 December 2015. The principal drivers of the decrease in revenue were lower sales prices in Asia, primarily of construction products and semi-finished products, partially offset by an increase in sales volumes to Asia and Africa.

Revenue from sales in Africa, the Americas and the rest of the world decreased in absolute terms but increased as a proportion of total revenue in the year ended 31 December 2015 as compared to the year ended 31 December 2014. The principal drivers of the lower revenue from the Americas and the rest of the world were a decrease in sales prices for steel and lower sales volumes of vanadium products to the region.

Steel, North America, Segment

Evraz’s steel, North America, segment revenue decreased by 35.5% to U.S.$1,464 million in the year ended 31 December 2016 as compared with U.S.$2,270 million in the year ended 31 December 2015. This decrease was primarily attributable to a decrease in sales volumes of steel products (down 24.8%) and the lower sales prices (down 11.1%). In addition, production declined in 2016, mainly in response to a decline in demand within the tubular and rail markets, along with extended planned temporary factory closures.

Evraz’s steel, North America, segment revenue decreased by 28.2% to U.S.$2,270 million in the year ended 31 December 2015 as compared with U.S.$3,160 million in the year ended 31 December 2014. This decrease was primarily attributable to a decline in sales prices and sales volumes The key drivers of these were, in turn, significant reductions in EVRAZ North America’s seamless pipe and OCTG sales resulting from the slump in oil prices, subdued demand for flat products and price decreases for rod and bar products.

The following table presents Evraz's steel, North America, segment sales and prices by major product groups in the year ended 31 December 2016, 2015 and 2014:

	Year ended 31 December								
	2016			2015			2014		
	Steel, North America, segment sales	Percentage of total	Average price	Steel, North America, segment sales	Percentage of total	Average price	Steel, North America, segment sales	Percentage of total	Average price
	(U.S.$ million)	*(%)*	*(U.S.$ per tonne)*	*(U.S.$ million)*	*(%)*	*(U.S.$ per tonne)*	*(U.S.$ million)*	*(%)*	*(U.S.$ per tonne)*
Construction products[(1)]	158	10.8%	562	216	9.5%	675	337	10.7%	825
Railway products[(2)]	232	15.8%	723	435	19.2%	840	513	16.2%	956
Flat-rolled products[(3)]	372	25.4%	694	438	19.2%	768	619	19.6%	1,002
Tubular products[(4)]	588	40.2%	1,001	1,016	44.8%	1,248	1,499	47.4%	1,433
Other revenue[(5)]	114	7.8%	n/a	165	7.3%	n/a	192	6.1%	n/a
Total	**1,464**	**100.0%**		**2,270**	**100%**		**3,160**	**100%**	

Notes:

(1) Includes beams, rebars and structural tubing.

(2) Includes rails.

(3) Includes commodity plate, speciality plate and other flat-rolled products.

(4) Includes large diameter line pipes, ERW pipes and casing and seamless pipes, casing and tubing.

(5) Includes scrap and services.

Revenue attributable to sales of construction products decreased in the year ended 31 December 2016 as compared to the year ended 31 December 2015, primarily as the result of lower prices and a decrease in sales volumes. The decrease in sales volumes was primarily attributable to reduced demand for rod and bar products, as well as to the full year impact of the disposal of a structural tubing facility in Portland in March 2015.

Revenue attributable to sales of construction products decreased in the year ended 31 December 2015 as compared to the year ended 31 December 2014, primarily as the result of price and volume decline. The fall in sales volumes was primarily attributable to the disposal of a structural tubing facility in Portland in March 2015. Prices for construction products were under pressure from high import volumes in North America.

Revenue attributable to sales of railway products decreased in the year ended 31 December 2016 as compared to the year ended 31 December 2015, primarily as a result of reduced demand in the rail market, as the larger railroads experienced a decline in traffic and thus reduced their average capital expenditures as well as a surplus inventory of rails.

Revenue attributable to sales of railway products decreased in the year ended 31 December 2015 as compared to the year ended 31 December 2014, driven by a drop in average prices, in line with the general price trend in the U.S. steel market. The lower volume related to operational issues in the third quarter 2015, while demand from railway customers was stable.

Revenue attributable to sales of flat-rolled products (primarily plates) decreased in the year ended 31 December 2016 as compared to the year ended 31 December 2015, primarily as a result of lower prices and a decrease in sales volumes due to weak market conditions.

Revenue attributable to sales of flat-rolled products (primarily plates) decreased in the year ended 31 December 2015 as compared to the year ended 31 December 2014, primarily as the result of lower sales prices caused by increased competition from imports accompanied by a decrease in sales volumes.

Revenue attributable to sales of tubular products decreased in the year ended 31 December 2016 as compared to the year ended 31 December 2015, primarily as a result of a decrease in sales volumes, which was in turn driven by reduced demand in the OCTG market caused by a slowdown in oil drilling activities stemming from the global decline in oil prices.

Revenue attributable to sales of tubular products decreased in the year ended 31 December 2015 as compared to the year ended 31 December 2014, primarily due to lower sales volumes (down 22.3%) and price change (down 9.9%). The drop in sales volumes was driven by weaker demand for OCTG and small-diameter line pipe, caused by a slowdown in drilling activities due to the slump in oil prices. Sales of large-diameter pipes ("**LD Pipe**") remained strong due to demand from midstream infrastructure companies. Revenue attributable to other sales decreased slightly in the year ended 31 December 2015 as compared to the year ended 31 December 2014, primarily as the result of reduced prices.

All the revenue of Evraz's steel, North America, segment is attributable to sales in the North and South American markets.

Coal Segment

Evraz's coal segment revenue increased by 23.8% to U.S.$1,322 million in the year ended 31 December 2016 as compared with U.S.$1,068 million in the year ended 31 December 2015. Overall revenue increased amid increasing sales prices due to the recovery of global demand, as well as a temporary supply deficit in the Russian market following an interruption in operations at Vorkutaugol's Severnaya mine. Sales volumes also increased due to higher annual output at the Erunakovskaya-8 mine, following longwall moves and unfavourable geological conditions in 2015. In addition, productivity at the Uskovskaya and Ossinikovskaya mines improved, and annual output at Mezhegeyugol rose following the launch of room-and-pillar mining operations in 2016.

Evraz's coal segment revenue decreased by 19.1% to U.S.$1,068 million in the year ended 31 December 2015 as compared with U.S.$1,320 million in the year ended 31 December 2014. Overall revenue decreased amid a reduction in sales prices, reflecting decreased global demand and greater output in other coal-exporting countries. Sales volumes also decreased, as Evraz mined less raw coal in accordance with the annual schedule of longwall moves. In 2014, non-core steam coal production was suspended, which was followed by decommissioning of the only remaining steam coal mine (Kusheyakovskaya mine).

The following table presents Evraz's coal segment sales and prices in the year ended 31 December 2016, 2015 and 2014:

	Year ended 31 December								
	2016			2015			2014		
	Coal segment sales	Percentage of total	Average Price	Coal segment sales	Percentage of total	Average Price	Coal segment sales	Percentage of total	Average Price
	(U.S.$ million)	*(%)*	*(U.S.$ per tonne)*	*(U.S.$ million)*	*(%)*	*(U.S.$ per tonne)*	*(U.S.$ million)*	*(%)*	*(U.S.$ per tonne)*
External Sales									
Coking coal	66	5.0%	52	58	5.4%	31	78	5.9%	45
Coal concentrate	690	52.2%	83	543	50.8%	72	605	45.9%	84
Steam coal	–	–	–	–	–	–	39	3.0%	45
Inter-segment Sales									

Coking coal	42	3.2%	34	47	4.4%	35	85	6.4%	48
Coal concentrate	409	30.9%	92	344	32.2%	78	408	31.0%	92
Other revenue	115	8.7%	n/a	76	7.2%	n/a	103	8.0%	n/a
Total	**1,322**	**100.0%**		**1,068**	**100%**		**1,318**	**100%**	

Coal product sales to the steel segment amounted to U.S.$451 million (34.1% of coal segment sales) in the year ended 31 December 2016 as compared to U.S.$391 million (36.6% of coal segment sales) in the year ended 31 December 2015. Approximately 48% of Evraz's coking coal requirements were satisfied by supplies from Yuzhkuzbassugol and Raspadskaya in the year ended 31 December 2016 as compared to 51% in the year ended 31 December 2015.

Coal product sales to the steel segment amounted to U.S.$391 million (36.6% of coal segment sales) in the year ended 31 December 2015 as compared to U.S.$493 million (37.4% of coal segment sales) in the year ended 31 December 2014. Approximately 51% of Evraz's coking coal requirements were satisfied by supplies from Yuzhkuzbassugol and Raspadskaya in the year ended 31 December 2015 as compared to 54% in the year ended 31 December 2014.

In October 2015, Raspadskaya, a coking coal producer, became a consolidated subsidiary of Evraz and, accordingly, its results are fully reflected within Evraz's financial statements commencing with the 2015 Consolidated Financial Statements. In April 2016, Mezhegeyugol became a consolidated subsidiary and, accordingly, its results are fully reflected within Evraz's financial statements commencing with the 2016 Consolidated Financial Statements. In each case, the figures presented herein for the financial years ended 31 December 2015 and 2016 have been restated to reflect those events, where appropriate.

The following table presents the geographic breakdown of Evraz's coal segment's consolidated revenue from coal products sales to third parties in the year ended 31 December 2016, 2015 and 2014 (based on location of customer) in absolute terms and as a percentage of total revenue:

	Year ended 31 December					
	2016	**Percentage of total**	**2015**	**Percentage of total**	**2014**	**Percentage of total**
	(U.S.$ million, except percentages)					
Russia	340	45.0%	281	46.7%	398	55.1%
Asia	306	40.5%	267	44.4%	262	36.3%
Europe	17	2.2%	25	4.2%	45	6.2%
CIS	93	12.3%	28	4.7%	17	2.4%
Total	**756**	**100.0%**	**601**	**100.0%**	**722**	**100.0%**

Approximately 45.0% of Evraz's external revenue from sales of coal products by Evraz's coal segment in the year ended 31 December 2016 were to customers in Russia, as compared to 46.7% in the year ended 31 December 2015. This decrease was primarily attributable to the increase of coking concentrate sales to the CIS due to higher sales prices in export markets.

Approximately 46.7% of Evraz's external revenue from sales of coal products by Evraz's coal segment in the year ended 31 December 2015 were to customers in Russia, as compared to 55.1% in the year ended 31 December 2014. This decrease was primarily attributable to the decreased demand for coking coal from Russian steelmaking companies who have started to use more of their own captive coal supply and introduction of pulverised coal injection (PCI). Evraz shifted sales from the Russian market to export markets in order to stabilise production volumes and increase profitability in response to the weaker Rouble. The majority of the shift in sales was to the Asian market.

Other Operations

Evraz's other operations segment revenue decreased by 16.2% to U.S.$363 million in the year ended 31 December 2016 as compared with U.S.$433 million in the year ended 31 December 2015. This decrease was primarily attributable to the weakening of the Rouble, as revenue within this segment is generally Rouble-denominated, combined with lower revenue from sea freight services provided by East Metals Shipping to Evraz's steel segment.

Evraz's other operations segment revenue decreased by 33.2% to U.S.$433 million in the year ended 31 December 2015 as compared with U.S.$648 million in the year ended 31 December 2014. This decrease was primarily attributable to weakening of Russian rouble since revenue of the segment is generally Rouble-denominated.

Cost of Revenue and Gross Profit

Evraz's consolidated cost of revenue amounted to U.S.$5,521 million, representing 71.6% of Evraz's consolidated revenue, in the year ended 31 December 2016 as compared to U.S.$6,583 million, representing 75.1% of Evraz's consolidated revenue, in the year ended 31 December 2015 and U.S.$9,734 million, representing 74.5% of Evraz's consolidated revenue in the year ended 31 December 2014. Evraz's consolidated gross profit amounted to U.S.$2,192 million in the year ended 31 December 2016 in comparison with U.S.$2,184 million in the year ended 31 December 2015 and U.S.$3,327 million in the year ended 31 December 2014. The increase in gross profit margins to 28.4% in 2016 from 24.9% in 2015 reflected a greater decrease in the cost of revenue (16.1%) relative to the decrease in revenue (12.0%) in 2016. The decrease in gross profit margins in the year ended 31 December 2015 as compared to the year ended 31 December 2014 reflected a 32.9% decline in revenue, while the cost of revenue decreased by 32.4%. As a result, gross profit margin slightly decreased from 25.5% in 2014 to 24.9% in 2015.

The increase in gross profit margin in the year ended 31 December 2016 as compared to the year ended 31 December 2015 was primarily due to an increase in coal sales volumes and prices, as well as the impact of the Rouble's depreciation on Evraz's costs and cost reduction program. The decrease in gross profit margin in the year ended 31 December 2015 as compared to the year ended 31 December 2014 occurred as a result of the decline in sales prices for steel products and was partially offset by a reduction in the costs of sales. The major factors in this cost decline were declines in the purchase prices of raw materials, the depreciation of the Rouble and the successful implementation of a cost reduction program.

The following table presents cost of revenue and gross profit by segment for the years ended 31 December 2016, 2015 and 2014, including percentage of segment revenue:

	Year ended 31 December					
	2016		**2015**		**2014**	
	Amount	**Percentage of segment revenue**	**Amount**	**Percentage of segment revenue**	**Amount**	**Percentage of segment revenue**
	(U.S.$ million, except percentages)					
Steel segment						
Cost of revenue	**4,068**	**74.0%**	**4,431**	**74.0%**	**6,920**	**72.7%**
Raw materials	1,720	31.3%	1,782	29.8%	2,633	27.7%
Iron ore....................................	289	5.3%	349	5.8%	702	7.4%
Coking coal and coke...............	826	15.0%	749	12.5%	892	9.4%
Scrap	274	5.0%	295	4.9%	495	5.2%
Other raw materials..................	331	6.0%	389	6.6%	544	5.7%
Auxiliary materials	314	5.7%	342	5.7%	464	4.9%

	Year ended 31 December					
	2016		2015		2014	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(U.S.$ million, except percentages)					
Services	221	4.0%	276	4.6%	500	5.3%
Transportation	347	6.3%	384	6.4%	468	4.9%
Staff costs	456	8.3%	532	8.9%	895	9.4%
Depreciation	213	3.9%	229	3.8%	337	3.5%
Energy	393	7.1%	448	7.5%	823	8.6%
Other[(1)]	404	7.4%	438	7.3%	800	8.4%
Gross profit	**1,429**	**26.0%**	**1,556**	**26.0%**	**2,599**	**27.3%**
Steel, North America, segment						
Cost of revenue	**1,243**	**84.9%**	**1,977**	**87.1%**	**2,622**	**83.0%**
Raw material	390	26.6%	643	28.3%	962	30.4%
Semi-finished products	196	13.4%	354	15.6%	589	18.6%
Auxiliary materials	102	7.0%	162	7.1%	202	6.4%
Services	106	7.2%	160	7.0%	169	5.3%
Staff costs	196	13.4%	254	11.2%	292	9.2%
Depreciation	100	6.8%	107	4.7%	114	3.6%
Energy	85	5.8%	106	4.7%	154	4.9%
Other[(2)]	68	4.7%	191	8.5%	140	4.4%
Gross profit	**221**	**15.1%**	**293**	**12.9%**	**538**	**17.0%**
Coal segment						
Cost of revenue	**701**	**53.0%**	**758**	**71.0%**	**1,053**	**79.9%**
Auxiliary materials	113	8.5%	106	9.9%	152	11.5%
Services	85	6.4%	74	6.9%	103	7.8%
Transportation	126	9.5%	146	13.7%	154	11.7%
Staff costs	163	12.3%	194	18.2%	305	23.1%
Depreciation/Depletion	135	10.2%	156	14.6%	259	19.7%
Energy	37	2.8%	38	3.6%	51	3.9%
Other[(3)]	42	3.3%	44	4.1%	29	2.2%
Gross profit	**621**	**47.0%**	**298**	**29.0%**	**265**	**20.1%**
Other operations						
Cost of revenue	**278**	**76.6%**	**322**	**74.4%**	**519**	**80.1%**
Gross profit	85	23.4%	111	25.6%	129	19.9%
Unallocated						
Cost of revenue	**7**		**9**		**15**	
Eliminations-cost of revenue	(776)		(914)		(1,395)	
Consolidated cost of revenue	**5,521**	**71,6%**	**6,583**	**75.1%**	**9,734**	**74.5%**
Consolidated gross profit	**2,192**	**28.4%**	**2,184**	**24.9%**	**3,327**	**25.5%**

Notes:

(1) Includes goods for resale, taxes and semi-finished products and inter-segment unrealised profit and loss ("**inter-segment URP**") in cost of revenue.

(2) Includes primarily allowances for inventories, goods for resale, certain taxes, transportation and inter-segment URP.

(3) Includes primarily goods for resale and certain taxes, allowance for inventory, raw materials and inter-segment URP.

Steel Segment

Evraz's steel segment cost of revenue decreased by 8.2% to U.S.$4,068 million in the year ended 31 December 2016 from U.S.$4,431 million in the year ended 31 December 2015 and U.S.$6,920 million in the year ended 31 December 2014.

The principal factors affecting the change in Evraz's steel segment cost of revenue in absolute terms in the year ended 31 December 2016 as compared to the year ended 31 December 2015 were as follows:

- a decrease in the cost of raw materials due to (i) an overall decline in iron ore consumption and lower pig iron production at EVRAZ ZSMK in reaction to lower demand and a decrease in iron ore prices in local currency on the Russian market, accompanied by the depreciation of the Rouble and the Ukrainian Hryvnia, partially offset by an increase in consumption of iron ore at EVRAZ DMZ due to higher pig iron output and an increase in prices in local currencies on the Ukrainian market; (ii) an overall increase in coking coal consumption caused by higher global benchmark prices, partially offset by the depreciation of the Rouble and the Ukrainian Hryvnia as well as the deconsolidation of EVRAZ Highveld Steel and Vanadium; (iii) an overall decline in scrap consumption caused by the depreciation of the Rouble and the Ukrainian Hryvnia, partially offset by higher scrap prices in local currency on the Russian market; (iv) a decrease in prices of other raw materials caused by the depreciation of the Rouble and the Ukrainian Hryvnia, the full year impact of the deconsolidation of EVRAZ Highveld Steel and Vanadium and a decrease in prices of vanadium materials and ferroalloys; and (v) cost-cutting initiatives, which reduced consumption levels;

- a decrease in auxiliary material costs were down by 8.2%, primarily due to the depreciation of the Rouble and the deconsolidation of EVRAZ Highveld Steel and Vanadium, partially offset by higher prices in local currencies (mainly for refractories);

- a decrease in service costs, primarily due to the depreciation of the Rouble and the Ukrainian Hryvnia and the deconsolidation of EVRAZ Highveld Steel and Vanadium;

- a decrease in transportation costs, primarily due to the depreciation of the Rouble;

- a decrease in staff costs, primarily due to the depreciation of the Rouble and the Ukrainian Hryvnia, personnel optimisation programmes and the deconsolidation of EVRAZ Highveld Steel and Vanadium, partially offset by wage inflation at Russian sites;

- a decrease in depreciation and depletion costs, primarily due to the depreciation in local currencies;

- a decrease in energy costs, primarily due to the depreciation of the Rouble and the Ukrainian Hryvnia and the full year impact of the deconsolidation of EVRAZ Highveld Steel and Vanadium, partially offset by an increase in tariffs in local currencies; and

- other costs decreased, primarily due to changes in goods for resale, inter-segment URP, and the Rouble and the Ukrainian Hryvnia depreciation.

The principal factors affecting the change in Evraz's steel segment cost of revenue in absolute terms in the year ended 31 December 2015 as compared to the year ended 31 December 2014 were as follows:

- a decrease in the cost of raw materials, primarily due to a decline in prices in Russia and a decline in iron ore prices in Russia, partially offset by coking coal price increases in Ukraine, a decrease in the volumes of raw materials utilised in production, including a relative decline in

the amount of iron ore sourced from third parties as internal production volumes of iron ore increased, the deconsolidation of EVRAZ Highveld Steel and Vanadium and certain cost-cutting initiatives which reduced the rates at which raw materials were consumed;

- a decrease in auxiliary materials costs, primarily due to the depreciation of the Rouble and the Ukrainian Hryvnia and the deconsolidation of EVRAZ Highveld Steel and Vanadium which were partially offset by an increase in local currency prices and the consumption of refractories for current repairs;

- a decrease in service costs, primarily due to the depreciation of the Rouble and the Ukrainian Hryvnia, as well as the deconsolidation of EVRAZ Highveld Steel and Vanadium;

- a decrease in staff costs, primarily due to the depreciation of the Rouble and the Ukrainian Hryvnia, personnel optimisation programmes, the deconsolidation of EVRAZ Highveld Steel and Vanadium which were partially offset by wage inflation in Russia and Ukraine; and

- a decrease in energy costs, primarily due to the depreciation of the Rouble and the Ukrainian Hryvnia; reduced consumption of electricity and natural gas due to asset optimisations and lower production volumes at Russian steelmaking sites; the use of pulverised coal injection (PCI) technology at Evraz ZSMK, which was commissioned in the second quarter 2014; an increase in own generation at ZabSib Heat and Power plant. Lower energy costs were partially offset by an increase in tariffs in local currencies.

Steel segment gross profit decreased to U.S.$1,429 million in the year ended 31 December 2016 from U.S.$1,556 million in the year ended 31 December 2015 and U.S.$2,599 million in the year ended 31 December 2014. The decrease in steel segment gross profit by 8.2% in the year ended 31 December 2016 as compared to the year ended 31 December 2015 reflected the decrease in segment revenue by 8.2% and the decrease in the cost of revenue by 8.2%. The 40.1% decrease in steel segment gross profit in the year ended 31 December 2015 as compared to the year ended 31 December 2014 reflected the 37.1% decline in segment revenue and the 36.0% decline in cost of revenue. As a result, gross profit margin remained unchanged at 26.0% of steel segment revenue in the year ended 31 December 2016 as compared to 26.0% in the year ended 31 December 2015, which in turn decreased from 27.3% in the year ended 31 December 2014.

Steel, North America, Segment

Evraz's steel, North America, segment cost of revenue decreased to U.S.$1,243 million in the year ended 31 December 2016 from U.S.$1,977 million in the year ended 31 December 2015 and U.S.$2,622 million in the year ended 31 December 2014. As a percentage of segment revenue, it decreased to 84.9% from 87.1% in the year ended 31 December 2015, which in turn was an increase from 83.0% in the year ended 31 December 2014.

The principal factors affecting the change in Evraz's steel, North America, segment cost of revenue in absolute terms in the year ended 31 December 2016 as compared to the year ended 31 December 2015 were as follows:

- a decrease in the cost of raw materials, primarily due to lower consumption of scrap, ferroalloys and other raw materials, which was in turn driven by lower volumes of crude steel and finished products (primarily tubular products and rails), as well as cost-cutting initiatives;

- a decrease in the cost of semi-finished products, primarily due to lower production volumes of tubular products and a decline in prices for purchased slab;

- a decrease in auxiliary material costs decreased, primarily due to a decline in production volumes of crude steel and finished products, as well as cost-cutting initiatives;

- a decrease in service costs, primarily due to a decline in production volumes;
- a decrease in energy costs, primarily due to a reduction in energy consumption caused by a drop in production volumes and lower tariffs for energy and natural gas; and
- a decrease in other costs, primarily due to changes in allowances for inventories on the back of lower inventory write-offs and slow-moving adjustments as a result of reduced inventory volumes, accompanied by the decline in transportation costs and changes in goods for resale.

The principal factors affecting the change in Evraz's steel, North America, segment cost of revenue in absolute terms in the year ended 31 December 2015 as compared to the year ended 31 December 2014 were as follows:

- a decrease in the consumption of raw materials as a result of lower production volumes of crude steel and finished products, such as OCTG, flat-rolled products and wire rod, and cost-cutting initiatives which resulted in lower consumption rates as well as a decline in raw materials prices;
- a decrease in costs of semi-finished products as a result of lower production volumes of finished products such as tubular products and lower prices of purchased slabs;
- a decrease in auxiliary materials costs due to the implementation of a cost-cutting plan in 2015 and a decrease in production volumes of crude steel and finished products;
- a decrease in the cost of services as a result of lower production volumes; and
- a decrease in energy costs due to decreased production volumes which resulted in reduced energy consumption as well as lower tariffs for energy and natural gas.

These factors were partially offset by an increase in other costs due to an increase in inventory write-offs caused by the overall decline in the market for the segment's production.

Evraz's steel, North America, segment gross profit decreased to U.S.$221 million from U.S.$293 million in the year ended 31 December 2015 and U.S.$538 million in the year ended 31 December 2014. Gross profit margin amounted to 15.1% of steel, North America, segment revenue in the year ended 31 December 2016 compared to 12.9% of steel, North America, segment revenue in the year ended 31 December 2015 and 17.0% in the year ended 31 December 2014.

Coal Segment

Evraz's coal segment cost of revenue decreased to U.S.$701 million in the year ended 31 December 2016 from U.S.$758 million in the year ended 31 December 2015 and U.S.$1,053 million in the year ended 31 December 2014.

The decrease in Evraz's coal segment's cost of revenue in the year ended 31 December 2016 as compared to the year ended 31 December 2015, in absolute terms, was primarily attributable to:

- an increase in the consumption of auxiliary materials, primarily due to higher sales volumes, partially offset by the depreciation of the Rouble as well as cost-cutting initiatives;
- an increase in services costs, primarily due to higher production volumes, partially offset by the depreciation in the Rouble;
- a decrease in transportation costs, primarily due to the depreciation of the Rouble, partially offset by an increase in costs due to higher sales volumes;

- a decrease in staff costs, primarily due to the depreciation of the Rouble and certain asset optimisation initiatives;
- a decrease in depreciation and depletion costs, primarily due to the depreciation of the Rouble and certain asset optimisation initiatives, including the suspension of operations at Raspadskaya's MUK-96 mine and the closure of a mine field at Raspadskaya Koksovaya 1;
- a decrease in energy costs, primarily due the effect of currency movements, partially offset by higher electricity prices in local currencies; and
- an increase in other costs, primarily due to changes in goods for resale and raw material costs, partially offset by the effect of the depreciation of the Rouble.

The decrease in Evraz's coal segment's cost of revenue in the year ended 31 December 2015 as compared to the year ended 31 December 2014, in absolute terms, was primarily attributable to:

- a decrease in the cost of auxiliary materials and services, primarily due to the depreciation of the Rouble, as well as certain asset optimisation and cost-cutting initiatives;
- a decrease in transportation costs, primarily due to lower sales volumes and transportation costs from Russian entities as a result of the depreciation of the Rouble;
- a decrease in staff costs, primarily due to the depreciation of the Rouble;
- a decrease in depreciation and depletion costs, primarily due to the revision of future mining plans, a lower rate of mineral deposit depletion and the depreciation of the Rouble;
- a decrease in energy costs, primarily due to the effect of currency movements, partially offset by higher electricity prices in local currencies; and
- an increase in other costs, primarily due to changes in taxes, work-in-progress and stocks of finished goods and the depreciation of the Rouble.

Coal segment gross profit increased to U.S.$621 million in the year ended 31 December 2016 from U.S.$298 million in the year ended 31 December 2015 and U.S.$265 million in the year ended 31 December 2014. Gross profit margin amounted to 47.0% of coal segment revenue in the year ended 31 December 2016 compared to 29.0% of coal segment revenue in the year ended 31 December 2015 and 20.1% in the year ended 31 December 2014.

Other Operations

Evraz's other operations segment cost of revenue decreased to U.S.$278 million in the year ended 31 December 2016 from U.S.$322 million in the year ended 31 December 2015 and U.S.$519 million in the year ended 31 December 2014. Evraz's other operations segment cost represented 76.6% of other operations segment revenue in the year ended 31 December 2016 compared to 74.4% and 80.1% of other operations segment revenue in the years ended 31 December 2015 and 2014, respectively. The decrease in Evraz's other operations segment cost of revenue primarily resulted from the depreciation of the Rouble against the U.S. dollar as well as the decrease in energy consumption.

Selling and Distribution Costs

Selling and distribution costs decreased by 14.4% to U.S.$623 million in the year ended 31 December 2016, representing 8.1% of consolidated revenue, as compared to U.S.$728 million in the year ended 31 December 2015, representing 8.3% of consolidated revenue. Selling and distribution costs decreased by 21.7% to U.S.$728 million in the year ended 31 December 2015, representing 8.3% of consolidated revenue, as compared to U.S.$930 million in the year ended 31 December 2014, representing 7.1% of consolidated

revenue. Selling and distribution costs largely consist of transportation expenses related to Evraz's selling activities. The decrease in selling and distribution costs in the year ended 31 December 2016 as compared to the year ended 31 December 2015 was primarily due to the depreciation of the Rouble. The decrease in selling and distribution costs in the year ended 31 December 2015 as compared to the year ended 31 December 2014 was primarily due to the depreciation of the Rouble as well as lower external sales volumes.

The following table presents selling and distribution costs by segment in the year ended 31 December 2016, 2015 and 2014, including as a percentage of segment revenue:

	Year ended 31 December					
	2016		**2015**		**2014**	
	Amount	**Percentage of segment revenue**	**Amount**	**Percentage of segment revenue**	**Amount**	**Percentage of segment revenue**
	(U.S.$ million, except percentages)					
Steel						
Transportation costs	346	6.3%	383	6.5%	517	5.5%
Staff costs	21	0.4%	25	0.4%	40	0.4%
Bad debt provision	-	0.0%	8	0.1%	22	0.2%
Depreciation	1	0.0%	7	0.1%	18	0.2%
Other costs(1)	64	1.2%	61	1.0%	90	0.9%
Total	432	7.9%	484	8.1%	687	7.2%
Steel, North America						
Transportation costs	133	9.1%	179	7.9%	183	5.8%
Staff costs	8	0.5%	13	0.6%	18	0.6%
Bad debt provision	(1)	(0.1)%	3	0.1%	1	–
Depreciation	38	2.6%	40	1.8%	48	1.5%
Other costs(1)	8	0.5%	7	0.3%	9	0.3%
Total	**186**	**12.7%**	**242**	**10.7%**	**259**	**8.2%**
Coal						
Transportation costs	48	3.6%	43	4.0%	39	3.0%
Staff costs	-	0.0%	-	0.0%	-	0.0%
Bad debt provision	1	0.1%	1	0.1%	-	-
Depreciation	-	0.0%	-	0.0%	-	-
Other costs(1)	5	0.4%	6	0.6%	7	0.5%
Total	**54**	**4.1%**	**50**	**4.7%**	**46**	**3.5%**
Other operations	**65**	**17.9%**	**94**	**21.7%**	**87**	**13.4%**
Eliminations	(114)		(142)		(158)	
Unallocated	-		–		9	
Total	**623**	**8.1%**	**728**	**8.3%**	**930**	**7.1%**

Note:

(1) Includes auxiliary materials, packaging, port services and customs duties.

Steel Segment

Selling and distribution costs amounted to 7.9%, 8.1%, and 7.2% of Evraz's steel segment revenue in the years ended 31 December 2016, 2015 and 2014, respectively.

The primary factors affecting the changes in the steel segment's selling and distribution costs in the year ended 31 December 2016 as compared to the year ended 31 December 2015 were:

- a decrease in transportation costs by 9.7%, primarily due to reduced freight costs in connection with lower shipment volumes, lower expenses from local railroad tariffs due to the depreciation of local currencies against the U.S. dollar, a reduction in sales on CFR/CIF shipment terms, changes in transport means structure (e.g., to using larger vessels with lower average shipping volumes by metric tonnage), partially offset by allowance decrease to tariffs from operators and price increase;
- a decrease in staff costs by 16%, primarily due to the reclassification of staff costs of certain categories of personnel, in particular warehouse workers, from selling and distribution costs to general and administrative expenses, as well as certain foreign exchange movements, in particular the depreciation of the Rouble against the U.S. dollar;
- a decrease in the bad debt provision by 100%, primarily due to an increase in the accrual of expenses related to heating services at EVRAZ NTMK;
- a decrease in depreciation by 85.7%, primarily due to the full year impact of the deconsolidation of EVRAZ Highveld Steel and Vanadium; and
- an increase in other costs by 4.9%, primarily due to having to pay increased sales commissions as result of changes in the product mix and the sales terms associated with those products, accompanied by higher handling expenses.

The primary factors affecting the changes in the steel segment's selling and distribution costs in the year ended 31 December 2015 as compared to the year ended 31 December 2014 were:

- a decrease in transportation costs by 25.9%, primarily due to lower expenses from local railroad tariffs due to the depreciation of local currencies against the U.S. dollar, lower volumes of shipments and deconsolidation of EVRAZ Highveld Steel and Vanadium (down U.S.$41 million), partially offset by higher port charges costs mainly due to increase of sales on free-on-board (FOB) terms and changes in the destination of certain shipments;
- a decrease in staff costs by 37.5%, primarily due to foreign exchange movements, in particular the depreciation of the Rouble against the U.S. dollar, most noticeably at the Inprom Group;
- a decrease in the bad debt provision by 63.6%, primarily due to the deconsolidation of EVRAZ Highveld Steel and Vanadium (down by U.S.$9 million) and provision recovery at Evraz Dnepropetrovsky Steel Works as a result of an assignment of bad debt to Evraztrans-Ukraine (which did not have effect on consolidated results);
- a decrease in depreciation by 61.1% mainly due to the deconsolidation of EVRAZ Highveld Vanadium and Steel from April 2015 (down U.S.$10 million); and
- a decrease in other costs by 32.2% primarily due to depreciation of local currencies against the U.S. dollar and lower sales volumes.

Steel, North America, Segment

Selling and distribution costs amounted to 12.7%, 10.7%, and 8.2% of Evraz's steel, North America, segment revenue in the year ended 31 December 2016, 2015 and 2014, respectively. In absolute terms, selling

and distribution costs for the segment decreased by U.S.$56 million to U.S.$186 million in the year ended 31 December 2016 from U.S.$242 million in the year ended 31 December 2015. This decrease was primarily caused by lower sales volumes. In absolute terms, selling and distribution costs for the segment decreased by U.S.$17 million to U.S.$242 million in the year ended 31 December 2015 from U.S.$259 million in the year ended 31 December 2014. This decline was primarily caused by the depreciation of the Canadian dollar against the U.S. dollar.

Coal Segment

Selling and distribution costs amounted to 4.1%, 4.7%, and 3.5% of Evraz's coal segment revenue in the year ended 31 December 2016, 2015 and 2014, respectively. In absolute terms, selling and distribution costs for the segment increased by 8% to U.S.$54 million in the year ended 31 December 2016 from U.S.$50 million in the year ended 31 December 2015. The increase in transportation costs in 2016 was primarily attributable to an increase in sales on export. In absolute terms, selling and distribution costs for the segment increased by 8.7% to U.S.$50 million in the year ended 31 December 2015 from U.S.$46 million in the year ended 31 December 2014. The increase in transportation costs in 2015 was primarily attributable to the increase of sales on carriage paid to (CPT) shipment terms.

Other Operations

Selling and distribution costs amounted to 17.9%, 21.7% and 13.4% of other operations revenue and U.S.$65 million, U.S.$94 million and U.S.$87 million in absolute terms in the year ended 31 December 2016, 2015 and 2014, respectively. This decrease in selling and distribution costs in the year ended 31 December 2016 as compared to the year ended 31 December 2015 was largely due to lower freight services expenses due to lower steel sales volumes. The increase in selling and distribution costs in the year ended 31 December 2015 as compared to the year ended 31 December 2014 was primarily attributable to higher freight services expenses and port charges as a result of changes in the destination of certain shipments.

General and Administrative Expenses

General and administrative expenses decreased by 15.2% to U.S.$462 million in the year ended 31 December 2016 from U.S.$545 million in the year ended 31 December 2015. General and administrative expenses decreased by 32.8% to U.S.$545 million in the year ended 31 December 2015 from U.S.$811 million in the year ended 31 December 2014. These expenses represented 6.0%, 6.2% and 6.2% of consolidated revenue in the year ended 31 December 2016, 2015 and 2014, respectively.

The following table presents general and administrative expenses by segment for the years ended 31 December 2016, 2015 and 2014, including as a percentage of segment revenue:

	Year ended 31 December					
	2016		2015		2014	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(U.S.$ million, except percentages)					
Steel						
Staff costs	111	2.0%	132	2.2%	210	2.2%
Taxes, other than on income	16	0.3%	23	0.4%	30	0.3%
Other(1)	69	1.3%	76	1.3%	116	1.2%
Total	196	3.6%	231	3.9%	356	3.7%
Steel, North America						
Staff costs	70	4.8%	77	3.4%	99	3.2%

Taxes, other than on income	-	-	-	-	1	0.0%
Other[(1)]	46	3.1%	59	2.6%	64	2.0%
Total	**116**	**7.9%**	**136**	**6.0%**	**164**	**5.2%**
Coal						
Staff costs	31	2.3%	36	3.4%	58	4.4%
Taxes, other than on income	2	0.2%	2	0.2%	3	0.3%
Other[(1)]	13	1.0%	16	1.5%	28	2.1%
Total	**46**	**3.5%**	**54**	**5.1%**	**89**	**6.8%**
Other operations	5	1.4%	6	1.4%	9	1.4%
Unallocated[(2)]	99		118		194	-
Eliminations	-		-		(1)	-
TOTAL	**462**	**6.0%**	**545**	**6.2%**	**811**	**6.2%**

Notes:

(1) Includes depreciation, services and other costs.

(2) Relates principally to staff costs.

Steel Segment

General and administrative expenses decreased to U.S.$196 million in the year ended 31 December 2015 from U.S.$231 million in the year ended 31 December 2015 and U.S.$356 million in the year ended 31 December 2014. It represented 3.6%, 3.9% and 3.7% of the steel segment revenue in the years ended 31 December 2016, 2015 and 2014, respectively.

The principal factors affecting the changes in the steel segment's general and administrative expenses in the year ended 31 December 2016 as compared to the year ended 31 December 2015 were:

- a decrease in staff costs by 15.9%, primarily due to the depreciation of local currencies against the U.S. dollar and the deconsolidation of EVRAZ Highveld Steel and Vanadium (down U.S.$3 million);
- a decrease in taxes, other than income taxes, by 30.4%, primarily due to VAT provision recovery at Evraz Dnepropetrovsky Steel Works as a result of a favourable outcome in certain legal proceedings; and
- a decrease in other expenses by 9.2%, primarily due to the depreciation of local currencies against the U.S. dollar.

The principal factors affecting the changes in the steel segment's general and administrative expenses in the year ended 31 December 2015 as compared to the year ended 31 December 2014 were:

- a decrease in staff costs by 37.1%, primarily due to a reduction in the average number of employees as a result of personnel optimisation programmes as well as the depreciation of local currencies against U.S. dollar. Additional contributors were the deconsolidation of EVRAZ Highveld Steel and Vanadium and the disposal of EVRAZ Vitkovice Steel (down U.S.$15 million);
- a decrease in taxes, other than income taxes, by 23.3%, primarily due to the depreciation of local currencies against the U.S. dollar; and

- a decrease in other expenses by 34.5%, primarily due to the depreciation of various local currencies against the U.S. dollar.

Steel, North America, Segment

General and administrative expenses decreased to U.S.$116 million in the year ended 31 December 2016 from U.S.$136 million in the year ended 31 December 2015 and U.S.$164 million in the year ended 31 December 2014. General and administrative expenses represented 7.9%, 6.0% and 5.2% of the steel, North America, segment revenue in the years ended 31 December 2016, 2015 and 2014, respectively. The decrease in general and administrative expenses in the year ended 31 December 2016 as compared to the year ended 31 December 2015 was primarily attributable to a decrease in services expenses, which decreased by 30.6%, and in staff costs, which decreased by 9.1%, as a result of personnel optimisation programmes and certain cost-cutting initiatives. The decrease in general and administrative expenses in the year ended 31 December 2015 as compared to the year ended 31 December 2014 was primarily attributable to a decline in staff costs, which decreased by 22.2% primarily due to employee reductions and the decrease in bonuses and wages.

Coal Segment

General and administrative expenses decreased to U.S.$46 million in the year ended 31 December 2016 from U.S.$54 million in the year ended 31 December 2015 and U.S.$89 million in the year ended 31 December 2014. It represented 3.5%, 5.1% and 6.8% of the coal segment revenue in the years ended 31 December 2016, 2015 and 2014, respectively. The decrease in general and administrative expenses in the year ended 31 December 2016 as compared to the year ended 31 December 2015 was primarily attributable to a decrease in staff costs as a result of personnel optimisation programs and the depreciation of the Rouble. The decrease in general and administrative expenses in the year ended 31 December 2015 as compared to the year ended 31 December 2014 was primarily attributable to a decrease in staff costs, which resulted from personnel optimisation programs, the closure of certain Yuzhkuzbassugol mines (Abashevskaya, Kusheyakovskaya), as well as the depreciation of the Rouble.

Other Operations

General and administrative expenses decreased to U.S.$5 million in the year ended 31 December 2016 from U.S.$6 million in the year ended 31 December 2015 and U.S.$9 million in the year ended 31 December 2014. General and administrative expenses represented 1.4% of the other operations segment revenue in the year ended 31 December 2016 compared to 1.4% of the other operations segment revenue in both of the years ended 31 December 2015 and 2014. The decrease in general and administrative expenses in the year ended 31 December 2016 as compared to the year ended 31 December 2015 and in the year ended 31 December 2015 as compared to the year ended 31 December 2014 was primarily attributable to the depreciation of the local currencies in which Evraz operates against the U.S. dollar.

Unallocated

Unallocated general and administrative expenses are largely attributable to costs associated with EvrazHolding, EvrazTekhnika (a subsidiary, which provides IT services to Evraz's operations in Russia), OUS (a subsidiary, which provides accounting services to Evraz's operations in Russia and Ukraine) and EvrazService (a subsidiary, which provides office maintenance in Moscow). Most of EvrazHolding's general and administrative costs relate to wages and salaries in respect of its employees, including Evraz's senior management.

Unallocated general and administrative expenses decreased to U.S.$99 million in the year ended 31 December 2016 from U.S.$118 million in the year ended 31 December 2015 and U.S.$194 million in the year ended 31 December 2014. The decrease in the year ended 31 December 2016, as compared to the year ended 31 December 2015, was primarily attributable to the depreciation of the Rouble. The decrease in the year

ended 31 December 2015, as compared to the year ended 31 December 2014, was primarily attributable to the depreciation of the Rouble and a reduction in payroll and bonuses.

Other Operating Income, Net of Other Operating Expenses

Other operating expenses decreased to U.S.$633 million in the year ended 31 December 2016 from U.S.$936 million in the year ended 31 December 2015 and U.S.$1,705 million in the year ended 31 December 2014. These amounts represented 8.2%, 10.7% and 13.1% of consolidated revenue in the years ended 31 December 2016, 2015 and 2014, respectively. Other operating income and expenses consist primarily of foreign exchange rate gain (loss), impairment of assets, gain (loss) on the disposal of property, plant and equipment and social and social infrastructure maintenance expenses. Social and social infrastructure maintenance expenses include such items as maintenance of medical centres, recreational centres, sponsorship of sports teams and charitable events.

The following table presents other operating income and expenses by segment for the years ended 31 December 2016, 2015 and 2014, including as a percentage of segment revenue:

	Year ended 31 December					
	2016		**2015**		**2014**	
	Amount	**Percentage of segment revenue**	**Amount**	**Percentage of segment revenue**	**Amount**	**Percentage of segment revenue**
	(U.S.$ million, except percentages)					
Steel segment						
Social and social infrastructure maintenance expenses	(21)	(0.4)%	(24)	(0.4)%	(21)	(0.2)%
Loss on disposal of property, plant and equipment	(8)	(0.1)%	(8)	(0.1)%	(20)	(0.2)%
Impairment of assets	(11)	(0.2)%	(81)	(1.4)%	(196)	(2.1)%
Foreign exchange gains/(losses), net	(43)	(0.8)%	(270)	(4.5)%	84	0.9%
Other operating income/(expense), net	(16)	(0.3)%	(20)	(0.3)%	(12)	(0.1)%
Total	**(99)**	**(1.8)%**	**(403)**	**(6.7)%**	**(165)**	**(1.7)%**
Steel, North America, segment						
Social and social infrastructure maintenance expenses	–	–	–	–	(1)	(0.0)%
Loss on disposal of property, plant and equipment	(5)	(0.3)%	(10)	(0.4)%	(1)	(0.0)%
Impairment of assets	(430)	(29.4)%	(258)	(11.4)%	(261)	(8.3)%
Foreign exchange gains/(losses), net	14	1.0%	(89)	(3.9)%	(21)	(0.7)%
Other operating income/(expense), net	(46)	(3.1)%	(13)	(0.6)%	–	–
Total	**(467)**	**(31.9)%**	**(370)**	**(16.3)%**	**(284)**	**(9.0)%**
Coal segment						
Social and social infrastructure maintenance expenses	(2)	(0.2)%	(1)	(0.1)%	(3)	(0.2)%
Loss on disposal of property, plant and equipment	(9)	(0.7)%	(23)	(2.2)%	(27)	(2.0)%
Impairment of assets	(24)	(1.8)%	(102)	(9.6)%	(81)	(6.1)%
Foreign exchange gains/(losses), net	107	8.1%	(153)	(14.3)%	(332)	(25.2)%
Other operating income/(expense), net	(18)	(1.4)%	(20)	(1.8)%	(22)	(1.7)%

	Year ended 31 December					
	2016		2015		2014	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(U.S.$ million, except percentages)					
Total	**54**	**4.1%**	**(299)**	**(28.0)%**	**(465)**	**(35.3)%**
Other operations						
Social and social infrastructure maintenance expenses	–	–	–	–	–	–
Loss on disposal of property, plant and equipment	–	–	–	–	–	–
Impairment of assets	–	–	–	–	(2)	(0.3)%
Foreign exchange gains/(losses), net	–	–	4	0.9%	4	0.6%
Other operating income/(expense), net	(1)	(0.3)%	–	–	–	–
Total	**(1)**	**(0.3)%**	**4**	**0.9%**	**2**	**0.3%**
Unallocated	**(122)**	**–**	**129(1)**	**–**	**(772)(1)**	**–**
Eliminations	**2**	**–**	**3**	**–**	**(21)**	**–**
Total other operating income and expenses, net	**(633)**	**(8.2)%**	**(936)**	**(10.7)%**	**(1,705)**	**(13.1)%**

Note:

(1) Mainly foreign exchange gain/(loss) on intercompany loans and accounts receivable.

Total social and social infrastructure maintenance expenses amounted to U.S.$23 million in the year ended 31 December 2016, U.S.$28 million in the year ended 31 December 2015 and U.S.$30 million in the year ended 31 December 2014. Evraz's social and social infrastructure maintenance expenses are largely dependent on the general economic climate and the changes in this expense reflect changes in the economy and the Russian steel and mining industry.

Total loss on the disposal of property, plant and equipment amounted to U.S.$22 million in the year ended 31 December 2016, U.S.$41 million in the year ended 31 December 2015 and U.S.$48 million in the year ended 31 December 2014. The loss in each of the years ended 31 December 2016, 2015 and 2014 was primarily attributable to the disposal of assets at certain Russian steel and mining operations and at EVRAZ North America.

Total impairment of assets amounted to U.S.$465 million in the year ended 31 December 2016, compared to U.S.$441 million in the year ended 31 December 2015 and U.S.$540 million in the year ended 31 December 2014. For an additional discussion on total impairment, see Note 6 to the 2016 Consolidated Financial Statements.

The total foreign exchange losses, net amounted to U.S.$44 million in the year ended 31 December 2016, compared to U.S.$376 million in the year ended 31 December 2015 and U.S.$1,034 million in the year ended 31 December 2014. Transactions in foreign currencies in each subsidiary of Evraz are initially recorded in the functional currency at the applicable rate available at the date of the transaction. As a result of the different rates that are used at the date of the transaction and at the end of the reporting period, foreign exchange gains (losses) arise. The foreign exchange gain (loss) primarily relates to the intercompany transactions that are made in foreign currency other than functional currencies of Evraz's subsidiaries. The resulting differences are taken to the statement of operations and are not eliminated.

Profit/(Loss) from Operations

Profit from operations was U.S.$474 million in the year ended 31 December 2016, representing 6.1% of consolidated revenue, compared to a loss from operations equal to U.S.$25 million in the year ended 31 December 2015, representing 0.3% of consolidated revenue. This increase is attributable primarily to the decline in operational costs exceeding the decrease in revenue during the same period.

Loss from operations was U.S.$25 million in the year ended 31 December 2015, representing 0.3% of consolidated revenue, compared to a loss from operations of U.S.$119 million in the year ended 31 December 2014, representing 0.9% of consolidated revenue. This increase is attributable primarily to the decline in operational costs exceeding the decrease in revenue over the same period.

The following table presents profit/(loss) from operations by segment for the years ended 31 December 2016, 2015 and 2014, including as a percentage of segment revenue:

	Year ended 31 December					
	2016		2015		2014	
	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue	Amount	Percentage of segment revenue
	(U.S.$ million, except percentages)					
Steel segment	702	12.8%	438	7.3	1,391	14.6%
Steel, North America, segment	(548)	(37.4)%	(455)	(20.0)%	(169)	(5.3)%
Coal segment	575	43.5%	(93)	(8.8)%	(335)	(25.4)%
Other operations	14	3.9%	15	3.5%	35	5.4%
Unallocated	(227)	-	3	-	(990)	-
Eliminations	(42)	4.5%	67	(6.8)%	(51)	3.2%
Total	**474**	**6.1%**	**(25)**	**(0.3)%**	**(119)**	**(0.9)%**

Non-operating Income and Expense

Non-operating income and expense includes interest income, interest expense, share of profits (losses) of associates and joint ventures, gains (losses) on financial assets and liabilities, net, gain/(loss) on disposal groups classified as held for sale, net, loss of control over a subsidiary and other non-operating gains (losses), net. The following table presents these items for the years ended 31 December 2016, 2015 and 2014, including as a percentage of consolidated revenue:

	Year ended 31 December					
	2016		2015		2014	
	Amount	Percentage of revenue	Amount	Percentage of revenue	Amount	Percentage of revenue
	(U.S.$ million, except percentages)					
Interest income	21	0.3%	9	0.1%	17	0.1%
Interest expense	(489)	(6.3)%	(481)	(5.5)%	(561)	(4.3)%
Share of profits/(losses) of joint ventures and associates	5	0.1%	4	–	10	0.1)%
Gain/(loss) on financial assets and liabilities, net	(9)	(0.1)%	(48)	(0.5)%	(586)	(4.5)%
Gain/(loss) on disposal groups classified as held for sale, net	-	-	21	0.2%	136	1.1%
Loss of control over a subsidiary	-	-	(167)	(1.9)%	–	–

Other non-operating gains/(losses), net	(14)	0.2%	(3)	–	–	–
Total	**(486)**	**(6.3)%**	**(665)**	**(7.6)%**	**(984)**	**(7.5)%**

Interest income increased to U.S.$21 million in the year ended 31 December 2016 from U.S.$9 million in the year ended 31 December 2015 and U.S.$17 million in the year ended 31 December 2014. Interest income primarily comprises interest on bank accounts and deposits.

Interest expense amounted to U.S.$489 million in the year ended 31 December 2016 as compared to U.S.$481 million in 2015 and U.S.$561 million in 2014. The increase in interest expense in the year ended 31 December 2016 as compared to the year ended 31 December 2015 related to an increase in the proportion of Evraz's Rouble-denominated debt and the growth of U.S. dollar base rates. The decrease in interest expense in the year ended 31 December 2015 as compared to the year ended 31 December 2014 related primarily to the decrease of gross debt. In addition, the depreciation of the Rouble lowered the interest expense, in U.S. dollar terms, associated with Evraz's outstanding Rouble-denominated bonds.

The share of profits of associates and joint ventures increased to U.S.$5 million in the year ended 31 December 2016 from profits of U.S.$4 million in the year ended 31 December 2015 and U.S.$10 million in the year ended 31 December 2014. These amounts mainly relate to the operational results of Streamcore, a joint venture established for the purpose of exercising joint control over facilities for scrap procurement and processing in Siberia, Russia. See Note 11 to the 2016 Consolidated Financial Statements for further information.

Loss on financial assets and liabilities changed from U.S.$48 million in 2015 to U.S.$9 million in 2016 predominantly due to shifting from loss on derivatives not designed as hedging instruments of U.S.$25 million in 2015 to gain of U.S.$23 million in 2016. This effect was partially offset by increase in loss on repaying debt to U.S.$50 million in 2016 comparing with U.S.$15 million in 2015, which is primarily a premium on repurchasing US dollar-denominated bonds. Loss on financial assets and liabilities changed from U.S.$586 million in 2014 to U.S.$48 million in 2015 predominantly due to a decrease of loss related to currency and interest rate swap contracts, which were used by the Group to manage the currency exposure on the rouble-denominated bonds, from U.S.$588 million in 2014 to U.S.$25 million in 2015.

There were no Gains on disposal of asset in the year ended 31 December 2016. Gains on disposal of assets held for sale amounted to U.S.$21 million in the year ended 31 December 2015 as a result of the sale of assets of Portland Structural Tubing. Gains on disposal of assets held for sale amounted to U.S.$136 million in the year ended 31 December 2014. The primary components of these gains were the sale of EVRAZ Vitkovice Steel, which led to a gain of U.S.$90 million, and certain business units of Evrazruda, which led to a gain of U.S.$25 million.

There was no Loss on control of a subsidiary in 2016. Loss over control of a subsidiary amounted to U.S.$167 million in the year ended 31 December 2015 and was related to the disposal of EVRAZ Highveld Steel and Vanadium, including U.S.$142 million of translation losses recycled to the statement of operations.

Other non-operating losses amounted to U.S.$14 million in the year ended 31 December 2016 and were primarily related to the accrual of environmental provisions in relation to Highveld. Other non-operating losses amounted to U.S.$3 million in the year ended 31 December 2015 and was related to cost incurred as a result of the cancelled initial public offering of Evraz, N.A.

Income Tax Expense

Income tax expense amounted to U.S.$96 million in the year ended 31 December 2016, compared to an income tax expense of U.S.$12 million in the year ended 31 December 2015 and U.S.$194 million in the year ended 31 December 2014.

Net Income/(Loss) Attributable to Equity Holders of the Parent Entity

As a result of the factors set forth above, Evraz's net loss attributable to equity holders of the parent entity decreased to a net loss of U.S.$135 million in the year ended 31 December 2016 from a net loss of U.S.$627 million in the year ended 31 December 2015 and a net loss of U.S.$1,194 million in the year ended 31 December 2014.

Net Income/(Loss) Attributable to Non-controlling Interests

Net income attributable to non-controlling interests in subsidiaries amounted to U.S.$27 million in the year ended 31 December 2016 compared to a net loss of U.S.$75 million in the year ended 31 December 2015 and U.S.$103 million in the year ended 31 December 2014.

Liquidity and Capital Resources

Capital Requirements

Working capital requirements, repayments of outstanding debt, capital expenditure, acquisitions and dividends will represent Evraz's most significant use of funds in the short- to mid-term. The amount and term of Evraz's obligations in respect of outstanding debt is described under "*—Contractual Obligations and Commercial Commitments*". Evraz is also subject to certain financial and other restrictive covenants. See "*Risk Factors — Risks Relating to Evraz's Business and Industry — Evraz is leveraged and is required to meet certain financial and other restrictive covenants under the terms of its indebtedness*".

Evraz's capital expenditure programme is aimed at maintaining or enhancing its competitive positions in the markets in which it operates. Evraz spent U.S.$428 million, U.S.$428 million and U.S.$654 million in total annual capital expenditures in 2016, 2015 and 2014, respectively. Evraz's capital expenditure plans are subject to potential increases or decreases and timing modifications depending, among other things, on the development of market conditions and the cost and availability of funds. See "*Business—Investment Programme*".

Cash Flow

The following table presents Evraz's cash flow activity for the years ended 31 December 2016, 2015 and 2014:

	Year ended 31 December		
	2016	**2015**	**2014**
		(U.S.$ million)	
Net cash flows from operating activities	1,507	1,629	1,953
Net cash flows used in investing activities	(607)	(359)	(258)
Net cash flows used in financing activities	(1,092)	(948)	(1,974)
Effect of foreign exchange rate changes on cash and cash equivalents	(10)	(12)	(282)
Net increase/(decrease) in cash and cash equivalents	(202)	310	(561)
Cash and cash equivalents at beginning of year	1,359	1,049	1,603
Cash of disposal groups classified as assets held for sale	(2)	-	7
Cash and cash equivalents at end of year	**1,155**	**1,359**	**1,049**

Historically, Evraz has relied on cash flow provided by operations, short-term and long-term debt and issues of equity to finance its working capital and capital requirements. Management expects that such sources of funding will continue to be important in the future. At the same time, Evraz increasingly replaces short-term debt with longer-term debt in order to better match its capital resources to its planned expenditure. Evraz does not currently make use of any off-balance sheet financing arrangements.

Evraz intends to finance its capital investment programme with a mix of cash flows from operations and financing activities. Evraz seeks long-term financing (with tenures of five to ten years) both domestically and internationally, from banks and the capital markets. Purchases of equipment from major European producers have been and are expected to continue to be backed by European export credit agencies such as Hermes (Germany), OeKB (Austria), KUKE (Poland), SACE (Italy), ODL (Luxembourg), EximBanka SR (Slovakia), Finnvera (Finland) and UK Export Finance (United Kingdom).

Any future issues of equity will likely be by EVRAZ plc. EVRAZ plc is under no obligation to provide any funds resulting from an equity issuance or otherwise to Evraz or its subsidiaries.

Net cash flows from operating activities amounted to U.S.$1,507 million, U.S.$1,629 million and U.S.$1,953 million in the years ended 31 December 2016, 2015 and 2014, respectively. Net cash flows from operating activities before working capital adjustments amounted to U.S.$1,350 million, U.S.$1,301 million and U.S.$1,987 million in the years ended 31 December 2016, 2015 and 2014, respectively. Working capital movements in 2016, 2015 and 2014 were largely attributable to changes in value of inventories due to prices, changes in receivables and payables from related parties, changes in trade and other payables, changes in tax position and changes in advances from customers.

Net cash flows used in investing activities totalled U.S.$607 million, U.S.$359 million and U.S.$258 million in the years ended 31 December 2016, 2015 and 2014, respectively. Substantially all the cash used in investment activities in 2016, 2015 and 2014 related to purchases of property, plant and equipment and to the issuance of loans receivable to related parties. In 2016, the principal use of the cash used in investing activities, and the reason net cash flows used in investing activities nearly doubling was the result of three loans made to a related party. Three of Evraz's subsidiaries made loans in a total amount of U.S.$295 million to EVRAZ plc, Evraz's parent entity. Evraz plc used the proceeds from these loans to finance a contribution to the share premium of Evraz in the amount of U.S.$300 million. The remaining amount of U.S.$5 million to finance the share contribution came from EVRAZ plc's own cash.

Other than the loan to Evraz plc, these uses of cash were partially financed by the proceeds from the sale of disposal groups in 2016, 2015 and 2014 classified as held for sale as of 31 December 2015, 2014 and 2013, respectively.

Net cash flows used in financing activities amounted to U.S.$1,092 million, U.S.$948 million and U.S.$1,974 million in the years ended 31 December 2016, 2015 and 2014, respectively. These changes reflect a decrease in the repayment of bank credit lines, an increase in the repayments of bank loans and notes, an increase in proceeds from bank loans and notes, an increase in loss on derivatives not designated as hedging instruments, a decrease in proceeds from loans provided by related parties and a decrease in repayment of loans provided by related parties.

Credit Facilities

The most significant outstanding credit facilities obtained by Evraz directly from capital markets and from international and Russian banks to finance its capital requirements outstanding as of 31 December 2016 included:

Evraz's bank financing arrangements

Gazprombank credit facility

In 2015, EVRAZ NTMK and EVRAZ ZSMK signed a €475 million non-revolving credit facility with Gazprombank, which was secured by suretyship from EVRAZ plc and EVRAZ KGOK, and utilised the full amount during May 2015. The facility at that time was repayable in two bullet tranches in 2018 and 2019.

In 2015, a portion of the outstanding principal of the facility was converted into Roubles, resulting in the facility being split into a Euro tranche of a €240 million and a Rouble tranche of approximately RUB18 billion.

In 2016, Evraz prepaid €60 million out of the outstanding principal amount under the facility and subsequently refinanced its existing credit facility by entering into two loans from Gazprombank with amounts of approximately RUB18 billion and €180 million, respectively, that it used to repay its existing credit facility with Gazprombank. The terms of the new credit facility include repayment of 30% and 70% of the principal in two bullet tranches in 2021 and 2022, respectively.

North American asset based facility

In 2014, EVRAZ Inc. NA, EVRAZ Inc. NA Canada and Evraz's other North American subsidiaries signed a U.S.$515 million five-year revolving credit ABL facility (subsequently increased to U.S.$540 million). The facility is secured with the inventories and receivables of the borrowers and guaranteed by certain other group companies. The credit facility was arranged by a group of banks coordinated by General Electric Capital Corporation (which was subsequently acquired in 2016 by Wells Fargo Bank).

In 2016, the borrowers signed an amendment to the facility, reducing the facility size to U.S.$400 million and introducing several technical changes to the credit facility. In 2017, the facility was further amended to reduce the facility size to U.S.$300 million.

U.S.$500 million pre-export financing facility

In 2014, EVRAZ NTMK and EVRAZ ZSMK signed a 5-year U.S.$425 million syndicated pre-export financing facility, which was subsequently increased to U.S.$500 million. The proceeds were mainly used for refinancing purposes. The facility amortises in quarterly instalments, starting August 2016 and ending August 2019.

In 2016, Evraz prepaid U.S.$120 million of the total principal amount of the facility in two tranches. As of 31 December 2016, the total principal amount outstanding under the facility was U.S.$380 million.

Alfa Bank framework agreement

In 2014, EVRAZ NTMK entered into a framework agreement with Alfa Bank, pursuant to which it entered into term loans, each with EVRAZ plc and EVRAZ ZSMK as sureties, for the amounts of U.S.$200 million and U.S.$85 million in 2015 and 2016, respectively. The 2015 term loan is repayable in a single bullet instalment on 12 July 2019. The 2016 term loan is repayable in 10 equal quarterly instalments starting in October 2020. The proceeds were mainly used to refinance existing indebtedness.

U.S.$125 million UniCredit Bank loan

In 2015, EVRAZ NTMK signed a five-year U.S.$125 million term loan facility agreement with UniCredit Bank, Moscow, with EVRAZ KGOK as surety. The loan will amortise in quarterly instalments starting in November 2017 and ending in August 2020. The proceeds were used to refinance existing indebtedness.

In 2016, EVRAZ NTMK prepaid approximately U.S.$81 million out of the total principal amount of the facility in two tranches. As of 31 December 2016, the total principal amount outstanding under the facility was U.S.$44 million.

U.S.$100 million Nordea Bank loan

In 2015, EVRAZ NTMK signed a five-year U.S.$100 million term loan facility agreement Nordea Bank, Moscow, guaranteed by EVRAZ plc. The loan will amortise in quarterly instalments starting in September 2017 and ending in August 2020. The proceeds were used to refinance existing indebtedness.

In 2016, EVRAZ NTMK prepaid approximately U.S.$87 million out of the total principal amount of the facility in two tranches. As of 31 December 2016, the total principal amount outstanding under the facility was U.S.$13 million.

RUB30 billion VTB Bank (PJSC) framework loan facility

In 2015, EVRAZ NTMK entered into a framework multicurrency facility agreement with VTB Bank (PJSC) governing the general terms and conditions of loans of up to five years with a total borrowing limit of RUB30 billion equivalent. Any and all indebtedness outstanding under the agreement is guaranteed by EVRAZ plc and certain other group companies.

In 2015, EVRAZ NTMK signed two term loans for the amounts of U.S.$200 million and U.S.$145 million, respectively, under the framework facility. The loans will amortise in quarterly instalments starting in November 2018 and ending in October 2020. The proceeds from the loans were used to refinance existing indebtedness.

U.S.$300 million VTB Bank (PJSC) loan facility

In 2016, EVRAZ ZSMK entered into a multicurrency facility agreement with VTB Bank (PJSC) governing the general terms and conditions of loans of up to seven years with a total borrowing limit of U.S.$300 million equivalent. Any and all indebtedness outstanding under the agreement is guaranteed by EVRAZ plc, EVRAZ NTMK and EVRAZ KGOK.

In 2016, EVRAZ ZSMK drew down two tranches under this facility in the amounts of U.S.$150 million and U.S.$99 million, both of which are repayable in 12 equal quarterly instalments starting in 2020. Proceeds from this loan were used to refinance existing indebtedness.

Evraz capital markets instruments

Evraz Rouble Bonds

During the period under review, Evraz's subsidiary EvrazHolding Finance LLC issued several series of Rouble-denominated bonds which are guaranteed by Evraz. All of the outstanding bonds are publicly traded on the Moscow Exchange.

In 2015, EvrazHolding Finance LLC issued RUB15,000 million (approximately U.S.$270 million at the exchange rate as of the date of the transaction) 12.95% Rouble-denominated bonds due 2019 with a four-year put/call option. After the issue of this bond, Evraz entered into several cross-currency swaps to manage its currency exposure. The proceeds from this bond were used to refinance existing indebtedness.

In 2016, EvrazHolding Finance LLC issued RUB15,000 million (U.S.$220 million at the exchange rate as of the date of the transaction) 12.60% Rouble-denominated bonds due 2021. The currency exposure arising from these bonds was not hedged. The proceeds from this bond were used to refinance existing indebtedness.

In 2015, Evraz partially repurchased its 8.40% Rouble-denominated bonds due 2016 in the amount of RUB4,792 million (U.S.$84 million at the exchange rate as of the date of the transaction) for a cash consideration of RUB4,696 million (U.S.$82.5 million at the exchange rate as of the date of the transaction).

In 2015, Evraz fully repaid (i) its 8.75% Rouble-denominated bonds due 2015 with a principal amount of RUB3,885 million and (ii) its 9.95% Rouble-denominated bonds due 2015 with a principal amount of RUB15,000 million out of which bonds with a principal amount outstanding of RUB10,850 million (U.S.$175 million at the exchange rate as of the repayment date) were held by various investors as the remaining bonds of both series had been previously repurchased. Evraz settled in full its liability under the related cross-currency swap contracts for both sets of bonds.

In 2016, Evraz fully repaid its 8.40% Rouble-denominated bonds due 2016 and settled in full its liability under the related cross-currency swap contracts.

For additional information on the currency swap contracts used to manage Evraz's currency exposure see Note 25 of the 2016 Consolidated Financial Statements.

Evraz Eurobonds

As of 31 December 2016, Evraz had five outstanding Eurobonds, with maturities ranging between 2018 and 2022, and Raspadskaya, Evraz's subsidiary, had one outstanding series of loan participation notes due 2017.

During the period under review, Evraz issued two new Eurobonds. In 2015 and 2016, Evraz issued U.S.$750 million 8.25% notes due 2021 and U.S.$500 million 6.75% notes due 2022, respectively. The proceeds from both Eurobonds were used to refinance existing indebtedness.

In 2015, Evraz repaid the remaining principal amount of U.S.$138 million outstanding under its 8.25% notes due 2015.

During 2015 and 2016 Evraz completed several tender offers for its 7.40% notes due 2017, 9.50% notes due 2018, 6.75% notes due 2018 and Raspadskaya's 7.75% notes due 2017. Evraz also repurchased a portion of the outstanding principal amounts of each of these notes in open market transactions.

In 2015, as a result of tender offers and open market transactions, Evraz repurchased and cancelled a total principal amount of U.S.$314 million of its 7.40% notes due 2017, U.S.$156 million of its 9.50% notes due 2018 and U.S.$54 million of its 6.75% notes due 2018. In 2015, Evraz also repurchased a total principal amount of U.S.$207 million of Raspadskaya's 7.75% notes due 2017, including U.S.$8 million repurchased earlier in 2014 by EVRAZ plc.

In 2016, as a result of tender offers and open market transactions, Evraz repurchased and cancelled a principal amount, in aggregate, of U.S.$109 million of its 7.40% notes due 2017, U.S.$228 million of its 9.50% notes due 2018 and U.S.$268 million of its 6.75% notes due 2018. In 2016, Evraz called the remaining principal amount of U.S. $177 million outstanding under its 7.40% notes due 2017. In 2016, Evraz also repurchased a total principal amount of U.S.$160 million of Raspadskaya's 7.75% notes due 2017.

As of 31 December 2016, total principal amounts of U.S.$125 million, U.S.$528 million, U.S.$1,000 million, U.S.$750 million and U.S.$500 million remain outstanding under Evraz's 9.50% notes due 2018, 6.75% notes due 2018, 6.50% due 2020, 8.25% notes due 2021 and 6.75% notes due 2022, respectively, and a total principal amount of U.S.$26 million remains outstanding under Raspadskaya's 7.75% notes due 2017.

North American High Yield Bond

In 2014, EVRAZ Inc. NA Canada, Evraz's Canadian subsidiary, issued U.S.$350 million 7.50% senior secured notes due 2019 guaranteed by EVRAZ North America. The proceeds were used to refinance existing indebtedness. As of 31 December 2016, notes for the amount of U.S.$350 million remained outstanding.

Liquidity

As the following table illustrates, Evraz's liquidity, defined as cash and cash equivalents, amounts available under credit facilities and short-term bank deposits with original maturity of more than three months, totalled U.S.$2,225 million, U.S.$2,339 million and U.S.$2,713 million as of 31 December 2016, 2015 and 2014, respectively.

	As of 31 December		
	2016	**2015**	**2014**
		(U.S.$ million)	
Liquidity			

	As of 31 December		
	2016	2015	2014
		(U.S.$ million)	
Cash and cash equivalents	1,155	1,359	1,049
Amount available under credit facilities	1,070	980	1,664
Total liquidity	**2,225**	**2,339**	**2,713**

As of 31 December 2016, Evraz had unutilised borrowing facilities in the amount of U.S.$1,070 million, including U.S.$187 million of committed facilities and U.S.$883 million of uncommitted facilities.

As of 31 December 2016, committed facilities consisted of credit facilities available for Russian and North American subsidiaries in the amounts of U.S.$82 million and U.S.$105 million, respectively.

As of 31 December 2016, uncommitted facilities consisted of revolving credit lines of U.S.$329 million with western banks for export trade financing at East Metals AG and other credit facilities available for European and Russian subsidiaries in the amounts of U.S.$3 million and U.S.$551 million, respectively.

Evraz's current ratio, defined as current assets divided by current liabilities, increased from 1.09 as of 31 December 2014 to 1.41 as of 31 December 2015, and increased to 1.47 as of 31 December 2016. The increase in the current ratio for 2015 compared to 2014 was primarily attributable to a settlement of the U.S.$491 million liability relating to the purchase of Raspadskaya from the parent company and a reduction in trade payables and short-term borrowings. The slight increase in the current ratio for 2016 compared to 2015 was primarily attributable to reduction in trade payables and short-term borrowings.

Evraz's corporate treasury monitors the financial requirements of Evraz's various subsidiaries and has various instruments at its disposal to ensure that each subsidiary has sufficient liquidity to meet its obligations and capital requirements.

Contractual Obligations and Commercial Commitments

The following table sets forth the maturity profile of Evraz's obligations in respect of bank loans and public borrowings as of 31 December 2016, 2015 and 2014 by period:

	As of 31 December														
	2016					2015					2014				
Principal amounts	**Total**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**	**Total**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**	**Total**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
							(U.S. million)								
Short-term loans and borrowings (including current portion of long-term borrowings)	294	294	-	-		443	443	-	-	-	696	696	-	-	-
Long-term loans and borrowings	5,546	-	853	3,655	1,038	5,885	-	695	4,365	825	5,498	-	1,016	3,379	1,103
Total	**5,840**	**294**	**853**	**3,655**	**1,038**	**6,328**	**443**	**695**	**4,365**	**825**	**6,194**	**696**	**1,016**	**3,379**	**1,103**

Evraz pledged inventory with a carrying value of U.S.$315 million, U.S.$383 million and U.S.$607 million as of 31 December 2016, 2015 and 2014, respectively. Evraz pledged property, plant and equipment with a carrying value of U.S.$1,013 million, U.S.$1,107 million and U.S.$1,263 million as of 31 December 2016, 2015 and 2014, respectively.

As of 31 December 2016, 2015, 2014, Evraz had accrued liabilities in respect of post-employment benefits provided to employees of certain of its subsidiaries pursuant to collective bargaining agreements and defined benefit plans of U.S.$317 million, U.S.$301 million and U.S.$364 million, respectively. These amounts represent the present value of Evraz's defined benefit obligation less the fair value of plan assets.

Defined contributions are made by Evraz to the Russian and Ukrainian state pension, social insurance, medical insurance funds at the statutory rates in force, based on gross salary payments. Evraz has no legal or constructive obligation to pay further contributions in respect of such benefits, its only obligation being to pay contributions as they fall due. These contributions are expensed as incurred.

As of 31 December 2016, Evraz had contractual commitments for the purchase of production equipment and construction works of approximately U.S.$172 million. In addition, as of 31 December 2016, Evraz had committed expenditure of U.S.$552 million over the life of its contract with PraxAir (See Note 30 to the 2016 Consolidated Financial Statements).

Evraz has made a commitment to reduce environmental pollution and contamination in accordance with an environmental protection programme. In the period from 2017 to 2022, Evraz is committed to spending U.S.$119 million under this environmental programme. Additionally, Evraz has a number of environmental claims and proceedings which are at an early stage of investigation. Environmental provisions in relation to these proceedings were recognised at 31 December 2016 as amounting to U.S.$12 million. Preliminary estimates available of the incremental costs indicate that such costs could be up to U.S.$263 million. Evraz has insurance agreements, which will provide partial reimbursement of the costs actually incurred.

The following table sets forth the debt maturity profile in principal amount of Evraz as of 31 December 2016:

	2017	2018	2019	2020	2021	Later than 2021	Total
			(U.S. million)				
Bank loans	268	200	521	265	275	538	2,067
Eurobonds	26	653	–	1,000	750	500	2,929
US High Yield Bonds	–	–	350	–	–		350
Rouble bonds	–	–	247	–	247		494
Swap effect on Rouble bonds principal	–	–	19	–	–		19
Total	**294**	**853**	**1,137**	**1,265**	**1,272**	**1,038**	**5,859**

Tax Contingencies

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

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, Evraz has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities, which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in the 2016 Consolidated Financial Statements could be up to approximately U.S.$23 million.

Social Commitments

Evraz is involved in a number of social programmes aimed to support education, health care and social infrastructure development in towns where Evraz's assets are located. Evraz plans to spend approximately U.S.$63 million under these programmes for 2017.

Quantitative and Qualitative Disclosures in respect of Market Risk

Overview

In the ordinary course of its business, Evraz is exposed to risks related to changes in exchange rates, interest rates, commodity prices, energy and transportation tariffs. Evraz does not usually enter into hedging or forward contracts in respect of any of these risks except that Evraz generally concludes swap contracts to manage the currency exposure on its Rouble-denominated bonds.

Exchange and Interest Rate Risk

Evraz's presentation currency is the U.S. dollar. The functional currency of Evraz's Russian subsidiaries is the Rouble, while the functional currencies of Evraz's subsidiaries located in other countries are the Rand in respect of Evraz Highveld and the South African operations of Stratcor, the Ukrainian Hryvnia in respect of the Ukrainian subsidiaries, the Canadian dollar in respect of EICA and the U.S. dollar in respect of Evraz Inc. N.A and the U.S. operations of Stratcor and respective local currencies for other subsidiaries.

The Rouble is not a fully convertible currency outside the territory of Russia. Within Russia, official exchange rates are determined daily by the CBR. Market rates may differ from the official rates but the differences are, generally, within narrow parameters monitored by the CBR.

Evraz's products are typically priced in local currencies in respect of domestic sales of Evraz's operations and U.S. dollars and Euros in respect of international sales. Evraz's direct costs, including raw materials, labour and transportation, are incurred primarily in the local currencies of the subsidiaries. Other costs, such as interest expense, are incurred largely in Roubles, U.S. dollars and Euros.

The mix of Evraz's revenue and costs is such that appreciation in real terms of the local currencies of its subsidiaries against the U.S. dollar tends to result in an increase in Evraz's costs relative to its revenue, while depreciation of the local currencies against the U.S. dollar in real terms tends to result in a decrease in Evraz's costs relative to its revenue.

In addition, nominal depreciation of the local currencies against the U.S. dollar would typically result in a decrease in the reported U.S. dollar value of Evraz's assets (and liabilities) denominated in local currencies, while nominal appreciation of the local currencies against the U.S. dollar would typically result in an increase in the reported U.S. dollar value of Evraz's assets (and liabilities) denominated in local currencies. Moreover, nominal appreciation/depreciation of the local currencies against the U.S. dollar generally has a similar effect when the income statements of Evraz's subsidiaries are translated into U.S. dollars in connection with the preparation of the Audited Consolidated Financial Statements. For example, according to the CBR, the average exchange rate of the Rouble against the U.S. dollar depreciated in nominal terms by 10%, 58.7% and 21% in the years ended 31 December 2016, 2015 and 2014, respectively.

The following table summarises Evraz's outstanding principal amounts of interest-bearing debt, including loans and other borrowings, by currency and interest rate method as of 31 December 2016, 2015 and 2014:

	As of 31 December														
	2016					2015					2014				
	U.S. dollar-denominated	Rouble-denominated	Euro-denominated	Denominated in other currencies	Total	U.S. dollar-denominated	Rouble-denominated	Euro-denominated	Denominated in other currencies	Total	U.S. dollar-denominated	Rouble-denominated	Euro-denominated	Denominated in other currencies	Total
	(U.S.$ million)														
Total debt, of which	4,832	792	215	1	5,840	5,342	619	367	–	6,328	5,303	692	191	8	6,194
Fixed-rate debt..............	3,486	495	190	-	4,171	3,822	372	288	–	4,482	4,043	692	45	1	4,781
Variable-rate debt	1,346	297	25	1	1,669	1,520	247	79	–	1,846	1,260	-	146	7	1,413

From 1 January 2014 till 31 December 2016, Evraz had several series of outstanding Rouble-denominated bonds in the amount of RUB30 billion as of 31 December 2016. For more information, see Note 22 to the 2016 Consolidated Financial Statements.

In July 2015, Evraz issued bonds in the amount of RUB15 billion (U.S.$247 million as of 31 December 2016), which bear interest at a rate of 12.95% per annum and have the next put date on 26 June 2019. Evraz used an intercompany loan to transfer the proceeds from the bonds within Evraz. To manage the currency exposure resulting from the issuance of Rouble denominated bonds, Evraz entered into a series of cross currency swap contracts with several banks under which it agreed to deliver U.S.-dollar denominated interest payments at rates ranging from 5.90% to 6.55% per annum plus the notional amount, totalling approximately $265 million, in exchange for rouble-denominated interest payments at the rate of 12.95% per annum plus notional, totalling RUB14,948 million ($246 million at 31 December 2016). For more information, see Note 25 to the 2016 Consolidated Financial Statements.

In March 2016, Evraz issued bonds in the amount of RUB15 billion (U.S.$247 million as of 31 December 2016), which bear interest at a rate of 12.60% per annum. Evraz did not hedge the currency risk exposure of these bonds.

A hypothetical, instantaneous and simultaneous 10% appreciation of the Rouble, Euro and Canadian dollar against the U.S. dollar as of 31 December 2016 would have resulted in an increase of approximately U.S.$76 million in principal amounts of interest-bearing debt denominated in Roubles (except of a part of such Rouble denominated debt which had been effectively converted into U.S. dollar denominated debt by virtue of various currency and interest swap arrangements), Euros and Canadian Dollar held as of 31 December 2016.

Evraz incurs interest rate risk on liabilities with variable interest rates. In case of changes in the current market fixed or variable interest rates, management considers the refinancing of a particular debt on more favourable terms. With regard to cash flow sensitivity analysis for variable rate instruments, please refer to Note 28 to the 2016 Consolidated Financial Statements.

Commodity Price Risk

Evraz's revenue is exposed to the market risk of price fluctuations related to the sale of its steel products. The prices of the steel products sold by Evraz both within Russia and abroad are generally determined by movements in the general market spot prices for steel because sales are either on the spot market or under contracts linked to current market prices. These prices may be influenced by factors such as supply and demand, production costs (including the costs of raw materials inputs) and global and Russian economic growth. The prices of the mined products that Evraz sells to third parties are also affected by supply and demand and global and Russian economic growth. Adverse changes in respect of any of these factors may reduce the revenue that Evraz receives from the sale of its steel or mined products.

Evraz's costs are also exposed to fluctuations in prices for the purchase, processing and production of iron ore, coking coal, ferroalloys, scrap and other raw material inputs. Evraz's exposure to fluctuations in the price of iron ore and coking coal is limited due to its ability to obtain these products from its own production facilities. Where Evraz obtains these products from internal sources, the effect of price fluctuations is accounted for as an inter-segment transfer and eliminated on consolidation.

Transportation Tariff Risk

Evraz is also exposed to fluctuations in transportation costs. Transportation costs influence Evraz's financial results directly as a component of raw materials costs and the costs of transporting finished products to Nakhodka Trade Sea Port or another designated off-take location. Although Evraz's customers in Russia generally pay the transportation costs of steel and mined products from the production site to the delivery location, the prices that Evraz receives may be adversely affected by transportation costs to the extent that

Evraz will have to reduce its prices to be able to compete with other producers that are located closer to customers and are therefore less impacted by increases in transportation costs. In recent years, the Russian Government has only indexed railway tariffs in line with inflation without adding other tariff-increasing elements and Evraz expects this policy to continue in the immediate future. Consequently, Evraz does not currently expect fluctuations in railway tariffs to have a significant impact on margins.

INDUSTRY

The following information includes extracts from publicly available information, data and statistics and has been extracted from official sources and other sources that the Issuer believes to be reliable. The Issuer accepts responsibility for accurately reproducing such information, data and statistics and, as far as the Issuer is aware, no facts have been omitted that would render such information, data and statistics inaccurate or misleading. The Issuer accepts no further responsibility in respect of such information, data and statistics. Such information, data and statistics may contain approximations or use rounded numbers.

Global Steel Industry

Overview

Steel is one of the most important, multi-functional and adaptable materials in use today and is generally considered to be critical to industrial development. Steel is highly versatile, as it is hot and cold formable, weldable, hard, recyclable and resistant to corrosion, water and heat. The industries in which steel is used include construction, oil and gas, transportation (including railways), engineering, automotive and consumer goods (including white goods).

The steel industry operates predominantly on a regional basis as a result of the high cost of transporting steel and the restrictive effects of protective tariffs, duties and quotas. Steel production has historically been concentrated in the European Union, North America, Japan and the former Soviet Union. However, the growth of steel production in China over the past decade has made it a central driver of the steel industry, while other Asian countries now also play an important role in the market focused on the rolling and finishing of semi-finished products.

The global steel industry is affected by a combination of factors, including general economic trends, worldwide production capacity, import and export flows, raw materials prices and protective trade measures. The steel industry is cyclical and highly competitive and has historically often been characterised by excess capacities. The rapid economic development of China in the early 2000s fuelled global demand for steel and tilted the historical supply-demand balance, leading up to 2008.

While prices increased sharply in 2010 and 2011 directly after the global financial crisis, since then, steel prices trended downward until 2015 due to the slowdown of steel demand in China, global overcapacity and a continuing increase in seaborne iron ore supply from industry majors. In 2016, prices of steel and bulk commodities have increased, with several spikes driven by developments in China. Current market conditions are highly dependent on the pace at which producers are liquidating excess supply and regional economic growth.

Steel Production Process

The key stages of the steel production process are coke making, iron making, steelmaking and steel rolling. Coke, together with natural gas, or pulverised coal serve as fuel for the blast furnaces that produce iron for steel production. Sinter, pellets and coke are layered and fed into the blast furnace and, once formed, the molten iron sinks to the bottom, is tapped off into the torpedo cars and then delivered to the steelmaking shop to be converted into steel. Declining supplies of quality coking coal and escalating prices of coke have led iron and steel manufacturers to seek other carbon-based products to reduce the consumption of the more expensive coke. In the 1970s, an alternative method of blast furnace fuelling was developed. Pulverised coal injection (PCI) technology is based on the concept of primary air carrying pulverised coal which is injected through a lance to the tuyere (mid-bottom inlet of a blast furnace), and then mixed with secondary hot air (termed the “blast”) supplied through a blowpipe in the tuyere. This is then piped to a furnace to create a balloon-like cavity called a “raceway”, which then propagates coal and coke combustion and melts the solid iron ore, releasing molten iron.

During the steelmaking process, iron is reheated at higher temperatures to burn off some of the carbon and other impurities. There are a number of technologies used in this process. The most common of these is basic oxygen furnaces ("**BOF**"), where iron is charged into the vessel and oxygen is then blown through the bath of molten iron. An alternative technology used to produce steel is the electric arc furnace ("**EAF**"), where iron scrap and other charge elements are melted by the heat generated by electricity arcing between graphite electrodes and the metallic charge.

According to Worldsteel in 2015, approximately 74% of crude steel produced globally use BOFs, and EAFs are used for the production of 26% of crude steel produced globally. The oxygen converter process is generally considered to be the most efficient method to produce large volumes of high-quality steel. Accordingly, BOFs and EAFs have largely replaced less competitive and less cost-efficient open hearth furnaces ("**OHF**").

Types of Steel

Crude steel is produced using continuous casting machines or blooming mills to produce semi-finished products, which are then re-rolled at rolling mills. Rolled steel products are usually subdivided into two main categories:

- Long products include blooms, slabs, billets, wire, rebars, beams and rails. Long products are largely used in the construction, machine building, engineering and infrastructure industries such as railways, road construction; and

- Flat products include – hot and cold rolled – steel, plates, galvanised steel, pre-painted steel, transformer steel and dynamo steel. Flat products are commonly used in various industries, including construction, electrical engineering, machine building, automotive, energy, shipbuilding, and tube and pipe production.

Historically, commodity steel producers in industrialised countries had limited export markets due to the high cost of transporting steel relative to the low value of commodity steel grades. In the second half of the twentieth century, producers in emerging markets began to compete with steel producers in industrialised countries by taking advantage of the lower manufacturing costs in their countries to offset high transportation costs. In response, producers in Western Europe and Japan invested heavily in new technology and capacity to produce high-value-added steel grades in order to differentiate their product portfolio and protect their margins by reducing their exposure to commodity steel prices.

Prices and margins for high-value-added steel are higher than for commodity steel due to the specialised structural/chemical characteristics of high-value-added steel which end users typically require.

Production Trends

According to Worldsteel, world crude steel output in 2016 was 1628.5 million tonnes, representing an increase of 0.8%, compared to output in 2015. China remained the largest single producer of steel in the world with an annual volume of 808 million tonnes, up by 1.2% from 2015 and accounted for approximately 50% of global steel production.

The following table sets forth estimated crude steel production data by country or region from 2010 to 2016:

World Crude Steel Production	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
				(million tonnes)			
Europe	207	217	209	205	208	202	200
CIS (excluding Russia and Ukraine)	8	8	8	7	7	8	7
Russia	67	69	70	69	71	71	71

World Crude Steel Production	2010	2011	2012	2013	2014	2015	2016
				(million tonnes)			
Ukraine	33	35	33	33	27	23	24
North America (excluding the U.S.)	31	32	33	32	33	32	32
U.S.	80	86	89	87	88	79	79
South America	44	48	46	46	45	44	39
Middle East/Africa	37	39	40	43	45	43	45
Asia (excluding China, India and Japan)	100	112	112	110	119	115	116
China	639	702	731	822	823	804	808
Japan	110	108	107	111	111	105	105
India	69	73	77	81	87	89	96
Oceania	8	7	6	6	5	6	6
World total	**1,433**	**1,538**	**1,560**	**1,650**	**1,670**	**1,620**	**1629**
Annual change (%)		*7.3%*	*1.4%*	*5.8%*	*1.2%*	*(2.8)%*	*0.8%*

Source: Worldsteel

Consumption Trends

According to Worldsteel, global finished steel consumption was 1,500 million tonnes in 2015, representing a decline of 2.8% compared to 2014. China experienced its second annual decrease in consumption in a row as demand fell by 5.4% in 2015, though it remained the largest steel consumer in the world with 45% of the global share. Consumption in CIS, United States and Japan also declined, by 10%, 10% and 7% respectively. India saw the highest growth in consumption, up by 4 million tonnes, or 5%, over 2014 levels.

The following table sets forth estimated finished steel consumption data by country or region from 2010 to 2015:

World Crude Steel Consumption	2010	2011	2012	2013	2014	2015
				(million tonnes)		
Europe	176	191	175	180	187	195
CIS (excluding Russia and Ukraine)	7	7	9	10	9	8
Russia	37	41	43	43	43	39
Ukraine	5	6	6	6	4	3
North America (excluding the U.S.)	34	36	39	38	42	42
U.S.	80	89	96	96	107	96
South America	43	45	46	48	45	41
Middle East/Africa	77	80	82	85	89	92
Asia (excluding China, India and Japan)	128	138	143	146	156	161
China	588	641	660	735	711	672
India	65	70	72	74	76	80
Japan	64	64	64	65	68	63
Oceania	8	7	7	7	7	7
World total	**1,312**	**1,416**	**1,442**	**1,532**	**1,543**	**1500**
Annual change (%)		*7.9%*	*1.9%*	*6.2%*	*0.7%*	*(2.8)%*

Source: Worldsteel

Import & Export

According to Worldsteel, global imports of finished and semi-finished steel increased in 2015 to 454 million tonnes, or up by 2.4% from 443 million tonnes in 2014. In Europe, imports increased by 12 million

tonnes. The United States is the single largest importer of steel products with 36 million tonnes imported in 2015.

The following table sets forth estimated finished steel imports data by country or region from 2010 to 2015:

Imports of Semi-finished and Finished Steel Products	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
			(million tonnes)			
Europe	144	154	140	142	151	164
CIS (excluding Russia and Ukraine)	6	6	8	8	8	6
Russia	5	7	7	7	6	4
Ukraine	2	2	2	2	1	1
North America (excluding the U.S. and Canada)	10	10	12	11	13	15
U.S.	23	27	31	30	41	36
Canada	9	11	10	9	10	8
South America	15	13	13	14	15	14
Middle East/Africa	52	53	55	53	57	60
Asia (excluding China, India and South Korea)	67	70	77	81	89	93
China	17	16	14	15	15	13
South Korea	25	23	20	19	22	22
India	10	9	9	7	9	13
Oceania	3	3	3	3	3	3
World total	**388**	**404**	**401**	**401**	**443**	**454**
Annual change (%)		*4.3%*	*(0.7)%*	*0.0%*	*10.3%*	*2.4%*

Source: Worldsteel

According to Worldsteel, global steel exports were up 1.6% in 2016 to 462 million tonnes. Exports from China added another 19 million tonnes in 2015 and reached a record 112 million tonnes, Europe remains the largest steel-exporting region with a 34% global market share in 2015, while China's share rose to 24% in 2015.

The following table sets forth estimated finished steel exports data by country or region from 2010 to 2016:

Exports of Semi-finished and Finished Steel Products	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
			(million tonnes)			
Europe	155	166	162	155	160	158
CIS (excluding Russia and Ukraine)	5	5	4	3	4	4
Russia	27	25	27	24	28	30
Ukraine	25	26	24	25	21	18
North America (excluding the U.S. and Canada)	5	6	5	6	6	4
U.S.	12	13	14	13	12	10
Canada	7	6	6	6	6	6
South America	11	13	11	9	11	15
Middle East/Africa	6	6	5	4	5	5
Asia (excluding China, India and Japan)	44	50	51	48	54	52
China	42	48	55	62	93	112
Japan	43	41	41	43	41	41
India	7	9	8	10	10	8
Oceania	2	2	1	1	1	1
World total	**393**	**419**	**416**	**413**	**455**	**462**

Exports of Semi-finished and Finished Steel Products	2010	2011	2012	2013	2014	2015
			(million tonnes)			
Annual change (%)		*6.5%*	*(0.6)%*	*(0.8)%*	*10.3%*	1.6%

Source: Worldsteel

Prices

Global steel prices have become more consistent across geographic regions over the past decade due to the growth of international trade and increased production volumes. Locally, steel prices are connected to the global seaborne benchmarks through export/import price parity that is usually combined with a domestic premium that supports the local market.

Flat products are traded twice as frequently on the seaborne market as long products, making hot-rolled coil ("**HRC**") the global steel price benchmark.

According to Metal Expert, in 2016, the average HRC price in Japan was U.S.$414 per tonne on free on board ("**FOB**") contracts, an increase of 19% from U.S.$347 per tonne in 2015. In 2014, the HRC FOB price in Japan was U.S.$545 per tonne. Slabs, which are semi-finished products in the flat market, were priced at U.S.$344 per tonne in East Asia on cost and freight ("**CFR**") contracts in 2016, an increase of 12% from U.S.$307 per tonne in 2015. In 2014, the average slab price in East Asia was U.S.$507 per tonne on CFR contracts.

Long steel products, according to Metal Expert, also saw generally downward trends. The wire rod price in East Asia was U.S.$363 per tonne on CFR contracts in 2016, an increase of 4% from U.S.$350 per tonne in 2015. In 2014, the average wire rod price in East Asia was U.S.$490 per tonne on CFR contracts. The billet price in South Korea was U.S.$378 per tonne on FOB contracts during 2016, an increase of 9% from U.S.$346 per tonne in 2015. In 2014, the average billet price in South Korea was U.S.$501 per tonne on FOB contracts.

Russian Steel Industry

The Russian steel industry is relatively consolidated, with six large companies, namely Evraz, NLMK, Severstal, MMK, Metalloinvest and Mechel, accounting for 84% of domestic crude steel production in 2016, according to Metal Expert. The major Russian steel companies are mostly vertically integrated in raw materials such as iron ore and coking coal. The Russian steel industry produces most types of long and flat products – automotive, construction, railway, machinery, oil & gas, infrastructure and semi-finished steel.

According to Worldsteel, Russian steelmaking has, in recent years, been approximately 67% based on BOFs, 20% EAFs and only 4% OHFs without significant annual change, the latter of which are mainly remnants from the Soviet Union era. In recent years, typically approximately 82% of steel is cast, using the continuous process, into billet and slabs, while the remaining 18% is cast into ingots.

The major Russian steel mills are located in the Western part of Russia, Urals and Western Siberia. The Russian steel industry fully meets the needs of its domestic market, while maintaining its status as a large global steel exporter of finished and semi-finished products.

Production Trends

According to Worldsteel, the economic recovery from the global economic crisis that began in 2010 resulted in a sharp increase of production of steel in Russia of 12%, followed by gradual increases in 2011 and 2012 of approximately 3% each year. In 2013, steel production fell by 1.8% to 69 million tonnes, increased by 3.6% to 71 million tonnes in 2014 and remained primarily unchanged in 2015 and 2016 at that level.

According to Worldsteel, Russia ranked as the world's fifth largest producer of steel, producing 71 million tonnes of crude steel, or approximately 4% of global production in 2016. The three largest steel plants

in Russia are Magnitogorsk plant (MMK), Cherepovets plant (Severstal) and Novolipetsk plant (NLMK), each producing more than 10 million tonnes of steel per annum.

Russian Steel Production

The following table sets forth estimated steel production data by plant from 2011 to 2016:

Russian Steel Production	2011	2012	2013	2014	2015	2016
			(million tonnes)			
MMK	11.7	12.2	11.9	13.0	12.2	12.5
Severstal	11.3	10.6	10.7	10.9	11.5	11.5
NLMK	9.8	12.2	12.4	12.8	15.4	15.9
EVRAZ ZSMK	7.9	7.2	7.4	7.6	7.1	6.9
EVRAZ NTMK	4.3	4.3	4.4	4.2	4.2	4.2
Mechel	4.9	5.0	4.3	4.0	4.1	3.9
OEMK	3.3	3.3	3.2	3.4	3.5	3.6
Ural Steel	2.6	2.3	1.5	1.1	1.1	1.1
Others	12.5	13.2	13.2	14.6	11.8	11.2
Russia total	**68.2**	**70.3**	**69.0**	**71.5**	**70.9**	**70.8**
Annual change (%)	—	*3.1%*	*(1.8)%*	*3.6%*	*(0.8)%*	*(0.1)%*

Source: Metal Expert

Consumption Trends

Steel consumption in Russia declined by 3.9% in 2016 to 36.0 million tonnes, according to Metal Expert. The most commonly purchased steel products in the domestic market were rebar (6.6 million tonnes in 2016) and welded pipes (6.7 million tonnes in 2016). Long products made up 42% of domestic product consumption in 2016, compared to flat products, which accounted for 26%.

Russian Steel Consumption

The following table sets forth estimated steel consumption data by product type from 2011 to 2016:

Russian Steel Consumption by product type	2011	2012	2013	2014	2015	2016
			(million tonnes)			
Long products	17.3	18.7	19.1	18.3	15.7	15.2
Rebar	6.6	7.8	8.6	9.0	7.5	6.6
Angles and Channels	2.5	2.4	2.5	2.3	2.0	1.8
Wire rod	2.1	2.3	2.3	2.3	2.1	1.9
Other steel rods	2.8	2.8	2.4	2.0	1.9	2.1
Beams	0.9	1.0	1.0	0.9	0.7	0.8
Rails	1.0	0.9	1.1	0.7	0.7	1.0
Others	1.5	1.5	1.3	1.1	0.8	0.6
Flat products	10.3	9.9	10.0	9.8	9.1	9.4
HRC	4.1	4.0	3.9	3.8	3.5	3.7
CRC	3.5	3.4	3.4	3.3	3.0	3.0
Plate	2.6	2.6	2.8	2.6	2.6	2.7
Tubular products	10.7	9.5	9.9	11.1	11.2	10.0
Welded pipes	7.7	6.4	6.6	7.8	7.9	6.7
Seamless pipes	3.0	3.1	3.3	3.3	3.3	3.2
Metalware	0.1	1.7	1.6	2.0	1.5	1.5

Russia total	**38.3**	**39.8**	**40.7**	**41.2**	**37.5**	**36.0**
Annual change (%)	—	*3.9%*	*2.2%*	*1.3%*	*(9.1)%*	*(3.9)%*

Source: Metal Expert

Import & Export

Russia has historically been a net exporter of steel products. In 2016, Russian steel producers exported 29.5 million tonnes, up 5.2% from 28.1 million tonnes in 2015. Semi-finished steel products maintained the largest share in total volume at 53%. Flat steel products make up a greater percentage of exports than long steel and tubular products, with volumes of 8.8 million tonnes compared to 3.9 million tonnes and 1.1 million tonnes, respectively. Asia, the Middle East and the European Union are the primary destinations for exports by Russian steel producers.

The following table sets forth estimated steel export data by product from 2011 to 2016:

Exports of Semi-finished and Finished Steel Products	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
			(million tonnes)			
Semi-finished products	13.2	14.1	13.3	14.2	15.5	15.6
Long products	3.1	2.6	2.8	2.9	3.2	3.9
Rebar	0.8	0.9	1.0	1.1	1.4	1.3
Wire rod	0.8	0.5	0.4	0.4	0.5	0.9
Other steel rods	1.0	0.8	0.8	0.7	0.7	1.0
Others	0.5	0.4	0.6	0.6	0.6	0.6
Flat products	8.5	8.3	7.4	7.5	8.3	8.8
HRC	5.8	5.8	4.8	4.7	5.6	6.3
CRC	1.8	2.0	2.1	2.1	2.1	1.8
Plate	0.9	0.5	0.6	0.6	0.6	0.7
Tubular products	1.2	1.4	1.4	1.3	1.0	1.1
Welded pipes	0.6	0.8	0.9	0.8	0.6	0.7
Seamless pipes	0.6	0.6	0.5	0.6	0.4	0.4
Metalware	–	0.1	0.1	0.2	0.2	0.2
Russia total	**26.0**	**26.5**	**25.0**	**26.1**	**28.1**	**29.5**
Annual change (%)	—	*2.2%*	*(5.7)%*	*3.9%*	*7.0%*	*5.2%*

Source: Metal Expert

Russia imported 3.4 million tonnes of steel products in 2016 compared to 3.6 million tonnes in 2015. Long steel products, which accounted for 27% of imports in 2016, decreased by 0.3 million tonnes in 2016. Flat steel imports remained unchanged in 2016 from 1.5 million tonnes in 2015. Tubular products imports increased from 0.4 million tonnes in 2015 to 0.5 million tonnes in 2016. The countries from which Russia imports steel are generally CIS countries that have historically served the needs of the Russian market.

The following table sets forth estimated steel import data by product from 2011 to 2016:

Imports of Semi-finished and Finished Steel Products	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
			(million tonnes)			
Semi-finished products	–	–	–	–	–	–
Long products	2.3	2.9	3.3	2.1	1.2	0.9
Flat products	2.7	2.3	1.9	1.7	1.5	1.5

Tubular products	1.7	0.9	0.9	0.7	0.4	0.5
Metalware	–	0.6	0.6	0.6	0.5	0.5
Russia total	**6.7**	**6.6**	**6.7**	**5.1**	**3.6**	**3.4**
Annual change (%)	—	*(1.6)%*	*1.2%*	*(23.7)%*	*(29.0)%*	*(5.3)%*

Source: Metal Expert

Prices

Domestic steel prices declined in line with the global benchmarks. During 2016, domestic HRC prices on ex works ("**EXW**") contracts were U.S.$409 per tonne, up by 10% from U.S.$373 per tonne in 2015. In 2014, average HRC price was U.S.$476 per tonne on EXW basis. Rebar prices on EXW contracts were U.S.$351 per tonne in 2016, up by 5% from U.S.$335 per tonne in 2015. In 2014 average rebar price was U.S.$514 on EXW basis.

North American Steel Industry

North America is among the largest steel markets globally with finished steel product demand exceeding 138 million tonnes in 2016 according to Worldsteel, representing nearly 10% of total global demand. Steel production is an important component of the manufacturing economy in North America and steel is used in a broad variety of applications including rail, construction, automotive, energy, machinery and equipment, container, appliances, defence, and other end markets. The vast majority of steel is produced locally as local steel producers benefit from lower freight costs and shorter lead times compared to imported products.

North American steel production is mainly based on scrap. The share of EAFs in crude steel output is approximately 62% compared to approximately 38% BOFs.

Production Trends

North American steel production mainly comprises the United States, Mexico and Canada, which together accounted for 99% of regional production volumes in 2016. The United States, being the largest North American steel producer, accounted for 78.6 million tonnes in 2016. Canada and Mexico produced 12.7 million tonnes and 19.0 million tonnes, respectively, in 2016.

United States steel mills were running at 71% capacity utilisation in 2016, which was at the same level as in 2015.

The following table sets forth estimated steel production data by country from 2010 to 2016:

North America Crude Steel Production	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
				(million tonnes)			
United States	80.5	86.4	88.7	86.9	88.2	78.8	78.6
Capacity utilisation (%)	*70.1%*	*74.5%*	*75.7%*	*76.9%*	*77.0%*	*70.8%*	70.9%
Mexico	16.9	18.1	18.1	18.2	19.0	18.2	19.0
Canada	13.0	12.9	13.5	12.4	12.7	12.5	12.7
Others	1.2	1.3	1.3	1.4	1.3	1.4	0.7
North America total	**111.6**	**118.7**	**121.6**	**119.0**	**121.2**	**110.9**	**111.0**
Annual change (%)		*6.4%*	*2.5%*	*(2.1)%*	*1.8%*	*(8.4)%*	*0.0%*

Source: Worldsteel, AISI

Consumption Trends

North American finished steel consumption decreased by 11 million tonnes, or 7.3%, in 2015 after adding 15 million tonnes in 2014.

The following table sets forth estimated steel consumption data by country from 2010 to 2015:

North America Finished Steel Consumption	2010	2011	2012	2013	2014	2015
			(million tonnes)			
United States	79.9	89.2	96.2	95.7	107	96.1
Mexico	17.8	19.8	20.9	20.1	22.5	24.2
Canada	14.1	14.2	15.6	14.1	15.3	13.3
Others	2.4	2.3	2.9	3.5	3,9	3.6
North America total	**114.1**	**125.5**	**135.6**	**133.4**	**148.7**	**137.8**
Annual change (%)	*32.9%*	*10.0%*	*8.1%*	*(1.6)%*	*11.5%*	*(7.3)%*

Source: Worldsteel

Import & Export

The North American market is one of the largest importers of steel in the world. The market is relatively open to foreign steel, which competes with steel produced by domestic mills. During periods of strong global economic growth, the domestic market functions well, as demand is relatively well matched to supply and steel mills generate enough revenue to cover costs and capital expenditures and to make a return. At the same time, foreign steel is available to give customers access to the products at competitive prices. In more challenging economic times, however, the U.S. market can find itself to be a dumping ground for global steel and these imports can depress steel prices in the market and present a problem for domestic steel producers.

Depressed global pricing environment, trade cases and local demand shrinking led to the decline in imports to the North America in 2015 by 9% to 59 million tonnes. The United States, in particular, saw imports decline 12%, from 41.4 million tonnes in 2014 to 36.5 million tonnes in 2015, a decline of 5 million tonnes.

The following table sets forth estimated steel import data by country from 2010 to 2015:

Imports of Semi-finished and Finished Steel Products(1)	2010	2011	2012	2013	2014	2015
			(million tonnes)			
United States	22.5	26.6	30.9	29.8	41.4	36.5
Mexico	6.7	6.8	9.3	8.1	9.1	10.0
Canada	9.3	10.9	9.6	8.9	10.3	8.0
Others	3.2	3.2	3	3.4	3.9	4.5
North America total	**41.8**	**47.6**	**52.8**	**50.2**	**64.7**	**59.0**
Annual change (%)		*13.8%*	*10.9%*	*(4.8)%*	*28.8%*	*(8.8)%*

Note:

(1) Including inter-regional volumes.

Source: Worldsteel

The following table sets forth estimated steel export data by country from 2010 to 2015:

Exports of Semi-finished and Finished Steel Products(1)	2010	2011	2012	2013	2014	2015
			(million tonnes)			
United States	11.8	13.3	13.6	12.5	12.0	10.0
Mexico	5.2	5.5	4.7	5.6	5.4	3.9
Canada	7	6.4	6.2	5.8	6.2	6.0
Others	0.2	0.3	0.3	0.2	0.3	0.2
North America total	**24.2**	**25.5**	**24.7**	**24.1**	**23.8**	**20.1**

Exports of Semi-finished and Finished Steel Products[1]	2010	2011	2012	2013	2014	2015
			(million tonnes)			
Annual change (%)		*5.2%*	*(3.0)%*	*(2.4)%*	*(1.3)%*	*(15.3)%*

Note:

(1) Including inter-regional volumes.

Source: Worldsteel

During 2014-2016, the steel industry in the United States and Canada also initiated and obtained successful outcomes in anti-dumping trade cases against imports of a range of steel products including OCTG. As a result of the trade cases, the U.S. Department of Commerce imposed tariffs as high as 118% on OCTG imports from countries such as South Korea, and the Canada Border Services Agency announced final duties ranging from 0% to 37.4%.

Prices

According to CRU, North American steel prices were following global negative dynamics. Plate price declined by 2% from U.S.$613 per tonne in 2015 to U.S.$599 per tonne in 2016; rebar down by 9% from U.S.$648 per tonne in 2015 to U.S.$586 per tonne in 2016; and OCTG down by 22% from U.S.$1137 per tonne in 2015 to U.S.$881 per tonne in 2016.

Global Iron Ore Industry

Overview

Iron ores are rocks and minerals from which metallic iron can be extracted. The commodity can be mined by open-pit methods or underground operations. After extraction, the ore is processed further in order to increase its iron concentration. The iron ore is then crushed to a powder-like consistency and iron-rich particles are separated from the waste rock by magnetic separation to produce iron ore concentrate. This concentrate is then formed into products that are suitable for use as blast furnace feed.

Products of iron ore processing are used to produce pig iron and steel afterwards. The global iron ore industry is characterised by a high degree of consolidation, with Vale, Rio Tinto and BHP Billiton accounting for approximately 70% of the global seaborne iron ore trade over the past several years. The major iron ore-producing countries are Australia, Brazil and China, as well as India and Russia.

Historically, Western Europe, Japan and China were the largest importers of iron ore, and as Chinese imports have increased substantially over the last decade, imports by these countries now accounted for 70% of the global seaborne trade in 2016. From 2005 to 2016, growth in iron ore prices was driven mainly by growing imports to China, which increased more than three times over that time. Based on these high price levels, iron ore majors and junior miners initiated a large number of brownfield and greenfield investment projects between 2008 and 2011, especially in Australia and Brazil. These projects, which have generally come online over the past several years, have created an oversupply in the iron ore marketplace and have driven prices down. These large-scale projects have very low cost bases, which create an unfavourable environment for high-cost producers and makes them unprofitable.

Import & Export

Between 2010 and 2016, the total seaborne market trade saw an increase of 430 million tonnes being shipped. In 2016, the global iron ore seaborne market was driven by exports from Australia and Brazil to China. The Chinese market share increased from 60% in 2010 to 70% in 2016 and, in 2016, it accounted for 1032 million tonnes of seaborne iron ore consumption. Australia's share of global export volumes also increased from 38% in 2010 to 54% in 2016 and, in 2016, it exported 821 million tonnes of iron ore.

The following table sets forth estimated iron ore import data by country from 2010 to 2016:

Imports of Iron Ore	2010	2011	2012	2013	2014	2015	2016
				(million tonnes)			
China	619	687	745	820	933	953	1032
Europe	136	136	132	134	138	140	135
Japan	131	129	129	133	133	128	127
South Korea	52	62	62	61	69	74	72
Taiwan	14	19	18	20	22	23	24
Others	83	79	87	85	101	88	75
World total	**1034**	**1112**	**1172**	**1253**	**1396**	**1405**	**1465**
Annual change (%)		*7.5%*	*5.4%*	*6.9%*	*11.4%*	*0.70%*	*4.2%*

Source: CRU

The following table sets forth estimated iron ore export data by country from 2010 to 2016:

Exports of Iron Ore	2010	2011	2012	2013	2014	2015	2016
Australia	430	470	525	619	761	803	821
South Africa	48	53	54	63	66	65	62
India	104	79	37	20	8	3	18
Canada	33	34	35	38	40	37	42
Brazil	311	331	327	330	344	366	378
Sweden	21	21	23	23	24	20	23
Other Africa	11	12	19	31	39	18	19
Russia	22	27	25	26	23	21	18
Ukraine	33	34	35	38	41	46	39
Others	123	132	149	183	141	105	105
World total	**1,136**	**1,193**	**1,229**	**1,371**	**1,486**	**1,486**	**1,525**
Annual change (%)		*5.5%*	*2.0%*	*10.6%*	*8.3%*	*2.0%*	*2.6%*

Source: CRU

Prices

According to CRU, iron ore spot prices declined since the absolute high level in 2011 of U.S.$166 per tonne, 62% CFR China. Based on increased iron ore supply from Australia and Brazil, combined with slowing demand in China, the average price fell to U.S.$97 per tonne in 2014 and U.S.$56 per tonne in 2015, and increased slightly to U.S.$58 per tonne in 2016.

Russian Iron Ore Market

The Russian iron ore market is highly concentrated between the four largest producers (Evraz, Severstal, Metalloinvest and NLMK) with a combined total production share of 92% in 2016. These four producers are also steel companies and are, therefore, mostly vertically integrated in the commodity. Historically, steel plants were built in close proximity to the iron ore deposits, which made transportation costs lower and created clusters of iron ore mining and steel production in Russia.

Mining and processing operations are mostly located in the Western part of Russia, especially in the Kursk Magnetic Anomaly region, which is responsible for the majority of domestic production. The Urals and Siberia are also regions with significant iron ore deposits, though with smaller volumes. According to

Rosnedra at 1 January 2012, Russian iron ore resources accounted for 95 billion tonnes, with reserves of 55 billion tonnes. Despite the large resource volumes, the average iron content is lower than other major producers, with Russian iron content in the range of 20-40% compared to 50-70% in Brazil and Australia.

More than 95% of iron ore mined in Russia is extracted by open-pit methods, with the balance extracted from underground mines according to Evraz estimates. Nearly all types of iron ore products are sold in the Russian market, including saleable concentrate, pellets, HBI, sinter and sinter ore.

Production Trends

Russian iron ore concentrate production was 91 million tonnes in 2016 compared to 98 million tonnes in 2015, a decline of 6.7%, primarily attributable to several smaller producers ceasing their operations due to financial distress. Metalloinvest is the largest Russian iron ore producer with a total production volume of 39 million tonnes in 2016.

The following table sets forth estimated iron ore production data by mine from 2011 to 2016:

Russian Iron Ore Concentrate Production	**Company**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
				(million tonnes)			
Lebedinsky GOK	Metalloinvest	22	21	20	21	21	22
Mikhailovsky GOK	Metalloinvest	16	17	17	17	17	17
Stoilensky GOK	NLMK	13	14	14	15	15	16
Karelsky Okatysh	Severstal	11	11	11	11	11	12
Kachkanarsky GOK	Evraz	10	10	10	11	11	11
Kovdorskiy GOK	EuroChem	5	6	6	6	6	6
Korshunov Mining Plant	Mechel	5	4	4	3	3	3
Olcon	Severstal	5	5	5	4	4	4
Others		14	11	11	10	10	0
Russia total		**100**	**99**	**98**	**97**	**98**	**91**
Annual change (%)		—	*(1.0)%*	*(1.1)%*	*(0.8)%*	*0.9%*	*(6.7)%*

Source: Metal Expert

Import & Export

Russian iron ore imports totalled 4.7 million tonnes in 2016 compared to 6.3 million tonnes in 2015. The only iron ore exporter to Russia is Kazakhstan (SSPGO), which supplies iron ore to MMK. This supply chain was created during the Soviet Union when Russia and Kazakhstan were both part of the USSR, and continues to operate as shipping costs are economically reasonable due to the proximity of Kazakhstan to Chelyabinsk region of Russia.

Russia is a net exporter of iron ore, with shipments by sea to Europe and by railway to China. In 2015, Russian producers exported 11.2 million tonnes of iron ore concentrate and 6.6 million tonnes of iron ore pellets. The primary export destination is Europe, which imported 3.4 million tonnes of concentrate and 3.6 million tonnes of pellets in 2016, accounting for 39.5% of total Russian exports. Russia's total export volume has decreased since 2011 due to declines in global prices.

The following table sets forth estimated iron ore export data by destination from 2011 to 2015:

Exports of Russian iron ore	2011	2012	2013	2014	2015
			(million tonnes)		
Iron Ore Concentrate	**14.8**	**15.5**	**13.4**	**12.0**	**11.2**
China	10.7	10.8	8.0	4.6	4.7
Europe	2.6	3.1	3.0	4.1	3.4
Ukraine	0.8	1.5	2.0	1.8	1.9
Others	0.8	–	0.4	1.4	1.1
Pellets	**12.4**	**8.6**	**9.1**	**8.9**	**6.6**
China	6.6	3.1	2.4	1.0	1.0
Turkey	0.2	0.7	1.3	1.7	1.8
Europe	4.8	4.3	4.6	5.6	3.6
Ukraine	0.3	0.4	0.1	0.3	0.1
Others	0.5	0.1	0.7	0.3	–
Total	**27.3**	**24.1**	**22.5**	**20.9**	**17.7**
Annual change (%)	—	*(11.8)%*	*(6.5)%*	*(7.1)%*	*(15.3)%*

Source: Metal Expert

Prices

According to Metal Expert, domestic iron ore concentrate prices fell to U.S.$36 per tonne in 2016, from U.S.$39 per tonne in 2015 and U.S.$64 per tonne in 2014. Domestic pellet prices fell to U.S.$49 per tonne in 2016, from U.S.$52 per tonne in 2015 and U.S.$73 per tonne in 2014. This negative trend is primarily due to declines in the global benchmark price and cost deflation in Russia.

Global Coking Coal Industry

Overview

Coal may be divided into steam (thermal) coal and coking (metallurgical) coal. Steam coal is used in electricity generation and for industrial applications, while coking coal is used to manufacture coke for use in blast furnaces and other metallurgical applications. Coal mining can be either open-cast or underground, depending on the seam depth and geological conditions. After mining, depending on the ash content of the coal, the coal is processed in a preparation plant, where it is crushed and washed. Coking coal concentrate is then transported to coke-making plants and integrated steel plants for conversion into coke used in the production of pig iron, an intermediary stage product in steelmaking using the BOF method.

Evraz estimates that approximately 13% of total hard coking coal ("**HCC**") production is currently used by the steel industry and approximately 74% of total global steel production is dependent on coal. In the production of steel, approximately 400-500 kilograms of coke is used per tonne of hot metal.

According to CRU, in the period from 2006 to 2011, the coking coal industry experienced a radical change in its underlying price level and a significantly more volatile pricing system emerged. Annual contracts were replaced by quarterly contracts, and spot market transactions are sufficiently common for reporting services to list a variety of prices on a daily basis.

Since 2011, however, coal prices followed the same trends as other steelmaking raw materials and have declined. A number of factors, including a decrease in Chinese imports, currency depreciations, production improvements in Australia and new low-cost projects coming online, created a market oversupply, which forced high-cost producers such as the United States and Canada to decrease their seaborne presence.

Import & Export

Global coking coal seaborne trade volume was mostly unchanged in 2016 compared to 2015. Imports into China, Japan, Europe, South Korea and India accounted for 86% of seaborne consumption. However,

United States exports decreased by 9 million tonnes in 2016 due to the appreciation of the U.S. dollar and the effect of shutdowns over the previous three years.

The following table sets forth estimated coking coal export data by region from 2010 to 2016:

Exports of Metallurgical Coal	2010	2011	2012	2013	2014	2015	2016
				(million tonnes)			
Australia	159	132	144	169	186	186	185
Canada	28	28	31	35	31	28	28
USA	51	63	63	60	54	42	33
Russia	18	14	30	34	32	27	28
Mongolia	10	13	13	14	13	11	18
Mozambique	–	–	3	4	4	5	7
Others	23	30	18	14	10	7	4
World total	**289**	**281**	**301**	**330**	**330**	**306**	**303**
Annual change (%)		*(3.0)%*	*7.4%*	*9.5%*	*(0.2)%*	*(7.4)%*	*(1.0)%*

Source: CRU

The following table sets forth estimated coking coal import data by region from 2010 to 2016:

Imports of Metallurgical Coal	2010	2011	2012	2013	2014	2015	2016
				(million tonnes)			
China	45	38	65	86	75	58	65
Europe	67	65	62	65	65	69	65
Japan	61	62	59	62	63	60	60
India	36	35	37	40	47	51	53
South Korea	25	29	29	29	33	35	34
Brazil	15	18	16	17	16	15	13
Taiwan	8	9	9	10	10	11	11
Others	21	24	24	23	25	25	21
World total	**279**	**280**	**302**	**333**	**333**	**323**	**322**
Annual change (%)		*0.3%*	*8.0%*	*10.3%*	*0.1%*	*(3.1)%*	*(0.3)%*

Source: CRU

Prices

The average HCC spot price in Australia on FOB contracts was U.S.$ 140 per tonne in 2016, U.S.$90 per tonne in 2015 and U.S.$114 per tonne in 2014, according to CRU. The increase in 2016 of coking coal prices was driven primarily by bankruptcies and mine closures in the United States, a 276-day working limit implemented at Chinese mines and unfavourable weather conditions in China and Australia.

Russian Coking Coal Market

Coking coal production in Russia is concentrated in the Kuznetsk, Pechora and South-Yakutia basins. The three largest companies (Evraz, Mechel and Severstal) account for approximately 55-60% of coking coal mined in Russia in 2016. These three companies are also major Russian steel producers, which are also net long in the coking coal business, and sell additional volumes to the domestic and export markets.

Approximately 80% of the coking coal mined in Russia is extracted by underground mining, with the rest extracted by open-pit methods. Nearly all Russian coking coal must be prepared into coking coal concentrate before use in coke making.

Production Trends

Russian companies produced 50 million tonnes of washed coking coal in 2015, down by 4% from 52 million tonnes in 2014. Since 2011, the Russian coking coal industry has added approximately 10 million tonnes of additional volumes, which have mainly been sold to export markets. Evraz, the largest coking coal producer in Russia with a total production share of 24%, produced 12.0 million tonnes of washed coking coal in 2015. According to Metal Expert, Mechel produced 7.8 million tonnes and had a 16% production share.

The following table sets forth estimated coking coal production data by producer from 2011 to 2015:

Russian Coking Coal Concentrate Production	**Company**	**2011**	**2012**	**2013**	**2014**	**2015**
Southern Kuzbass	Mechel	5.1	4.1	4.0	4.2	2.7
Yakutugol	Mechel	4.7	5.5	5.8	5.9	5.1
Raspadskaya	Evraz	3.8	4.5	5.3	6.2	6.6
Yuzhkuzbassugol	Evraz	4.1	4.1	4.9	5.5	5.4
Vorkutaugol	Severstal	5.1	5.3	5.6	4.9	5.7
Sibuglemet	Sibuglemet	5.3	5.4	5.0	5.1	4.8
Belon	MMK	4.0	3.3	2.9	2.9	2.8
KRU	KRU	2.7	4.5	4.4	4.2	4.0
Others		8.0	9.2	12.0	13.0	12.8
Russia total		**42.8**	**45.9**	**49.9**	**51.8**	**49.8**
Annual change (%)		—	*7.0%*	*8.8%*	*3.9%*	*(3.9)%*

Source: Metal Expert

Consumption Trends

According to Metal Expert, Russian consumers, mainly integrated steel plants or separate coke-making facilities, bought 38 million tonnes of coking coal domestically in 2015. Since 2011, consumption has been relatively flat, in the range of 38-40 million tonnes per annum, with minor changes due to PCI implementation at steel mills and optimisation of coke-producing facilities.

Import & Export

Russia is a net exporter of coking coal products. Washed coking coal exports were 18.1 million tonnes in 2015, down by 13% from 20.8 million tonnes in 2014 mainly due to the decline of shipments to China and Ukraine. The majority of exports are shipped to Ukraine (27% in 2015), China (21% in 2015) and other Asian countries (33% in 2015). During 2015, Russian coking coal producers reduced sales to China by 1.5 million tonnes and were able to sell 1.1 million tonnes more to premium Asian markets such as Japan and South Korea.

The following table sets forth estimated coking coal export data by destination from 2011 to 2015:

Russian Exports of Coking Coal Concentrate	**2011**	**2012**	**2013**	**2014**	**2015**
			(million tonnes)		
China	1.5	3.8	6.5	5.3	3.8
Asia (excl. China)	2.4	3.7	3.9	4.9	6.0
Ukraine	5.6	6.9	6.7	6.7	4.9
Others	4.7	3.0	4.4	3.9	3.3
Total	**14.2**	**17.5**	**21.5**	**20.8**	**18.1**
Annual change (%)	—	*23.2%*	*22.8%*	*(3.0)%*	*(13.0)%*

Source: Metal Expert

Russian consumers will generally only import coking coal if they are located near the border or due to the unique quality of the imported coal. Kazakhstan accounted for 80% of total coking coal imports to Russia due to its proximity to the Chelyabinsk region where major steel mills are located in 2016.

The following table sets forth estimated coking coal import data by country of origin from 2011 to 2015:

Russian Imports of Coking Coal Concentrate	**2011**	**2012**	**2013**	**2014**	**2015**
			(million tonnes)		
Kazakhstan	1.0	1.1	1.6	1.2	0.7
United States	1.5	0.9	0.4	–	–
Mongolia	–	–	–	–	0.1
Ukraine	–	–	0.1	0.2	–
Total	**2.5**	**2.0**	**2.0**	**1.4**	**0.8**
Annual change (%)		*(20.7)%*	*1.5%*	*(31.5)%*	*(44.2)%*

Source: Metal Expert

Prices

According to the Metal Expert, in 2016 the price of Russian coking coal exports showed the same dynamics as the global benchmarks. The price of coking coal in East China was U.S.$88 per tonne in 2015 and U.S.$112 per tonne in 2016. Domestic prices saw increase as well, though of a lower magnitude. HCC prices on free carrier ("**FCA**") contracts were U.S.$84 per tonne in 2015 and U.S.$91 per tonne in 2016.

Vanadium Industry

Overview

Vanadium's primary use is in the steel industry as a hardening agent during the steel production process. Vanadium is used as a microalloy in certain steel grades to increase its yield and tensile strength, making it more resistant to shock and metal fatigue. Steels to which vanadium is added can be divided into microalloy or low-alloy steels, generally containing less than 0.15% vanadium and high-alloy steels, containing up to 5% vanadium. Vanadium can be added to steel: (i) in the form of ferrovanadium, an alloy composed of vanadium and iron with other elements; and/or (ii) in the form of vanadium with nitrogen.

Vanadium for steel production currently accounts for around 93% of vanadium consumption globally according to Evraz estimates. The remaining 7% is consumed by the chemical and titanium industries. Vanadium may be derived from ore, slag, oil residues, spent catalyst and uranium by-products.

The largest vanadium-rich iron ore deposits are situated in Russia, South Africa and China, and these countries are the world's largest producers of vanadium, producing in aggregate approximately 70 thousand tonnes of vanadium in 2016, according to the U.S. Geological Survey. Globally, resources of vanadium exceed 63 million tonnes and the world's proven vanadium reserve base was estimated to be 19 million tonnes in 2016, according to the U.S. Geological Survey. Major consumers of vanadium products are located within North America, Europe and Asia, primarily China and Japan. Global vanadium production decreased from 78 thousand tonnes in 2015 to 76 thousand tonnes in 2016 due to the reductions in volumes by China and South Africa.

According to London Metal Bulletin quotations, the price of ferrovanadium was U.S.$18.5 per kgV in 2016 and U.S.$18.6 per kgV in 2015. Historically, the highest price of vanadium was U.S.$128 per kgV in April 2005.

BUSINESS

Overview

Evraz is a globally vertically integrated steel, mining and vanadium business with operations in Russia, Ukraine, Kazakhstan, North America, the European Union and South Africa. In 2016, Evraz produced 13.5 million tonnes of crude steel and sold 13.5 million tonnes of steel products and pig iron to third parties. According to Evraz's estimates, Evraz was the fourth largest crude steel producer by crude steel volume in Russia in 2016, and the largest manufacturer by volume of long products for the construction and railway industries in Russia and the CIS in 2016. Evraz also produces significant quantities of iron ore products and coking coal, most of which are used in its own steelmaking operations. In 2016, Evraz produced 19.7 million tonnes of iron ore and mined 22.3 million tonnes of coking coal. Evraz is also one of the leading producers of vanadium globally. In 2016, Evraz produced 12.9 thousand tonnes of ferrovanadium and other finished vanadium products.

History

Evraz's business was founded by a group of Russian scientists and engineers led by Alexander Abramov (the "**Original Group**"). In 1992, the Original Group established a limited liability company, EvrazMetall, which specialised in the trading of steel products and supplying raw materials and equipment to the Russian steel mills. During the first few years, the company's turnover and field of activity steadily expanded. In the mid-1990s, major steel traders in the Russian market (including the Original Group), as part of their trading activities, financed production at the steel mills from which they bought steel products. By the end of the 1990s, the entities under common control with Evraz became one of the major creditors of two steel mills (Nizhny Tagil Iron and Steel Plant (EVRAZ NTMK) and West Siberian Iron and Steel Plant (ZapSib, currently part of EVRAZ ZSMK).

By the end of 2001, the entities under common control with Evraz acquired significant stakes in Nizhny Tagil Iron and Steel Plant and West Siberian Iron and Steel Plant and began to exercise control over the operating activities of the mills.

Between 2002 and 2004, Evraz focused its expansion activities on the further acquisition of steel assets and on the building of its resource base within Russia.

In 2003, Evraz's management initiated a reorganisation: the separate businesses were consolidated into one holding company. This improved the legal and financial transparency of Evraz and provided access to international financing for further growth. In 2003, one of Evraz's subsidiaries issued the first Eurobond of Evraz. At the end of 2004, Evraz Group S.A. was formed as the parent company of Evraz.

Between 2004 and 2010, Evraz developed into a multinational corporation, progressively extending its steel and mining businesses and beginning vanadium operations through a series of acquisitions around the world. The following table represents the milestones in Evraz's acquisition history:

Year	Subsidiary Acquired
2001	Nizhny Tagil Iron and Steel Plant (EVRAZ NTMK), an integrated steel mill that primarily produces railway and construction long products, pipe blanks and other products
	West Siberian Iron and Steel Plant (ZapSib, currently a part of EVRAZ ZSMK), an integrated steel mill that primarily produces construction long products and semi-finished products
2003	Novokuznetsk Iron and Steel Plant (NKMK, currently a part of EVRAZ ZSMK), an

	integrated steel mill specialising in the production of rolled long steel products for the railway sector and semi-finished products
	Nakhodka Trade Sea Port (EVRAZ Nakhodka Trade Sea Port), one of the largest ports in the Far East of Russia, from where Evraz ships a significant part of its exports
2004	Kachkanarsky Ore Mining and Processing Plant (EVRAZ KGOK), which produces sinter and pellets from vanadium-rich iron ore
	Evrazruda Iron Ore Processing Complex (Evrazruda), which produces iron ore concentrate with operating mines in the Kemerovo region
	An indirect equity interest in Raspadskaya
2005	Palini e Bertoli (EVRAZ Palini), a rolling mill located in Italy, which produces customised steel plate products
	Vitkovice Steel a.s. (EVRAZ Vitkovice), an integrated steel mill which is the largest platemaker in the Czech Republic (EVRAZ Vitkovice, sold in 2014)
2006	Strategic Minerals Corporation (a company, whose assets included Evraz Vametco and Evraz Stratcor Inc.), one of the world's leading producers of vanadium alloys and chemicals for the steel and chemicals industries, with operations in the USA and South Africa
2007	Oregon Steel Mills (now a part of EVRAZ Inc. N.A.), a producer of plates, pipes, rails and other long steel products, with operations in the USA and Canada
	EVRAZ DMP, an integrated steel mill specialising in the manufacture of pig iron, steel and rolled products, and Ukrainian coking plants: Dneprokoks (which currently is part of EVRAZ DMP) and Yuzkoks
	Highveld Steel and Vanadium Corporation (EVRAZ Highveld), one of the largest steel producers in South Africa, with primary positions in medium and heavy structural sections and ultra thick plate and a leading producer of vanadium products (EVRAZ Highveld, deconsolidated from Evraz in 2015)
	EVRAZ Nikom, a ferrovanadium producer located in the Czech Republic
	Yuzhkuzbassugol, a vertically integrated group which is one of the largest coking coal producers in Russia. Yuzhkuzbassugol owns and operates five coal mines and two coal enrichment mills
	Sukha Balka Iron Ore Mining and Processing Complex (EVRAZ Sukha Balka), operates two underground mines in Ukraine for the production of lumping iron ore
	West Siberian Heat and Power Plant, an energy-generating company located in Novokuznetsk (Russia)
2008	IPSCO's plate and tubular business (now EVRAZ Inc. N.A. Canada and part of EVRAZ North America), located in Canada
2009	Carbofer Metall (a part of EVRAZ Metall Inprom), one of the largest Russian steel distribution networks
	Vanady-Tula (EVRAZ Vanady-Tula), the largest Russian producer of vanadium products
2010	Inprom (a part of EVRAZ Metall Inprom), a Russian steel distribution network
2013	In January 2013, EVRAZ plc, the parent of Evraz, obtained control over a coal mining company Raspadskaya

In April 2014, Evraz sold its wholly-owned subsidiary EVRAZ Vitkovice Steel, a manufacturer of rolled steel products, located in Ostrava, Czech Republic.

Evraz Highveld Steel and Vanadium Limited ("**Highveld**") is a vertically integrated iron, steel and vanadium slag producer. On 13 April 2015, as a result of severe economic difficulties due to the current and persistent unfavourable economic environment in South Africa, the Board of Highveld decided to place the entity under business rescue procedures to avoid its liquidation and to avoid giving Highveld's creditors the opportunity to apply for its liquidation in court. The business rescue practitioners can consult with Highveld's Board or its directors, but they would not be bound by any requests or advice from Highveld's Board or its directors. Therefore, Evraz lost control over Highveld and is not expected to re-obtain control in the future. Accordingly, Highveld was deconsolidated from Evraz. In March 2016 the business rescue practitioners resolved to wind down the company and settle the creditors' claims by disposal of Highveld's assets. Evraz is aware of ongoing efforts by the business rescue practitioners to recommence production at Highveld's facilities, including a recently announced deal with Arcelor Mittal South Africa to supply blooms and slabs to a Highveld subsidiary, notwithstanding the prior wind down resolution; however, this has not changed Evraz's expectations regarding its ability to re-obtain control of Highveld. See Note 4 to the 2016 Consolidated Financial Statements for further information.

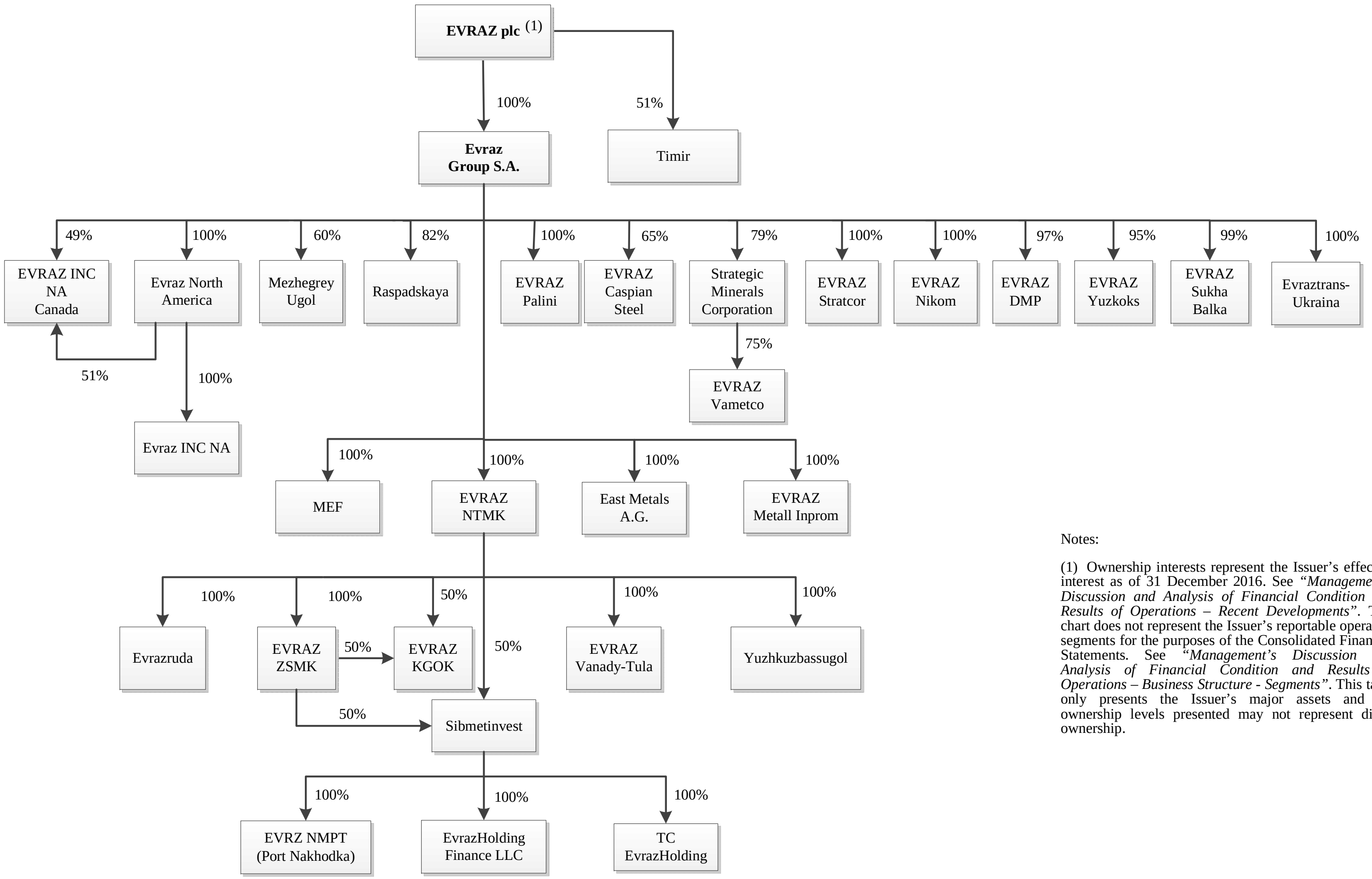
As at the date of this Prospectus, Evraz also owns an 82% equity interest in Raspadskaya, one of Russia's largest coking coal producers. In October 2015, Evraz obtained an additional 41% indirect equity interest in Raspadskaya, from EVRAZ plc, Evraz's parent company, by way of a contribution in kind to Evraz. In consideration of such contribution, EVRAZ plc received additional shares in Evraz. As the result of the equity contribution, Raspadskaya became a consolidated subsidiary of Evraz. The remaining 18% of shares are publicly traded on the Moscow Exchange. For additional information on Raspadskaya, please see "*—Business—Coal—Raspadskaya*", "*—Capitalisation*" and "*—Presentation of Financial and Other Information—Presentation of Financial Information* ".

Currently, Evraz is a global vertically integrated steel corporation diversified both by geography and by product type.

Evraz completed an initial public offering of its GDRs on the London Stock Exchange in June 2005. On 17 October 2011, EVRAZ plc announced an offer to acquire up to the entire issued and to be issued share capital of Evraz, including those shares represented by GDRs, in exchange for ordinary shares in EVRAZ plc. Shares in EVRAZ plc were admitted to trading on the London Stock Exchange's main market on 7 November 2011. As of the date of this Prospectus, EVRAZ plc holds a 100% interest in the Issuer. For additional information on EVRAZ plc please see "*Principal Shareholders*".

Organisational Structure

The organisational structure of Evraz as of 31 December 2016 is as follows:



Notes:

(1) Ownership interests represent the Issuer's effective interest as of 31 December 2016. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments"*. This chart does not represent the Issuer's reportable operating segments for the purposes of the Consolidated Financial Statements. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations – Business Structure - Segments"*. This table only presents the Issuer's major assets and the ownership levels presented may not represent direct ownership.

Business Model and Value Chain

Evraz's core business is the production of steel products and coking coal, with significant operations located in Russia and North America. Evraz divides this production into three major operating segments.

The steel segment is mainly focused on the production of steel in CIS countries, using locally sourced raw materials. The steel produced by this segment serves the domestic Russian infrastructure and construction market while maintaining export flexibility. Of the iron ore used in Evraz's steelmaking business, approximately 85% of Evraz's needs are met by production from Evraz's own facilities. See "— *Business — Steel Segment — Suppliers of raw materials – Iron ore*". Evraz also decreases production costs by processing vanadium slag from steelmaking operations, which is the base for Evraz's vanadium business.

The North American steel segment serves the premium markets of the United States and Canada with high-value-added steel products for infrastructure, rails and LD/OCTG pipes. Being vertically integrated, through sourcing scrap and re-rolling slab from Russian steel operations, helps to secure the profit margins of Evraz.

The coal segment not only supplies Evraz's steel mills with the necessary raw materials, but also provides coking coal to all major Russian coke and steel producers and serves export markets. As the largest coking coal producer in Russia, according to Metal Expert, Evraz is able to capture additional margins due to its diverse product portfolio and low-cost position.

Evraz seeks to create value through leveraging its advantageous low-cost position, which enables the company to serve domestic and export markets profitably, and its attractive product portfolio, which provides future development opportunities.

Keeping costs low is one of Evraz's key business objectives in its steelmaking and iron ore and coking coal mining businesses. Key steel and coking coal assets are located in the first quartile of the cost curve, which helps to maintain profit margins even in periods of market downturns. Evraz believes its continuous focus on operational improvements, non-production savings and necessary business restructurings will help it to maintain these cost advantages in the future. Vertical integration enables Evraz to control each stage in the supply chain. Having iron ore and coking coal production companies secures the cost side of the steel business, while Evraz's sales channels and logistic assets form the base of its consumer-driven sales function.

Evraz is a global leader in rails and LD Pipe and is a reliable provider of steel products for infrastructure projects around the world. Evraz has strong market positions in its core markets of Russia and North America as well as an export presence in Europe, Asia and Latin America. Evraz intends to preserve and improve these positions through developing higher-value-added products, strengthening long-term client relations and continuously improving its technological expertise.

Strategy

Evraz is a leader in the production of infrastructure steel products globally and in the Russian coking coal market.

To maintain its leading position, Evraz implements its strategy based on five success factors each of which is of crucial importance: Health, Safety & Environment; Human Capital; Customer Focus; Asset Development and the Evraz Business System.

Throughout its operations, Evraz places great focus and effort on establishing a safe work environment for its employees. Evraz's strategic goal is to have zero fatal accidents at its plants, and the Company believes

it can achieve this goal through extensive employee training and initiatives to create a culture of personal involvement and responsibility.

Evraz will continue its on-going procees of standardising its human resources processes organisation-wide. During 2016 and for the foreseeable future, Evraz's efforts in this area are and will be focused mainly on its "From Foreman to Managing Director" programme, which aims to evaluate and develop operations management to create a management candidate pool at each of its plants.

Evraz acts to sustain the demand for many of its products, despite intensive domestic market competition, through its concentration on customer focus, maintaining client loyalty and working closely with key buyers in Russia. Evraz intends to continue to expand its product portfolio and the jurisdictions to which it sells its products in order to continue to meet the needs of its current customers and to develop its international customer base. It has developed and will continue to develop a variety of new products and achieved and will continue to work to acquire more advanced certifications in order to sell an increased range of products into new jurisdictions. For example, Evraz obtained the necessary quality certifications, and developed its customer base, in order to expand it sales of railway products to Brazil, Turkey, Germany, Slovenia and the Czech Republic. In North America, Evraz is developing thicker-wall LD Pipe for natural gas transmission.

Evraz is committed to taking action in order to maintain its cost leadership, execute a prudent investment programme and optimise its asset configurations. In 2016, the Steel segment focused its cost-cutting efforts on production yields and auxiliary supply consumption improvements across its steel mills, labour optimisations and energy efficiency initiatives. In North America, the Group's efforts were aimed at reducing its general and administrative overhead costs, as well as optimising scrap purchases and capacity optimisation in the tubular segment. During 2016, the coal segment shortened mining equipment relocation periods and improved other operational efficiency measures. Going forward, Evraz intends to adopt similar incremental measures in order to achieve its goals.

The EVRAZ Business System, or EBS, is a combined approach to the Group's operations. The key elements are target-setting, people development, processes improvements, management system support, culture principles and necessary implementation infrastructure. In 2016, the Group's primary focus was on transitioning from a 'lean tools approach' to the full EVRAZ Business System deployment through EBS-transformations. The 2016 targets were met in employee basic EBS tool trainings, rapid improvement events and the implementation of operational excellence projects.

Operations

Segments

For management purposes Evraz has four reportable operating segments:

Steel segment includes production of steel and related products at all mills except for those located in North America. Extraction of vanadium ore and production of vanadium products, iron ore mining and enrichment and certain energy-generating companies are also included in this segment as they are closely related to the main process of steel production.

Steel, North America is a segment, which includes production of steel and related products in the USA and Canada.

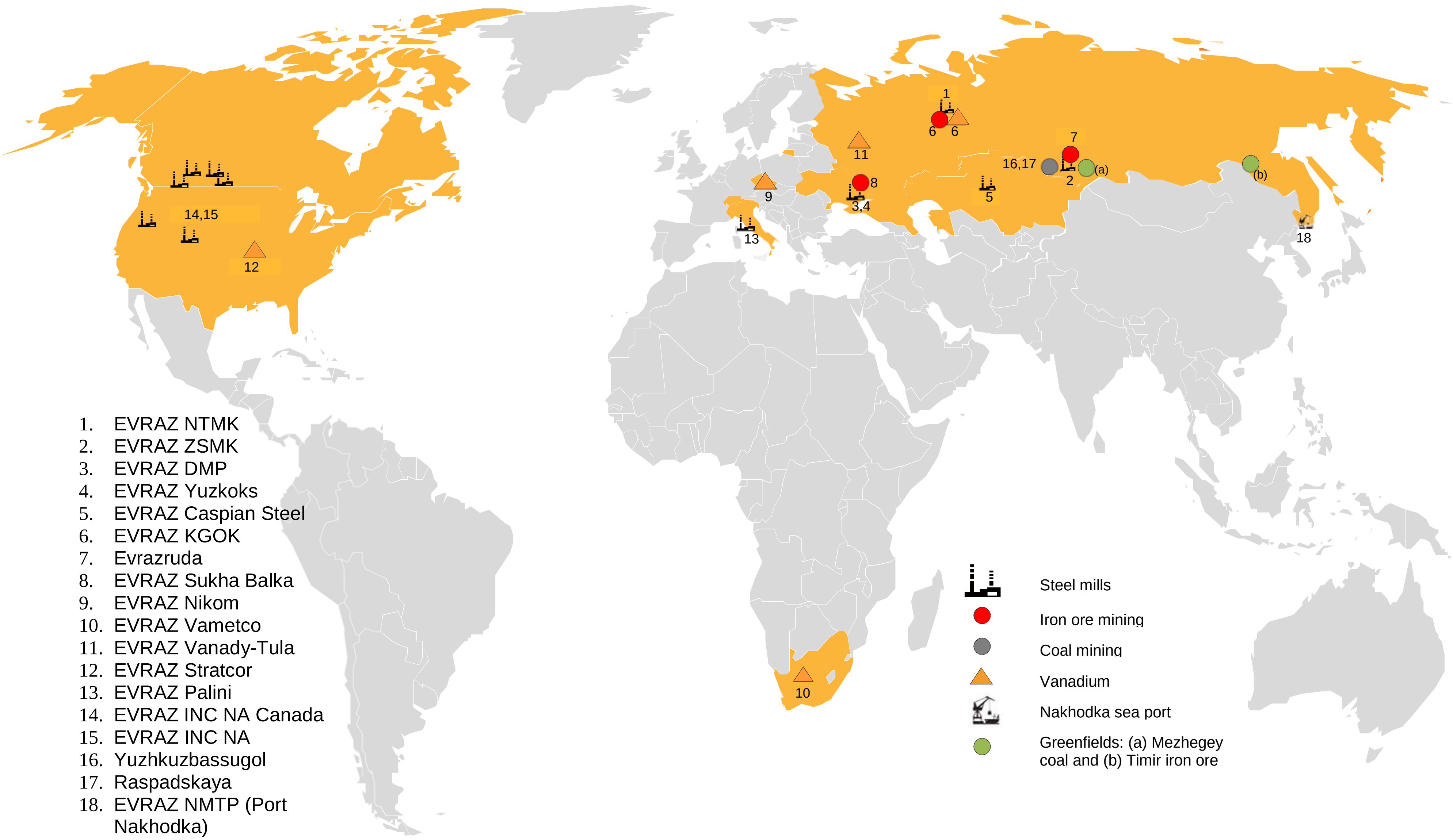
Coal segment includes coal mining and enrichment. It also includes operations of Nakhodka Trade Sea Port as it is used to a significant extent for shipping of products of the coal segment to the Asian markets.

Other operations include energy-generating companies, shipping and railway transportation companies.

Management and investment companies are not allocated to any of the segments. Operating segments have been aggregated into reportable segments if they show a similar long-term economic performance, have comparable production processes, customer industries and distribution channels, operate in the same regulatory environment, and are generally managed and monitored together.

Location of operations

The following map shows the location of Evraz's current operations:



1. EVRAZ NTMK
2. EVRAZ ZSMK
3. EVRAZ DMP
4. EVRAZ Yuzkoks
5. EVRAZ Caspian Steel
6. EVRAZ KGOK
7. Evrazruda
8. EVRAZ Sukha Balka
9. EVRAZ Nikom
10. EVRAZ Vametco
11. EVRAZ Vanady-Tula
12. EVRAZ Stratcor
13. EVRAZ Palini
14. EVRAZ INC NA Canada
15. EVRAZ INC NA
16. Yuzhkuzbassugol
17. Raspadskaya
18. EVRAZ NMTP (Port Nakhodka)

The following table summarises the principal production facilities in Evraz's reportable operating segments as at 31 December 2016:

Company by segment	**Description**	**Country**	**Evraz's ownership interest**
Steel segment			
Steelmaking and rolling facilities			
EVRAZ NTMK	Steel mill	Russia	100.00%
EVRAZ ZSMK	Steel mill	Russia	100.00%
EVRAZ DMP	Steel mill	Ukraine	97.73%
EVRAZ Yuzkoks	Coke facility	Ukraine	94.96%
EVRAZ Caspian Steel	Steel rolling mill	Kazakhstan	65.00%
Iron ore production facilities			
Evrazruda	Iron ore	Russia	100.00%
EVRAZ KGOK	Iron ore	Russia	100.00%
EVRAZ Sukha Balka	Iron ore	Ukraine	99.42%
Vanadium production facilities			
EVRAZ Nikom	Vanadium	Czech Republic	100.00%
EVRAZ Vametco	Vanadium	South Africa	59.07%
EVRAZ Vanady-Tula	Vanadium	Russia	100.00%
EVRAZ Stratcor	Vanadium	USA	100.00%
Steel North America Segment			
EVRAZ INC NA Canada	Steel mills	Canada	100.00%
EVRAZ INC NA	Steel mills	USA	100.00%
Coal Segment			
Yuzhkuzbassugol	Coal producer	Russia	100.00%
Raspadskaya	Coal producer	Russia	81.95%
Mezhegey	Coal producer	Russia	60.02%
EVRAZ NMTP (Port Nakhodka)	Sea Port	Russia	100.00%

Steel segment

The Steel segment includes production of steel and related products at all mills except for those located in North America. Extraction of vanadium ore and production of vanadium products, iron ore mining and enrichment, and certain energy-generating companies are also included in this segment as they are closely related to the main process of steel production.

Steel Production Facilities

Evraz's Steel segment currently produces crude and rolled steel at EVRAZ NTMK, EVRAZ ZSMK and EVRAZ DMP and rolled steel at EVRAZ Caspian Steel. In the period under review, Evraz also produced crude and rolled steel at EVRAZ Vitkovice and EVRAZ Highveld and rolled products at EVRAZ Palini.

The following table sets out the crude steel annual design capacity and production at each of these mills in the periods indicated:

	Annual design capacity(1)	Year ended 31 December		
		2016	**2015**	**2014**
		Thousand tonnes		
EVRAZ NTMK	4,665	4,199	4,216	4,229
EVRAZ ZSMK	9,049	6,901	7,186	7,570
EVRAZ DMP	1,230	1,057	1,005	986
EVRAZ Highveld(2)	N.A.	N.A.	149	621
EVRAZ Vitkovice(3)	N.A.	N.A.	N.A.	131(4)
Total	**14,944**	**12,157**	**12,556**	**13,537**

Notes:

(1) Annual design capacity is the volume of crude steel that a machine or plant may potentially produce based on its technical characteristics as at the date of this Prospectus. Annual design capacity is not equal to actual annual capacity, which takes account of restrictions such as bottlenecks and/or repairs.

(2) On 13 April 2015, as a result of severe economic difficulties due to the current and persistent unfavourable economic environment in South Africa, the Board of Highveld decided to place the entity under business rescue procedures.

(3) On 3 April 2014, Evraz sold EVRAZ Vitkovice Steel to a third party.

(4) Production for the period from 1 January 2014 to 3 April 2014, when EVRAZ Vitkovice was sold.

EVRAZ NTMK

EVRAZ NTMK is an integrated steel production mill located in Nizhny Tagil, in the Sverdlovsk region, approximately 140 kilometres north of Ekaterinburg. Nizhny Tagil is one of the oldest mining and steel production centres in Russia with over 300 years of production history. EVRAZ NTMK produces semi-finished products such as slabs, and specialises in long hot-rolled products. EVRAZ NTMK's primary products are construction products, particularly H-beams, angle sections and profile sections used in construction sector. EVRAZ NTMK also produces railway products, such as rails, wheels and rims for railcars.

Evraz believes that EVRAZ NTMK is the world's biggest processor of vanadium-enriched titan ferrous ores with succeeding vanadium recovery in blast oxygen furnaces and in oxygen converters using special technologies.

Facilities

EVRAZ NTMK consists of coke-chemical production facilities, two blast furnaces, steelmaking facilities (one oxygen converter shop consisting of four LD Convertors), four continuous casters, seven rolling mills and a power- and heat-generating plant. In 2016, Evraz began construction of a new blast furnace, blast furnace no. 7, in order to maintain the production of pig iron at EVRAZ NTMK at 5 million tons per year. See "— *Business — Investment programme*".

Coke production

The coke-chemical production facility currently consists of two coking plants, which operate four coking batteries producing both wet and dry quenched coke. In 2016, EVRAZ NTMK produced 2,324 thousand tonnes of coke (6% humidity), compared to 2,306 thousand tonnes in 2015 and 2,324 thousand tonnes in 2014. EVRAZ NTMK also operates by-product processing facilities, including a chemical plant, coke pitch plants, and pitch distillation and rectification plants, the products of which it sells primarily to third parties.

Pig iron and crude steel production

EVRAZ NTMK operates two blast furnaces which were reconstructed in 2004 and 2006 to improve their efficiency in processing high-vanadium-content iron ore. These two blast furnaces have an annual design capacity of 4,782 thousand tonnes of pig iron.

EVRAZ NTMK produces mostly steelmaking iron and a small amount of natural alloy vanadic crude iron. EVRAZ NTMK also operates two pig iron casting machines for casting hot metal into pig iron for sale as foundry iron.

The steel production comprises of an oxygen converter shop (consisting of four LD converters), with an annual design capacity of 4,665 thousand tonnes of crude steel. The unique vanadium ferrous ore from EVRAZ KGOK results in the natural ferroalloying of steel, which enables EVRAZ NTMK to produce steel and finished products with improved characteristics. Vanadium slag produced from pig iron in the converter shop is used as a raw material by producers of ferroalloys and vanadium products; it is sold primarily to EVRAZ Vanady-Tula, as well as to some third-party customers, including customers in China. Blast furnace slag is granulated and then sold to cement plants. In order to produce high-quality steels, the steel produced in the LD converters is further processed in one of four ladle furnaces which were commissioned in 1995, 1997, 2004 and 2011.

In 2016, EVRAZ NTMK produced 16,886 metric tonnes of vanadium in slag as compared to 16,196 metric tonnes of vanadium in slag in 2015 and 15,125 metric tonnes of vanadium in slag in 2014.

Semis production

EVRAZ NTMK operates four continuous casting machines in the converter shop, with an annual design capacity of 4,665 thousand tonnes of crude steel. The first continuous casting machine was installed in 1995 and produces round billets for rolling railway wheels and tyres and pipe blanks, as well as blooms for rolling rails, H-beams and pipe blanks. The second continuous casting machine, commissioned in 1996, produces both slabs and large blooms. The third continuous casting machine, commissioned in 2001, produces blooms, shaped billets for rolling H-beams, channels and sheet piles.

The fourth continuous casting machine was commissioned in August 2004 and produces large slabs. In line with Evraz's vertical integration, in 2016, EVRAZ NTMK supplied EVRAZ North America with approximately 86% of its slab requirements, as compared to 62% in 2015 and 87% in 2014. EVRAZ NTMK also supplies EVRAZ Caspian Steel with billets and, since operations restarted in 2016, EVRAZ Palini with slabs for production of flat products.

Rolling mills

EVRAZ NTMK operates seven primary rolling mills (a rail fastener mill, a broad-flange beam mill, a rail and structural mill, heavy-section and ball rolling mills, and a wheel and tyre rolling mill). The design of these mills allows for a flexible product mix. EVRAZ NTMK upgraded its wheel rolling operations on multiple occasions between 2004 to 2012, increasing capacity at that mill and that mill the capability to produce a wider variety of wheel products.

Power plant

EVRAZ NTMK operates a power plant that in 2016 produced 1,196 million kWh of energy, as compared to 1,054 million kWh of energy in 2015 and 996 million kWh of energy in 2014.

Production

The following table sets forth EVRAZ NTMK's production of steel products in the periods indicated:

	Year ended 31 December		
	2016	2015	2014
	(thousands of tonnes)		
Pig iron	4,832	4,921	4,817
Crude steel	4,199	4,216	4,229
Semi-finished products	2,346	2,313	1,995
Construction products	964	1,014	1,137
Railway products	371	330	741
Other steel products	324	341	295

EVRAZ ZSMK

EVRAZ ZSMK comprises two key production facilities of Evraz, ZSMK and NKMK, both of which are located near Novokuznetsk, in the Kemerovo region of Russia. Evraz believes that EVRAZ ZSMK is the fourth largest steel mill in Russia and the largest steel mill in Siberia as of 31 December 2016. EVRAZ ZSMK is an integrated steel mill which specialises in long hot-rolled steel products primarily used in the construction industry and also produces semi-finished products such as slabs. Evraz also believes that EVRAZ ZSMK is the leading rail producer in Russia, producing a full range of rails. EVRAZ ZSMK's products are sold across the CIS and globally. EVRAZ ZSMK produced an aggregate of 6,901 thousand tonnes of crude steel and 6,336 thousand tonnes of steel products in 2016, as compared to 7,186 thousand tonnes of crude steel and 6,467 thousand tonnes of steel products in 2015 and 7,570 thousand tonnes of crude steel and 6,819 thousand tonnes of steel products in 2014.

Facilities

Coal washing plant

EVRAZ ZSMK steel mill has its own coal washing plant for coking coal that produced 1,772 thousand tonnes of coking coal concentrate in 2016, as compared to 1,693 thousand tonnes in 2015 and 1,977 thousand tonnes in 2014.

Coke production

EVRAZ ZSMK has five coke oven batteries in operation which produced 3,214 thousand tonnes of coke (6% humidity) in 2016, compared to 3,161 thousand tonnes in 2015 and 3,431 thousand tonnes in 2014. Its coke-chemical production facilities include coal preparation shops, a rectification shop and a tar processing shop. EVRAZ ZSMK also operates coke by-product production facilities.

Pig iron and crude steel production

ZSMK has three blast furnaces in operation, with a combined annual design capacity of 5,634 thousand tonnes of pig iron. Blast furnaces #1 and #2 were recommissioned after reconstructions in 2007 and 2005, respectively. Blast furnace #1 was further reconstructed in 2016. Blast furnace #3 was reconstructed in 2008 and 2016.

Steelmaking at ZSMK is conducted in two oxygen converter mills which consist of five BOFs with an annual design capacity of 8,211 thousand tonnes. In order to produce high-quality steels, some of the steel produced in BOFs at the oxygen converter mill #2 is further processed in a ladle furnace, which was commissioned in 2005.

EVRAZ ZSMK also produces steel in two EAFs, with an annual design capacity of 838 thousand tonnes of crude steel. EAFs are fed by pig iron partially supplied by ZSMK facilities and partially by scrap. The steel produced in EAFs is then processed in two ladle furnaces in order to improve its quality.

Semis production

EVRAZ ZSMK operates one eight-strand continuous casting machine, commissioned in 1995, which produces square billets, and a two-strand continuous slab casting machine, commissioned in 2005 and one four-strand continuous casting machine which produces semi-finished products for a rail mill. EVRAZ ZSMK also operates a blooming mill which produces blooms, billets and slabs. In 2016, EVRAZ ZSMK produced 3,050 thousand tonnes of saleable semi-finished products, comprised of slabs and billets, as compared to 2,930 thousand tonnes in 2015 and 3,024 thousand tonnes in 2014.

In line with Evraz's vertical integration, EVRAZ ZSMK supplies EVRAZ Caspian Steel with billets that are used to produce rebar for Kazakhstan and other CIS markets.

Rolling mills

EVRAZ ZSMK operates seven rolling mills. Rolling facilities include one medium-section mill 450, two small-section mills 250, one rail and structural steel mill, one sectional mill and two ball rolling mills. The medium-section mill 450 serves to roll billets into structural shapes and bars varying in length from 4.5 metres to 12 metres. Profiles include round, strip and angled bars, flanged beams, channels and other shapes. At small-section mills,

billets are rolled to round and reinforcing bars and to angle sections. The rail and structural steel mill consumes steel primarily produced in EAFs through two continuous casting machines. A muti-year rail and structural steel mill modernisation project that allowed it to increase the mill's capacity and made Evraz the first Russian producer of premium rails, including head-hardened, low temperature-resistant and high-speed 100-metre rails.

Power plants

EVRAZ ZSMK operates a power plant located on its site with the total operating capacity of 600 MW. In 2016, the plant generated 2,876 million kWh of energy, as compared to a total of 2,776 million kWh of energy in 2015 and 2,637 million kWh of energy in 2014.

Production

The ZSMK site concentrates its production on long products for the construction and engineering sectors, iron and steel casting, coke by-products, low-harden-ability steel wire cord, cold-resistant rebar and welding wire. The NKMK site concentrates on the production of rails.

The following table sets forth EVRAZ ZSMK's production of steel products in the periods indicated:

	Year ended 31 December		
	2016	**2015**	**2014**
	(thousands of tonnes)		
Pig iron	5,414	5,843	5,889
Crude steel	6,901	7,186	7,570
Semi-finished products	3,050	2,930	3,024
Construction products	2,243	2,645	2,985
Railway products	795	670	560
Other products	248	222	250

EVRAZ DMP and EVRAZ Yuzkoks

EVRAZ DMP is an integrated steel mill and coke-chemical production facility located in Dnepr, Ukraine. It specialises in the production and sale of pig iron, steel, semi-finished and construction rolled products. EVRAZ DMP's main products include I-beams, angles, channels, square billets, tube billets, and crane and tram rails, mining uprights, and sections for automobile rims and agricultural sections. EVRAZ Yuzkoks is a coke production facility located in Kamenskoe, Ukraine. In line with its asset optimisation strategy, Evraz is considering disposing of EVRAZ Yuzhkoks, has reached an agreement with a potential buyer and currently classifies it as an asset held for sale. The agreement for its disposal remains subject to certain conditions. If completed, the consideration for this disposal would be payable in cash.

Facilities

The production facilities of EVRAZ DMP include coke-chemical production facilities, two blast furnaces, steelmaking facilities (three oxygen converters) and two rolling mills.

Coke production

Following an internal reorganisation in 2011, the coke-chemical production facility of Dneprokoks was merged with EVRAZ DMP. In 2016, EVRAZ DMP produced approximately 735 thousand tonnes of coke (6% humidity) compared to approximately 734 thousand tonnes in 2015 and 739 thousand tonnes in 2014. In 2016, EVRAZ Yuzkoks produced 508 thousand tonnes of coke (6% humidity) compared to 601 thousand tonnes in 2015 and 676 thousand tonnes in 2014. Coke produced at EVRAZ DMP and EVRAZ Yuzkoks is used in the production at EVRAZ DMP; the remaining portion is sold to various local steelmakers in Ukraine.

Pig iron and crude steel production

Evraz believes that EVRAZ DMP was Ukraine's eighth largest steel producer in terms of crude steel production in 2016. It operates two blast furnaces with annual design capacity of 1,135 tonnes of pig iron. EVRAZ DMP produces steel in three oxygen converters with an annual design capacity in total of 1,230 thousand tonnes.

Semis production and rolling mills

EVRAZ DMP produces blooms to feed its rolling mills at its blooming mill. EVRAZ DMP operates two rolling mills: a medium-section mill '550'; and a rail and structural steel mill '800'.

Production

The following table sets forth EVRAZ DMP's production of steel products in the periods indicated:

	Year ended 31 December		
	2016	2015	2014
	(thousands of tonnes)		
Pig iron	1,068	1,008	1,001
Crude steel	1,057	1,005	986
Semi-finished products	554	478	398
Construction products	293	330	378
Railway and other products	41	49	65

EVRAZ Caspian Steel

EVRAZ Caspian Steel is a light-section rolling mill in Kostanay, Kazakhstan, which was launched at the end of 2013. After launch, during the first three quarters of 2014, the steel mill underwent testing of the machines and equipment. In 2015, production reached a planned annual production capacity of 450 thousand tonnes of rebar, including unique Evraz's rebar A500(SP). In 2016, EVRAZ Caspian Steel produced 200 thousand tonnes of rebar as compared to 276 thousand tonnes in 2015. Products from the mill are delivered to the Kazakhstan market as well as to other countries in Central Asia.

Production

The following table sets forth EVRAZ Caspian Steel production of steel products in the periods indicated:

	Year ended 31 December		
	2016	2015	2014
	(thousands of tonnes)		
Construction products	200	276	65(1)

Note:

(1) Production of saleable products commenced in the fourth quarter of 2014.

EVRAZ Palini

EVRAZ Palini is a plate rolling mill operator located in San Giorgio di Nogaro (in the province of Udine), Italy. Due to unfavourable market conditions, it was decided to temporarily suspend operations at EVRAZ Palini from August 2013. In 2016, Evraz restarted production at EVRAZ Palini and produced 68 thousand tonnes of flat-rolled products from slabs supplied by Evraz's Russian steel mills and processed another 13 thousand tonnes of flat products under tolling arrangements for third party clients.

EVRAZ Palini production facilities consist of a Four-High mill for the production of steel plates and a Two-High mill, built in 2005 in an effort to speed up the production and complement the Four-High mill's rolling process. EVRAZ Palini's production facilities have an annual design capacity of 450 thousand tonnes of plates of a wide range of sizes and qualities.

EVRAZ Vitkovice

On 3 April 2014, Evraz sold its wholly-owned subsidiary EVRAZ Vitkovice Steel, manufacturer of rolled steel products, located in Ostrava, Czech Republic, to a third party. EVRAZ Vitkovice largely supplied customers in Europe. At the time of sale EVRAZ Vitkovice's production facilities consisted of a steel shop producing slabs, two rolling mills, including one Four-High plate rolling mill, one heavy-section mill and cut shapes production facilities. In 2013, the aggregate production of the steel mill was approximately 388 thousand tonnes of steel, the aggregate production of flat-rolled products was approximately 463 thousand tonnes and aggregate production of construction products was approximately 80 thousand tonnes. The remaining production was split between semi-finished, railway and other steel products, in total 28 thousand tonnes.

EVRAZ Highveld Steel and Vanadium Corporation

On 13 April 2015, as a result of severe economic difficulties due to the current and persistent unfavourable economic environment in South Africa, the Board of Highveld decided to place the entity under business rescue procedures to avoid its liquidation and to avoid giving Highveld's creditors the opportunity to apply for its liquidation in court. The business rescue practitioners can consult with Highveld's Board or its directors, but they would not be bound by any requests or advice from Highveld's Board or its directors. Therefore, Evraz lost control over Highveld and is not expected to re-obtain control in the future. Accordingly, Highveld was deconsolidated from Evraz. In March 2016 the business rescue practitioners resolved to wind down the company and settle the creditors' claims by disposal of Highveld's assets. Evraz is aware of the ongoing efforts by the business rescue practitioners to recommence production at Highveld's facilities, including a recently announced deal with Arcelor Mittal South Africa to supply blooms and slabs to a Highveld subsidiary, notwithstanding the prior wind down resolution; however, this has not changed Evraz's expectations regarding its ability to re-obtain control of Highveld.

EVRAZ Highveld is a vertically integrated iron, steel and vanadium slag producer. EVRAZ Highveld's steel production facilities include liquid iron production facilities, steelmaking facilities, four continuous casters and two rolling mills. In 2015, EVRAZ Highveld's production facilities had an annual design capacity of 900 thousand tonnes of crude steel. EVRAZ Highveld produced 151 thousand tonnes of pig iron and 149 thousand tonnes of crude steel in 2015, compared to 666 thousand tonnes and 621 thousand tonnes in 2014. In 2015, EVRAZ Highveld's rolling mills produced 47 thousand tonnes of rolled steel products for the construction sector compared to 194 thousand tonnes in 2014. EVRAZ Highveld's flat mill produced 65 thousand tonnes of flat products in 2015 compared to 293 thousand tonnes in 2014. Remaining production falled into semi-finished, railway and other steel products, in total 11 thousand tonnes in 2015 compared to 42 thousand tonnes in 2014.

Iron ore mining production facilities

Evraz produced 19.7 million tonnes of iron ore in 2016, as compared to 20.9 million tonnes in 2015 and 22.8 million tonnes in 2014. Evraz currently conducts its iron ore mining production through its subsidiaries Evrazruda and EVRAZ KGOK in Russia and EVRAZ Sukha Balka in Ukraine. Evraz primarily uses this iron ore at its steelmaking operations, with some sales to third parties. Iron ore is generally a commodity product, and most customers make purchases on the basis of price, including transportation costs.

The following table sets forth Evraz's production of iron ore in Russia and Ukraine in the periods indicated:

	Average Iron Content[(1)]	Year ended 31 December		
		2016	2015	2014
		(thousands of tonnes)		
EVRAZ KGOK				
Mined ore	15.5%	59,242	59,351	58,128

	Average Iron Content[1]	Year ended 31 December		
		2016	2015	2014
		(thousands of tonnes)		
Pellets	61.0%	6,520	6,510	6,444
Sinter	53.7%	3,418	3,529	3,443
EVRAZ Sukha Balka				
Mined ore	56.5%	3,105	3,407	3,414
Lumping ore	59.7%	2,563	2,809	2,889
Evrazruda[2]				
Mined ore	30.1%	8,312	7,805	5,722
Concentrate (saleable)	57.1%	4,534	3,730	3,080

Notes:

(1) Represents total iron.

(2) In 2014, Evraz sold an iron ore mine and heat and power plant which belonged to Evrazruda.

EVRAZ KGOK

EVRAZ KGOK is the fifth largest ore mining enterprise in Russia as of 31 December 2016, according to Rudprom and Evraz's own estimates. It is located in the Sverdlovsk region, approximately 140 kilometres from EVRAZ NTMK, its primary consumer. EVRAZ KGOK develops the Gusevogorskoye deposit of titanium magnetite ores that contain vanadium, allowing production of high-tensile alloyed steel products.

Production

EVRAZ KGOK produces sinter and pellets that are rich in vanadium oxide, which are loaded onto railcars and shipped to end consumers. These products generally have relatively high production costs as the iron content of EVRAZ KGOK ore is approximately 16%, which means that the ore must undergo enrichment and concentration. The high-vanadium grade of EVRAZ KGOK's iron ore leads to the improved strength, ductility and anti-corrosion characteristics of steel produced from such ore, but also adversely affects the speed and effectiveness of the blast furnace smelting process.

EVRAZ KGOK also holds a licence (valid until 2035) for the development of the Sobstvenno-Kachkanarskoye magnetite and titanium deposit, which is located in the Sverdlovsk region, next to the Gusevogorskoye deposit. EVRAZ KGOK intends to commence mining at the Sobstvenno-Kachkanarskoye deposit in 2021.

Power plant

EVRAZ KGOK operates a power plant that is located on its site with the total operating capacity of 49 MW and in 2016 produced 202 million kWh of energy, as compared to 173 million kWh of energy in 2015 and 199 million kWh of energy in 2014.

The following table sets forth EVRAZ KGOK's production of saleable products in the periods indicated:

	Year ended 31 December		
	2016	2015	2014
	(thousands of tonnes)		
Pellets	6,520	6,510	6,444
Sinter	3,418	3,529	3,443
Concentrate (saleable)	303	157	9

Evrazruda

Evrazruda comprises a number of ore mining and ore enrichment enterprise in the Kemerovo region (Tashtagolsky, Kazsky, Sheregeshsky iron ore mines and Gurevsky ore limestone mine, the Abagurskaya Sinter and enrichment plant).

Production

In 2016, 2015 and 2014, Evrazruda's total output of finished iron ore product (concentrate) was 4,534 thousand tonnes, 3,730 thousand tonnes and 3,080 thousand tonnes, respectively.

Evraz plans to further develop the most promising mining operations at Evrazruda. Evraz completed the first stage of the Sheregesh mine development in 2015, which resulted in an increase of the Sheregeshsky iron ore mine capacity by up to 4.6 million tonnes per annum. Further improvements (to the mine machinery) at the Sheregesh mine are expected to further increase its efficiency level.

EVRAZ Sukha Balka

EVRAZ Sukha Balka is an iron ore mining and processing complex. In 2016, EVRAZ Sukha Balka was the ninth largest iron ore producer in Ukraine, according to Rudprom.

EVRAZ Sukha Balka operates two underground iron ore mines, Yubileynaya and Imeni Frunze. Both mines have crushing and sorting facilities. The Yubileynaya mine is developed to 1,580 metres below the surface and the Frunze mine is developed to 1,290 metres below the surface. The estimated iron content in the raw ore varies from 50% to 60%. A dry magnetic separation unit at the Yubileynaya mine permits EVRAZ Sukha Balka to produce ore with an iron content of more than 60%. In addition to iron ores, the mines' deposits include reserves of more than 1 billion tonnes of magnetite quartzites.

Production

In 2016, EVRAZ Sukha Balka produced 2,563 thousand tonnes of lump ore, compared to 2,809 thousand tonnes in 2015 and 2,889 thousand tonnes in 2014.

Vanadium Production Facilities

EVRAZ holds a leading position in the world as an individual supplier of vanadium with around 20% global market share. Its vanadium assets are located in Russia, Europe, United States and South Africa. EVRAZ sources its Vanadium Slag from EVRAZ NTMK. EVRAZ Vanady–Tula produces Vanadium Pentoxide and Ferrovanadium and EVRAZ Nikom processes Vanadium Pentoxide into Ferrovanadium. High-purity vanadium pentoxide, vanadium alloy products for the titanium industry and various vanadium chemical products are produced at EVRAZ Stratcor and the proprietary product Nitrovan® vanadium at EVRAZ Vametco Minerals Corporation ("**EVRAZ Vametco**").

The following table summarises Evraz's production of vanadium in slag and finished vanadium products for the periods indicated:

	Year ended 31 December		
	2016	**2015**	**2014**
	(thousands of metric tonnes of Vanadium[(1)])		
Vanadium in slag	**16,886**	**17,984**	**22,252**
Vanadium in final products (saleable)	**12,861**	**14,681**	**18,361**
Ferrovanadium (FeV), of which	9,266	10,589	14,076
Produced at own facilities	8,142	7,497	7,512
Processed at third parties' facilities	1,124	3,092	6,565
Nitrovan® (NV)	2,856	2,419	2,463[(2)]
Oxides, vanadium aluminium and chemicals	739	1,674	1,822

Notes:

(1) For the period in which Evraz acquired a particular subsidiary, data concerning such subsidiary is provided for the period following its acquisition by Evraz; for the period in which Evraz disposes or deconsolidates a particular subsidiary, data concerning such subsidiary is provided for the period till such disposal (deconsolidation) by Evraz.

(2) Includes 420 metric tonnes of Vanadium of Nitrovan produced from vanadium slag of Evraz Highveld

EVRAZ Vanady-Tula

EVRAZ Vanady-Tula was acquired by Evraz in 2009 and became a wholly-owned subsidiary of Evraz in 2010. According to Evraz's estimates, EVRAZ Vanady-Tula is the largest Russian producer of ferrovanadium and has its production facilities in Tula, in the Tula region of Russia. In 2016, EVRAZ Vanady-Tula produced 4,266 metric tonnes of Vanadium of ferrovandium, as compared to 3,772 metric tonnes of Vanadium in 2015 and 3,860 metric tonnes of Vanadium in 2014. Ferrovanadium production volumes of EVRAZ Vanady-Tula include ferrovanadium produced at the third parties' facilities (at the Chusovskoy Metallurgical Plant) from vanadium slag from EVRAZ NTMK.

EVRAZ Nikom

EVRAZ Nikom is a ferrovanadium producer located in the Czech Republic. EVRAZ Nikom has one processing facility, which it uses to process vanadium pentoxide received from EVRAZ Vanady-Tula and third party processors as well as vanadium trioxide from EVRAZ Vametco into ferrovanadium (all oxides are originating from EVRAZ NTMK slag). In 2016, EVRAZ Nikom produced 5,000 metric tonnes of Vanadium of ferrovanadium, as compared to a total of 4,938 metric tonnes of Vanadium in 2015 and 4,803 metric tonnes of Vanadium in 2014.

EVRAZ Stratcor, Inc.

EVRAZ Stratcor is one of the world's leading producers of high-purity vanadium alloys and chemicals and is a major supplier of vanadium to the chemicals and titanium industries. It is headquartered in Hot Springs, Arkansas in the United States, and it owns plants in the United States.

EVRAZ Stratcor's facility in Hot Springs, Arkansas has a capacity to produce up to 12 million pounds per year of one of the highest-purity vanadium oxide in the world. Due to a change in feedstock supply, part of EVRAZ Stratcor`s oxide production chain has been temporarily idled. The Hot Springs Plant produces high-purity vanadium pentoxide, vanadium trioxide, ammonium metavanadate and various other vanadium chemicals and oxides. EVRAZ Stratcor also produces Stratcor® vanadium-aluminium.

EVRAZ Stratcor sells the products made at the Hot Springs Plant to customers in the chemicals industry and Stratcor® vanadium-aluminium to customers in the titanium industry. EVRAZ Stratcor also markets Ferrovanadium produced at Evraz's production facilities and third party facilities as well as Nitrovan® produced at EVRAZ Vametco to steelmakers in North America.

Production

In 2016, EVRAZ Stratcor produced an aggregate of 739 metric tonnes of Vanadium (vanadium oxides, vanadium aluminium and chemicals) compared to 1,547 metric tonnes of Vanadium in 2015 and 1,415 metric tonnes of Vanadium in 2014.

EVRAZ Vametco

EVRAZ Vametco operates an ore mine and a production facility in Brits, South Africa (approximately 30 miles west of Pretoria). In line with the asset optimisation strategy Evraz has reached an agreement to dispose Evraz Vametco with a potential buyer that remains subject to certain conditions. The consideration for the disposal, if completed, would be payable in cash. EVRAZ Vametco's principal product is Nitrovan®, a proprietary vanadium-nitrogen product that efficiently strengthens steel. Nitrovan® is an efficient vanadium-nitrogen product that can significantly lower the strengthening costs of high-strength, low-alloy (HSLA) and other alloy steels. This value-added product is sold domestically and exported to steelmakers worldwide using salesforce of Swiss-based East Metals AG (EVRAZ owned trading company) and U.S.-based EVRAZ Stratcor. EVRAZ Vametco has a capacity to produce up to 3,000 metric tonnes of Vanadium of Nitrovan®

Production

In 2016, EVRAZ Vametco produced 2,856 metric tonnes of Vanadium of Nitrovan® compared to 2,419 metric tonnes of Vanadium in 2015 and 2,043 metric tonnes of Vanadium in 2014.

Sales

Evraz's Steel segment sales include sales of semi-finished and finished steel products, iron ore and vanadium products both to local and global markets.

Sales of steel

The following table shows Evraz's Steel segment sales volume (to third parties and inter-segment sales) of its principal steel products for the years ended 31 December 2016, 2015 and 2014:

Product[1]	**Year ended 31 December**					
	2016		**2015**		**2014**	
	(thousands of tonnes)	*%*	*(thousands of tonnes)*	*%*	*(thousands of tonnes)*	*%*
Construction sector	**4,135**	**35%**	**4,583**	**38%**	**5,141**	**41%**
Rebars	1,755	15%	2,087	17%	2,189	17%
Beams	690	6%	733	6%	864	7%
Channels	747	6%	838	7%	907	7%
Angles	474	4%	468	4%	599	5%
Wire rods	199	2%	193	2%	220	2%
Wire	176	1%	188	2%	196	2%
Other construction products	94	1%	76	–	164	1%
Railway sector	**1,134**	**10%**	**1,007**	**8%**	**1,325**	**11%**
Rails	913	8%	811	7%	926	7%
Wheels and wheel blanks	82	1%	73	–	119	1%
Tyres	41	-	38	–	45	–
Other railway products	98	1%	85	1%	235	2%
Flat-rolled products	**351**	**3%**	**383**	**3%**	**789**	**6%**
Commodity plate	351	3%	353	3%	649	5%
Speciality plate	–	–	–	–	3	–
Other flat products	–	–	30	–	137	1%
Tubular products	**53**	–	**59**	**–**	**59**	**–**
Other steel products	**518**	**4%**	**595**	**5%**	**516**	**4%**
Rounds	169	1%	188	2%	193	2%
Grinding balls	249	2%	240	2%	216	2%
Mine uprights	83	1%	71		85	1%
Strips	7	–	8		11	
Other	10	–	88	1%	12	
Semi-finished products	**5,158**	**44%**	**5,069**	**41%**	**4,347**	**35%**
Slabs	1,933	16%	2,494	20%	2,226	18%
Billets	2,889	24%	2,338	19%	1,854	15%
Pipe blanks	227	2%	193	2%	244	2%
Other semi-finished products	109	1%	44		23	
Pig iron	**443**	**4%**	**531**	**4%**	**390**	**3%**
Total	**11,792**	**100%**	**12,227**	**100%**	**12,566**	**100%**
Inter-segment sales	**521**		**560**		**954**	

Note:

(1) For the period in which Evraz acquired a particular subsidiary, data concerning such subsidiary is provided for the period following its acquisition by Evraz; for the period in which Evraz disposed or deconsolidated a particular subsidiary, data concerning such subsidiary is provided for the period till such disposal (deconsolidation) by Evraz.

The following table represents Evraz's Steel segment sales volume (to third parties and inter-segment sales) of its principal steel products by markets for the years ended 31 December 2016, 2015 and 2014:

	Year ended 31 December					
	2016		**2015**		**2014**	
	(thousands of tonnes)	*%*	*(thousands of tonnes)*	*%*	*(thousands of tonnes)*	*%*
Market[1]						
Russia	4,998	42%	5,413	44%	6,428	51%
CIS	883	7%	987	8%	965	8%
Europe	1,302	11%	1,617	13%	956	8%
Asia	3,285	28%	3,020	25%	3,182	25%
Africa and America and Rest of world	1,323	11%	1,190	10%	1,035	8%
Total	11,792	100%	12,227	100%	12,566	100%
Inter-segment sales	521		560		954	

Note:

(1) For the period in which Evraz acquired a particular subsidiary, data concerning such subsidiary is provided for the period following its acquisition by Evraz; for the period in which Evraz disposed or deconsolidated a particular subsidiary, data concerning such subsidiary is provided for the period till such disposal (deconsolidation) by Evraz.

Evraz's Russian and CIS subsidiaries' steel sales within Russia and the CIS

Evraz's Russian, Ukrainian and Kazakhstan subsidiaries produce steel products for sale in the Russian and CIS markets and for export. Sales in Russia are typically of finished products, which generally provide higher margins than are available from sales of semi-finished products. Evraz believes that it has a strong market position in Russia in many of its primary product markets. Evraz's sales destinations in the rest of the CIS are primarily to Ukraine and Kazakhstan.

Evraz conducts the majority of its Russian, Ukrainian and CIS sales through its wholly-owned trading companies, such as TC EvrazHolding and TH EVRAZ Ukraine. In 2010, Evraz acquired a 100% interest in the Inprom Group's holding entity, which owned steel traders throughout Russia and a chain of 27 steel service centres located in the industrially developed regions of Russia. This purchase followed Evraz's acquisition in 2009 of six steel trading companies which have 35 steel service centres in Russia (formerly known as Carbofer) through the acquisition of their holding company. These operations have been substantially consolidated within EVRAZ Metall Inprom, which currently consists of 47 steel service centres in Russia and CIS. EVRAZ Metall Inprom also sells products on a smaller individual-quantity basis, specialising primarily in the sale of steel construction products. Some sales are made directly from the production facilities under the supervision of Evraz's salesforce. Sales to the construction industry are made to independent regional distributors and stockists, which sell a range of products in smaller lots to end consumers. Sales to the industrial sector are made directly to the customer. Sales to Russian Railways are made directly to Russian Railways, without the use of independent distributors. Russian Railways is the principal customer for Evraz's rails and most other railway products produced in Russia. Evraz's Russian and Ukrainian standard form sales agreements require prepayment, although, sales of steel products to certain large distributors and industrial clients where the contracts are specifically negotiated have allowed, and may in the future allow for, deferred payments where bank guarantees are in place. Additionally, railway products are sold to Russian Railways based on a framework agreement which provides for deferred payment after the sales documentation is transfered.

The following table summarises Evraz's sales of steel produced by its Russian, Ukrainian and Kazakhstan subsidiaries in the periods indicated:

	Year ended 31 December		
	2016	2015	2014
	(thousands of tonnes)		
Sales (excluding inter-segment sales)			
Russian and CIS sales	5,881	6,400	7,393
Non-CIS export sales	5,850	5,666	4,525
Total	**11,731**	**12,066**	**11,918**
Inter-segment sales	**521**	**560**	**954**

Note:

(1) For the period in which Evraz acquired a particular subsidiary, data concerning such subsidiary is provided for the period following its acquisition by Evraz; for the period in which Evraz disposed or deconsolidated a particular subsidiary, data concerning such subsidiary is provided for the period till such disposal (deconsolidation) by Evraz.

The following table sets out the product mix of consolidated sales in Russia and the CIS for Evraz's Russian, Ukrainian and Kazakhstan subsidiaries for the periods indicated (by volume):

	Year ended 31 December		
	2016	2015	2014
	(share of total sales volume, as a percentage)		
Steel Products[(1)]			
Pig iron	1%	1%	1%
Semi-finished products	7%	8%	6%
Construction products	60%	61%	62%
Railway products	18%	15%	18%
Flat-rolled products	5%	5%	5%
Tubular products	1%	1%	1%
Other steel products	8%	9%	7%
Total	100%	100%	100%

Note:

(1) For the period in which Evraz acquired a particular subsidiary, data concerning such subsidiary is provided for the period following its acquisition by Evraz; for the period in which Evraz disposed or deconsolidated a particular subsidiary, data concerning such subsidiary is provided for the period till such disposal (deconsolidation) by Evraz.

Evraz's Russian, Ukrainian and Kazakhstan subsidiaries' exports of steel outside Russia and the CIS Evraz's Russian, Ukrainian and Kazakhstan subsidiaries export primarily semi-finished products, as well as some finished products, mainly wire rods, rebars, channels and beams. The semi-finished products that Evraz's Russian, Ukrainian and Kazakhstan subsidiaries export have not historically been subject to protective trade barriers. In 2016, exports outside Russia and the CIS of Evraz's Russian, Ukrainian and Kazakhstan subsidiaries amounted to 50% of the total steel sales volume of its Russian, Ukrainian and Kazakhstan subsidiaries, an increase from 47% in 2015 and 38% in 2014. Currently export sales of semi-finished products mainly consist of both slabs and billets. Shifts between these two products are mostly driven by economic reasons such as demand and sales margins. In 2016, Evraz's semi-finished products, slabs and billets, were exported in roughly equivalent amounts with billets comprising a slightly larger percentage of the total amount exported.

In 2016, Evraz's Russian, Ukrainian and Kazakhstan subsidiaries sold 50% of their steel products within Russia and the CIS, as compared to 53% of their steel products in 2015 and 62% of their steel products in 2014. EVRAZ Caspian Steel sold almost all of its steel products within Kazakhstan, other CIS countries and Russia.

Evraz's Russian and Ukrainian subsidiaries conduct all exports outside of Russia and the CIS through Evraz's subsidiary, East Metals AG. The principal non-CIS export market for the products of Evraz's Russian and Ukrainian subsidiaries is the Asian market.

The following table sets out the distribution of the consolidated export sales (in terms of volume) by export region for the periods indicated of Evraz's Russian and CIS subsidiaries for the periods indicated:

	Year ended 31 December		
	2016	2015	2014
	(thousands of tonnes)		
Asia	3,300	3,020	3,182
Europe	1,266	1,619	827
Africa	773	480	147
Americas	449	537	356
Other	62	11	13
Total	**5,850**	**5,666**	**4,525**

Notes:

(1) Figures in this table take into account only third-party sales and no inter-segment sales.

(2) For the period in which Evraz acquired a particular subsidiary, data concerning such subsidiary is provided for the period following its acquisition by Evraz; for the period in which Evraz disposed or deconsolidated a particular subsidiary, data concerning such subsidiary is provided for the period till such disposal (deconsolidation) by Evraz.

The following table sets out the product mix of consolidated export sales outside Russia and the CIS for Evraz's Russian and CIS subsidiaries for the periods indicated (by volume):

	Year ended 31 December		
	2016	2015	2014
	(share of total sales volume, as a percentage)		
Steel Products(1)(2)			
Pig iron	7%	9%	7%
Semi-finished products	81%	80%	85%
Construction products	11%	10%	8%
Railway products	1%	1%	–
Total	**100%**	**100%**	**100%**

Notes:

(1) Figures in this table take into account only third-party sales and no inter-segment sales.

(2) For the period in which Evraz acquired a particular subsidiary, data concerning such subsidiary is provided for the period following its acquisition by Evraz; for the period in which Evraz disposed or deconsolidated a particular subsidiary, data concerning such subsidiary is provided for the period till such disposal (deconsolidation) by Evraz.

Sales of iron ore

Most of the iron ore produced in Russia was purchased by Evraz's Russian steel mills. External sales of iron ore products, mostly pellets and sintering ore in 2016 amounted to 4,218 thousand tonnes as compared to 4,421 thousand tonnes in 2015 and 4,542 thousand tonnes in 2014. Sales of iron ore products in the Russian market in 2016 amounted to 1,363 thousand tonnes as compared to 1,144 thousand tonnes in 2015 and 965 thousand tonnes in 2014.

Total sales of the iron ore produced in Ukraine in 2016 were 2,506 thousand tonnes of ore compared to 2,981 thousand tonnes in 2015 and 2,608 thousand tonnes in 2014.

Domestic sales in Ukraine in 2016 amounted to 1,485 thousand tonnes, or 59% of total sales volumes, including deliveries to the Yuzhny Mining and Enrichment Plant (YuGOK) and EVRAZ DMP as compared to 1,681 thousand tonnes in 2015 and 1,661 thousand tonnes in 2014, or 56% of total sales volumes in 2015 and 64% in 2014. The remaining total output in 2016 amounted to 41%, or 1,021 thousand tonnes and was shipped to European customers outside of Ukraine by rail and sea, as compared to 44% in 2015 and 36% in 2014.

Sales of iron ore products by EVRAZ KGOK on the local market is made directly from the production companies, while export sales are made through Evraz's trading company East Metals AG. EVRAZ Sukha Balka sells iron ore products on both local and export markets through Evraz's trading companies.

The following table shows Evraz's Steel segment sales (to third parties and inter-segment sales) of its principal mining products for the years ended 31 December 2016, 2015 and 2014:

Product[1]	**Year ended 31 December**					
	2016		**2015**		**2014**	
	(thousands of tonnes)	*%*	*(thousands of tonnes)*	*%*	*(thousands of tonnes)*	*%*
Iron ore concentrate..........	36	1%	14	—	—	—
Sinter................................	—	—	—	—	—	—
Pellets..............................	1,672	40%	1,388	31%	1,288	28%
Other	2,510	59%	3,019	69%	3,254	72%
Total	4,218	100%	4,421	100%	4,542	100%

Note:

(1) For the period in which Evraz acquired a particular subsidiary, data concerning such subsidiary is provided for the period following its acquisition by Evraz; for the period in which Evraz disposed or deconsolidated a particular subsidiary, data concerning such subsidiary is provided for the period till such disposal (deconsolidation) by Evraz.

The following table summarises Evraz's iron ore sales by destination for the periods indicated:

	Year ended 31 December		
	2016	**2015**	**2014**
	(thousands of tonnes)		
Iron ore sales (excluding inter-segment sales)			
CIS and Russian sales	2,727	2,747	2,622
Non-CIS export sales	1,491	1,674	1,920
Total	**4,218**	**4,421**	**4,542**

Note:

(1) For the period in which Evraz acquired a particular subsidiary, data concerning such subsidiary is provided for the period following its acquisition by Evraz; for the period in which Evraz disposed or deconsolidated a particular subsidiary, data concerning such subsidiary is provided for the period till such disposal (deconsolidation) by Evraz.

Sales of vanadium

The following table shows Evraz's Steel segment sales (to third parties and inter-segment sales) of its principal vanadium products groups for the years ended 31 December 2016, 2015 and 2014:

Product[1]	**Year ended 31 December**					
	2016		**2015**		**2014**	
	(metric tonnes of vanadium)	*%*	*(metric tonnes of vanadium)*	*%*	*(metric tonnes of vanadium)*	*%*
Vanadium in slag................................	5,261	32%	4,082	23%	3,220	15%
Vanadium in alloys & chemicals..........	11,394	68%	13,889	77%	17,552	85%

Product[1]	Year ended 31 December					
	2016		2015		2014	
	(metric tonnes of vanadium)	*%*	*(metric tonnes of vanadium)*	*%*	*(metric tonnes of vanadium)*	*%*
Total	**16,655**	**100%**	**17,972**	**100%**	**20,772**	**100%**
Inter-segment	**67**		**103**		**34**	

Note:

(1) For the period in which Evraz acquired a particular subsidiary, data concerning such subsidiary is provided for the period following its acquisition by Evraz; for the period in which Evraz disposed or deconsolidated a particular subsidiary, data concerning such subsidiary is provided for the period till such disposal (deconsolidation) by Evraz.

Markets and customers

Steel markets and customers

Evraz sells the majority of its steel products to the construction, railway, mining and pipe manufacturing industries within Russia and CIS through its trading company TC EvrazHolding, exports through East Metals and it conducts retail sales through its network of steel dealers, which are combined into EVRAZ Metall Inprom. Evraz adjusts the product mix of its Russian, Ukrainian and Kazakhstan facilities on a monthly basis, depending on the demand and profitability of particular products. Sales outside Russia and the CIS from Evraz's Russian, Ukrainian and Kazakhstan facilities comprise primarily semi-finished products for re-rolling and finished products for the construction and other industries.

Construction sector

The principal products for the construction sector made by Evraz's Russian, Ukrainian and Kazakhstan facilities are rebars, H-beams, channels, angles and wire rods. In terms of segment revenues, the construction market represents the largest market for steel products manufactured by Evraz's Russian and Ukrainian subsidiaries, comprising, in 2016, approximately 39% of revenue attributable to Evraz's Russian and Ukrainian subsidiaries.

Russia constitutes Evraz's principal market in the construction sector, and, in 2016, 2015 and 2014, Evraz was the leading producer of beams in Russia, accounting for approximately 63%, 64% and 70%, respectively, of total sales volumes of beams, according to Metal Expert. Evraz has significant positions in the structural shapes (angles and channels) market in Russia. Evraz's share amounted to 43% in 2016, 47% in 2015 and 50% in 2014, in each case according to Metal Expert.

EVRAZ ZSMK is an important player in highly competitive Russian rebar market. In 2016, Evraz's share of the Russian rebar market, according to Metal Expert, amounted to 14%, as compared to 16% in both 2015 and 2014.

EVRAZ Caspian Steel sells approximately 70% of its rebar production to the Kazakhstan market with the market share of 20% in 2016, 23% in 2015 and 6% in 2014, according to Metal Expert. Evraz's total share in the rebar market in Kazakhstan amounted to 31% in 2016 as compared to 36% in 2015 and 2015, in each case according to Metal Expert.

In order to access new sales regions for finished products, Evraz continued to certify its manufacturing procedures according to standards in various European and Asian countries. In 2016, a new rebar class B500B complied with the requirements of the DIN 488-2:2009-08 standard by passing mechanical and endurance tests. EVRAZ ZSMK also began production of ASTM-certified Grade40 and Grade60 ASTM A615 rebar for the United States market in 2016. Earlier, in 2015, Evraz began production of CS:2012 rebar for markets in South-East Asia.

During 2014, Evraz's share in the Ukrainian construction market increased, reaching approximately 56% during the summer months, as all the major competitors were affected by social unrest as major third-party smelters located in the Donbass region were idled. In 2015, the market share of EVRAZ DMP in the construction market decreased from levels recorded during 2014 to approximately 36% upon restart of prior idled production facilities located in the Donbass region. In 2016 Evraz's share in the Ukrainian construction market decreased from levels

recorded during 2015, reaching approximately 32%, primarily due to Evraz's main competitors in the market being able to increase their capacity utilisation.

Railway sector

Evraz's Russian and Ukrainian subsidiaries manufacture various products for the railway sector, including rails, wheels, rail fasteners, axle blanks, railcar uprights, Z sections and rough tyres. Evraz sells railway products primarily to Russian Railways, which accounted for approximately 14% of the total steel volume sold by Evraz in Russia (excluding inter-segment sales) in 2016, as compared to 13% of the total steel volume sold by Evraz in Russia (excluding inter-segment sales) in 2015 and 11% in 2014. In light of the significant underinvestment in the Russian railway system in the past, Russian Railways announces and periodically provides updates on its plans to make significant investments in maintenance, reconstruction and related infrastructure. Based on public information, the investment budget of Russian Railways is expected to be approximately RUB389 billion for 2017. Evraz sells railway products to Russian Railways pursuant to a long-term agreement which expires at the end of 2017, and under which prices are revised on a quarterly basis in accordance with a defined price formula. Evraz and Russian Railways are currently negotiating the terms, including the pricing mechanism, product volumes and product mix, of a new long-term agreement for the supply of railway products from 2018 to 2021. The new agreement is expected to be finalised during the second quarter of 2017 and will replace the existing agreement upon its scheduled expiration at the end of 2017.

Rails

Evraz produces rails at EVRAZ NTMK and EVRAZ ZSMK, the latter of which is currently the major domestic supplier of rails to Russian Railways. Russian Railways is the primary Russian customer for Evraz's rails. In 2016, Evraz's sales to Russian Railways amounted to 676 thousand tonnes or approximately 90% of Evraz's total Russian sales of rails by volume. In 2016, Evraz's share in the Russian Rail market amounted to 72%, according to Metal Expert. Upon modernisation of its rail mills Evraz has capacities to produce both standard and premium rails (including head-hardened, low temperature-resistant and high-speed 100-metre rails). In 2016, Evraz produced 580 thousand tonnes of premium rails in Russia compared to 552 thousand tonnes of premium rails in 2015 and 254 thousand tonnes of premium rails in 2014.

In 2016, Evraz significantly increased its presence in a number of export markets for rails, including to new markets in South America and Asia.

In order to enable its exports of rails to have access to new markets, Evraz actively looks to have its rail products certified for those markets. In 2016, EVRAZ ZSMK successfully completed the qualification tests of its rails required by Deutsche Bahn. As a result, Evraz has received an HPQ certificate from Deutsche Bahn and, subject to a positive completion of on-going track tests, will be able to participate in regular tenders for Deutsche Bahn during the course of this year.

In 2016, EVRAZ ZSMK also obtained a TSI certificate on its 49 E1 rail, which it produces to a European standard and as a result of receiving this certificate can be sold to European markets generally. 49 E1 rails are intended for jointed and continuously welded tracks as well as for the production of rail switches. These rails are used in urban transport, underground and access ways. Evraz supplies these rails in both non-treated and head-hardened types and in lengths of up to 100 metres.

EVRAZ ZSMK also produces European 60 E1 rails in lengths of up to 100 metres. Evraz is capable of producing both raw and head-hardened rails, according to customer specifications. 60 E1 rails are intended for mixed traffic and can be used for both passenger and cargo transportation. 60 E1 rails are the first European rails produced in 100 metre lengths. Previously 100-metre rails were only offered for domestic market.

Other steel finished and semi-finished products, billets, slab, pig iron and blooms

Evraz's Russian and Ukrainian subsidiaries supply a variety of finished products to the mining sector. Evraz's finished products include grinding balls, which it primarily sells to ore enrichment plants in Russia, and mine uprights, which it primarily sells to mining companies and specialised distributors.

Evraz's production facilities provide for flexible production of billets or slabs and, in addition, Evraz's Russian subsidiaries sell pipe blanks to pipe manufacturers in Russia. The majority of Evraz's semi-finished products is exported outside Russia and CIS, primarily to Asia. In 2016, sales of semi-finished products by Evraz's Steel segment to Asian markets amounted to 2,593 thousand tonnes and was comprised of billets and slabs, as compared to 2,404 thousand tonnes in 2015 and 2,794 thousand tonnes in 2014. Evraz also exports semi-finished products to European, African and American clients.

Iron ore markets and customers

In 2016, Evraz sold in total 4,218 thousand tonnes of iron ore products to third parties, compared to 4,421 thousand tonnes of iron ore products sold in 2015 and 4,542 thousand tonnes of iron ore products sold in 2014.

Most of the iron ore produced by Russian EVRAZ KGOK and Evrazruda was purchased by Evraz's Russian steel mills. External sales of iron ore by EVRAZ KGOK are mostly comprised of pellets sold both in the local and export markets. The local market is the priority due to lower logistics costs. EVRAZ KGOK sells iron ore directly to third parties in Russia and through East Metals AG to export destinations. External sales of pellets in 2016 amounted to approximately 1,672 thousand tonnes compared to 1,388 thousand tonnes in 2015 and 1,288 thousand tonnes in 2014.

Part of the iron ore produced by Ukrainian EVRAZ Sukha Balka was delivered to the Yuzhny Mining and Enrichment Plant (YuGOK) for further processing and to EVRAZ DMP. EVRAZ Sukha Balka's sales of iron ore products excluding shipments to those companies in 2016 amounted to approximately 2,091 thousand tonnes, compared to 2,572 thousand tonnes in 2015 and 2,131 thousand tonnes in 2014. 51% of external sales in 2016 were made to local customers with the remainder made to export destinations, mainly European ones.

The remaining sales volumes in 2015 and 2014 were attributed to the South African Mapoch mine, a subsidiary of EVRAZ Highveld Steel and Vanadium Corporation, which is currently under business rescue procedures and was deconsolidated in 2015. See "*– Business – History*".

Vanadium markets and customers

Vanadium-rich ore is mined at EVRAZ KGOK. EVRAZ NTMK processes this ore, leading to the production of vanadium slag as a by-product, which EVRAZ NTMK, in turn, sells to Evraz's subsidiary EVRAZ Vanady-Tula (for its own consumption and conversion into Ferrovanadium at the Chusovskoy Metallurgical Plant) and East Metals AG for processing at third parties' facilities.

The acquisitions of EVRAZ Stratcor, EVRAZ Nikom and EVRAZ Vanady-Tula provided Evraz with vanadium-processing capabilities and technical know-how allows it to extract higher margins and cash flows from vanadium products.

EVRAZ Vanady-Tula sells Vanadium products to the Russian and CIS market, EVRAZ Stratcor to the North American market and East Metals AG to the European, Asian and South American market.

In recent years, Evraz has continued to expand its customer base and increased the number of its long-term agreements, which secure the major share of sales and guarantee stable off-take.

EVRAZ Stratcor sells the products made at the Hot Springs Plant to customers in the chemicals industry and Stratcor® vanadium-aluminium to customers in the titanium industry. EVRAZ Stratcor also markets Ferrovanadium produced at its own and various third parties' facilities as well as Nitrovan® produced at EVRAZ Vametco to steelmakers North America.

EVRAZ Vametco produces Nitrovan®, a proprietary vanadium-nitrogen product that efficiently strengthens steel. This value-added product is sold domestically by EVRAZ Vametco and exported to steelmakers worldwide using the salesforce of Swiss-based East Metals AG and U.S.-based EVRAZ Stratcor.

Suppliers of raw materials

The principal materials used by Evraz's Russian and Ukrainian subsidiaries in their production of steel include coking coal and coke, iron ore sinter and pellets, ferroalloys, scrap and refractory materials. As part of its

vertical integration, and considering the cost of raw materials from external and internal sources, Evraz seeks, where economical to do so, to maximise the share of these inputs that are obtained from other members of its consolidated group. This strategy helps to ensure reliability of supply.

Coking coal and coke

For its Russian and Ukrainian subsidiaries, Evraz obtains coking coal mostly from its wholly-owned subsidiaries Yuzhkuzbassugol, Raspadskaya and Mezhegeyugol. All three entities are located in close proximity to Evraz's steelmaking business. See "*—Business— Coal production facilities*".

In 2016 Evraz obtained approximately 48% of its coking coal requirements for steelmaking activities in Russia and Ukraine from Yuzhkuzbassugol, Raspadskaya and Mezhegeyugol, while some coal types were sold to third parties and the required coal purchased from third parties. The remaining coking coal requirements were sourced from other suppliers, mainly from Mechel in 2014 and from Sibuglemet in 2015 and 2016.

Total coking coal volume produced by Yuzhkuzbassugol, Raspadskaya and Mezhegeyugol in 2016, 2015 and 2014 represented, in terms of volumes, approximately 195%, 190% and 195%, respectively, of Evraz's steelmaking requirements of coking coal for its Russian and Ukrainian operations.

Evraz's Russian and Ukrainian operations supplied nearly all of the coke requirements for Evraz's Russian and Ukrainian steelmaking subsidiaries in 2016, 2015 and 2014. In 2016, Evraz produced on its Russian and Ukrainian facilities approximately 903 thousand tonnes of saleable coke (dry weight) as compared to 959 thousand tonnes of saleable coke (dry weight) in 2015 and 1,137 thousand tonnes of saleable coke (dry weight) in 2014.

Iron ore

For its Russian and Ukrainian subsidiaries, Evraz obtains sinter and pellets primarily from its subsidiaries Evrazruda, EVRAZ KGOK and EVRAZ Sukha Balka (through YUGOK Ukraine), as well as from third-party suppliers. Evraz's iron ore production in Russia and Ukraine in 2016, 2015 and 2014 represented, in terms of volumes, approximately 81%, 86% and 85% of its total iron ore requirements in Russia and Ukraine, respectively. Although Evraz chose to consume only 68% in 2016, 64% in 2015 and 59% in 2014 of these requirements and to purchase the remaining from third parties due to price, location and grade considerations. See "*—Business—Iron ore mining production facilities*".

The objective of Evraz's vertical integration is to use raw materials produced by its subsidiaries to the extent practicable, but to take a commercial approach to sourcing its raw materials, to which end, Evraz will buy and sell iron ore and coal to third parties depending on a number of factors, including pricing, the grade of coal and geographic proximity of raw materials to Evraz's facilities. For purposes of transportation costs (railway tariff) efficiency, Evraz purchases iron ore, primarily iron ore concentrate for EVRAZ ZSMK from Metalloinvest's Mikhailovsky GOK.

The following table sets out the main internal suppliers of iron ore for Evraz's Russian and Ukrainian steelmaking operations for the periods indicated:

	Year ended 31 December					
	2016		**2015**		**2014**	
	(thousands of Fe equivalent tonnes)	*(share, as a percentage)*	*(thousands of Fe equivalent tonnes)*	*(share, as a percentage)*	*(thousands of Fe equivalent tonnes)*	*(share, as a percentage)*
Internal Supply	**7,848**	**72%**	**7,396**	**66%**	**7,083**	**64%**
EVRAZ KGOK	4,781	44%	5,082	45%	4,989	45%
Evrazruda	2,611	24%	1,916	17%	1,713	15%
EVRAZ Sukha Balka	73	1%	46	–	4	–
EVRAZ NTMK - staflux	384	3%	352	3%	377	3%
External Supply	**2,988**	**28%**	**3,842**	**34%**	**4,055**	**36%**
Total Supply	**10,836**	**100%**	**11,238**	**100%**	**11,138**	**100%**

Scrap

For its Russian and Ukrainian subsidiaries, Evraz obtains scrap from a number of third parties and obtains it internally from waste created by its blooming mills and rolling mills. In 2016, EVRAZ ZSMK, EVRAZ NTMK and EVRAZ DMP obtained approximately 34%,100% and 96%, respectively, of their scrap requirements from internal supply, with the remaining obtained from third parties. Due to the volatile nature of the scrap market, Evraz does not enter into master or long-term agreements for its scrap supply.

Semi-finished products for rolling mills

Evraz supplies its Kazakhstan rolling mill, EVRAZ Caspian Steel, with billet produced by EVRAZ ZSMK and EVRAZ NTMK that are used to produce rebar. In 2016, EVRAZ ZSMK supplied 125 thousand tonnes of semi-finished products as compared to 249 thousand tonnes in 2015 and 53 thousand tonnes in 2014. In 2016, EVRAZ NTMK supplied 25 thousand tonnes of semi-finished products as compared to 35 thousand tonnes of semi-finished products in 2015 and nil in 2014.

Evraz supplies its Italian rolling mill, EVRAZ Palini, with slab produced on EVRAZ NTMK which is used to produce flat-rolled products. In 2016, EVRAZ NTMK supplied EVRAZ Palini with 76 thousand tonnes of semi-finished products.

EVRAZ NTMK also covers the majority of Evraz's North American operations' slab requirements. In 2016 approximately 86% of those requirements were fulfilled with slabs produced at EVRAZ NTMK.

Raw material for vanadium production

The major raw material used in the production of vanadium products is vanadium slag, the remainder of steelmaking from vanadium-rich ores. EVRAZ NTMK, which is one of the world's biggest processor of vanadium-enriched titan ferrous ores with succeeding vanadium recovery in blast oxygen furnaces and in oxygen converters using special technologies, uses in its steelmaking iron ore products with vanadium content from EVRAZ KGOK. EVRAZ NTMK is the key supplier of vanadium slag for vanadium production facilities of Evraz.

Logistics

Transportation of steel in Russia and Ukraine

Evraz's steel mills operate their own transportation facilities for transportation inside the mills, such as between stages of the production process. For transportation over long distances, Evraz relies on rail and ships. The transportation costs from the steel mill to the designated delivery point are included in the product sales price.

In Russia, railway tariffs for rail shipments are set by government policy on railway transportation. Tariffs, which are generally adjusted on an annual basis, vary based on distance. In December 2014, Evraz completed the disposal of its Russian railcar operating subsidiary, Evraztrans. Evraz retained the special-purpose hoppers previously owned by Evraztrans.

In Ukraine, railway tariffs are set by the Ukrainian government and are subject to periodic increases. To reduce Evraz's dependency on the Ukraine Railway Company, which is controlled by the Ukrainian government, Evraz operates its own railway transportation company EVRAZ Trans Ukraina, which operates close to 6 thousand railcars across Ukraine in 2016 and transported approximately 17,669 thousand tonnes of goods, including 6,589 thousand tonnes for Evraz, and with the remainder being for third party clients in Ukraine.

Transportation of steel for exports of Evraz's Russian and Ukrainian subsidiaries

With respect to the export sales of steel of its Russian and Ukrainian subsidiaries to non-CIS destinations, Evraz is responsible for transportation costs from the designated off-take location to the relevant port or transport transfer location designated by the buyer. Evraz ships a significant proportion of the exports of its Russian subsidiaries through its EVRAZ Nakhodka Trade Sea Port, one of the largest ports in the Russian Far East, which has an annual capacity of approximately 12,000 thousand tonnes. For Ukrainian export sales, Evraz's main off-take locations are the ports of Odessa, Herson, Nikolaev and Yuzhny.

In 2016, the majority of volumes of non-CIS steel product sales of Evraz's Russian subsidiaries were shipped through EVRAZ Nakhodka Trade Sea Port. Export sales of raw materials in 2016 were shipped primarily through EVRAZ Nakhodka Trade Sea Port and Novorossiysk Commercial Sea Port. Evraz also ships some exports to end customers, including exports of raw materials from Russia to Ukraine, directly by rail.

Transportation of vanadium products of Evraz

Vanadium products are mainly transported via train, truck and container/bulk shipments directly from the producers to the customers, except in the U.S., where the vanadium products received from overseas producers are stored and distributed from centrally located warehouses.

Transportation of raw materials

Transportation costs influence Evraz's Russian and Ukrainian operations, as a component of raw materials costs, which affects the prices Evraz can charge for its products and, thus, the competitiveness of the products with those of other producers. With respect to Evraz's Russian subsidiaries, Russian Railways is the main provider of rail transportation services for factory-bound shipments of raw materials. Tariffs for rail shipments are set by Russian Railways and are regulated by the Government and Russian Railways and are generally adjusted on an annual basis.

Steel North America

Steel, North America segment includes production of steel and related products in the USA and Canada.

Evraz operates its North American steel business out of EVRAZ Inc. N.A. ("**EINA**") and EVRAZ Inc. N.A. Canada ("**EICA**"), which together comprise EVRAZ North America plc ("**ENA**").

ENA, the holding company for Evraz's U.S. operations, includes EVRAZ Rocky Mountain Steel, EVRAZ Oregon Steel, Camrose Pipe Corporation, EVRAZ Trade NA, LLC, East Metal Services Inc., OSM Distribution Inc. and General Scrap Inc. EVRAZ Inc. N.A. Canada., the holding company for EVRAZ's Canadian operations, includes EVRAZ Materials Recycling, Inc. and General Scrap Partnership. EVRAZ Inc. NA Canada is also a joint venture partner in EVRAZ Wasco Pipe Protection Corporation.

Production facilities

ENA is a leading North American producer of engineered steel products for the rail, energy, industrial and construction end markets, and the largest producer by volume in the North American rail market and in the North American LD Pipe market according to Evraz's estimates. ENA also holds leading positions in the Western Canada OCTG, small-diameter line pipe, and West Coast plate markets. EVRAZ North America's operations comprise six production sites strategically located close to key markets in the Western United States and Western Canada. Collectively, these facilities have an effective annual capacity of approximately 3.3 million metric tonnes of finished steel products. ENA also processes scrap in several Canadian provinces and in Colorado and North Dakota, which, collectively, provide approximately a third of the scrap used in its steelmaking operations.

The following table sets forth the share of ENA's three operating segments Long Division, Tubular Division and Flat Division production of steel products in the total production for the periods indicated:

	Year ended 31 December		
	2016	**2015**	**2014**
	(% of total volume produced)		
Long Division	35%	34%	34%
Tubular Division	32%	37%	42%
Flat Division	34%	29%	25%

Evraz believes that the Long Division, based in Pueblo, Colorado, is the largest domestic United States producer of premium rail and the only rail producer in the Western United States. The Long Division also produces seamless OCTG, wire rod, coiled rebar, operates a trading company for the import of rail wheels and beams into North America, and operates scrap collection and processing facilities in Colorado.

Evraz believes that the Tubular Division is the largest North American producer of LD Pipe, which is used in oil and gas transmission. Evraz believes that development of oil sands and shale formations of oil and gas in Western Canada and the United States will lead to significant near-term investments in infrastructure, including new pipelines, in order to access key energy markets. The Tubular Division is also the largest OCTG producer in Western Canada according to Evraz's estimates, where ENA operates the only OCTG heat treat line in the region. This gives the ability to produce heat treated pipe typically required in the demanding non-conventional drilling applications used in shale and oil sands exploration. The Tubular Division of ENA has sites in three regions: Saskatchewan, Alberta and Oregon. In Regina, Saskatchewan, the site consists of two EAFs and a slab caster that feeds a mill that primarily rolls slab into coiled plate used in its pipe facilities. At this site, ENA also operates four HSAW LD Pipe mills and two straight-seam ERW mills. In Alberta, ENA operates sites in Calgary, Red Deer and Camrose with a total of three straight-seam ERW pipe mills, three API and two premium threading lines, a heat treat facility and one LSAW LD Pipe mill. In Portland, Oregon, ENA operates two HSAW LD Pipe mills. The Tubular Division also operates scrap collection and processing facilities across Western Canada.

The Flat Division, based in Portland, Oregon, is a re-roller of slab that is the only plate mill on the West Coast. The proximity to deep water ports allows Evraz to cost-effectively source slabs from foreign suppliers. At this site, ENA also operates a plate quench and tempering facility. The Flat Division also has a 60% ownership on Oregon Feralloy Partners ("**OFP**"), a joint venture that operates a temper mill and cut-to-length line ("**CTL**") within the confines of the Portland, Oregon site. Up until 2015, the Flat Division also operated a hollow structural shapes mill. The assets of this hollow structural shapes mill and the associated coil and tube inventories were sold on 5 March 2015 and generated proceeds of approximately U.S.$51 million in cash, net of transaction costs.

Production

The following table sets forth ENA's production of steel products in the periods indicated:

	Year ended 31 December		
	2016	**2015**	**2014**
	(thousands of tonnes)		
Crude steel	1,370	1,795	1,980
Construction products	242	248	326
Railway products	328	514	537
Flat-rolled products	557	644	632
Tubular products	523	831	1,062

Sales

ENA sells goods primarily within North America and targets a diverse customer base located primarily west of the Mississippi River and in Western Canada.

The following table shows ENA's segment sales volumes (to third parties and inter-segment sales) of its principal steel products for the years ended 31 December 2016, 2015 and 2014:

	Year ended 31 December					
	2016		**2015**		**2014**	
Product[(1)]	*(thousands of tonnes)*	*%*	*(thousands of tonnes)*	*%*	*(thousands of tonnes)*	*%*
Construction sector	**281**	**17**%	**320**	**14%**	**408**	**16%**
Rebars	242	14%	240	11%	258	10%
Beams	39	2%	68	3%	88	3%
Other construction products	–	–	12	1%	62	2%
Railway sector	**321**	**19%**	**518**	**23%**	**537**	**21%**
Rails	315	19%	507	23%	537	21%
Wheels & wheel blanks	6	–	12	–	–	–

Flat-rolled products	**536**	**32%**	**570**	**26%**	**617**	**23%**
Commodity plate	335	20%	348	16%	392	15%
Speciality plate	75	5%	105	5%	108	4%
Other flat products	126	8%	118	5%	117	4%
Tubular products	**534**	**32%**	**814**	**37%**	**1,046**	**40%**
Large-diameter line pipe	305	18%	363	16%	344	12%
ERW pipe and casing	146	9%	299	13%	303	12%
Seamless pipe	11	1%	37	2%	122	5%
Casing & tubing	71	4%	115	5%	278	11%
Semi-finished products	**–**	**–**	**–**	**–**	**2**	**–**
Pipe blanks	–	–	–	–	2	–
Total	**1,672**	**100%**	**2,222**	**100%**	**2,610**	**100%**
Inter-segment sales	–		–		–	

Note:

(1) For the period in which Evraz acquired a particular subsidiary, data concerning such subsidiary is provided for the period following its acquisition by Evraz; for the period in which Evraz disposed or deconsolidated a particular subsidiary, data concerning such subsidiary is provided for the period till such disposal (deconsolidation) by Evraz.

ENA Domestic Sales

Evraz's customers in North America are located throughout the United States and Canada. For many of ENA's products, sales prices are closely linked to prevailing market prices.

ENA Export Sales

In the period under review, ENA had a small amount of exports outside the United States and Canada, that include Brazil, Mexico and other countries.

Markets and Customers

Evraz sells the majority of the steel products made by its North American subsidiaries to the railway, energy mid-stream, energy exploration and production, and industrial and construction sectors.

Railway Sector

The North American rail market is, Evraz believes, a long-term attractive market with good fundamentals. Track maintenance by Class I freight railroads accounts for the majority of demand. Rail maintenance requires Class I railways, such as Burlington Northern Santa Fe and Union Pacific, to regularly order new rail.

ENA produces a comprehensive portfolio of premium rails to optimise life-cycle costs across different track conditions. ENA is the only North American rail manufacturer in the Western United States, and one of only three rail manufacturers in North America. Rails are manufactured predominantly in six AREMA section sizes (ranging from 115 lb. per yard to 141 lb. per yard), primarily in 80-foot lengths.

According to Evraz's own estimates, ENA is the largest North American producer of rail by volume with approximately 28% of the market in 2016.

The largest Class I railway customers for Evraz's rails in the period under review were Burlington Northern Santa Fe and Canadian National Railway. Evraz also has an established presence in the Canadian, Mexican and Brazilian rail markets and also sold to distributors such as Progress Rail and L.B. Foster Company. Rails are also sold directly to rail contractors, transit districts, distributors and short-line railroads.

Large-Diameter Pipe (LD Pipe)

Evraz believes that ENA is the largest producer of LD Pipe in North America and the only producer of LD Pipe in Canada. Evraz believes that it held an estimated market share of approximately 27% based on volumes sold in 2016. LD Pipe capacity utilisation of 42% in 2016 was well above the estimated capacity utilisation of 31% for

the other major North American producers according to Evraz's own estimates. ENA manufactures LD Pipe to a variety of specifications and in sizes ranging from 26' to 60' in outside diameter and in lengths of up to 80 feet. ENA also offer customers several options, which include internal linings and external coatings. The LD Pipe produced at ENA's sites is used primarily in pressurised underground or underwater oil and gas transmission pipelines.

ENA sells LD Pipe products directly to end users. Customers of LD Pipe products include Enbridge, TransCanada and Kinder Morgan. Primary competitors in the LD Pipe market include Berg and Welspun Corp.

Small-Diameter Line Pipe (SD Pipe)

ENA produces SD Pipe in outside diameters from 2 3/8' to 24' to be used as line pipe in oil and gas transmission.

Sales of SD Pipe products in the period under review were around 67% to end users and around 33% to distributors. The principal customers for these products are oil & gas companies that use such products to feed larger pipeline systems. Customers of SD Pipe products include Enbridge and TransCanada. Primary competitors in the SD Pipe market include U.S. Steel, Tenaris, TMK and import suppliers.

OCTG Casing and Tubing

ENA is, Evraz believes, the leading OCTG supplier in Western Canada with a market share of approximately 15% of the overall Western Canada threaded and coupled OCTG market and approximately 21% of the Western Canada ERW OCTG market in 2016. ENA produces a range of OCTG products that includes casing, tubing and connections, with a focus on premium heat treat products and a growing portfolio of premium connections.

In the period under review, substantially all of ENA's OCTG products were sold to distributors who resell these products for use in oil and gas exploration and production. Distributors of OCTG products include Hallmark Tubulars, Alberta Tubular Products and SB Navitas. Primary competitors in the OCTG market include Tenaris, Vallourec, U.S. Steel and import suppliers.

Construction and Industrial Sector

The principal products made at ENA for the construction sector include plates, wire rod products, coiled reinforcing bar and coiled plate. In 2016, EVRAZ North America sold 242 thousand tonnes of wire rod and reinforcing bar compared to 238 thousand tonnes in 2015 and 258 thousand tonnes in 2014.

Suppliers of Raw Materials

The principal materials used by ENA in steel production include slabs, scrap, billets, coiled plate, pig iron and ferroalloys. ENA produces slab and billets for use in its plate, coil, rail, and wire rod and tube mills and obtain scrap used in the production of slab and billets. This partial integration of Evraz's facilities enhances the efficiency of operations and makes the business less reliant on outside suppliers.

Slabs are obtained from EVRAZ NTMK or from independent suppliers or are produced internally at the EVRAZ Regina facilities. EVRAZ Regina produced substantially all of the slabs rolled at those sites in the period under review. ENA typically purchases slabs at market prices. In 2016, the composition of the slab volumes purchased from EVRAZ NTMK, unrelated parties and EVRAZ Regina was 86%, 5%, and 9%, respectively. In 2015, the composition of the slab volumes purchased from NTMK, unrelated parties and EVRAZ Regina was 62%, 27%, and 11%, respectively. In 2014, the composition of the slab volumes purchased from NTMK, unrelated parties and EVRAZ Regina was 87%, 11% and 2%, respectively.

Scrap is obtained from multiple suppliers: Evraz's own recycling operations, by re-processing scrap created by Evraz's mills from its production facilities, and by purchasing from third parties. Internal supply of scrap in 2016 accounted for 42% of the total purchased scrap volumes as compared to 41% in 2015 and 37% in 2014.

Billets are produced at the Pueblo, Colorado site through an EAF and billet caster or purchased from third parties. Billets are used in the rail, wire rod and seamless mills at this site. ENA produced substantially all of the billets used at the Pueblo site in the period under review.

Coil for tubular operations historically has been primarily obtained internally, accounting for substantially all of the total coil needs in the period under review, and externally from companies including Blue Scope, Nucor and Essar, each of whom Evraz considered to be a competitor of ENA in the North American market.

Pig iron and **ferroalloys** are obtained from a variety of external suppliers.

ENA relies on third parties for the supply of energy resources consumed in Evraz's steelmaking activities and has no long-term obligations under any electricity supply agreements.

Logistics

Transportation of raw materials

Transportation costs primarily comprised of ocean freight for slab purchases and rail and truck freight for scrap, coiled plate and North American slab purchases, influence ENA's operations as a component of raw materials costs.

Marian Shipping is the main provider of ocean transportation services used by ENA for shipments of raw materials. BNSF is the main provider of rail transportation services for factory-bound shipments of raw materials. The Pueblo, Colorado site also operates its own short-line rail, which provides switching services to the BNSF and Union Pacific rail lines.

Transportation of steel in North America

ENA coordinates with customers to transport its products by rail and by truck. Transportation costs for the delivery of finished goods are generally passed on to ENA's customers at break-even or very small margins. Transportation costs impact profitability as a component of raw materials costs and as a component of the maximum price before freight that could be charged for saleable products.

Coal

The coal segment includes coal mining and enrichment operations of Evraz. Evraz produces coking coal at Yuzhkuzbassugol, at Raspadskaya and at Mezhegey in Russia. In order to achieve operational synergies since 2015 Yuzhkuzbassugol and Raspadskaya are managed on a combined basis. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Revenue – Coal Segment*". The segment also includes operations of Nakhodka Trade Sea Port as it is used to a significant extent for shipping of the products of the coal segment to the Asian markets.

Coal production facilities

Yuzhkuzbassugol

Yuzhkuzbassugol is a coking coal producer and is located in Novokuznetsk in the Kemerevo region. Evraz believes that Yuzhkuzbassugol was the largest coking coal producer in Russia in 2016. Yuzhkuzbassugol currently operates five coking coal mines and two coal washing plants. Yuzhkuzbassugol has licences for all of its mines.

Production

In 2016, Yuzhkuzbassugol mined 11,182 thousand tonnes of coking coal as compared to 10,295 thousand tonnes in 2015 and 11,187 thousand tonnes in 2014. In 2016, Yuzhkuzbassugol produced 6,221 thousand tonnes of coking coal concentrate compared to 5,482 thousand tonnes in 2015 and 6,042 thousand tonnes in 2014.

In 2014, coking coal represented 97% of Yuzhkuzbassugol's total coal mined, with the remaining production being steam coal. Since the second half of 2014, Yuzhkuzbassugol ceased steam coal mining and extracted only coking coal.

Raspadskaya

Raspadskaya is a coking coal producer located in Mezhdurechensk district of the Kemerevo region. Raspadskaya currently comprises two underground mines in operation (the Raspadskaya Mine and the Raspadskaya-Koksovaya Mine), an open-pit mine (the Raspadsky Open pit) and a coal-enrichment plant, as well as

a coal transportation network and a number of integrated infrastructure companies. Evraz believes that Raspadskaya was the second largest coking coal producer in Russia in 2016 that produces several different types of coking coal, and has significant reserves of coking coal in Russia.

Raspadskaya became a consolidated subsidiary of Evraz in October 2015 due to the acquisition of an additional 41% indirect equity interest in Raspadskaya, from EVRAZ plc, Evraz's parent company.

Production

In 2016, Raspadskaya mined 10,512 thousand tonnes of coking coal, as compared to 10,352 thousand tonnes in 2015 and 10,223 thousand tonnes in 2014. In 2016, Raspadskaya produced 6,271 thousand tonnes of coking coal concentrate compared to 6,426 thousand tonnes of coking coal concentrate in 2015 and 5,916 thousand tonnes of coking coal concentrate in 2014. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Revenue - Coal Segment*".

Raspadskaya Mine was successfully restored from methane gas explosions which occurred in 2010 and since 2014 total production volumes of Raspadskaya returned to pre-accident production volumes of more than 10,000 thousand tonnes per year of mined coking coal.

Mezhegey

On 25 April 2016, EVRAZ Greenfield Development S.A., then a direct subsidiary of EVRAZ plc, sold its 60% indirect interest in Mezhegey project to Evraz. Mezhegey is a greenfield coal project in the Tyva region of Russia. Evraz won a tender to develop the Mezhegey coal deposit back in 2010. In 2016 Mezhegey commenced room and pillar mining. The surface infrastructure was commissioned in December 2015. The project has a target annual designed capacity for 2017 for room and pillar mining of 1.0 million tonnes per annum.

In 2016, Mezheheyugol mined 563 thousand tonnes of coking coal, as compared to 242 thousand tonnes in 2015 and 51 thousand tonnes in 2014.

EVRAZ NMTP

EVRAZ NMTP (Nakhodka Trade Sea Port) is one of the largest stevedoring companies in the Far East of Russia. The port is located on the Eastern section of Peter the Great Gulf, in Nakhodka Bay. The port is connected to all points of the Eurasian continent and the Trans-Siberian Railway, assisting in both directions in the flow of goods between Asia and Europe. The port has a daily capacity to unload up to 500 rail wagons containing various cargoes. In 2015, EVRAZ NMTP finished a programme to expand the warehouse capacity at the port resulting in an increase of the port's warehouse premises to 300,000 square metres. The Nakhodka Trade Sea Port was founded on 17 June 1947. Today, it is one of the oldest and largest enterprises in the city, employing more than 1,450 people. In 2001, the Nakhodka Trade Sea Port became part of Evraz. Currently, Evraz is assessing all strategic options in respect of EVRAZ NMTP

EVRAZ NMTP has 15 bulk berths and one auxiliary berth for the port's own fleet with a total berth length of 3.5 kilometres. All berths are universal and can receive ships with drafts of up to 10.9 metres, with lengths of up to 200 metres, and with widths of up to 32 metres. Today, the port has the ability to moor 15 vessels simultaneously, and can handle more than 400 large ships annually.

The company's technical equipment includes dozens of port cranes of up to 40 tonnes in size, bridge cranes, crane-trucks and loaders of various capacities. The port's "Hercules-2" Floating Crane allows it to handle cargos of up to 300 tonnes and carry up to 900 tonnes, making the Nakhodka Commercial Sea Port the only one in the Far East with such capacity.

In 2016, the port handled 10.1 million tonnes of cargo as compared to 9.2 million tonnes of cargo in 2015 and 9.3 million tonnes of cargo in 2014.

Sales

Evraz uses coking coal produced at its coal facilities for both of its own steelmaking operations as well as for sales to third parties on both local and international markets. Coking coal concentrate is generally a commodity

product, local customers usually make purchases on the basis of a price, which excludes transportation costs, and most export customers make purchases on the basis of price, including transportation costs.

The following table summarises Evraz's Coal segment sales volume for the period under review:

	Year ended 31 December		
	2016	**2015**	**2014**
	(thousands of tonnes)		
Coal sales (excluding inter-segment sales)			
CIS and Russian sales	6,136	5,610	6,480
Non-CIS export sales	3,731	3,864	3,329
Total	**9,867**	**9,474**	**9,809**
Inter-segment sales	**5,701**	**5,735**	**6,232**

Note:

(1) The sales volumes herein were restated in the same manner as the Audited Consolidated Financial Statements were restated for the sales of Raspadskaya, which became a consolidated subsidiary of Evraz in 2015 and the sales of Mezhegey, which became a consolidated subsidiary of Evraz in 2016.

Markets and customers

Evraz's steel plants in Russia and Ukraine were the main customer for the coking coal produced by the Yuzhkuzbassugol and Raspadskaya in 2016, 2015 and 2014. Intracompany coking coal sales in 2016, both raw coking coal and coking coal concentrate, to Evraz's Russian and Ukrainian plants amounted to 37% of total coal shipments compared to 38% in 2015 and 39% in 2014. Most of the premium Hard Coking coal grades produced by Coal segment are consumed by Evraz's Steel segment. Mezhegey ships its raw coal to Evraz's coal enrichment facilities and concentrate to third parties in Russia and Ukraine.

Evraz sells coal products predominantly to customers in Russia and other CIS countries, mainly Ukraine. These markets are highly attractive in terms of prices and logistics. Currently Evraz's customer portfolio includes most of the largest metallurgical holdings in Russia and Ukraine and the Company continues its efforts to increase the customer base and enhance sales. In 2016 the total volume of coal products shipped to customers located in Russia and other CIS countries, including shipments to Evraz companies amounted to 39% of total coal shipments compared to 37% in 2015 and 40% in 2014.

The remaining part is supplied to export destinations. The main export destinations are premium Asia-Pacific regions. Shipments for premium markets, such as Japan and South Korea are done under the long-term contracts. In China shipments are mainly on the spot basis, which gives flexibility to vary the volume of sales depending on the profitability of these shipments (depend on the global coal prices, as well as on the Rouble's exchange rate), and the existence of open-pit mining also allows the flexibility to adjust the production volume accordingly. In 2016 the total volume of coal products shipped to customers located in the non-CIS export destinations amounted to 24% of total coal shipments, including shipments to Evraz companies compared to 25% in 2015 and 21% in 2014.

Logistics

Transportation of coal products

Evraz transports its mined products to customers by Russian Railways in Russia and Ukrainian Railways in Ukraine. Local customers usually make purchases on the basis of a price, which excludes transportation costs, and most export customers make purchases on the basis of price, including transportation costs.

Evraz exports its coal products primarily through EVRAZ Nakhodka Trade Sea Port in the volume of approximately 3.5 million tonnes per annum. Another gateway for Evraz's exports is Novorossiysk Trade Sea Port with the volume of approximately 0.2 million tonnes per annum. The transportation railway costs and port handling costs are included in the sales price.

Other operations segment

Other operations segment includes various non-core auxiliary businesses, such as energy-generating companies, shipping and railway transportation companies.

Other operations comprises such companies as Metallenergofinance ("**MEF**") which supplies electricity to Evraz's steel and mining operations and to third parties, Evraztrans Ukraina, a transportation company in Ukraine, as well as some other companies that operate in businesses which are auxiliary to Evraz's main operations.

Investment Programme

In 2016, 2015 and 2014, Evraz spent U.S.$428 million, U.S.$428 million and U.S.$654 million on capital expenditure, respectively. Evraz's current expected capital expenditure for 2017 is approximately U.S.$550 million; however, actual capital expenditure for 2017 will depend on (and may be greater or less than the expected figure as a result of) a number of factors including those identified under "*Risk Factors – Risks Relating to Evraz's Business and Industry – Steel production and mining and vanadium operations are capital intensive, and Evraz may not be able to fund its capital expenditures as planned, or achieve its strategic targets*".

In recent years, Evraz has finalised its large investment programme, which focused on the modernisation of its Russian steel production facilities. In particular, Evraz completed rail mill modernisation project and rebuilt billet caster at EVRAZ ZSMK, introduced PCI technology at EVRAZ NTMK and EVRAZ ZSMK facilities. Evraz has completed construction and put in operation a rolling mill at EVRAZ Caspian Steel, Kazakhstan. Evraz has also completed large projects for its coal and iron ore assets, in particular, the commissioning of the Yerunakovskaya VIII coking coal mine at Yuzhkuzbassugol and transformation of Sheregesh iron ore mine at Evrazruda.

The following is a description of Evraz's current main investment projects:

EVRAZ North America's Regina project

Evraz is currently undertaking three investments at its Regina, Saskatchewan site collectively representing approximately U.S.$234 million of investment. The investment programme consists of three projects: the construction of a new two-step LD Pipe mill, a steelmaking upgrade and a joint venture for LD pipe coating.

The two-step LD mill project installed equipment purchased from United Spiral Pipe LLC in February 2015 in Regina. This new mill, which began production during the third quarter of 2016, enables Evraz to manufacture thicker-walled pipe with better yields and increases Evraz's production capacity by over 100 thousand tonnes.

The investment in the steelmaking process at Regina consists of the installation of vacuum tank degassing and upgrades to the rolling mill to allow the facility to produce larger coils in thicknesses up to one inch. Evraz expects this upgrade will be completed during early 2017.

The joint venture for LD pipe coating erected a new pipe coating facility at the Regina, Saskatchewan facility, adjacent to the LD Pipe mill. Evraz owns a 51% ownership stake in this joint venture which began operations during the third quarter of 2016.

EVRAZ NTMK Blast Furnace No. 7

In 2016, EVRAZ announced that EVRAZ NTMK had begun construction of a new blast furnace. The volume of the new furnace is designed to be 2,200 cubic meters with a production capacity of 2.5 million tonnes of pig iron per year. The construction of this new blast furnace, blast furnace No. 7, is an alternative to halting the blast furnace No. 6 for substantial repairs and will allow Evraz to maintain the production of pig iron at EVRAZ NTMK at 5 million tons per year.

The blast furnace will have two fully enclosed casting yards, automated systems of furnace filling and external cooling, high capacity aspiration systems and stoves. Every tap spout near tap holes will be equipped with over-head exhaust hoods and efficient bag filters, which should significantly improve air filtration. An upgraded design of the main slag discharge runner should prevent the leak of close-circuit water. The introduction of these new technologies should help to significantly reduce the impact of Evraz's production on the environment and ought to improve labour conditions in the blast furnace shop.

The company's investment in the construction of the new blast furnace is estimated at U.S.$191 million with the bulk of investments planned to occur in 2017 and 2018.

Evraz's Mining Reserves

Most of Evraz's iron ore and coal reserves have been evaluated according to international methodologies, namely under the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("**JORC Code**") has conducted by IMC in the 2013 Reserves Report. Subsequently, Ecraz has calculated its Internal Reserves Data as of 31 December for each year since the 2013 Reserves Report was commissioned.

The international methodologies classify a deposit as either a mineral resource or a mineral reserve. The mineral resources are further divided into three categories: an inferred mineral resource (whose geological characteristics can be estimated with a low level of confidence), an indicated mineral resource (whose geological characteristics can be estimated with a reasonable level of confidence) and a measured mineral resource (whose geological characteristics can be estimated with a high level of confidence). The mineral reserves are divided into probable reserves, which is the economically mineable part of an indicated and, in some circumstances, measured mineral resource and proved reserves, which is the economically mineable part of a measured mineral resource.

Evraz's reserves are based on drilling and geological data, and represent the part of the mineral resources that could be legally and economically extracted or produced at the time of the reserve estimation. Russian subsoil licences are issued for defined boundaries and for specific periods. However, under the Subsoil Law, licences are required to be extended by the relevant authorities at their scheduled termination at the initiative of the subsoil user if the extension is necessary to finish production in the field, provided that the licensee has not violated the conditions of the license. As Evraz currently plans to extend its licences at their scheduled termination and believes that it will be entitled to do so, its reserves are stated based on the maximum projected useful lives of the relevant fields. However, there can be no assurance that Evraz will be able to extend its licences, or that its licences will not be withdrawn prior to their scheduled expiration. See "*Risk Factors — Risks Relating to Evraz's Business and Industry — Evraz's licences may be suspended, amended or terminated prior to the end of their terms or may not be renewed*".

Evraz has calculated its Internal Reserves Data by making certain adjustments to the JORC Code compliant information presented in the 2013 Reserves Report. First, Evraz has subtracted from that reserves data, for both iron and coal at each mine, the amount of iron and coal extracted since 1 July 2013. Second, Evraz has reviewed the economic models for each mine set out in the 2013 Reserves Report; analysed the various inputs and assumptions made in each of those models, such as such as the anticipated demand for raw materials from steelmakers and factors that impact the price of steel products; identified any inputs or assumptions that are currently inaccurate or have changed since 1 July 2013 and updated them; and finally recalculated the models. The most recent calculation of the Internal Reserves Data was as of 31 December 2016. Reserves data calculated in this manner is not compliant with the JORC Code and if an independent third party were commissioned to produce a JORC Code compliant report as of 31 December 2016 or a subsequent date, there could be no guarantee that it would not have material variances from the Internal Reserves Data set out in this Prospectus. See *"Risk Factors — Risks Relating to Evraz's Business and Industry — Estimates of Evraz's mining reserves are subject to uncertainties".*

Evraz holds a total of 37 exploration and production licences with respect to its iron ore and coking coal mining operations in Russia, two licences in Ukraine and one in South Africa, which expire between 2017 and 2038.

Iron ore

The following table summarises Evraz's iron ore reserves in accordance with the JORC Code valued by IMC as of 1 July 2013. Iron ore and coal reserves estimates set out below have been extracted without material adjustment from the 2013 Reserves Report.

Mine	JORC Code		
	Total proved and probable	**Average Iron content**	**Average V_2O_5 content**
	(thousand tonnes)	*(%)*	*(%)*
Evrazruda	100,177	30.9%	n/a
EVRAZ KGOK	8,225,040	16.4%	0.14%

In accordance with Evraz's Internal Reserves Data as of 31 December 2016 total proved and probable iron ore reserves of Evrazruda amounted to 68,905 thousand tonnes, total proved and probable iron ore reserves of EVRAZ KGOK amounted to 8,019,758 thousand tonnes and total proved and probable iron ore reserves of Sukha Balka amounted to 68,371 thousand tonnes.

Coal

The following table summarises Evraz's coal reserves in accordance with the JORC Code valued by IMC as of 1 July 2013. Coal reserves estimates set out below have been extracted without material adjustment from the 2013 Reserves Report.

	JORC Code				
	Proved	**Probable**	**Total proved and probable**	**Average sulphur content**	**Average ash content**
		(thousand tonnes)		*(%)*	*(%)*
Yuzhkuzbassugol	382,559	121,304	503,863	0.2-1.5%	3.3-18.0%
Raspadskaya	476,982	888,264	1,365,246	0.2-0.3%	5.8-7.4%

In accordance with Evraz's Internal Reserves Data as of 31 December 2016 total proved and probable coal reserves of Yuzhkuzbassugol amounted to 425,545 thousand tonnes and total proved and probable coal reserves of Raspadskaya amounted to 1,322,433 thousand tonnes.

Insurance

Evraz has obtained insurance for its non-Russian and non-CIS production facilities that it believes covers property risks at industry standard levels. EVRAZ North America, EVRAZ Stratcor and EVRAZ Vametco are covered against property damage and business interruption risks under a Property Master Policy obtained from FM Global effective as of 1 July 2016 for the duration of one year.

Evraz has obtained insurance for its Russian steel mills ZSMK and NTMK and iron ore mining and processing plant KGOK that it believes covers property damage and business interruption risks at industry standard level. Following customary industry practice, Evraz does not insure its coal mining assets, as such insurance is very limited in values and coverage, very expensive and not available for certain risks.

Evraz has obtained an umbrella liability master policy for its non-Russian and non-CIS production facilities that it believes covers general liability and product liability at industry standard level.

Most of Evraz's insurance policies are, on balance, insured and reinsured with underwriters possessing an A-class rating.

Evraz maintains obligatory insurance required by local laws and employees' insurance policies required by the terms of collective bargaining agreements at all of its facilities. Employees' insurance generally includes medical insurance and accident insurance, and generally excludes life insurance. Evraz also self-insures production facilities in Ukraine and risks relating to its mining assets, and does not formally provision for these risks.

Evraz determines its insurance coverage levels annually, and employs an independent assessor to determine possible maximum losses.

Legal and Compliance and Legal Proceedings

Evraz has policies and procedures to manage legal risks and address tax and regulatory requirements and other compliance obligations. Evraz has legal departments at each of its principal operations, which set legal policy at a local level and support specific business activities and offices. For additional information on corporate governance, please see "*Directors and Management*".

Evraz has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on Evraz's operations or financial position. See Note 30 to the 2016 Consolidated Financial Statements ("*Commitments and Contingencies — Legal Proceedings*") for more information.

Health, Safety and Environment

Evraz considers its health, safety and environment ("**HSE**") operations a primary focus of its strategy. Issues related to HSE are overseen by the Health, Safety and Environmental Committee, a committee of the Board of Directors, and are given the highest priority by the Board of Directors and the Company's management. At the management level, the vice president of HSE is in charge of the matters, and reports directly to Evraz's Chief Executive Officer. Additionally, a dedicated EVRAZ HSE Committee consisting of EVRAZ senior management, including the CEO, convenes on a monthly basis to discuss topical issues and track performance. At the site level, each plant manager takes overall responsibility for HSE compliance, reporting to both the site management and corporate-level HSE management.

Evraz actively participates in the Safety and Health Committee, the Environmental Policy Committee and Technology and Environment Committee of the World Steel Association (the "**WSA**"), as well as in the HSE committees of Russian Steel, a Russia-based non-commercial partnership, and the Russian Union of Industrialists and Entrepreneurs.

Evraz supports the health and environmental goals of Regulation (EC) No. 1907/2006 of the European Parliament and of the Council, a European Union regulation concerning the Registration, Evaluation, Authorisation & Restriction of Chemicals ("**REACH**"). Evraz's goal is to ensure continued compliance with REACH requirements

With health and safety being a key priority, the Company targets achieving zero fatalities and serious incidents and attempts to consistently reduce its lost time injury frequency rate ("**LTIFR**"), a metric representing the number of lost time injuries that occurred over a period of time per one million hours worked in that period. Regrettably, the Company recorded 6 employee, but zero contractor, fatalities in 2016, which was a decrease compared to 10 employee and three contractor fatalities in 2015 and 12 employee and seven contractor fatalities in 2014. To date in 2017, the Company has recorded one contractor fatality. During 2016, the LTIFR increased by 8% against the data recorded for 2015 and 2014, up to 2.36 from 2.18 in 2015 and 1.6 in 2014.

To achieve its health and safety targets, Evraz operates a series of safety programmes for its employees, including a health and safety management system that helps management to predict the actions of employees in non-standard and dangerous situations and to make the correct management decisions. Evraz also conducts safety audits and behavioural safety training, providing employees with a clear, accessible way to learn the main safety rules and requirements.

Since 2008, in line with Evraz's commitment to safeguarding the health and safety of its employees and contractors, Evraz has received OHSAS 18001 certification of some of its facilities, including, for example, EVRAZ ZSMK and EVRAZ NTMK. However, Evraz does not seek every relevant certification for all of its facilities, preferring to target the improvement of its safety management system across all operations.

Evraz operates in an industry that gives rise to environmental risks and its activities are highly regulated by environmental laws. Evraz's environmental strategy is to seek to minimise the negative impact of its operations and

to use natural resources efficiently, while seeking optimal solutions for industrial waste management. Compliance with environmental standards is one of the major long-term targets of Evraz.

In 2012, Evraz voluntarily adopted a five-year environmental plan aimed at reducing air emissions by 5%, decreasing fresh water consumption by 15% and recycling 100% of non-mining waste. By the end of 2016, Evraz had met the targets set for water consumption, which was reduced by 17% from the level recorded in 2011, and recycling, with 120% of waste being recycled (exceeding the 100% target by recycling prior periods' waste). At the end of 2016, however, Evraz had yet to fulfil the target for air emissions, registering a 19% increase since 2011. The main drivers of the rise are an increase in sulphur content in the coal and ore used at EVRAZ ZSMK's power and sinter plants, which has resulted in higher SOx emissions, and higher NOx emissions at EVRAZ KGOK due to an increase of production.

Evraz recognises the importance of abating climate change and supports the global effort to reduce greenhouse gas ("**GHG**") emissions into the atmosphere. Since 2011, Evraz has participated in the Carbon Disclosure Project ("**CDP**"). In fulfilment of the requirements of the Companies Act 2006 (Strategic and Directors' Report) Regulations 2013, Evraz discloses GHG emissions from facilities under its control in its annual report. Total GHG emissions decreased by 5% in 2016 compared with the previous year.

Evraz's non-compliance-related environmental levies and fines amounted to US$2.0 million in 2016 and 2015 and U.S.$2.5 million in 2014. No significant environmental permits or licences were missing or revoked during this period.

Evraz is committed to continue strengthening its environmental management systems, including, in particular, continuing its ISO 14001 audit programme. Although Evraz has no legal obligation to obtain international certification, Evraz currently has nine ISO 14001 certified sites, including its largest facilities, such as EVRAZ NTMK, EVRAZ ZSMK and EVRAZ DMP.

In addition, Evraz has committed to various environmental protection programmes for the periods from 2016 to 2022. In 2016, the costs of implementing these programmes for Evraz amounted to U.S.$12 million and as of 31 December 2016 further costs of implementing these programmes were estimated at U.S.$119 million. For additional information, please see Note 30 to the 2016 Consolidated Financial Statements].

In May 2000, pursuant to a request from the Oregon Department of Environmental Quality, EVRAZ North America began an investigation of whether, and to what extent, past or present operations at its Portland mill might have contaminated sediments in the Willamette River, which was eventually listed by the U.S. Environmental Protection Agency (the "**EPA**") as the Portland Harbor Superfund Site under the U.S. Comprehensive Environmental Response, Compensation and Liability Act in December 2000. Pursuant to the findings of that investigation, EVRAZ North America agreed to implement storm water control measures and to stabilise the riverbank to reduce erosion of soil into the river. Construction of the riverbank cap and associated habitat is complete. Certain storm water controls have been implemented and are compliant with current facility stormwater permits, but additional water treatment may be required pursuant to the more rigorous Portland Harbor Superfund Site stormwater screening requirements. In regards to the in-river sediment issue, EVRAZ North America has been identified by the EPA as a potentially responsible party ("**PRP**") for the cost of investigation and clean-up, as well as natural resource damages. A number of other parties were also named as PRPs for this site. On 6 January 2017, the EPA issued a Record of Decision ("**ROD**") regarding the clean-up plan for the Portland Harbor Superfund Site. The ROD calls for a combination of dredging, capping and natural recovery of various contaminated sections of the river. Prior to the commencement of any clean-up, and the incurrence of costs by any PRPs, the ROD will require additional testing, the finalisation of the clean-up design and a determination of EVRAZ North America's, and other named PRPs', proportionate share of responsibility as a named PRP. Based upon currently available information, EVRAZ North America estimates, based on analysis provided to it by third-party environmental assessment consultants, that its remedial costs as a result of any actions that would be required by the ROD will fall within a range for which it has adequately reserved. In addition, EVRAZ North America is currently negotiating with its insurance providers regarding potential coverage of its remedial costs.

Research and development

Evraz regularly seeks to improve the operations at its facilities, principally by improving operating efficiency, reliability and capacity. Most of such efforts constitute incremental improvements to current activities and, as a result, are undertaken in connection with regular operational maintenance and monitoring. Where appropriate, Evraz seeks to register any rights to intellectual property that may result from these efforts. Evraz does not believe that its research and development activities have a material impact on its results or operations.

Employees

Employees and contractors

As of 31 December 2016, 2015 and 2014, the number of employees of Evraz (including employees of Raspadskaya and Mezhegeyugol as if they were consolidated subsidiaries of Evraz as of 31 December 2014) was 77,834, 84,456 and 94,813, respectively. This reduction was mainly due to personnel optimisation, outsourcing of support functions and de-consolidation of EVRAZ Highveld Steel and Vanadium from Evraz.

Beginning in 2008, Evraz began to optimise its personnel structure, primarily through a controlled reduction in the number of its employees, outsourcing non-production activities and reducing administrative staff. This optimisation effort remains ongoing, and has recently included the implementation of LEAN business principles, as established by the Lean Enterprise Institute, at all of Evraz's operations. While Evraz's productivity (as measured by tonnes of production per employee) is below Western European standards, Evraz's production facilities in Russia are the principal employers in their respective towns and regions, and reductions in the workforce are generally constrained by relevant Russian labour legislation, as well as other political and social considerations. For these reasons, Evraz manages reductions in the number of personnel it employs gradually and in a controlled manner.

Employee relations

Russian production facilities

Over 73% of employees of Evraz's Russian production facilities were members of trade unions as of 31 December 2016. Each of Evraz's Russian production facilities enter into collective bargaining arrangements with its trade unions bi-annually. The current agreements are based, generally, on the tariff agreement for the Russian steel and mining sectors (to which Evraz is a signatory), and provide for an increase in employee wages within the approved budgets and contain no restrictions on layoffs.

There have been no material strikes, work slowdowns or other cases of material industrial action at Evraz's Russian production facilities since 2007, when Evraz experienced a slowdown in its steel production on one of its metallurgical plants due to industrial action relating to wage negotiations. Evraz offers attractive employment opportunities, including above-average salaries in the respective regions where its subsidiaries operate. Evraz's management maintains a good working relationship with the trade unions.

Production facilities outside Russia

The number of unionised employees at Evraz's production facilities outside Russia varies depending on the facility and its country of location.

At the end of December 2016, approximately 68% of employees at EVRAZ North America were unionised. In South Africa, at the end of December 2016, approximately 66% of EVRAZ Vametco's employees belonged to a trade union.

As of 31 December 2016, the number of unionised employees in Ukraine ranged from 60% of all employees of EVRAZ Sukha Balka to substantially all employees of Yuzkoks. Almost every Evraz production facility outside Russia enters into collective bargaining arrangements with its trade unions. The frequency of negotiations varies from country to country. In Ukraine, collective bargaining arrangements are renegotiated on a semi-annual basis and in North America, the common approach is to negotiate collective bargaining arrangements for at least two years

but contracts can cover longer periods in the range of three to five years. In South Africa, collective bargaining arrangements were negotiated into a multiple year agreement for 2016 to 2018

There have been no material strikes or other cases of industrial action at Evraz's production facilities outside Russia since Evraz acquired each of these facilities.

Employee benefits

The total liability recognised in the statement of financial position relating to Evraz's pension, retirement and similar benefits to its employees as of 31 December 2016 was U.S.$317 million as compared to U.S.$301 million as of 31 December 2015 and U.S.$364 million as of 31 December 2014.

Social and Pension Contributions

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

Defined Benefit Plans

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

Evraz involves independent qualified actuaries in the measurement of its employee benefit obligations.

RELATED PARTY TRANSACTIONS

For a discussion of related party transactions, see Note 16 to the 2016 Consolidated Financial Statements of the Issuer.

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

The following table sets forth amounts owed by/to related parties at 31 December:

	Amounts due from related parties			Amounts due to related parties		
	2016	2015	2014	2016	2015	2014
	(U.S.$ millions)					
Loans						
Timir	7	5	4	–	–	–
Settlements with parent						
Consideration to EVRAZ plc for the transfer of interests in subsidiaries (1)				–	32	491
Loans	277	–	–			
Other balances	–	–	1	5	4	–
Less: non-current portion	(274)	–	–		–	
Trade balances						
Vtorresource-Pererabotka	1	1	11	39	10	5
Yuzhny GOK	–	–	37	185	129	96
Other entities	–	–	3	2	4	7
	11	6	56	231	179	599
Less: allowance for doubtful accounts	–	–	(2)	–	–	–
Total	11	6	54	231	179	599

Note:

(1) Please see Note 4 to the 2016 Consolidated Financial Statements of the Issuer.

In 2016 and 2014, Evraz did not recognise any expense or income in relation to bad and doubtful debts of related parties. In 2015, a U.S.$2 million reversal of bad and doubtful debts allowance was recognised in the consolidated statement of operations.

The following table sets forth transactions with related parties were as follows for the years ended 31 December:

	Sales to related parties			Purchases from related parties		
	2016	2015	2014	2016	2015	2014
	(U.S.$ million)					
Genalta Recycling Inc	–	–	–	8	14	24
Interlock Security Services	–	–	1	19	24	39
Vtorresource-Pererabotka	7	8	17	281	274	465
Yuzhny GOK	25	29	42	77	70	125
Other entities	–	–	3	11	12	24

Total	32	37	63	396	394	677

Loans Issued to Related Parties

	Interest rate	Currency	Maturity date	Balance at 31 December 2015	Loans issued to related parties	Interest income	Receipts from repayment of loans	Translation difference	Balance at 31 December 2016
						(U.S.$ millions)			
Evraz plc	6.31%	U.S.$	18/03/2021	–	200	9	(6)	–	203
Evraz plc	3.75%	U.S.$	01/06/2018	–	100	1	(33)	–	68
Evraz plc	3.13%	U.S.$	31/05/2018	–	6	–	–	–	6
Timir	0.5%		26/12/2016	5	1	–	–	1	7
				5	307	10	(39)	1	284

Loans Received from Related Parties

On 1 April 2014, a Ukrainian subsidiary of Evraz received a non-interest bearing loan of 2,935 million Ukrainian Hryvnias (U.S.$267 million at the exchange rate as of the date of disbursement) from Standart IP, an entity under control of one of the major shareholders. The proceeds were used for the purposes of short-term liquidity management for the subsidiary. The loan was fully repaid in several instalments by 10 April 2014 using the loans provided by the other Evraz's subsidiary.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the ownership of the Issuer according to the Issuer's share register and information provided by EVRAZ plc as of the date of this Prospectus:

Based upon the Issuer's share register and information provided by EVRAZ plc, the Issuer is wholly owned by EVRAZ plc.

Shareholder	Percentage of the Outstanding Shares
EVRAZ plc	100.0%
Total (148,882,619 shares)	100.0%

As of the date of this Prospectus, the major asset of EVRAZ plc, other than its shares in Evraz, is represented by a 51% equity interest in ZAO GMK Timir.

EVRAZ plc is under no obligation to provide funds to Evraz or its subsidiaries under the terms of the Notes or otherwise.

Principal shareholders of EVRAZ plc

Evraz is aware of the following persons who have an interest in 3% or more of EVRAZ plc's share capital (in each case, except for Mr. Gennady Kozovoy, who held part of his shares directly, shares are held indirectly) as of the date of this Prospectus:

	As at the date of this Prospectus	
	No. of shares in EVRAZ plc	Percentages of issued share capital
Mr. Roman Abramovich(1)	440,528,063	31.03%
Mr. Alexander Abramov(1)	303,541,958	21.38%
Mr. Alexander Frolov(1)	151,573,018	10.68%
Mr. Gennady Kozovoy	83,751,827	5.90%
Mr. Alexander Vagin	82,887,014	5.84%
Mr. Eugene Shvidler(1)	43,805,030	3.09%

Note:

(1) Indirect holding, mostly through Lanebrook Ltd.

The direct major shareholder in EVRAZ plc is Lanebrook Ltd., a limited liability company incorporated under the laws of Cyprus (the "**Major Shareholder**"), which as of the date of this Prospectus directly owns 63.79% of EVRAZ plc issued ordinary share capital. The Major Shareholder is controlled by Mr. Abramovich, Mr. Abramov, Mr. Frolov and Mr. Shvidler. As such, Mr. Abramovich, Mr. Abramov, Mr. Frolov and Mr. Shvidler indirectly control EVRAZ plc by way of their respective shareholdings in the Major Shareholder.

To the extent known to the Issuer, there are no arrangements the operation of which may result in a change of control of the Issuer or EVRAZ plc.

For a description of the measures in place to ensure that control is not abused, see *"Directors and Management—Corporate Governance" and "Principal Shareholders—Major Shareholder of EVRAZ plc and Relationship Agreement"*.

Major Shareholder of EVRAZ plc and Relationship Agreement

The Major Shareholder and EVRAZ plc have entered into a deed (the "**Relationship Agreement**") which regulates the ongoing relationship between them, to ensure that EVRAZ plc is capable of carrying on its business independently of the Major Shareholder and to ensure that any transactions and relationships between EVRAZ plc and the Major Shareholder are at arm's length and on normal commercial terms.

The Directors of EVRAZ plc have informed Evraz that they believe that the terms of the Relationship Agreement will enable EVRAZ plc to carry on its business independently of the Major Shareholder and ensure that all transactions and relationships between EVRAZ plc (on the one hand) and any member of the Major Shareholder (on the other) are, and will be, at arm's length and on a normal commercial basis.

DIRECTORS AND MANAGEMENT

Board of Directors of the Issuer

The Issuer's directors are as follows:

Name	Year of Birth	Position
Alexander Roland Maria Gehrke	1967	Director
Giacomo Carlo Baizini	1970	Director
Andrey Golovnin	1985	Director

The business address of the Issuer's Board of directors is at the registered office of the Issuer.

Alexander Gehrke, born 1967 (Director)

Alexander Gehrke was elected to the Board of Directors of the Issuer on 15 May 2012. Mr. Gehrke also holds a managerial position at Dorwood S.A. and serves a member of the Board of Managers of Templewood S.a r.l. and the Board of Directors of Evraz Greenfield Development S.A. He previously served as a managing director of Demag Investments S.à r.l., a board member of Corber Enterprises S.à r.l., Mastercroft S.a r.l., Evraz Greenfield Development S.A. and held various positions at Avega S.à r.l. and KKR PEI SICAR S.à r.l. Mr. Gehrke has a degree in Business Administration from the University of Mannheim, Germany, in 1994 and holds a doctor's degree from the same University from 2002.

Giacomo Baizini, born 1970 (Director)

Giacomo Baizini was elected to the Board of Directors of the Issuer on 1 April 2014. Mr. Baizini has extensive managerial and board experience. He serves on the boards of Evraz Group companies such as East Metals AG, East Metals Shipping AG, Evraz Inc. NA, Strategic Minerals Corporation, Palmrose BV and Unicroft Limited. He previously served as CFO of Evraz and a member of the Board of Directors of direct and indirect Issuer's subsidiaries. Mr. Baizini also serves on boards of Apex Asset Ltd, Apex Development Ltd, Apex Hotel Ltd, Apex Power Ltd, Apex Telecom Ltd, Apex Transportation Management, Apex Waste Disposal Ltd, Apex Water Ltd, Blackcomb Asset Ltd, Calabogie Asset Ltd, Crispian Ltd, Dorwood SA, Jasper Development Company Ltd, Kinosoo Ridge General Partners Ltd, Kinosoo Ridge LP, Nitehawk Ltd, Rabbit Hill Assets Ltd, Silver Star Interocean Ltd, Starbold Limited, Sun Peaks Assets Ltd, Sun Peaks General, Partners Ltd, Whispering Pines Assets Ltd and Whispering Pines General Partners Ltd. He holds a degree in Physics from University of Oxford, England, UK, from 1992.

Andrey Golovnin, born 1985 (Director)

Andrey Golovnin was co-opted to the Board of Directors of the Issuer on 8 November 2016. Mr. Golovnin also serves as a Corporate Finance Director at Evraz since 2014.He joined Evraz in 2008, between 2010 and 2014 he worked in Capital markets team of EvrazHolding. Mr. Golovnin received a bachelor's degree in economics and a master's degree in management from the Lomonosov Moscow State University in 2006 and 2008, respectively.

Board of Directors of EVRAZ plc

The Directors of EVRAZ plc are as follows:

Name	Year of birth	Position
Alexander Abramov	1959	Non-Executive Chairman
Alexander Frolov	1964	Chief Executive Officer
Eugene Shvidler	1964	Non-Executive Director
Eugene Tenenbaum	1964	Non-Executive Director

Karl Gruber	1952	Independent Non-Executive Director
Alexander Izosimov	1964	Independent Non-Executive Director
Deborah Gudgeon	1960	Independent Non-Executive Director
Sir Michael Peat	1949	Senior Independent Non-Executive Director

The business address of EVRAZ plc's Board of Directors is 5th Floor, 6 St. Andrew Street, London EC4A 3AE, United Kingdom.

Non-Executive Chairman

Alexander Abramov, born 1959 (Non-Executive Chairman)

Alexander Abramov was elected Chairman of the Board of Directors of EVRAZ plc on 14 October 2011. He has served in similar roles with Evraz or its predecessors since founding EvrazMetall, the predecessor of Evraz, in 1992, and was a member of the Original Shareholder Group. Until 1 January 2006, he served as both Chairman of the Board of Directors and Chief Executive Officer (CEO) of Evraz; he continued to serve as Chairman of the Board until 1 May 2006. From May 2006, Mr Abramov was a non-executive Director until his re-appointment as Chairman of the Board of Directors on 1 December 2008. Mr. Abramov previously worked at the Institute of High Temperatures of the USSR Academy of Sciences. Mr. Abramov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree in 1982, and he holds a Ph.D. in Physics and Mathematics. Mr. Abramov is a Bureau member of the Russian Union of Industrialists and Entrepreneurs (an independent non-governmental organisation), a member of the Board of Skolkovo Institute for Science and Technology and a member of the Board of Moscow University of Physics and Technology. Mr. Abramov is currently a member of the EVRAZ plc Nominations Committee. Mr. Abramov has, as at the date of this Prospectus, an indirect beneficial interest in approximately 21.38% of the outstanding shares of EVRAZ plc.

Executive Director

Alexander Frolov, born 1964 (Chief Executive Officer)

Alexander Frolov has been a member of the Board of Directors of Evraz since 2005 and was appointed CEO with effect from 18 January 2007. Mr. Frolov was elected CEO of EVRAZ plc on 14 October 2011. Mr. Frolov joined the Original Shareholder Group in 1994, and subsequently held various positions at EvrazMetall and Evraz. Mr. Frolov served as Evraz's Chief Financial Officer from 2002 to 2004 and as Senior Executive Vice President from 2004 to April 2006, responsible for the functions of strategy and business development, finance, corporate affairs and communications, business processes, human resources, legal affairs and information technology. From May 2006 until December 2008, Mr. Frolov served as Chairman of the Board of Directors of Evraz. Prior to joining Evraz, Mr. Frolov worked as a research fellow at the I.V. Kurchatov Institute of Atomic Energy. Mr. Frolov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree in 1987, and he received a Ph.D. in Physics and Mathematics in 1991 from the Moscow Institute of Physics and Technology. Mr. Frolov is currently a member of the EVRAZ plc Health, Safety and Environmental Committee. Mr. Frolov has, as at the date of this Prospectus, an indirect beneficial interest in approximately 10.68% of the outstanding shares of EVRAZ plc.

Non-Executive Directors

Eugene Shvidler, born 1964 (Non-Executive Director)

Eugene Shvidler was appointed to the Board of EVRAZ plc on 14 October 2011. Eugene Shvidler has been a member of the Board of Directors of Evraz since August 2006. He currently serves as Chairman of Millhouse LLC and Highland Gold Mining Ltd. Mr. Shvidler served as Senior Vice President of Sibneft from 1995 to 1998 and as President of Sibneft from 1998 to 2005. Mr. Shvidler is a graduate of the I. M. Gubkin Moscow Institute of Oil and Gas with a speciality in applied mathematics and received an MBA in Finance and an M.S. in International Tax from Fordham University in 1992. He is also on the Board of AFC Energy plc. Mr. Shvidler is currently a member of the EVRAZ plc Nominations Committee. Mr. Shvidler has, as at the date of this Prospectus, an indirect beneficial interest in approximately 3.09% of the outstanding shares of EVRAZ plc.

Eugene Tenenbaum, born 1964 (Non-Executive Director)

Eugene Tenenbaum was appointed to the Board of EVRAZ plc on 14 October 2011. Mr. Tenenbaum has been a member of the Board of Directors of Evraz since August 2006. Mr. Tenenbaum is currently Managing Director of MHC (Services) Ltd and serves on the Board of Chelsea FC Plc. He served as head of corporate finance for Sibneft in Moscow from 1998 to 2001. Mr. Tenenbaum joined Salomon Brothers in 1994 as director for corporate finance where he worked until 1998. Prior to that, he spent five years in corporate finance with KPMG in Toronto, Moscow and London, including three years (1990-1993) as National Director at KPMG International in Moscow. Mr. Tenenbaum was an accountant in the business advisory group at Price Waterhouse in Toronto from 1987 until 1989. Mr. Tenenbaum is a chartered accountant and holds a bachelor's degree in Commerce and Finance from the University of Toronto.

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

Karl Gruber was appointed to the Board of EVRAZ plc on 14 October 2011. Karl Gruber has been a Member of the Board of Directors of Evraz Group SA (Independent) since May 2010. Mr. Gruber has extensive experience in the international metallurgical mill business. Mr. Gruber held various management positions, including eight years as a member of the Managing Board of VOEST-Alpine Industrieanlagenbau (VAI), first as executive vice president of VAI and then as vice chairman of the Managing Board of Siemens VAI. He also served as chairman on the boards of Metals Technologies (MT) Germany and MT Italy. Mr. Gruber graduated from Technical High School in Steyr, Austria in 1973 with a diploma in mechanical engineering. Mr. Gruber is currently Chairman of the EVRAZ plc Health, Safety and Environment Committee and a member of the EVRAZ plc Audit and Nominations Committees.

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

Alexander Izosimov has been a Member of the Board of Directors since 28 February 2012. Alexander Izosimov has extensive managerial and board experience. From 2003 to 2011, he was president and CEO of VimpelCom, a leading emerging market telecommunications operator. From 1996 to 2003, he held various managerial positions at Mars Inc and was regional president for CIS, Central Europe and Nordics, and a member of the executive board. Prior to his position at Mars Inc., Mr. Izosimov was a consultant with McKinsey & Co. (Stockholm, London) (1991-1996) and was involved in numerous projects in the transportation, mining, manufacturing and oil businesses. Until recently, Mr. Izosimov served on the boards of MTG AB, LM Ericsson AB and Transcom SA. He also previously served as director and chairman of the GSMA (Global association of mobile operators) board of directors, and was a director of Baltika Breweries, confectionery company Sladko, and information technology company Teleopti AB. Mr. Izosimov graduated from the Moscow Aviation Institute and holds an MBA from INSEAD. Mr. Izosimov is the Chairman of the EVRAZ plc Remuneration Committee and a member of the EVRAZ plc Audit and Nominations Committees. Mr. Izosimov has, as at the date of this Prospectus, an indirect beneficial interest in approximately 0.01% of the outstanding shares of EVRAZ plc.

Deborah Gudgeon, born 1960 (Independent Non-Executive Director)

Deborah Gudgeon was appointed to the Board of EVRAZ plc in May 2015. Ms. Gudgeon started her career in 1983 as an accountant with Coopers and Lybrand and in 1987 became a senior accountant for Salomon Brothers International. Ms. Gudgeon is a chartered accountant. From 1987 to 1995 Ms. Gudgeon served as a Finance executive at Lonrho PLC and was appointed a member of the Finance Committee in March 1993. From 1995 to 1998 Ms. Gudgeon served as a director for Halstead Services Limited and from 1998 to 2003 she served as a director of Deloitte, specialising in corporate finance. From 2003 to 2009 Ms. Gudgeon served as a founder director of the Special Situations Advisory team for BDO LLP, providing integrated advice on corporate finance, restructuring, debt and performance improvement. Since 2011, Ms. Gudgeon served as managing director of Gazelle Corporate Finance Limited. Ms. Gudgeon is currently Chairman of the Audit Committee and a member of the Remuneration Committee of EVRAZ plc.

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

Sir Michael Peat was appointed to the Board of EVRAZ plc on 14 October 2011. Sir Michael Peat is a qualified chartered accountant with over 40 years' experience. He served as Principal Private Secretary to The Prince of Wales from 2002 until 2011. Prior to this, he spent nine years as the Royal Household's Director of Finance and Property Services and then Treasurer to The Queen and Keeper of the Privy Purse. Sir Michael Peat was at KPMG from 1972, and became a partner in 1985. He was responsible for a 1986 study into the management of the Royal Household, and left KPMG in 1993 to devote himself to the public roles. Sir Michael Peat is an independent non-executive on the Board of Deloitte LLP, a director of CQS Management Limited and a partner in CQS (UK) LLP, chairman of GEMS MENASA Holdings Limited, a non-executive director of Arbuthnot Latham Limited, a non-executive director of M&C Saatchi plc, a director of Architekton Limited, chairman of the Regeneration Group Limited and chairman of the Advisory Board of BellAziz Holdings Limited. He is a Fellow of the Institute of Chartered Accountants in England and Wales, and holds an MBA from INSEAD and a degree from the University of Oxford. Sir Michael is Chairman of the EVRAZ plc Nominations Committee and is a member of the EVRAZ plc Remuneration Committee.

Senior Management

The Senior Management of Evraz comprises, in addition to the Directors listed above, the following persons:

Name	Year of birth	Position
Natalia Ionova	1966	Vice President, Human Resources
Aleksey Ivanov	1975	Senior Vice President, Commerce and Business Development
Leonid Kachur	1961	Senior Vice President, Business Support and Interregional Relations
Alexander Kuznetsov	1978	Vice President, Corporate Strategy and Performance Management
Artem Natrusov	1971	Vice President, Information Technologies
Ilya Shirokobrod	1972	Vice President, Sales
Michael Shuble	1970	Vice President, Health, Safety and Environment
Sergey Stepanov	1977	Vice President, Head of the Coal Division
Nikolay Ivanov	1972	Chief Financial Officer
Maksim Andriasov	1974	Vice President, Head of the Urals Division
Denis Novozhenov	1974	Vice President, Head of the Ukraine Division
Vsevolod Sementsov	1971	Vice President, Corporate Communications
Sergey Vasiliev	1967	Vice President, Compliance with Business Procedures and Asset Protection
Anton Yegorov	1973	Vice President, Legal
Alexey Soldatenkov	1972	Vice President, Head of the Siberia Division

Natalia Ionova, born 1966 (Vice President, Human Resources)

Ms. Ionova, who joined Evraz in 2006 as Vice President, Human Resources, is responsible for HR policy and recruiting. Prior to joining Evraz, she served as Head of Human Resources at NDK Merkury. Ms. Ionova graduated from the Management Faculty of the Russian State University of Physical Training, Sports and Tourism (RGUFK) in 1987. Mrs. Ionova holds a Ph.D. in psychology. Ms. Ionova previously held the positions of Deputy Head of Human Resources (1999-2003) and Manager for Human Resources (1997-1999) at NDK Merkury. Between 1995 and 1997 Ms. Ionova served as Manager for Human Resources at Russian Gold.

Aleksey Ivanov, born 1975 (Senior Vice President, Commerce and Business Development)

Mr. Ivanov joined Evraz in 2002 and was appointed to his current role in November 2015. Mr. Ivanov previously served as: Vice president, Head of Steel Division from 2011 to 2015; Head of the Siberia Division from 2009 until 2011; Senior Deputy CFO (responsible for supervising Controlling and Treasury functions) from 2008

to 2009; and Director of Controlling from 2002 to 2008. He has been a member of the Chartered Institute of Management Accountants since 2004. Mr. Ivanov graduated from INSEAD in 2002 and holds a finance degree from the Financial Academy of the Government of Russia. In 2008 Mr Ivanov received a diploma in Human Resources from the Australian Professional Association.

Leonid Kachur, born 1961 (Senior Vice President, Business Support and Interregional Relations)

Mr. Kachur joined Evraz in 1993 and as Vice President for Business Support and Interregional Relations, is responsible for safety and security issues since 2000. From 1995 to 2000, Mr. Kachur was Chief Executive of Interlock, responsible for security matters with Evraz and from 1993 to 1995 he served as Deputy Chief Executive at EvrazMetall, a predecessor of Evraz. Mr. Kachur graduated from the Moscow State Industrial University with a degree in engineering.

Alexander Kuznetsov, born 1978 (Vice President, Corporate Strategy and Performance Management)

Mr. Kuznetsov joined Evraz in 2002 and was appointed Vice President for Strategic Development and Operational Planning in July 2009. In 2016, he was appointed Vice President of Corporate Strategy and Performance Management. His responsibilities include strategic development, operational planning, M&A transactions and financial valuation of business and investment projects. Mr. Kuznetsov previously served as: Director of Strategic Planning and Investment Analysis from 2008 to 2009; Head of the Financial Analysis and Valuation Department from 2006 to 2008; and as Manager of the Capital Markets and International Investments Department, from 2002 to 2006. Mr. Kuznetsov graduated from the Moscow Institute of Physics and Technology with a first-class honours degree in applied mathematics and physics in 2001. He also received a master’s degree in economics from the New Economic School in Moscow in 2002.

Artem Natrusov, born 1971 (Vice President, Information Technologies)

Mr. Natrusov joined Evraz in 2011 as Vice President of Information Technologies. Prior to joining Evraz, Mr. Natrusov held a number of positions managing information technology for: Eldorado, the consumer electronics and household appliance retailer, from 2008 to 2011; for Allianz ROSNO from 2006 to 2008; and for Nestle Russia from 1998 to 2006. Mr. Natrusov has more than 16 years of experience in information technologies, including operational management and management of complex projects SAP and Oracle Applications. Mr. Natrusov graduated with honours from Moscow Institute of Electronic Technology in 1994 and received an MBA degree from University of Southern California in 1998.

Ilya Shirokobrod, born 1972 (Vice President, Sales)

Mr. Shirokobrod joined Evraz in 2010 and was appointed Vice President, Sales, in November 2014. Prior to it, he was Vice President and Head of the Railway Products Division since April 2012. Mr. Shirokobrod previously served as: Vice President for Sales from 2011 to 2012; and as Managing Director of OOO Trading Company EvrazHolding from 2010 to 2012. Prior to joining Evraz, between 2005 and 2010, Mr. Shirokobrod held various positions in Centravis Limited, Melitta Russland and Tetra Pak. From 1999 to 2005, he served as Commercial Director (Russian and Central Asia) and Chief Executive of Alcoa CIS. Mr. Shirokobrod graduated with honours from Saint-Petersburg State Technical University in 1995 with a degree in engineering physics and holds a Master of Sciences (engineering) degree. He received an Executive MBA from Stockholm School of Economics in 2005.

Michael Shuble, born 1970 (Vice President, Health, Safety and Environment)

Mr. Shuble was appointed Vice President, Health, Safety and Environment for Evraz in January 2013. He joined Evraz in May 2011 as Director, Safety – Flat Products Group, EVRAZ North America and was promoted to Vice President, Health, Safety and Environment for EVRAZ North America in June 2012. Prior to joining Evraz, Mr. Shuble was a Department Manager, Health and Safety at ArcelorMittal Steel Indiana Harbour and he previously spent over 15 years with U.S. Steel. Mr. Shuble holds a bachelor’s degree in safety sciences from Indiana University of Pennsylvania.

Sergey Stepanov, born 1977 (Vice President, Head of the Coal Division)

Mr. Stepanov joined Evraz as Vice President, Head of the Coal Division in November 2012. Prior to his appointment he served as Chief Operating Officer for Nordgold (previously a subsidiary of Severstal) and for Vorkutaugol and held senior positions in Severstal-resource and SUAL-holding. Mr. Stepanov has an experience of working in Ukraine at the position of the director of coal's mining and treatment in DTEK. From 2003-2005, he worked as a consultant in the Boston Consulting Group. Mr. Stepanov received a bachelor's degree in economics, with honours, and a master's degree in finance, with honours, from the Lomonosov Moscow State University.

Nikolay Ivanov, born 1972 (Chief Financial Officer)

Mr. Ivanov joined EVRAZ in November 2016. In his capacity Mr. Ivanov is responsible for leading the financial unit, as well as supervision over the key supporting functions including Legal, Investor Relations and IT. Prior to joining EVRAZ, Mr. Ivanov served as an Executive President, CFO at VimpelCom since 2013. Previously he held various positions at TNK-BP including the First Deputy Executive Vice President for exploration and production, having spent over 10 years with the company. Mr. Ivanov graduated from the Financial Academy of the Government of the Russian Federation with a degree in finance and credit, as well as Northeastern University, Missouri, USA, and the Truman University, USA, with a degree in accounting. As at the date of this Prospectus Mr. Ivanov had no beneficial interest of EVRAZ plc.

Maksim Andriasov, born in 1974 (Vice President, Head of the Urals Division)

Mr. Andriasov joined Evraz in November 2015. Prior to his appointment as Vice President, Head of the Urals Division, he had held various managerial positions in OJSC Tyumen Oil Company, OJSC Sidanko, and TNK-BP. Starting from 2012, Mr Andriasov worked in PJSC ANK Bashneft, as Head of regional sales and later as first Vice President, processing and sales. Maksim graduated from the State Gubkin Oil and Gas Academy, majoring in mining engineering. In 2012, he completed the INSEAD programme "Building a global company".

Denis Novozhenov, born in 1974 (Vice President, Head of the Ukraine Division)

Denis Novozhenov has been with Evraz since 1996. He started as an economist at EVRAZ NTMK, subsequently holding a number of managerial positions at EVRAZ VGOK, Evrazruda and Yuzhkuzbassugol. In 2011, he was appointed General Director of the Steel Mill in Smolensk region. Denis graduated from the Urals State Technical University, majoring in engineering and economics. He earned his MBA from the SYNERGIYA institute for economics and finance.

Vsevolod Sementsov, born in 1971 (Vice President, Corporate Communications)

Mr. Sementsov joined Evraz as Vice President for Corporate Communications in June 2013. Prior to Evraz, Mr. Sementsov served as a Director of Public Relations at JSFC Sistema for more than five years. In 2001-2008, he was PR manager of Intel Corporation in Russia and CIS. In 1999-2011, Mr. Sementsov worked as a creative editor of the Beeline World Monthly Magazine. In 1992-1999, he served as Senior Reporter at several publications such as Interfax-AiF, Business World and Moscow News weeklies. Mr. Sementsov graduated from the Moscow Engineering Physics Institute with a degree in Technical Physics.

Sergey Vasiliev, born in 1967 (Vice President, Compliance with Business Procedures and Asset Protection)

Mr. Vasiliev was appointed Vice President for Compliance with Business Procedures and Asset Protection in July 2015. Lieutenant-General of Police, Sergey Vasiliev held a number of managerial positions in the Ministry of Internal Affairs of the Russian Federation from 1988 to 2015. He graduated from the Ural Law Institute and the Russian Academy of Public Service under the President of the Russian Federation.

Anton Yegorov, born in 1973 (Vice President, Legal)

Mr. Yegorov was appointed Vice-President for Legal, Evraz, in April, 2015. In this capacity Mr. Yegorov is responsible for legal support of the company's business. He covers operational risks analysis and improving compliance control. Prior to joining Evraz, Mr. Yegorov held the position of Director for Legal, Corporate and International Affairs at Russian Post. Prior to that, he was in charge of legal support at RUSAL in Russia and CIS and held various managerial positions with IFK Alemar and MDM Bank. Mr. Yegorov holds degrees in Physics and Law from the Lomonosov Moscow State University. He has an EMBA diploma from IE Business School.

Alexey Soldatenkov, born in 1972 (Vice President, Head of the Siberia division)

Alexey Soldatenkov was appointed Vice President, Head of the Siberia Division in December 2015. Prior to joining EVRAZ Mr. Soldatenkov worked at Severstal, holding positions of Business Development Director of Severstal Russian Steel and Chief Technical Officer of PAO "Severstal". Prior to this Mr. Soldatenkov held managerial positions at Magna Technoplast, participated in the commissioning of Ford, General Motors, Renault, Volkswagen facilities in Russia. Mr. Soldatenkov graduated from the N.E. Bauman Moscow State Technical University, majoring in mechanical engineering. Mr. Soldatenkov also completed the Top Manager training programme with the Russian Presidential Academy of National Economy and Public Administration.

Corporate Governance

The Board of Directors of EVRAZ plc consists of the Non-Executive Chairman, one Executive Director and six Non-Executive Directors.

EVRAZ plc regards all of its Non-Executive Directors other than Alexander Abramov, Eugene Shvidler and Eugene Tenenbaum as independent Non-Executive Directors within the meaning of "independent" as defined in the UK Corporate Governance Code and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Directors support high standards of corporate governance. As at the date of this Prospectus, the Board will include four independent Non-Executive Directors, meaning that at least half of the members of the Board (excluding the Chairman) will be independent Non-Executive Directors in compliance with the UK Corporate Governance Code. EVRAZ plc regards this as an appropriate board structure.

The Directors have established an audit committee, a remuneration committee, a nominations committee and a health, safety and environment committee.

Audit committee

The audit committee is chaired by Deborah Gudgeon and its other members are Karl Gruber and Alexander Izosimov. The audit committee meets not less than four times a year and has responsibility for, among other things, monitoring the integrity of Evraz's financial statements and reviewing Evraz's financial and accounting policies and practices. It oversees Evraz's relationship with its external auditors and review the effectiveness of the external audit process. The committee gives due consideration to laws and regulations including the provisions of the UK Corporate Governance Code, the requirements of the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules and any other applicable rules, as appropriate. It also has responsibility for reviewing the effectiveness of Evraz's system of internal controls and risk management systems. The ultimate responsibility for reviewing and approving the interim and annual financial statements remains with the Directors. The Directors consider that Deborah Gudgeon has recent and relevant financial experience. Further details are set out in her biography under the heading "*—Board of Directors of EVRAZ plc*".

Remuneration committee

The remuneration committee is chaired by Alexander Izosimov and its other members are Deborah Gudgeon and Sir Michael Peat. The remuneration committee meets not less than once a year and has responsibility for making recommendations to the Board, including: (i) on Evraz's policy on the remuneration of the Chairman, the Chief Executive Officer and Senior Management; and (ii) within the agreed terms of reference and remuneration policy and in consultation with the Chairman and/or Chief Executive Officer, as appropriate, on the resulting total individual remuneration package of the Chairman of the Board, the Chief Executive Officer and senior management, including pension rights and any compensation payments. The remuneration committee also ensures compliance with the UK Corporate Governance Code in this respect.

Nominations committee

The nominations committee is chaired by Sir Michael Peat and its other members are Alexander Abramov, Alexander Izosimov, Karl Gruber and Eugene Shvidler. The nominations committee meets not less than once a year

and has responsibility for making recommendations to the Board on the composition of the Board and its committees and on retirements and appointments of additional and replacement Directors and ensuring compliance with the UK Corporate Governance Code.

Health, safety and environment committee

The health, safety and environment committee is chaired by Karl Gruber and its other members are Alexander Frolov and Olga Pokrovskaya. The health, safety and environment committee advises and makes recommendations to the Board of Directors of EVRAZ plc with respect to monitoring and reviewing health, safety and environment policies, principles, practices and process; as well as monitoring and reviewing current and future regulatory issues relating to health, safety and the environment. The health, safety and environment committee meets at least twice annually and more frequently as required.

Conflicts of interest

Mr. Alexander Abramov is the Chairman of EVRAZ plc and Mr. Alexander Frolov is the CEO. Mr. Shvidler, Mr. Abramov, Mr. Tenenbaum and Mr. Frolov have been appointed to the Board of Directors of EVRAZ plc by the Major Shareholder pursuant to the terms of the relationship agreement. Mr. Shvidler, Mr. Abramov and Mr. Frolov, in addition to being directors of EVRAZ plc, have an interest in, or are otherwise affiliated to, the Major Shareholder. Should EVRAZ plc contemplate entering into any agreement or arrangement with the Major Shareholder, there is a potential for there to be a conflict of interest between: (i) each of Mr. Shvidler, Mr. Abramov and Mr. Frolov and their respective private interests and/or other duties; and (ii) any duty each of them owe to EVRAZ plc as directors. As a listed company on the premium segment of the Official List of the Financial Services Authority, EVRAZ plc is required to comply with the UK Listing Rules relating to related party transactions. Through the operation of its Articles of Association and compliance with the Companies Act 2006, should an actual conflict of interest arise in respect of any director of EVRAZ plc, that director may be restricted from voting on any matter in which he is interested.

Save as disclosed in the paragraph immediately preceding this sentence, no other conflicts of interest exist between the private interests of the Directors or Members of Senior Management and their duties to EVRAZ plc or Evraz Group S.A.

Management of subsidiaries

In order to achieve integrated control over the activities of its Russian operating facilities, Evraz established EvrazHolding LLC ("**EvrazHolding**") as the centralised management company.

Evraz's subsidiaries, EVRAZ ZSMK, EVRAZ NTMK, EVRAZ Nakhodka Trade Sea Port, Evrazruda, EVRAZ KGOK, TC EvrazHolding, EVRAZ Vanady-Tula and OOO "TH EvrazHolding", have each appointed EvrazHolding as their management company. The management contracts are extended and renewed from time to time, and transfers all executive powers of the sole executive body of the above, named companies in accordance with their respective Charters. EvrazHolding acts as the sole executive body of each of the companies that it manages, which responsibilities include entering into transactions on behalf of each company (within the limits provided for in the legislation), operating its bank accounts (provided that management of each of the companies it manages signs the relevant payment instructions) and representing it before various state and judicial agencies. Management is exercised by an officer of EvrazHolding acting under a power of attorney. Payments received by EvrazHolding are applied fully against its operating expenses and reflected fully in the appropriate line item of Evraz's Audited Consolidated Financial Statements.

The Board of Directors of EVRAZ plc determines the strategies to be employed by Evraz, and EvrazHolding, in turn, implements these strategies with respect to each company that it manages, subject to approval by the boards of directors of such companies. Decisions by EvrazHolding are subject to the corporate governance procedures that have been adopted by the Board of Directors, as discussed above. EvrazHolding has established standard procedures for the companies it manages, including procedures related to budgeting, the approval of investments and capital expenditures and management information systems.

Remuneration of Directors and Management

The aggregate amount of remuneration paid for qualifying services to the EVRAZ plc's non-executive directors as a group during the year ended 31 December 2016 was U.S.$2,433 thousand. The aggregate amount of remuneration accrued by Evraz in respect of its payments to its key management personnel (27 individuals in 2016, 39 individuals in 2015 and 44 individuals in 2014), including directors of the Issuer, vice presidents and top managers of major subsidiaries, as a group during the year ended 31 December 2016 was approximately U.S.$31 million, U.S.$36 million in 2015 and U.S.$66 million in 2014 in salary, bonuses, social security taxes, share-based payments, termination benefits and other. There are no potential conflicts of interest between any duties to EVRAZ plc and the private interests and/or other duties of any of EVRAZ plc's directors, executive officers or senior managers.

Certain members of the Board of Directors and of senior management have beneficial interests in shares of EVRAZ plc (see "*Principal Shareholders*").

THE ISSUER

Set out below is a summary of certain information concerning the Issuer, including provisions of the articles of association of the Issuer, as amended (the "**Articles**"). This information is not exhaustive and reference should be made to the Articles and to the laws of Luxembourg.

General

The Issuer was incorporated under the laws of the Grand Duchy of Luxembourg on 31 December 2004 as a public limited liability company (*société anonyme*) governed by the Luxembourg law of 10 August 1915 on commercial companies, as amended, for an unlimited period. Copies of its constitutional documents were filed for the first time with the Luxembourg Register of Trade and Companies of Luxembourg on 26 January 2005 and were published in the Mémorial C Recueil des Sociétés et Associations, No. 440, dated 12 May 2005. The registered office of the Issuer is located at, 13, avenue Monterey, L-2163 Luxembourg, Grand Duchy of Luxembourg, and its telephone number is +352 267 343. The Issuer is registered with the Register of Trade and Companies of Luxembourg under number B105.615. Since the Issuer's incorporation, the Articles have been amended several times by general meetings of the Issuer's shareholders with the last amendments made on 21 October 2015.

The Issuer owns its principal assets either directly or indirectly.

Objects

The Issuer generally may engage in any business or activity which, in the judgement of the Board of Directors, is profitable or enhances the value of the Issuer's undertakings in any of its properties or assets and which is consistent with the objects as set forth in Article 4 of the Articles.

This Article 4 is set out in full below:

"The company shall have as its business purpose the holding of participations, in any form whatsoever, in Luxembourg and foreign companies, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes and other securities of any kind, entering into leases, including financial leases, dealing in commodities that are not securities, acquisition of assets generally, selling assets generally, giving security, giving and receiving indemnities and security.

The company may participate in the establishment and development of any financial, industrial or commercial enterprises, including the trusts and unincorporated associations, and may render any assistance by way of loans, guarantees, security or otherwise to subsidiaries, affiliated companies or parent companies. The company may borrow in any form and proceed to the issuance of bonds.

The company may carry on any business or activity whatsoever which may seem to the Board of Directors capable of being advantageously carried on in connection or in conjunction with or as ancillary to any of the foregoing or activities which the Board of Directors may consider expedient with a view to rendering profitable or enhancing directly or indirectly the value of the company's undertaking or any of its properties or assets.

In general, it may take any controlling and supervisory measures and carry out any operation which it may deem useful in the accomplishment and development of its purpose."

TERMS AND CONDITIONS OF THE NOTES

The U.S.$750,000,000 5.375% Notes due 2023 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series with the Notes) of Evraz Group S.A. (the "**Issuer**") are constituted by a Trust Deed dated on or about 20 March 2017 as may be amended or supplemented from time to time in accordance with the terms thereof (the "**Trust Deed**") made between the Issuer, and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**", which expression shall include its successor(s)) as trustee for the holders of the Notes (the "**Noteholders**")).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Paying Agency Agreement dated on or about 20 March 2017 (the "**Agency Agreement**") made between the Issuer, The Bank of New York Mellon, London Branch as Principal Paying Agent (the "**Principal Paying Agent**") and the Transfer Agent (the "**Transfer Agent**"), The Bank of New York Mellon (Luxembourg) S.A. as Registrar (the "**Registrar**"), The Bank of New York Mellon, New York Branch as the U.S. Paying Agent (and together with the Principal Paying Agent, the "**Paying Agents**") and the Trustee are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at the Issue Date at BNY Mellon Corporate Trustee Services Limited, One Canada Square, London E14 5AL, United Kingdom and at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, and are bound by, the Trust Deed and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Capitalised terms not defined in these Conditions shall have the meanings given to them in the Trust Deed.

The Conditions are modified by certain provisions contained in the Global Note Certificates. See "*Summary of Provisions Relating to the Notes while in Global Form*".

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in registered form in the denomination of U.S.$200,000 and in integral multiples of U.S.$1,000 in excess thereof, without coupons attached. An individual note certificate (each an "**Individual Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Note and each Individual Certificate will have an identifying number which will be recorded on the relevant Individual Certificate and in the Register (as defined in Condition 3.1 (*Transfer of Notes—The Register*)).

Individual Certificates issued with respect to Rule 144A Notes ("**Rule 144A Individual Certificates**") will bear the Securities Act Legend (as defined in the Trust Deed), unless determined otherwise in accordance with the provisions of the Agency Agreement by reference to applicable law. Individual Certificates issued with respect to the Regulation S Notes ("**Regulation S Individual Certificates**") will not bear the Securities Act Legend.

Upon issue, the Rule 144A Notes will be represented by one or more restricted note certificates (together, the "**Rule 144A Global Note Certificate**") and the Regulation S Notes will be represented by an unrestricted global certificate (the "**Regulation S Global Note Certificate**" and, together with the Rule 144A Global Note Certificate, the "**Global Note Certificates**"). The Rule 144A Global Note Certificate will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company ("**DTC**") and the Regulation S Global Note Certificate will be registered in the name of The Bank of New York Depository (Nominees) Limited as nominee of The Bank of New York Mellon, London Branch as the common depositary for, Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**").

Except in the limited circumstances described in the Global Note Certificates, owners of interests in Notes represented by the Global Note Certificates will not be entitled to receive physical delivery of Individual Certificates in definitive form in respect of their individual holdings of Notes. The Notes are not issuable in bearer form.

1.2 Title

Title to the Notes passes only by transfer and registration in the Register (as defined in Condition 3.1 (*Transfer of Notes—The Register*)). The holder of any Note will (except as otherwise required by law or as ordered by a court of

competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or the theft or loss of, the Individual Certificate (if any) issued in respect of it or anything written on it or on the relevant Individual Certificate) and no person will be liable for so treating the holder. In these Conditions, "**Noteholder**" and (in relation to a Note) "**holder**" mean the person in whose name a Note is registered in the Register.

2. STATUS OF THE NOTES

The Notes are direct, unconditional and unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. TRANSFER OF NOTES

3.1 The Register

The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. Each Noteholder shall be entitled to receive only one Individual Certificate in respect of its entire holding.

3.2 Transfers

Subject to the terms of the Agency Agreement and to Conditions 3.5 (*Closed Periods*) and 3.6 (*Regulations*), a Note may be transferred by delivering the Individual Certificate issued in respect of it, with the form of transfer on the back duly completed and signed, to the specified office of the Registrar or the Transfer Agent. No transfer of a Note will be valid unless and until entered on the Register.

Upon the transfer, exchange or replacement of a Rule 144A Note, the Transfer Agent will only deliver Individual Certificates with respect to Rule 144A Notes that bear the Securities Act Legend if there is delivered to the Transfer Agent such satisfactory evidence, which may include an opinion of legal counsel, as may be reasonably required by the Transfer Agent, that neither the Securities Act Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the United States Securities Act of 1933, as amended.

Transfers of interests in the Notes evidenced by the Global Note Certificates will be effected in accordance with the Agency Agreement and the rules of the relevant clearing systems.

Transfers of Notes are also subject to the restrictions described under "*Subscription and Sale*" below.

3.3 Delivery of new Individual Certificates

Each new Individual Certificate to be issued on transfer of a Note or Notes will, within five business days of receipt by the Registrar or the Transfer Agent of the duly completed and signed form of transfer, be made available for collection at the specified office of the Registrar or the Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Notes being transferred (free of charge to the holder), to the address specified in the form of transfer.

Except in the limited circumstances described in "Summary of Provisions relating to the Notes while in Global Form", owners of interests in Notes represented by the Global Note Certificates will not be entitled to receive physical delivery of Individual Certificates. Issues of Individual Certificates upon transfers of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement.

Where some but not all the Notes in respect of which an Individual Certificate is issued are to be transferred or redeemed, a new Certificate in respect of the Notes not so transferred or redeemed, will, within five business days of delivery or surrender of the original Individual Certificate to the Transfer Agent or Registrar, be made available for collection at the specified office of the relevant Agent or, if so requested by the holder, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred or redeemed (free of charge to the holder), to the address of such holder appearing on the Register.

In this Condition 3, "**business day**" means a day (other than a Saturday or a Sunday) on which banks are open for business in the city in which the specified office of the Registrar and the Transfer Agent to which the Individual Certificate in respect of the Notes to be transferred or relevant form of transfer is delivered is situated.

3.4 Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Issuer or the Transfer Agent, but only upon the person making such application for transfer paying or procuring the payment (or the giving of such indemnity as the Issuer or the Transfer Agent may require) of any tax, duty or other governmental charges which may be imposed in relation to such transfer.

3.5 Closed periods

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on (and including) the due date for any payment of principal of that Note or seven days ending on (and including) any Interest Record Date (as defined in Condition 6.1 (*Principal and Interest*)).

3.6 Regulations

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes exhibited in the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder upon request.

3.7 Designation of the Parent as Holdco

Provided there has been no Issuer Substitution pursuant to Condition 3.8 (*Substitution of Issuer*), at any time, the Issuer may, without the consent of the Trustee or the Noteholders, by notice in accordance with Condition 13 (*Notices*), elect that with immediate effect, for the purposes of the Conditions, the Parent be designated as Holdco (the "**Designation**") provided that the Parent fully and unconditionally guarantees (the "**Parent Guarantee**") the obligations of the Issuer and any Subsidiary Guarantor (if any) under the Notes and the Trust Deed and all amounts due under or in connection therewith in a deed supplemental to the Trust Deed in a form reasonably satisfactory to the Trustee (the "**Parent Deed of Guarantee**") pursuant to which the obligations of the Parent constitute direct, unconditional and unsecured obligations of the Parent ranking at least equally with all other outstanding unsecured and unsubordinated obligations of the Parent, present and future. The date on which the Designation takes effect shall be the "**Designation Date**".

Designation shall also be conditional on the following as at the time of Designation:

(a) substantially all of the issued share capital of the Issuer is owned directly or indirectly by the Parent;

(b) the Parent has no assets other than (i) cash, cash equivalents (including marketable securities) and investments in the Issuer and the Issuer's Subsidiaries (including shareholdings in, loans and advances to and dividends and lease payments receivable from, the Issuer or its Subsidiaries) and (ii) other assets with a book value not to exceed 10% of the Parent's total consolidated assets;

(c) the Parent's consolidated Indebtedness, other than Indebtedness that (i) is guaranteed by the Issuer or any Subsidiary of the Issuer, (ii) is Indebtedness of the Issuer or any Subsidiary of the Issuer or (iii) otherwise appears on the Issuer's consolidated balance sheet, does not exceed 10% of the Parent's total consolidated Indebtedness;

(d) the most recent consolidated financial statements of the Parent are prepared in accordance with IFRS consistently applied in substantially the same manner as applied to the most recent consolidated financial statements of the Issuer;

(e) immediately after giving effect to the Designation (and treating any Liens on any property or assets of the Parent as having been incurred by Holdco at the time of the Designation), no Potential Event of Default or Event of Default shall be continuing and a certificate as provided for in Clause 12(g) of the Trust Deed is delivered to the Trustee;

(f) as at the Designation Date, either (i) Parent would have been able to incur at least U.S.$1.00 of additional Indebtedness pursuant to Condition 4.2(a) after giving pro forma effect to the Designation or (ii) the Leverage Ratio of Parent would be no worse after giving pro forma effect to the Designation than that of the Issuer;

(g) the Issuer delivers to the Trustee an opinion of counsel or of a tax adviser in a form and substance reasonably satisfactory to the Trustee, to the effect that the Noteholders in each of the Relevant Jurisdictions will not recognise income, gain or loss for tax purposes as a result of the Designation and that the Parent, were the Parent Guarantee called, would not be required to pay any additional amounts as provided or referred to in Condition 8 (*Taxation*) in circumstances other than where the payment of such amounts would otherwise be required by applicable law as at the Issue Date; and

(h) the Issuer delivers to the Trustee such legal opinion(s) that the Trustee may require as to the validity and enforceability of the Parent Guarantee, each in a form reasonably acceptable to the Trustee.

3.8 Substitution of Issuer

The Issuer (for the purposes of this Condition 3.8, the "**Original Issuer**") may, without the consent of the Noteholders, elect, by notice in accordance with Condition 13 (*Notices*), that with immediate effect, the Parent be designated as Issuer (the Parent in such capacity for the purposes of this Condition 3.8, the "**New Issuer**") for the purposes of these Conditions, the Notes, the Trust Deed and the Agency Agreement (the "**Issuer Substitution**"). The Trustee and the Paying Agents shall enter into a deed supplemental to the Trust Deed and an agreement supplemental to the Agency Agreement, respectively, with the Original Issuer and the New Issuer in order to give effect to the Issuer Substitution, provided that:

(a) either:

   (i) the Original Issuer shall fully and unconditionally guarantee (the "**Original Issuer Guarantee**") the obligations of the New Issuer and any Subsidiary Guarantor (if any) under the Notes and the Trust Deed and all amounts due under or in connection therewith in a form reasonably satisfactory to the Trustee pursuant to which the obligations of the Original Issuer constitute direct, unconditional and unsecured obligations ranking at least equally with all other outstanding unsecured and unsubordinated obligations of the Original Issuer, present and future; or

   (ii) immediately after the Issuer Substitution Date or any date on which an election is made pursuant to the last paragraph of this Condition, Aggregate Subsidiary Indebtedness (where for the purposes of such definition and for the avoidance of doubt, "Holdco" shall mean the Parent) does not exceed the Subsidiary Indebtedness Threshold after giving pro forma effect to the Issuer Substitution and any other similar and simultaneous obligor substitution relating to any other Indebtedness of the Group;

(b) the Directors of the New Issuer certify to the Trustee that:

   (i) immediately after the Issuer Substitution Date, in connection with an Issuer Substitution pursuant to Condition 3.8(a)(ii), substantially all of the issued share capital of the Original Issuer is owned directly or indirectly by the New Issuer;

   (ii) the most recent consolidated financial statements of the New Issuer are prepared in accordance with IFRS consistently applied in substantially the same manner as applied to the most recent consolidated financial statements of the Original Issuer;

   (iii) immediately after giving effect to the Issuer Substitution (and treating any Liens on any property or assets of the New Issuer as having been incurred by Holdco at the time of the Issuer Substitution), no Potential Event of Default or Event of Default shall be continuing; and

   (iv) as at the Issuer Substitution Date, (i) the New Issuer would have been able to incur at least U.S.$1.00 of additional Indebtedness pursuant to Condition 4.2(a) (*Financial Covenants*) after giving pro forma effect to the Issuer Substitution or (ii) the Leverage Ratio of the New Issuer

would be no worse after giving pro forma effect to the Issuer Substitution than that of the Original Issuer;

(c) the Original Issuer delivers to the Trustee such legal opinion(s) as the Trustee may require as to the validity and enforceability of the Original Issuer Guarantee (in the case where Condition (a)(i) above applies only); and

(d) the Original Issuer delivers to the Trustee an opinion of counsel and/or of a tax adviser as requested and in a form and substance reasonably satisfactory to the Trustee, to the effect that the Noteholders in the jurisdictions of the Original Issuer and the New Issuer will not recognise income, gain or loss for tax purposes as a result of the Issuer Substitution and that the Original Issuer, were the Original Issuer Guarantee called, would not be required to pay any additional amounts as provided or referred to in Condition 8 in circumstances other than where the payment of such amounts would otherwise be required by applicable law as at the Issue Date.

The date on which the Issuer Substitution takes effect shall be the "**Issuer Substitution Date**".

If an Issuer Substitution has been effected in reliance upon Condition 3.8(a)(i) and at any later date the requirements of Condition 3.8(a)(ii) can be satisfied, the New Issuer may, at its option, elect, by notice in accordance with Condition 13, with immediate effect, to deem the basis of the Issuer Substitution to have been pursuant to Condition 3.8(a)(ii) and two Directors of the New Issuer shall certify the same to the Trustee. The Trustee shall be entitled to rely on the certificate as sufficient evidence of the satisfaction of the requirements of Condition 3.8(a)(ii) in which event it will be conclusive and binding on the Noteholders. The Trustee shall, at the request and cost of the New Issuer, enter into such documents as are reasonably necessary to release the Original Issuer Guarantee. The date of any such election by the New Issuer shall constitute a new Issuer Substitution Date for the purposes of the definition of Rating Downgrade.

4. COVENANTS

For so long as any Note remains outstanding (as defined in the Trust Deed) Holdco and (to the extent applicable) any Obligor undertakes to comply with each of the following covenants:

4.1 Limitation on Liens

Holdco will not, and will not permit any of the Obligor(s), directly or indirectly, to create, incur, assume or suffer to exist any Lien (the "**Initial Lien**"), other than a Permitted Lien, on any of its property or assets, now owned or hereafter acquired, or any revenues, income or profits therefrom, securing any Indebtedness unless, at the same time or prior thereto, the liability of the Issuer or Guarantor(s) (if any), as the case may be, under the Notes and the Trust Deed or, as the case may be, under any Deed of Guarantee (if any) (a) is secured equally and rateably therewith to the satisfaction of the Trustee or (b) has the benefit of such other security or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders or (c) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

Any Lien created for the benefit of the Noteholders pursuant to the preceding paragraph shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien or (ii) the full, final and irrevocable payment of all amounts payable by the Issuer and the Guarantor(s) (if any) under the Notes, these Conditions, the Trust Deed and the Deeds of Guarantee(s) (if any).

4.2 Financial Covenants

(a) Except as provided in Conditions 4.2(b) and 4.2(c), Holdco shall not, and shall not permit any of its Subsidiaries to, incur any Indebtedness, except that if (i) no Potential Event of Default nor Event of Default as defined in Condition 10.1 (*Events of Default*) shall have occurred and be continuing at the time, or would occur as a consequence, of the incurrence of such Indebtedness (provided that for the purposes of this Condition 4.2 no Potential Event of Default with respect to an Event of Default falling within Condition 10.1(c)(i) (*Events of Default*) shall be deemed to have occurred unless and until the expiry of the period of 30 days referred to therein) and (ii) the Leverage Ratio is 3.5:1 or lower:

(i) the Issuer, the Guarantor(s) (if any) or a Finance Subsidiary may incur Indebtedness;

(ii) any Subsidiary of Holdco (other than the Issuer, the Guarantor(s) or a Finance Subsidiary) may incur Indebtedness if Aggregate Subsidiary Indebtedness does not exceed the Subsidiary Indebtedness Threshold; and

(iii) a Subsidiary of Holdco may incur Indebtedness (the "**Subsidiary Indebtedness**") if, within 90 days after such incurrence, such Subsidiary fully and unconditionally guarantees (each, a "**Subsidiary Guarantee**" and collectively the "**Subsidiary Guarantee(s)**", and each such Subsidiary of Holdco, a "**Subsidiary Guarantor**" and collectively the "**Subsidiary Guarantors**") and together with the Parent following the Designation pursuant to Condition 3.7 (*Designation of Parent as Holdco*), or together with the Original Issuer, if the Original Issuer Guarantee is applicable following the Issuer Substitution pursuant to Condition 3.8(a)(i) (*Substitution of Issuer*) the "**Guarantors**")) the obligations of the Issuer and each other Guarantor under the Notes and the Trust Deed and all amounts due under or in connection therewith in a deed supplemental to the Trust Deed the form of which must be satisfactory to the Trustee (each a "**Subsidiary Deed of Guarantee**") pursuant to which the obligations of the Subsidiary Guarantor constitute direct, unconditional and unsecured obligations of the Subsidiary Guarantor ranking at least pari passu with the Subsidiary Indebtedness.

(b) Condition 4.2(a) shall not, however, prohibit the incurrence by Holdco or any Subsidiary of Holdco of Acquired Indebtedness, provided that after giving pro forma effect to such acquisition or other transaction, (i) Holdco would have been able to incur at least U.S.$1.00 of additional Indebtedness pursuant to Condition 4.2(a) or (ii) the Leverage Ratio would be less than it was immediately prior to giving effect to such acquisition or other transaction.

(c) At any time when the Leverage Ratio is greater than 3.5:1, Holdco and its Subsidiaries may only incur additional Indebtedness if it is permitted under Condition 4.2(b) or if it is Permitted Indebtedness.

4.3 Transactions with Affiliates

Holdco will not, and will not cause or permit any of its Material Subsidiaries to, directly or indirectly, enter into or make or amend any transaction or series of related transactions involving an aggregate value in excess of U.S.$50 million or its U.S. Dollar Equivalent (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) with any Affiliate of Holdco or any of its Subsidiaries unless such transaction or series of related transactions is entered into in good faith and in writing and:

(a) such transaction or series of related transactions is on terms that are no less favourable to Holdco or the relevant Material Subsidiary, as the case may be, than those that would be available in a comparable transaction in arm's length dealings with an unrelated third party; and

(b) such transaction or series of related transactions has been approved by a majority of the Disinterested Directors of the Relevant Board or in the event there is only one Disinterested Director of the Relevant Board, by such Disinterested Director,

provided, however, that this provision shall not apply to:

(i) any employment agreement, collective bargaining agreement or employee benefit arrangements with any officer or director of Holdco or any Material Subsidiary, including under any stock option or stock incentive plans;

(ii) payment of customary fees and compensation to employees, officers, directors, consultants or agents;

(iii) transactions between or among Holdco and its Subsidiaries (including, for the avoidance of doubt, transactions permitted under Condition 4.5(c));

(iv) transactions undertaken pursuant to contractual obligations or rights of the Issuer or its Subsidiaries in existence on the Issue Date (as in effect on the Issue Date), or any amendment thereto after the Issue Date (so long as such amendment is not disadvantageous to the Noteholders in any material respect in the reasonable opinion of the Relevant Board);

(v) transactions with customers, clients, suppliers, purchasers or sellers of goods or services, in each case, in the ordinary course of business and otherwise in compliance with the terms of these Conditions which are on terms at least as favourable to Holdco or the relevant Material Subsidiary, as the case may be, as might reasonably be obtained at such time from an unrelated third party;

(vi) sales of Capital Stock (other than Disqualified Capital Stock) of Holdco or the incurrence of Subordinated Shareholder Funding;

(vii) sales or other transfers or dispositions of accounts receivables and other related assets customarily transferred in a Qualified Securitisation Transaction, and acquisitions of Investments in connection with a Qualified Securitisation Transaction;

(viii) to the extent otherwise permitted pursuant to these Conditions, the payment of a dividend by Holdco or its Subsidiaries; and

(ix) to the extent otherwise permitted pursuant to these Conditions, the repurchase by Holdco or a Subsidiary of its Capital Stock pursuant to an offer that is made to all holders of such Capital Stock.

4.4 Asset Sales

Holdco will not, and will not permit any of its Material Subsidiaries and any Subsidiary Guarantor(s) (if any) to, consummate any Asset Sale, unless the proceeds received by Holdco or such Material Subsidiary or Subsidiary Guarantor, as the case may be, are at least equal to the Fair Market Value of the assets sold or disposed of and an amount equal to such proceeds (less any costs incurred in relation to such Asset Sale) ("**Disposal Proceeds**") is:

(a) applied to repay permanently any Consolidated Indebtedness (other than Indebtedness subordinated to the Notes and/or the Guarantee(s) (if any));

(b) invested in assets of a nature or type that is used or usable in the ordinary course of business of Holdco or any of its Subsidiaries, being the Core or Related Business;

(c) retained as cash deposited with a bank or invested in Cash Equivalents; and/or

(d) applied to finance the acquisition, merger, reorganisation or other combination of a business of the Group with the business of a Person whose business is similar to the Core or Related Business,

in each case within 360 days of the date when such proceeds are received; provided that if the Disposal Proceeds are applied pursuant to paragraph (c), Holdco, such Material Subsidiary, or any such Subsidiary Guarantor(s) (if any) as the case may be, shall apply or invest the Disposal Proceeds on or prior to the date falling 540 days after the date when such proceeds are received either to (i) repay permanently any Consolidated Indebtedness (other than Indebtedness subordinated to the Notes and/or the Guarantee(s) (if any)), (ii) invest in assets of a nature or type that is used or usable in the ordinary course of business of Holdco or any of its Subsidiaries, being the Core or Related Business or (iii) applied to finance the acquisition, merger, reorganisation or other combination of a business of the Group with the business of a Person whose business is similar to the Core or Related Business.

4.5 Mergers and Similar Transactions

(a) Subject to Conditions 4.5(b) and 4.5(c), Holdco will not, and will not permit any of its Material Subsidiaries and any Subsidiary Guarantor(s) (if any) to, in each case without the prior written consent of the Trustee (which consent may only be given by the Trustee if it is of the opinion that to do so will not be materially prejudicial to the interests of the Noteholders) or if approved by an Extraordinary Resolution (as defined in the Trust Deed):

(i) in the case of the Issuer or the Guarantor(s) (if any) (A) enter into any reorganisation (by way of a merger, accession, division, separation, transformation or other basis or procedure for reorganisation contemplated or as may be contemplated from time to time by Luxembourg legislation or, in the case of any Guarantor incorporated otherwise than in Luxembourg, such legislation as may be in force in the jurisdiction of such Guarantor (each such jurisdiction, a "**Guarantor Jurisdiction**")), (B) sell, convey, transfer, lease or otherwise dispose of all or

substantially all of its property and assets to any Person or (C) permit any Person to merge with or into the Issuer or the Guarantor(s) (if any); and

(ii) in the case of any of the Material Subsidiaries of Holdco (other than the Issuer or the Subsidiary Guarantor(s) (if any), (A) enter into any reorganisation (by way of a merger, accession, division, separation, transformation or other basis or procedure for reorganisation contemplated or as may be contemplated from time to time by the relevant applicable legislation) or (B) sell, convey, transfer, lease or otherwise dispose of all or substantially all of its property and assets.

(b) Condition 4.5(a) shall not apply if:

(i) Holdco or the Obligor(s) (if any) shall be the continuing Person, or the Person (if other than Holdco or the Obligor(s) (if any)) into which Holdco or an Obligor (if any) is merged or that acquired or leased such property and assets of Holdco or the Obligor(s) (if any) (the "**Surviving Entity**") shall (A) be a company organised and validly existing under the laws of Luxembourg, any Guarantor Jurisdiction, Russia or a member of the European Union (as the European Union is constituted on the Issue Date), (B) expressly assume, by amendment to these Conditions, the Trust Deed and the Agency Agreement as the Trustee shall deem necessary, executed and delivered by such continuing Person to the Trustee, in a form and substance satisfactory to the Trustee, the due and punctual payment of the principal of and interest and any additional amounts under the Notes and the due and punctual performance and observance of all the covenants, conditions and other obligations of Holdco or the Obligor(s) (if any), as the case may be, in respect of the Trust Deed, the Notes and the Agency Agreement and a Guarantee (if any) (C) deliver to the Trustee an opinion of counsel with respect to such amendment to these Conditions, the Parent Deed of Guarantee (if any), the Subsidiary Deed of Guarantee (if any), the Trust Deed and the Agency Agreement as the Trustee shall deem necessary in a form and substance satisfactory to the Trustee;

(ii) immediately before and after giving effect to such transaction or series of transactions on a pro forma basis (and treating any Indebtedness which becomes, or is anticipated to become, an obligation of Holdco or the other Obligor(s) (if any), as the case may be, or the Surviving Entity or any Subsidiary thereof as a result of such transaction or series of transactions as having been incurred by Holdco or the Obligor(s) (if any), as the case may be, or the Surviving Entity or such Subsidiary at the time of such transaction or series of transactions), no Potential Event of Default or Event of Default shall have occurred and be continuing and a certificate as provided for in Clause 12(g) of the Trust Deed is delivered to the Trustee;

(iii) Holdco delivers to the Trustee an opinion of counsel or of a tax adviser in a form and substance satisfactory to the Trustee, to the effect that the Noteholders in each of the Relevant Jurisdictions will not recognise income, gain or loss for tax purposes as a result of the merger or sale of assets and such Noteholders would, after the merger or sale of assets, be subject to taxes on the same amount and in the same manner and at the same times as would have been the case if such merger or sale of assets had not occurred; and

(iv) the Person (if other than Holdco or the Obligor(s) (if any)) principally undertakes, in its ordinary course of business prior to the merger, acquisition or lease, as the case may be, a Core or Related Business.

(c) Condition 4.5(a) shall not apply to (i) any transactions between any of the Subsidiaries of Holdco (other than the Obligor(s) (if any)) that do not involve any Person that is not a Subsidiary of Holdco; or (ii) any transaction in which any Subsidiary of Holdco consolidates with, merges into or transfers all or part of its assets to Holdco or an Obligor.

4.6 Maintenance of Authorisations

(a) Holdco shall, and shall procure that each of its Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things necessary, in the opinion of Holdco or the relevant Material Subsidiary, to ensure the continuance of its corporate existence, its business and intellectual property relating to its business; and

(b) Holdco and the Obligor(s) (if any) shall obtain or make, and procure the continuance or maintenance of, all registrations, recordings, filings, consents, licences, approvals and authorisations, which may at any time be required to be obtained or made in Russia, Luxembourg, any Guarantor Jurisdiction or any other relevant jurisdiction for the purposes of the execution, delivery or performance of the Notes and the Trust Deed and for the validity and enforceability thereof,

provided that, in any case if Holdco, the Obligor(s) (if any) or, as the case may be, the relevant Material Subsidiary remedies any failure to comply with paragraphs (a) and (b) above within 90 days of such failure or of the occurrence of such event, then this covenant shall be deemed not to have been breached.

4.7 Maintenance of Property

Holdco shall, and shall cause each of its Material Subsidiaries to, cause all property used in the conduct of its or their business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements and improvements thereof, all as, in the judgment of Holdco or the relevant Material Subsidiary, may be reasonably necessary so that the business carried on in connection therewith may be properly conducted at all times; provided that if Holdco or the relevant Material Subsidiary remedies any failure to comply with the above within 90 days of such failure or any failure relates to property with a value not exceeding U.S.$250,000,000 (or its U.S. Dollar Equivalent), this covenant shall be deemed not to have been breached.

4.8 Payment of Taxes and Other Claims

Holdco shall, and shall cause each of its Material Subsidiaries to, pay or discharge, or cause to be paid and discharged, before the same shall become overdue and without incurring penalties, (a) all taxes, assessments and governmental charges levied or imposed upon, or upon the income, profits or property of any of Holdco or its Material Subsidiaries and (b) all lawful claims for labour, materials and supplies which, if unpaid, might by law become a Lien (other than a Permitted Lien) upon the property of any of Holdco or its Material Subsidiaries; provided that none of Holdco or its Material Subsidiaries shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim described in this Condition 4.8 whose (i) amount, applicability or validity is being contested in good faith by appropriate proceedings (or has been the subject of such proceedings which have, within the then preceding 30 days, resulted in a final, non-appealable determination of liability in a definitively ascertained amount) and for which adequate reserves in accordance with IFRS as consistently applied or other appropriate provision has been made or (ii) amount, together with all such other unpaid or undischarged taxes, assessments, charges and claims, does not in the aggregate exceed U.S.$100,000,000 (or its U.S. Dollar Equivalent).

4.9 Insurance

Holdco shall procure that each of its Material Subsidiaries shall obtain and maintain insurance with an insurer or insurers of sufficient standing (in the reasonable judgment of the relevant Material Subsidiary) against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged in the jurisdiction(s) where it operates; provided, that if Holdco remedies any failure to comply with the above within 365 days of such failure or if such potential losses or risks (which may be assessed by reference to the actual risks and losses borne by the relevant Material Subsidiary over the preceding three years) do not exceed U.S.$250,000,000 (or its U.S. Dollar Equivalent), this covenant shall be deemed not to have been breached, provided that this Condition 4.9 shall not require Holdco to procure the obtaining or maintenance of any such insurance with respect to any of Holdco's Subsidiaries that is or are primarily engaged in the mining, extraction or refining of coal or coal products.

4.10 Financial Information

Holdco undertakes that it shall deliver to the Trustee:

(a) its audited annual consolidated financial statements, prepared in accordance with IFRS consistently applied with the corresponding financial statements for the preceding period, within 180 days of the end of the financial year to which such statements relate;

(b) its reviewed semi-annual interim condensed consolidated financial statements, prepared in accordance with IFRS consistently applied with the corresponding financial statements for the preceding period, within 150 days of the end of the period to which such statements relate; and

(c) its other interim condensed consolidated financial statements (if Holdco elects in its sole discretion to prepare any such other interim consolidated financial statements), prepared in accordance with IFRS consistently applied with the corresponding financial statements for the preceding period, within 150 days of the end of the period to which such statements relate,

in each case together with a certificate signed by one director and one officer appointed and authorised in writing by the Board of Directors of Holdco or, following Issuer Substitution, two authorised signatories of Holdco, in each case on terms satisfactory to the Trustee or two directors of Holdco stating that since the date of the last certificate or, if none, the Issue Date, each of Holdco and the Obligor(s) (if any), to the best of the signing individual's knowledge, has kept, observed, performed and fulfilled its obligations under, and complied with, these Conditions and the Trust Deed and is not in default and that there has not been an Event of Default or Potential Event of Default (or, if an Event of Default or Potential Event of Default shall have occurred, describing all such Events of Default or Potential Events of Default of which he may have knowledge).

4.11 Change of Business

Holdco shall not, and shall not permit any of its Material Subsidiaries to, conduct, operate, engage in or own any business other than the Core or Related Business of the Group.

4.12 Dividend and Other Payments By or Affecting Material Subsidiaries

(a) Holdco shall not, and shall not permit any of its Material Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction (which, for the avoidance of doubt, shall not include any encumbrance or restriction existing under or arising by reason of applicable law or regulation) on the ability of any such Material Subsidiary to:

   (i) pay dividends or make any other distributions on its Equity Interests to Holdco or any of Holdco's Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits;

   (ii) make any payments in respect of any Indebtedness owed to Holdco or any of Holdco's Subsidiaries;

   (iii) make loans or advances to Holdco or any of Holdco's Subsidiaries; or

   (iv) transfer any of its properties or assets to Holdco or any of Holdco's Subsidiaries.

However, the preceding restrictions shall not apply to encumbrances or restrictions existing under or by reason of:

      (A) any encumbrance or restriction originally entered into by the Issuer or a Subsidiary of the Issuer prior to (and as in effect on) the Issue Date;

      (B) these Conditions;

      (C) encumbrances and restrictions imposed by the Notes, these Conditions, the Guarantee(s) (if any) or by other instruments governing other Indebtedness incurred by Holdco or any of Holdco's Subsidiaries (and if such Indebtedness is guaranteed, by the guarantors of such Indebtedness) ranking equally with the Notes (or the Guarantee(s) (if any)), provided that the encumbrances or restrictions imposed by such other instruments are not materially more restrictive, taken as a whole, than the restrictions imposed by these Conditions;

(D) encumbrances and restrictions contained in any agreement or other instrument of any Person acquired by Holdco or any Material Subsidiary of Holdco in effect at the time of such acquisition (but not created in contemplation thereof) which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;

(E) any encumbrance or restriction contained in the terms of any Indebtedness incurred pursuant to Condition 4.2 (*Financial Covenants*) or any guarantees thereof or liens related thereto, provided that Holdco determines at the time any such Indebtedness is incurred (and at the time of any modification of the terms of any such encumbrance or restriction) that any such encumbrance or restriction will not materially affect Holdco's ability to comply, or cause its Material Subsidiaries to comply, with Condition 4.12(b) (as determined by Holdco in good faith), and further provided that the encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable financings or agreements (as determined by Holdco in good faith);

(F) customary non-assignment provisions in leases and other contracts for goods and services entered into in the ordinary course of business;

(G) any agreement for the sale or other disposition of a Material Subsidiary or any assets of Holdco or a Material Subsidiary that restricts distributions of that Material Subsidiary or such assets pending such sale or other disposition;

(H) customary limitations on the distribution of assets or property in joint venture agreements entered into in good faith, provided that such encumbrance or restriction is applicable only to such Material Subsidiary, and provided further that:

(I) such encumbrance or restriction is not materially more disadvantageous to the holders of the Notes than is customary in comparable agreements (as determined by Holdco's Board of Directors in good faith); and

(II) such encumbrance or restriction will not affect Holdco's ability to make any anticipated principal or interest payments on the Notes and the Guarantee, as applicable (as determined by Holdco's Board of Directors in good faith);

(I) solely with respect to paragraph (iv) above, Permitted Liens securing Indebtedness that limit the right of a debtor to dispose of the assets subject to such Liens;

(J) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and

(K) any encumbrances or restrictions of the type referred to in paragraph (a) of this Condition 4.12 that are imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of contracts, instruments or obligations; provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings taken as a whole are, in the good faith judgment of the Board of Directors of Holdco, no more restrictive with respect to such encumbrances and restrictions than those contained in the encumbrances and restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

(b) Holdco shall use its commercially reasonable endeavours, to the extent lawful and in accordance with all required corporate procedures, (i) to procure that the Material Subsidiaries as a group declare and pay total dividends or other distributions on their Equity Interests (including, for the avoidance of doubt, any interim dividends or distributions) amounting in the aggregate to at least 35% of the aggregate annual net income of such Material Subsidiaries as calculated from the Reporting Package in respect of each year ending on 31 December not later than 365 days following the end of such year;

provided that nothing in this Condition 4.12(b) shall be interpreted to impose a requirement on any particular Material Subsidiary to make a payment or distribution as described herein and (ii) to the extent such dividends or other distributions are paid in cash and received by a Subsidiary of Holdco other than the Obligor(s) (if any), to cause the portion of such cash dividends or other cash distributions actually received by such Subsidiary to be on-paid, directly or indirectly as the case may be, to Holdco or the Obligor(s) (if any) in accordance with the attributable direct or indirect ownership interest of Holdco or the Obligor(s) (if any) in the Equity Interests of each such payee Subsidiary; provided, that each payment of a dividend or other distribution on its Equity Interests paid by any Subsidiary of Holdco pursuant to this Condition 4.12(b) shall be subject to reduction for payment of any withholding or other dividend related tax or any other similar deduction that is required by applicable law or regulation.

4.13 Covenant Fall-Away

From and after the date on which the Rated Entity has reached Investment Grade Status, Holdco, the Obligor(s) (if any) and the Material Subsidiaries will be released from their obligations to comply with Conditions 4.2 (*Financial Covenants*) to 4.9 (*Insurance*) inclusive, 4.11 (*Change of Business*) and 4.12 (*Dividend and Other Payments By or Affecting Material Subsidiaries*).

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest from and including 20 March 2017 at the rate of 5.375% per annum, payable semi-annually in arrear in equal instalments on 20 March and 20 September in each year (each an "**Interest Payment Date**").

5.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than six months, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days.

6. PAYMENTS

Payment of interest on the Notes evidenced by the Global Note Certificates will be effected in accordance with the Agency Agreement and the rules of the relevant clearing systems.

6.1 Principal and Interest

Payment of principal and interest due other than on an Interest Payment Date, will be made by transfer to the registered account of the Noteholder or by United States dollar cheque drawn on a bank in New York City mailed to the registered address of the Noteholder if it does not have a registered account. Payment of principal will only be made after surrender of the relevant Individual Certificate at the specified office of any of the Paying Agents.

Interest on Notes due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth day before the due date for the payment of interest (the "**Interest Record Date**"). Payments of interest on each Note will be made by transfer to the registered account of the Noteholder or by United States dollar cheque drawn on a bank in New York City mailed to the registered address of the Noteholder if it does not have a registered account.

6.2 Registered Accounts

For the purposes of this Condition, a Noteholder's registered account means the United States dollar account maintained by or on behalf of it with a bank in New York City, details of which appear on the Register at the close of business on the

second Business Day before the due date for payment, and a Noteholder's registered address means its address appearing on the Register at that time.

6.3 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*).

6.4 Payment Initiation

In relation to Individual Certificates, where payment is to be made by transfer to a Noteholder's registered account, payment instructions (for value on the due date or, if that is not a Business Day, for value on the first following day which is a Business Day) will be initiated by wire transfer or cheque and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a Business Day, the first following day which is a Business Day) or, in the case of a payment of principal, if later, on the Business Day on which the relevant Individual Certificate is surrendered at the specified office of a Paying Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Individual Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

If an amount which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

6.5 Initial Paying Agents, Transfer Agent and Registrar

The names of the initial Paying Agents, Transfer Agent and Registrar and their initial specified offices are set out at the end of these Conditions. The Principal Agent, the Paying Agents, the Transfer Agent and Registrar act solely as agents of the Issuer and do not assume any obligations or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent, Transfer Agent or Registrar and to appoint additional or other Paying Agents, Transfer Agent and Registrar provided that:

(a) there will at all times be a Principal Paying Agent and a Registrar; and

(b) there will at all times be Paying Agents and a Transfer Agent having specified offices in at least two major European cities approved by the Trustee which, so long as the Notes are listed on the Irish Stock Exchange, shall include such place as may be required by the rules and regulations of the Irish Stock Exchange or any other relevant authority.

Notice of any termination or appointment and of any changes in specified offices of any Paying Agents, Transfer Agent or the Registrar will be given to the Noteholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed, or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 20 March 2023.

7.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8 (*Taxation*)), or any change in the published application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 20 March 2017, on the next Interest Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or (ii) the Guarantor(s) (if any) would be

unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and

(b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor(s) (if any) taking reasonable measures available to it or them (as applicable),

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate on terms satisfactory to the Trustee signed by one director and one officer appointed and authorised in writing by the Board of Directors or two directors of the Issuer, or as the case may be, the Guarantor(s) (if any) stating that the requirement referred to in paragraph (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer, or as the case may be, the Guarantor(s) (if any) taking reasonable measures available to it or them and an opinion of independent legal advisors of recognised standing and qualified to advise on the law of the jurisdiction subjecting the payments to tax and causing additional amounts to be paid under Condition 8 (*Taxation*) to the effect that the Issuer or, as the case may be, the Guarantor(s) has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept and rely upon the certificate as sufficient evidence of the satisfaction of condition precedent (b) above and the opinion as sufficient evidence of the satisfaction of condition precedent (a) above, in which event they shall be conclusive and binding on the Noteholders. No such notice of redemption pursuant to this Condition shall be given (i) earlier than 90 days prior to the earliest date on which the Issuer, or as the case may be, the Guarantor(s) (if any) would be obliged to pay such additional amounts were a payment in respect of the Notes then due, or (ii) if the Issuer has already given a notice of redemption as described in Condition 7.6 (*Cancellations*).

7.3 Redemption at Make-Whole

The Issuer may redeem the Notes, in whole or in part, at any time on at least 30 days' but not more than 60 days' notice to Noteholders in accordance with Condition 13 (*Notices*), at a redemption price equal to the principal amount of U.S.$200,000 or integral multiples of U.S.$1,000 thereof in each case plus the Applicable Premium as of, plus accrued and unpaid interest to, the redemption date.

7.4 Redemption at the option of Noteholders upon a Rating Downgrade

If, following an Issuer Substitution, a Rating Downgrade occurs, the holder of a Note will have the option to require the Issuer to redeem such Note on the Put Option Settlement Date (as defined below) at 100% of its principal amount together with accrued and unpaid interest (if any) to the Put Option Settlement Date.

Promptly upon the occurrence of any such Rating Downgrade, the Issuer shall give notice thereof (a "**Rating Downgrade Event Notice**") to Noteholders in accordance with Condition 13 (*Notices*), specifying (a) that a Rating Downgrade has occurred; (b) details of the Rating Downgrade; (c) the Put Option Period (as defined below); (d) the procedure for exercising the Put Option; and (e) that any Note not properly tendered or not tendered at all prior to the end of the Put Option Period will remain outstanding and continue to accrue interest and additional amounts (if any).

In order to exercise the Put Option, the holder of a Note must deliver, no later than 60 calendar days after the date on which the Rating Downgrade Event Notice is given (**the** "**Put Option Period**"), to the specified office of the Principal Paying Agent, evidence satisfactory to the Principal Paying Agent of such holder's entitlement to such Note and a duly completed put option election notice (a "**Put Option Election Notice**") specifying the principal amount of the Notes in respect of which the Put Option is exercised, in the form obtainable from the Principal Paying Agent. On the Business Day immediately following the end of the Put Option Period, the Principal Paying Agent shall notify the Issuer and the Trustee in writing of the exercise of the Put Option specifying the aggregate principal amount of the Notes to be redeemed in accordance with the Put Option. Provided that the Notes that are the subject of any such Put Option Election Notice have been delivered to the Principal Paying Agent prior to the end of the Put Option Period and the Principal Paying Agent has notified the same to the Issuer, then the Issuer shall, as provided in Condition 6 (*Payments*), redeem all such Notes on the date falling ten Business Days after the expiration of the Put Option period (the "**Put**

Option Settlement Date"). No Put Option Election Notice, once delivered to the Principal Paying Agent in accordance with this Condition 7.4, may be withdrawn.

7.5 Purchases

The Parent or any of the Parent's Subsidiaries may at any time purchase Notes in any manner and at any price.

7.6 Cancellations

All Notes which are (a) redeemed or (b) purchased by or on behalf of Holdco, or any of Holdco's Subsidiaries will forthwith be cancelled and accordingly may not be held, reissued or resold.

7.7 Notices Final

Upon the expiry of any notice as is referred to in Conditions 7.2 (*Redemption for Taxation Reasons*) or 7.3 (*Redemption at Make-Whole*) above, the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

8. TAXATION

8.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer or the Guarantor(s) (if any) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed or levied by or on behalf of any Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor(s) (if any) will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(a) to, or on behalf of, a holder who is liable to the Taxes in respect of the Note by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note; or

(b) to, or on behalf of, a holder who would have been able to avoid such withholding or deduction by presenting the relevant Individual Certificate to another Paying Agent in a Member State of the European Union; or

(c) where an Individual Certificate in respect of which is presented for payment of principal more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days.

8.2 Interpretation

In these Conditions:

(a) "**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13 (*Notices*); and

(b) "**Relevant Jurisdiction**" means Luxembourg or any political subdivision or any authority thereof or therein having the power to tax (in the case of payments by the Issuer) or a Guarantor Jurisdiction or any political subdivision or any authority thereof or therein having the power to tax (in the case of payments by the Guarantor(s) (if any)) or in any case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer (as a result of Issuer Substitution or otherwise) or, as the case may be, any Guarantor (if any) becomes subject in respect of payments made by it of principal and/or interest on the Notes.

8.3 Additional Amounts

Any reference in the Trust Deed, the Notes or these Conditions to any amounts payable in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed or the Notes.

9. PRESCRIPTION

Claims in respect of principal and interest in respect of the Notes will become prescribed unless made within periods of ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes, subject to the provisions of Condition 6 (*Payments*).

10. EVENTS OF DEFAULT

10.1 Events of Default

The Trustee at its sole discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor(s) (if any) that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed in any of the following events ("**Events of Default**"):

(a) if default is made in the payment of any interest due in respect of the Notes or any of them and the default shall continue for a period of five Business Days;

(b) if default is made in the payment of any principal due in respect of the Notes or any of them;

(c)

(i) if default is made in the performance, or if there is a breach, of any covenant or agreement of the Issuer or the Guarantor(s) (if any) under the Trust Deed (other than a default in the performance, or breach, of a covenant or agreement which is specifically dealt with in paragraphs (a), (b) or 10.1(c)(ii)) and such default or breach shall continue for a period of 30 days after written notice has been given, by certified mail, (A) to the Issuer and the Guarantor(s) (if any) by the Trustee or (B) to the Issuer, the Guarantor(s) (if any) and the Trustee by holders of at least one-fifth in aggregate principal amount of the outstanding Notes; or

(ii) if default is made in the performance or breach of the provisions described in Condition 4.5 (*Mergers and Similar Transactions*);

(d) if any default in the payment of the principal, premium, if any, or interest on any Indebtedness (as extended by any applicable grace period) shall have occurred under any of the agreements, deeds, indentures or instruments under which the Issuer, the Guarantor(s) (if any) or any Material Subsidiary then has outstanding Indebtedness in excess of U.S.$50 million (or its U.S. Dollar Equivalent) in the aggregate;

(e) if the Guarantee(s) (if any) shall for any reason cease to be, or shall for any reason be asserted in writing by the Issuer or the relevant Guarantor(s) not to be, in full force and effect and enforceable in accordance with its terms, except to the extent contemplated by these Conditions and the Trust Deed;

(f) if one or more judgments, orders or decrees of any court or regulatory or administrative agency for the payment of money in excess of U.S.$75 million (or its U.S. Dollar Equivalent), either individually or in aggregate, shall be rendered against the Issuer, the Guarantor(s) (if any) or any Material Subsidiary or any of their respective properties and shall not be discharged and (if applicable) there shall have been a period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal or otherwise, shall not be in effect;

(g) if any holder or holders of at least U.S.$50 million (or its U.S. Dollar Equivalent) in aggregate principal amount of Indebtedness of the Issuer, the Guarantor(s) (if any) or any Material Subsidiary

after a default under such Indebtedness notifies the Trustee of the intended sale or disposition of any assets of the Issuer, the Guarantor(s) (if any) or any Material Subsidiary that have been pledged to or for the benefit of such holder or holders to secure such Indebtedness or shall commence proceedings, or take any action (including by way of set-off, distress, execution or other similar process, including appointment of a receiver, administrative receiver, manager or similar officer), to retain in satisfaction of such Indebtedness or to collect on, seize, dispose of or apply in satisfaction of Indebtedness, assets of the Issuer, the Guarantor(s) (if any) or any Material Subsidiary (including funds on deposit or held pursuant to lock-box or other similar arrangements);

(h) if (i) proceedings are initiated against the Issuer, the Guarantor(s) (if any) or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed in relation to the Issuer, the Guarantor(s) (if any) or any Material Subsidiary or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator) unless initiated by the relevant company, is not discharged within 14 days; or

(i) if any event occurs which, under the laws of any Relevant Jurisdiction, has or may have in the Trustee's sole opinion, an analogous effect to any of the events referred to in paragraphs (d) to (h) above,

provided that, in the case of any Event of Default described in paragraph (c) above, the Trustee has certified that the Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

For the purpose of determining whether the U.S. Dollar denominated threshold set forth in paragraph (f) above has been reached, the U.S. Dollar Equivalent of any judgment, order or decree of any court or regulatory or administrative agency for the payment of money denominated in another currency shall be calculated.

11. ENFORCEMENT

11.1 Enforcement by the Trustee

The Trustee may, at its discretion and without further notice, institute such proceedings or take such steps or actions against the Issuer and/or the Guarantor(s) (if any) (or any of them) as it may think fit to enforce the provisions of the Trust Deed and the Notes, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed or the Notes unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

11.2 Enforcement by the Noteholders

No Noteholder shall be entitled to proceed directly against the Issuer or the Guarantor(s) (if any) unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

12. REPLACEMENT OF INDIVIDUAL CERTIFICATES

If any Individual Certificate representing a Note is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the costs and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Registrar may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Individual Certificates must be surrendered before replacements will be issued.

13. NOTICES

Notices to Noteholders shall be mailed to them at their respective addresses in the Register and shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or Sunday) after the date of mailing.

So long as the Notes are represented by the Global Note Certificates and the Global Note Certificates are held on behalf of DTC, Euroclear or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to DTC, Euroclear or Clearstream, Luxembourg for communication by it to entitled accountholders in substitution for notification as required by the Conditions, provided that for so long as the Notes are listed and admitted to trading on the Irish Stock Exchange, notices will also be filed at the Companies Announcements Office of the Irish Stock Exchange.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

14.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50% in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed (as specified in the Trust Deed), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the principal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

14.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Noteholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error.

14.3 Trustee to have Regard to Interests of Noteholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Guarantor(s) (if any), the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking given in addition to, or in substitution for,

Condition 8 (*Taxation*) pursuant to the Trust Deed. For the avoidance of doubt Article 84 to 94-8 of the Luxembourg law dated 10 August 1915 on commercial companies, as amended, are hereby excluded.

14.4 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification, abrogation, waiver, authorisation or determination shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13 (*Notices*).

15. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

15.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

15.2 Trustee Contracting with the Issuer

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantor(s) (if any) and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor(s) (if any) and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15.3 Responsibilities of the Trustee

The Trustee's responsibilities are solely those of a trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Notes or for the performance by the Issuer of its obligations under or in respect of the Notes and the Trust Deed. The Trustee is entitled to assume that the Issuer is performing all of its obligations pursuant to the Notes and the Trust Deed (and shall have no liability for doing so) until it has actual knowledge to the contrary.

15.4 Additional rights of the Trustee

The Trustee may rely without liability to Noteholders on any certificate or report prepared by auditors, accountants or any other expert pursuant to the Trust Deed, whether or not addressed to the Trustee and whether or not the auditors', accountants' or expert's liability in respect thereof is limited by a monetary cap or otherwise. The Trust Deed provides that the Noteholders shall together have the power, exercisable by Extraordinary Resolution, to remove the Trustee (or any successor trustee or additional trustees); provided, that the removal of the Trustee or any other trustee shall not become effective unless there remains a Trustee in office after such removal.

16. FURTHER ISSUES

The Issuer is at liberty, subject to Condition 4.2 (*Financial Covenants*), from time to time without the consent of the Noteholders to create and issue further notes ranking *pari passu* in all respects (save for the issue price and the first payment of interest thereon) so that the same shall be consolidated and form a single series with the Notes. Any such further notes shall be constituted by a deed supplemental to the Trust Deed.

17. GOVERNING LAW AND SUBMISSION TO JURISDICTION

17.1 Governing Law

The Trust Deed, the Notes and these Conditions and any non-contractual obligations arising out of or in relation to the Trust Deed, the Notes and these Conditions are governed by, and shall be construed in accordance with, English law.

The provisions of articles 84 to 94-8 of the Luxembourg law of 10 August 1915 on commercial companies, as amended, are excluded.

17.2 Jurisdiction of English Courts

The Issuer has irrevocably agreed in the Trust Deed for the benefit of the Trustee and the Noteholders that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes and these Conditions and accordingly has submitted to the exclusive jurisdiction of the English courts.

The Issuer has in the Trust Deed waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee and the Noteholders may take any suit, action or proceeding arising out of or in connection with the Trust Deed, the Notes or these Conditions respectively (together referred to as "**Proceedings**") against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

17.3 Appointment of Process Agent

The Issuer has, in the Trust Deed, irrevocably and unconditionally appointed EVRAZ plc at 5th Floor, 6 St. Andrew Street, London EC4A 3AE for the time being as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of such agent ceasing so to act it will appoint such other person as the Trustee may approve as its agent for that purpose.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes (or any of them), but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. DEFINITIONS

In these Conditions the following terms have the meaning given to them in this Condition 19.

"**12-Month Consolidated EBITDA**" means the aggregate Consolidated EBITDA for the two latest Measurement Periods preceding any date of determination for which consolidated financial statements of the Group are available.

"**Accounts Regulation"** means Article 3 of Regulation (EC) No. 1606/2002.

"**Acquired Indebtedness**" means Indebtedness of a Person (a) existing at the time such Person becomes a Subsidiary or is merged into or consolidated with Holdco or any Subsidiary of Holdco (b) assumed by such Person in connection with the acquisition of assets by such Person in each case provided that such Indebtedness was not incurred in connection with, or in contemplation of, such Person becoming a Subsidiary or such acquisition, as the case may be. Acquired Indebtedness shall be deemed to be incurred on the date the acquired Person becomes a Subsidiary or the date of the relevant acquisition of assets from any Person.

"**Affiliate**" of any specified Person means any other Person, directly or indirectly controlling, controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; provided that beneficial ownership of 20% or more of the Capital Stock with voting power of a Person shall be deemed to be control.

"**Agency**" means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not).

"**Aggregate Subsidiary Indebtedness**" means the aggregate amount of all Indebtedness of Subsidiaries of Holdco (without duplication (and without limiting the generality of the foregoing, calculating as one item of Indebtedness any Indebtedness in respect of which more than one Subsidiary is obligor) and excluding (a) Indebtedness of the Obligor(s) (if any), (b) Indebtedness of any Finance Subsidiary, (c) Indebtedness of any Subsidiary of Holdco incurred pursuant to Condition 4.2(a)(iii) (*Financial Covenants*), (d) any guarantee by a Subsidiary of Holdco of the

Indebtedness of any other Subsidiary of Holdco which is not an Obligor (if any) or a Finance Subsidiary and (e) Indebtedness of a Subsidiary of Holdco owing solely to Holdco or a Subsidiary of Holdco, in each case after giving effect on a pro forma basis to the incurrence of the Indebtedness of a Subsidiary of Holdco the permissibility of which is then being measured, the incurrence or repayment of any Indebtedness of Holdco or of the Subsidiaries of Holdco on or after the first day of the Measurement Period relevant for such calculation and, in each case, the receipt and application of the proceeds therefrom.

"**Applicable Premium**" means, with respect to a Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of such Note; and

(b) the excess of (i) the present value at such redemption date of the principal amount of the Note at maturity, plus all required interest payments that would otherwise be due to be paid in respect of such Note during the period between the redemption date and 20 March 2023, excluding accrued but unpaid interest at such redemption date, calculated using a discount rate equal to the Treasury Rate at such redemption date plus 50 basis points over (ii) the principal amount of such Note at maturity,

in each case as determined by the Issuer.

"**Approved Jurisdiction**" means the United States of America, Russia, Switzerland, Canada, the Republic of South Africa and any member state of the European Union as constituted on the Issue Date.

"**Asset Acquisition**" means (a) an Investment by Holdco or any Subsidiary of Holdco in any other Person pursuant to which such Person shall become a Subsidiary of Holdco or shall be consolidated or merged with Holdco or any Subsidiary of Holdco or (b) the acquisition by Holdco or any Subsidiary of Holdco of assets of any Person which constitute all or substantially all of the assets of such Person or which comprise a division or line of business of such Person.

"**Asset Sale**" means any lease, sale, sale and lease-back, transfer or other disposition either in one transaction or in a series of related transactions, by Holdco, the Obligor(s) (if any) or any of their respective Subsidiaries to a Person that is not part of the Group, of any Production Assets the value of which exceeds 10% of the total Production Assets of the Group in any 12-month period (determined in each case by reference to the most recently available audited annual financial statements or reviewed interim financial statements of Holdco prepared in accordance with IFRS); provided that "Asset Sale" shall not include sales or other dispositions of inventory or stock in trade in the ordinary course of business or assignments of or other arrangements over the rights or revenues arising from contracts for the sale of steel products at Fair Market Value.

"**Board of Directors**" means, as to any Person, the board of directors of such Person or any duly authorised committee thereof.

"**Business Day**" means a day which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in both London and New York City.

"**Capital Lease Obligations**" means an obligation that is required to be classified and accounted for as a capital or finance lease for financial reporting purposes in accordance with IFRS and the amount of Indebtedness represented by such obligation will be the capitalised amount of such obligation at the time any determination thereof is to be made as determined in conformity with IFRS, and the stated maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents (however designated, whether voting or nonvoting) of such Person's equity, including any preferred stock of such Person and depositary receipts representing such equity, whether now outstanding or issued after the Issue Date, including without limitation, all series and classes of such Capital Stock but excluding any debt securities convertible into such Capital Stock.

"**Cash Equivalents**" means:

(a) any evidence of Indebtedness with a maturity of one year or less issued or directly and fully guaranteed or insured by an Approved Jurisdiction or any Agency or instrumentality thereof; provided that the full faith and credit of an Approved Jurisdiction (or similar concept under the laws of the relevant Approved Jurisdiction) is pledged in support thereof;

(b) commercial paper with a maturity of one year or less issued by a corporation organised under the laws of an Approved Jurisdiction and rated at all times at least the same rating as that of the unsecured, unsubordinated debt obligations of Holdco or the Obligor(s) (if any), whichever is higher, by Standard & Poor's, Moody's or Fitch to the extent that the aggregate amount of Cash Equivalents (as defined in this paragraph (b)) invested by application of Disposal Proceeds does not exceed at any time U.S.$50,000,000 or its U.S. Dollar Equivalent; and

(c) commercial paper with a maturity of one year or less, issued by a corporation organised under the laws of an Approved Jurisdiction, and at all times listed or traded on the Moscow Interbank Currency Exchange to the extent that the aggregate amount of Cash Equivalents (as defined in this paragraph (c)) invested by application of Disposal Proceeds does not exceed at any time U.S.$50,000,000 or its U.S. Dollar Equivalent.

"**Consolidated Depreciation and Amortisation**" means the consolidated depreciation and amortisation of fixed assets and intangibles of Holdco as shown in the latest available consolidated cash flow statement of Holdco prepared in accordance with IFRS.

"**Consolidated EBITDA**" means the Consolidated Net Income (Loss) for any period, as adjusted by adding back, to the extent deducted in calculating Consolidated Net Income (Loss), without duplication, for such period:

(a) Consolidated Interest Expense;

(b) Consolidated Income Tax Expense; and

(c) Consolidated Depreciation and Amortisation,

less any non-cash items increasing (decreasing) Consolidated Net Income (Loss) for that period.

"**Consolidated Income Tax Expense**" means in respect of any period the expenses of Holdco in respect of income taxes as shown in the consolidated profit and loss account of Holdco for such period prepared in accordance with IFRS.

"**Consolidated Indebtedness**" means at any date of determination (and without duplication) all Indebtedness of Holdco as calculated in accordance with the then most recently available consolidated financial statements of Holdco prepared in accordance with IFRS.

"**Consolidated Interest Expense**" means, in relation to any period, the total of the following as calculated in accordance with the consolidated financial statements of Holdco for such period prepared in accordance with IFRS:

(a) cash and non-cash interest expense (net of interest income) for the relevant period (excluding any amortisation of debt issuance costs), including, without limitation dividends accrued in respect of all Disqualified Capital Stock of Holdco (other than dividends payable solely in Capital Stock (other than Disqualified Capital Stock) of Holdco) (in each case, whether or not interest expense in accordance with IFRS);

(b) amortisation of debt discount;

(c) the net costs associated with hedging agreements (including amortisation of fees and discounts);

(d) the interest portion of any deferred payment obligations;

(e) all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing;

(f) accrued interest;

(g) interest due and payable under any guarantee, indemnity or equivalent arrangement;

(h) the interest component of any capital lease obligation accrued during the relevant period; and

(i) all capitalised interest of Holdco and its Subsidiaries (including, without limitation and for the avoidance of doubt, the Obligor(s) (if any)) in each case determined on a consolidated basis in accordance with IFRS.

"**Consolidated Net Income (Loss)**" means in respect of any period the consolidated net income (loss) of Holdco for such period as shown in the then most recently available consolidated profit and loss account of Holdco prepared in accordance with IFRS adjusted, to the extent included in calculating such net income (loss), by excluding, without duplication:

(a) gains or losses, net of taxes (less all fees and expenses relating thereto), in respect of dispositions of assets other than in the ordinary course of business;

(b) any net foreign exchange gain or loss;

(c) any gain or loss on net monetary position;

(d) any share of the profit or loss of any associated company, associated undertaking or unconsolidated joint venture;

(e) the cumulative effect of changes in accounting principles; and

(f) any extraordinary net of tax gains or losses that are distinguished by their unusual nature and the infrequency of their occurrence.

"**Consolidated Tangible Assets**" means, with respect to a Person, the total of all such Person's assets less (a) goodwill, trade names, trademarks, service marks, patents, licences, organisational expenses, research and development expenses, unamortised debt discount and expense, unamortised deferred charges and all other like intangible assets and (b) all write-ups of fixed assets, net of accumulated depreciation thereon, other than any revaluation made in accordance with IFRS, as reflected in the then most recent consolidated balance sheet of such Person and its consolidated Subsidiaries prepared in accordance with IFRS. For purposes of the calculation of Consolidated Tangible Assets, (i) if, during the relevant period contained in the definition of Subsidiary Indebtedness Threshold for which Consolidated Tangible Assets are being calculated, the relevant Person shall have made an Investment in any Subsidiary of Holdco (or any Person which becomes a Subsidiary of Holdco) or an acquisition of assets, including any acquisition of an asset which constitutes all or substantially all of an operating unit of a business, Consolidated Tangible Assets shall be calculated after giving pro forma effect thereto (provided in each case that such Subsidiary of Holdco or acquisition is not yet reflected in the consolidated balance sheet of such Person and its consolidated Subsidiaries) and (ii) negative goodwill shall be assigned a value of zero. For the purposes of this definition, whenever "pro forma effect" is to be given to an Investment of acquisition of assets such determination shall be made in good faith by a responsible financial or accounting officer of Holdco.

"**Core or Related Business**" means the business of (a) producing steel and ferrous metal products, (b) investing in property, plant or equipment for the production of steel and ferrous metal products, (c) mining and processing of raw materials and manufacturing equipment for the production of steel and ferrous metal products, (d) conducting business connected with the consumption of steel and ferrous metal products, (e) industrial construction for the production of steel and ferrous metal products, (f) automobile, railway and ship transportation of steel and ferrous metal products in connection with the Group's production of steel and ferrous metal products, including, without limitation, transportation via the Nakhodka Trade Sea Port or (g) evaluating, participating in or pursuing any other activity or opportunity that is related to those identified in paragraphs (a) to (f) above.

"**Disinterested Director**" means, with respect to any transaction or series of related transactions, a member of the Relevant Board, who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions. For the avoidance of doubt, a Person shall not be ineligible to constitute a Disinterested Director solely as a result of such Person owning any equity interests of the Issuer or

Parent or any of their respective Subsidiaries or acting as an officer, director or employee of the Issuer or Parent or any of their respective Subsidiaries.

"**Disqualified Capital Stock**" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder thereof), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, on or prior to the date that is 91 days after the date on which the Notes mature.

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"**Fair Market Value**" means the price that would be paid in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the relevant competent management body of the Issuer, Holdco or Material Subsidiary, as the case may be, or the Relevant Board (including a majority of the Disinterested Directors, if applicable) whose determination shall be conclusive if evidenced by a resolution of such relevant competent management body, or, with respect to any transaction or series of related transactions involving an aggregate value in excess of U.S.$50,000,000 (or its U.S. Dollar Equivalent), the price as determined by an Independent Appraiser.

"**Finance Subsidiary**" means a wholly owned Subsidiary of Issuer or a Guarantor (if any), the principal activities of which are the issuance for cash of notes, bonds, debentures, promissory notes and other debt securities and the borrowing of cash pursuant to loans, credit facilities and agreements, notes, certificates and other instruments evidencing Indebtedness and the lending of not less than 85% of the cash proceeds of such issuances and borrowings to the Issuer or such Guarantor, as the case may be.

"**Fitch**" means Fitch Ratings Limited or any successor to its ratings business.

"**Group**" means:

(a) prior to Designation or Issuer Substitution, the Issuer and its direct and indirect consolidated Subsidiaries; and

(b) on and following Designation or Issuer Substitution, the Parent and its direct and indirect consolidated Subsidiaries, including the Issuer.

"**Holdco**" means:

(a) prior to Designation or Issuer Substitution, the Issuer; and

(b) on and following Designation or Issuer Substitution, the Parent.

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication):

(a) all indebtedness of such Person for borrowed money;

(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto);

(d) all obligations of such Person to pay the deferred and unpaid purchase price of property, assets or services, which purchase price is due more than 120 days after the earlier of the date of placing such property in service or taking delivery and title thereof or the completion of such services;

(e) all Capital Lease Obligations of such Person;

(f) all Indebtedness of other Persons secured by a Lien granted by such Person on any asset (the value of which, for these purposes, shall be determined by reference to the balance sheet value of such asset in respect of the latest half year period of the Person providing the Lien) of such Person, whether or not such Indebtedness is assumed by such Person;

(g) all Indebtedness of other Persons guaranteed or indemnified by such Person to the extent such Indebtedness is guaranteed or indemnified by such Person;

(h) to the extent not otherwise included in this definition, net obligations under any currency or interest rate hedging agreements; and

(i) any amount raised under any other transaction (including, but without limitation to, any forward sale or purchase agreement) having the economic or commercial effect of a borrowing.

For the avoidance of doubt Indebtedness of any Person does not include (i) trade account payables arising solely in the ordinary course of business of such Person and maturing in less than 120 days (other than promissory notes and similar obligations incurred for the purpose of a borrowing), (ii) for the purposes of Condition 4.2 (*Financial Covenants*) only, restructured tax payable reported in the most recent balance sheet prepared in accordance with IFRS of such Person, (iii) Indebtedness incurred by Holdco or a Subsidiary of Holdco in connection with a transaction where (x) such Indebtedness is borrowed from a bank or trust company incorporated in the Russian Federation, South Africa, any member state of the European Union as of the date of the Trust Deed, or any commercial banking institution that is a member of the U.S. Federal Reserve System, in each case having a combined capital and surplus and undivided profits of not less than €500 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by Standard & Poor's and A2 or the equivalent thereof by Moody's and (y) a substantially concurrent Investment is made by Holdco or any Subsidiary or Subsidiaries of Holdco in the form of cash deposited with the lender of such debt, or a Subsidiary or Affiliate thereof, in amount substantially similar to such debt and (iv) Subordinated Shareholder Funding.

For the purpose of Condition 10.1(g) (*Events of Default*) only, Indebtedness shall be deemed not to include Indebtedness in respect of Non-Recourse Project Finance Indebtedness.

For the purpose of determining compliance with any U.S. Dollar denominated restriction on Indebtedness, the U.S. Dollar Equivalent of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of Indebtedness incurred under a revolving credit facility; provided that (1) if such Indebtedness is incurred to Refinance other Indebtedness denominated in a currency other than U.S. Dollars, and such Refinancing would cause the applicable U.S. Dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such Refinancing, such U.S. Dollar-denominated restriction will be deemed not to have been exceeded so long as the principal amount of such Indebtedness being Refinanced does not exceed the principal amount of such Indebtedness being Refinanced; and (2) the U.S. Dollar Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date will be calculated based on the relevant currency exchange rate in effect on the Issue Date.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations as described above, the maximum liability upon the occurrence of the contingency giving rise to the obligation.

"**Independent Appraiser**" means any of PricewaterhouseCoopers LLC, KPMG LLC, Deloitte & Touche LLP or such investment banking, accountancy or appraisal firm of international standing selected by Holdco or the relevant competent management body of the relevant Material Subsidiary, provided it is not an Affiliate of Holdco, any Guarantor(s) (if any) or any Material Subsidiary.

"**IFRS**" means the International Financial Reporting Standards as adopted by the European Union as in effect from time to time.

"**Investment**" means, with respect to any Person, directly or indirectly, any advance (other than advances to customers in the ordinary course of business), loan (including guarantees), or other extension of credit (including guarantees) or capital contribution to (by means of any transfer of cash) or other property to others or any payment for property or services for the account or use of others, or any purchase, acquisition or ownership by such Person of any Capital Stock, bonds, notes, debentures, or other securities (including, without limitation, any interests in any partnership or joint venture) or evidence of indebtedness issued or owned by any Person and all other items that would be classified as investments on a balance sheet prepared in accordance with IFRS; provided that:

(a) hedging obligations entered into in the ordinary course of business and in compliance with these Conditions; and

(b) endorsements of negotiable instruments in the ordinary course of business,

shall in each case be deemed not to be an Investment.

"**Investment Grade Rating**" means a rating equal to or higher than (a) BBB- (or the equivalent) by Fitch, (b) Baa3 (or the equivalent) by Moody's, (c) BBB- (or the equivalent) by Standard & Poor's or (d) if any of Moody's, Fitch or Standard & Poor's cease to publish ratings of securities, an equivalent rating by an internationally recognised statistical rating organisation.

"**Investment Grade Status**" shall be deemed to have been reached on the date that the Notes have an Investment Grade Rating from at least two of the three Rating Agencies.

"**Issue Date**" means 20 March 2017.

"**Issuer**" means:

(a) prior to Issuer Substitution, Evraz Group S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 13, avenue Monterey, L-2163 Luxembourg Grand Duchy of Luxembourg and registered with the Register of Trade and Companies of Luxembourg under number B105615 or any successor entity thereof or Surviving Entity thereof within the meaning of Condition 4.5(b)(i) (*Mergers and Similar Transactions*); or

(b) on or following Issuer Substitution, the Parent.

"**Leverage Ratio**" means the ratio of Consolidated Indebtedness to 12-Month Consolidated EBITDA of Holdco after giving effect on a pro forma basis to:

(a) the incurrence or repayment of any other Indebtedness on or after the first day of the Measurement Period relevant for such calculation and, in each case, the receipt and application of the proceeds therefrom; and

(b) the exclusion of Consolidated EBITDA associated with any Asset Sales or the inclusion of Consolidated EBITDA associated with any Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the incurrence or assumption of Indebtedness) on or after the first day of the Measurement Period relevant for such calculation, provided, however, that any such pro forma Consolidated EBITDA in respect of an Asset Acquisition may only be so included if such pro forma Consolidated EBITDA shall have been derived from (i) financial statements of, or relating to or including, such acquired entity, that have been prepared in accordance with IFRS, U.S. GAAP or anybody of accounting principles that has been determined by the European Commission to be equivalent to IFRS as provided in the Accounts Regulation (without regard to any modifications to such principles that may be required after the date of such financial statements in connection with or pursuant to such determination) provided that such financial statements are available or can be prepared without unreasonable expense; or (ii) such other financial statements and information of the acquired entity that the chief financial officer of Holdco believes in good faith to present fairly the financial position of the acquired entity so as to permit such a pro forma Consolidated EBITDA to be prepared on the basis of reasonable assumptions and estimates.

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof, any sale with recourse against the seller or any Affiliate of the seller, or any agreement to give any security interest) securing any obligation of any Person.

"**Material Subsidiary**" means at any relevant time a direct or indirect Subsidiary of Holdco:

(a) whose total consolidated assets represent not less than 10% of the total consolidated assets of Holdco, or whose gross consolidated revenues represent not less than 10% of the gross consolidated revenues of

Holdco (determined by reference to the most recent publicly available annual or interim financial statements of the Issuer, prepared in accordance with IFRS); or

(b) to which is transferred all or substantially all the assets and undertakings of a Subsidiary of Holdco which immediately prior to such transfer is a Material Subsidiary,

provided that (i) notwithstanding the above, if Holdco is the Parent at any time, the Issuer shall be a Material Subsidiary at such time and thereafter and (ii) for the purpose of calculating the ratios set out in paragraph (a) above, the assets and revenues of any Subsidiary of Holdco shall be taken into account only (A) to the extent such assets and revenues are not eliminated in the preparation of the relevant consolidated financial statements of Holdco in accordance with IFRS and (B) in the same amounts as such assets and revenues are included in the relevant consolidated financial statements of Holdco.

"**Measurement Period**" means each financial half-year ending on 30 June or 31 December for which consolidated financial statements of Holdco (or the other relevant Person in respect of which the particular calculation is to be made, as the case may be) prepared in accordance with IFRS are available. For the avoidance of doubt, any non-balance sheet financial information for a Measurement Period ending on 31 December of any year shall be calculated by subtracting (a) the relevant information for the Measurement Period ending on 30 June of that year from (b) the equivalent information for that year.

"**Moody's**" means Moody's Investors Service Limited or any successor to its ratings business.

"**New Issuer**" has the meaning given to it in Condition 3.8 (*Substitution of Issuer*).

"**Non-Recourse Indebtedness**" means Indebtedness with respect to which (as expressly set forth in the relevant instruments governing such Indebtedness):

(a) no member of the Group (other than a Project Subsidiary) (i) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (ii) is directly or indirectly liable as a guarantor or otherwise, or (iii) constitutes the lender; and

(b) no default (including any rights that the holders thereof may have to take enforcement action against the obligor thereof) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Notes) of any other member of the Group (other than a Project Subsidiary) to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity.

"**Non-Recourse Project Finance Indebtedness**" means any Indebtedness which is Non-Recourse Indebtedness and which is issued, borrowed or raised by a Project Subsidiary to finance the ownership, acquisition, development and/or operation of an asset or project where there is no recourse whatsoever for repayment thereof other than:

(a) recourse to the cash flow or net cash flow from such asset or project (including insurance proceeds); and/or

(b) recourse, for the purpose only of enabling amounts to be claimed in respect of such Indebtedness, over such asset or project or the income, cash flow or other proceeds deriving therefrom, *provided that* the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement.

"**Obligor**" means:

(a) prior to Designation or Issuer Substitution, the Subsidiary Guarantors (if any);

(b) on and following Designation, the Issuer and the Subsidiary Guarantors (if any); and

(c) on and following Issuer Substitution, the Original Issuer (if the Original Issuer Guarantee is applicable pursuant to Condition 3.8(a)(i)) (*Substitution of Issuer*) and the Subsidiary Guarantors (if any).

"**Original Issuer**" has the meaning given to it in Condition 3.8 (*Substitution of Issuer*).

"**Parent**" means Evraz plc, a public limited company incorporated under the laws of England and Wales, having its registered office at 5th floor, 6 St Andrews Street, London EC4A 3AE, United Kingdom or any successor thereof.

"**Parent Entity**" means, with respect to any Person, any direct or indirect parent company of such Person or any Affiliate thereof.

"**Permitted Indebtedness**" means:

(a) the incurrence by Holdco or any Subsidiary of Holdco of intercompany Indebtedness to Holdco and/or any Subsidiary of Holdco, provided that (i) any disposition, pledge or transfer of the rights under any such Indebtedness to any Person other than a disposition, pledge or transfer to Holdco or a Subsidiary of Holdco and (ii) any transaction pursuant to which any Subsidiary of Holdco that has Indebtedness owing to it from Holdco or another Subsidiary ceases to be a Subsidiary of Holdco, shall, in each case, be deemed to be an incurrence of such Indebtedness which shall not be permitted by this paragraph (a);

(b) Refinancing Indebtedness in respect of (i) the Notes, (ii) Indebtedness of the Issuer or its Subsidiaries outstanding on the Issue Date, (iii) Indebtedness incurred pursuant to Conditions 4.2(a) (*Financial Covenants*) or 4.2(b) (*Financial Covenants*) and (iv) Indebtedness incurred pursuant to this paragraph (b);

(c) obligations under hedging agreements entered into in the ordinary course of business for the purposes of protection against or benefiting from fluctuations in the rates of exchange or prices or interest rates and not for speculative purposes unrelated to transactions undertaken in the ordinary course of business;

(d) Indebtedness in respect of performance, bid, appeal and surety bonds, completion bonds and guarantees and letters of credit provided by Holdco or any of its Subsidiaries and that do not secure other indebtedness, in amounts and for purposes customary in the Core or Related Business;

(e) Indebtedness arising from netting arrangements and the honouring by a bank or other financial institution of a cheque, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of its incurrence;

(f) Indebtedness arising from agreements of Holdco or a Subsidiary of Holdco providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Capital Stock of any Subsidiary of Holdco; provided, that (i) the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds (including the Fair Market Value of non-cash consideration actually received by (or held in escrow as collateral for such Indebtedness for later release to) Holdco and its Subsidiaries in connection with such disposition (without giving effect to any subsequent changes in value) and (ii) such Indebtedness is not reflected on the balance sheet of Holdco or any Subsidiary of Holdco (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet shall not be deemed to be reflected on such balance sheet for purposes of this paragraph (f);

(g) Indebtedness in respect of workers' compensation claims or claims arising under similar legislation, or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;

(h) Indebtedness in respect of Capital Lease Obligations and Purchase Money Indebtedness, provided that the aggregate principal amount of such Indebtedness does not exceed the aggregate of the Fair Market Value (on the date of the incurrence thereof including any refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less, thereof as of the date of refinancing) of the property or assets acquired, constructed or leased and expenses in connection therewith, and provided further that the aggregate principal amount of such Indebtedness incurred under this paragraph (h) does not exceed U.S.$100 million (or its U.S. Dollar Equivalent) at any time outstanding;

(i) Indebtedness in respect of Non-Recourse Project Finance Indebtedness of any Project Subsidiary; and

(j) Indebtedness in an aggregate principal amount up to U.S.$300 million (or its U.S. Dollar Equivalent) incurred by Holdco or a Subsidiary of Holdco, provided however, that if an item of Indebtedness initially incurred pursuant to this paragraph (j) can subsequently be incurred pursuant to Condition

4.2(a) (*Financial Covenants*), such Indebtedness shall be deemed to have been incurred under Condition 4.2(a) (*Financial Covenants*) and not under this paragraph (j).

"**Permitted Liens**" means:

(a) Liens granted by a Subsidiary of Holdco in favour of the Issuer or the Guarantor(s) (if any) or a Subsidiary of Holdco or the Guarantor(s) (if any) or by the Issuer or the Guarantor(s) (if any) in favour of a Subsidiary of Holdco or the Guarantor(s) (if any) with respect to the property or assets, or any income or profits therefrom, of Holdco or the Guarantor(s) (if any) or such Subsidiary of Holdco, as the case may be;

(b) any Lien of the Issuer or any of its Subsidiaries existing on the Issue Date;

(c) Liens imposed by law, including but without limitation, Liens of landlords and carriers, warehousemen, mechanics, suppliers, material men, repairmen or other similar Liens arising in the ordinary course of business;

(d) any Lien on any property, income, assets or revenues of any Person existing at the time such Person is acquired, merged or consolidated with or into Holdco, the Guarantor(s) (if any) or any of their respective Subsidiaries and not created in contemplation of such event provided that no such Lien shall extend to any other property, income, assets or revenues of such Person or to any other property or assets of the Subsidiaries of such Person or Holdco, the Guarantor(s) (if any) or any of their respective Subsidiaries;

(e) any Lien existing on any property, income, assets or revenues prior to the acquisition thereof by Holdco, the Guarantor(s) (if any) or any of their respective Subsidiaries and not created in contemplation of such acquisition; provided that no such Lien shall extend to any other property, income, assets or revenues of Holdco, the Guarantor(s) (if any) or any of their respective Subsidiaries;

(f) any extension, renewal or replacement of any Lien described in paragraphs (a) to (e) above, provided that (i) such extension, renewal or replacement shall be no more restrictive to the relevant Person in any material respect than the original Lien, (ii) the amount of Indebtedness secured by such Lien is not increased and (iii) if the property, income, assets or revenues securing the Indebtedness subject to such Lien are changed in connection with such refinancing, extension or replacement, the Fair Market Value of such property, income, assets or revenues is not increased;

(g) any Lien on the property, income, assets or revenues of Holdco, the Guarantor(s) (if any) or any of their respective Subsidiaries securing Indebtedness of Holdco, the Guarantor(s) (if any) or any of its Subsidiaries incurred in an aggregate principal amount outstanding at any one time not to exceed 20% of the total assets of Holdco (determined on a consolidated basis by reference to the then most recent publicly available annual or interim financial statements of Holdco prepared in accordance with IFRS). For the avoidance of doubt this paragraph (g) does not include any Lien created in accordance with paragraphs (a) above to (f) or (h) to (n) hereof;

(h) any Lien on the property, income, assets or revenues of Holdco, the Guarantor(s) (if any) or any of their respective Subsidiaries securing working capital facilities which make advances of a tenor of 180 days or less with an aggregate principal amount outstanding at any time not to exceed 10%, of the Consolidated Tangible Assets;

(i) any Lien on any property, income, assets or revenues of Holdco, the Guarantor(s) (if any) or any of their respective Subsidiaries (including any Capital Stock of an acquired company that is used as security in connection with the acquisition of such company) securing Indebtedness incurred for the purpose of financing all or part of the acquisition, maintenance, repair or construction of such property or assets provided that (i) such Lien is created solely for the purpose of securing Indebtedness incurred by Holdco, the Guarantor(s) (if any) or the relevant Subsidiary of Holdco in compliance with Condition 4.2 (*Financial Covenants*), (ii) no such Lien shall extend to any other property or assets of Holdco, the Guarantor(s) (if any) or their respective Subsidiaries, (iii) the aggregate principal amount of all Indebtedness secured by Liens under this paragraph (i) on such property or assets does not exceed the purchase price of such

property or assets (including customs duties, transport, insurance, construction and installation costs and other incidental costs and expenses of purchase and any VAT or similar taxes thereon) and (iv) such Lien attaches to such property or assets concurrently with the maintenance or repair thereof or within 90 days after the acquisition or commencement of construction thereof, as the case may be;

(j) any Lien granted in favour of a Person providing Non-Recourse Project Finance Indebtedness if the Lien is solely on the property, income, assets or revenues of the project for which the financing was incurred provided that (i) the person or persons providing such financing limits its recourse solely to the property, income, assets or revenues subject to such Lien, (ii) such Lien is created solely for the purpose of securing Indebtedness incurred by Holdco, the Guarantor(s) (if any) or a Subsidiary of Holdco or the Guarantor(s) (if any) in compliance with Condition 4.2 (*Financial Covenants*), and (iii) no such Lien shall extend to any other property, income, assets or revenues of Holdco, or the Guarantor(s) (if any) or their respective Subsidiaries;

(k) any Lien upon any steel, ferrous metal, iron ore or coal export contract with or through any Material Subsidiary (including contracts for sale, transportation or exchange, utilisation and pooling declarations and agreements), and any related inventory and products, and proceeds thereof, which contract is entered into from time to time between any of Holdco or the Guarantor(s) (if any) or their respective Subsidiaries, on the one hand, and a purchaser in the ordinary course of the business of Holdco, the Guarantor(s) (if any) or such Subsidiaries, as the case may be, on the other hand, in a form that is customary in the steel, iron ore mining or coal mining industry, as applicable;

(l) any Lien in respect of obligations arising under hedging agreements so long as the related Indebtedness is permitted to be incurred under these Conditions and any such hedging agreement is not speculative;

(m) a right of set-off, right to combine accounts or any analogous right which any bank or other financial institution may have relating to any credit balance of any member of the Group; and

(n) any Lien for ad valorem, income or property taxes or assessments, customs charges and similar charges which either are not delinquent or are being contested in good faith by appropriate proceedings for which Holdco, the Guarantor(s) (if any) or any Subsidiary of Holdco or the Guarantor(s) (if any) has set aside in its accounts reserves to the extent required by IFRS.

"**Person**" means any individual, corporation, partnership, joint venture, trust, unincorporated organisation or government or any Agency or political subdivision thereof.

"**Potential Event of Default**" means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, could constitute an Event of Default.

"**Production Assets**" means property, plant and equipment of the Group determined in accordance with IFRS.

"**Project Subsidiary**" means any Subsidiary of the Issuer (a) the Capital Stock of which is partially held by third party investors, (b) which is established solely for the purpose of ownership, acquisition, development and operation of an asset or project and (c) which has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of any member of the Group (other than another Project Subsidiary).

"**Purchase Money Indebtedness**" means Indebtedness:

(a) where the aggregate principal amount of such Indebtedness does not exceed the Fair Market Value of the property, plant, equipment or capital assets purchased for use in the business of the Group as at the date of the incurrence thereof including any refinancing of such Indebtedness that does not increase the aggregate principal amount (or accreted amount, if less) thereof as of the date of refinancing, and the maturity of such Indebtedness does not exceed the anticipated useful life of the property, plant, equipment or capital assets being financed; and

(b) incurred to finance the acquisition, construction, improvement or lease of such property, plant, equipment or capital assets, including additions and improvements thereto,

provided, however, that such Indebtedness is incurred within 180 days after the acquisition, construction, improvement or lease of such property, plant equipment or capital assets by Holdco or a Subsidiary of Holdco.

"**Qualified Securitisation Transaction**" means any asset securitisation transaction or series of asset securitisation transactions that may be entered into by the Issuer, the Guarantor(s) (if any) or any Material Subsidiary pursuant to which such person may sell or otherwise transfer or dispose its accounts receivables and other related assets to (a) a Securitisation Entity (in the case of a transfer by the Issuer, the Guarantors (if any) or any Material Subsidiary) or (b) any other Person (in the case of a transfer by a Securitisation Entity).

"**Rated Entity**" means (a) prior to the Designation Date or the Issuer Substitution Date, the Issuer; (b) with effect from the Designation Date, the Issuer or the Parent; or (c) with effect from the Issuer Substitution Date, the New Issuer.

"**Rating Agency**" means any of Fitch, Moody's or Standard & Poor's or if any of Fitch, Moody's or Standard & Poor's cease to publish ratings of securities, any other internationally recognised statistical rating organisation.

"**Rating Downgrade**" means the downgrade by one or more notches by any Rating Agency of any ratings then assigned to the Notes by such Rating Agency, provided (a) such downgrade occurs within 60 calendar days following the Issuer Substitution Date and (b) such Rating Agency shall have publicly announced that such downgrade results from the Issuer Substitution.

"**Refinanc**e" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue Indebtedness in exchange or replacement for, such Indebtedness in whole or in part.

"**Refinanced and Refinancing**" shall have correlative meanings.

"**Refinancing Indebtedness**" means Indebtedness that Refinances any Indebtedness of Holdco or any Subsidiary of Holdco, to the extent that:

(a) such Refinancing does not result in an increase in the aggregate principal amount of the consolidated Indebtedness of Holdco as of the date of such proposed Refinancing (plus the amount of any premium required to be paid under the terms of the instrument governing such Indebtedness and plus the amount of reasonable fees and expenses incurred by Holdco in connection with such Refinancing);

(b) such Refinancing does not create Indebtedness with:

  (i) a Weighted Average Life to Maturity that is less than the Weighted Average Life to Maturity of the Indebtedness being Refinanced; or

  (ii) a final maturity earlier than the final maturity of the Indebtedness being Refinanced;

(c) if the Indebtedness being Refinanced is subordinated in right of payment to the Notes, such Refinancing Indebtedness is subordinated in right of payment to the Notes at least to the same extent as the Indebtedness being Refinanced; and

(d) if the Indebtedness being refinanced is solely Indebtedness of Holdco, then either (i) such Refinancing Indebtedness shall be Indebtedness solely of the Issuer or Parent or (ii) such Refinancing Indebtedness shall comply with Condition 4.2(a)(ii) or (iii) (*Financial Covenants*).

"**Relevant Board**" means (a) prior to the Designation Date, the Board of Directors of the Issuer; (b) with effect from the Designation Date, the Board of Directors of Holdco; and (c) with effect from the Issuer Substitution Date, the Board of Directors of the New Issuer.

"**Reporting Package**" means, for any period, the financial statements of a Material Subsidiary prepared in accordance with IFRS and used in preparing the consolidated financial statements of Holdco for such period prepared in accordance with IFRS.

"**Russia**" shall mean the Russian Federation and any province or political subdivision or Agency thereof or therein, and "Russian" shall be construed accordingly.

"**Securitisation Entity**" means a wholly owned Material Subsidiary, or a wholly owned Subsidiary of another Person in which Holdco, the Guarantor(s) (if any) or any Affiliate of Holdco or the Guarantor(s) (if any) makes an Investment, and in each case to which Holdco, the Guarantor(s) (if any) or any Affiliate of Holdco or the Guarantor(s) (if any) transfers accounts receivables and related assets, that engages in no activities other than in connection with the financing of accounts receivables which is designated by the Board of Directors of Holdco or the Guarantor(s) (if any) (as provided below) as a Securitisation Entity; and

(a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which:

    (i) is guaranteed by Holdco, the Guarantor(s) (if any) or any Material Subsidiary;

    (ii) gives recourse to or obliges Holdco, the Guarantor(s) (if any) or any Material Subsidiary (other than such Securitisation Entity) in any way; or

    (iii) subjects any property or asset of Holdco, the Guarantor(s) (if any) or any Material Subsidiary (other than such Securitisation Entity), directly or indirectly, contingently or otherwise, to the satisfaction thereof,

    in each case other than pursuant to representations, warranties, covenants and indemnities by Holdco, the Guarantors) (if any) or any Material Subsidiary that are reasonably customary in an accounts receivables securitisation transaction;

(b) with which none of Holdco, the Guarantor(s) (if any) or any Material Subsidiary (other than such Securitisation Entity) has any material contract, agreement, arrangement or understanding other than on terms no less favourable to Holdco, the Guarantor(s) (if any) or the relevant Material Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of Holdco or the Guarantors (if any), other than fees payable in the ordinary course of business in connection with servicing accounts receivable of such entity; and

(c) to which none of Holdco, the Guarantor(s) (if any) or the Material Subsidiaries (other than such Securitisation Entity) has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any designation of a Material Subsidiary or an Affiliate as a Securitisation Entity shall be evidenced to the Trustee by filing with the Trustee a certified copy of the resolution of the relevant Board of Directors giving effect to the designation and any officers' certificate certifying that the designation complied with the preceding conditions and was permitted by these Conditions which shall be binding on the Trustee.

"**Standard & Poor's**" means Standard & Poor's Credit Market Services France SAS, or any successor to its ratings business.

"**Subordinated Shareholder Funding**" means any subordinated Indebtedness issued by Holdco or the Issuer to a Parent Entity of Holdco, that by its terms or pursuant to the terms of subordination agreement to which the Trustee, on behalf of the Noteholders, is a party:

(a) does not mature and is not mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder, in whole or in part, and does not include any provision requiring repurchase or otherwise become due and payable prior to the date that is one year after the date on which the Notes mature (other than through conversion or exchange of any security or instrument for Capital Stock of Holdco or the Issuer or for any other security or instrument meeting the requirements of the definition);

(b) does not require to provide for the payment, in cash, is interest or any other amounts prior to its final stated maturity (provided, interest may accrue while such subordinated Indebtedness is outstanding);

(c) does not provide for acceleration of its maturity or the exercise of remedies prior to the date that is one year after the date on which the Notes mature and are repaid other than by converting it into Capital Stock; and

(d) is not secured by a Lien on any asset of Holdco or any Subsidiary of Holdco.

"**Subsidiary**" of any Person means (a) any corporation more than 50% of the outstanding voting power of the Capital Stock of which is owned or controlled, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person, or by such Person and one or more other Subsidiaries thereof, (b) any limited partnership of which such Person or any Affiliate of such Person is a general partner, (c) any other Person in which such Person, or one or more other Subsidiaries of such Person, or such Person and one or more other Subsidiaries, directly or indirectly, has more than 50% of the outstanding partnership or similar interests or has the power, by contract or otherwise, to direct or cause the direction of the policies, management and affairs thereof or (d) any Person whose financial statements are required by IFRS to be consolidated into the financial statements of such Person.

"**Subsidiary Indebtedness Threshold**" means 30% of Holdco's Consolidated Tangible Assets.

"**Treasury Rate**" means the yield to maturity at the time of computation of U.S. Treasury securities with a constant maturity most nearly equal to the period from the redemption date to 20 March 2023. Holdco will obtain such yield to maturity from the information compiled and published in the most recent Federal Reserve Statistical Release H. 15(519) which has become publicly available at least two Business Days prior to the redemption date. If such Statistical Release is no longer published, Holdco will use any publicly available source or similar market data. If the period from the redemption date to 20 March 2023 is not equal to the constant maturity of a U.S. Treasury security for which a weekly average yield is given, Holdco will obtain the Treasury Rate by linear interpolation, calculated to the nearest one-twelfth of a year, from the weekly average yields of U.S. Treasury securities for which such yields are given. If the period from the redemption date to 20 March 2023 is less than one year, Holdco will use the weekly average yield on actually traded U.S. Treasury securities adjusted to a constant maturity of one year to make such calculation.

"**U.S. Dollar Equivalent**" means with respect to any amount denominated in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such other currency involved into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with such other currency as most recently published under "Currency Rates" in the section of the Financial Times entitled "Currencies, Bonds & Interest Rates".

"**U.S. GAAP**" means United States generally accepted accounting principles as in effect from time to time.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

(a) the then outstanding aggregate principal amount or liquidation preference, as the case may be, of such Indebtedness into:

(b) the sum of the products obtained by multiplying:

    (i) the amount of each then remaining instalment, sinking fund, serial maturity or other required payment of principal or liquidation preference, as the case may be, including payment at final maturity, in respect thereof, by;

    (ii) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acquiring such Notes for its own account, or for the account of one or more QIBs and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

2. The Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of one or more QIBs or (b) to a non-U.S. Person (as defined in Regulation S) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any state of the United States.

3. The purchaser of the Notes will be deemed to represent, warrant and agree that either (A) it is not and for so long as it holds a Note (or any interest therein) will not be (i) an "employee benefit plan" as defined in Section 3(3) of ERISA (as defined below) that is subject to Title I of ERISA, (ii) a "plan" as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include, or are deemed to include, the assets of any such employee benefit plan subject to Title I of ERISA or other plan subject to Section 4975 the Code, or (iv) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (B) its acquisition, holding and disposition of the Notes (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code for which an exemption is not available (or, in the case of such a governmental, church or non-U.S. plan, a violation of any such substantially similar U.S. federal, state, local or non-U.S. law). Any purported purchase of a Note (or an interest therein) that does not comply with the foregoing shall be null and void *ab initio*.

4. The Rule 144A Notes, unless the Issuer determines otherwise in compliance with applicable law, will bear a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**"), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE NOTES.

EACH PURCHASER OF THIS NOTE WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT BE (I) AN "**EMPLOYEE BENEFIT PLAN**" AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED TO INCLUDES THE ASSETS OF

ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA OR OTHER NON U.S. PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY UNITED STATES FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH AN EXEMPTION IS NOT AVAILABLE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW). ANY PURPORTED PURCHASE OF THIS NOTE (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID AB INITIO.

5. It understands that the Issuer, the Registrar, the Joint Lead Managers and Bookrunners and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

6. It understands that the Rule 144A Notes will be evidenced by a Rule 144A Global Note Certificate. Before any interest in the Rule 144A Global Notes may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate, it will be required to provide the Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and is purchasing the Notes in an offshore transaction pursuant to Regulation S.

2. It understands that such Notes have not been and will not be registered under the Securities Act and that it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or the account of a QIB or (b) to a non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

3. The purchaser of the Notes will be deemed to represent, warrant and agree that it is not and for so long as it holds a Note (or any interest therein) will not be (A) (i) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) a "plan" as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets include, or are deemed to include, the assets of any such employee benefit plan subject to Title I of ERISA or other plan subject to Section 4975 of the Code, or (iv) a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (B) its acquisition, holding and disposition of the Notes (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code for which an exemption is not available (or, in the case of such a governmental, church or non-U.S. plan, a violation of any such substantially similar U.S. federal, state, local or non-U.S. law). Any purported purchase of a Note (or an interest therein) that does not comply with the foregoing shall be null and void *ab initio*.

4. Any purported purchase of a Note (or any interest therein) that does not comply with the foregoing shall be null and void *ab initio*.

5. It understands that such Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend substantially to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

EACH PURCHASER OF THIS NOTE WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT BE (A)(I) AN "**EMPLOYEE BENEFIT PLAN**" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED TO INCLUDE, THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH AN EXEMPTION IS NOT AVAILABLE (OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW). ANY PURPORTED PURCHASE OF THIS NOTE (OR ANY INTEREST HEREIN) THAT DOES NOT COMPLY WITH THE FOREGOING SHALL BE NULL AND VOID AB INITIO.

6. It understands that the Issuer, the Registrar, the Joint Lead Managers and Bookrunners and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

7. It understands that the Notes offered in reliance on Regulation S will be represented by the Regulation S Global Note Certificate. Before any interest in the Regulation S Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate, it will be required to provide the Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

ERISA AND CERTAIN OTHER UNITED STATES CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Notes are acquired by a Plan with respect to which any of the Issuer, the Joint Lead Managers and Bookrunners or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exceptions. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes, or that, if an exemption is available, it will cover all aspects of any particular transaction. By its purchase of any Notes (or any interest in a Note), each purchaser (whether in the case of the initial purchase or in the case of a subsequent transfer) will be deemed to have represented and agreed either that (i) it is not and for so long as it holds a Note (or any interest therein) will not be a Plan, an entity whose underlying assets include, or are deemed to include, the assets of any such Plan (each of the foregoing, a "**Benefit Plan Investor**"), or a governmental, church or non-U.S. plan which is subject to any U.S. federal, state, local or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its acquisition, holding and disposition of the Notes (or any interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code for which an exemption is not available (or, in the case of such a governmental, church or non-U.S. plan, a violation of any such substantially similar U.S. federal, state, local or non-U.S. law). Any purported purchase of a Note (or an interest therein) that does not comply with the foregoing shall be null and void *ab initio.*

Governmental plans as defined in Section 3(32) of ERISA, certain church plans as defined in Section 3(33) of ERISA and non-U.S. plans as described in Section 4(6)(4) of ERISA, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state, local, other federal or non-U.S. laws that are substantially similar to ERISA and Section 4975 of the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of Notes to a Plan is in no respect a representation by the Issuer, the Joint Lead Managers and Bookrunners that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Global Note Certificates

The Notes will be represented on issue by the Regulation S Global Note Certificate (deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg) and the Rule 144A Global Note Certificates (deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC).

Beneficial interests in the Regulation S Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*Clearing and Settlement—Book-Entry Procedures for the Global Note Certificates*". By acquisition of a beneficial interest in the Regulation S Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person, that it is located outside the United States and that it will transfer such interest only (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB, in each case in accordance with any applicable securities laws of any state of the United States. See "*Transfer Restrictions*".

Beneficial interests in the Rule 144A Global Note Certificate may only be held through DTC at any time. See "*Clearing and Settlement—Book-Entry Procedures for the Global Note Certificates*". By acquisition of a beneficial interest in the Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Trust Deed. See "*Transfer Restrictions*".

Beneficial interests in each Global Note Certificate will be subject to certain restrictions on transfer set forth therein and in the Trust Deed, and with respect to Rule 144A Notes, as set forth in Rule 144A, and the Notes will bear the legends set forth thereon regarding such restrictions set forth under "*Transfer Restrictions*". A beneficial interest in the Regulation S Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate in denominations greater than or equal to the minimum denominations applicable to interests in the Rule 144A Global Note Certificate and only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that the transfer is being made in an offshore transaction in accordance with Regulation S.

Any beneficial interest in the Regulation S Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate will, upon transfer, cease to be an interest in the Regulation S Global Note Certificate and become an interest in the Rule 144A Global Note Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note Certificate for as long as it remains such an interest. Any beneficial interest in the Rule 144A Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate will, upon transfer, cease to be an interest in the Rule 144A Global Note Certificate and become an interest in the Regulation S Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note Certificate for so long as it remains such an

interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of the Individual Certificates. The Notes are not issuable in bearer form.

In the event that a Global Note Certificate is exchanged for Individual Certificates, such Individual Certificates shall be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Noteholders who hold Notes in the relevant clearing system in amounts that are not integral multiples of U.S.$200,000 or U.S.$1,000 in excess thereof may need to purchase or sell, on or before the relevant Exchange Date (as defined below), a principal amount of Notes such that their holding is an integral multiple of U.S.$200,000 or U.S.$1,000 in excess thereof.

Exchange for Individual Certificates

Exchange

Each Global Note Certificate will become exchangeable in whole, but not in part, for Individual Certificates if: (i) a Global Note Certificate is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available; or (ii) any of the circumstances described in Condition 10 (*Events of Default*) occurs.

Whenever a Global Note Certificate is to be exchanged for Individual Certificates, such Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of such Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate, DTC, Euroclear and/or Clearstream, Luxembourg to the Registrar of such information as is required to complete and deliver such Individual Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Certificates are to be registered and the principal amount of each such person’s holding) against the surrender of the Global Note Certificate at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

The Registrar will not register the transfer of, or exchange of interests in, the Global Note Certificate for Individual Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

“**Exchange Date**” means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note Certificate shall be exchanged in full for Individual Certificates and the Issuer will, free of charge to the Noteholders (but against such indemnity as the Registrar or the Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note Certificate must provide the Registrar with (a) a written order containing

instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of the Rule 144A Global Note Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB. Individual Certificates issued in exchange for a beneficial interest in the Rule 144A Global Note Certificate shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Amendments to Terms and Conditions

Each Global Note Certificate contains provisions that apply to the Notes that it represents, some of which modify the effect of the above Terms and Conditions of the Notes. The following is a summary of those provisions:

Payments

Payments of principal and interest in respect of Notes evidenced by a Global Note Certificate will be made to the person who appears on the register of the Noteholders as holder of the Notes represented by a Global Note Certificate on the Clearing System Business Day (as defined below) immediately prior to the date of the relevant payment against presentation and, if no further payment falls to be made in respect of the relevant Notes, surrender of such Global Note Certificate to or to the order of the Principal Paying Agent or such other Paying Agent or Transfer Agent as shall have been notified to the relevant Noteholders for such purpose. Upon any payment of principal or interest on a Global Note Certificate the amount so paid shall be endorsed by or on behalf of the Principal Paying Agent on behalf of the Issuer in the appropriate schedule to the relevant Global Note Certificate, which endorsement will be *prima facie* evidence that such payment has been made in respect of the relevant Notes. As used in this paragraph, "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

Prescription

Claims against the Issuer in respect of principal or premium and interest on the Notes while the Notes are represented by a Global Note Certificate will be prescribed after 10 years (in the case of principal and premium) and five years (in the case of interest) from the appropriate due date.

Trustee's Powers

In considering the interests of holders of the Notes while the Global Note Certificates are held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to each Global Note Certificate and may consider such interests as if such accountholders were the holder of any Global Note Certificate.

Notices

Notwithstanding Condition 13 (*Notices*), for so long as a Global Note Certificate is held on behalf of DTC, Euroclear and Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to holders of Notes represented by a Global Note Certificate may be given by delivery of the relevant notice to DTC, Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System. Any such notice shall be deemed to be given to the holders of the Notes on the day on which such notice is delivered to DTC, Euroclear, Clearstream or (as the case may be) the Alternative Clearing System, provided that for so long as the Notes are listed and admitted to trading on the Irish Stock Exchange, notices will also be filed at the Companies Announcements Office of the Irish Stock Exchange.

Meetings

The holder of each Global Note Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of holders of the Notes and, at any such meeting, as having one vote in respect of each U.S.$1,000 in principal amount of Notes for which the relevant Global Note Certificate may be exchanged.

Cancellation

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note Certificate.

Put Option

For so long as all of the Notes are represented by one or more Global Note Certificates and such Global Note Certificates are held on behalf of DTC, Euroclear or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 7.4 (*Redemption at the option of Noteholders upon a Rating Downgrade*) may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of DTC, Euroclear or Clearstream, Luxembourg as the case may be (which may include notice being given on such Noteholder's instruction by DTC, Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised.

As used herein, "**Accountholder**" means each person who is for the time being shown in the records of DTC, Euroclear, or Clearstream, Luxembourg as the holder of a particular amount of Notes represented by the relevant Global Note Certificate.

Legends

The holder of an Individual Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Individual Certificate bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Individual Certificate, the Issuer will deliver only Rule 144A Individual Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

CLEARING AND SETTLEMENT

Book-Entry Procedures for the Global Note Certificates

Custodial and depository links are to be established between DTC, Euroclear or Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross market transfers of the Notes associated with secondary market trading. See "*—Book-Entry Ownership*" and "*—Settlement and Transfer of Notes*".

Investors may hold their interests in the Global Note Certificates directly through DTC, Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Note Certificate directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the Rule 144A Global Note Certificate as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*Summary of Provisions Relating to the Notes while in Global Form— Exchange for Individual Certificates*", DTC will surrender the Rule 144A Individual Certificate for exchange for individual Rule 144A definitive note certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note Certificate representing the Regulation S Notes will have an ISIN, a Common Code and a CFI code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42A, Avenue John F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg.

DTC

The Rule 144A Global Note Certificate representing the Rule 144A Notes will have an ISIN, a Common Code and a CUSIP number and will be deposited with a custodian (the "**Custodian**") for, and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg as the holder of a Note evidenced by a Global Note Certificate must look solely to DTC, Euroclear or Clearstream, Luxembourg (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note Certificate and in relation to all other rights arising under such Global Note Certificate, subject to and in accordance with the respective rules and procedures of DTC, Euroclear or Clearstream, Luxembourg (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant Participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant common depositary or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate, and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records.

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a clearing system are exchanged for Individual Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system, and its records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note Certificate to such persons may be limited. As DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in the Rule 144A Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be effected by a lack of physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in the Rule 144A Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Note Certificate (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of the Rule 144A Global Note Certificate will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note Certificate of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in the Rule 144A Global Note Certificate (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg Participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note Certificate who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note Certificate.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in Global Note Certificates among Participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that delivery of the Notes will be made against payment therefor on the Closing Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise.

Accordingly, purchasers who wish to trade the Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the Closing Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary.

Purchasers of the Notes may be effected by such local settlement practices, and purchasers of the Notes between the relevant date of pricing and the Closing Date should consult their own advisers.

SUBSCRIPTION AND SALE

Bank GPB International S.A., Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, J.P. Morgan Securities plc and VTB Capital plc (the "**Joint Lead Managers and Bookrunners**") have, pursuant to a subscription agreement dated 16 March 2017 between the Issuer, the Joint Lead Managers and Bookrunners relating to the Notes (the "**Subscription Agreement**"), severally agreed to subscribe or procure subscribers for the amount of Notes set out below at the issue price of 100% of the principal amount of the Notes (the "**Issue Price**").

Bank	**Purchase Commitment** *(U.S.$)*
Bank GPB International S.A.	150,000,000
Citigroup Global Markets Limited	150,000,000
Deutsche Bank AG, London Branch	150,000,000
J.P. Morgan Securities plc	150,000,000
VTB Capital plc	150,000,000
Total	750,000,000

Allocation of the Notes

The Issuer will, in connection with the allocation of the Notes in the Offering, consider among other factors whether or not the relevant investor seeking an allocation of the Notes has validly tendered or indicated a firm intention to tender the Existing Notes pursuant to the Tender Offers, and if so, the aggregate principal amount of such Existing Notes tendered or intended to be tendered by such investor. When considering allocations of the Notes, the Issuer intends to look favourably upon those investors who have, prior to the allocation of the Notes, tendered, or indicated their intention to the Issuer or the joint dealer managers pursuant to the Tender Offers to tender, the Existing Notes. However, the Issuer is not obliged to allocate the Notes to an investor which has validly tendered or indicated a firm intention to tender the Existing Notes pursuant to the Tender Offers. Any allocations of the Notes, while being considered by the Issuer as set out above, will be made in accordance with customary allocation processes and procedures.

General

The Subscription Agreement provides that the Issuer will also pay the Joint Lead Managers and Bookrunners their fees, commissions and expenses, and the Issuer has agreed to indemnify the Joint Lead Managers and Bookrunners against certain liabilities, incurred in connection with the issue of the Notes. The Joint Lead Managers and Bookrunners must purchase all the Notes if they purchase any of the Notes. The offering of the Notes by the Joint Lead Managers and Bookrunners is subject to the Joint Lead Managers' and Bookrunners' right to reject any order in whole or in part. The Subscription Agreement may be terminated in certain circumstances set out therein prior to the time that payment is due to the Issuer in respect of the Notes.

The Joint Lead Managers and Bookrunners have advised the Issuer that they currently intend to make a market in the Notes. However, they are not obliged to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, the Issuer cannot provide any assurances to Noteholders as to the liquidity of or the trading market for the Notes.

The Joint Lead Managers and Bookrunners and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment

banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers and Bookrunners or their respective affiliates may have performed investment banking and advisory services for the Issuer and its affiliates from time to time for which they may have received customary fees and expenses.

In the ordinary course of their various business activities, the Joint Lead Managers and Bookrunners and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes are being offered and sold outside the United States by the Joint Lead Managers and Bookrunners in accordance with Regulation S and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except to certain qualified institutional buyers in reliance on Rule 144A under the Securities Act and to certain persons in offshore transaction in reliance on Regulation S. In addition, until the expiration of 40 days after the commencement of the Offering, an offer or sales of the Notes within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Issuer has been informed that the Joint Lead Managers and Bookrunners propose to resell the Notes at the offering price set forth on the cover page of this Prospectus within the United States to persons reasonably believed to be QIBs in reliance upon Rule 144A, and in offshore transactions in accordance with Rule 903 or Rule 904 of Regulation S. The price at which the Notes are offered may be changed at any time without notice.

Each Joint Lead Manager and Bookrunner has represented and agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered, and will not offer, sell or deliver, the Notes:

(a) as part of their distribution at any time; or

(b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes (the "distribution compliance period"), within the United States or to, or for the account or benefit of, U.S. Persons except in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144A and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice substantially to the following effect:

    The Notes received hereby have not been registered under the United States Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account of benefit of U.S. persons, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date except in either case in accordance with Regulation S under the Securities Act ("**Regulation S**"). Terms used above have the meaning given to them by Regulation S.

Offers and sales of the Notes in the United States will be made by those Joint Lead Managers and Bookrunners or their affiliates that are registered broker-dealers under the Exchange Act, or in accordance with Rule 15a-6 thereunder. To the extent that the Joint Lead Managers and Bookrunners intend to effect any

sales of the Notes in the United States, they will do so through their respective U.S. broker-dealer affiliates, or one or more U.S. registered broker-dealers or as otherwise permitted by applicable United States law.

United Kingdom

Each Joint Lead Manager and Bookrunner has represented and agreed that:

(a) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

Russian Federation

Each Joint Lead Manager and Bookrunner has represented and agreed that it has not offered or sold or otherwise transferred and will not offer or sell or otherwise transfer as part of their initial distribution or at any time thereafter any Notes to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in Russia or to any person located within the territory of Russia unless and to the extent otherwise permitted under the law of Russia.

General

These selling restrictions may be modified by the agreement of the Issuer, the Joint Lead Managers and Bookrunners following a change in a relevant law, regulation or directive.

Each Joint Lead Manager and Bookrunner has agreed that it has, to the best of its knowledge and belief, complied and will comply in all material respects with applicable laws and regulations in each jurisdiction in which it offers, sells or delivers Notes or distributes this Prospectus (and any amendments thereof and supplements thereto) or any other offering or publicity material relating to the Notes or the Issuer.

No action has been taken, in any jurisdiction, by the Issuer or any of the Joint Lead Managers and Bookrunners that would, or is intended to, permit a public offer of the Notes or possession or distribution of the Prospectus or any other offering or publicity material relating to the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager and Bookrunner has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any prospectus, offering circular, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance in all material respects with any applicable laws and regulations, and all offers and sales of the Notes by it will be made on the same terms.

Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers and Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases, at their own expense.

TAXATION

The following summary of certain Luxembourg and the United States consequences of ownership of the Notes is based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date of this Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set forth herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Notes. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of the Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of the Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Prospectus, and of any actual changes in applicable tax laws after such date.

Grand Duchy of Luxembourg

The following is a general discussion of certain Luxembourg tax consequences of the acquisition, ownership and disposal of the Notes by purchasers resident or non-resident in Luxembourg. The discussion is based on laws currently in force and as applied in practice on the date of this Prospectus, all of which are subject to change, possibly with retroactive effect. The information provided below does not purport to be a complete or exhaustive summary of the tax laws and practice currently applicable in Luxembourg. Prospective investors should therefore consult their own tax advisers regarding the tax consequences of investing in the Notes in their own particular circumstances.

Luxembourg tax residency of the Noteholders

A Noteholder will not be deemed to be resident, domiciled or carrying on business in Luxembourg solely by reason of holding, execution, performance, delivery, exchange and/or enforcement of the Notes.

Withholding tax

Under Luxembourg tax law currently in effect, no withholding tax for Luxembourg resident and non-resident Noteholders on payments of interest (including accrued but unpaid interest) applies to the extent that the interest rate of the Notes is at arm’s length and is not profit participating, subject to the Luxembourg law of 23 December 2005, as amended, which has introduced a 20% withholding tax on savings income in full discharge of Luxembourg income tax thereon for Luxembourg resident individual beneficial owners acting in the course of the management of their private wealth. Responsibility for the withholding will be assumed by the Luxembourg paying agent. For the avoidance of doubt, the Issuer undertakes in Condition 6.5(b) of the Terms and Conditions to maintain a paying agent.

Taxation of the Noteholders

Taxation of Luxembourg non-residents

Noteholders who are non-residents of Luxembourg and who have neither a permanent establishment, a permanent representative nor a fixed base of business in Luxembourg with which the holding of the Notes is connected will not be subject to taxes (income taxes and net wealth tax) or duties in Luxembourg with respect to payments of principal or interest (including accrued but unpaid interest), payments received upon redemption, repurchase or exchange of the Notes or capital gains realised upon disposal or repayment of the Notes.

Taxation of Luxembourg residents—General

Noteholders who are residents of Luxembourg, or non-resident Noteholders who have a permanent establishment, a permanent representative or a fixed base of business in Luxembourg with which the holding of the Notes is connected, must for income tax purposes, include any interest received as business income in their taxable income. They will not be liable to any Luxembourg income tax on repayment of principal.

Luxembourg resident individuals

Taxation of capital gains

The definition of "capital gain" corresponds to the difference between the subscription or acquisition price and the sale price, but excludes any accrued interest income, which is taxed as portfolio income (as discussed below).

Luxembourg resident individual Noteholders are not subject to taxation on capital gains upon the disposal of the Notes unless the Notes are disposed of within six months of the date of acquisition of such Notes or the disposal of the Notes precedes the acquisition of the Notes. Such speculative gain is taxable as miscellaneous income, and consequently added to the taxpayers' other income for determining their taxable basis. As such, it is subject to the progressive income tax table (up to a maximum of 45.78%). Yearly speculative gains less than €500 are exempted.

Taxation of the portion of the repurchase or redemption price corresponding to accrued but unpaid interest

Upon a repurchase or redemption of the Notes, the portion of the repurchase or redemption price corresponding to accrued but unpaid interest is taxable as portfolio income and consequently added to taxpayers' other income for determining their taxable basis. A yearly lump-sum deduction of €1,500 (which is doubled for married taxpayers who are taxable jointly) applies on total portfolio income received during the year.

Luxembourg resident companies (société de capitaux)

Noteholders that are Luxembourg resident companies or foreign entities of the same type that have a permanent establishment in Luxembourg with which the holding of the Notes is connected must include in their taxable income (subject to corporate income tax and municipal business tax at the current aggregate rate of 27.08% for corporate Noteholders having their statutory seat in Luxembourg City in 2017) the difference between the sale or redemption price (including accrued but unpaid interest) and the lower of the cost or book value of the Notes sold or redeemed. These Noteholders should not be liable for any Luxembourg income tax on repayment of principal upon redemption of the Notes.

Luxembourg net wealth tax (payable annually as at 1 January of each year at the rate of 0.5% on the tranche up to EUR 500,000,000 and at a rate of 0.05% on the tranche exceeding EUR 500,000,000 of the company's "unitary value" (which is comparable to the net asset value)) will not be levied on the Notes held by a Noteholder, unless: (a) such holder is a fully taxable Luxembourg resident company other than a company governed by: (i) the law of 22 March 2004 as amended, on securitisation; (ii) the law of 17 December 2010 as amended on undertakings for collective investment; (iii) the law of 13 February 2007 as amended on specialised investment funds; or (iv) the law of 15 June 2004 as amended on the investment company in risk capital; or (v) the law of 11 May 2007 as amended on family estate management companies; or (vi) the law of 23 July 2016 on reserved alternative investment funds or (b) such Notes are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment or a permanent representative.

Other Taxes and Duties

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by Noteholders as a consequence of the issuance of the Notes, nor will any of these taxes be payable as a consequence of a subsequent transfer, repurchase or redemption of the Notes, unless the documents relating to the Notes are voluntarily registered in Luxembourg.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance of the Notes or in respect of the payment of interest or principal under the Notes or the transfer of the Notes. Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuer, if for Luxembourg value added tax purposes such services are rendered or are deemed to be rendered in Luxembourg and an exemption from Luxembourg value added tax does not apply with respect to such services.

Noteholders not permanently resident in Luxembourg at the time of death will not be subject to inheritance or other similar taxes in Luxembourg in respect of the Notes. No Luxembourg gift tax is levied upon a gift or donation of the Notes, if the gift is not passed before a Luxembourg notary or recorded in a deed registered in Luxembourg.

Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Notes at the “issue price” (the first price at which a substantial amount of Notes are sold for money, excluding sales to underwriters, placement agents or wholesalers) in the initial offering that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, U.S. citizens or lawful permanent residents living abroad or investors whose functional currency is not the U.S. dollar).

As used herein, the term “U.S. Holder” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax

consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Notes

Payments of Interest

In general, interest on a Note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes and original issue discount ("OID"), if any, accrued with respect to the Notes (as described below under "*—Original Issue Discount*") constitutes income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Original Issue Discount

General. Unless the Notes are treated as issued with less than a statutorily defined de minimis amount of OID, a U.S. Holder generally will be required to include a portion of the OID in gross income as interest in each taxable year, or portion thereof, in which the U.S. Holder holds the Notes even if the U.S. Holder has not received a cash payment in respect of the OID. The Notes will be treated as issued with OID if the amount of OID is equal to or more than 0.25% multiplied by the product of the stated redemption price at maturity and the number of complete years to maturity from the issue date. The amount of a Note's OID is the excess of the Note's stated redemption price at maturity over its issue price. In general, the stated redemption price at maturity of a Note is the total of all payments provided by the Notes that are not payments of qualified stated interest. In general, an interest payment on a debt security is qualified stated interest if it is one of a series of stated interest payments on a debt security that are unconditionally payable at least annually at a single fixed rate. The stated redemption price at maturity of a Note is its principal amount plus any premium payable upon an early redemption at the U.S. Holder's option (regardless of whether such a redemption actually occurs).

U.S. Holders of Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Notes. The amount of OID includible in income by a U.S. Holder of a Note is the sum of the daily portions of OID with respect to the Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year; and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Note's adjusted issue price at the beginning of the accrual period and the Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of interest on the Note allocable to the accrual period. The "adjusted

issue price" of a Note at the beginning of any accrual period is the issue price of the Note increased by the amount of accrued OID for each prior accrual period.

In determining the accrual of OID, the term of the Notes and the amount payable at maturity are determined assuming that the U.S. Holder's early redemption option is exercised at the earliest possible date, and no OID will accrue after that date.

Election to Treat All Interest as Original Issue Discount. A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "Original Issue Discount—General", with certain modifications. For purposes of this election, interest includes interest and OID, as adjusted by any amortisable bond premium. This election generally applies only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's tax basis in the Notes. U.S. Holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Further Issues

The Issuer may, without the consent of the holders of outstanding Notes, issue additional notes with identical terms. These additional notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, among other things, the additional notes may be considered to have been issued with OID even though the original Notes had no OID, or, in the event the original Notes are issued with OID, the additional notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional notes are not otherwise distinguishable from the original Notes.

Sale or Retirement of the Notes

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis of the Note. A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. dollar cost increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and reduced by the amount of any principal previously paid on the Note. The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income.

Gain or loss recognised by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. Long-term capital gain of non-corporate U.S. Holders is generally subject to favourable rates of tax. The deductibility of capital losses is subject to limitations. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of Notes.

Backup Withholding and Information Reporting

Payments of principal and interest, and accruals of OID, on, and the proceeds of sale or retirement of Notes paid by a U.S. paying agent or other U.S. intermediary will be reported to the U.S. Internal Revenue Service and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments, including payments of accrued OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Notes, including requirements related to the holding of certain foreign financial assets.

LEGAL MATTERS

Certain legal advice for the Issuer as to matters of English, Luxembourg and United States federal law will be provided for by Linklaters LLP. Certain advice for the Joint Lead Managers and Bookrunners as to matters of English and United States federal law will be provided for by Latham & Watkins (London) LLP.

INDEPENDENT AUDITORS

Ernst & Young S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg, with its registered office at 35E avenue John F. Kennedy, L-1855, Luxembourg, and registered with the Registry of Trade and Companies of Luxembourg under number B 47.771, was designated during the general meetings of shareholders held on 15 May 2014, 1 April 2015 and 1 April 2016, the Issuer's approved statutory auditor (*réviseur d'entreprises agréé).* Ernst & Young S.A. audited the consolidated financial statements of the Issuer as of 31 December 2016, 2015 and 2014, and for each year then ended.

Ernst & Young S.A. is registered as a corporate body with the public register of approved audit firms (*cabinets de révision agréés*) drawn up by the *Commission de Surveillance du Secteur Financier* ("**CSSF**"), is a member of the Institute of Auditors (*L'Institut des Réviseurs d'Entreprises*) and is approved and supervised by the CSSF in the context of the law dated 23 July 2016 relating to the audit profession.

GENERAL INFORMATION

1 Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official Listing of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for purposes of the Prospectus Directive.

2 The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The Common Code, ISIN and CFI Code for the Regulation S Notes are 153391572, XS1533915721 and DYFXXR, respectively. The Common Code, ISIN and CUSIP Numbers of the Rule 144A Notes are 111731110, US30050AAG85 and 30050A AG8, respectively.

3 The Issuer has obtained all necessary consents, approval, authorisations or other orders for the issue of the Notes and the other documents to be entered into by the Issuer in connection with the issue of the Notes in Luxembourg.

4 The issue of the Notes and their offer, sale and listing was approved by the Board of Directors of the Issuer on 1 March 2017.

5 Except as described under "*Business—Legal and Compliance and Legal Proceedings*" on page 161, Evraz is not presently involved, nor has it been involved in a period covering at least the previous 12 months, in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) that may have, or have had in the recent past, significant effects on the Issuer and/or Evraz's financial position or profitability.

6 Save as disclosed under "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 59 to 96 and "*Business*" on pages 113 to 154, there has been no significant change in the financial or trading position of Evraz since 31 December 2016.

7 There has been no material adverse change in the prospects of the Issuer since 31 December 2016, such date being the date of the latest audited financial statements.

8 Copies in English of the following documents may be inspected in physical form at the offices of the Principal Paying Agent during usual business hours on any weekday (Saturday, Sunday and public holidays excepted) for so long as any Notes are outstanding:

(c) the articles of incorporation of the Issuer;

(d) the Audited Consolidated Financial Statements audited in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier", for the years ended 31 December 2016, 2015 and 2014, together with the report of Ernst & Young Société Anonyme contained therein;

(e) the Trust Deed constituting the Notes; and

(f) the Agency Agreement.

9 The Issuer prepares annual financial statements in accordance with IFRS as adopted in EU and semi-annual interim condensed financial statements in accordance with International Accounting Standards 34 as adopted by EU.

10 Certain information with respect to Evraz's iron ore and coal reserves is derived from a report of IMC Group Consulting Ltd., an internationally recognised consultancy group, as of 1 July 2013. IMC Group Consulting Ltd (IMC) is an international consultancy and offers a broad spectrum of services in the environmental, mining, minerals, engineering and energy industries worldwide. IMC's headquarters are in Icon Business

Centers, New Lake Drive, Sherwood Park, Nottingham, NG15 0DT, UK. The staff of IMC consists of engineers, accountants, economists and geologists with extensive experience in the metals and mining industries.

11 Save for the fees payable to the Joint Lead Managers and Bookrunners, the Trustee and the Agents, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest that is material to the issue of the Notes.

12 The Issuer expects that the total expenses related to the listing and admission of the Notes to trading will be approximately EUR5,000.

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Audited Annual Consolidated Financial Statements of Evraz for the year ended 31 December 2015

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Evraz Group S.A.
Consolidated Financial Statements

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Building a better
working world

Ernst & Young
Société anonyme

35E, Avenue John F. Kennedy
L-1855 Luxembourg

Tel: +352 42 124 1

www.ey.com/luxembourg

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

To the Shareholders of
Evraz Group S.A.
13, avenue Monterey
L-2163 Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 1 April 2016, we have audited the accompanying consolidated financial statements of Evraz Group S.A., which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

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 as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". 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.

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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 judgement of the "réviseur d'entreprises agréé", 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 "réviseur d'entreprises agréé" 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 the Board of Directors, 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 give a true and fair view of the financial position of Evraz Group S.A. as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Yves Even

Luxembourg, 28 February 2017

Evraz Group S.A.
Consolidated Statement of Operations
(in millions of US dollars, except for per share information)

	Notes	Year ended 31 December 2016	2015*	2014*
Continuing operations				
Revenue				
Sale of goods	**3**	**$ 7,477**	$ 8,552	$ 12,745
Rendering of services	**3**	**236**	215	316
		7,713	8,767	13,061
Cost of revenue	**7**	**(5,521)**	(6,583)	(9,734)
Gross profit		**2,192**	2,184	3,327
Selling and distribution costs	**7**	**(623)**	(728)	(930)
General and administrative expenses	**7**	**(462)**	(545)	(811)
Social and social infrastructure maintenance expenses		**(23)**	(28)	(30)
Loss on disposal of property, plant and equipment		**(22)**	(41)	(48)
Impairment of assets	**6**	**(465)**	(441)	(540)
Foreign exchange gains/(losses), net		**(44)**	(376)	(1,034)
Other operating income		**22**	28	35
Other operating expenses	**7**	**(101)**	(78)	(88)
Profit/(loss) from operations		**474**	(25)	(119)
Interest income	**7**	**21**	9	17
Interest expense	**7**	**(489)**	(481)	(561)
Share of profits/(losses) of joint ventures and associates	**11**	**5**	4	10
Gain/(loss) on financial assets and liabilities, net	**7**	**(9)**	(48)	(586)
Gain/(loss) on disposal groups classified as held for sale, net	**12**	**–**	21	136
Loss of control over a subsidiary	**4**	**–**	(167)	–
Other non-operating gains/(losses), net		**(14)**	(3)	–
Loss before tax		**(12)**	(690)	(1,103)
Income tax benefit/(expense)	**8**	**(96)**	(12)	(194)
Net loss		**$ (108)**	$ (702)	$ (1,297)
Attributable to:				
Equity holders of the parent entity		**$ (135)**	$ (627)	$ (1,194)
Non-controlling interests		**27**	(75)	(103)
		$ (108)	$ (702)	$ (1,297)
Earnings/(losses) per share: for profit/(loss) attributable to equity holders of the parent entity, basic and diluted, US dollars	**20**	**$ (0.91)**	$ (4.21)	$ (8.02)

* The amounts shown here do not correspond to the previously issued financial statements and reflect adjustments made in connection with the acquisition of a controlling interest in a subsidiary in a transaction with an entity under common control and reclassifications of expenses described in Note 2.

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

Evraz Group S.A.
Consolidated Statement of Comprehensive Income
(in millions of US dollars)

	Notes	Year ended 31 December 2016	2015*	2014*
Net loss		**$ (108)**	$ (702)	$ (1,297)
Other comprehensive income/(loss)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations into presentation currency		**543**	(820)	(1,918)
Exchange differences recycled to profit or loss	**4,12**	**–**	142	(66)
Net gains/(losses) on available-for-sale financial assets	**13**	**–**	–	(12)
		543	(678)	(1,996)
Effect of translation to presentation currency of the Group's joint ventures and associates	**11**	**6**	(9)	(20)
		6	(9)	(20)
Items not to be reclassified to profit or loss in subsequent periods				
Gains/(losses) on re-measurement of net defined benefit liability	**23**	**11**	1	(33)
Income tax effect	**8**	**–**	(5)	15
		11	(4)	(18)
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	**9**	**–**	(1)	–
Income tax effect	**8**	**–**	–	–
		–	(1)	–
Total other comprehensive income/(loss)		**560**	(692)	(2,034)
Total comprehensive income/(loss), net of tax		**$ 452**	$ (1,394)	$ (3,331)
Attributable to:				
Equity holders of the parent entity		**$ 414**	$ (1,305)	$ (3,124)
Non-controlling interests		**38**	(89)	(207)
		$ 452	$ (1,394)	$ (3,331)

* The amounts shown here do not correspond to the previously issued financial statements and reflect adjustments made in connection with the acquisition of a controlling interest in a subsidiary in a transaction with an entity under common control described in Note 2.

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

Evraz Group S.A.
Consolidated Statement of Financial Position
(in millions of US dollars)

	Notes	31 December 2016	2015*	2014*
ASSETS				
Non-current assets				
Property, plant and equipment	**9**	**$ 4,652**	$ 4,302	$ 5,796
Intangible assets other than goodwill	**10**	**297**	324	441
Goodwill	**5**	**880**	1,176	1,541
Investments in joint ventures and associates	**11**	**45**	34	39
Deferred income tax assets	**8**	**156**	119	97
Long-term loans receivable from related parties	**16**	**274**	–	–
Other non-current financial assets	**13**	**91**	79	98
Other non-current assets	**13**	**45**	56	40
		6,440	6,090	8,052
Current assets				
Inventories	**14**	**984**	899	1,372
Trade and other receivables	**15**	**502**	447	654
Prepayments		**60**	50	82
Loans receivable		**13**	5	24
Receivables from related parties	**16**	**11**	6	54
Income tax receivable		**43**	44	23
Other taxes recoverable	**17**	**192**	127	158
Other current financial assets	**18**	**33**	35	40
Cash and cash equivalents	**19**	**1,155**	1,359	1,049
		2,993	2,972	3,456
Assets of disposal groups classified as held for sale	**12**	**27**	1	4
		3,020	2,973	3,460
Total assets		**$ 9,460**	$ 9,063	$ 11,512
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	**20**	**$ 404**	$ 404	$ 404
Additional paid-in capital	**20**	**3,176**	2,860	2,261
Revaluation surplus		**112**	124	155
Legal reserve		**39**	39	39
Accumulated profits		**782**	896	1,850
Translation difference		**(3,713)**	(4,251)	(3,578)
		800	72	1,131
Non-controlling interests		**186**	133	218
		986	205	1,349
Non-current liabilities				
Long-term loans payable to related parties		**–**	–	55
Long-term loans	**22**	**5,502**	5,850	5,470
Deferred income tax liabilities	**8**	**348**	352	471
Employee benefits	**23**	**317**	301	364
Provisions	**24**	**205**	146	173
Other long-term liabilities	**25**	**53**	96	464
		6,425	6,745	6,997
Current liabilities				
Trade and other payables	**26**	**918**	1,062	1,360
Advances from customers		**266**	228	155
Short-term loans and current portion of long-term loans	**22**	**392**	497	761
Payables to related parties	**16**	**231**	179	599
Income tax payable		**39**	17	86
Other taxes payable	**27**	**169**	107	151
Provisions	**24**	**26**	23	41
		2,041	2,113	3,153
Liabilities directly associated with disposal groups classified as held for sale	**12**	**8**	–	13
		2,049	2,113	3,166
Total equity and liabilities		**$ 9,460**	$ 9,063	$ 11,512

* The amounts shown here do not correspond to the previously issued financial statements and reflect adjustments made in connection with the acquisition of a controlling interest in a subsidiary in a transaction with an entity under common control described in Note 2.

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

Evraz Group S.A.
Consolidated Statement of Cash Flows
(in millions of US dollars)

	Year ended 31 December		
	2016	**2015***	**2014***
Cash flows from operating activities			
Net loss	**$ (108)**	$ (702)	$ (1,297)
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Deferred income tax (benefit)/expense *(Note 8)*	**(87)**	(87)	(163)
Depreciation, depletion and amortisation *(Note 7)*	**521**	585	833
Loss on disposal of property, plant and equipment	**22**	41	48
Impairment of assets	**465**	441	540
Foreign exchange (gains)/losses, net	**44**	376	1,034
Interest income	**(21)**	(9)	(17)
Interest expense	**489**	481	561
Share of (profits)/losses of associates and joint ventures	**(5)**	(4)	(10)
(Gain)/loss on financial assets and liabilities, net	**9**	48	586
(Gain)/loss on disposal groups classified as held for sale, net	**–**	(21)	(136)
Loss of control over a subsidiary	**–**	167	–
Other non-operating (gains)/losses, net	**14**	3	–
Bad debt expense	**1**	18	41
Changes in provisions, employee benefits and other long-term assets and liabilities	**(7)**	(56)	(62)
Expense arising from equity-settled awards (*Note 21*)	**16**	20	30
Other	**(3)**	–	(1)
	1,350	1,301	1,987
Changes in working capital:			
Inventories	**(17)**	204	(87)
Trade and other receivables	**(38)**	54	(1)
Prepayments	**(1)**	9	(2)
Receivables from/payables to related parties	**125**	66	(246)
Taxes recoverable	**(32)**	(34)	18
Other assets	**(3)**	(3)	11
Trade and other payables	**40**	3	150
Advances from customers	**20**	100	27
Taxes payable	**62**	(72)	100
Other liabilities	**1**	1	(4)
Net cash flows from operating activities	**1,507**	1,629	1,953
Cash flows from investing activities			
Issuance of loans receivable to related parties	**(307)**	(2)	(4)
Proceeds from repayment of loans receivable from related parties, including interest	**39**	–	–
Issuance of loans receivable	**–**	(2)	–
Proceeds from repayment of loans receivable, including interest	**2**	7	3
Restricted deposits at banks in respect of investing activities	**1**	(3)	1
Short-term deposits at banks, including interest	**4**	4	8
Purchases of property, plant and equipment and intangible assets	**(382)**	(423)	(612)
Proceeds from disposal of property, plant and equipment	**7**	10	14
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs *(Note 12)*	**27**	44	311
Dividends received	**1**	–	2
Other investing activities, net	**1**	6	19
Net cash flows used in investing activities	**(607)**	(359)	(258)

* The amounts shown here do not correspond to the previously issued financial statements and reflect adjustments made in connection with the acquisition of a controlling interest in a subsidiary in a transaction with an entity under common control described in Note 2.

Continued on the next page

Evraz Group S.A.
Consolidated Statement of Cash Flows (continued)
(in millions of US dollars)

	Year ended 31 December		
	2016	**2015***	**2014***
Cash flows from financing activities			
Contributions from shareholder/ Issue of shares *(Note 20)*	**$ 300**	$ 88	$ –
Payments to entities under common control for the transfer of ownership interest in subsidiaries *(Notes 2, 4)*	**(32)**	–	–
Purchase of shares of EVRAZ plc *(Note 18)*	**–**	–	(7)
Proceeds from issue of shares by a subsidiary to non-controlling shareholders	**13**	6	–
Proceeds from loans provided by related parties	**–**	19	267
Repayment of loans provided by related parties	**–**	(77)	(254)
Dividends paid by the parent entity to its shareholders *(Note 20)*	**–**	(350)	(262)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	**–**	–	(3)
Sale of non-controlling interests *(Note 4)*	**–**	1	–
Proceeds from bank loans and notes	**1,301**	3,801	2,579
Repayment of bank loans and notes, including interest	**(2,428)**	(3,961)	(3,217)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**(5)**	(9)	(942)
Payments under covenants reset	**(4)**	–	–
Payments for purchase of property, plant and equipment on deferred terms	**–**	(5)	(42)
Gain/(loss) on derivatives not designated as hedging instruments *(Note 25)*	**(250)**	(464)	(94)
Gain/(loss) on hedging instruments *(Note 25)*	**14**	5	–
Collateral under swap contracts *(Note 18)*	**–**	7	14
Payments under finance leases, including interest	**(1)**	(1)	(1)
Other financing activities	**–**	(8)	(12)
Net cash flows used in financing activities	**(1,092)**	(948)	(1,974)
Effect of foreign exchange rate changes on cash and cash equivalents	**(10)**	(12)	(282)
Net increase/(decrease) in cash and cash equivalents	**(202)**	310	(561)
Cash and cash equivalents at the beginning of the year	**1,359**	1,049	1,603
Decrease/(increase) in cash of disposal groups classified as assets held for sale *(Note 12)*	**(2)**	–	7
Cash and cash equivalents at the end of the year	**$ 1,155**	$ 1,359	$ 1,049
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	**$ (413)**	$ (446)	$ (520)
Interest received	**13**	4	10
Income taxes paid by the Group	**(149)**	(204)	(278)

* The amounts shown here do not correspond to the previously issued financial statements and reflect adjustments made in connection with the acquisition of a controlling interest in a subsidiary in a transaction with an entity under common control described in Note 2.

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

Evraz Group S.A.
Consolidated Statement of Changes in Equity
(in millions of US dollars)

	Attributable to equity holders of the parent entity								
	Issued capital	Additional paid-in capital	Revaluation surplus	Legal reserve	Accumulated profits	Translation difference	Total	Non-controlling interests	Total Equity
At 31 December 2015 (as previously reported)	**$ 404**	**$ 2,642**	**$ 124**	**$ 39**	**$ 1,151**	**$ (4,241)**	**$ 119**	**$ 143**	**$ 262**
Purchase of Mezhegeyugol from the parent (Note 2)	**–**	**218**	**–**	**–**	**(255)**	**(10)**	**(47)**	**(10)**	**(57)**
At 31 December 2015 (as restated)	**404**	**2,860**	**124**	**39**	**896**	**(4,251)**	**72**	**133**	**205**
Net profit/(loss)	**–**	**–**	**–**	**–**	**(135)**	**–**	**(135)**	**27**	**(108)**
Other comprehensive income/(loss)	**–**	**–**	**–**	**–**	**11**	**538**	**549**	**11**	**560**
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	**–**	**–**	**(12)**	**–**	**12**	**–**	**–**	**–**	**–**
Total comprehensive income/(loss) for the period	**–**	**–**	**(12)**	**–**	**(112)**	**538**	**414**	**38**	**452**
Contribution from shareholder (Note 20)	**–**	**300**	**–**	**–**	**–**	**–**	**300**	**–**	**300**
Acquisition of non-controlling interests in subsidiaries	**–**	**–**	**–**	**–**	**(2)**	**–**	**(2)**	**2**	**–**
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13**	**13**
Share-based payments (Note 21)	**–**	**16**	**–**	**–**	**–**	**–**	**16**	**–**	**16**
At 31 December 2016	**$ 404**	**$ 3,176**	**$ 112**	**$ 39**	**$ 782**	**$ (3,713)**	**$ 800**	**$ 186**	**$ 986**

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

Evraz Group S.A.
Consolidated Statement of Changes in Equity (continued)
(in millions of US dollars)

	Attributable to equity holders of the parent entity								
	Issued capital	Additional paid-in capital	Revaluation surplus	Legal reserve	Accumulated profits	Translation difference	Total	Non-controlling interests	Total Equity
At 31 December 2014 (as previously reported)	$ 404	$ 2,043	$ 155	$ 39	$ 2,080	$ (3,565)	$ 1,156	$ 213	$ 1,369
Purchase of Mezhegeyugol from the parent (Note 2)	–	218	–	–	(230)	(13)	(25)	5	(20)
At 31 December 2014 (as restated)	404	2,261	155	39	1,850	(3,578)	1,131	218	1,349
Net profit/(loss)*	–	–	–	–	(627)	–	(627)	(75)	(702)
Other comprehensive income/(loss)*	–	–	(1)	–	(4)	(673)	(678)	(14)	(692)
Reclassification of revaluation surplus to accumulated profits in respect of the disposed subsidiaries	–	–	(28)	–	28	–	–	–	–
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	(2)	–	2	–	–	–	–
Total comprehensive income/(loss) for the period*	–	–	(31)	–	(601)	(673)	(1,305)	(89)	(1,394)
Issue of shares (Note 20)	–	579	–	–	–	–	579	–	579
Derecognition of non-controlling interests in subsidiaries	–	–	–	–	–	–	–	(4)	(4)
Non-controlling interests arising on sale of ownership interests in subsidiaries	–	–	–	–	(3)	–	(3)	2	(1)
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	–	–	–	–	–	–	–	6	6
Share-based payments (Note 21)	–	20	–	–	–	–	20	–	20
Dividends declared by the parent entity to its shareholders (Note 20)	–	–	–	–	(350)	–	(350)	–	(350)
At 31 December 2015*	$ 404	$ 2,860	$ 124	$ 39	$ 896	$ (4,251)	$ 72	$ 133	$ 205

* The amounts shown here do not correspond to the previously issued financial statements and reflect adjustments made in connection with the acquisition of a controlling interest in a subsidiary in a transaction with an entity under common control described in Note 2.

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

Evraz Group S.A.
Consolidated Statement of Changes in Equity (continued)
(in millions of US dollars)

	Attributable to equity holders of the parent entity									
	Issued capital	**Additional paid-in capital**	**Revaluation surplus**	**Legal reserve**	**Unrealised gains and losses**	**Accumulated profits**	**Translation difference**	**Total**	**Non-controlling interests**	**Total Equity**
At 31 December 2013 (as previously reported)	$ 404	$ 2,017	$ 162	$ 39	$ 12	$ 3,406	$ (1,674)	$ 4,366	$ 400	$ 4,766
Purchase of Mezhegeyugol from the parent (Note 2)	–	218	–	–		(201)	(4)	13	31	44
At 31 December 2013 (as restated)	404	2,235	162	39	12	3,205	(1,678)	4,379	431	4,810
Net profit/(loss)*	–	–	–	–	–	(1,194)	–	(1,194)	(103)	(1,297)
Other comprehensive income/(loss)*	–	–	–	–	(12)	(18)	(1,900)	(1,930)	(104)	(2,034)
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	(7)	–	–	7	–	–	–	–
Total comprehensive income/(loss) for the period*	–	–	(7)	–	(12)	(1,205)	(1,900)	(3,124)	(207)	(3,331)
Acquisition of non-controlling interests in subsidiaries	–	3	–	–	–	–	–	3	(3)	–
Share-based payments (Note 21)	–	30	–	–	–	–	–	30	–	30
Distribution to a shareholder – transfer of shares of EVRAZ plc to participants of Incentive plans (Notes 20 and 21)	–	(7)	–	–	–	–	–	(7)	–	(7)
Dividends declared by the parent entity to its shareholders (Note 20)	–	–	–	–	–	(150)	–	(150)	–	(150)
Dividends declared by the Group's subsidiaries to non-controlling shareholders (Note 20)	–	–	–	–	–	–	–	–	(3)	(3)
At 31 December 2014*	$ 404	$ 2,261	$ 155	$ 39	$ –	$ 1,850	$ (3,578)	$ 1,131	$ 218	$ 1,349

* The amounts shown here do not correspond to the previously issued financial statements and reflect adjustments made in connection with the acquisition of a controlling interest in a subsidiary in a transaction with an entity under common control described in Note 2.

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

1. Corporate Information

These consolidated financial statements were authorised for issue by the directors of Evraz Group S.A. on 28 February 2017.

Evraz Group S.A. ("Evraz Group" or "the Company") is a joint stock company registered under the laws of Luxembourg on 31 December 2004 (R.C.S. Luxembourg B 105.615). Until 2 March 2016 the registered address of Evraz Group was 1, rue de Louvigny, L-1946, Luxembourg. The new Company's address is 13, avenue Monterey, L-2163, Luxembourg.

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

The Company is a wholly-owned subsidiary of EVRAZ plc (UK). Lanebrook Limited (Cyprus) is the ultimate controlling party of the Group.

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

Subsidiary	Effective ownership interest, % 2016	2015	2014	Business activity	Location
EVRAZ Nizhny Tagil Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Consolidated West-Siberian Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Highveld Steel and Vanadium Limited	**–**	–	85.11	Steel production	South Africa
EVRAZ Dneprovsk Metallurgical Plant	**97.73**	96.94	96.90	Steel production	Ukraine
EVRAZ Inc. NA	**100.00**	100.00	100.00	Steel production	USA
EVRAZ Inc. NA Canada	**100.00**	100.00	100.00	Steel production	Canada
Raspadskaya	**81.95**	81.95	81.95	Coal mining	Russia
Yuzhkuzbassugol	**100.00**	100.00	100.00	Coal mining	Russia
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	**100.00**	100.00	100.00	Ore mining and processing	Russia
Evrazruda	**100.00**	100.00	100.00	Ore mining	Russia
EVRAZ Sukha Balka	**99.42**	99.42	99.42	Ore mining	Ukraine

2. Significant Accounting Policies

Basis of Preparation

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

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application as of 31 December 2016, but not adopted by the European Union, do not have any impact on the Group's consolidated financial statements.

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

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

Going Concern

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

The Group's activities in all of its operating segments continue to be affected by the uncertainty and instability of the current economic environment (Note 30). In response, the Group implemented a number of cost cutting initiatives, reduced capital expenditures, continues to reduce the level of debt and proactively manages its debt covenants compliance.

Based on the currently available facts and circumstances the directors and management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Restatement of Financial Statements

Reclassification of Expenses

In 2016, the Group reclassified property tax accrued and paid by the production subsidiaries from general and administrative expenses to the "cost of revenue" caption. In addition, the Group reclassified staff costs of certain categories of personnel and the related expenses from cost of revenues and selling expenses to general and administrative expenses and from selling expenses to cost of revenues.

The reclassifications were made to better reflect the nature of these costs in the current business environment and in order to make the financial statements more comparable with industry peers.

The effects of the restatement on the previously reported amounts are set out below.

	Year ended 31 December 2015			
	Property tax	Staff costs	Other expenses	Total reclassification
Statement of Operations				
Cost of revenue	$ (27)	$ 48	$ (9)	$ 12
Gross profit	(27)	48	(9)	12
Selling and distribution costs	–	47	20	67
General and administrative expenses	27	(95)	(11)	(79)

	Year ended 31 December 2014			
	Property tax	Staff costs	Other expenses	Total reclassification
Statement of Operations				
Cost of revenue	$ (50)	$ 58	$ (8)	$ –
Gross profit	(50)	58	(8)	–
Selling and distribution costs	–	60	19	79
General and administrative expenses	50	(118)	(11)	(79)

2. Significant Accounting Policies (continued)

Restatement of Financial Statements (continued)

Controlling Interest in Subsidiaries Transferred to the Group by Parent Entity

On 25 April 2016, Evraz Group S.A. purchased from its parent a 60.016% ownership interest in Actionfield, which controls Mezhegey coal field project ("Mezhegeyugol"). The Group applied the pooling of interests method with respect to this acquisition and presented its consolidated financial statements as if the transfer of controlling interest in Actionfield had occurred from the date of acquisition of the subsidiary by the transferring entity.

The effects of the restatements (both reclassification of expenses and adjustments on acquisition of Mezhegeyugol) on the previously reported amounts are set out below.

Statement of Operations

	Year ended 31 December 2015			
	As previously reported	**Mezhegeyugol**	**Reclassifications**	**Restated**
Continuing operations				
Revenue				
Sale of goods	$ 8,552	$ –	$ –	$ 8,552
Rendering of services	215	–	–	215
	8,767	–	–	8,767
Cost of revenue	(6,593)	(2)	12	(6,583)
Gross profit	2,174	(2)	12	2,184
Selling and distribution costs	(795)	–	67	(728)
General and administrative expenses	(465)	(1)	(79)	(545)
Social and social infrastructure maintenance expenses	(28)	–	–	(28)
Loss on disposal of property, plant and equipment	(41)	–	–	(41)
Impairment of assets	(441)	–	–	(441)
Foreign exchange gains/(losses), net	(335)	(41)	–	(376)
Other operating income	28	–	–	28
Other operating expenses	(78)	–	–	(78)
Profit/(loss) from operations	19	(44)	–	(25)
Interest income	9	–	–	9
Interest expense	(480)	(1)	–	(481)
Share of profits/(losses) of joint ventures and associates	4	–	–	4
Gain/(loss) on financial assets and liabilities, net	(48)	–	–	(48)
Gain/(loss) on disposal groups classified as held for sale, net	21	–	–	21
Loss of control over a subsidiary	(167)	–	–	(167)
Other non-operating gains/(losses), net	(3)	–	–	(3)
Loss before tax	(645)	(45)	–	(690)
Income tax benefit/(expense)	(16)	4	–	(12)
Net loss	$ (661)	$ (41)	$ –	$ (702)
Attributable to:				
Equity holders of the parent entity	$ (602)	$ (25)	$ –	$ (627)
Non-controlling interests	(59)	(16)	–	(75)
	$ (661)	$ (41)	$ –	$ (702)
Earnings/(losses) per share: for profit/(loss) attributable to equity holders of the parent entity, basic and diluted, US dollars	$ (4.04)	$ (0.17)	$ –	$ (4.21)

2. Significant Accounting Policies (continued)

Restatement of Financial Statements (continued)

Controlling Interest in Subsidiaries Transferred to the Group by Parent Entity (continued)

Statement of Comprehensive Income

	Year ended 31 December 2015		
	As previously reported	**Mezhegeyugol**	**Restated**
Net loss	$ (661)	$ (41)	$ (702)
Other comprehensive income/(loss)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations into presentation currency	(824)	4	(820)
Exchange differences recycled to profit or loss	142	–	142
Net gains/(losses) on available-for-sale financial assets	–	–	–
	(682)	4	(678)
Effect of translation to presentation currency of the Group's joint ventures and associates	(9)	–	(9)
	(9)	–	(9)
Items not to be reclassified to profit or loss in subsequent periods			
Gains/(losses) on re-measurement of net defined benefit liability	1	–	1
Income tax effect	(5)	–	(5)
	(4)	–	(4)
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	(1)	–	(1)
Income tax effect	–	–	–
	(1)	–	(1)
Total other comprehensive loss	(696)	4	(692)
Total comprehensive loss, net of tax	$ (1,357)	$ (37)	$ (1,394)
Attributable to:			
Equity holders of the parent entity	$ (1,283)	$ (22)	$ (1,305)
Non-controlling interests	(74)	(15)	(89)
	$ (1,357)	$ (37)	$ (1,394)

Statement of Changes in Equity

	Year ended 31 December 2015		
	As previously reported	**Mezhegeyugol**	**Restated**
Additional paid-in capital	$ 2,642	$ 218	$ 2,860
Accumulated profits	1,151	(255)	896
Translation difference	(4,241)	(10)	(4,251)
Non-controlling interests	143	(10)	133

2. Significant Accounting Policies (continued)

Restatement of Financial Statements (continued)

Controlling Interest in Subsidiaries Transferred to the Group by Parent Entity (continued)

Statement of Financial Position	31 December 2015		
	As previously reported	Mezhegeyugol	Restated
ASSETS			
Non-current assets			
Property, plant and equipment	$ 4,180	$ 122	$ 4,302
Intangible assets other than goodwill	324	–	324
Goodwill	1,176	–	1,176
Investments in joint ventures and associates	34	–	34
Deferred income tax assets	109	10	119
Loans receivable from related parties	157	(157)	–
Other non-current financial assets	79	–	79
Other non-current assets	56	–	56
	6,115	(25)	6,090
Current assets			
Inventories	899	–	899
Trade and other receivables	447	–	447
Prepayments	50	–	50
Loans receivable	5	–	5
Receivables from related parties	7	(1)	6
Income tax receivable	44	–	44
Other taxes recoverable	125	2	127
Other current financial assets	35	–	35
Cash and cash equivalents	1,359	–	1,359
	2,971	1	2,972
Assets of disposal groups classified as held for sale	1	–	1
	2,972	1	2,973
Total assets	$ 9,087	$ (24)	$ 9,063
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	$ 404	$ –	$ 404
Additional paid-in capital	2,642	218	2,860
Revaluation surplus	124	–	124
Legal reserve	39	–	39
Accumulated profits	1,151	(255)	896
Translation difference	(4,241)	(10)	(4,251)
	119	(47)	72
Non-controlling interests	143	(10)	133
	262	(57)	205
Non-current liabilities			
Long-term loans	5,850	–	5,850
Deferred income tax liabilities	352	–	352
Employee benefits	301	–	301
Provisions	146	–	146
Other long-term liabilities	96	–	96
	6,745	–	6,745
Current liabilities			
Trade and other payables	1,057	5	1,062
Advances from customers	228	–	228
Short-term loans and current portion of long-term loans	497	–	497
Payables to related parties	151	28	179
Income tax payable	17	–	17
Other taxes payable	107	–	107
Provisions	23	–	23
	2,080	33	2,113
Liabilities directly associated with disposal groups classified as held for sale	–	–	–
	2,080	33	2,113
Total equity and liabilities	$ 9,087	$ (24)	$ 9,063

2. Significant Accounting Policies (continued)

Restatement of Financial Statements (continued)

Controlling Interest in Subsidiaries Transferred to the Group by Parent Entity (continued)

Statement of Operations	Year ended 31 December 2014			
	As previously reported	Mezhegeyugol	Reclassifications	Restated
Continuing operations				
Revenue				
Sale of goods	$ 12,745	$ –	$ –	$ 12,745
Rendering of services	318	(2)	–	316
	13,063	(2)	–	13,061
Cost of revenue	(9,736)	2	–	(9,734)
Gross profit	3,327	–	–	3,327
Selling and distribution costs	(1,009)	–	79	(930)
General and administrative expenses	(731)	(1)	(79)	(811)
Social and social infrastructure maintenance expenses	(30)	–	–	(30)
Loss on disposal of property, plant and equipment	(48)	–	–	(48)
Impairment of assets	(540)	–	–	(540)
Foreign exchange gains/(losses), net	(974)	(60)	–	(1,034)
Other operating income	35	–	–	35
Other operating expenses	(88)	–	–	(88)
Profit/(loss) from operations	(58)	(61)	–	(119)
Interest income	17	–	–	17
Interest expense	(561)	–	–	(561)
Share of profits/(losses) of joint ventures and associates	10	–	–	10
Gain/(loss) on financial assets and liabilities, net	(586)	–	–	(586)
Gain/(loss) on disposal groups classified as held for sale, net	136	–	–	136
Other non-operating gains/(losses), net	–	–	–	–
Loss before tax	(1,042)	(61)	–	(1,103)
Income tax benefit/(expense)	(206)	12	–	(194)
Net loss	$ (1,248)	$ (49)	$ –	$ (1,297)
Attributable to:				
Equity holders of the parent entity	$ (1,165)	$ (29)	$ –	$ (1,194)
Non-controlling interests	(83)	(20)	–	(103)
	$ (1,248)	$ (49)	$ –	$ (1,297)
Earnings/(losses) per share: for profit/(loss) attributable to equity holders of the parent entity, basic and diluted, US dollars	$ (7.82)	$ (0.20)	$ –	$ (8.02)

2. Significant Accounting Policies (continued)

Restatement of Financial Statements (continued)

Controlling Interest in Subsidiaries Transferred to the Group by Parent Entity (continued)

Statement of Comprehensive Income	Year ended 31 December 2014		
	As previously reported	**Mezhegeyugol**	**Restated**
Net loss	$ (1,248)	$ (49)	$ (1,297)
Other comprehensive income/(loss)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations into presentation currency	(1,903)	(15)	(1,918)
Exchange differences recycled to profit or loss	(66)	–	(66)
Net gains/(losses) on available-for-sale financial assets	(12)	–	(12)
	(1,981)	(15)	(1,996)
Effect of translation to presentation currency of the Group's joint ventures and associates	(20)	–	(20)
	(20)	–	(20)
Items not to be reclassified to profit or loss in subsequent periods			
Gains/(losses) on re-measurement of net defined benefit liability	(33)	–	(33)
Income tax effect	15	–	15
	(18)	–	(18)
Total other comprehensive loss	(2,019)	(15)	(2,034)
Total comprehensive loss, net of tax	$ (3,267)	$ (64)	$ (3,331)
Attributable to:			
Equity holders of the parent entity	$ (3,086)	$ (38)	$ (3,124)
Non-controlling interests	(181)	(26)	(207)
	$ (3,267)	$ (64)	$ (3,331)

Statement of Changes in Equity	Year ended 31 December 2014		
	As previously reported	**Mezhegeyugol**	**Restated**
Additional paid-in capital	$ 2,043	$ 218	$ 2,261
Accumulated profits	2,080	(230)	1,850
Translation difference	(3,565)	(13)	(3,578)
Non-controlling interests	213	5	218

2. Significant Accounting Policies (continued)

Restatement of Financial Statements (continued)

Controlling Interest in Subsidiaries Transferred to the Group by Parent Entity (continued)

Statement of Financial Position	31 December 2014		
	As previously reported	Mezhegeyugol	Restated
ASSETS			
Non-current assets			
Property, plant and equipment	$ 5,684	$ 112	$ 5,796
Intangible assets other than goodwill	441	–	441
Goodwill	1,541	–	1,541
Investments in joint ventures and associates	39	–	39
Deferred income tax assets	88	9	97
Other non-current financial assets	98	–	98
Other non-current assets	40	–	40
	7,931	121	8,052
Current assets			
Inventories	1,370	2	1,372
Trade and other receivables	654	–	654
Prepayments	82	–	82
Loans receivable	24	–	24
Receivables from related parties	56	(2)	54
Income tax receivable	23	–	23
Other taxes recoverable	153	5	158
Other current financial assets	40	–	40
Cash and cash equivalents	1,048	1	1,049
	3,450	6	3,456
Assets of disposal groups classified as held for sale	4	–	4
	3,454	6	3,460
Total assets	$ 11,385	$ 127	$ 11,512
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	$ 404	$ –	$ 404
Additional paid-in capital	2,043	218	2,261
Revaluation surplus	155	–	155
Legal reserve	39	–	39
Accumulated profits	2,080	(230)	1,850
Translation difference	(3,565)	(13)	(3,578)
	1,156	(25)	1,131
Non-controlling interests	213	5	218
	1,369	(20)	1,349
Non-current liabilities			
Long-term loans payable to related parties	55	–	55
Long-term loans	5,366	104	5,470
Deferred income tax liabilities	471	–	471
Employee benefits	364	–	364
Provisions	173	–	173
Other long-term liabilities	424	40	464
	6,853	144	6,997
Current liabilities			
Trade and other payables	1,355	5	1,360
Advances from customers	155	–	155
Short-term loans and current portion of long-term loans	760	1	761
Payables to related parties	602	(3)	599
Income tax payable	86	–	86
Other taxes payable	151	–	151
Provisions	41	–	41
	3,150	3	3,153
Liabilities directly associated with disposal groups classified as held for sale	13	–	13
	3,163	3	3,166
Total equity and liabilities	$ 11,385	$ 127	$ 11,512

2. Significant Accounting Policies (continued)

Changes in Accounting Policies

In the preparation of these consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the previous year, except for the adoption of new standards and interpretations and revision of the existing standards as of 1 January 2016.

New/Revised Standards and Interpretations Adopted in 2016:

§ Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees.

§ Amendments to IAS 1 – Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify existing IAS 1 requirements:

- Ø The materiality requirements in IAS 1
- Ø The requirements that apply when additional subtotals are presented in the statement of financial position and the statements of profit or loss and OCI
- Ø That specific line items in the statements of profit or loss and OCI and the statement of financial position may be disaggregated
- Ø That entities have flexibility as to the order in which they present the notes to financial statements
- Ø That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

§ Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

§ Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

§ Amendments to IAS 16 and IAS 41 – Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

§ Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exemption

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 “Consolidated Financial Statements”. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS “28 Investments in Associates and Joint Ventures” allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.
These amendments are applied retrospectively and do not have any impact on the Group as the Group does not apply the consolidation exception.

§ Amendments to IAS 27 – Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

§ Annual Improvements to IFRSs 2010-2012 Cycle

The amendments relate to IFRS 2 “Share-based Payment, IFRS 3 “Business Combinations”, IFRS 8 “Operating Segments”, IAS 16 “Property, Plant and Equipment” and “IAS 38 Intangible Assets”, IAS 24 “Related Party Disclosures”.

§ Annual Improvements to IFRSs 2012-2014 Cycle

The amendments relate to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”, IFRS 7 “Financial Instruments: Disclosures”, IAS 19 “Employee Benefits”, IAS 34 “Interim Financial Reporting”.

The amendments described above had no significant impact on the financial position and performance of the Group or the disclosures in the consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

Standards Issued But Not Yet Effective in the European Union

	Standards not yet effective for the financial statements for the year ended 31 December 2016	Effective for annual periods beginning on or after
§	Amendments to IAS 7 – Disclosure Initiative	1 January 2017*
§	Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017*
§	Amendments to IAS 40 – Transfers of Investment Property	1 January 2018*
§	Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions	1 January 2018*
§	Amendments to IFRS 4 – Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts”	1 January 2018*
§	Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018*
§	IFRS 9 “Financial Instruments”	1 January 2018
§	IFRS 15 “Revenue from Contracts with Customers”	1 January 2018
§	IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	1 January 2018*
§	IFRS 16 “Leases”	1 January 2019*

*Subject to EU endorsement

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

The Group plans to apply IFRS 15, IFRS 16 and IFRS 9 starting from the dates effective in the European Union. At present the Group is in the process of analysis of the possible impact of the application of these standards on its consolidated financial statements, but the preliminary results show that the impact will not be significant.

Significant Accounting Judgements and Estimates

Accounting Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

§ In 2015, the Group lost control over Highveld Steel and Vanadium Limited and it is not expected that it will re-obtain control in the future. As a result, the Group ceased to consolidate this entity starting 14 April 2015 (Note 4).

§ The Group determined based on the criteria in IFRIC 4 “Determining whether an Arrangement Contains a Lease” that the supply contract with PraxAir does not contain a lease. This contract, concluded in 2010, with subsequent amendments in 2015, included the construction of an air separation plant by PraxAir to be owned and operated by PraxAir and the supply of oxygen and other industrial gases produced by PraxAir to EVRAZ Nizhny Tagil Metallurgical Plant for a period of 25 years on a take or pay basis. In 2015, the air separation plant was put into operation and the Group started to purchase gases from PraxAir. Management believes that this arrangement does not convey a right to the Group to use the asset as the Group does not have an ability to operate the asset or to direct other parties to operate the asset; it does not control physical access to the asset; and it is expected that more than an insignificant amount of the asset’s output will be sold to the parties unrelated to the Group. The commitment under this contract is disclosed in Note 30.

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty

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

Impairment of Property, Plant and Equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. In 2016, 2015 and 2014, the Group recognised a net impairment loss of $151 million, $190 million and $192 million, respectively (Note 9).

The determination of impairments of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate that impairment exists.

The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the value in use and, ultimately, the amount of any impairment.

Useful Lives of Items of Property, Plant and Equipment

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

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Impairment of Goodwill

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

The carrying amount of goodwill at 31 December 2016, 2015 and 2014 was $880 million, $1,176 million and $1,541 million, respectively. In 2016, 2015 and 2014, the Group recognised an impairment loss in respect of goodwill in the amount of $316 million, $251 million and $330 million, respectively (Note 5). More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in Note 6.

Mineral Reserves

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

Site Restoration Provisions

The Group reviews site restoration provisions at each reporting date and adjusts them to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities".

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the end of the reporting period based on the requirements of the current legislation of the country where the respective operating assets are located. The carrying amount of a provision is the present value of the expected expenditures, i.e. cash outflows discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable judgement is required in forecasting future site restoration costs.

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

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Post-Employment Benefits

The Group uses an actuarial valuation method for the measurement of the present value of post-employment benefit obligations and related current service cost. This involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate, future salary and benefit levels, expected rate of return on plan assets, etc.). More details are provided in Note 23.

Allowances

The Group makes allowances for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements. As of 31 December 2016, 2015 and 2014, allowances for doubtful accounts in respect of trade and other receivables have been made in the amount of $47 million, $48 million and $57 million, respectively (Note 28).

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

Deferred Income Tax Assets

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

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Foreign Currency Transactions

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

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

The following exchange rates were used in the consolidated financial statements:

	2016		**2015**		**2014**	
	31 December	**average**	**31 December**	**average**	**31 December**	**average**
USD/RUB	60.6569	67.0349	72.8827	60.9579	56.2584	38.4217
EUR/RUB	63.8111	74.2336	79.6972	67.7767	68.3427	50.8150
EUR/USD	1.0541	1.1069	1.0887	1.1095	1.2141	1.3285
USD/CAD	1.3427	1.3248	1.3840	1.2788	1.1601	1.1048
USD/ZAR	13.6282	14.7073	15.5742	12.7550	11.5719	10.8488
EUR/ZAR	14.3342	16.2840	17.0078	14.1552	14.0668	14.4054
USD/UAH	25.5458	27.1909	24.0007	21.8290	15.7686	11.9064
RUB/UAH	0.3807	0.4483	0.3293	0.3534	0.2803	0.3050

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

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

2. Significant Accounting Policies (continued)

Basis of Consolidation

Subsidiaries

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

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

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

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

Acquisition of Subsidiaries

Business combinations are accounted for using the acquisition method.

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

Acquisition costs incurred are expensed and included in administrative expenses.

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

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

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

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

2. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Increases in Ownership Interests in Subsidiaries

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

Purchases of Controlling Interests in Subsidiaries from Entities under Common Control

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

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

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

Put Options over Non-controlling Interests

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

Investments in Associates

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

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

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

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

Interests in Joint Ventures

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

2. Significant Accounting Policies (continued)

Property, Plant and Equipment

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

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

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

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

	Useful lives (years)	**Weighted average remaining useful life (years)**
Buildings and constructions	15–60	21
Machinery and equipment	4–45	10
Transport and motor vehicles	7–20	5
Other assets	3–15	4

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

Depletion of mining assets including capitalised site restoration costs is calculated using the units-of-production method based upon proved and probable mineral reserves. The depletion calculation takes into account future development costs for reserves which are in the production phase.

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

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

2. Significant Accounting Policies (continued)

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures represent costs incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. The expenditures include acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources. These costs are expensed as incurred.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Group commences recognition of expenditures related to the development of mineral resources as assets. These assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Leases

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

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

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

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

Goodwill

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

2. Significant Accounting Policies (continued)

Goodwill (continued)

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

Intangible Assets Other Than Goodwill

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

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

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

The table below presents the useful lives of intangible assets.

	Useful lives (years)	Weighted average remaining useful life (years)
Customer relationships	1–15	7
Contract terms	10	7
Other	5–19	7

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

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

Financial Assets

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

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

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

2. Significant Accounting Policies (continued)

Financial Assets (continued)

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

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

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

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

Accounts Receivable

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

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

Inventories

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

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

2. Significant Accounting Policies (continued)

Value Added Tax

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

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

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

Cash and Cash Equivalents

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

Borrowings

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

Borrowing costs relating to qualifying assets are capitalised (Note 9).

Equity

Share Capital

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

Treasury Shares

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

Dividends

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

2. Significant Accounting Policies (continued)

Provisions

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

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

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

Employee Benefits

Social and Pension Contributions

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

Defined Benefit Plans

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

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

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. It is recorded within interest expense in the consolidated statement of operations.

The Group recognises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements in the consolidated statement of operations within “cost of sales”, “general and administrative expenses” and “selling and distribution expenses”.

Other Costs

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

2. Significant Accounting Policies (continued)

Share-based Payments

The Group has management compensation schemes (Note 21), under which certain senior executives and employees of the Group receive remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with grantees is measured by reference to the fair value of the Company's shares at the date on which they are granted. The fair value is determined using the Black-Scholes-Merton model. In valuing equity-settled transactions, no account is taken of any conditions, other than market conditions.

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

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

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

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

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

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

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

2. Significant Accounting Policies (continued)

Revenue

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

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

Sale of Goods

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

Rendering of Services

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

Interest

Interest is recognised using the effective interest method.

Dividends

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

Rental Income

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

Current Income Tax

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

Current income tax relating to items recognised outside profit or loss is recognised in other comprehensive income or equity and not in the statement of operations.

Deferred Income Tax

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

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

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

3. Segment Information

For management purposes the Group has four reportable operating segments:

- *Steel* segment includes production of steel and related products at all mills except for those located in North America. Extraction of vanadium ore and production of vanadium products, iron ore mining and enrichment and certain energy-generating companies are also included in this segment as they are closely related to the main process of steel production.
- *Steel, North America* is a segment, which includes production of steel and related products in the USA and Canada.
- *Coal* segment includes coal mining and enrichment. It also includes operations of Nakhodka Trade Sea Port as it is used to a significant extent for shipping of products of the coal segment to the Asian markets.
- *Other operations* include energy-generating companies, shipping and railway transportation companies.

Management and investment companies are not allocated to any of the segments. Operating segments have been aggregated into reportable segments if they show a similar long-term economic performance, have comparable production processes, customer industries and distribution channels, operate in the same regulatory environment, and are generally managed and monitored together.

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

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

1) for the last month of the reporting period, the management accounts for each operating segment are prepared using a forecast for that month;

2) the statement of operations is based on local GAAP figures with the exception of depreciation and repair expenses which are adjusted to approximate the amount under IFRS;

3) in case of volatility of functional currencies the IFRS statements of operations are translated at the exchange rates that approximate the exchange rates at the dates of the transactions (quarterly, semi-annual averages, etc.) while in management accounts simple average for the whole accounting period is used.

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

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated to it on a reasonable basis, including expenses relating to external counterparties and expenses relating to transactions with other segments. Segment expense does not include social and social infrastructure maintenance expenses.

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

Segment EBITDA is determined as a segment's profit/(loss) from operations adjusted for social and social infrastructure maintenance expenses, impairment of assets, profit/(loss) on disposal of property, plant and equipment and intangible assets, foreign exchange gains/(losses) and depreciation, depletion and amortisation expense. Management believes that this measure is more useful and relevant for the users and is more comparable with the Russian steel peers.

3. Segment Information (continued)

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

Year ended 31 December 2016

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	**$ 5,528**	**$ 1,464**	**$ 484**	**$ 63**	**$ –**	**$ 7,539**
Inter-segment sales	**194**	**–**	**676**	**233**	**(1,103)**	**–**
Total revenue	**5,722**	**1,464**	**1,160**	**296**	**(1,103)**	**7,539**
Segment result – EBITDA	**$ 986**	**$ 22**	**$ 613**	**$ 15**	**$ (44)**	**$ 1,592**

Year ended 31 December 2015

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 6,018	$ 2,253	$ 380	$ 89	$ –	$ 8,740
Inter-segment sales	242	10	572	304	(1,128)	–
Total revenue	6,260	2,263	952	393	(1,128)	8,740
Segment result – EBITDA	$ 1,033	$ 51	$ 348	$ 16	$ 110	$ 1,558

Year ended 31 December 2014

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 9,135	$ 3,159	$ 540	$ 128	$ –	$ 12,962
Inter-segment sales	570	–	676	446	(1,692)	–
Total revenue	9,705	3,159	1,216	574	(1,692)	12,962
Segment result – EBITDA	$ 1,777	$ 283	$ 314	$ 31	$ 2	$ 2,407

3. Segment Information (continued)

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

Year ended 31 December 2016

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 5,722	$ 1,464	$ 1,160	$ 296	$ (1,103)	$ 7,539
Reclassifications and other adjustments	(225)	–	162	67	170	174
Revenue per IFRS financial statements	$ 5,497	$ 1,464	$ 1,322	$ 363	$ (933)	$ 7,713
EBITDA	$ 986	$ 22	$ 613	$ 15	$ (44)	$ 1,592
Unrealised profits adjustment	(11)	–	(3)	–	2	(12)
Reclassifications and other adjustments	29	6	34	2	–	71
	18	6	31	2	2	59
EBITDA based on IFRS financial statements	$ 1,004	$ 28	$ 644	$ 17	$ (42)	$ 1,651
Unallocated subsidiaries						(102)
						$ 1,549
Social and social infrastructure maintenance expenses	(21)	–	(2)	–	–	(23)
Depreciation, depletion and amortisation expense	(219)	(155)	(141)	(3)	–	(518)
Impairment of assets	(11)	(430)	(24)	–	–	(465)
Loss on disposal of property, plant and equipment and intangible assets	(8)	(5)	(9)	–	–	(22)
Foreign exchange gains/(losses), net	(43)	14	107	–	–	78
	$ 702	$ (548)	$ 575	$ 14	$ (42)	$ 599
Unallocated income/(expenses), net						(125)
Profit/(loss) from operations						$ 474
Interest income/(expense), net						$ (468)
Share of profits/(losses) of joint ventures and associates						5
Gain/(loss) on financial assets and liabilities						(9)
Other non-operating (gains)/losses, net						(14)
Profit/(loss) before tax						$ (12)

3. Segment Information (continued)

Year ended 31 December 2015

US$ million	**Steel**	**Steel, North America**	**Coal**	**Other operations**	**Eliminations**	**Total**
Revenue	$ 6,260	$ 2,263	$ 952	$ 393	$ (1,128)	$ 8,740
Reclassifications and other adjustments	(273)	7	116	40	137	27
Revenue per IFRS financial statements	$ 5,987	$ 2,270	$ 1,068	$ 433	$ (991)	$ 8,767
EBITDA	$ 1,033	$ 51	$ 348	$ 16	$ 110	$ 1,558
Unrealised profits adjustment	62	2	–	–	(43)	21
Reclassifications and other adjustments	(14)	2	3	(2)	–	(11)
	48	4	3	(2)	(43)	10
EBITDA based on IFRS financial statements	$ 1,081	$ 55	$ 351	$ 14	$ 67	$ 1,568
Unallocated subsidiaries						(122)
						$ 1,446
Social and social infrastructure maintenance expenses	(24)	–	(1)	–	–	(25)
Depreciation, depletion and amortisation expense	(260)	(153)	(165)	(3)	–	(581)
Impairment of assets	(81)	(258)	(102)	–	–	(441)
Loss on disposal of property, plant and equipment and intangible assets	(8)	(10)	(23)	–	–	(41)
Foreign exchange gains/(losses), net	(270)	(89)	(153)	4	–	(508)
	$ 438	$ (455)	$ (93)	$ 15	$ 67	$ (150)
Unallocated income/(expenses), net						125
Profit/(loss) from operations						$ (25)
Interest income/(expense), net						$ (472)
Share of profits/(losses) of joint ventures and associates						4
Gain/(loss) on financial assets and liabilities						(48)
Gain/(loss) on disposal groups classified as held for sale						21
Loss of control over a subsidiary						(167)
Other non-operating (gains)/losses, net						(3)
Profit/(loss) before tax						$ (690)

3. Segment Information (continued)

Year ended 31 December 2014

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 9,705	$ 3,159	$ 1,216	$ 574	$ (1,692)	$ 12,962
Reclassifications and other adjustments	(186)	1	102	74	108	99
Revenue per IFRS financial statements	$ 9,519	$ 3,160	$ 1,318	$ 648	$ (1,584)	$ 13,061
EBITDA (restated)	$ 1,777	$ 283	$ 314	$ 31	$ 2	$ 2,407
Exclusion of management services from segment result	128	–	10	1	–	139
Unrealised profits adjustment	9	(1)	1	–	(53)	(44)
Reclassifications and other adjustments	19	(2)	51	5	–	73
	156	(3)	62	6	(53)	168
EBITDA based on IFRS financial statements (restated)	$ 1,933	$ 280	$ 376	$ 37	$ (51)	$ 2,575
Unallocated subsidiaries						(209)
						$ 2,366
Social and social infrastructure maintenance expenses	(21)	(1)	(3)	–	–	(25)
Depreciation, depletion and amortisation expense	(389)	(165)	(267)	(4)	–	(825)
Impairment of assets	(196)	(261)	(81)	(2)	–	(540)
Loss on disposal of property, plant and equipment and intangible assets	(20)	(1)	(27)	–	–	(48)
Foreign exchange gains/(losses), net	84	(21)	(333)	4	–	(266)
	$ 1,391	$ (169)	$ (335)	$ 35	$ (51)	$ 662
Unallocated income/(expenses), net						(781)
Profit/(loss) from operations						$ (119)
Interest income/(expense), net						$ (544)
Share of profits/(losses) of joint ventures and associates						10
Gain/(loss) on financial assets and liabilities						(586)
Gain/(loss) on disposal groups classified as held for sale						136
Profit/(loss) before tax						$ (1,103)

3. Segment Information (continued)

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

US$ million	2016	2015	2014
Steel			
Construction products	**$ 1,783**	$ 1,999	$ 3,286
Flat-rolled products	**162**	179	487
Railway products	**584**	550	1,022
Semi-finished products	**1,694**	1,867	2,359
Other steel products	**246**	257	356
Other products	**331**	366	604
Iron ore	**155**	167	278
Vanadium in slag	**33**	19	27
Vanadium in alloys and chemicals	**268**	285	456
Rendering of services	**31**	30	58
	5,287	5,719	8,933
Steel, North America			
Construction products	**158**	216	337
Flat-rolled products	**372**	438	619
Railway products	**232**	435	513
Tubular products	**588**	1,016	1,499
Other products	**103**	153	178
Rendering of services	**10**	12	12
	1,463	2,270	3,158
Coal			
Coal	**756**	601	722
Other products	**12**	4	2
Rendering of services	**70**	44	65
	838	649	789
Other operations			
Rendering of services	**125**	129	181
	125	129	181
	$ 7,713	$ 8,767	$ 13,061

3. Segment Information (continued)

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

US$ million	2016	2015	2014
CIS			
Russia	**$ 3,080**	$ 3,104	$ 5,279
Kazakhstan	**184**	237	384
Ukraine	**296**	242	333
Others	**150**	185	209
	3,710	3,768	6,205
America			
USA	**826**	1,566	1,727
Canada	**682**	779	1,589
Mexico	**192**	203	173
Others	**22**	18	40
	1,722	2,566	3,529
Asia			
Taiwan	**376**	323	485
Indonesia	**195**	197	429
Thailand	**138**	121	285
Republic of Korea	**123**	123	254
Japan	**117**	97	120
China	**67**	131	103
Singapore	**66**	13	25
Philippines	**65**	85	51
Vietnam	**47**	28	8
Jordan	**30**	81	88
United Arab Emirates	**18**	40	43
Mongolia	**10**	11	26
Others	**120**	104	37
	1,372	1,354	1,954
Europe			
Turkey	**213**	392	242
Czech Republic	**100**	28	58
Italy	**85**	114	114
Germany	**38**	45	74
Poland	**34**	27	37
Austria	**26**	50	139
Slovakia	**19**	38	60
Other members of the European Union	**88**	97	143
Others	**37**	24	49
	640	815	916
Africa			
Egypt	**138**	43	12
Kenya	**78**	44	37
Republic of South Africa	**4**	100	363
Others	**45**	71	35
	265	258	447
Other countries	**4**	6	10
	$ 7,713	$ 8,767	$ 13,061

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

3. Segment Information (continued)

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

US$ million	**2016**	2015	2014
Russia	**$ 3,534**	$ 3,065	$ 4,191
Canada	**1,233**	1,162	1,553
USA	**877**	1,347	1,468
Ukraine	**144**	195	302
Kazakhstan	**53**	60	118
Czech Republic	**31**	32	35
Italy	**22**	5	54
Republic of South Africa	**17**	15	130
Other countries	**8**	11	6
	$ 5,919	$ 5,892	$ 7,857

4. Changes in Composition of the Group

Deconsolidation of Subsidiaries

Highveld Steel and Vanadium Limited

On 13 April 2015, as a result of severe economic difficulties due to the current and persistent unfavourable economic environment in South Africa, the Board of Highveld Steel and Vanadium Limited ("Highveld") decided to place the entity under the business rescue procedures to avoid its liquidation and to avoid giving Highveld's creditors the opportunity to apply for its liquidation in court.

The rescue procedures will result either in (1) Highveld being re-financed or financially restructured or, if that is not possible, (2) Highveld's orderly winding down under the supervision of a business rescue practitioner to maximise the return to creditors and other affected parties.

Following the placement of Highveld under the business rescue procedures, control and management of Highveld was transferred to a "business rescue practitioner". Until Highveld is successfully re-financed/restructured, Highveld's Board and the Group are no longer able to control Highveld or exercise significant influence over it. The business rescue practitioner can consult with the Highveld's Board or its directors, but he would not be bound by any requests or advice from Highveld's Board or the directors.

4. Changes in Composition of the Group (continued)

Deconsolidation of Subsidiaries (continued)

Highveld Steel and Vanadium Limited (continued)

The Group's management believe that due to the current market conditions the option to invest additional cash in Highveld to pay to the creditors and to stop business rescue procedures would create no economic value for the Group. Therefore, in the opinion of management, the potential voting rights that the Group has in Highveld have no economic substance.

Based on the management's current assessment, the business rescue procedures most likely will result in Highveld being sold to one or more third parties at a significant discount or being mandatorily liquidated. As a consequence, management believes that on 14 April 2015 (the date of the placement of Highveld under the business rescue procedures) the Group lost control over Highveld and it is not expected that it will re-obtain control in the future.

As a result, the Group ceased to consolidate Highveld starting 14 April 2015 and recognised a loss on disposal of a subsidiary in the amount of $167 million, including $142 million of translation loss recycled to the statement of operations. In addition, non-controlling interests of $4 million were derecognised. Management analysed the classification of Highveld to determine whether its disposal constitutes a discontinued operation under IFRS 5 and concluded that this is not the case.

The table below demonstrates the carrying values of assets and liabilities of Highveld, which were included in the steel segment of the Group's operations, at the date of derecognition.

US$ million	**13 April 2015**
Property, plant and equipment	**$ 77**
Other non-current assets	**23**
Inventories	**74**
Accounts receivable	**59**
Cash and cash equivalents	**1**
Total assets	**234**
Non-current liabilities	**61**
Current liabilities	**144**
Total liabilities	**205**
Non-controlling interests	**4**
Net assets	**$ 25**

Controlling Interest in Subsidiaries Transferred to the Group by Parent Entity

On 25 April 2016, Evraz Group S.A. purchased from its parent a 60.016% ownership interest in Actionfield, which controls Mezhegey coal field project ("Mezhegeyugol") for $32 million in cash.

On 21 October 2015, Evraz Group S.A. issued to its parent 491 shares with the nominal value of €2 each. In exchange for these shares Evraz Group S.A. received from EVRAZ plc an additional 50% shareholding in Corber, which owns 81.95% in Raspadskaya, thereby it obtained a controlling interest in Raspadskaya. The shares issued were valued at $491 million, being the carrying value of the stake in the separate financial statements of EVRAZ plc, and were included in liabilities to related parties before 21 October 2015 (Note 16).

The Group applied the pooling of interests method with respect to these acquisitions and presented its consolidated financial statements as if the transfers of controlling interests in the entities had occurred from the dates of acquisitions of the subsidiaries by the transferring entity.

5. Goodwill

Goodwill relates to the assembled workforce and synergy from integration of the acquired subsidiaries into the Group. The table below presents movements in the carrying amount of goodwill.

US$ million	Gross amount	Impairment losses	Carrying amount
At 31 December 2013	**$ 2,981**	**$ (993)**	**$ 1,988**
Impairment	–	(330)	(330)
Oregon Steel Portland Mill	–	*(171)*	*(171)*
Calgary	–	*(90)*	*(90)*
EVRAZ Palini e Bertoli	–	*(69)*	*(69)*
Adjustment to contingent consideration	(7)	–	(7)
Sale of subsidiaries (Note 12)	(3)	–	(3)
Translation difference	(343)	236	(107)
At 31 December 2014	**$ 2,628**	**$ (1,087)**	**$ 1,541**
Impairment	–	(251)	(251)
OSM Tubular – Camrose Mills	–	*(157)*	*(157)*
Oregon Steel Portland Mill	–	*(53)*	*(53)*
Red Deer	–	*(41)*	*(41)*
Deconsolidation of subsidiaries (Note 4)	(17)	17	–
Adjustment to contingent consideration	(3)	–	(3)
Translation difference	(216)	105	(111)
At 31 December 2015	**$ 2,392**	**$ (1,216)**	**$ 1,176**
Impairment	–	(316)	(316)
Flat rolled products	–	*(188)*	*(188)*
Seamless pipes	–	*(111)*	*(111)*
Oil Country Tubular Goods	–	*(17)*	*(17)*
Transfer to disposal groups classified as held for sale	(28)	28	–
Translation difference	3	17	20
At 31 December 2016	**$ 2,367**	**$ (1,487)**	**$ 880**

As explained in Note 6, the composition of cash generating units of Steel North America was reassessed during the year and the disclosures below reflect this reassessment. The carrying amount of goodwill was allocated among cash-generating units as follows at 31 December:

US$ million	2016	2015	2014
EVRAZ Inc. NA/EVRAZ Inc. NA Canada	**$ 808**	$ 1,109	$ 1,459
Oregon Steel Portland Mill	–	*188*	*241*
Rocky Mountain Steel Mills	–	*410*	*410*
OSM Tubular – Camrose Mills	–	*–*	*157*
General Scrap	–	*16*	*16*
Others	–	*1*	*1*
Calgary	–	*92*	*109*
Red Deer	–	*–*	*48*
Regina Steel	–	*288*	*340*
Regina Tubular	–	*98*	*118*
Others	–	*16*	*19*
Large diameter pipes	**355**	–	–
Oil Country Tubular Goods	**137**	–	–
Long products	**316**	–	–
EVRAZ Vanady-Tula	**33**	28	36
EVRAZ Vametco Holdings	**6**	6	9
EVRAZ Nikom, a.s.	**29**	30	33
Others	**4**	3	4
	$ 880	$ 1,176	$ 1,541

6. Impairment of Assets

A summary of impairment losses recognition and reversals is presented below.

Year ended 31 December 2016

US$ million	**Goodwill and intangible assets**	**Property, plant and equipment**	**Taxes receivable**	**Total**
EVRAZ Inc. NA	**$ (299)**	**$ (88)**	**$ –**	**$ (387)**
EVRAZ Inc. NA Canada	**(17)**	**(26)**	**–**	**(43)**
Raspadskaya	**–**	**(17)**	**–**	**(17)**
EVRAZ Stratcor Inc.	**–**	**(16)**	**–**	**(16)**
EVRAZ Palini e Bertoli	**–**	**19**	**–**	**19**
Yuzhny Stan	**–**	**(5)**	**–**	**(5)**
Evrazruda	**–**	**(10)**	**–**	**(10)**
Others, net	**–**	**(8)**	**2**	**(6)**
	$ (316)	**$ (151)**	**$ 2**	**$ (465)**
Recognised in profit or loss	**(316)**	**(151)**	**2**	**(465)**

Year ended 31 December 2015

US$ million	**Goodwill and intangible assets**	**Property, plant and equipment**	**Taxes receivable**	**Total**
EVRAZ Inc. NA	$ (210)	$ –	$ –	$ (210)
EVRAZ Inc. NA Canada	(41)	(7)	–	(48)
Raspadskaya	–	(91)	–	(91)
EVRAZ Palini e Bertoli	–	(37)	–	(37)
Yuzhny Stan	–	(30)	–	(30)
Evrazruda	–	(19)	–	(19)
Others, net	–	(6)	(1)	(7)
	$ (251)	$ (190)	$ (1)	$ (442)
Recognised in profit or loss	(251)	(189)	(1)	(441)
Recognised in other comprehensive income/(loss)	–	(1)	–	(1)

Year ended 31 December 2014

US$ million	**Goodwill and intangible assets**	**Property, plant and equipment**	**Taxes receivable**	**Total**
EVRAZ Highveld Steel and Vanadium Limited	$ (17)	$ (41)	$ –	$ (58)
EVRAZ Inc. NA	(171)	–	–	(171)
EVRAZ Inc. NA Canada	(90)	–	–	(90)
EVRAZ Palini e Bertoli	(69)	(43)	–	(112)
Raspadskaya	–	(9)	(1)	(10)
Yuzhkuzbassugol	–	(71)	–	(71)
Others, net	–	(28)	–	(28)
	$ (347)	$ (192)	$ (1)	$ (540)
Recognised in profit or loss	(347)	(192)	(1)	(540)

6. Impairment of Assets (continued)

The Group recognised the impairment losses as a result of the impairment testing at the level of cash-generating units. In addition, the Group made a write-off of certain functionally obsolete items of property, plant and equipment and recorded an impairment relating to VAT with a long-term recovery.

For the purpose of the impairment testing the Group assessed the recoverable amount of each cash-generating unit to which the goodwill was allocated or where indicators of impairment were identified. Given the market volatility, in 2015 and 2014 the impairment test was performed as of 31 December in the respective years. In 2016, impairment test was performed as of 30 September, the conclusions were reassessed at 31 December and no further impairment triggers were identified.

In the first half of 2016, based on the analysis of market changes and cash inflow dependence between the assets and new business organisational structure, management reassessed the composition of cash generating units of Steel North America for the purposes of impairment testing. The assets of EVRAZ Inc. NA and EVRAZ Inc. NA Canada, which were previously allocated to cash-generating units based on individual plant level, were merged into 5 new units based on principal markets served by each cash-generating unit:

- Large diameter pipes;
- Oil Country Tubular Goods (casing and tubing);
- Seamless pipes;
- Flat rolled products (plates and coils);
- Long products (rails, rod and bar products).

The recoverable amounts have been determined based on calculation of either value-in-use or fair value less costs to sell. Both valuation techniques used cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting the time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the results of the respective business plans using a zero real growth rate. In the determination of fair value less costs to sell the asset's value additionally includes the cashflows of future projects not started yet and the associated capital expenditure costs.

The major drivers that led to impairment were the changes in expectations of long-term prices for iron ore and steel products, the increase in forecasted costs and changes in forecasted production volumes. Management lowered their forecasts for periods after 2016, because the expectations of market recovery in North America changed.

The key assumptions used by management in the value-in-use calculations with respect to the cash-generating units to which the goodwill was allocated are presented in the table below.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2017	Recoverable amount of CGU, US$ million	Carrying amount of CGU before impairment, US$ million
Steel North America						
Large diameter pipes	*5*	*10.69*	*steel products*	*$978*	*1,288*	*877*
Oil Country Tubular Goods	*5*	*10.36*	*steel products*	*$887*	*362*	*379*
Seamless pipes	*5*	*10.22*	*steel products*	*$1,111*	*25*	*136*
Flat rolled products	*5*	*9.77*	*steel products*	*$592*	*294*	*509*
Long products	*5*	*10.08*	*steel products*	*$572*	*686*	*549*
EVRAZ Vanady-Tula	5	12.98	vanadium products	$10,990	393	58
EVRAZ Vametco Holdings	5	14.59	ferrovanadium products	$16,247	33	17
EVRAZ Nikom, a.s.	5	10.74	ferrovanadium products	$12,568	43	33

6. Impairment of Assets (continued)

In addition, the Group determined that there were indicators of impairment in other cash generating units and tested them for impairment using the following assumptions.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2017
EVRAZ Dneprovsk Metallurgical Plant	5	23.5	steel products	$312
EVRAZ Consolidated West-Siberian Metallurgical Plant	5	15.01	steel products	$314
EVRAZ Palini e Bertoli	8	15.70	steel products	€480
EVRAZ Stratcor Inc.	5	12.62	vanadium products	$33,803
Raspadskaya	18	12.71	coal	$51
Mezhegeyugol	25	11.88	coal	$58
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	23	13.88	ore	$37
EVRAZ Sukha Balka	17	24.92	ore	$24
Evrazruda - Sheregesh mine	10	16.64	ore	$40

The value in use of the cash-generating units for which an impairment loss was recognised or reversed in the reporting year was as follows:

US$ million	30 September 2016	31 December 2015
Oil Country Tubular Goods	362	–
Seamless pipes	25	169
Flat rolled products	294	–
EVRAZ Stratcor Inc.	20	45
EVRAZ Palini e Bertoli	24	5

The value in use of Oil Country Tubular Goods and Flat rolled products at 31 December 2015 has not been disclosed, because of the changes in the composition of North-American cash-generating units in 2016. Similarly the value in use as disclosed in the 31 December 2015 financial statements has not been re-presented as it is no longer directly comparable.

At 31 December 2015, management expected to recover investments in EVRAZ Palini e Bertoli principally through sale and the recoverable amount of this cash-generating unit was measured at $5 million as fair value less costs of disposal, which was determined based on non-binding offers at 31 December 2015 (Level 3 in the fair value hierarchy).

6. Impairment of Assets (continued)

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

Discount Rates

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates have been determined using the Capital Asset Pricing Model and analysis of industry peers. Reasonably possible changes in discount rates could lead to an additional impairment at EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If discount rates were 10% higher, this would lead to an additional impairment of $120 million.

Sales Prices

The price assumptions for the products sold by the Group were estimated based on industry research using analysts' views published by Bank of America Merill Lynch, Citigroup, Credit Suisse, Deutsche Bank, JP Morgan, Morgan Stanley, RBC, Renaissance Capital, UBS, VTB during the period from August to December 2016. The Group expects that the nominal prices will fluctuate with a compound annual growth rate of (6.6)%-9.9% in 2017 – 2021, 2.5% in 2022 and thereafter. Reasonably possible changes in sales prices could lead to an additional impairment at EVRAZ Sukha Balka, EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the prices assumed for 2017 and 2018 in the impairment test were 10% lower, this would lead to an additional impairment of $37 million.

Sales Volumes

Management assumed that the sales volumes of steel products in 2017 will increase by 7.6% and future dynamics will be driven by a gradual market recovery and changes in assets' capacities. Reasonably possible changes in sales volumes could lead to an additional impairment at EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the sales volumes were 10% lower than those assumed for 2017 and 2018 in the impairment test, this would lead to an additional impairment of $12 million.

Cost Control Measures

The recoverable amounts of cash-generating units are based on the business plans approved by management. A reasonably possible deviation in cost from these plans could lead to an additional impairment at EVRAZ Dneprovsk Metallurgical Plant, EVRAZ Sukha Balka, EVRAZ Nikom, EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the actual costs were 10% higher than those assumed for 2017 and 2018 in the impairment test, this would lead to an additional impairment of $139 million.

Sensitivity Analysis

For the cash-generating units, which were not impared in the reporting period and for which the reasonably possible changes could lead to impairment, the recoverable amounts would become equal to their carrying amounts if the assumptions used to measure the recoverable amounts changed by the following percentages:

	Discount rates	**Sales prices**	**Sales volumes**	**Cost control measures**
EVRAZ Sukha Balka	–	(8.6)%	–	5.9%
EVRAZ Dneprovsk Metallurgical Plant	–	–	–	3.8%
EVRAZ Nikom	–	–	–	9.3%

7. Income and Expenses

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

US$ million	**2016**	2015	2014
Cost of inventories recognised as expense	**$ (2,761)**	$ (3,295)	$ (5,162)
Staff costs, including social security taxes	**(1,197)**	(1,451)	(2,207)
Depreciation, depletion and amortisation	**(521)**	(585)	(833)

In 2016, 2015 and 2014, the Group recognised (expense)/income on allowance or net reversal of the allowance for net realisable value in the amount of $2 million, $(1) million and $(4) million, respectively.

Staff costs include the following:

US$ million	**2016**	2015	2014
Wages and salaries	**$ 861**	$ 1,022	$ 1,608
Social security costs	**212**	254	398
Net benefit expense	**43**	45	31
Share-based awards	**16**	20	30
Other compensations	**65**	110	140
	$ 1,197	$ 1,451	$ 2,207

The major components of other operating expenses were as follows:

US$ million	**2016**	2015	2014
Idling, reduction and stoppage of production, including termination benefits	**$ (81)**	$ (54)	$ (52)
Restoration works and casualty compensations in connection with accidents	**(1)**	(2)	(10)
Other	**(19)**	(22)	(26)
	$ (101)	$ (78)	$ (88)

7. Income and Expenses (continued)

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

US$ million	2016	2015	2014
Bank interest	**$ (133)**	$ (88)	$ (55)
Interest on bonds and notes	**(306)**	(342)	(448)
Finance charges payable under finance leases	**–**	–	(1)
Net interest expense on employee benefits obligations (Note 23)	**(22)**	(24)	(30)
Discount adjustment on provisions (Note 24)	**(14)**	(13)	(15)
Interest and guarantees fees on transactions with related parties	**(11)**	(9)	(3)
Other	**(3)**	(5)	(9)
	$ (489)	$ (481)	$ (561)

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

US$ million	2016	2015	2014
Interest on bank accounts and deposits	**$ 6**	$ 4	$ 9
Interest on loans and accounts receivable	**2**	3	4
Interest on loans receivable from related parties (Note 16)	**10**	–	–
Other	**3**	2	4
	$ 21	$ 9	$ 17

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

US$ million	2016	2015	2014
Impairment of available-for-sale financial assets (Note 13)	**$ (2)**	$ (11)	$ (1)
Loss on extinguishment of debts (Note 22)	**(50)**	(15)	(9)
Gain/(loss) on derivatives not designated as hedging instruments (Note 25)	**23**	(25)	(588)
Gain/(loss) on hedging instruments (Note 25)	**14**	5	–
Other	**6**	(2)	12
	$ (9)	$ (48)	$ (586)

8. Income Taxes

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

	2016	2015	2014
Russia	**20.00%**	20.00%	20.00%
Canada	**26.06%**	25.89%	25.61%
Cyprus	**12.50%**	12.50%	12.50%
Czech Republic	**19.00%**	19.00%	19.00%
Italy	**31.40%**	31.40%	31.40%
South Africa	**28.00%**	28.00%	28.00%
Switzerland	**9.09%**	9.72%	9.65%
Ukraine	**18.00%**	18.00%	18.00%
USA	**37.72%**	37.41%	37.78%

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

US$ million	2016	2015	2014
Current income tax expense	**$ (185)**	$ (100)	$ (356)
Adjustment in respect of income tax of previous years	**2**	1	(1)
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**87**	87	163
Income tax (expense)/benefit reported in the consolidated statement of operations	**$ (96)**	$ (12)	$ (194)

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

US$ million	2016	2015	2014
Profit/(loss) before income tax	**$ (12)**	$ (690)	$ (1,103)
At the Russian statutory income tax rate of 20%	**2**	138	221
Adjustment in respect of income tax of previous years	**2**	1	(1)
Deferred income tax expense arising on the adjustment to current income tax of prior periods and the change in tax base of underlying assets	**(2)**	2	(4)
Effect of non-deductible expenses and other non-temporary differences	**(52)**	(22)	(122)
Unrecognised temporary differences recognition/reversal	**(157)**	(220)	(460)
Effect of the difference in tax rates in countries other than the Russian Federation	**110**	88	170
Share of profits in joint ventures and associates	**1**	1	2
Income tax (expense)/benefit reported in the consolidated statement of operations	**$ (96)**	$ (12)	$ (194)

In 2014, the increase in the amount of non-deductible expenses and unrecognised temporary differences was mostly caused by the significant forex exchange losses and losses on derivatives (Note 25), which either cannot be utilised or cannot be deductible for tax purposes in certain subsidiaries.

8. Income Taxes (continued)

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

Year ended 31 December 2016

US$ million	2016	Change recognised in statement of operations	Change recognised in other comprehen sive income	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2015
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	**$ 567**	**(62)**	**–**	**–**	**–**	**66**	**$ 563**
Valuation and amortisation of intangible assets	**81**	**(11)**	**–**	**–**	**–**	**3**	**89**
Other	**58**	**5**	**–**	**–**	**–**	**5**	**48**
	706	**(68)**	**–**	**–**	**–**	**74**	**700**
Deferred income tax assets:							
Tax losses available for offset	**226**	**(5)**	**–**	**–**	**–**	**23**	**208**
Accrued liabilities	**138**	**4**			**(1)**	**8**	**127**
Impairment of accounts receivable	**10**	**(1)**	**–**	**–**	**–**	**2**	**9**
Other	**140**	**21**	**–**	**–**	**(2)**	**(2)**	**123**
	514	**19**	**–**	**–**	**(3)**	**31**	**467**
Net deferred income tax asset	**156**	**28**	**–**	**–**	**(3)**	**12**	**119**
Net deferred income tax liability	**$ 348**	**(59)**	**–**	**–**	**–**	**55**	**$ 352**

Year ended 31 December 2015

US$ million	2015	Change recognised in statement of operations	Change recognised in other comprehen sive income	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2014
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	$ 563	(55)	–	(8)	–	(115)	$ 741
Valuation and amortisation of intangible assets	89	(4)	–	(5)	–	(14)	112
Other	48	3	–	–	–	(14)	59
	700	(56)	–	(13)	–	(143)	912
Deferred income tax assets:							
Tax losses available for offset	208	19	–	(1)	–	(57)	247
Accrued liabilities	127	(12)	(5)	(17)	–	(16)	177
Impairment of accounts receivable	9	2	–	(3)	–	(3)	13
Other	123	22	–	6	–	(6)	101
	467	31	(5)	(15)	–	(82)	538
Net deferred income tax asset	119	53	(1)	(2)	–	(28)	97
Net deferred income tax liability	$ 352	(34)	4	–	–	(89)	$ 471

Year ended 31 December 2014

US$ million	2014	Change recognised in statement of operations	Change recognised in other comprehen sive income	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2013
Deferred income tax liabilities:							
Valuation and depreciation of property, plant and equipment	$ 741	(40)	–	–	–	(339)	$ 1,120
Valuation and amortisation of intangible assets	112	(21)	–	–	–	(12)	145
Other	59	13	–	–	–	(22)	68
	912	(48)	–	–	–	(373)	1,333
Deferred income tax assets:							
Tax losses available for offset	247	101	–	–	–	(128)	274
Accrued liabilities	177	29	15	(5)	–	(35)	173
Impairment of accounts receivable	13	4	–	–	–	(7)	16
Other	101	(19)	–	5	–	–	115
	538	115	15	–	–	(170)	578
Net deferred income tax asset	97	46	3	–	–	(38)	86
Net deferred income tax liability	$ 471	(117)	(12)	–	–	(241)	$ 841

8. Income Taxes (continued)

As of 31 December 2016, 2015 and 2014, deferred income taxes in respect of undistributed earnings of the Group's subsidiaries have not been provided for, as management does not intend to distribute accumulated earnings in the foreseeable future. The current tax rate on intra-group dividend income varies from 0% to 15%. The temporary differences associated with investments in subsidiaries were not recognised as the Group is able to control the timing of the reversal of these temporary differences and does not intend to reverse them in the foreseeable future.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies in the same jurisdiction, except for the companies registered in Cyprus, Russia and the United Kingdom where group relief and tax consolidation can be applied. As of 31 December 2016, the unused tax losses carried forward approximated $9,718 million (2015: $7,631 million, 2014: $7,879 million). The Group recognised deferred tax assets of $226 million (2015: $208 million, 2014: $247 million) in respect of unused tax losses. Deferred tax assets in the amount of $2,327 million (2015: $1,888 million, 2014: $1,719 million) have not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. Tax losses of $8,582 million (2015: $6,616 million, 2014: $6,586 million) for which deferred tax assets were not recognised arose in companies registered in Canada, Cyprus, Italy, Luxembourg, Russia, Ukraine and the USA. Losses in the amount of $8,539 million (2015: $6,384 million, 2014: $6,332 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and $44 million will expire in 2018 (2015: $232 million, 2014: $254 million).

9. Property, Plant and Equipment

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

US$ million	**2016**	**2015**	**2014**
Cost:			
Land	**$ 100**	$ 97	$ 124
Buildings and constructions	**1,755**	1,512	1,908
Machinery and equipment	**4,446**	3,961	5,094
Transport and motor vehicles	**223**	193	249
Mining assets	**2,440**	2,100	2,572
Other assets	**38**	37	60
Assets under construction	**424**	302	428
	9,426	8,202	10,435
Accumulated depreciation, depletion and impairment losses:			
Buildings and constructions	**(872)**	(690)	(790)
Machinery and equipment	**(2,637)**	(2,163)	(2,633)
Transport and motor vehicles	**(144)**	(114)	(147)
Mining assets	**(1,093)**	(908)	(1,024)
Other assets	**(28)**	(25)	(45)
	(4,774)	(3,900)	(4,639)
	$ 4,652	$ 4,302	$ 5,796

9. Property, Plant and Equipment (continued)

The movement in property, plant and equipment for the year ended 31 December 2016 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2015, cost, net of accumulated depreciation	**$ 97**	**$ 822**	**$ 1,798**	**$ 79**	**$ 1,192**	**$ 12**	**$ 302**	**$ 4,302**
Additions	**–**	**1**	**5**	**–**	**–**	**2**	**442**	**450**
Assets put into operation	**–**	**64**	**209**	**14**	**43**	**3**	**(333)**	**–**
Disposals	**(1)**	**(5)**	**(12)**	**(2)**	**(9)**	**(4)**	**–**	**(33)**
Depreciation and depletion charge	**–**	**(72)**	**(309)**	**(21)**	**(79)**	**(4)**	**–**	**(485)**
Impairment losses recognised in statement of operations	**(4)**	**(42)**	**(90)**	**(2)**	**(30)**	**–**	**(11)**	**(179)**
Impairment losses reversed through statement of operations	**2**	**5**	**17**	**–**	**3**	**–**	**1**	**28**
Transfer to assets held for sale	**–**	**(4)**	**(10)**	**–**	**–**	**–**	**(10)**	**(24)**
Change in site restoration and decommissioning provision	**–**	**–**	**(3)**	**–**	**20**	**–**	**–**	**17**
Translation difference	**6**	**114**	**204**	**11**	**207**	**1**	**33**	**576**
At 31 December 2016, cost, net of accumulated depreciation	**$ 100**	**$ 883**	**$ 1,809**	**$ 79**	**$ 1,347**	**$ 10**	**$ 424**	**$ 4,652**

The movement in property, plant and equipment for the year ended 31 December 2015 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2014, cost, net of accumulated depreciation	$ 124	$ 1,118	$ 2,461	$ 102	$ 1,548	$ 15	$ 428	$ 5,796
Additions	–	–	4	–	1	1	480	486
Assets put into operation	–	40	234	28	176	3	(481)	–
Disposals	(2)	(7)	(29)	(4)	(7)	–	(22)	(71)
Depreciation and depletion charge	–	(77)	(343)	(24)	(88)	(5)	–	(537)
Impairment losses recognised in statement of operations	(4)	(16)	(44)	–	(109)	–	(36)	(209)
Impairment losses reversed through statement of operations	–	2	2	–	3	–	13	20
Impairment losses recognised in other comprehensive income	–	(1)	–	–	–	–	–	(1)
Loss of control over a subsidiary	(1)	(2)	(65)	(1)	(2)	(1)	(5)	(77)
Transfer to assets held for sale	(7)	(13)	(4)	–	–	–	–	(24)
Change in site restoration and decommissioning provision	–	6	–	–	45	–	–	51
Translation difference	(13)	(228)	(418)	(22)	(375)	(1)	(75)	(1,132)
At 31 December 2015, cost, net of accumulated depreciation	$ 97	$ 822	$ 1,798	$ 79	$ 1,192	$ 12	$ 302	$ 4,302

9. Property, Plant and Equipment (continued)

The movement in property, plant and equipment for the year ended 31 December 2014 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2013, cost, net of accumulated depreciation	$ 157	$ 1,655	$ 3,781	$ 188	$ 2,690	$ 27	$ 992	$ 9,490
Additions	–	1	8	1	–	–	609	619
Assets put into operation	–	198	450	22	172	5	(847)	–
Disposals	(2)	(7)	(41)	(3)	(10)	–	(5)	(68)
Depreciation and depletion charge	–	(112)	(470)	(38)	(150)	(5)	–	(775)
Impairment losses recognised in statement of operations	(4)	(20)	(85)	–	(79)	–	(21)	(209)
Impairment losses reversed through statement of operations	–	5	10	–	–	–	2	17
Transfer to assets held for sale	–	(4)	(3)	–	–	–	–	(7)
Change in site restoration and decommissioning provision	–	6	(4)	–	61	–	4	67
Translation difference	(27)	(604)	(1,185)	(68)	(1,136)	(12)	(306)	(3,338)
At 31 December 2014, cost, net of accumulated depreciation	$ 124	$ 1,118	$ 2,461	$ 102	$ 1,548	$ 15	$ 428	$ 5,796

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $34 million, $24 million and $22 million as of 31 December 2016, 2015 and 2014, respectively.

On 1 January 2014, certain of the Group's subsidiaries reassessed the remaining useful lives of property, plant and equipment, which resulted in a $52 million decrease in depreciation expense as compared to the amounts that would have been charged had no change in estimate occurred.

Impairment losses were identified in respect of certain items of property, plant and equipment that were recognised as functionally obsolete or as a result of the testing at the level of cash-generating units (Note 6).

The amount of borrowing costs capitalised during the year ended 31 December 2016 was $9 million (2015: $16 million, 2014: $18 million).

10. Intangible Assets Other Than Goodwill

Intangible assets consisted of the following as of 31 December:

US$ million	**2016**	2015	2014
Cost:			
Customer relationships	**$ 663**	$ 651	$ 981
Water rights and environmental permits	**57**	57	57
Contract terms	**25**	20	26
Other	**90**	83	65
	835	811	1,129
Accumulated amortisation:			
Customer relationships	**(460)**	(419)	(642)
Water rights and environmental permits	**–**	–	–
Contract terms	**(8)**	(4)	(3)
Other	**(70)**	(64)	(43)
	(538)	(487)	(688)
	$ 297	$ 324	$ 441

10. Intangible Assets Other Than Goodwill (continued)

As of 31 December 2016, 2015 and 2014, water rights and environmental permits with a carrying value of $57 million had an indefinite useful life.

The movement in intangible assets for the year ended 31 December 2016 was as follows:

US$ million	**Customer relation-ships**	**Water rights and environ-mental permits**	**Contract terms**	**Other**	**Total**
At 31 December 2015, cost, net of accumulated amortisation	**$ 232**	**$ 57**	**$ 16**	**$ 19**	**$ 324**
Additions	**–**	**–**	**–**	**3**	**3**
Amortisation charge	**(35)**	**–**	**(2)**	**(4)**	**(41)**
Translation difference	**6**	**–**	**3**	**2**	**11**
At 31 December 2016, cost, net of accumulated amortisation	**$ 203**	**$ 57**	**$ 17**	**$ 20**	**$ 297**

The movement in intangible assets for the year ended 31 December 2015 was as follows:

US$ million	**Customer relation-ships**	**Water rights and environ-mental permits**	**Contract terms**	**Other**	**Total**
At 31 December 2014, cost, net of accumulated amortisation	$ 339	$ 57	$ 23	$ 22	$ 441
Additions	–	–	–	6	6
Amortisation charge	(43)	–	(2)	(5)	(50)
Loss of control over a subsidiary	(20)	–	–	–	(20)
Translation difference	(44)	–	(5)	(4)	(53)
At 31 December 2015, cost, net of accumulated amortisation	$ 232	$ 57	$ 16	$ 19	$ 324

The movement in intangible assets for the year ended 31 December 2014 was as follows:

US$ million	**Customer relation-ships**	**Water rights and environ-mental permits**	**Contract terms**	**Other**	**Total**
At 31 December 2013, cost, net of accumulated amortisation	$ 448	$ 57	$ 44	$ 39	$ 588
Additions	–	–	–	4	4
Amortisation charge	(60)	–	(4)	(8)	(72)
Impairment loss recognised in statement of operations	(16)	–	–	–	(16)
Transfer to assets held for sale	(1)	–	–	–	(1)
Translation difference	(32)	–	(17)	(13)	(62)
At 31 December 2014, cost, net of accumulated amortisation	$ 339	$ 57	$ 23	$ 22	$ 441

11. Investments in Joint Ventures and Associates

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

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

US$ million	Streamcore	Other associates	Total
Investment at 31 December 2013	**$ 40**	**$ 10**	**$ 50**
Share of profit/(loss)	8	2	10
Dividends paid	–	(1)	(1)
Translation difference	(19)	(1)	(20)
Investment at 31 December 2014	**$ 29**	**$ 10**	**$ 39**
Share of profit/(loss)	4	–	4
Translation difference	(7)	(2)	(9)
Investment at 31 December 2015	**$ 26**	**$ 8**	**$ 34**
Share of profit/(loss)	5	–	5
Translation difference	6	–	6
Investment at 31 December 2016	**$ 37**	**$ 8**	**$ 45**

Streamcore

The Group owns a 50% interest in Streamcore (Cyprus), a joint venture established for the purpose of exercising joint control over facilities for scrap procurement and processing in Siberia, Russia.

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

US$ million	2016	2015	2014
Property, plant and equipment	**$ 24**	$ 19	$ 27
Inventories	**4**	3	5
Accounts receivable	**91**	51	51
Total assets	**119**	73	83
Deferred income tax liabilities	**1**	1	1
Current liabilities	**44**	20	24
Total liabilities	**45**	21	25
Net assets	**$ 74**	$ 52	$ 58
Net assets attributable to 50% ownership interest	**$ 37**	$ 26	$ 29

The table below sets out Streamcore's income and expenses:

US$ million	2016	2015	2014
Revenue	**$ 286**	$ 278	$ 478
Cost of revenue	**(270)**	(263)	(450)
Other expenses, including income taxes	**(6)**	(7)	(12)
Net profit	**$ 10**	$ 8	$ 16
Group's share of profit of the joint venture	**$ 5**	$ 4	$ 8

12. Disposal Groups Held for Sale

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

US$ million	**2016**	2015	2014
Property, plant and equipment	**$ 15**	$ 1	$ 3
Other non-current assets	**3**	–	–
Inventories	**1**	–	1
Accounts receivable	**6**	–	–
Cash and cash equivalents	**2**	–	–
Assets classified as held for sale	**27**	1	4
Non-current liabilities	**5**	–	13
Current liabilities	**3**	–	–
Liabilities directly associated with assets classified as held for sale	**8**	–	13
Non-controlling interests	**–**	–	–
Net assets classified as held for sale	**$ 19**	$ 1	$ (9)

The net assets of disposal groups classified as held for sale at 31 December related to the following reportable segments:

US$ million	**2016**	2015	2014
Assets classified as held for sale	**$ 27**	$ 1	$ 4
Steel production	**27**	–	1
Coal	**–**	1	3
Liabilities directly associated with assets classified as held for sale	**8**	–	13
Steel production	**8**	–	–
Steel, North America	**–**	–	13

12. Disposal Groups Held for Sale (continued)

The table below demonstrates the carrying values of assets and liabilities, at the dates of disposal, of the subsidiaries and other business units disposed of during 2014–2016.

US$ million	**2016**	2015	2014
Property, plant and equipment	**$ 9**	$ 25	$ 178
Other non-current assets	**–**	–	19
Inventories	**–**	13	79
Accounts receivable	**–**	–	64
Cash and cash equivalents	**–**	–	20
Total assets	**9**	38	360
Non-current liabilities	**–**	17	28
Current liabilities	**–**	–	100
Total liabilities	**–**	17	128
Non-controlling interests	**–**	–	–
Net assets	**$ 9**	$ 21	$ 232

The net assets of disposal groups sold in 2014–2016 related to the following reportable segments:

US$ million	**2016**	2015	2014
Assets classified as held for sale	**$ 9**	$ 38	$ 360
Steel	**9**	6	330
Steel, North America	**–**	31	9
Coal	**–**	1	–
Other operations	**–**	–	21
Liabilities directly associated with assets classified as held for sale	**–**	17	128
Steel	**–**	4	126
Steel, North America	**–**	13	–
Other operations	**–**	–	2

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

US$ million	**2016**	2015	2014
Net cash disposed of with subsidiaries	**$ –**	$ (13)	$ (20)
Cash received	**27**	57	331
Net cash inflow	**$ 27**	$ 44	$ 311

In 2016, cash inflows included $16 million of prepayment for the sale of certain disposal groups.

The disposal groups sold during 2014–2016 are described below.

EVRAZ Portland Structural Tubing

In 2015, the Group sold assets of Portland Structural Tubing for a cash consideration of $51 million. The Group recognised $20 million as a gain on disposal groups classified as held for sale.

12. Disposal Groups Held for Sale (continued)

EVRAZ Vitkovice Steel

In April 2014, the Group sold its wholly-owned subsidiary EVRAZ Vitkovice Steel to a third party for a cash consideration of $287 million on a debt free and normalised working capital basis. Transaction costs amounted to $3 million. As of 31 December 2014, the Group owed $25 million to the purchaser of EVRAZ Vitkovice Steel. In 2015, this amount was fully settled through an offset with receivables from the former subsidiary.

The Group recognised a $90 million gain on the sale of the subsidiary, including $61 million of cumulative exchange gains reclassified from other comprehensive income to the consolidated statement of operations. Cash disposed with the subsidiary amounted to $20 million.

Assets of Evrazruda

In 2014, the Group sold an iron ore mine and heat and power plant located in the Krasnoyarsk and Kemerovo regions of Russia. The gain on these transactions amounted to $25 million, including $5 million of cumulative exchange gains reclassified from other comprehensive income to the consolidated statement of operations.

Other Disposal Groups Held for Sale

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

13. Other Non-current Assets

Other non-current assets consisted of the following as of 31 December:

Non-current Financial Assets

US$ million	**2016**	2015	2014
Available-for-sale financial assets	**$ 3**	$ 5	$ 17
Restricted deposits	**11**	5	7
Receivables from related parties	**–**	1	1
Loans receivable	**21**	23	21
Trade and other receivables	**4**	5	4
Other	**52**	40	48
	$ 91	$ 79	$ 98

Other Non-current Assets

US$ million	**2016**	2015	2014
Income tax receivable	**$ 7**	$ 18	$ 4
Input VAT	**2**	6	12
Other	**36**	32	24
	$ 45	$ 56	$ 40

13. Other Non-current Assets (continued)

Available-for-Sale Financial Assets

The Group holds approximately 15% in Delong Holdings Limited ("Delong"), a flat steel producer headquartered in Beijing (China). The investments in Delong are measured at fair value based on market quotations of the Singapore Exchange ($3 million, $5 million and $16 million at 31 December 2016, 2015 and 2014, respectively). The change in the fair value of these shares is initially recorded in other comprehensive income.

In 2016, 2015 and 2014, impairment losses relating to the decline in market quotations of Delong shares in the amount of $Nil, $Nil and $12 million, respectively, were recorded through other comprehensive income and $2 million, $11 million and $1 million, respectively, were recognised in the statement of operations.

14. Inventories

Inventories consisted of the following as of 31 December:

US$ million	**2016**	2015	2014
Raw materials and spare parts	**$ 434**	$ 402	$ 588
Work-in-progress	**173**	188	307
Finished goods	**377**	309	477
	$ 984	$ 899	$ 1,372

As of 31 December 2016, 2015 and 2014, the net realisable value allowance was $34 million, $35 million and $47 million, respectively.

As of 31 December 2016, 2015 and 2014, certain items of inventory with an approximate carrying amount of $315 million, $383 million and $607 million, respectively, were pledged to banks as collateral against loans provided to the Group (Note 22).

15. Trade and Other Receivables

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

US$ million	**2016**	2015	2014
Trade accounts receivable	**$ 518**	$ 472	$ 684
Other receivables	**31**	23	25
	549	495	709
Allowance for doubtful accounts	**(47)**	(48)	(55)
	$ 502	$ 447	$ 654

Ageing analysis and movement in allowance for doubtful accounts are provided in Note 28.

16. Related Party Disclosures

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

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

	Amounts due from related parties			Amounts due to related parties		
US$ million	**2016**	2015	2014	**2016**	2015	2014
Loans						
Timir	**$ 7**	$ 5	$ 4	**$ –**	$ –	$ –
Settlements with parent						
Consideration to EVRAZ plc for the transfer of interests in subsidiaries (Note 4)	**–**	–	–	**–**	32	491
Loans	**277**	–	–	**–**	–	–
Other balances	**–**	–	1	**5**	4	–
Less: non-current portion	**(274)**	–	–	**–**	–	–
Trade balances						
Vtorresource-Pererabotka	**1**	1	11	**39**	10	5
Yuzhny GOK	**–**	–	37	**185**	129	96
Other entities	**–**	–	3	**2**	4	7
	11	6	56	**231**	179	599
Less: allowance for doubtful accounts	**–**	–	(2)	**–**	–	–
	$ 11	$ 6	$ 54	**$ 231**	$ 179	$ 599

In 2016 and 2014, the Group did not recognise any expense or income in relation to bad and doubtful debts of related parties. In 2015, a $2 million reversal of bad and doubtful debts allowance was recognised in the consolidated statement of operations.

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

	Sales to related parties			Purchases from related parties		
US$ million	**2016**	2015	2014	**2016**	2015	2014
Genalta Recycling Inc.	**$ –**	$ –	$ –	**$ 8**	$ 14	$ 24
Interlock Security Services	**–**	–	1	**19**	24	39
Vtorresource-Pererabotka	**7**	8	17	**281**	274	465
Yuzhny GOK	**25**	29	42	**77**	70	125
Other entities	**–**	–	3	**11**	12	24
	$ 32	$ 37	$ 63	**$ 396**	$ 394	$ 677

In addition to the disclosures presented in this note, some of the balances and transactions with related parties are disclosed in Notes 4, 11, 13 and 25.

Genalta Recycling Inc. is a joint venture of a Canadian subsidiary of the Group. It sells scrap metal to the Group.

Interlock Security Services is a group of entities controlled by a member of the key management personnel, which provide security services to the Russian and Ukrainian subsidiaries of the Group. In August-September 2016, the main businesses of this group were sold by a key person to third parties and they ceased to be related parties to the Group.

16. Related Party Disclosures (continued)

Lanebrook Limited is a controlling shareholder of the Company. In 2008, the Group acquired from Lanebrook a 1% ownership interest in Yuzhny GOK for a cash consideration of $38 million (Note 18). As part of the transaction, the Group signed a put option agreement that gives the Group the right to sell these shares back to Lanebrook Limited for the same amount. In January 2014, the Group sold 0.14% of the shares to Lanebrook Limited for $6 million. The put option for the remaining shares expires on 31 December 2017.

Timir is a joint venture of the Company's parent with Alrosa for the development of 4 iron ore deposits in the southern part of the Yakutia region in Russia. The Company has outstanding loans receivable from Timir.

Vtorresource-Pererabotka is a subsidiary of Streamcore, the Group's joint venture, acquired in 2012. It sells scrap metal to the Group and provides scrap processing and other services. In 2016, 2015 and 2014, the purchases of scrap metal from Vtorresource-Pererabotka amounted to $256 million (1,437,411 tonnes), $219 million (1,339,101 tonnes) and $383 million (1,601,041 tonnes), respectively.

Yuzhny GOK, an ore mining and processing plant, is an associate of Lanebrook Limited. The Group sold steel products to Yuzhny GOK and purchased sinter from the entity. In 2016, 2015 and 2014, the volume of purchases was 1,619,745 tonnes, 1,517,580 tonnes and 1,486,415 tonnes, respectively.

The transactions with related parties were based on prevailing market terms.

Loans Issued to Related Parties

US$ million	Interest rate	Currency	Maturity date	Balance at 31 December 2015	Loans issued to related parties	Interest income	Receipts from repayment of loans	Translation difference	Balance at 31 December 2016
EVRAZ plc	6.31%	USD	18/03/2021	$ –	$ 200	$ 9	$ (6)	$ –	$ 203
EVRAZ plc	3.75%	USD	01/06/2018	–	100	1	(33)	–	68
EVRAZ plc	3.13%	USD	31/05/2018	–	6	–	–	–	6
Timir	0.5%	RUB	26/12/2016	5	1	–	–	1	7
				$ 5	**$ 307**	**$ 10**	**$ (39)**	**$ 1**	**$ 284**

Loans Received from Related Parties

On 1 April 2014, a Ukrainian subsidiary of the Group received a non-interest bearing loan of 2,935 million Ukrainian hryvnias ($267 million at the exchange rate as of the date of disbursement) from Standart IP, an entity under control of one of the major shareholders. The proceeds were used for the purposes of short-term liquidity management for the subsidiary. The loan was fully repaid in several instalments by 10 April 2014 using the loans provided by the other Group's subsidiary.

16. Related Party Disclosures (continued)

Compensation to Key Management Personnel

Key management personnel include the following positions within the Group:

- directors of the Company,
- vice presidents,
- senior management of major subsidiaries.

In 2016, 2015 and 2014, key management personnel totalled 27, 39 and 44 people, respectively. Total compensation to key management personnel were included in general and administrative expenses in the consolidated statement of operations and consisted of the following:

US$ million	**2016**	**2015**	**2014**
Salary	**$ 11**	$ 13	$ 17
Performance bonuses	**9**	9	29
Social security taxes	**3**	4	4
Share-based payments (Note 21)	**8**	10	14
Termination benefits	**–**	–	1
Other benefits	**–**	–	1
	$ 31	$ 36	$ 66

17. Other Taxes Recoverable

Taxes recoverable consisted of the following as of 31 December:

US$ million	**2016**	**2015**	**2014**
Input VAT	**$ 89**	$ 61	$ 71
Other taxes	**103**	66	87
	$ 192	$ 127	$ 158

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

18. Other Current Financial Assets

Other current assets included the following as of 31 December:

US$ million	**2016**	**2015**	**2014**
Investments in Yuzhny GOK (Note 16)	**$ 32**	$ 32	$ 32
Restricted deposits at banks	**1**	3	1
Collateral under swap agreements (Note 25)	**–**	–	7
	$ 33	$ 35	$ 40

19. Cash and Cash Equivalents

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

US$ million		**2016**		2015		2014
US dollar	**$**	**1,056**	$	1,180	$	906
Russian rouble		**71**		121		108
Canadian dollar		**2**		29		6
Ukrainian hryvnia		**2**		20		3
Other		**24**		9		26
	$	**1,155**	$	1,359	$	1,049

At 31 December 2016, 2015 and 2014, the assets of disposal groups classified as held for sale included cash amounting to $2 million, $Nil and $Nil, respectively.

20. Equity

Share Capital

Number of shares	**2016**	**2015**	**2014**
Authorised Ordinary shares of €2 each	**257,204,326**	257,204,326	257,204,326
Issued and fully paid Ordinary shares of €2 each	**148,882,619**	148,882,619	156,215,373

Share Issue

On 21 October 2015, Evraz Group S.A. issued to its parent 491 shares with the nominal value of €2 each in exchange for a 50% shareholding in Corber valued at $491 million (Note 2 *Restatement of Financial Statements)*. On the same date the Company issued 88 shares with the nominal value of €2 each for $88 million received in cash from EVRAZ plc.

Additional Paid-in Capital

Contributions from Shareholder

On 16 March 2016, EVRAZ plc resolved to contribute to the Company $300 million in cash. In 2016, the amount was received by Evraz Group S.A. in full.

Treasury Shares

At 31 December 2014, the Company had 7,333,333 treasury shares. On 27 March 2015, these treasury shares were cancelled.

Legal Reserve

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

20. Equity (continued)

Earnings per Share

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

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

	2016	**2015**	**2014**
Weighted average number of ordinary shares for basic and diluted earnings per share	**148,882,619**	148,882,040	148,881,498
Profit/(loss) for the year attributable to equity holders of the parent, US$ million	**$ (135)**	$ (627)	$ (1,194)
Earnings/(losses) per share, basic and diluted	**$ (0.91)**	$ (4.21)	$ (8.02)

Dividends

Evraz Group S.A. declared to its parent the following aggregate amounts of dividends:

	Dividends declared, US$ million	**US$ per share**
Final for 2013	150	1.01
Final for 2014	350	2.35

In addition, certain subsidiaries of the Group declared dividends. The share of non-controlling shareholders in those dividends was $Nil, $Nil and $3 million in 2016, 2015 and 2014, respectively.

21. Share-based Payments

On 6 September 2012, 24 September 2013, 8 August 2014, 26 October 2015 and 15 September 2016, the Group's parent adopted Incentive Plans under which certain senior executives and employees ("participants") could be gifted shares of the parent company upon vesting.

The vesting date for each tranche occurs within the 90-day period after announcement of the annual results. The expected vesting dates of the awards outstanding at 31 December 2016 are presented below:

Number of Shares of EVRAZ plc	**Total**	**Incentive Plan 2016**	**Incentive Plan 2015**	**Incentive Plan 2014**	**Incentive Plan 2013**
March 2017	12,813,209	2,076,677	3,151,362	4,007,054	3,578,116
March 2018	10,810,789	2,076,677	4,727,042	4,007,070	–
March 2019	7,842,200	3,115,023	4,727,177	–	–
March 2020	3,115,151	3,115,151	–	–	–
	34,581,349	**10,383,528**	**12,605,581**	**8,014,124**	**3,578,116**

The plans are administrated by the Board of Directors of EVRAZ plc. The Board of Directors has the right to accelerate vesting of the grant. In the event of a participant's employment termination, unless otherwise determined by the Board or by a decision of the authorised person, a participant loses the entitlement for the shares that were not gifted up to the date of termination.

There have been no modifications or cancellations to the plans during 2014–2016.

The Group accounted for share-based compensation at fair value pursuant to the requirements of IFRS 2 "Share-based Payment". The weighted average fair value of share-based awards granted in 2016, 2015 and 2014 was $1.73, $1.12 and $1.51 per share of EVRAZ plc, respectively. The fair value of these awards was estimated at the date of grant and measured at the market price of the shares of a parent company reduced by the present value of dividends expected to be paid during the vesting period. The following inputs, including assumptions, were used in the valuation of Incentive plans, which were effective during 2014-2016:

	Incentive Plan 2016	**Incentive Plan 2015**	**Incentive Plan 2014**	**Incentive Plan 2013**	**Incentive Plan 2012**	**Incentive Plan 2011**
Dividend yield (%)	n/a	7.3 – 9.1	3.6 – 4.8	4.0 – 8.8	1.9 – 5.4	3.6 – 4.8
Expected life (years)	0.5 – 3.5	0.6 – 3.6	0.6 – 3.6	0.6 – 3.6	0.6 – 2.6	0.5 – 2.5
Market prices of the shares of EVRAZ plc (2011: Evraz Group S.A.) at the grant dates	$1.73	$1.36	$1.68	$2.13	$3.61	$51.57

The following table illustrates the number of, and movements in, share-based awards during the years.

	2016	**2015**	**2014**
Outstanding at 1 January	**43,767,553**	36,608,052	27,692,062
Granted during the year	**10,383,528**	20,610,611	20,220,620
Forfeited during the year	**(8,104,361)**	(3,473,851)	(3,064,281)
Vested during the year	**(11,465,371)**	(9,977,259)	(8,240,349)
Outstanding at 31 December	**34,581,349**	43,767,553	36,608,052

In 2014, the actual quantity of the vested shares transferred by EVRAZ plc to the participants was reduced by 596,896 shares, which represent withholding taxes and other deductions.

The weighted average share price at the dates of exercise was $1.78, $2.59 and $1.72 in 2016, 2015 and 2014, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2016, 2015 and 2014 was 1.2, 1.5 and 1.6 years, respectively.

21. Share-based Payments (continued)

In the years ended 31 December 2016, 2015 and 2014, the expense arising from the equity-settled share-based compensations was as follows:

US$ million	**2016**	2015	2014
Expense arising from equity-settled share-based payment transactions	**$ 16**	$ 20	$ 30

22. Loans and Borrowings

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

US$ million	**2016**	**Non-current**	**Current**	2015	Non-current	Current	2014	Non-current	Current
Bank loans	**$2,067**	**$1,799**	**$ 268**	$2,236	$1,958	$ 278	$1,662	$1,441	$ 221
US dollar-denominated									
8.25% notes due 2015	**–**	**–**	**–**	–	–	–	138	–	138
7.40% notes due 2017	**–**	**–**	**–**	286	286	–	600	600	–
7.75% bonds due 2017	**26**	**–**	**26**	186	186	–	392	392	–
9.5% notes due 2018	**125**	**125**	**–**	353	353	–	509	509	–
6.75% notes due 2018	**528**	**528**	**–**	796	796	–	850	850	–
7.5% senior secured notes due 2019	**350**	**350**	**–**	350	350	–	350	350	–
6.50% notes due 2020	**1,000**	**1,000**	**–**	1,000	1,000	–	1,000	1,000	–
8.25% notes due 2021	**750**	**750**	**–**	750	750	–	–	–	–
6.75% notes due 2022	**500**	**500**	**–**	–	–	–	–	–	–
Rouble-denominated									
8.75% rouble bonds due 2015	**–**	**–**	**–**	–	–	–	69	–	69
9.95% rouble bonds due 2015	**–**	**–**	**–**	–	–	–	267	–	267
8.40% rouble bonds due 2016	**–**	**–**	**–**	165	–	165	356	356	–
12.95% rouble bonds due 2019	**247**	**247**	**–**	206	206	–	–	–	–
12.60% rouble bonds due 2021	**247**	**247**	**–**	–	–	–	–	–	–
Other liabilities	**–**	**–**	**–**	–	–	–	1	–	1
Fair value adjustment to liabilities assumed in business combination	**1**	**–**	**1**	7	7	–	20	20	–
Unamortised debt issue costs	**(44)**	**(44)**	**–**	(54)	(54)	–	(57)	(55)	(2)
Interest payable	**97**	**–**	**97**	66	12	54	74	7	67
	$5,894	**$ 5,502**	**$ 392**	$6,347	$5,850	$ 497	$6,231	$ 5,470	$ 761

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

	Long-term borrowings			Short-term borrowings		
	2016	2015	2014	**2016**	2015	2014
US dollar	**6.85%**	6.87%	6.78%	**3.31%**	2.86%	2.72%
Russian rouble	**12.71%**	11.84%	9.00%	**–**	–	–
Euro	**3.94%**	5.57%	3.55%	**–**	–	–
South African rand	**–**	–	–	**–**	–	9.98%

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

US$ million	**2016**	2015	2014
US dollar	**$ 4,911**	$ 5,412	$ 5,387
Russian rouble	**809**	621	700
Euro	**217**	368	193
Other	**1**	–	8
Unamortised debt issue costs	**(44)**	(54)	(57)
	$ 5,894	$ 6,347	$ 6,231

22. Loans and Borrowings (continued)

Pledged Assets

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

At 31 December 2016, 2015 and 2014, a 100% ownership interest in EVRAZ Inc NA and 51% in EVRAZ Inc NA Canada were pledged against a $350 million liability under 7.5% senior secured notes due 2019. The subsidiaries represent approximately 28% of the consolidated assets at 31 December 2016 and generated almost 19% of the consolidated revenues in 2016. In addition, property, plant and equipment and inventory of these subsidiaries amounting to $1,013 million and $315 million, respectively, at 31 December 2016 (2015: $1,052 million and $382 million, 2014: $1,140 million and $607 million, respectively) were pledged as collateral under the notes.

At 31 December 2015 and 2014, 100% of shares of EVRAZ Caspian Steel were pledged as collateral under a bank loan with a carrying value of $107 million at the end of 2015. In addition, property, plant and equipment of EVRAZ Caspian Steel amounting to $55 million at 31 December 2015 (2014: $108 million) were pledged as collateral under the same loan. In 2016, the loan was fully repaid.

The Group's pledged assets at carrying value included the following at 31 December:

US$ million	**2016**	2015	2014
Property, plant and equipment	**$ 1,013**	$ 1,107	$ 1,263
Inventory	**315**	383	607

Issue of Notes and Bonds

In June 2016, the Group issued 6.75% notes due 2022 in the amount of $500 million. The proceeds from the issue of the notes were used to finance the purchase of 7.40% notes due 2017, 9.50% notes due 2018, 6.75% notes due 2018 and 7.75% bonds due 2017 at the tender offer settled on 17 June 2016 and to refinance other current indebtedness of the Group.

In March 2016, the Group completed a placement of bonds in the total amount of 15,000 million Russian roubles ($247 million at 31 December 2016), which bear interest of 12.60% per annum and mature on 23 March 2021. The currency risk exposure of these bonds was not hedged.

In December 2015, the Group issued 8.25% notes due 2021 in the amount of $750 million. The proceeds from the issue of the notes were used to finance the purchase of 7.40% notes due 2017, 9.50% notes due 2018 and 6.75% notes due 2018 at the tender offer settled on 18 December 2015 and to refinance other current indebtedness of the Group.

In July 2015, the Group completed a placement of bonds in the total amount of 15,000 million Russian roubles ($206 million at 31 December 2015), which bear interest of 12.95% per annum and have the next put date on 26 June 2019. The currency risk exposure of these bonds was hedged (Note 25).

In November 2014, the Group issued 7.5% senior secured notes due 2019 notes in the amount of $350 million. The proceeds from the issue of the notes were used for the partial repayment of the 8.25% notes maturing on 10 November 2015.

22. Loans and Borrowings (continued)

Repurchase of Rouble-Denominated Bonds

In 2016, the Group fully settled its 8.40% rouble bonds due 2016, there was no gain or loss on this transaction.

In March 2015, the Group fully settled the 8.75% bonds due 2015 with the nominal value of 3,885 million roubles ($65 million) at par. There was no gain or loss on this transaction.

In April 2015, the Group partially repurchased 9.95% bonds due 2015 for a cash consideration of $80 million. The nominal value of the repurchased notes was 4,150 million roubles ($81 million). As a result, the Group recognised a $1 million gain within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations. In October 2015, the Group settled the remaining 10,850 million roubles ($175 million) at par. There was no gain or loss on this transaction.

In July 2015, the Group partially repurchased 8.40% bonds due 2016 with the principal of 4,792 million roubles ($84 million at the exchange rate as of the date of the transaction) for a cash consideration of 4,696 million roubles ($82.5 million at the exchange rate as of the date of the transaction). In September 2015, the Group repurchased additional 3,159 million roubles ($48 million) at par. There was no gain or loss on this transaction. At 31 December 2015, the amount of outstanding bonds was 12,049 million roubles ($165 million).

In April 2014, the Group repurchased 13.5% bonds due 2014 for a nominal amount totalling 2,258 million roubles ($64 million). In October 2014, the Group settled the remaining 17,742 million roubles ($440 million). There was no gain or loss on these transactions.

Repurchase of US Dollar-Denominated Notes

In 2016, the Group partially repurchased 9.50% notes due 2018 ($228 million), 6.75% notes due 2018 ($268 million) and 7.75% bonds due 2017 ($160 million). The premium over carrying value on the repurchase in the amount of $20 million, $7 million and $5 million, respectively, was charged to the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

In 2016, the Group fully repurchased 7.40% notes due 2017 ($286 million) paying a premium over the carrying value of $14 million.

In December 2015, the Group partially repurchased 7.40% notes due 2017 ($314 million), 9.50% notes due 2018 ($156 million) and 6.75% notes due 2018 ($54 million). The premium over carrying value on the repurchase in the amount of $14 million, $11 million and $1 million, respectively, was charged the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

In 2014, the Group partially repurchased 8.25% notes due 2015 for a cash consideration of $437 million. The nominal value of the notes was $439 million. As a result, the Group recognised a loss on extinguishment of debts in the amount of $6 million within gain/(loss) on financial assets and liabilities in the consolidated statement of operations. During 2015 the Group repurchased the remaining $138 million. There was no gain or loss on these transactions.

In 2014, EVRAZ plc partially repurchased 7.75% bonds due 2017 (issued by Raspadskaya) for a cash consideration of $6 million. The nominal value of the bonds was $8 million. In October and November 2015, the Group repurchased through a tender offer and market transactions an additional $206 million at par. The difference between the carrying value of these bonds and the purchase consideration amounting to $7 million was credited to the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

22. Loans and Borrowings (continued)

Compliance with Financial Covenants

Some of the loan agreements and terms and conditions of notes provide for certain covenants in respect of Evraz Group S.A., its parent EVRAZ plc, and its subsidiaries. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness and profitability. EBITDA used for covenants compliance calculations is determined based on the definitions of the respective loan agreements and may differ from that used by management for evaluation of performance.

Several bank credit facilities totalling $1,829 million contain certain financial maintenance covenants. These covenants require EVRAZ plc to maintain two key ratios, consolidated net indebtedness to 12-month consolidated EBITDA and 12-month consolidated EBITDA to adjusted 12-month consolidated interest expense, within certain limits. Also the covenants contain a limitation on the amount of EVRAZ plc total consolidated indebtedness. A breach of one or both of these ratios or excess of the indebtedness limit would constitute an event of default under the facility which in turn may trigger cross default events under other debt instruments of the Group. The terms of certain facilities also set certain limitations on dividend payments by EVRAZ plc, acquisitions and disposals.

In the first half of 2016, EVRAZ plc signed amendments to these facilities, whereby the testing of financial ratios was suspended for three semi-annual testing periods starting from 30 June 2016, subject to compliance with certain additional restrictions on indebtedness and dividends. As a result, as of 31 December 2016, only one of the outstanding facilities has the EBITDA to interest cover ratio tested against a comfortable level of minimum 1.5x. Transaction costs relating to these amendments amounted to $4 million.

Notes due 2018, 2020, 2021 and 2022 totalling $2,903 million issued by Evraz Group S.A., a holding company directly wholly owned by EVRAZ plc, have covenants restricting the incurrence of indebtedness by the issuer and its consolidated subsidiaries conditional on a gross leverage ratio. While the ratio level itself does not constitute a breach of covenants, exceeding the threshold triggers a restriction on incurrence of consolidated indebtedness, which is removed once the ratio goes back below the threshold. The effect of the restriction is such that Evraz Group S.A. and its subsidiaries are not allowed to increase the consolidated indebtedness at the level of Evraz Group S.A., but are allowed to refinance existing indebtedness subject to certain conditions.

The incurrence covenants are in line with the Group's financial strategy and, therefore, do not constitute any excessive restriction on its operations.

The $400 million 7.75% notes due 2017 issued by Raspadskaya in 2012, out of which $374 million are held by Evraz Group S.A. at 31 December 2016, have covenants similar to those of Evraz Group S.A., but with the ratio calculation based on the consolidated numbers of Raspadskaya and the restrictions applying only to Raspadskaya and its subsidiaries. These restrictions have the same effect on Raspadskaya, but no effect on EVRAZ plc and its other subsidiaries that are not part of the Raspadskaya Group.

The $350 million notes due 2019 issued by Evraz Inc NA Canada in November 2014 have certain covenants, that contain restrictions on the incurrence of new debt by EVRAZ North America plc, the parent company of Evraz Inc NA and Evraz Inc NA Canada, and its subsidiaries (together, "Evraz North America") and restrictions on certain types of payments, including dividends, from Evraz North America.

During 2016 the Group was in compliance with all financial and non-financial covenants.

Unamortised Debt Issue Costs

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

22. Loans and Borrowings (continued)

Unutilised Borrowing Facilities

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

US$ million		**2016**		2015		2014
Committed	**$**	**187**	$	317	$	439
Uncommitted		**883**		663		1,225
Total unutilised borrowing facilities	**$**	**1,070**	$	980	$	1,664

23. Employee Benefits

Russian Plans

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

In addition, some subsidiaries have defined benefit plans under which contributions are made to a separately administered non-state pension fund. The Group matches 100% of the employees' contributions to the fund up to 4% of their monthly salary. The Group's contributions become payable at the participants' retirement dates. At the end of the reporting year the benefit obligation was valued based on the terms of the pension plan assuming that all defined benefit plan participants will continue to participate in the plan.

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

Ukrainian Plans

The Ukrainian subsidiaries make regular contributions to the State Pension Fund thereby compensating 100% of preferential pensions paid by the fund to employees who worked under harmful and hard conditions. The amount of such pension depends on years of service and salary.

In addition, employees receive lump-sum payments on retirement and other benefits under collective labour agreements. These benefits are based on years of service and level of compensation. All these payments are considered as defined benefit plans.

The Ukrainian pension legislation provides for annual indexation of pensions, at least up to the level of CPI. The indexation of pensions in a particular year depends on the availability of financial resources in the State pension fund. The subsidiaries are obliged to pay preferential pensions indexed according to the government's decision. The Group determined the amount of defined benefit obligations based on the assumption that pensions will be indexed despite possible insufficiency of money in the State pension fund, which would result in a non-fulfilment of this law by the fund itself and, consequently, would cancel the obligations of Ukrainian enterprises to pay higher pensions.

23. Employee Benefits (continued)

US and Canadian Plans

The Group's subsidiaries in the USA and Canada have defined benefit pension plans that cover specified eligible employees. Benefits are based on pensionable years of service, pensionable compensation, or a combination of both depending on the individual plan. The subsidiaries also have U.S. and Canadian supplemental retirement plans ("SERP's"), which are non-qualified plans designed to maintain benefits for eligible employees at the plan formula level. The subsidiaries provide other unfunded post-retirement medical and life insurance plans ("OPEB's") for certain of their eligible employees upon retirement after completion of a specified number of years of service. For the pension plans, SERP's and OPEB's, the subsidiaries use a measurement date for plan assets and obligations of 31 December.

Certain employees that were hired after specified dates are no longer eligible to participate in the defined benefit pension plans. Those employees are instead enrolled in defined contribution plans and receive a contribution funded by the Group's subsidiaries equal to 3–7% of annual wages, including applicable bonuses. The defined contribution plans are funded annually and, depending on their work location, participants' benefits vesting dates range from immediate to after three years of service. In addition, the subsidiaries have defined contribution plans available for eligible U.S. and Canadian-based employees in which the subsidiaries generally match a percentage of the participants' contributions.

In the third quarter of 2015, a U.S. subsidiary made lump-sum settlement offers to former employees vested in one of its three U.S.-based pension plans. Eligible participants were provided with a one-time opportunity to choose either a lump-sum settlement immediately, or to begin receiving their annuity payments in December 2015, irrespective of the former employee's age or retirement status. Approximately 749 employees, or 61% of those eligible, elected to take the lump-sum settlement, triggering settlement accounting for two of the U.S. subsidiary's plans.

Other Plans

Defined benefit pension plans and defined contribution plans are maintained by the subsidiaries located in the Republic of South Africa and Italy.

Defined Contribution Plans

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

US$ million	**2016**	2015	2014
Expense under defined contribution plans	**$ 212**	$ 254	$ 398

Defined Benefit Plans

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

Except as disclosed above, in 2016 there were no significant plan amendments, curtailments or settlements.

The Group's defined benefit plans are exposed to the risks of unexpected growth in benefit payments as a result of increases in life expectancy, inflation, and salaries. As the plan assets include significant investments in quoted and unquoted equity shares, corporate and government bonds and notes, the Group is also exposed to equity market risk.

23. Employee Benefits (continued)

The components of net benefit expense recognised in the consolidated statement of operations for the years ended 31 December 2016, 2015 and 2014 and amounts recognised in the consolidated statement of financial position as of 31 December 2016, 2015 and 2014 for the defined benefit plans were as follows:

Net benefit expense (recognised in the statement of operations within cost of sales and selling, general and administrative expenses and interest expense)

Year ended 31 December 2016

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	**$ (2)**	**$ (2)**	**$ (19)**	**$ –**	**$ (23)**
Net interest expense	**(9)**	**(5)**	**(8)**	**–**	**(22)**
Net actuarial gains/(losses) on other long-term employee benefits obligation	**1**	**–**	**–**	**–**	**1**
Past service cost	**(1)**	**1**	**–**	**–**	**–**
Curtailment/settlement gain	**1**	**–**	**–**	**–**	**1**
Net benefit expense	**$ (10)**	**$ (6)**	**$ (27)**	**$ –**	**$ (43)**

Year ended 31 December 2015

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$ (4)	$ (2)	$ (23)	$ –	$ (29)
Net interest expense	(11)	(6)	(7)	–	(24)
Net actuarial gains/(losses) on other long-term employee benefits obligation	–	–	–	(1)	(1)
Past service cost	7	2	(3)	–	6
Curtailment/settlement gain	2	–	1	–	3
Net benefit expense	$ (6)	$ (6)	$ (32)	$ (1)	$ (45)

Year ended 31 December 2014

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Current service cost	$ (7)	$ (3)	$ (19)	$ –	$ (29)
Net interest expense	(15)	(7)	(6)	(2)	(30)
Net actuarial gains/(losses) on other long-term employee benefits obligation	22	–	–	–	22
Curtailment gain	6	–	–	–	6
Net benefit expense	$ 6	$ (10)	$ (25)	$ (2)	$ (31)

23. Employee Benefits (continued)

Gains/(losses) recognised in other comprehensive income

Year ended 31 December 2016

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	**$ (1)**	**$ –**	**$ 7**	**$ –**	**$ 6**
Net actuarial gains/(losses) on post-employment benefit obligation	**3**	**8**	**(6)**	**–**	**5**
	$ 2	**$ 8**	**$ 1**	**$ –**	**$ 11**

Year ended 31 December 2015

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$ –	$ –	$ (10)	$ –	$ (10)
Net actuarial gains/(losses) on post-employment benefit obligation	(8)	(5)	24	–	11
	$ (8)	$ (5)	$ 14	$ –	$ 1

Year ended 31 December 2014

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$ –	$ –	$ 46	$ –	$ 46
Net actuarial gains/(losses) on post-employment benefit obligation	15	(17)	(78)	(1)	(81)
Effect of asset ceiling	–	–	2	–	2
	$ 15	$ (17)	$ (30)	$ (1)	$ (33)

23. Employee Benefits (continued)

Actual return on plan assets was as follows:

US$ million	**2016**	2015	2014
Actual return on plan assets	**$ 25**	$ 13	$ 73
including:			
US & Canadian plans	**26**	13	73
Russian plans	**(1)**	–	–

Net defined benefit liability

31 December 2016

US$ million	**Russian Plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Total**
Benefit obligation	**$ 108**	**$ 31**	**$ 711**	**$ 2**	**$ 852**
Plan assets	**–**	**–**	**(535)**	**–**	**(535)**
	108	**31**	**176**	**2**	**317**

31 December 2015

US$ million	**Russian Plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Total**
Benefit obligation	$ 90	$ 45	$ 691	$ 2	$ 828
Plan assets	(1)	–	(526)	–	(527)
	89	45	165	2	301

31 December 2014

US$ million	**Russian Plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Total**
Benefit obligation	$ 110	$ 58	$ 790	$ 14	$ 972
Plan assets	–	–	(608)	–	(608)
	110	58	182	14	364

23. Employee Benefits (continued)

Movements in net defined benefit liability/(asset)

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2013	**$ 231**	**$ 83**	**$ 164**	**$ 14**	**$ 492**
Net benefit expense recognised in the statement of operations	(6)	10	25	2	31
Contributions by employer	(13)	(6)	(34)	(2)	(55)
(Gains)/losses recognised in other comprehensive income	(15)	17	30	1	33
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	–	(1)
Translation difference	(86)	(46)	(3)	(1)	(136)
At 31 December 2014	**$ 110**	**$ 58**	**$ 182**	**$ 14**	**$ 364**
Net benefit expense recognised in the statement of operations	6	6	32	1	45
Contributions by employer	(9)	(3)	(30)	(1)	(43)
(Gains)/losses recognised in other comprehensive income	8	5	(14)	–	(1)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	(11)	(12)
Translation difference	(25)	(21)	(5)	(1)	(52)
At 31 December 2015	**$ 89**	**$ 45**	**$ 165**	**$ 2**	**$ 301**
Net benefit expense recognised in the statement of operations	10	6	27	–	43
Contributions by employer	(7)	(3)	(17)	–	(27)
(Gains)/losses recognised in other comprehensive income	(2)	(8)	(1)	–	(11)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(4)	–	–	(4)
Translation difference	18	(5)	2	–	15
At 31 December 2016	**$ 108**	**$ 31**	**$ 176**	**$ 2**	**$ 317**

23. Employee Benefits (continued)

Movements in benefit obligation

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2013	**$ 232**	**$ 83**	**$ 728**	**$ 14**	**$ 1,057**
Interest cost on benefit obligation	15	7	33	2	57
Current service cost	7	3	19	–	29
Benefits paid	(14)	(6)	(37)	(2)	(59)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	–	1	17	–	18
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(21)	13	71	1	64
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(16)	3	(10)	–	(23)
Curtailment gain	(6)	–	–	–	(6)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	–	(1)
Translation difference	(86)	(46)	(31)	(1)	(164)
At 31 December 2014	**$ 110**	**$ 58**	**$ 790**	**$ 14**	**$ 972**
Interest cost on benefit obligation	11	6	30	–	47
Current service cost	4	2	23	–	29
Past service cost	(7)	(2)	3	–	(6)
Benefits paid	(8)	(3)	(35)	(1)	(47)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	(1)	–	(8)	–	(9)
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	14	2	(17)	1	–
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(5)	3	1	–	(1)
Curtailment/settlement gain	(2)	–	(1)	–	(3)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	(11)	(12)
Settlement of lump-sum payments	–	–	(31)	–	(31)
Translation difference	(25)	(21)	(64)	(1)	(111)
At 31 December 2015	**$ 90**	**$ 45**	**$ 691**	**$ 2**	**$ 828**
Interest cost on benefit obligation	9	5	27	–	41
Current service cost	2	2	19	–	23
Past service cost	1	(1)	–	–	–
Benefits paid	(7)	(3)	(43)	–	(53)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	–	–	(10)	–	(10)
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(1)	(6)	14	–	7
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(3)	(2)	2	–	(3)
Curtailment/settlement gain	(1)	–	–	–	(1)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	(4)	–	–	(4)
Translation difference	18	(5)	11	–	24
At 31 December 2016	**$ 108**	**$ 31**	**$ 711**	**$ 2**	**$ 852**

23. Employee Benefits (continued)

The weighted average duration of the defined benefit obligation was as follows:

Years	2016	2015	2014
Russian plans	**11.21**	10.93	9.8
Ukrainian plans	**8.26**	8.76	10.4
US & Canadian plans	**13.79**	14.35	14.6
Other plans	**9.12**	9.66	20.3

Changes in the fair value of plan assets

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2013	**$ 1**	**$ –**	**$ 564**	**$ –**	**$ 565**
Interest income on plan assets	–	–	27	–	27
Return on plan assets (excluding amounts included in net interest expense)	–	–	46	–	46
Contributions of employer	13	6	34	2	55
Benefits paid	(14)	(6)	(37)	(2)	(59)
Effect of asset ceiling	–	–	2	–	2
Translation difference	–	–	(28)	–	(28)
At 31 December 2014	**$ –**	**$ –**	**$ 608**	**$ –**	**$ 608**
Interest income on plan assets	–	–	23	–	23
Return on plan assets (excluding amounts included in net interest expense)	–	–	(10)	–	(10)
Contributions of employer	9	3	30	1	43
Benefits paid	(8)	(3)	(35)	(1)	(47)
Settlement of lump-sum payments	–	–	(31)	–	(31)
Translation difference	–	–	(59)	–	(59)
At 31 December 2015	**$ 1**	**$ –**	**$ 526**	**$ –**	**$ 527**
Interest income on plan assets	–	–	19	–	19
Return on plan assets (excluding amounts included in net interest expense)	(1)	–	7	–	6
Contributions of employer	7	3	17	–	27
Benefits paid	(7)	(3)	(43)	–	(53)
Translation difference	–	–	9	–	9
At 31 December 2016	**$ –**	**$ –**	**$ 535**	**$ –**	**$ 535**

The amount of contributions expected to be paid to the defined benefit plans during 2017 approximates $36 million.

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

	2016		2015		2014	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
US & Canadian plans:						
Equity funds and investment trusts	**45%**	**40%**	50%	34%	31%	49%
Corporate bonds and notes	**13%**	**–**	13%	1%	13%	1%
Property	**–**	**–**	–	–	–	–
Cash	**2%**	**–**	2%	–	6%	–
	60%	**40%**	65%	35%	50%	50%

23. Employee Benefits (continued)

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

	2016				2015				2014			
	Russian plans	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian Plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**
Discount rate	**8.2%**	**17.5%**	**3.9-4.2%**	**2.8-9.1%**	9.6%	13.0%	3.9-4.5%	2.8-9%	11%	15.0%	3.6-4.9%	2.8-8.8%
Future benefits increases	**7%**	**11%**	**–**	**3%**	8%	8%	–	3%	8%	10%	–	3%
Future salary increase	**7%**	**11%**	**3%**	**–**	8%	8%	3–3.3%	–	8%	10%	3-3.3%	–
Average life expectation, male, years	**68.6**	**65.5**	**85.8-86.6**	**77.1-81**	68.5	65.5	86.3-87.5	78.1-79	68.0	65.2	86.4-87.8	74.9-79
Average life expectation, female, years	**79.0**	**75.5**	**88.6-89.3**	**77.1-87**	78.9	75.5	89-89.3	75.2-85	78.5	75.3	88.9-89.8	73.4-85
Healthcare costs increase rate	**–**	**–**	**5-7%**	**8.6%**	–	–	5.4-7%	8.8%	–	–	5.5-7%	7.5-7.7%

The following table demonstrates the sensitivity analysis of reasonable changes in the significant assumptions used for the measurement of the defined benefit obligations, with all other variables held constant.

		Impact on the defined benefit obligation at 31 December 2016, US$ million				Impact on the defined benefit obligation at 31 December 2015, US$ million				Impact on the defined benefit obligation at 31 December 2014, US$ million			
	Reasonable change in assumption	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**
Discount rate	10%	**$(8)**	**$(4)**	**$(41)**	**$–**	$(8)	$(5)	$(35)	$–	$(11)	$(6)	$(53)	$(6)
	(10%)	**10**	**5**	**44**	**–**	10	6	37	–	14	7	58	6
Future benefits increases	10%	**7**	**1**	**–**	**–**	7	1	–	–	9	2	–	–
	(10%)	**(7)**	**(1)**	**–**	**–**	(6)	(1)	–	–	(8)	(2)	–	–
Future salary increase	10%	**1**	**1**	**1**	**–**	1	2	2	–	1	3	3	–
	(10%)	**(1)**	**(1)**	**(1)**	**–**	(1)	(2)	(2)	–	(1)	(2)	(2)	–
Average life expectation, male, years	1	**1**	**–**	**13**	**–**	1	–	14	–	1	–	15	–
	(1)	**(1)**	**–**	**(13)**	**–**	(1)	–	(14)	–	(1)	–	(15)	–
Average life expectation, female, years	1	**1**	**–**	**5**	**–**	1	–	4	–	1	–	4	–
	(1)	**(1)**	**–**	**(5)**	**–**	(1)	–	(4)	–	(1)	–	(4)	–
Healthcare costs increase rate	10%	**–**	**–**	**1**	**–**	–	–	–	–	–	–	–	3
	(10%)	**–**	**–**	**(1)**	**–**	–	–	–	–	–	–	–	–

24. Provisions

At 31 December the provisions were as follows:

US$ million	2016 Non-current	2016 Current	2015 Non-current	2015 Current	2014 Non-current	2014 Current
Site restoration and decommissioning costs	**$ 204**	**$ 20**	$ 145	$ 20	$ 171	$ 34
Legal claims	**–**	**3**	–	2	–	3
Other provisions	**1**	**3**	1	1	2	4
	$ 205	**$ 26**	$ 146	$ 23	$ 173	$ 41

In the years ended 31 December 2016, 2015 and 2014, the movement in provisions was as follows:

US$ million	Site restoration and decom-missioning costs	Legal claims	Other provisions	Total
At 31 December 2013	**$ 280**	**$ 9**	**$ 10**	**$ 299**
Additional provisions	56	4	19	79
Increase from passage of time	15	–	–	15
Effect of change in the discount rate	(40)	–	–	(40)
Effect of changes in estimated costs and timing	72	–	–	72
Utilised in the year	(39)	(2)	(16)	(57)
Unused amounts reversed	(2)	(6)	(6)	(14)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(41)	–	–	(41)
Translation difference	(96)	(2)	(1)	(99)
At 31 December 2014	**$ 205**	**$ 3**	**$ 6**	**$ 214**
Additional provisions	13	3	4	20
Increase from passage of time	13	–	–	13
Effect of change in the discount rate	35	–	–	35
Effect of changes in estimated costs and timing	19	–	–	19
Utilised in the year	(20)	(1)	(6)	(27)
Unused amounts reversed	(4)	(2)	(2)	(8)
Loss of control over a subsidiary (Note 4)	(54)	–	–	(54)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(4)	–	–	(4)
Translation difference	(38)	(1)	–	(39)
At 31 December 2015	**$ 165**	**$ 2**	**$ 2**	**$ 169**
Additional provisions	15	5	8	28
Increase from passage of time	14	–	–	14
Effect of change in the discount rate	17	–	–	17
Effect of changes in estimated costs and timing	5	–	–	5
Utilised in the year	(9)	(1)	(5)	(15)
Unused amounts reversed	(9)	(3)	(1)	(13)
Translation difference	26	–	–	26
At 31 December 2016	**$ 224**	**$ 3**	**$ 4**	**$ 231**

24. Provisions (continued)

Site Restoration Costs

Under the legislation, mining companies and steel mills have obligations to restore mining sites and contaminated land. The respective liabilities were measured based on estimates of restoration costs which are expected to be incurred in the future discounted at the annual rate ranging from 1.5% to 13.2% in 2016 (2015: 1.5% to 12.8%, 2014: from 1.5% to 22.6%). The majority of costs are expected to be paid after 2061.

25. Other Long-Term Liabilities

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

US$ million	**2016**	2015	2014
Derivatives not designated as hedging instruments	**$ –**	$ 274	$ 713
Hedging instruments	**22**	59	–
Contingent consideration payable for the acquisition of Stratcor	**–**	–	2
Dividends payable under cumulative preference shares of a subsidiary to a related party	**18**	16	15
Employee income participation plans and compensations	**5**	2	6
Tax liabilities	**3**	5	5
Finance lease liabilities	**5**	5	4
Consideration payable to EVRAZ plc for Corber (Note 4)	**–**	–	491
Consideration payable to EVRAZ plc for Mezhegeyugol (Note 4)	**–**	32	32
Other liabilities to related parties	**1**	1	9
Other liabilities	**8**	15	11
	62	409	1,288
Less: current portion (Note 16)	**–**	(32)	(491)
Less: current portion (Note 26)	**(9)**	(281)	(333)
	$ 53	$ 96	$ 464

Derivatives Not Designated as Hedging Instruments

To manage the currency exposure on the rouble-denominated bonds, the Group partially economically hedged these transactions: in 2010-2013, the Group concluded currency and interest rate swap contracts under which it agreed to deliver US dollar-denominated interest payments at the rates ranging from 3.06% to 8.90% per annum plus the US dollar notional amount, in exchange for rouble-denominated interest payments plus the rouble notional amount. The exchange is exercised on approximately the same dates as the payments under the bonds.

The swap contracts, which were effective at 31 December 2014-2016, are summarised in the table below.

	Year of issue	Bonds principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
13.5 per cent bonds due 2014	2009	20,000	14,019	475	7.50% - 8.90%
9.95 per cent bonds due 2015	2010	15,000	14,997	491	5.65% - 5.88%
8.40 per cent bonds due 2016	2011	20,000	19,996	711	4.45% - 4.60%
8.75 per cent bonds due 2015	2013	3,885	3,735	121	3.06% - 3.33%

25. Other Long-Term Liabilities (continued)

Derivatives Not Designated as Hedging Instruments (continued)

The aggregate amounts under swap contracts translated at the year end exchange rates are summarised in the table below.

US$ million	**2016**	**2015**	**2014**
Bonds principal	$ –	$ 165	$ 692
Hedged amount	–	165	688
Swap amount	–	430	1,323

These swap contracts were not designated as cash flow or fair value hedges. The Group accounted for these derivatives at fair value which was determined using valuation techniques. The fair value was calculated as the present value of the expected cashflows under the contracts at the reporting dates. Future rouble-denominated cashflows were translated into US dollars using the USD/RUB implied yield forward curve. The discount rates used in the valuation were the non-deliverable forward rate curve and the interest rate swap curve for US dollar at the reporting dates.

In 2016, 2015 and 2014, the change in fair value of the derivatives of $273 million, $439 million and $(494) million, respectively, together with a realised gain/(loss) on the swap transactions, amounting to $(250) million, $(464) million and $(94) million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

In 2014–2016, upon repayment of the 8.40%, 9.95%, 8.75% and 13.5% bonds, the related swap contracts matured.

Hedging Instruments

In July 2015, the Group completed a placement of bonds in the total amount of 15,000 million Russian roubles ($247 million at 31 December 2016), which bear interest of 12.95% per annum and have the next put date on 26 June 2019. The Group used an intercompany loan to transfer the proceeds from the bonds within the Group. To manage the currency exposure, the Group entered into a series of cross currency swap contracts with several banks under which it agreed to deliver US-dollar denominated interest payments at rates ranging from 5.90% to 6.55% per annum plus the notional amount, totaling approximately $265 million, in exchange for rouble-denominated interest payments at the rate of 12.95% per annum plus notional, totaling 14,948 million roubles ($246 million at 31 December 2016).

	Year of issue	**Bonds principal, millions of roubles**	**Hedged amount, millions of roubles**	**Swap amount, US$ million**	**Interest rates on the swap amount**
12.95 per cent bonds due 2019	2015	15,000	14,948	265	5.90% - 6.55%

The Group accounted for these swap contracts as cash flow hedges. In 2016 and 2015, the change in fair value of these derivatives amounted to $37 million and $(59) million, respectively. The realised gain on the swap transactions amounting to $14 million (2015: $5 million) was related to the interest portion of the change in fair value of the swap. Under IFRS the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge is recognised in other comprehensive income and the remaining loss on the hedging instrument is recorded through the statement of operations. In 2016 and 2015, the Group did not recognise any amounts in other comprehensive income. All the swaps were assessed as effective. In 2016 and 2015, $37 and $(59) million, respectively, were recorded in the Foreign exchange gains/(losses) caption in the consolidated statement of operations.

Contingent Consideration Payable

Contingent consideration represents additional payments for the acquisition of Stratcor in 2006. This consideration could be paid each year up to 2019. The payments depend on the deviation of the average prices for vanadium pentoxide from certain levels and the amounts payable for each year are limited to maximum amounts. In 2014–2016, the Group was not required to pay this consideration due to the movements in the vanadium pentoxide market relative to the levels set in the agreement.

26. Trade and Other Payables

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

US$ million	**2016**	2015	2014
Trade accounts payable	**$ 737**	$ 621	$ 774
Accrued payroll	**134**	122	196
Other long-term obligations with current maturities (Note 25)	**9**	281	333
Other payables	**38**	38	57
	$ 918	$ 1,062	$ 1,360

The maturity profile of the accounts payable is shown in Note 28.

27. Other Taxes Payable

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

US$ million	**2016**	2015	2014
VAT	**$ 104**	$ 51	$ 78
Social insurance taxes	**39**	30	40
Property tax	**9**	10	15
Land tax	**4**	4	4
Personal income tax	**7**	7	7
Other taxes, fines and penalties	**6**	5	7
	$ 169	$ 107	$ 151

28. Financial Risk Management Objectives and Policies

Credit Risk

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

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

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. There are no significant concentrations of credit risk within the Group. The Group defines counterparties as having similar characteristics if they are related entities. In 2016, the major customers were Russian Railways and Enbridge Inc. (4% and 3.5% of total sales, respectively).

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

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

28. Financial Risk Management Objectives and Policies (continued)

Credit Risk (continued)

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

US$ million	2016	2015	2014
Restricted deposits at banks (Notes 13 and 18)	**$ 12**	$ 8	$ 8
Financial instruments included in other non-current and current assets (Notes 13 and 18)	**52**	40	55
Long-term and short-term investments (Notes 13 and 18)	**35**	37	49
Trade and other receivables (Notes 13 and 15)	**506**	452	658
Loans receivable	**34**	28	45
Receivables from related parties (Notes 13 and 16)	**285**	7	44
Cash and cash equivalents (Note 19)	**1,155**	1,359	1,049
	$ 2,079	$ 1,931	$ 1,908

Receivables from related parties in the table above do not include prepayments in the amount of $Nil, $Nil and $11 million as of 31 December 2016, 2015 and 2014, respectively.

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

US$ million	2016		2015		2014	
	Gross amount	**Impairment**	**Gross amount**	**Impairment**	**Gross amount**	**Impairment**
Not past due	**$ 685**	**$ (1)**	$ 385	$ –	$ 549	$ –
Past due	**187**	**(46)**	150	(48)	266	(57)
less than six months	**130**	**(2)**	95	(8)	178	(13)
between six months and one year	**7**	**(2)**	9	(2)	46	(8)
over one year	**50**	**(42)**	46	(38)	42	(36)
	$ 872	**$ (47)**	$ 535	$ (48)	$ 815	$ (57)

In the years ended 31 December 2016, 2015 and 2014, the movement in allowance for doubtful accounts was as follows:

US$ million	2016	2015	2014
At 1 January	**$ (48)**	$ (57)	$ (60)
Charge for the year	**(1)**	(18)	(40)
Utilised	**5**	5	14
Disposal of subsidiaries	**5**	8	1
Translation difference	**(8)**	14	28
At 31 December	**$ (47)**	$ (48)	$ (57)

Liquidity Risk

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

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

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

The Group prepares a rolling 12-month financial plan which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities as they arise. The Group exercises a daily monitoring of cash proceeds and payments. The Group maintains credit lines and overdraft facilities that can be drawn down to meet short-term financing needs. If necessary, the Group refinances its short-term debt by long-term borrowings. The Group also uses forecasts to monitor potential and actual financial covenants compliance issues (Note 22). Where compliance is at risk, the Group considers options including debt repayment, refinancing or covenant reset. The Group has developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

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

Year ended 31 December 2016

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$ –	$ –	$ 26	$ 656	$ 2,763	$ 726	$ 4,171
Interest	–	74	250	295	563	28	1,210
Finance lease liabilities	–	–	–	–	1	5	6
Financial instruments included in long-term liabilities	–	3	2	2	32	15	54
Total fixed-rate debt	–	77	278	953	3,359	774	5,441
Variable-rate debt							
Loans and borrowings							
Principal	142	12	114	196	893	312	1,669
Interest	1	25	74	91	154	21	366
Finance lease liabilities	–	–	1	–	–	–	1
Total variable-rate debt	143	37	189	287	1,047	333	2,036
Non-interest bearing debt							
Financial instruments included in other liabilities	2	–	–	1	1	1	5
Trade and other payables	118	650	7	–	–	–	775
Payables to related parties	211	16	–	–	–	–	227
Total non-interest bearing debt	331	666	7	1	1	1	1,007
	$ 474	$ 780	$ 474	$ 1,241	$ 4,407	$ 1,108	$ 8,484

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

Year ended 31 December 2015

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$ –	$ 4	$ 188	$ 498	$ 3,012	$ 780	$ 4,482
Interest	–	8	301	309	517	35	1,170
Finance lease liabilities	–	–	–	–	1	5	6
Financial instruments included in long-term liabilities	–	1	278	2	107	17	405
Total fixed-rate debt	–	13	767	809	3,637	837	6,063
Variable-rate debt							
Loans and borrowings							
Principal	85	80	86	197	1,353	45	1,846
Interest	–	26	73	93	133	1	326
Finance lease liabilities	–	–	1	1	–	–	2
Total variable-rate debt	85	106	160	291	1,486	46	2,174
Non-interest bearing debt							
Financial instruments included in other liabilities	3	–	–	2	1	1	7
Trade and other payables	152	502	5	–	–	–	659
Payables to related parties	131	15	32	–	–	–	178
Total non-interest bearing debt	286	517	37	2	1	1	844
	$ 371	$ 636	$ 964	$ 1,102	$ 5,124	$ 884	$ 9,081

Year ended 31 December 2014

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$ –	$ 73	$ 430	$ 410	$ 2,836	$ 1,032	$ 4,781
Interest	–	9	358	320	589	70	1,346
Loans from related parties							
Principal	–	–	–	55	–	–	55
Interest	–	–	3	3	–	–	6
Finance lease liabilities	–	–	–	–	–	2	2
Financial instruments included in long-term liabilities	–	63	283	447	15	24	832
Total fixed-rate debt	–	145	1,074	1,235	3,440	1,128	7,022
Variable-rate debt							
Loans and borrowings							
Principal	82	86	25	606	543	71	1,413
Interest	–	13	36	43	33	3	128
Finance lease liabilities	–	–	1	1	1	–	3
Total variable-rate debt	82	99	62	650	577	74	1,544
Non-interest bearing debt							
Financial instruments included in other liabilities	–	–	–	1	2	2	5
Trade and other payables	174	615	42	–	–	–	831
Payables to related parties	78	29	492	–	–	–	599
Total non-interest bearing debt	252	644	534	1	2	2	1,435
	$ 334	$ 888	$ 1,670	$ 1,886	$ 4,019	$ 1,204	$ 10,001

Payables to related parties in the tables above do not include advances received in the amount of $4 million, $1 million and $Nil as of 31 December 2016, 2015 and 2014, respectively.

28. Financial Risk Management Objectives and Policies (continued)

Market Risk

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

Interest Rate Risk

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

The Group incurs interest rate risk on liabilities with variable interest rates. The Group's treasury function performs analysis of current interest rates. In case of changes in market fixed or variable interest rates management may consider the refinancing of a particular debt on more favourable terms.

The Group does not have any financial assets with variable interest rates.

Fair Value Sensitivity Analysis for Fixed Rate Instruments

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

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

Cash Flow Sensitivity Analysis for Variable Rate Instruments

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

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

	2016			**2015**			**2014**		
	Basis points		**Effect on PBT**	**Basis points**		**Effect on PBT**	**Basis points**		**Effect on PBT**
			US$ millions			*US$ millions*			*US$ millions*
Liabilities denominated in US dollars									
Decrease in LIBOR	**(11)**	**$**	**1**	(12)	$	2	(2)	$	–
Increase in LIBOR	**11**		**(1)**	50		(8)	2		–
Liabilities denominated in euro									
Decrease in EURIBOR	**(4)**		**–**	(25)		–	(7)		–
Increase in EURIBOR	**4**	**$**	**–**	25	$	–	7	$	–
Liabilities denominated in roubles									
Decrease in Bank of Russia key rate	**(200)**		**6**	(525)		13	–		–
Increase in Bank of Russia key rate	**700**	**$**	**(21)**	550	$	(14)	–	$	–

Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the functional currencies of the respective Group's subsidiaries. The currencies in which these transactions are denominated are primarily US dollars, Canadian dollars and euro. The Group does not have formal arrangements to mitigate currency risks of the Group's operations. However, management believes that the Group is partly secured from currency risks as foreign currency denominated sales are used to cover repayment of foreign currency denominated borrowings.

28. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (continued)

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

US$ million	**2016**	2015	2014
USD/RUB	**$ 1,215**	$ 304	$ (439)
EUR/RUB	**(75)**	(399)	(220)
CAD/RUB	**335**	312	372
EUR/USD	**(116)**	119	109
USD/CAD	**(672)**	(499)	(469)
EUR/CZK	**(1)**	(1)	(1)
USD/CZK	**6**	6	1
USD/ZAR	**(4)**	(5)	(34)
EUR/ZAR	**–**	–	10
USD/UAH	**(136)**	(113)	(248)
RUB/UAH	**4**	1	2
USD/KZT	**(161)**	(157)	(150)

Sensitivity Analysis

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

	2016		**2015**		**2014**	
	Change in exchange rate	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**
	%	*US$ millions*	*%*	*US$ millions*	*%*	*US$ millions*
USD/RUB	**(20.02)**	**(315)**	(13.00)	(60)	(28.74)	126
	20.02	**187**	40.00	3	28.74	(126)
EUR/RUB	**(20.68)**	**16**	(15.00)	60	(29.58)	65
	20.68	**(16)**	43.00	(172)	29.58	(65)
CAD/RUB	**(22.38)**	**(75)**	(14.00)	(44)	(28.37)	(105)
	22.38	**75**	35.00	109	28.37	105
EUR/USD	**(9.16)**	**10**	(12.50)	(16)	(6.23)	(7)
	9.16	**(11)**	12.50	14	6.23	7
USD/CAD	**(9.16)**	**62**	(6.00)	30	(6.21)	29
	9.16	**(61)**	14.50	(72)	6.21	(29)
EUR/CZK	**(0.65)**	**–**	(3.50)	–	(2.43)	–
	0.65	**–**	3.50	–	2.43	–
USD/CZK	**(9.17)**	**(1)**	(12.50)	(1)	(6.84)	–
	9.17	**1**	12.50	1	6.84	–
USD/ZAR	**(21.23)**	**1**	(8.00)	–	(11.33)	4
	21.23	**(1)**	38.00	(1)	11.33	(4)
EUR/ZAR	**(19.62)**	**–**	(10.00)	–	(11.34)	(1)
	19.62	**–**	43.00	–	11.34	1
USD/UAH	**(9.88)**	**13**	(18.00)	20	(28.90)	72
	9.88	**(13)**	67.00	(76)	28.90	(72)
RUB/UAH	**(22.29)**	**(1)**	(33.50)	–	(39.93)	(1)
	22.29	**1**	50.00	–	39.93	1
USD/KZT	**(12.13)**	**20**	(20.00)	31	(17.37)	26
	12.13	**(20)**	60.00	(94)	17.37	(26)

28. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (continued)

Sensitivity Analysis (continued)

In addition to the effects of changes in the exchange rates disclosed above, the Group is exposed to currency risk on derivatives (Note 25). The impact of currency risk on the fair value of these derivatives is disclosed below.

	2016		2015		2014	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	*US$ millions*	*%*	*US$ millions*	*%*	*US$ millions*
USD/RUB	**(20.02)**	**65**	(13)	55	(28.74)	228
	20.02	**(43)**	40	(104)	28.74	(126)

Fair Value of Financial Instruments

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

§ Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

§ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

§ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs).

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

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

	2016			2015			2014		
US$ million	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value									
Available-for-sale financial assets (Note 13)	**3**	**–**	**–**	5	–	–	17	–	–
Liabilities measured at fair value									
Derivatives not designated as hedging instruments (Note 25)	**–**	**–**	**–**	–	274	–	–	713	–
Hedging instruments (Note 25)	–	**22**	–	–	59	–	–	–	–
Contingent consideration payable for the acquisition of Stratcor (Note 25)	**–**	**–**	**–**	–	–	–	–	–	2

28. Financial Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments (continued)

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

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

US$ million	**2016**		**2015**		**2014**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Long-term fixed-rate bank loans	**$ 390**	**$ 402**	$ 397	$ 385	$ 254	$ 251
Long-term variable-rate bank loans	**1,516**	**1,528**	1,680	1,564	1,235	1,059
USD-denominated						
8.25% notes due 2015	**–**	**–**	–	–	139	140
7.40% notes due 2017	**–**	**–**	290	299	606	531
7.75% bonds due 2017	**27**	**26**	195	190	417	278
9.50% notes due 2018	**126**	**137**	354	379	507	471
6.75% notes due 2018	**533**	**554**	802	804	856	730
7.50% bonds due 2019	**349**	**359**	347	328	345	345
6.50% notes due 2020	**1,010**	**1,066**	1,009	955	1,008	801
8.25% notes due 2021	**772**	**856**	746	747	–	–
6.75% notes due 2022	**515**	**544**	–	–	–	–
Rouble-denominated						
8.75% rouble bonds due 2015	**–**	**–**	–	–	71	70
9.95% rouble bonds due 2015	**–**	**–**	–	–	271	250
8.40% rouble bonds due 2016	**–**	**–**	167	165	358	299
12.95% rouble bonds due 2019	**247**	**260**	205	208	–	–
12.60% rouble bonds due 2021	**255**	**269**	–	–	–	–
	$ 5,740	**$ 6,001**	$ 6,192	$ 6,024	$ 6,067	$ 5,225

The fair value of the non-convertible bonds and notes was determined based on market quotations (Level 1). The fair value of long-term bank loans was calculated based on the present value of future principal and interest cash flows, discounted at the Group's market rates of interest at the reporting dates (Level 3). The discount rates used for valuation of financial instruments were as follows:

Currency in which financial instruments are denominated	**2016**	**2015**	**2014**
USD	**3.7 – 6.4%**	4.1 – 9.8%	8.9 – 14.7%
EUR	**1.8 – 4.0%**	1.8 – 6.2%	1.9%
RUB	**11.03%**	12.77%	–

28. Financial Risk Management Objectives and Policies (continued)

Capital Management

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

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise the return to shareholders. The Board of Directors reviews the Group's performance and establishes key performance indicators. There were no changes in the objectives, policies and processes during 2016.

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

29. Non-cash Transactions

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

US$ million	**2016**	2015	2014
Liabilities for purchases of property, plant and equipment	**$ 71**	$ 63	$ 45
Loans provided in the form of payments by banks for property, plant and equipment	**46**	–	–

30. Commitments and Contingencies

Operating Environment of the Group

The Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group's major subsidiaries are located in Russia, Ukraine, the USA and Canada. Russia and Ukraine are considered to be developing markets with higher economic and political risks. Steel consumption is affected by the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions.

The global economic recession resulted in a significantly lower demand for steel products and decreased profitability. In addition, the political crisis over Ukraine led to an additional uncertainty in the global economy. The unrest in the Southeastern region of Ukraine and the economic sanctions imposed on Russia caused the depreciation of national currencies, economic slowdown, deterioration of liquidity in the banking sector, and tighter credit conditions within Russia and Ukraine. In addition, a significant drop in crude oil prices negatively impacted the Russian economy. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. If the Ukrainian crisis broadens and further sanctions are imposed on Russia, this could have an adverse impact on the Group's business.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

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

30. Commitments and Contingencies (continued)

Taxation

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

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on its best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these financial statements could be up to approximately $23 million.

Contractual Commitments

At 31 December 2016, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $172 million.

In 2010, the Group concluded a contract with PraxAir (Note 2, *Accounting Judgements*) for the construction of an air separation plant and for the supply of oxygen and other gases produced by a third party at this plant for a period of 20 years (extended to 25 years in 2015). Due to a change in plans of the third party provider and in management's assessment of the extent of sales of gases to third parties, effective from 2015 the Group no longer considers this supply contract to fall within the scope of IFRIC 4 "Determining whether an Arrangement Contains a Lease". At 31 December 2016, the Group has committed expenditure of $552 million over the life of the contract.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, healthcare and social infrastructure development in towns where the Group's assets are located. The Group budgeted to spend approximately $63 million under these programmes in 2017.

Environmental Protection

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

The Group has a number of environmental claims and proceedings which are at an early stage of investigation. Environmental provisions in relation to these proceedings that were recognised at 31 December 2016 amounted to $12 million. Preliminary estimates available of the incremental costs indicate that such costs could be up to $263 million. The Group has insurance agreements, which are expected to provide reimbursement of the costs to be actually incurred. Management believes that, as of now, an economic outflow of the additional costs is not probable and any pending environmental claims or proceedings will not have a material adverse effect on its financial position and results of operations.

In addition, the Group has committed to various environmental protection programmes covering periods from 2017 to 2022, under which the Group will perform works aimed at reductions in environmental pollution and contamination. As of 31 December 2016, the costs of implementing these programmes are estimated at $119 million.

30. Commitments and Contingencies (continued)

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on the Group's operations or financial position.

The Group exercises judgement in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. As of 31 December 2016, possible legal risks approximate $21 million.

31. Auditor's Remuneration

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

US$ million	**2016**	2015	2014
Audit of the parent company of the Group	**$ 2**	$ 2	$ 2
Audit of the subsidiaries	**2**	3	5
Total assurance services	**4**	5	7
Services in connection with capital market transactions	**–**	–	2
Total other services	**–**	–	2
	$ 4	$ 5	$ 9

32. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below.

		Non-controlling interests		
Name	**Country of incorporation**	**2016**	**2015**	**2014**
Raspadskaya	Russia	**18.05%**	18.05%	18.05%
EVRAZ Highveld Steel and Vanadium Limited	Republic of South Africa	**–**	–	14.89%
New CF&I (subsidiary of EVRAZ Inc NA)	USA	**10.00%**	10.00%	10.00%

32. Material Partly-Owned Subsidiaries (continued)

US$ million	2016	2015	2014
Accumulated balances of material non-controlling interest			
Raspadskaya	**$ 92**	$ 56	$ 108
EVRAZ Highveld Steel and Vanadium Limited	**–**	–	4
New CF&I (subsidiary of EVRAZ Inc NA)	**98**	101	98
Others	**(4)**	(24)	8
	186	133	218
Profit allocated to material non-controlling interest			
Raspadskaya	**23**	(32)	(58)
EVRAZ Highveld Steel and Vanadium Limited	**–**	1	(19)
New CF&I (subsidiary of EVRAZ Inc NA)	**(3)**	3	9
Others	**7**	(47)	(35)
	$ 27	$ (75)	$ (103)

The summarised financial information regarding these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss

Raspadskaya

US$ million	2016	2015	2014
Revenue	**$ 503**	$ 420	$ 444
Cost of revenue	**(306)**	(334)	(437)
Gross profit/(loss)	**197**	86	7
Operating costs	**(67)**	(79)	(85)
Impairment of assets	**(17)**	(91)	(9)
Foreign exchange gains/(losses), net	**77**	(114)	(277)
Profit/(loss) from operations	**190**	(198)	(364)
Non-operating gains/(losses)	**(31)**	(24)	(32)
Profit/(loss) before tax	**159**	(222)	(396)
Income tax benefit/(expense)	**(33)**	44	77
Net profit/(loss)	**$ 126**	$ (178)	$ (319)
Other comprehensive income/(loss)	**90**	(152)	(598)
Total comprehensive income/(loss)	**216**	(330)	(917)
attributable to non-controlling interests	**1**	(51)	(154)
dividends paid to non-controlling interests	**–**	–	–

32. Material Partly-Owned Subsidiaries (continued)

EVRAZ Highveld Steel and Vanadium Limited

US$ million	2016	From 1 January to 14 April 2015	2014
Revenue	$ –	$ 145	$ 544
Cost of revenue	–	(138)	(539)
Gross profit/(loss)	–	7	5
Operating costs	–	(21)	(81)
Impairment of assets	–	–	(58)
Foreign exchange gains/(losses), net	–	(2)	(3)
Profit/(loss) from operations	–	(16)	(137)
Non-operating gains/(losses)	–	20	(7)
Profit/(loss) before tax	–	4	(144)
Income tax benefit/(expense)	–	–	13
Net profit/(loss)	$ –	$ 4	$ (131)
Other comprehensive income/(loss)	–	(1)	(7)
Total comprehensive income/(loss)	–	3	(138)
attributable to non-controlling interests	–	–	(20)
dividends paid to non-controlling interests	–	–	–

New CF&I

US$ million	2016	2015	2014
Revenue	$ 384	$ 635	$ 922
Cost of revenue	(391)	(565)	(768)
Gross profit/(loss)	(7)	70	154
Operating costs	(48)	(52)	(49)
Impairment of assets	–	–	–
Foreign exchange gains/(losses), net	–	–	–
Profit/(loss) from operations	(55)	18	105
Non-operating gains/(losses)	21	20	18
Profit/(loss) before tax	(34)	38	123
Income tax benefit/(expense)	9	(12)	(37)
Net profit/(loss)	$ (25)	$ 26	$ 86
Other comprehensive income/(loss)	(4)	4	(10)
Total comprehensive income/(loss)	(29)	30	76
attributable to non-controlling interests	(3)	3	8
dividends paid to non-controlling interests	–	–	–

32. Material Partly-Owned Subsidiaries (continued)

Summarised statement of financial position as at 31 December

Raspadskaya

US$ million	**2016**	2015	2014
Property, plant and equipment	**$ 1,004**	$ 883	$ 1,316
Other non-current assets	**30**	51	32
Current assets	**655**	279	117
Total assets	**1,689**	1,213	1,465
Deferred income tax liabilities	**65**	54	93
Non-current liabilities	**52**	507	530
Current liabilities	**952**	247	107
Total liabilities	**1,069**	808	730
Total equity	**620**	405	735
attributable to:			
equity holders of parent	**528**	348	627
non-controlling interests	**92**	57	108

EVRAZ Highveld Steel and Vanadium Limited

US$ million	**2016**	2015	2014
Property, plant and equipment	**$ –**	$ –	$ 80
Other non-current assets	**–**	–	30
Current assets	**–**	–	149
Total assets	**–**	–	259
Deferred income tax liabilities	**–**	–	–
Non-current liabilities	**–**	–	64
Current liabilities	**–**	–	169
Total liabilities	**–**	–	233
Total equity	**–**	–	26
attributable to:			
equity holders of parent	**–**	–	22
non-controlling interests	**–**	–	4

New CF&I

US$ million	**2016**	2015	2014
Property, plant and equipment	**$ 184**	$ 214	$ 237
Other non-current assets	**957**	967	929
Current assets	**117**	125	186
Total assets	**1,258**	1,306	1,352
Deferred income tax liabilities	**30**	42	85
Non-current liabilities	**81**	81	86
Current liabilities	**166**	173	201
Total liabilities	**277**	296	372
Total equity	**981**	1,010	980
attributable to:			
equity holders of parent	**883**	909	882
non-controlling interests	**98**	101	98

32. Material Partly-Owned Subsidiaries (continued)

Summarised cash flow information

Raspadskaya

US$ million	**2016**	2015	2014
Operating activities	**$ 176**	$ 107	$ 120
Investing activities	**(100)**	(32)	(61)
Financing activities	**(89)**	(49)	(41)

EVRAZ Highveld Steel and Vanadium Limited

US$ million	**2016**	**From 1 January to 14 April 2015**	**2014**
Operating activities	**$ –**	$ –	$ (15)
Investing activities	**–**	(5)	(15)
Financing activities	**–**	(2)	7

New CF&I

US$ million	**2016**	2015	2014
Operating activities	**$ 5**	$ 101	$ 154
Investing activities	**(5)**	(101)	(154)
Financing activities	**–**	–	–

33. Subsequent Events

There were no significant events after the reporting date.

Evraz Group S.A.
Société Anonyme
13, Avenue Monterey
L-2163 Luxembourg

R.C.S. Luxembourg B 105.615

Consolidated financial statements As at 31 December 2015, and Independent auditor's report

Evraz Group S.A.

Consolidated Financial Statements

Year ended 31 December 2015

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working world

Ernst & Young
Société anonyme

35E, Avenue John F. Kennedy
L-1855 Luxembourg

Tel: +352 42 124 1

www.ey.com/luxembourg

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

To the Shareholders of
Evraz Group S.A.
13, Avenue Monterey
L-2163 Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 1 April 2015 we have audited the accompanying consolidated financial statements of Evraz Group S.A., which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of operations, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

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 as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". 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 judgement of the "réviseur d'entreprises agréé", 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 "réviseur d'entreprises agréé" 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 the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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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 give a true and fair view of the financial position of Evraz Group S.A. as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated annual management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the corporate governance statement.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Yves Even

Luxembourg, 14 March 2016

Evraz Group S.A.
Consolidated Statement of Operations
(in millions of US dollars, except for per share information)

	Notes	Year ended 31 December 2015	2014*	2013*
Continuing operations				
Revenue				
Sale of goods	**3**	**$ 8,552**	$ 12,745	$ 14,071
Rendering of services	**3**	**215**	318	345
		8,767	13,063	14,416
Cost of revenue	**7**	**(6,593)**	(9,736)	(11,506)
Gross profit		**2,174**	3,327	2,910
Selling and distribution costs	**7**	**(795)**	(1,009)	(1,213)
General and administrative expenses	**7**	**(465)**	(731)	(861)
Social and social infrastructure maintenance expenses		**(28)**	(30)	(50)
Loss on disposal of property, plant and equipment		**(41)**	(48)	(47)
Impairment of assets	**6**	**(441)**	(540)	(563)
Foreign exchange gains/(losses), net		**(335)**	(974)	(264)
Other operating income		**28**	35	53
Other operating expenses	**7**	**(78)**	(88)	(118)
Profit/(loss) from operations		**19**	(58)	(153)
Interest income	**7**	**9**	17	23
Interest expense	**7**	**(480)**	(561)	(679)
Share of profits/(losses) of joint ventures and associates	**11**	**4**	10	9
Gain/(loss) on derecognition of equity investments, net	**4**	**–**	–	89
Gain/(loss) on financial assets and liabilities, net	**7**	**(48)**	(586)	(43)
Gain/(loss) on disposal groups classified as held for sale, net	**12**	**21**	136	131
Loss of control over a subsidiary	**4**	**(167)**	–	–
Other non-operating gains/(losses), net		**(3)**	–	15
Loss before tax		**(645)**	(1,042)	(608)
Income tax benefit/(expense)	**8**	**(16)**	(206)	87
Net loss		**$ (661)**	$ (1,248)	$ (521)
Attributable to:				
Equity holders of the parent entity		**$ (602)**	$ (1,165)	$ (474)
Non-controlling interests		**(59)**	(83)	(47)
		$ (661)	$ (1,248)	$ (521)
Earnings/(losses) per share: for profit/(loss) attributable to equity holders of the parent entity, basic and diluted, US dollars	**20**	**$ (4.04)**	$ (7.82)	$ (3.18)

***** The amounts shown here do not correspond to the 2014 and 2013 financial statements and reflect adjustments made in connection with the acquisition of a controlling interest in a subsidiary in a transaction with an entity under common control (Note 2).

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

Evraz Group S.A.
Consolidated Statement of Comprehensive Income
(in millions of US dollars)

	Notes	Year ended 31 December 2015	2014*	2013*
Net loss		**$ (661)**	$ (1,248)	$ (521)
Other comprehensive income/(loss)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations into presentation currency		**(824)**	(1,903)	(370)
Exchange differences recycled to profit or loss	**4,12**	**142**	(66)	90
Net gains/(losses) on available-for-sale financial assets	**13**	**–**	(12)	7
		(682)	(1,981)	(273)
Effect of translation to presentation currency of the Group's joint ventures and associates	**11**	**(9)**	(20)	(4)
		(9)	(20)	(4)
Items not to be reclassified to profit or loss in subsequent periods				
Gains/(losses) on re-measurement of net defined benefit liability	**23**	**1**	(33)	119
Income tax effect	**8**	**(5)**	15	(30)
		(4)	(18)	89
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	**9**	**(1)**	–	(9)
Income tax effect	**8**	**–**	–	2
		(1)	–	(7)
Total other comprehensive loss		**(696)**	(2,019)	(195)
Total comprehensive loss, net of tax		**$ (1,357)**	$ (3,267)	$ (716)
Attributable to:				
Equity holders of the parent entity		**$ (1,283)**	$ (3,086)	$ (636)
Non-controlling interests		**(74)**	(181)	(80)
		$ (1,357)	$ (3,267)	$ (716)

***** The amounts shown here do not correspond to the 2014 and 2013 financial statements and reflect adjustments made in connection with the acquisition of a controlling interest in a subsidiary in a transaction with an entity under common control (Note 2).

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

Evraz Group S.A.
Consolidated Statement of Financial Position
(in millions of US dollars)

	Notes	31 December 2015	2014*	2013*
ASSETS				
Non-current assets				
Property, plant and equipment	**9**	**$ 4,180**	$ 5,684	$ 9,358
Intangible assets other than goodwill	**10**	**324**	441	588
Goodwill	**5**	**1,176**	1,541	1,988
Investments in joint ventures and associates	**11**	**34**	39	50
Deferred income tax assets	**8**	**109**	88	85
Loans receivable from related parties	**16**	**157**	–	–
Other non-current financial assets	**13**	**79**	98	144
Other non-current assets	**13**	**56**	40	62
		6,115	7,931	12,275
Current assets				
Inventories	**14**	**899**	1,370	1,742
Trade and other receivables	**15**	**447**	654	915
Prepayments		**50**	82	124
Loans receivable		**5**	24	21
Receivables from related parties	**16**	**7**	56	17
Income tax receivable		**44**	23	45
Other taxes recoverable	**17**	**125**	153	274
Other current financial assets	**18**	**35**	40	72
Cash and cash equivalents	**19**	**1,359**	1,048	1,603
		2,971	3,450	4,813
Assets of disposal groups classified as held for sale	**12**	**1**	4	302
		2,972	3,454	5,115
Total assets		**$ 9,087**	$ 11,385	$ 17,390
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	**20**	**$ 404**	$ 404	$ 404
Additional paid-in capital	**20**	**2,642**	2,043	2,017
Revaluation surplus		**124**	155	162
Legal reserve		**39**	39	39
Unrealised gains and losses	**11,13**	**–**	–	12
Accumulated profits		**1,151**	2,080	3,406
Translation difference		**(4,241)**	(3,565)	(1,674)
		119	1,156	4,366
Non-controlling interests		**143**	213	400
		262	1,369	4,766
Non-current liabilities				
Loans payable to related parties	**7**	**–**	55	55
Long-term loans	**22**	**5,850**	5,366	5,984
Deferred income tax liabilities	**8**	**352**	471	841
Employee benefits	**23**	**301**	364	492
Provisions	**24**	**146**	173	254
Other long-term liabilities	**25**	**96**	424	720
		6,745	6,853	8,346
Current liabilities				
Trade and other payables	**26**	**1,057**	1,355	1,391
Advances from customers		**228**	155	180
Short-term loans and current portion of long-term loans	**22**	**497**	760	1,816
Payables to related parties	**16**	**151**	602	356
Income tax payable		**17**	86	57
Other taxes payable	**27**	**107**	151	203
Provisions	**24**	**23**	41	45
Dividends payable by the parent entity to its shareholders		**–**	–	113
Dividends payable by the Group's subsidiaries to non-controlling shareholders		**–**	–	5
		2,080	3,150	4,166
Liabilities directly associated with disposal groups classified as held for sale	**12**	–	13	112
		2,080	3,163	4,278
Total equity and liabilities		**$ 9,087**	$ 11,385	$ 17,390

***** The amounts shown here do not correspond to the 2014 and 2013 financial statements and reflect adjustments made in connection with the acquisition of a controlling interest in a subsidiary in a transaction with an entity under common control (Note 2).

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

Evraz Group S.A.
Consolidated Statement of Cash Flows
(in millions of US dollars)

	Year ended 31 December		
	2015	**2014***	**2013***
Cash flows from operating activities			
Net loss	**$ (661)**	$ (1,248)	$ (521)
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Deferred income tax (benefit)/expense *(Note 8)*	**(83)**	(151)	(335)
Depreciation, depletion and amortisation *(Note 7)*	**585**	833	1,114
Loss on disposal of property, plant and equipment	**41**	48	47
Impairment of assets	**441**	540	563
Foreign exchange (gains)/losses, net	**335**	974	264
Interest income	**(9)**	(17)	(23)
Interest expense	**480**	561	679
Share of (profits)/losses of associates and joint ventures	**(4)**	(10)	(9)
(Gain)/loss on derecognition of equity investments, net	**–**	–	(89)
(Gain)/loss on financial assets and liabilities, net	**48**	586	43
(Gain)/loss on disposal groups classified as held for sale, net	**(21)**	(136)	(131)
Loss of control over a subsidiary	**167**	–	–
Other non-operating (gains)/losses, net	**3**	–	(15)
Bad debt expense	**18**	41	8
Changes in provisions, employee benefits and other long-term assets and liabilities	**(56)**	(62)	(68)
Expense arising from equity-settled awards (*Note 21)*	**20**	30	25
Other	**–**	(1)	(2)
	1,304	1,988	1,550
Changes in working capital:			
Inventories	**204**	(84)	235
Trade and other receivables	**55**	(1)	66
Prepayments	**9**	(2)	15
Receivables from/payables to related parties	**68**	(243)	130
Taxes recoverable	**(36)**	17	69
Other assets	**(3)**	11	(17)
Trade and other payables	**3**	152	(135)
Advances from customers	**100**	27	30
Taxes payable	**(72)**	100	3
Other liabilities	**1**	(4)	(5)
Net cash flows from operating activities	**1,633**	1,961	1,941
Cash flows from investing activities			
Issuance of loans receivable to related parties	**(159)**	(4)	(3)
Proceeds from repayment of loans by related parties, including interest	**1**	–	–
Issuance of loans receivable	**(2)**	–	(3)
Proceeds from repayment of loans receivable, including interest	**7**	4	3
Purchases of subsidiaries, net of cash acquired *(Note 4)*	**–**	–	132
Restricted deposits at banks in respect of investing activities	**(3)**	1	(2)
Short-term deposits at banks, including interest	**4**	8	677
Purchases of property, plant and equipment and intangible assets	**(398)**	(582)	(852)
Proceeds from disposal of property, plant and equipment	**10**	14	7
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs *(Note 12)*	**44**	311	1
Dividends received	**–**	2	1
Other investing activities, net	**6**	19	(15)
Net cash flows used in investing activities	**(490)**	(227)	(54)

***** The amounts shown here do not correspond to the 2014 and 2013 financial statements and reflect adjustments made in connection with the acquisition of a controlling interest in a subsidiary in a transaction with an entity under common control (Note 2).

Continued on the next page

(in millions of US dollars)

	Year ended 31 December		
	2015	**2014***	**2013***
Cash flows from financing activities			
Issue of shares (Note 20)	**$ 88**	$ –	$ 100
Purchase of shares of EVRAZ plc *(Note 18)*	**–**	(7)	(3)
Proceeds from issue of shares by a subsidiary to non-controlling shareholders	**6**	–	–
Proceeds from loans provided by related parties	**19**	267	355
Repayment of loans provided by related parties	**(77)**	(254)	(300)
Dividends paid by the parent entity to its shareholders *(Note 20)*	**(350)**	(262)	(602)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	**–**	(3)	(1)
Sale of non-controlling interests *(Note 4)*	**1**	–	–
Proceeds from bank loans and notes	**3,771**	2,524	1,922
Repayment of bank loans and notes, including interest	**(3,806)**	(3,210)	(3,726)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**(9)**	(942)	621
Purchase of debt instruments from related parties	**(8)**	–	–
Payments for purchase of property, plant and equipment on deferred terms	**(2)**	(34)	–
Gain/(loss) on derivatives not designated as hedging instruments *(Note 25)*	**(464)**	(94)	51
Gain/(loss) on hedging instruments *(Note 25)*	**5**	–	–
Collateral under swap contracts *(Note 18)*	**7**	14	(21)
Payments under finance leases, including interest	**(1)**	(1)	(8)
Other financing activities	**–**	(12)	(1)
Net cash flows used in financing activities	**(820)**	(2,014)	(1,613)
Effect of foreign exchange rate changes on cash and cash equivalents	**(12)**	(282)	(48)
Net increase/(decrease) in cash and cash equivalents	**311**	(562)	226
Cash and cash equivalents at the beginning of the year	**1,048**	1,603	1,376
Add back: decrease/(increase) in cash of disposal groups classified as assets held for sale *(Note 12)*	**–**	7	1
Cash and cash equivalents at the end of the year	**$ 1,359**	$ 1,048	$ 1,603
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	**$ (431)**	$ (507)	$ (575)
Interest received	**5**	10	23
Income taxes paid by the Group	**(204)**	(278)	(236)

***** The amounts shown here do not correspond to the 2014 and 2013 financial statements and reflect adjustments made in connection with the acquisition of a controlling interest in a subsidiary in a transaction with an entity under common control (Note 2).

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

Evraz Group S.A.
Consolidated Statement of Changes in Equity
(in millions of US dollars)

	Attributable to equity holders of the parent entity									
	Issued capital	Additional paid-in capital	Revaluation surplus	Other reserves	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2014 (as previously reported)	**$ 404**	**$ 1,570**	**$ 155**	**$ 39**	**$ –**	**$ 2,184**	**$ (3,184)**	**$ 1,168**	**$ 105**	**$ 1,273**
Acquisition of Corber by the parent entity *(Note 2)*	**–**	**473**	**–**	**–**	**–**	**(104)**	**(381)**	**(12)**	**108**	**96**
At 31 December 2014 (as restated)	**$ 404**	**$ 2,043**	**$ 155**	**$ 39**	**$ –**	**$ 2,080**	**$ (3,565)**	**$ 1,156**	**$ 213**	**$ 1,369**
Net loss	**–**	**–**	**–**	**–**	**–**	**(602)**	**–**	**(602)**	**(59)**	**(661)**
Other comprehensive income/(loss)	**–**	**–**	**(1)**	**–**	**–**	**(4)**	**(676)**	**(681)**	**(15)**	**(696)**
Reclassification of revaluation surplus to accumulated profits in respect of the disposed subsidiaries	**–**	**–**	**(28)**	**–**	**–**	**28**	**–**	**–**	**–**	**–**
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	**–**	**–**	**(2)**	**–**	**–**	**2**	**–**	**–**	**–**	**–**
Total comprehensive income/(loss) for the period	**–**	**–**	**(31)**	**–**	**–**	**(576)**	**(676)**	**(1,283)**	**(74)**	**(1,357)**
Issue of shares *(Note 20)*	**–**	**579**	**–**	**–**	**–**	**–**	**–**	**579**	**–**	**579**
Derecognition of non-controlling interests in connection with the loss of control over a subsidiary *(Note 4)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4)**	**(4)**
Non-controlling interests arising on sale of ownership interests in subsidiaries *(Note 4)*	**–**	**–**	**–**	**–**	**–**	**(3)**	**–**	**(3)**	**2**	**(1)**
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6**	**6**
Share-based payments *(Note 21)*	**–**	**20**	**–**	**–**	**–**	**–**	**–**	**20**	**–**	**20**
Dividends declared by the parent entity to its shareholders *(Note 20)*	**–**	**–**	**–**	**–**	**–**	**(350)**	**–**	**(350)**	**–**	**(350)**
At 31 December 2015	**$ 404**	**$ 2,642**	**$ 124**	**$ 39**	**$ –**	**$ 1,151**	**$ (4,241)**	**$ 119**	**$ 143**	**$ 262**

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

Evraz Group S.A.
Consolidated Statement of Changes in Equity (continued)
(in millions of US dollars)

	Attributable to equity holders of the parent entity									
	Issued capital	**Additional paid-in capital**	**Revaluation surplus**	**Legal reserve**	**Unrealised gains and losses**	**Accumulated profits**	**Translation difference**	**Total**	**Non-controlling interests**	**Total equity**
At 31 December 2013 (as previously reported)	$ 404	$ 1,544	$ 162	$ 39	$ 12	$ 3,380	$ (1,658)	$ 3,883	$ 138	$ 4,021
Acquisition of Corber by the parent entity *(Note 2)*	–	473	–	–	–	26	(16)	483	262	745
At 31 December 2013 (as restated)*	$ 404	$ 2,017	$ 162	$ 39	$ 12	$ 3,406	$ (1,674)	$ 4,366	$ 400	$ 4,766
Net loss*	–	–	–	–	–	(1,165)	–	(1,165)	(83)	(1,248)
Other comprehensive income/(loss)*	–	–	–	–	(12)	(18)	(1,891)	(1,921)	(98)	(2,019)
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	(7)	–	–	7	–	–	–	–
Total comprehensive income/(loss) for the period*	–	–	(7)	–	(12)	(1,176)	(1,891)	(3,086)	(181)	(3,267)
Acquisition of non-controlling interests in subsidiaries	–	3	–	–	–	–	–	3	(3)	–
Share-based payments *(Note 21)*	–	30	–	–	–	–	–	30	–	30
Distribution to a shareholder – transfer of shares of EVRAZ plc to participants of Incentive plans *(Notes 20 and 21)*	–	(7)	–	–	–	–	–	(7)	–	(7)
Dividends declared by the parent entity to its shareholders *(Note 20)*	–	–	–	–	–	(150)	–	(150)	–	(150)
Dividends declared by the Group's subsidiaries to non-controlling shareholders *(Note 20)*	–	–	–	–	–	–	–	–	(3)	(3)
At 31 December 2014*	$ 404	$ 2,043	$ 155	$ 39	$ –	$ 2,080	$ (3,565)	$ 1,156	$ 213	$ 1,369

* The amounts shown here do not correspond to the 2014 and 2013 financial statements and reflect adjustments made in connection with the acquisition of a controlling interest in a subsidiary in a transaction with an entity under common control (Note 2).

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

Evraz Group S.A.
Consolidated Statement of Changes in Equity (continued)
(in millions of US dollars)

	Attributable to equity holders of the parent entity									
	Issued capital	**Additional paid-in capital**	**Revaluation surplus**	**Legal reserve**	**Unrealised gains and losses**	**Accumulated profits**	**Translation difference**	**Total**	**Non-controlling interests**	**Total equity**
At 31 December 2012	$ 404	$ 1,419	$ 173	$ 39	$ 5	$ 4,505	$ (1,424)	$ 5,121	$ 168	$ 5,289
Net loss*	–	–	–	–	–	(474)	–	(474)	(47)	(521)
Other comprehensive income/(loss)*	–	–	(7)	–	7	88	(250)	(162)	(33)	(195)
Reclassification of additional paid-in capital to accumulated profits in respect of the disposed subsidiaries	–	2	–	–	–	(2)	–	–	–	–
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	(4)	–	–	4	–	–	–	–
Total comprehensive income/(loss) for the period*	–	2	(11)	–	7	(384)	(250)	(636)	(80)	(716)
Issue of shares *(Note 20)*	–	100	–	–	–	–	–	100	–	100
Acquisition of Corber by the parent entity *(Note 2)**	–	473	–	–	–	–	–	473	–	473
Non-controlling interests arising on acquisition of subsidiaries *(Note 4)**	–	–	–	–	–	–	–	–	314	314
Acquisition of non-controlling interests in subsidiaries *(Note 4)*	–	1	–	–	–	–	–	1	(3)	(2)
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary *(Note 20)*	–	–	–	–	–	–	–	–	2	2
Share-based payments *(Note 21)*	–	25	–	–	–	–	–	25	–	25
Distribution to a shareholder – transfer of shares of EVRAZ plc to participants of Incentive plans *(Notes 20 and 21)*	–	(3)	–	–	–	–	–	(3)	–	(3)
Dividends declared by the parent entity to its shareholders *(Note 20)*	–	–	–	–	–	(715)	–	(715)	–	(715)
Dividends declared by the Group's subsidiaries to non-controlling shareholders *(Note 20)*	–	–	–	–	–	–	–	–	(1)	(1)
At 31 December 2013*	$ 404	$ 2,017	$ 162	$ 39	$ 12	$ 3,406	$ (1,674)	$ 4,366	$ 400	$ 4,766

* The amounts shown here do not correspond to the 2014 and 2013 financial statements and reflect adjustments made in connection with the acquisition of a controlling interest in a subsidiary in a transaction with an entity under common control (Note 2).

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

1. Corporate Information

These consolidated financial statements were authorised for issue in accordance with a resolution of the directors of Evraz Group S.A. on 14 March 2016.

Evraz Group S.A. ("Evraz Group" or "the Company") is a joint stock company registered under the laws of Luxembourg on 31 December 2004. Until 2 March 2016 the registered address of Evraz Group was 1, rue de Louvigny, L-1946, Luxembourg. The new Company's address is 13, avenue Monterey, L-2163, Luxembourg

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

At 31 December 2015, 2014 and 2013, EVRAZ plc (UK) held 100% in Evraz Group S.A.

Lanebrook Limited (Cyprus) is the ultimate controlling party of the Group.
The major subsidiaries included in the consolidated financial statements of the Group were as follows at 31 December:

	Effective ownership interest, %				
Subsidiary	**2015**	**2014**	**2013**	**Business activity**	**Location**
EVRAZ Nizhny Tagil Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Consolidated West-Siberian Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Vitkovice Steel a.s.	**–**	–	100.00	Steel production	Czech Republic
EVRAZ Highveld Steel and Vanadium Limited	**–**	85.11	85.11	Steel production	South Africa
EVRAZ Dnepropetrovsk Iron and Steel Works	**96.94**	96.90	96.78	Steel production	Ukraine
EVRAZ Inc. NA	**100.00**	100.00	100.00	Steel production	USA
EVRAZ Inc. NA Canada	**100.00**	100.00	100.00	Steel production	Canada
Raspadskaya (Note 2)	**81.95**	81.95	81.95	Coal mining	Russia
Yuzhkuzbassugol	**100.00**	100.00	100.00	Coal mining	Russia
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	**100.00**	100.00	100.00	Ore mining and processing	Russia
Evrazruda	**100.00**	100.00	100.00	Ore mining	Russia
EVRAZ Sukha Balka	**99.42**	99.42	99.42	Ore mining	Ukraine

2. Significant Accounting Policies

Basis of Preparation

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

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application as of 31 December 2015, but not adopted by the European Union, do not have any impact on the Group's consolidated financial statements.

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

Going Concern

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

The Group's activities in all of its operating segments continue to be affected by the uncertainty and instability of the current economic environment (Note 30). In response, the Group implemented a number of cost cutting initiatives, reduced capital expenditures, continues to reduce the level of debt and proactively manages its debt covenants compliance.

Based on the currently available facts and circumstances the directors and management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Restatement of Financial Statements

Controlling Interest in Subsidiary Transferred to the Group by Parent Entity

On 21 October 2015, Evraz Group S.A. issued to its parent 491 shares with the nominal value of €2 each. In exchange for these shares Evraz Group S.A. received from EVRAZ plc an additional 50% shareholding in Corber, which owns 81.95% in Raspadskaya, thereby it obtained a controlling interest in Raspadskaya.

The Group applied the pooling of interests method with respect to this acquisition and presented its consolidated financial statements as if the transfer of controlling interest in Raspadskaya had occurred from the date of acquisition of the subsidiary by the transferring entity. The shares issued were valued at $491 million, being the carrying value of the stake in the separate financial statements of EVRAZ plc, and were included in liabilitites to related parties before 21 October 2015.

The effects of the restatements on the previously reported amounts are set out below.

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Operations

	Year ended 31 December 2014		
	As previously reported	Raspadskaya	Restated
Continuing operations			
Revenue			
Sale of goods	$ 12,501	$ 244	$ 12,745
Rendering of services	342	(24)	318
	12,843	220	13,063
Cost of revenue	(9,516)	(220)	(9,736)
Gross profit	3,327	–	3,327
Selling and distribution costs	(1,001)	(8)	(1,009)
General and administrative expenses	(680)	(51)	(731)
Social and social infrastructure maintenance expenses	(28)	(2)	(30)
Loss on disposal of property, plant and equipment	(40)	(8)	(48)
Impairment of assets	(530)	(10)	(540)
Foreign exchange gains/(losses), net	(697)	(277)	(974)
Other operating income	31	4	35
Other operating expenses	(76)	(12)	(88)
Profit/(loss) from operations	306	(364)	(58)
Interest income	18	(1)	17
Interest expense	(530)	(31)	(561)
Share of profits/(losses) of joint ventures and associates	(116)	126	10
Gain/(loss) on derecognition of equity investments, net	–	–	–
Gain/(loss) on financial assets and liabilities, net	(585)	(1)	(586)
Gain/(loss) on disposal groups classified as held for sale, net	136	–	136
Other non-operating gains/(losses), net	–	–	–
Loss before tax	(771)	(271)	(1,042)
Income tax benefit/(expense)	(284)	78	(206)
Net loss	$ (1,055)	$ (193)	$ (1,248)
Attributable to:			
Equity holders of the parent entity	$ (1,030)	$ (135)	$ (1,165)
Non-controlling interests	(25)	(58)	(83)
	$ (1,055)	$ (193)	$ (1,248)
Earnings/(losses) per share: for profit/(loss) attributable to equity holders of the parent entity, basic and diluted, US dollars	$ (6.92)	$ (0.90)	$ (7.82)

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Comprehensive Income

	Year ended 31 December 2014		
	As previously reported	Raspadskaya	Restated
Net loss	$ (1,055)	$ (193)	$ (1,248)
Other comprehensive income/(loss)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations into presentation currency	(1,296)	(607)	(1,903)
Exchange differences recycled to profit or loss	(66)	–	(66)
Net gains/(losses) on available-for-sale financial assets	(11)	(1)	(12)
	(1,373)	(608)	(1,981)
Effect of translation to presentation currency of the Group's joint ventures and associates	(165)	145	(20)
	(1)	1	–
	(166)	146	(20)
Items not to be reclassified to profit or loss in subsequent periods			
Gains/(losses) on re-measurement of net defined benefit liability	(43)	10	(33)
Income tax effect	15	–	15
	(28)	10	(18)
Gains/(losses) on re-measurement of net defined benefit liability recognised by the Group's joint ventures and associates	4	(4)	–
Total other comprehensive loss	(1,563)	(456)	(2,019)
Total comprehensive loss, net of tax	$ (2,618)	$ (649)	$ (3,267)
Attributable to:			
Equity holders of the parent entity	$ (2,591)	$ (495)	$ (3,086)
Non-controlling interests	(27)	(154)	(181)
	$ (2,618)	$ (649)	$ (3,267)

Statement of Changes in Equity

	Year ended 31 December 2014		
	As previously reported	Raspadskaya	Restated
Additional paid-in capital	$ 1,570	$ 473	$ 2,043
Accumulated profits	2,184	(104)	2,080
Translation difference	(3,184)	(381)	(3,565)
Non-controlling interests	105	108	213

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Financial Position

	31 December 2014		
	As previously reported	Raspadskaya	Restated
ASSETS			
Non-current assets			
Property, plant and equipment	$ 4,368	$ 1,316	$ 5,684
Intangible assets other than goodwill	440	1	441
Goodwill	1,541	–	1,541
Investments in joint ventures and associates	186	(147)	39
Deferred income tax assets	60	28	88
Other non-current financial assets	136	(38)	98
Other non-current assets	38	2	40
	6,769	1,162	7,931
Current assets			
Inventories	1,333	37	1,370
Trade and other receivables	636	18	654
Prepayments	80	2	82
Loans receivable	24	–	24
Receivables from related parties	99	(43)	56
Income tax receivable	23	–	23
Other taxes recoverable	133	20	153
Other current financial assets	40	–	40
Cash and cash equivalents	1,021	27	1,048
	3,389	61	3,450
Assets of disposal groups classified as held for sale	4	–	4
	3,393	61	3,454
Total assets	$ 10,162	$ 1,223	$ 11,385
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	$ 404	$ –	$ 404
Additional paid-in capital	1,570	473	2,043
Revaluation surplus	155	–	155
Legal reserve	39	–	39
Accumulated profits	2,184	(104)	2,080
Translation difference	(3,184)	(381)	(3,565)
	1,168	(12)	1,156
Non-controlling interests	105	108	213
	1,273	96	1,369
Non-current liabilities			
Long-term loans payable to related parties	–	55	55
Long-term loans	4,946	420	5,366
Deferred income tax liabilities	379	92	471
Employee benefits	350	14	364
Provisions	172	1	173
Other long-term liabilities	424	–	424
	6,271	582	6,853
Current liabilities			
Trade and other payables	1,327	28	1,355
Advances from customers	155	–	155
Short-term loans and current portion of long-term loans	755	5	760
Payables to related parties	120	482	602
Income tax payable	85	1	86
Other taxes payable	124	27	151
Provisions	39	2	41
	2,605	545	3,150
Liabilities directly associated with disposal groups classified as held for sale	13	–	13
	2,618	545	3,163
Total equity and liabilities	$ 10,162	$ 1,223	$ 11,385

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Operations

	Year ended 31 December 2013		
	As previously reported	Raspadskaya	Restated
Continuing operations			
Revenue			
Sale of goods	$ 13,666	$ 405	$ 14,071
Rendering of services	353	(8)	345
	14,019	397	14,416
Cost of revenue	(11,141)	(365)	(11,506)
Gross profit	2,878	32	2,910
Selling and distribution costs	(1,163)	(50)	(1,213)
General and administrative expenses	(803)	(58)	(861)
Social and social infrastructure maintenance expenses	(48)	(2)	(50)
Loss on disposal of property, plant and equipment	(34)	(13)	(47)
Impairment of assets	(563)	–	(563)
Foreign exchange gains/(losses), net	(234)	(30)	(264)
Other operating income	53	–	53
Other operating expenses	(85)	(33)	(118)
Profit/(loss) from operations	1	(154)	(153)
Interest income	19	4	23
Interest expense	(637)	(42)	(679)
Share of profits/(losses) of joint ventures and associates	(45)	54	9
Gain/(loss) on derecognition of equity investments, net	(5)	94	89
Gain/(loss) on financial assets and liabilities, net	(43)	–	(43)
Gain/(loss) on disposal groups classified as held for sale, net	131	–	131
Other non-operating gains/(losses), net	15	–	15
Loss before tax	(564)	(44)	(608)
Income tax benefit/(expense)	52	35	87
Net loss	$ (512)	$ (9)	$ (521)
Attributable to:			
Equity holders of the parent entity	$ (494)	$ 20	$ (474)
Non-controlling interests	(18)	(29)	(47)
	$ (512)	$ (9)	$ (521)
Earnings/(losses) per share: for profit/(loss) attributable to equity holders of the parent entity, basic and diluted, US dollars	$ (3.32)	$ 0.14	$ (3.18)

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Comprehensive Income

	Year ended 31 December 2013		
	As previously reported	Raspadskaya	Restated
Net loss	$ (512)	$ (9)	$ (521)
Other comprehensive income/(loss)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations into presentation currency	(185)	(185)	(370)
Exchange differences recycled to profit or loss	(22)	112	90
Net gains/(losses) on available-for-sale financial assets	7	–	7
	(200)	(73)	(273)
Effect of translation to presentation currency of the Group's joint ventures and associates	(38)	34	(4)
	(38)	34	(4)
Items not to be reclassified to profit or loss in subsequent periods			
Gains/(losses) on re-measurement of net defined benefit liability	103	16	119
Income tax effect	(30)	–	(30)
	73	16	89
Gains/(losses) on re-measurement of net defined benefit liability recognised by the Group's joint ventures and associates	7	(7)	–
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	(9)	–	(9)
Income tax effect	2	–	2
	(7)	–	(7)
Total other comprehensive loss	(165)	(30)	(195)
Total comprehensive loss, net of tax	$ (677)	$ (39)	$ (716)
Attributable to:			
Equity holders of the parent entity	$ (646)	$ 10	$ (636)
Non-controlling interests	(31)	(49)	(80)
	$ (677)	$ (39)	$ (716)

Statement of Changes in Equity

	Year ended 31 December 2013		
	As previously reported	Raspadskaya	Restated
Additional paid-in capital	$ 1,544	$ 473	$ 2,017
Accumulated profits	3,380	26	3,406
Translation difference	(1,658)	(16)	(1,674)
Non-controlling interests	138	262	400

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Financial Position

	31 December 2013		
	As previously reported	Raspadskaya	Restated
ASSETS			
Non-current assets			
Property, plant and equipment	$ 7,008	$ 2,350	$ 9,358
Intangible assets other than goodwill	586	2	588
Goodwill	1,988	–	1,988
Investments in joint ventures and associates	465	(415)	50
Deferred income tax assets	80	5	85
Other non-current financial assets	184	(40)	144
Other non-current assets	62	–	62
	10,373	1,902	12,275
Current assets			
Inventories	1,672	70	1,742
Trade and other receivables	883	32	915
Prepayments	114	10	124
Loans receivable	20	1	21
Receivables from related parties	28	(11)	17
Income tax receivable	44	1	45
Other taxes recoverable	245	29	274
Other current financial assets	72	–	72
Cash and cash equivalents	1,597	6	1,603
	4,675	138	4,813
Assets of disposal groups classified as held for sale	302	–	302
	4,977	138	5,115
Total assets	$ 15,350	$ 2,040	$ 17,390
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	$ 404	$ –	$ 404
Additional paid-in capital	1,544	473	2,017
Revaluation surplus	162	–	162
Legal reserve	39	–	39
Unrealised gains and losses	12	–	12
Accumulated profits	3,380	26	3,406
Translation difference	(1,658)	(16)	(1,674)
	3,883	483	4,366
Non-controlling interests	138	262	400
	4,021	745	4,766
Non-current liabilities			
Long-term loans payable to related parties	–	55	55
Long-term loans	5,559	425	5,984
Deferred income tax liabilities	629	212	841
Employee benefits	452	40	492
Provisions	248	6	254
Other long-term liabilities	229	491	720
	7,117	1,229	8,346
Current liabilities			
Trade and other payables	1,329	62	1,391
Advances from customers	180	–	180
Short-term loans and current portion of long-term loans	1,810	6	1,816
Payables to related parties	381	(25)	356
Income tax payable	57	–	57
Other taxes payable	180	23	203
Provisions	45	–	45
Dividends payable by the parent entity to its shareholders	113	–	113
Dividends payable by the Group's subsidiaries to non-controlling shareholders	5	–	5
	4,100	66	4,166
Liabilities directly associated with disposal groups classified as held for sale	112	–	112
	4,212	66	4,278
Total equity and liabilities	$ 15,350	$ 2,040	$ 17,390

2. Significant Accounting Policies (continued)

Changes in Accounting Policies

In the preparation of these consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the previous year, except for the adoption of new standards and interpretations and revision of the existing standards as of 1 January 2015.

New/Revised Standards and Interpretations Adopted in 2015:

- Annual Improvements to IFRSs 2011-2013 Cycle

These improvements were effective for annual periods beginning on or after 1 July 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. The amendments relate to IFRS 3 “Business Combinations”, IFRS 13 “Fair Value Measurement” and IAS 40 “Investment Property” and did not have an impact on the financial position or performance of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards Issued But Not Yet Effective in the European Union

Standards not yet effective for the financial statements for the year ended 31 December 2015	**Effective for annual periods beginning on or after**
▪ Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	1 February 2015
▪ Annual Improvements to IFRSs 2010-2012 Cycle	1 February 2015
▪ Amendments to IAS 1 – Disclosure Initiative	1 January 2016
▪ Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
▪ Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
▪ Amendments to IAS 16 and IAS 41 – Bearer Plants	1 January 2016
▪ Amendments to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016
▪ Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
▪ IFRS 14 “Regulatory Deferral Accounts”	1 January 2016*
▪ Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exemption	1 January 2016*
▪ Amendments to IAS 7 – Disclosure Initiative	1 January 2017*
▪ Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017*
▪ IFRS 9 “Financial Instruments”	1 January 2018*
▪ IFRS 15 “Revenue from Contracts with Customers”	1 January 2018*
▪ IFRS 16 “Leases”	1 January 2019*

*Subject to EU endorsement

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

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates

Accounting Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- In 2015, the Group lost control over Highveld Steel and Vanadium Limited and it is not expected that it will re-obtain control in the future. As a result, the Group ceased to consolidate this entity starting 14 April 2015 (Note 4).
- The Group determined based on the criteria in IFRIC 4 "Determining whether an Arrangement Contains a Lease" that the supply contract with PraxAir does not contain a lease. This contract, concluded in 2010, with subsequent ammendments in 2015, included the construction of an air separation plant by PraxAir to be owned and operated by PraxAir and the supply of oxygen and other industrial gases produced by PraxAir to EVRAZ Nizhny Tagil Metallurgical Plant for a period of 25 years on a take or pay basis. In 2015, the air separation plant was put into operation and the Group started to purchase gases from PraxAir. Management believes that this arrangement does not convey a right to the Group to use the asset as the Group does not have an ability to operate the asset or to direct other parties to operate the asset; it does not control physical access to the asset; and it is expected that more than an insignificant amount of the asset's output will be sold to the parties unrelated to the Group. The commitment under this contract is disclosed in Note 30.

Estimation Uncertainty

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

Impairment of Property, Plant and Equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. In 2015, 2014 and 2013, the Group recognised a net impairment loss of $190 million, $192 million and $307 million, respectively (Note 9).

The determination of impairments of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate that impairment exists.

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Impairment of Property, Plant and Equipment (continued)

The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the value in use and, ultimately, the amount of any impairment.

Useful Lives of Items of Property, Plant and Equipment

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

Fair Values of Assets and Liabilities Acquired in Business Combinations

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

Impairment of Goodwill

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

The carrying amount of goodwill at 31 December 2015, 2014 and 2013 was $1,176 million, $1,541 million and $1,988 million, respectively. In 2015, 2014 and 2013, the Group recognised an impairment loss in respect of goodwill in the amount of $251 million, $330 million and $168 million, respectively. More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in Note 5.

Mineral Reserves

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

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Site Restoration Provisions

The Group reviews site restoration provisions at each reporting date and adjusts them to reflect the current best estimate in accordance with IFRIC 1 “Changes in Existing Decommissioning, Restoration and Similar Liabilities”.

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the end of the reporting period based on the requirements of the current legislation of the country where the respective operating assets are located. The carrying amount of a provision is the present value of the expected expenditures, i.e. cash outflows discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable judgement is required in forecasting future site restoration costs.

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

Post-Employment Benefits

The Group uses an actuarial valuation method for the measurement of the present value of post-employment benefit obligations and related current service cost. This involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate, future salary and benefit levels, expected rate of return on plan assets, etc.). More details are provided in Note 23.

Allowances

The Group makes allowances for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements. As of 31 December 2015, 2014 and 2013, allowances for doubtful accounts in respect of trade and other receivables have been made in the amount of $48 million, $57 million and $60 million, respectively (Note 28).

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

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Deferred Income Tax Assets

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

Foreign Currency Transactions

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

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

The following exchange rates were used in the consolidated financial statements:

	2015		2014		2013	
	31 December	**average**	**31 December**	**average**	**31 December**	**average**
USD/RUB	72.8827	60.9579	56.2584	38.4217	32.7292	31.8480
EUR/RUB	79.6972	67.7767	68.3427	50.8150	44.9699	42.3129
EUR/USD	1.0887	1.1095	1.2141	1.3285	1.3791	1.3281
USD/CAD	1.3840	1.2788	1.1601	1.1048	1.0636	1.0301
USD/ZAR	15.5742	12.7550	11.5719	10.8488	10.4675	9.6508
EUR/ZAR	17.0078	14.1552	14.0668	14.4054	14.4210	12.8249
USD/UAH	24.0007	21.8290	15.7686	11.9064	7.9930	7.9930
RUB/UAH	3.0367	2.8299	0.2803	0.3050	0.2450	0.2512

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

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

2. Significant Accounting Policies (continued)

Basis of Consolidation

Subsidiaries

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

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

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

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

Acquisition of Subsidiaries

Business combinations are accounted for using the acquisition method.

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

Acquisition costs incurred are expensed and included in administrative expenses.

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

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

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

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

2. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Increases in Ownership Interests in Subsidiaries

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

Purchases of Controlling Interests in Subsidiaries from Entities under Common Control

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

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

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

Put Options over Non-controlling Interests

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

Investments in Associates

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

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

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

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

Interests in Joint Ventures

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

2. Significant Accounting Policies (continued)

Property, Plant and Equipment

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

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

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

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

	Useful lives (years)	Weighted average remaining useful life (years)
Buildings and constructions	15–60	20
Machinery and equipment	4–45	10
Transport and motor vehicles	7–20	7
Other assets	3–15	5

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

Depletion of mining assets including capitalised site restoration costs is calculated using the units-of-production method based upon proved and probable mineral reserves. The depletion calculation takes into account future development costs for reserves which are in the production phase.

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

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

2. Significant Accounting Policies (continued)

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures represent costs incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. The expenditures include acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources. These costs are expensed as incurred.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Group commences recognition of expenditures related to the development of mineral resources as assets. These assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Leases

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

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

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

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

Goodwill

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

2. Significant Accounting Policies (continued)

Goodwill (continued)

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

Intangible Assets Other Than Goodwill

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

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

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

The table below presents the useful lives of intangible assets.

	Useful lives (years)	Weighted average remaining useful life (years)
Customer relationships	1–15	10
Contract terms	10	8
Other	5–19	7

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

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

Financial Assets

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

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

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

2. Significant Accounting Policies (continued)

Financial Assets (continued)

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

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

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

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

Accounts Receivable

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

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

Inventories

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

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

2. Significant Accounting Policies (continued)

Value Added Tax

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

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

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

Cash and Cash Equivalents

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

Borrowings

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

Borrowing costs relating to qualifying assets are capitalised (Note 9).

Financial Guarantee Liabilities

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

Equity

Share Capital

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

Treasury Shares

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

Dividends

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

2. Significant Accounting Policies (continued)

Provisions

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

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

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

Employee Benefits

Social and Pension Contributions

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

Defined Benefit Plans

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

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

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. It is recorded within interest expense in the consolidated statement of operations.

The Group recognises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements in the consolidated statement of operations within “cost of sales”, “general and administrative expenses” and “selling and distribution expenses”.

Other Costs

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

2. Significant Accounting Policies (continued)

Share-based Payments

The Group has management compensation schemes (Note 21), under which certain senior executives and employees of the Group receive remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with grantees is measured by reference to the fair value of the Company's shares at the date on which they are granted. The fair value is determined using the Black-Scholes-Merton model. In valuing equity-settled transactions, no account is taken of any conditions, other than market conditions.

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

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

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

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

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

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

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

Revenue

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

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

2. Significant Accounting Policies (continued)

Revenue (continued)

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

Sale of Goods

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

Rendering of Services

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

Interest

Interest is recognised using the effective interest method.

Dividends

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

Rental Income

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

Current Income Tax

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

Current income tax relating to items recognised outside profit or loss is recognised in other comprehensive income or equity and not in the statement of operations.

Deferred Income Tax

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

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

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

3. Segment Information

For management purposes the Group has four reportable operating segments:

- *Steel* segment includes production of steel and related products at all mills except for those located in North America. Extraction of vanadium ore and production of vanadium products, iron ore mining and enrichment and certain energy-generating companies are also included in this segment as they are closely related to the main process of steel production.
- *Steel, North America* is a segment, which includes production of steel and related products in the USA and Canada.
- *Coal* segment includes coal mining and enrichment. It also includes operations of Nakhodka Trade Sea Port as it is used to a significant extent for shipping of products of the coal segment to the Asian markets.
- *Other operations* include energy-generating companies, shipping and railway transportation companies.

Management and investment companies are not allocated to any of the segments. Operating segments have been aggregated into reportable segments if they show a similar long-term economic performance, have comparable production processes, customer industries and distribution channels, operate in the same regulatory environment, and are generally managed and monitored together.

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

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

1) for the last month of the reporting period, the management accounts for each operating segment are prepared using a forecast for that month;
2) the statement of operations is based on local GAAP figures with the exception of depreciation and repair expenses which are adjusted to approximate the amount under IFRS.

In 2015, management changed the definition of segment expense and EBITDA to make these indicators more comparable with Russian steel peers. Segment expense and EBITDA have now been adjusted to not include social and social infrastructure maintenance expenses. As a result, the Group restated EBITDA for both financial reporting and management accounts purposes for the years ended 31 December 2014 and 2013.

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

Segment expense is expense resulting from the operating activities of a segment that is directly attributable to the segment and the relevant portion of an expense that can be allocated to it on a reasonable basis, including expenses relating to external counterparties and expenses relating to transactions with other segments. Segment expense does not include social and social infrastructure maintenance expenses.

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

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

3. Segment Information (continued)

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

Year ended 31 December 2015

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	**$ 6,018**	**$ 2,253**	**$ 380**	**$ 89**	**$ –**	**$ 8,740**
Inter-segment sales	**242**	**10**	**572**	**304**	**(1,128)**	**–**
Total revenue	**6,260**	**2,263**	**952**	**393**	**(1,128)**	**8,740**
Segment result – EBITDA	**$ 1,033**	**$ 51**	**$ 348**	**$ 16**	**$ 110**	**$ 1,558**

Year ended 31 December 2014

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 9,135	$ 3,159	$ 540	$ 128	$ –	$ 12,962
Inter-segment sales	570	–	676	446	(1,692)	–
Total revenue	9,705	3,159	1,216	574	(1,692)	12,962
Segment result – EBITDA (restated)	$ 1,777	$ 283	$ 314	$ 31	$ 2	$ 2,407

Year ended 31 December 2013

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 10,849	$ 3,056	$ 728	$ 142	$ –	$ 14,775
Inter-segment sales	370	–	706	468	(1,544)	–
Total revenue	11,219	3,056	1,434	610	(1,544)	14,775
Segment result – EBITDA (restated)	$ 1,386	$ 140	$ 147	$ 34	$ 142	$ 1,849

3. Segment Information (continued)

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

Year ended 31 December 2015

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 6,260	$ 2,263	$ 952	$ 393	$ (1,128)	$ 8,740
Reclassifications and other adjustments	(273)	7	116	40	137	27
Revenue per IFRS financial statements	$ 5,987	$ 2,270	$ 1,068	$ 433	$ (991)	$ 8,767
EBITDA	$ 1,033	$ 51	$ 348	$ 16	$ 110	$ 1,558
Unrealised profits adjustment	62	2	–	–	(43)	21
Reclassifications and other adjustments	(14)	2	6	(2)	–	(8)
	48	4	6	(2)	(43)	13
EBITDA based on IFRS financial statements	$ 1,081	$ 55	$ 354	$ 14	$ 67	$ 1,571
Unallocated subsidiaries						(122)
						$ 1,449
Social and social infrastructure maintenance expenses	(24)	–	(1)	–	–	(25)
Depreciation, depletion and amortisation expense	(260)	(153)	(165)	(3)	–	(581)
Impairment of assets	(81)	(258)	(102)	–	–	(441)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(8)	(10)	(23)	–	–	(41)
Foreign exchange gains/(losses), net	(270)	(89)	(113)	4	–	(468)
	$ 438	$ (455)	$ (50)	$ 15	$ 67	$ (107)
Unallocated income/(expenses), net						126
Profit/(loss) from operations						$ 19
Interest income/(expense), net						$ (471)
Share of profits/(losses) of joint ventures and associates						4
Gain/(loss) on financial assets and liabilities						(48)
Gain/(loss) on disposal groups classified as held for sale						21
Loss of control over a subsidiary						(167)
Other non-operating (gains)/losses, net						(3)
Profit/(loss) before tax						$ (645)

3. Segment Information (continued)

Year ended 31 December 2014

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 9,705	$ 3,159	$ 1,216	$ 574	$ (1,692)	$ 12,962
Reclassifications and other adjustments	(186)	1	104	74	108	101
Revenue per IFRS financial statements	$ 9,519	$ 3,160	$ 1,320	$ 648	$ (1,584)	$ 13,063
EBITDA (restated)	$ 1,777	$ 283	$ 314	$ 31	$ 2	$ 2,407
Exclusion of management services from segment result	128	–	10	1	–	139
Unrealised profits adjustment	9	(1)	1	–	(53)	(44)
Reclassifications and other adjustments	19	(2)	51	5	–	73
	156	(3)	62	6	(53)	168
EBITDA based on IFRS financial statements (restated)	$ 1,933	$ 280	$ 376	$ 37	$ (51)	$ 2,575
Unallocated subsidiaries						(208)
						$ 2,367
Social and social infrastructure maintenance expenses	(21)	(1)	(3)	–	–	(25)
Depreciation, depletion and amortisation expense	(389)	(165)	(267)	(4)	–	(825)
Impairment of assets	(196)	(261)	(81)	(2)	–	(540)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(20)	(1)	(27)	–	–	(48)
Foreign exchange gains/(losses), net	84	(21)	(273)	4	–	(206)
	$ 1,391	$ (169)	$ (275)	$ 35	$ (51)	$ 723
Unallocated income/(expenses), net						(781)
Profit/(loss) from operations						$ (58)
Interest income/(expense), net						$ (544)
Share of profits/(losses) of joint ventures and associates						10
Gain/(loss) on financial assets and liabilities						(586)
Gain/(loss) on disposal groups classified as held for sale						136
Profit/(loss) before tax						$ (1,042)

3. Segment Information (continued)

Year ended 31 December 2013

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 11,219	$ 3,056	$ 1,434	$ 610	$ (1,544)	$ 14,775
Reclassifications and other adjustments	(427)	(20)	57	120	(89)	(359)
Revenue per IFRS financial statements	$ 10,792	$ 3,036	$ 1,491	$ 730	$ (1,633)	$ 14,416
EBITDA (restated)	$ 1,386	$ 140	$ 147	$ 34	$ 142	$ 1,849
Exclusion of management services from segment result	186	–	10	1	–	197
Unrealised profits adjustment	(30)	2	(1)	–	(172)	(201)
Reclassifications and other adjustments	148	17	76	2	–	243
	304	19	85	3	(172)	239
EBITDA based on IFRS financial statements (restated)	$ 1,690	$ 159	$ 232	$ 37	$ (30)	$ 2,088
Unallocated subsidiaries						(203)
						$ 1,885
Social and social infrastructure maintenance expenses	(34)	(1)	(6)	–	–	(41)
Depreciation, depletion and amortisation expense	(551)	(200)	(348)	(9)	–	(1,108)
Impairment of assets	(92)	(350)	(110)	(11)	–	(563)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(25)	(2)	(20)	–	–	(47)
Foreign exchange gains/(losses), net	(29)	(4)	(35)	–	–	(68)
	$ 959	$ (398)	$ (287)	$ 17	$ (30)	$ 58
Unallocated income/(expenses), net						(211)
Profit/(loss) from operations						$ (153)
Interest income/(expense), net						$ (656)
Share of profits/(losses) of joint ventures and associates						9
Gain/(loss) on derecognition of equity investments, net						89
Gain/(loss) on financial assets and liabilities						(43)
Gain/(loss) on disposal groups classified as held for sale						131
Other non-operating gains/(losses), net						15
Profit/(loss) before tax						$ (608)

3. Segment Information (continued)

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

US$ million	**2015**	2014	2013
Steel			
Construction products	**$ 1,99**	$ 3,28	$ 3,86
Flat-rolled products	**179**	487	988
Railway products	**550**	1,02	1,32
Semi-finished products	**1,86**	2,35	2,02
Other steel products	**257**	356	419
Other products	**366**	604	788
Iron ore	**167**	278	389
Vanadium in slag	**19**	27	46
Vanadium in alloys and chemicals	**285**	456	477
Rendering of services	**30**	58	67
	5,71	8,93	10,39
Steel, North America			
Construction products	**216**	337	291
Flat-rolled products	**438**	619	788
Railway products	**435**	513	467
Tubular products	**1,01**	1,49	1,26
Other steel products	**–**	1	39
Other products	**153**	177	159
Rendering of services	**12**	12	10
	2,27	3,15	3,02
Coal			
Coal	**601**	722	732
Other products	**4**	2	4
Rendering of services	**44**	67	74
	649	791	810
Other operations			
Rendering of services	**129**	181	194
	129	181	194
	$ 8,76	$ 13,06	$ 14,41

3. Segment Information (continued)

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

US$ million	2015	2014	2013
CIS			
Russia	**$ 3,10**	$ 5,28	$ 6,14
Kazakhstan	**237**	384	456
Ukraine	**242**	333	494
Others	**185**	209	225
	3,76	6,20	7,31
America			
USA	**1,56**	1,72	1,94
Canada	**779**	1,58	1,23
Others	**221**	213	69
	2,56	3,52	3,24
Asia			
Taiwan	**323**	485	549
Indonesia	**197**	429	272
China	**131**	103	280
Korea	**123**	254	135
Thailand	**121**	285	332
Japan	**97**	120	62
Philippines	**85**	51	99
Jordan	**81**	88	57
United Arab Emirates	**40**	43	64
Vietnam	**28**	8	13
Mongolia	**11**	26	43
Others	**117**	62	156
	1,35	1,95	2,06
Europe			
Turkey	**392**	242	314
Italy	**114**	114	157
Austria	**50**	139	173
Germany	**45**	74	163
Slovakia	**38**	60	123
Czech Republic	**28**	58	151
Poland	**27**	37	100
Other members of the European Union	**97**	143	183
Others	**24**	49	21
	815	916	1,38
Africa			
South Africa	**100**	363	361
Others	**158**	84	43
	258	447	404
Other countries	**6**	10	7
	$ 8,76	$ 13,06	$ 14,41

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

3. Segment Information (continued)

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

US$ million	**2015**	2014	2013
Russia	**$ 2,943**	$ 4,079	$ 7,293
Canada	**1,162**	1,553	1,837
USA	**1,347**	1,468	1,670
Ukraine	**195**	302	652
Republic of South Africa	**15**	130	232
Italy	**5**	54	197
Kazakhstan	**60**	118	119
Czech Republic	**32**	35	40
Other countries	**11**	6	6
	$ 5,770	$ 7,745	$ 12,046

4. Changes in Composition of the Group

Acquisitions of Controlling Interests

Corber

In October 2012, EVRAZ plc concluded a preliminary agreement with Adroliv Investments Limited for an acquisition of a 50% ownership interest in Corber, the parent of a coal mining company Raspadskaya, subject to the receipt of regulatory approvals and fulfillment of certain other conditions. On 16 January 2013, all the conditions were met and the Group obtained control over the entity. As a result, Corber became a wholly owned subsidiary of the Group on 16 January 2013.

The purchase consideration included 132,653,006 shares of EVRAZ plc issued on 16 January 2013, warrants to subscribe for an additional 33,944,928 EVRAZ plc shares exercisable at zero price in the period from 17 January to 17 April 2014 and a cash consideration of $202 million to be paid in equal quarterly instalments to 15 January 2014. Fair value of the consideration transferred totalled to $964 million, including $611 million relating to the shares issued, $156 million representing the fair value of the warrants and $197 million being the present value of the cash component of the purchase consideration. The fair value of shares and warrants was determined by reference to the market value of EVRAZ plc shares at the date of acquisition.

In accordance with IFRS 3 “Business Combinations” in a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss in the income statement. The fair value of the equity interest previously held by an acquirer is further added to the purchase consideration in the purchase price calculation. The fair value of the equity interest previously held by the Group was $658 million. The fair value of the investment in Corber was determined using the market price of shares of Raspadskaya at the date of acquisition of an additional 50% share in Corber.

The Group recorded a $94 million gain on derecognition of the equity interest in Corber held before the business combination. This gain was determined as follows:

US$ million	**16 January 2013**
Fair value of shares held before the business combination	$ 658
Less: carrying value of the investment in the joint venture at the date of business combination based on equity method of accounting (Note 11)	(496)
Less: accumulated foreign exchange losses of the acquiree attributed to the Group’s share in the joint venture	(68)
Gain on derecognition of equity investment	**$ 94**

4. Changes in Composition of the Group (continued)

Acquisitions of Controlling Interests (continued)

Corber (continued)

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

US$ million		**16 January 2013**
Mineral reserves and property, plant and equipment	$	2,60
Other non-current assets		9
Inventories		94
Accounts and notes receivable		134
Cash		144
Total assets		**2,98**
Deferred income tax liabilities		283
Non-current liabilities		649
Current liabilities		123
Total liabilities		**1,05**
Non-controlling interests		**311**
Net assets	**$**	**1,62**
Purchase consideration	**$**	**1,62**

At the acquisition date the Group measured non-controlling interests at fair value based on the market price of shares of Raspadskaya.

In 2013, cash flow on the acquisition was as follows:

US$ million		
Net cash acquired with the subsidiary	$	144
Cash paid		(101)
Net cash inflow	**$**	**43**

For the period from 16 January 2013 to 31 December 2013, Corber reported a net loss amounting to $157 million.

In 2014, the Group fully settled its liabilities for the purchase of Corber.

Acquisition of a Controlling Interest in MediaHolding Provincia

In 2013, the Group acquired an additional 45.5% ownership interest in MediaHolding Provincia for a cash consideration of $11 million. The fair value of the equity interest previously held by the Group (30%) was $4 million. The Group recorded a $5 million loss on derecognition of the equity interest in MediaHolding Provincia held before the business combination. The Group recognised $4 million of goodwill on the transaction. Subsequently, the Group acquired all non-controlling interests ($3 million) settled by the transfer of property and recognised the excess of the carrying value of the acquired non-controlling interests over the amount of consideration amounting to $1 million in additional paid-in capital.

Disclosure of Other Information in Respect of Business Combinations

If the acquisition of Corber had occurred as of the beginning of 2013, the revenue and net profit/(loss) of the combined entity would have been $14,438 million and $(558) million, respectively.

4. Changes in Composition of the Group (continued)

Acquisitions of Controlling Interests (continued)

Acquisition of Other Controlling Interests

In 2013, the Group paid $1 million to an entity under control of two major shareholders for an acquisition of Telekon, a broadcasting company in Nizhny Tagil, Russia. An independent appraiser valued that business at $5 million.

Disposal of Non-controlling Interests in Subsidiaries

In 2015, the Group sold 10% in Vametco to a third party and received $1 million of consideration. The disposed non-controlling interest amounted to $2 million. The Group also recognised a liability of $3 million for guaranteed dividends, which are to be declared and paid before March 2020, with a corresponding debit to accumulated profits.

Deconsolidation of Subsidiaries

Highveld Steel and Vanadium Limited

On 13 April 2015, as a result of severe economic difficulties due to the current and persistent unfavourable economic environment in South Africa, the Board of Highveld Steel and Vanadium Limited ("Highveld") decided to place the entity under the business rescue procedures to avoid its liquidation and to avoid giving Highveld's creditors the opportunity to apply for its liquidation in court.

The rescue procedures will result either in (1) Highveld being re-financed or financially restructured or, if that is not possible, (2) Highveld's orderly winding down under the supervision of a business rescue practitioner to maximise the return to creditors and other affected parties.

Following the placement of Highveld under the business rescue procedures, control and management of Highveld was transferred to a "business rescue practitioner". Until Highveld is successfully re-financed/restructured, Highveld's Board and the Group are no longer able to control Highveld or exercise significant influence over it. The business rescue practitioner can consult with the Highveld's Board or its directors, but he would not be bound by any requests or advice from Highveld's Board or the directors.

The Group's management believe that due to the current market conditions the option to invest additional cash in Highveld to pay to the creditors and to stop business rescue procedures would create no economic value for the Group. Therefore, in the opinion of management, the potential voting rights that the Group has in Highveld have no economic substance.

Based on the management's current assessment, the business rescue procedures most likely will result in Highveld being sold to one or more third parties at a significant discount or being mandatorily liquidated. As a consequence, management believes that on 14 April 2015 (the date of the placement of Highveld under the business rescue procedures) the Group lost control over Highveld and it is not expected that it will re-obtain control in the future.

As a result, the Group ceased to consolidate Highveld starting 14 April 2015 and recognised a loss on disposal of a subsidiary in the amount of $167 million, including $142 million of translation loss recycled to the statement of operations. In addition, non-controlling interests of $4 million were derecognised. Management analysed the classification of Highveld to determine whether its disposal constitutes a discontinued operation under IFRS 5 and concluded that this is not the case.

4. Changes in Composition of the Group (continued)

Deconsolidation of Subsidiaries

Highveld Steel and Vanadium Limited

The table below demonstrates the carrying values of assets and liabilities of Highveld, which were included in the steel segment of the Group's operations, at the date of derecognition.

US$ million	13 April 2015
Property, plant and equipment	$ 77
Other non-current assets	23
Inventories	74
Accounts receivable	59
Cash and cash equivalents	1
Total assets	234
Non-current liabilities	61
Current liabilities	144
Total liabilities	205
Non-controlling interests	4
Net assets	$ 25

5. Goodwill

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

US$ million	Gross amount	Impairment losses	Carrying amount
At 31 December 2012	**$ 3,042**	**$ (839)**	**$ 2,203**
Goodwill recognised on acquisition of subsidiaries (Notes 4 and 11)	18	–	18
Impairment	–	(168)	(168)
Claymont Steel	–	*(135)*	*(135)*
EVRAZ Highveld Steel and Vanadium Limited	–	*(19)*	*(19)*
Kazankovskaya	–	*(14)*	*(14)*
Adjustment to contingent consideration	(4)	–	(4)
Sale of subsidiaries (Note 12)	(14)	14	–
Translation difference	(61)	–	(61)
At 31 December 2013	**$ 2,981**	**$ (993)**	**$ 1,988**
Impairment	–	(330)	(330)
Oregon Steel Portland Mill	–	*(171)*	*(171)*
Calgary	–	*(90)*	*(90)*
EVRAZ Palini e Bertoli	–	*(69)*	*(69)*
Adjustment to contingent consideration	(7)	–	(7)
Sale of subsidiaries (Note 12)	(3)	–	(3)
Translation difference	(343)	236	(107)
At 31 December 2014	**$ 2,628**	**$ (1,087)**	**$ 1,541**
Impairment	–	(251)	(251)
OSM Tubular – Camrose Mills	–	*(157)*	*(157)*
Oregon Steel Portland Mill	–	*(53)*	*(53)*
Red Deer	–	*(41)*	*(41)*
Adjustment to contingent consideration	(3)	–	(3)
Translation difference	(216)	105	(111)
At 31 December 2015	**$ 2,409**	**$ (1,233)**	**$ 1,176**

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

US$ million	**2015**	**2014**	**2013**
EVRAZ Inc. NA	**$ 615**	$ 825	$ 996
Oregon Steel Portland Mill	***188***	*241*	*412*
Rocky Mountain Steel Mills	***410***	*410*	*410*
OSM Tubular – Camrose Mills	***–***	*157*	*157*
General Scrap	***16***	*16*	*16*
Others	***1***	*1*	*1*
EVRAZ Inc. NA Canada	**494**	634	791
Calgary	***92***	*109*	*217*
Red Deer	***–***	*48*	*52*
Regina Steel	***288***	*340*	*373*
Regina Tubular	***98***	*118*	*128*
Others	***16***	*19*	*21*
EVRAZ Palini e Bertoli	**–**	–	79
EVRAZ Vanady-Tula	**28**	36	62
EVRAZ Vametco Holdings	**6**	9	16
EVRAZ Nikom, a.s.	**30**	33	37
Others	**3**	4	7
	$ 1,176	$ 1,541	$ 1,988

6. Impairment of Assets

The summary of impairment losses recognition and reversals is presented below.

Year ended 31 December 2015

US$ million	**Goodwill and intangible assets**	**Property, plant and equipment**	**Inventory**	**Taxes receivable**	**Total**
EVRAZ Inc. NA	**$ (210)**	**$ –**	**$ –**	**$ –**	**$ (210)**
EVRAZ Inc. NA Canada	**(41)**	**(7)**	**–**	**–**	**(48)**
Raspadskaya	**–**	**(91)**	**–**	**–**	**(91)**
EVRAZ Palini e Bertoli	**–**	**(37)**	**–**	**–**	**(37)**
Yuzhny Stan	**–**	**(30)**	**–**	**–**	**(30)**
Evrazruda	**–**	**(19)**	**–**	**–**	**(19)**
Others, net	**–**	**(6)**	**–**	**(1)**	**(7)**
	$ (251)	**$ (190)**	**$ –**	**$ (1)**	**$ (442)**
Recognised in profit or loss	**(251)**	**(189)**	**–**	**(1)**	**(441)**
Recognised in other comprehensive income/(loss)	**–**	**(1)**	**–**	**–**	**(1)**

Year ended 31 December 2014

US$ million	**Goodwill and intangible assets**	**Property, plant and equipment**	**Inventory**	**Taxes receivable**	**Total**
EVRAZ Highveld Steel and Vanadium Limited	$ (17)	$ (41)	$ –	$ –	$ (58)
EVRAZ Inc. NA	(171)	–	–	–	(171)
EVRAZ Inc. NA Canada	(90)	–	–	–	(90)
EVRAZ Palini e Bertoli	(69)	(43)	–	–	(112)
Raspadskaya	–	(9)	–	(1)	(10)
Yuzhkuzbassugol	–	(71)	–	–	(71)
Others, net	–	(28)	–	–	(28)
	$ (347)	$ (192)	$ –	$ (1)	$ (540)
Recognised in profit or loss	(347)	(192)	–	(1)	(540)

Year ended 31 December 2013

US$ million	**Goodwill and intangible assets**	**Property, plant and equipment**	**Inventory**	**Taxes receivable**	**Total**
Evrazruda	$ –	$ 32	$ –	$ –	$ 32
EVRAZ Claymont Steel	(154)	(147)	(25)	–	(326)
EVRAZ Highveld Steel and Vanadium Limited	(50)	(67)	–	–	(117)
EVRAZ Dnepropetrovsk Iron and Steel Works	–	30	–	(2)	28
EVRAZ Inc. NA Canada	(19)	(6)	–	–	(25)
EVRAZ Nizhny Tagil Metallurgical Plant	–	(8)	–	–	(8)
EVRAZ Consolidated West-Siberian	–	(20)	–	–	(20)
Kazankovskaya	(14)	–	–	–	(14)
Shipping companies	–	(11)	–	–	(11)
Yuzhkuzbassugol	–	(105)	–	–	(105)
Others, net	–	(5)	–	(1)	(6)
	$ (237)	$ (307)	$ (25)	$ (3)	$ (572)
Recognised in profit or loss	(237)	(298)	(25)	(3)	(563)
Recognised in other comprehensive income/(loss)	–	(9)	–	–	(9)

6. Impairment of Assets (continued)

The Group recognised the impairment losses as a result of the impairment testing at the level of cash-generating units. In addition, the Group made a write-off of certain functionally obsolete items of property, plant and equipment and recorded an impairment relating to VAT with a long-term recovery.

For the purpose of the impairment testing as of 31 December 2015 the Group assessed the recoverable amount of each cash-generating unit to which the goodwill was allocated or where indicators of impairment were identified.

The recoverable amounts have been determined based on calculation of either value-in-use or fair value less costs to sell. Both valuation techniques used cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the results of the respective business plans using a zero real growth rate. In determination of fair value less costs to sell the asset's value additionally includes the cashflows of future projects not started yet and the associated capital expenditure costs.

The major drivers that led to impairment were the changes in expectations of long-term prices for iron ore and steel products, the increase in forecasted costs and changes in forecasted production volumes.

The key assumptions used by management in the value-in-use calculations with respect to the cash-generating units to which the goodwill was allocated are presented in the table below.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2016	Recoverable amount of CGU, US$ million	Carrying amount of CGU before impairment, US$ million
EVRAZ Inc. NA (all CGU) *including*	5	10.60-18.22	steel products	$762	1,696	1,500
Oregon Steel Portland Mill	*5*	*10.92*	*steel products*	*$693*	*512*	*565*
Camrose mill	*5*	*10.60*	*steel products*	*$1,122*	*18*	*175*
EVRAZ Inc. NA Canada (all CGU) *including*	5	8.68-11.32	steel products	$847	1,681	1,140
Red Deer	*5*	*8.68*	*steel products*	*$949*	*55*	*96*
EVRAZ Vanady-Tula	5	14.82	vanadium products	$10,564	284	50
EVRAZ Vametco Holdings	5	13.39	ferrovanadium products	$14,949	37	15
EVRAZ Nikom, a.s.	5	12.09	ferrovanadium products	$13,093	49	32

6. Impairment of Assets (continued)

In addition, the Group determined that there were indicators of impairment in other cash generating units and tested them for impairment using the following assumptions.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2016
EVRAZ Dnepropetrovsk Iron and Steel Works	5	23.13	steel products	$300
EVRAZ Nizhny Tagil Metallurgical Plant	5	14.37	steel products	$320
EVRAZ Consolidated West-Siberian Metallurgical Plant	5	14.82	steel products	$285
EVRAZ Caspian Steel	5	13.30	steel products	$295
EVRAZ Bagleykoks	5	22.78	coke	$152
EVRAZ Stratcor Inc.	5	12.45	ferrovanadium products	$36,503
Yuzhkuzbassugol	14	14.86	coal	$58
Raspadskaya	19	13.84	coal	$40
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	24	14.77	ore	$41
EVRAZ Sukha Balka	18	22.92	ore	$20
Evrazruda - Gurievsky mine	28	14.89	limestone	$5
Evrazruda - Sheregesh mine	18	14.77	ore	$38
EVRAZ Nakhodka Trade Seaport	5	14.82	port services	$9

The value in use of the cash-generating units for which an impairment loss was recognised or reversed in the reporting year was as follows at 31 December.

US$ million	2015	2014
Oregon Steel Portland Mill	$512	$579
Camrose mill	18	427
Red Deer	55	211
Evrazruda - Gurievsky mine	2	10

As management expects to recover investments in EVRAZ Palini e Bertoli and EVRAZ Yuzhny Stan principally through sale, the recoverable amounts of these cash-generating units were measured at $5 million and $14 million, respectively, as fair value less costs of disposal, which was determined based on non-binding offers at 31 December 2015 (Level 3 in the fair value hierarchy).

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

6. Impairment of Assets (continued)

Discount Rates

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates have been determined using the Capital Asset Pricing Model and analysis of industry peers. Reasonably possible changes in discount rates could lead to an additional impairment at Gurievsky mine, EVRAZ Sukha Balka, EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If discount rates were 10% higher, this would lead to an additional impairment of $118 million.

Sales Prices

The prices of the products sold by the Group were estimated using industry research. The Group expects that the nominal prices will fluctuate with a compound annual growth rate of (6.4)%-8.3% in 2016 – 2020, 2.5% in 2021 and thereafter. Reasonably possible changes in sales prices could lead to an additional impairment at Gurievsky mine, EVRAZ Sukha Balka, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the prices assumed for 2016 and 2017 in the impairment test were 10% lower, this would lead to an additional impairment of $75 million.

Sales Volumes

Management assumed that the sales volumes of steel products in 2016 will be at the level of 2015 and future dynamics will be driven by a gradual market recovery and changes in assets' capacities. Reasonably possible changes in sales volumes could lead to an additional impairment at Gurievsky mine, EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the sales volumes were 10% lower than those assumed for 2016 and 2017 in the impairment test, this would lead to an additional impairment of $17 million.

In relation to the Calgary, Red Deer and Pueblo Seamless cash-generating units, management's forecast assumed an 18% average annual increase in volumes from 2016 to 2020. If the average growth rate were 13% instead of 18% for those years, then an additional impairment of $191 million would arise.

Cost Control Measures

The recoverable amounts of cash-generating units are based on the business plans approved by management. A reasonably possible deviation of cost from these plans could lead to an additional impairment at Gurievsky mine, EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Sukha Balka, EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the actual costs were 10% higher than those assumed for 2016 and 2017 in the impairment test, this would lead to an additional impairment of $142 million.

Sensitivity Analysis

The unit's recoverable amount would become equal to its carrying amount if the assumptions used to measure the recoverable amount changed by the following percentages:

	Discount rates	**Sales prices**	**Sales volumes**	**Cost control measures**
EVRAZ Stratcor Inc.	7.6%	–	(9.1)%	7.0%
EVRAZ Sukha Balka	6.7%	(4.6)%	–	1.3%
EVRAZ Dnepropetrovsk Iron and Steel Works	–	(6.2)%	–	7.3%
EVRAZ Inc. NA Canada				
Calgary	4.4%	–	–	7.7%
General Scrap Partnership	9.1%	–	–	4.6%

7. Income and Expenses

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

US$ million		2015		2014		2013
	$	**(3,287**			$	(5,673
Cost of inventories recognised as expense			$	(5,159)*		
Staff costs, including social security taxes		**(1,451**		(2,207		(2,614
Depreciation, depletion and amortisation		**(585)**		(833)		(1,114

* The amount does not agree to the previously issued consolidated financial statements as it has been restated for the correction of an error relating to the elimination of certain intra-group purchases ($2,686 million) and restated for the amounts of Raspadskaya (Note 2).

In 2015, 2014 and 2013, the Group recognised (expense)/income on allowance or net reversal of the allowance for net realisable value in the amount of $(1) million, $(4) million and $33 million, respectively.

Staff costs include the following:

US$ million		2015		2014		2013
Wages and salaries	**$**	**1,02**	$	1,60	$	1,91
Social security costs		**254**		398		488
Net benefit expense		**45**		31		74
Share-based awards		**20**		30		25
Other compensations		**110**		140		108
	$	**1,45**	$	2,20	$	2,61

The major components of other operating expenses were as follows:

US$ million		2015		2014		2013
Idling, reduction and stoppage of production, including termination benefits	**$**	**(54)**	$	(52)	$	(73)
Restoration works and casualty compensations in connection with accidents		**(2)**		(10)		(18)
Other		**(22)**		(26)		(27)
	$	**(78)**	$	(88)	$	(118)

7. Income and Expenses (continued)

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

US$ million		2015		2014		2013
Bank interest	**$**	**(88)**	$	(55)	$	(104)
Interest on bonds and notes		**(342)**		(448)		(506)
Interest on loans payable to related parties		**(9)**		–		–
Finance charges payable under finance leases		**–**		(1)		(1)
Net interest expense on employee benefits obligations (Note 23)		**(24)**		(30)		(39)
Discount adjustment on provisions (Note 24)		**(13)**		(15)		(20)
Unwinding of the discount and interest relating to liabilities for the purchase of Corber		**–**		(3)		–
Other		**(4)**		(9)		(9)
	$	**(480)**	$	(561)	$	(679)

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

US$ million		2015		2014		2013
Interest on bank accounts and deposits	**$**	**4**	$	9	$	15
Interest on loans and accounts receivable		**3**		4		5
Other		**2**		4		3
	$	**9**	$	17	$	23

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

US$ million		2015		2014		2013
Impairment of available-for-sale financial assets (Note 13)	**$**	**(11)**	$	(1)	$	–
Loss on extinguishment of debts (Note 22)		**(15)**		(9)		–
Gain/(loss) on derivatives not designated as hedging instruments (Note 25)		**(25)**		(588)		(55)
Gain/(loss) on hedging instruments (Note 25)		**5**		–		–
Other		**(2)**		12		12
	$	**(48)**	$	(586)	$	(43)

8. Income Taxes

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

	2015	2014	2013
Russia	**20.00%**	20.00%	20.00%
Canada	**25.89%**	25.61%	25.54%
Cyprus	**12.50%**	12.50%	12.50%
Czech Republic	**19.00%**	19.00%	19.00%
Italy	**31.40%**	31.40%	31.40%
South Africa	**28.00%**	28.00%	28.00%
Switzerland	**9.72%**	9.65%	9.87%
Ukraine	**18.00%**	18.00%	19.00%
USA	**37.41%**	37.78%	38.90%

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

US$ million	**2015**	2014	2013
Current income tax expense	**$ (100)**	$ (356)	$ (242)
Adjustment in respect of income tax of previous years	**1**	(1)	(6)
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**83**	151	335
Income tax (expense)/benefit reported in the consolidated statement of operations	**$ (16)**	$ (206)	$ 87

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

US$ million	**2015**	2014	2013
Profit/(loss) before income tax	**$ (645)**	$ (1,042)	$ (608)
At the Russian statutory income tax rate of 20%	**129**	208	122
Adjustment in respect of income tax of previous years	**1**	(1)	(6)
Deferred income tax expense arising on the adjustment to current income tax of prior periods and the change in tax base of underlying assets	**2**	(5)	4
Effect of non-deductible expenses and other non-temporary differences	**(23)**	(120)	38
Unrecognised temporary differences recognition/reversal	**(215)**	(461)	(179)
Effect of the difference in tax rates in countries other than the Russian Federation	**89**	171	106
Share of profits in joint ventures and associates	**1**	2	2
Income tax (expense)/benefit reported in the consolidated statement of operations	**$ (16)**	$ (206)	$ 87

In 2014, the increase in the amount of non-deductible expenses and unrecognised temporary differences is mostly caused by the significant forex exchange losses and losses on derivatives (Note 25), which either cannot be utilised or cannot be deductible for tax purposes in certain subsidiaries.

8. Income Taxes (continued)

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

Year ended 31 December 2015

US$ million	2015	Change recognised in statement of operations	Change recognised in other comprehen sive income	Change due to business combina tions	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2014
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	**$ 557**	**(55)**	**–**	**–**	**(8)**	**–**	**(114)**	**$ 734**
Valuation and amortisation of intangible assets	**90**	**(3)**	**–**	**–**	**(5)**	**–**	**(14)**	**112**
Other	**49**	**4**	**–**	**–**	**–**	**–**	**(13)**	**58**
	696	**(54)**	**–**	**–**	**(13)**	**–**	**(141)**	**904**
Deferred income tax assets:								
Tax losses available for offset	**192**	**15**	**–**	**–**	**(1)**	**–**	**(52)**	**230**
Accrued liabilities	**127**	**(12)**	**(5)**	**–**	**(17)**	**–**	**(16)**	**177**
Impairment of accounts receivable	**9**	**3**	**–**	**–**	**(3)**	**–**	**(4)**	**13**
Other	**125**	**23**	**–**	**–**	**6**	**–**	**(5)**	**101**
	453	**29**	**(5)**	**–**	**(15)**	**–**	**(77)**	**521**
Net deferred income tax asset	**109**	**49**	**(1)**	**–**	**(2)**	**–**	**(25)**	**88**
Net deferred income tax liability	**$ 352**	**(34)**	**4**	**–**	**–**	**–**	**(89)**	**$ 471**

Year ended 31 December 2014

US$ million	2014	Change recognised in statement of operations	Change recognised in other comprehen sive income	Change due to business combina tions	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2013
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	$ 734	(40)	–	–	–	–	(334)	$ 1,108
Valuation and amortisation of intangible assets	112	(21)	–	–	–	–	(12)	145
Other	58	11	–	–	–	–	(21)	68
	904	(50)	–	–	–	–	(367)	1,321
Deferred income tax assets:								
Tax losses available for offset	230	87	–	–	–	–	(118)	261
Accrued liabilities	177	29	15	–	(5)	–	(34)	172
Impairment of accounts receivable	13	4	–	–	–	–	(7)	16
Other	101	(19)	–	–	5	–	(1)	116
	521	101	15	–	–	–	(160)	565
Net deferred income tax asset	88	33	3	–	–	–	(33)	85
Net deferred income tax liability	$ 471	(118)	(12)	–	–	–	(240)	$ 841

Year ended 31 December 2013

US$ million	2013	Change recognised in statement of operations	Change recognised in other comprehen sive income	Change due to business combina tions	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2012
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	$ 1,108	(103)	(2)	353	(9)	(1)	(75)	$ 945
Valuation and amortisation of intangible assets	145	(38)	–	4	–	–	(13)	192
Other	68	(8)	–	13	(3)	–	(7)	73
	1,321	(149)	(2)	370	(12)	(1)	(95)	1,210
Deferred income tax assets:								
Tax losses available for offset	261	106	–	69	3	10	(15)	88
Accrued liabilities	172	12	(30)	12	(16)	2	(10)	202
Impairment of accounts receivable	16	(12)	–	–	(1)	–	(3)	32
Other	116	80	–	(1)	7	–	2	28
	565	186	(30)	80	(7)	12	(26)	350
Net deferred income tax asset	85	9	(3)	3	–	13	(5)	68
Net deferred income tax liability	$ 841	(326)	25	293	(5)	–	(74)	$ 928

8. Income Taxes (continued)

As of 31 December 2015, 2014 and 2013, deferred income taxes in respect of undistributed earnings of the Group's subsidiaries have not been provided for, as management does not intend to distribute accumulated earnings in the foreseeable future. The current tax rate on intra-group dividend income varies from 0% to 15%. The temporary differences associated with investments in subsidiaries were not recognised as the Group is able to control the timing of the reversal of these temporary differences and does not intend to reverse them in the foreseeable future.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies, except for the companies registered in Cyprus, Russia and the United Kingdom where group relief and tax consolidation can be applied. As of 31 December 2015, the unused tax losses carry forward approximated $7,529 million (2014: $7,796 million, 2013: $7,415 million). The Group recognised deferred tax assets of $192 million (2014: $230 million, 2013: $261 million) in respect of unused tax losses. Deferred tax assets in the amount of $1,883 million (2014: $1,719 million, 2013: $1,542 million) have not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. Tax losses of $6,595 million (2014: $6,585 million, 2013: $6,054 million) for which deferred tax assets were not recognised arose in companies registered in Canada, Cyprus, Italy, Luxembourg, Russia, Ukraine, the United Kingdom and the USA. Losses in the amount of $6,383 million (2014: $6,331 million, 2013: $5,572 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and $212 million will expire during 2019–2025 (2014: $254 million, 2013: $481 million).

9. Property, Plant and Equipment

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

US$ million	**2015**	2014	2013
Cost:			
Land	**$ 97**	$ 124	$ 157
Buildings and constructions	**1,507**	1,908	2,860
Machinery and equipment	**3,944**	5,087	6,854
Transport and motor vehicles	**192**	248	394
Mining assets	**2,000**	2,479	4,200
Other assets	**37**	60	77
Assets under construction	**298**	415	980
	8,075	10,321	15,522
Accumulated depreciation, depletion and impairment losses:			
Buildings and constructions	**(690)**	(790)	(1,205)
Machinery and equipment	**(2,158)**	(2,631)	(3,080)
Transport and motor vehicles	**(114)**	(147)	(207)
Mining assets	**(908)**	(1,024)	(1,622)
Other assets	**(25)**	(45)	(50)
	(3,895)	(4,637)	(6,164)
	$ 4,180	$ 5,684	$ 9,358

9. Property, Plant and Equipment (continued)

The movement in property, plant and equipment for the year ended 31 December 2015 was as follows:

US$ million	**Land**	**Buildings and constructions**	**Machinery and equipment**	**Transport and motor vehicles**	**Mining assets**	**Other assets**	**Assets under construction**	**Total**
At 31 December 2014, cost, net of accumulated depreciation	**$ 124**	**$ 1,11**	**$ 2,45**	**$ 101**	**$ 1,45**	**$ 15**	**$ 415**	**$ 5,68**
Additions	**–**	**–**	**4**	**–**	**1**	**1**	**434**	**440**
Assets put into operation	**–**	**35**	**220**	**28**	**140**	**3**	**(426)**	**–**
Disposals	**(2)**	**(7)**	**(29)**	**(4)**	**(7)**	**–**	**(22)**	**(71)**
Depreciation and depletion charge	**–**	**(77)**	**(338)**	**(24)**	**(88)**	**(5)**	**–**	**(532)**
Impairment losses recognised in statement of operations	**(4)**	**(16)**	**(44)**	**–**	**(109)**	**–**	**(36)**	**(209)**
Impairment losses reversed through statement of operations	**–**	**2**	**2**	**–**	**3**	**–**	**13**	**20**
Impairment losses recognised in other comprehensive income	**–**	**(1)**	**–**	**–**	**–**	**–**	**–**	**(1)**
Loss of control over a subsidiary	**(1)**	**(2)**	**(65)**	**(1)**	**(2)**	**(1)**	**(5)**	**(77)**
Transfer to assets held for sale	**(7)**	**(13)**	**(4)**	**–**	**–**	**–**	**–**	**(24)**
Change in site restoration and decommissioning provision	**–**	**6**	**–**	**–**	**45**	**–**	**–**	**51**
Translation difference	**(13)**	**(228)**	**(416)**	**(22)**	**(346)**	**(1)**	**(75)**	**(1,101**
At 31 December 2015, cost, net of accumulated depreciation	**$ 97**	**$ 817**	**$ 1,78**	**$ 78**	**$ 1,09**	**$ 12**	**$ 298**	**$ 4,18**

The movement in property, plant and equipment for the year ended 31 December 2014 was as follows:

US$ million	**Land**	**Buildings and constructions**	**Machinery and equipment**	**Transport and motor vehicles**	**Mining assets**	**Other assets**	**Assets under construction**	**Total**
At 31 December 2013, cost, net of accumulated depreciation	$ 157	$ 1,65	$ 3,77	$ 187	$ 2,57	$ 27	$ 980	$ 9,35
Additions	–	1	8	1	–	–	555	565
Assets put into operation	–	198	447	22	131	5	(803)	–
Disposals	(2)	(7)	(41)	(3)	(10)	–	(5)	(68)
Depreciation and depletion charge	–	(112)	(467)	(38)	(150)	(5)	–	(772)
Impairment losses recognised in statement of operations	(4)	(20)	(85)	–	(79)	–	(21)	(209)
Impairment losses reversed through statement of operations	–	5	10	–	–	–	2	17
Transfer to assets held for sale	–	(4)	(3)	–	–		–	(7)
Change in site restoration and decommissioning provision	–	6	(4)	–	61	–	4	67
Translation difference	(27)	(604)	(1,183	(68)	(1,076	(12)	(297)	(3,267
At 31 December 2014, cost, net of accumulated depreciation	$ 124	$ 1,11	$ 2,45	$ 101	$ 1,45	$ 15	$ 415	$ 5,68

9. Property, Plant and Equipment (continued)

The movement in property, plant and equipment for the year ended 31 December 2013 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2012, cost, net of accumulated depreciation	$ 183	$ 1,61	$ 3,41	$ 181	$ 1,38	$ 21	$ 1,18	$ 7,99
Assets acquired in business combination	–	203	539	61	1,52	8	275	2,61
Additions	3	1	4	3	4	–	842	857
Assets put into operation	–	147	853	33	147	8	(1,188	–
Disposals	–	(12)	(35)	(3)	(2)	–	(2)	(54)
Depreciation and depletion charge	–	(155)	(583)	(47)	(196)	(6)	–	(987)
Impairment losses recognised in statement of operations	(27)	(49)	(184)	(14)	(86)	(1)	(49)	(410)
Impairment losses reversed through statement of operations	1	21	31	–	56	–	3	112
Impairment losses recognised or reversed through other comprehensive income	–	(4)	(1)	–	(2)	–	(2)	(9)
Transfer to assets held for sale	(11)	(6)	(23)	(15)	(57)	–	(1)	(113)
Change in site restoration and decommissioning provision	15	4	7	–	(6)	–	–	20
Translation difference	(7)	(110)	(250)	(12)	(195)	(3)	(84)	(661)
At 31 December 2013, cost, net of accumulated depreciation	$ 157	$ 1,65	$ 3,77	$ 187	$ 2,57	$ 27	$ 980	$ 9,35

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $23 million, $22 million and $29 million as of 31 December 2015, 2014 and 2013, respectively.

On 1 January 2014, certain of the Group's subsidiaries reassessed the remaining useful lives of property, plant and equipment, which resulted in a $52 million decrease in depreciation expense as compared to the amounts that would have been charged had no change in estimate occurred.

Impairment losses were identified in respect of certain items of property, plant and equipment that were recognised as functionally obsolete or as a result of the testing at the level of cash-generating units (Note 6).

The amount of borrowing costs capitalised during the year ended 31 December 2015 was $4 million (2014: $10 million, 2013: $8 million).

10. Intangible Assets Other Than Goodwill

Intangible assets consisted of the following as of 31 December:

US$ million	2015	2014	2013
Cost:			
Customer relationships	**$ 651**	$ 981	$ 1,054
Water rights and environmental permits	**57**	57	57
Contract terms	**20**	26	45
Other	**83**	65	90
	811	1,129	1,246
Accumulated amortisation:			
Customer relationships	**(419)**	(642)	(606)
Water rights and environmental permits	**–**	–	–
Contract terms	**(4)**	(3)	(1)
Other	**(64)**	(43)	(51)
	(487)	(688)	(658)
	$ 324	$ 441	$ 588

10. Intangible Assets Other Than Goodwill (continued)

As of 31 December 2015, 2014 and 2013, water rights and environmental permits with a carrying value of $57 million had an indefinite useful life.

The movement in intangible assets for the year ended 31 December 2015 was as follows:

US$ million	**Customer relation-ships**	**Water rights and environ-mental permits**	**Contract terms**	**Other**	**Total**
At 31 December 2014, cost, net of accumulated amortisation	**$ 339**	**$ 57**	**$ 23**	**$ 22**	**$ 441**
Additions	**–**	**–**	**–**	**6**	**6**
Amortisation charge	**(43)**	**–**	**(2)**	**(5)**	**(50)**
Loss of control over a subsidiary	**(20)**	**–**	**–**	**–**	**(20)**
Translation difference	**(44)**	**–**	**(5)**	**(4)**	**(53)**
At 31 December 2015, cost, net of accumulated amortisation	**$ 232**	**$ 57**	**$ 16**	**$ 19**	**$ 324**

The movement in intangible assets for the year ended 31 December 2014 was as follows:

US$ million	**Customer relation-ships**	**Water rights and environ-mental permits**	**Contract terms**	**Other**	**Total**
At 31 December 2013, cost, net of accumulated amortisation	$ 448	$ 57	$ 44	$ 39	$ 588
Additions	–	–	–	4	4
Amortisation charge	(60)	–	(4)	(8)	(72)
Impairment loss recognised in statement of operations	(16)	–	–	–	(16)
Transfer to assets held for sale	(1)	–	–	–	(1)
Translation difference	(32)	–	(17)	(13)	(62)
At 31 December 2014, cost, net of accumulated amortisation	$ 339	$ 57	$ 23	$ 22	$ 441

The movement in intangible assets for the year ended 31 December 2013 was as follows:

US$ million	**Customer relation-ships**	**Water rights and environ-mental permits**	**Contract terms**	**Other**	**Total**
At 31 December 2012, cost, net of accumulated amortisation	$ 654	$ 57	$ –	$ 24	$ 735
Assets acquired in business combination	–	–	–	19	19
Additions	–	–	47	5	52
Amortisation charge	(86)	–	(1)	(7)	(94)
Impairment loss recognised in statement of operations	(68)	–	–	(1)	(69)
Translation difference	(52)	–	(2)	(1)	(55)
At 31 December 2013, cost, net of accumulated amortisation	$ 448	$ 57	$ 44	$ 39	$ 588

11. Investments in Joint Ventures and Associates

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

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

US$ million	Corber	Streamcore	Other associates	Total
Investment at 31 December 2012	**$ 497**	**$ 36**	**$ 18**	**$ 551**
Share of profit/(loss)	–	7	2	9
Dividends paid	–	–	(1)	(1)
Acquisition of controlling interests (Note 4)	(496)	–	(9)	(505)
Translation difference	(1)	(3)	–	(4)
Investment at 31 December 2013	**$ –**	**$ 40**	**$ 10**	**$ 50**
Share of profit/(loss)	–	8	2	10
Dividends paid	–	–	(1)	(1)
Translation difference	–	(19)	(1)	(20)
Investment at 31 December 2014	**$ –**	**$ 29**	**$ 10**	**$ 39**
Share of profit/(loss)	–	4	–	4
Translation difference	–	(7)	(2)	(9)
Investment at 31 December 2015	**$ –**	**$ 26**	**$ 8**	**$ 34**

Corber Enterprises Limited

Corber Enterprises Limited ("Corber") was a joint venture established in 2004 for the purpose of exercising joint control over economic activities of Raspadskaya Mining Group. Since March 2014 Corber is registered in Luxembourg. The Group had a 50% share in the joint venture, i.e. at 31 December 2012 it effectively owned approximately 41% in JSC Raspadskaya. On 16 January 2013, the Group acquired a contolling interest in Corber (Note 4) and the joint venture accounting and disclosures ceased to apply from that date.

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

US$ million	Period from 1 to 16 January 2013
Revenue	**$ 32**
Cost of revenue	**(26)**
Other expenses, including income taxes	**(6)**
Net profit/(loss)	**$ –**

Kazankovskaya

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

In January 2013, the Group acquired an additional 50% in Kazankovskaya from Magnitogorsk Steel Plant for a cash consideration of 167 US dollars. The primary reason for the business combination was a preparation for the subsequent sale of the mine. The Group fully impaired $14 million goodwill, which arose on this acquisition. In August 2013, Kazankovskaya was sold (Note 12).

11. Investments in Joint Ventures and Associates (continued)

Streamcore

The Group owns a 50% interest in Streamcore (Cyprus), a joint venture established for the purpose of exercising joint control over facilities for scrap procurement and processing in Siberia, Russia.

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

US$ million		2015		2014		2013
Property, plant and equipment	**$**	**19**	$	27	$	49
Inventories		**3**		5		8
Accounts receivable		**51**		51		131
Total assets		**73**		83		188
Deferred income tax liabilities		**1**		1		2
Non-current liabilities		**–**		–		31
Current liabilities		**20**		24		75
Total liabilities		**21**		25		108
Net assets	**$**	**52**	$	58	$	80
Net assets attributable to 50% ownership interest	**$**	**26**	$	29	$	40

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

US$ million		2015		2014		2013
Revenue	**$**	**278**	$	478	$	477
Cost of revenue		**(263)**		(450)		(440)
Other expenses, including income taxes		**(7)**		(12)		(23)
Net profit	**$**	**8**	$	16	$	14
Group's share of profit of the joint venture	**$**	**4**	$	8	$	7

12. Disposal Groups Held for Sale

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

US$ million	**2015**	**2014**	**2013**
Property, plant and equipment	**$ 1**	$ 3	$ 172
Other non-current assets	**–**	–	14
Inventories	**–**	1	61
Accounts receivable	**–**	–	48
Cash and cash equivalents	**–**	–	7
Assets classified as held for sale	**1**	4	302
Deferred income tax liabilities	**–**	–	–
Non-current liabilities	**–**	13	2
Current liabilities	**–**	–	110
Liabilities directly associated with assets classified as held for sale	**–**	13	112
Non-controlling interests	**–**	–	–
Net assets classified as held for sale	**$ 1**	$ (9)	$ 190

The net assets of disposal groups classified as held for sale at 31 December related to the following reportable segments:

US$ million	**2015**	**2014**	**2013**
Assets classified as held for sale	**$ 1**	$ 4	$ 302
Steel production	**–**	1	289
Coal	**1**	3	–
Other operations	**–**	–	13
Liabilities directly associated with assets classified as held for sale	**–**	13	112
Steel production	**–**	–	112
Steel, North America	**–**	13	–
Coal	**–**	–	–

At 31 December 2013, the disposal groups held for sale relating to the steel segment consisted mostly of the assets and liabilities of EVRAZ Vitkovice Steel sold in April 2014. In 2012, the difference between the carrying value of the net assets of the subsidiary and the expected consideration amounting to $78 million was recognised as a loss on disposal groups classified as held for sale and in 2013 it was fully reversed due to the change in the amount of consideration.

12. Disposal Groups Held for Sale (continued)

The table below demonstrates the carrying values of assets and liabilities, at the dates of disposal, of the subsidiaries and other business units disposed of during 2013–2015.

US$ million		2015		2014		2013
Property, plant and equipment	**$**	**25**	$	178	$	113
Other non-current assets		**–**		19		16
Inventories		**13**		79		17
Accounts receivable		**–**		64		49
Cash and cash equivalents		**–**		20		23
Total assets		**38**		360		218
Deferred income tax liabilities		–		–		7
Non-current liabilities		**17**		28		114
Current liabilities		–		100		84
Total liabilities		**17**		128		205
Non-controlling interests		**–**		–		–
Net assets	**$**	**21**	$	232	$	13

The net assets of disposal groups sold in 2013–2015 related to the following reportable segments:

US$ million		2015		2014		2013
Assets classified as held for sale	**$**	**38**	$	360	$	218
Steel		**6**		330		128
Steel, North America		**31**		9		13
Coal		**1**		–		39
Other operations		**–**		21		38
Liabilities directly associated with assets classified as held for sale		**17**		128		205
Steel		**4**		126		100
Steel, North America		**13**		–		–
Coal		**–**		–		70
Other operations		**–**		2		35
Non-controlling interests		**–**		–		–
Steel production		**–**		–		–

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

US$ million		2015		2014		2013
Net cash disposed of with subsidiaries	**$**	**(13)**	$	(20)	$	(23)
Cash received		**57**		331		24
Net cash inflow	**$**	**44**	$	311	$	1

The disposal groups sold during 2013–2015 are described below.

EVRAZ Portland Structural Tubing

In 2015, the Group sold assets of Portland Structural Tubing for a cash consideration of $51 million. The Group recognised $20 million as a gain on disposal groups classified as held for sale.

12. Disposal Groups Held for Sale (continued)

EVRAZ Vitkovice Steel

In April 2014, the Group sold its wholly-owned subsidiary EVRAZ Vitkovice Steel to a third party for a cash consideration of $287 million on a debt free and normalised working capital basis. Transaction costs amounted to $3 million. As of 31 December 2014, the Group owed $25 million to the purchaser of EVRAZ Vitkovice Steel. In 2015, this amount was fully settled through an offset with receivables from the former subsidiary.

The Group recognised a $90 million gain on the sale of the subsidiary, including $61 million of cumulative exchange gains reclassified from other comprehensive income to the consolidated statement of operations. Cash disposed with the subsidiary amounted to $20 million.

Assets of Evrazruda

In 2014, the Group sold an iron ore mine and heat and power plant located in the Krasnoyarsk and Kemerovo regions of Russia. The gain on these transactions amounted to $25 million, including $5 million of cumulative exchange gains reclassified from other comprehensive income to the consolidated statement of operations.

In 2013, the Group sold 2 iron ore mines, ore processing plant and 2 electricity generating companies located in the Khakassia region of Russia. The gain on these transactions amounted to $21 million.

VGOK

In October 2013, the Group sold a wholly-owned subsidiary EVRAZ Vysokogorsky Iron Ore Mining and Processing Plant ("VGOK") to NPRO URAL.

The consideration comprised $20 million cash with a net present value of $18 million and the fair value of a 10-year agreement for the processing by VGOK of certain EVRAZ NTMK's waste products. The fair value of this contract was measured based on an incremental income to the Group and approximated $47 million. It was recognised as an intangible asset within the Contract terms category.

The Group recognised a $2 million loss on the sale of VGOK, including $23 million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations.

Central Heat and Power Plant

In September 2013, the Group sold Central Heat and Power Plant located in the Kemerovo region (Russia) for 300 US dollars. The Group recognised a $1 million loss on this transaction.

Mines of Yuzhkuzbassugol

In 2013, the Group sold 3 coal mines in the Kemerovo region of Russia: Yubileinaya, Gramoteinskaya and Kazankovskaya. The aggregate consideration amounted to 630 US dollars. The Group recognised a gain of $34 million on these transactions, including $1 million cumulative exchange gains reclassified from other comprehensive income to the consolidated statement of operations.

Other Disposal Groups Held for Sale

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

13. Other Non-current Assets

Other non-current assets consisted of the following as of 31 December:

Non-current Financial Assets

US$ million	2015	2014	2013
Available-for-sale financial assets	**$ 5**	$ 17	$ 30
Restricted deposits	**5**	7	10
Receivables from related parties	**1**	1	3
Loans receivable	**23**	21	10
Trade and other receivables	**5**	4	22
Other	**40**	48	69
	$ 79	$ 98	$ 144

Other Non-current Assets

US$ million	2015	2014	2013
Income tax receivable	**$ 18**	$ 4	$ 20
Input VAT	**6**	12	23
Other	**32**	24	19
	$ 56	$ 40	$ 62

Available-for-Sale Financial Assets

The Group holds approximately 15% in Delong Holdings Limited (“Delong”), a flat steel producer headquartered in Beijing (China). The investments in Delong are measured at fair value based on market quotations ($5 million, $16 million and $28 million at 31 December 2015, 2014 and 2013, respectively). The change in the fair value of these shares is initially recorded in other comprehensive income.

In 2013, the Group recognised a gain of $7 million on the increase in market quotations in other comprehensive income. In 2015 and 2014, impairment losses relating to the decline in quotations of Delong shares in the amount of $Nil and $12 million, respectively, were recorded through other comprehensive income and $11 million and $1 million, respectively, were recognised in the statement of operations.

14. Inventories

Inventories consisted of the following as of 31 December:

US$ million	2015	2014	2013
Raw materials and spare parts	**$ 402**	$ 587	$ 796
Work-in-progress	**188**	306	342
Finished goods	**309**	477	604
	$ 899	$ 1,3[illegible]	$ 1,7[illegible]

As of 31 December 2015, 2014 and 2013, the net realisable value allowance was $35 million, $47 million and $58 million, respectively.

As of 31 December 2015, 2014 and 2013, certain items of inventory with an approximate carrying amount of $383 million, $607 million and $510 million, respectively, were pledged to banks as collateral against loans provided to the Group (Note 22).

15. Trade and Other Receivables

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

US$ million	2015	2014	2013
Trade accounts receivable	**$ 472**	$ 684	$ 909
Other receivables	**23**	25	63
	495	709	972
Allowance for doubtful accounts	**(48)**	(55)	(57)
	$ 447	$ 654	$ 915

Ageing analysis and movement in allowance for doubtful accounts are provided in Note 28.

16. Related Party Disclosures

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

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

	Amounts due from related parties			Amounts due to related parties		
US$ million	2015	2014	2013	2015	2014	2013
Vtorresource-Pererabotka	**$ 1**	$ 11	$ 4	**$ 10**	$ 5	$ 13
Yuzhny GOK	**–**	37	5	**129**	96	336
Consideration for 50% share in Corber (Note 2)	**–**	–	–	**–**	491	491
Other entities	**6**	10	11	**12**	10	7
	7	58	20	**151**	602	847
Less: allowance for doubtful accounts	**–**	(2)	(3)	**–**	–	–
Less: non-current liabilities (Note 25)	**–**	–	–	**–**	–	(491)
	$ 7	$ 56	$ 17	**$ 151**	$ 602	$ 356

In 2014 and 2013, the Group did not recognise any expense or income in relation to bad and doubtful debts of related parties. In 2015, a $2 million reversal of bad and doubtful debts allowance was recognised in the consolidated statement of operations.

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

	Sales to related parties			Purchases from related parties		
US$ million	2015	2014	2013	2015	2014	2013
Genalta Recycling Inc.	**$ –**	$ –	$ –	**$ 14**	$ 24	$ 22
Interlock Security Services	**–**	1	1	**24**	39	51
Mezhegeyugol	**1**	2	4	**12**	4	–
Vtorresource-Pererabotka	**8**	17	16	**274**	465	462
Yuzhny GOK	**29**	42	62	**70**	125	150
Other entities	**–**	3	7	**12**	24	43
	$ 38	$ 65	$ 90	**$ 406**	$ 681	$ 728

In addition to the disclosures presented in this note, some of the balances and transactions with related parties are disclosed in Notes 4, 11, 13 and 25.

16. Related Party Disclosures (continued)

Genalta Recycling Inc. is a joint venture of a Canadian subsidiary of the Group. It sells scrap metal to the Group.

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

Lanebrook Limited is a controlling shareholder of the Company. In 2008, the Group acquired from Lanebrook a 1% ownership interest in Yuzhny GOK for a cash consideration of $38 million (Note 18). As part of the transaction, the Group signed a put option agreement that gives the Group the right to sell these shares back to Lanebrook Limited for the same amount. In January 2014, the Group sold 0.14% of the shares to Lanebrook Limited for $6 million. The put option for the remaining shares expires on 31 December 2016.

Mezhegeyugol is an entity under control of EVRAZ plc. The Group renders geological services to Mezhegeyugol and purchases incidental coal from it.

Vtorresource-Pererabotka is a subsidiary of Streamcore, the Group's joint venture, acquired in 2012. It sells scrap metal to the Group and provides scrap processing and other services. In 2015, 2014 and 2013, the purchases of scrap metal from Vtorresource-Pererabotka amounted to $219 million (1,339,101 tonnes), $383 million (1,601,041 tonnes), $370 million (1,420,990 tonnes), respectively.

Yuzhny GOK, an ore mining and processing plant, is an associate of Lanebrook Limited. The Group sold steel products to Yuzhny GOK and purchased sinter from the entity. In 2015, 2014 and 2013, the volume of purchases was 1,517,580 tonnes, 1,486,415 tonnes and 1,549,958 tonnes, respectively. In 2015 and 2014, the Ukrainian hryvnia depreciated against the US dollar by 34% and 49%, respectively. As a result, the Group recognised $19 million and $88 million, respectively, of foreign exchange loss on the balances and transactions with Yuzhny GOK.

On 1 April 2014, a Ukrainian subsidiary of the Group received a non-interest bearing loan of 2,935 million Ukrainian hryvnias ($267 million at the exchange rate as of the date of disbursement) from Standart IP, an entity under control of one of the major shareholders. The proceeds were used for the purposes of short-term liquidity management for the subsidiary. The loan was fully repaid in several instalments by 10 April 2014 using the loans provided by the other Group's subsidiary.

The transactions with related parties were based on prevailing market terms.

Loans Issued to / Received from Related Parties

In 2015, the Group issued a $157 million loan to Mezhegeyugol. The loan earns interest at 7.65% per annum and matures in December 2020.

In 2015, the Group received and fully repaid a 6% loan from EVRAZ plc amounting to $16 million.

In 2015, the Group received additional $3 million under a $55 million loan from Evraz Greenfield Development S.A. This 7% loan was received in 2013 and was due for repayment in 2017. In 2015, the Group accrued a $2 million interest expense and fully repaid the outstanding liability under the loan.

On 1 April 2014, the Group received a non-interest bearing loan of 2,935 million Ukrainian hryvnias ($267 million at the exchange rate as of the date of disbursement) from Standart IP, an entity under control of one of the major shareholders. The proceeds were used for the purposes of short-term liquidity management for a Ukrainian subsidiary. The loan was fully repaid in several instalments by 10 April 2014.

In June 2013, the Group received from EVRAZ Greenfield Development S.A. a bridge loan of $300 million, which was repaid in July 2013. The loan bore interest of 3% per annum.

16. Related Party Disclosures (continued)

Compensation to Key Management Personnel

Key management personnel include the following positions within the Group:

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

In 2015, 2014 and 2013, key management personnel totalled 39, 44 and 51 people, respectively. Total compensation to key management personnel were included in general and administrative expenses in the consolidated statement of operations and consisted of the following:

US$ million	**2015**	**2014**	**2013**
Salary	**$ 13**	$ 17	$ 19
Performance bonuses	**9**	29	13
Social security taxes	**4**	3	3
Share-based payments (Note 21)	**10**	14	11
Termination benefits	**–**	1	–
Other benefits	**–**	1	1
	$ 36	$ 65	$ 47

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

17. Other Taxes Recoverable

Taxes recoverable consisted of the following as of 31 December:

US$ million	**2015**	**2014**	**2013**
Input VAT	**$ 61**	$ 70	$ 208
Other taxes	**64**	83	66
	$ 125	$ 153	$ 274

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

18. Other Current Financial Assets

Other current assets included the following as of 31 December:

US$ million	**2015**	**2014**	**2013**
Investments in Yuzhny GOK (Note 16)	**$ 32**	$ 32	$ 38
Restricted deposits at banks	**3**	1	12
Collateral under swap agreements (Note 25)	**–**	7	21
Shares of the parent company	**–**	–	1
	$ 35	$ 40	$ 72

19. Cash and Cash Equivalents

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

US$ million	**2015**	**2014**	**2013**
US dollar	**$ 1,180**	$ 907	$ 1,300
Russian rouble	**121**	106	194
Canadian dollar	**29**	6	50
Euro	**4**	6	9
South African rand	**3**	10	32
Ukrainian hryvnia	**20**	3	17
Other	**2**	10	1
	$ 1,359	$ 1,048	$ 1,603

At 31 December 2015, 2014 and 2013, the assets of disposal groups classified as held for sale included cash amounting to $Nil, $Nil and $7 million, respectively.

20. Equity

Share Capital

Number of shares	**2015**	**2014**	**2013**
Authorised			
Ordinary shares of €2 each	**257,204,326**	257,204,326	257,204,326
Issued and fully paid			
Ordinary shares of €2 each	**148,882,619**	156,215,373	156,215,373

The issued and fully paid share capital of Evraz Group S.A. included 7,333,333 shares which were issued at zero consideration in 2009.

Issue of Shares

On 21 October 2015, Evraz Group S.A. issued to its parent 491 shares with the nominal value of €2 each in exchange for a 50% shareholding in Corber valued at $491 million (Note 2 *Restatement of Financial Statements)*. On the same date the Company issued 88 shares with the nominal value of €2 each for $88 million received in cash from EVRAZ plc.

In July 2013, the Company issued 1,000 ordinary shares with par value of €2 each and received from its parent $100 million for these shares.

Treasury Shares

At 31 December 2014 and 2013, the Company had 7,333,333 treasury shares. On 27 March 2015, these treasury shares were cancelled.

Legal Reserve

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

20. Equity (continued)

Earnings per Share

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

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

		2015		2014		2013
Weighted average number of ordinary shares for basic and diluted earnings per share		**148,882,154**		148,882,040		148,881,498
Profit/(loss) for the year attributable to equity holders of the parent, US$ million	**$**	**(602)**	$	(1,165)	$	(474)
Earnings/(losses) per share, basic and diluted	**$**	**(4.04)**	$	(7.82)	$	(3.18)

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

Dividends

Evraz Group S.A. declared to its parent the following aggregate amounts of dividends:

	Dividends declared, US$ million	US$ per share
Interim for 2012	390	2.62
Interim for 2013	715	4.80
Final for 2013	150	1.01
Final for 2014	350	2.35

In addition, certain subsidiaries of the Group declared dividends. The share of non-controlling shareholders in those dividends was $Nil, $3 million and $1 million in 2015, 2014 and 2013, respectively.

Other Movements in Equity

Non-controlling Interests in Subsidiaries

In 2013, as a result of the acquisition of a controlling interest in Raspadskaya (Note 4), the Group recognised $311 million representing non-controlling shareholders owning approximately 18% in the entity.

21. Share-based Payments

On 13 October 2011, 6 September 2012, 24 September 2013, 8 August 2014 and 26 October 2015, the Group adopted Incentive Plans under which certain senior executives and employees ("participants") could be gifted shares of the parent company upon vesting.

The vesting date for each tranche occurs within the 90-day period after announcement of the annual results. The expected vesting dates of the awards outstanding at 31 December 2015 are presented below:

Number of Shares of EVRAZ plc	**Total**	**Incentive Plan 2015**	**Incentive Plan 2014**	**Incentive Plan 2013**	**Incentive Plan 2012**
March 2016	12,279,149	4,122,090	3,444,498	4,693,944	18,617
March 2017	13,955,215	4,122,090	5,166,741	4,666,384	–
March 2018	11,349,891	6,183,133	5,166,758	–	–
March 2019	6,183,298	6,183,298	–	–	–
	43,767,553	**20,610,611**	**13,777,997**	**9,360,328**	**18,617**

The plans are administrated by the Board of Directors of EVRAZ plc. The Board of Directors has the right to accelerate vesting of the grant. In the event of a participant's employment termination, unless otherwise determined by the Board or by a decision of the authorised person, a participant loses the entitlement for the shares that were not gifted up to the date of termination.

There have been no modifications or cancellations to the plans during 2013–2015.

The Group accounted for share-based compensation at fair value pursuant to the requirements of IFRS 2 "Share-based Payment". The weighted average fair value of share-based awards granted in 2015, 2014 and 2013 was $1.12, $1.51 and $1.89 per share of EVRAZ plc, respectively. The fair value of these awards was estimated at the date of grant and measured at the market price of the shares of a parent company reduced by the present value of dividends expected to be paid during the vesting period. The following inputs, including assumptions, were used in the valuation of Incentive plans, which were effective during 2013-2015:

	Incentive Plan 2015	**Incentive Plan 2014**	**Incentive Plan 2013**	**Incentive Plan 2012**	**Incentive Plan 2011**
Dividend yield (%)	7.3 – 9.1	3.6 – 4.8	4.0 – 8.8	1.9 – 5.4	3.6 – 4.8
Expected life (years)	0.6 – 3.6	0.6 – 3.6	0.6 – 3.6	0.6 – 2.6	0.5 – 2.5
Market prices of the shares of EVRAZ plc (2011: Evraz Group S.A.) at the grant dates	$1.36	$1.68	$2.13	$3.61	$51.57

The following table illustrates the number of, and movements in, share-based awards during the years.

	2015	**2014**	**2013**
Outstanding at 1 January	**36,608,05**	27,692,06	12,069,57
Granted during the year	**20,610,61**	20,220,62	20,832,29
Forfeited during the year	**(3,473,851**	(3,064,281	(1,221,683
Vested during the year	**(9,977,259**	(8,240,349	(3,988,123
Outstanding at 31 December	**43,767,55**	36,608,05	27,692,06
Vested, not exercised	**–**	–	98,647

In 2014 and 2013, the actual quantity of the vested shares transferred by EVRAZ plc to the participants was reduced by 596,896 and 325,164 shares, respectively, that represent withholding taxes and other deductions.

The weighted average share price at the dates of exercise was $2.59, $1.72 and $1.52 in 2015, 2014 and 2013, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2015, 2014 and 2013 was 1.5, 1.6 and 1.7 years, respectively.

21. Share-based Payments (continued)

In the years ended 31 December 2015, 2014 and 2013, expense arising from the equity-settled share-based compensations was as follows:

US$ million		**2015**		2014		2013
Expense arising from equity-settled share-based payment transactions	**$**	**20**	$	30	$	25

22. Loans and Borrowings

As of 31 December 2015, 2014 and 2013, total interest-bearing loans and borrowings consisted of short-term loans and borrowings in the amount of $154 million, $164 million and $1,069 million, respectively, and long-term loans and borrowings in the amount of $6,174 million, $5,925 million and $6,680 million, respectively, including the current portion of long-term liabilities of $289 million, $532 million and $660 million, respectively.

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

US$ million		**2015**		2014		2013
Bank loans	**$**	**2,23**	$	1,54	$	2,0
US dollar-denominated						
8.25% notes due 2015		**–**		138		577
7.40% notes due 2017		**286**		600		600
7.75% bonds due 2017		**186**		400		400
9.5% notes due 2018		**353**		509		509
6.75% notes due 2018		**796**		850		850
7.5% senior secured notes due 2019		**350**		350		–
6.50% notes due 2020		**1,0**		1,0		1,0
8.25% notes due 2021		**750**		–		–
Rouble-denominated						
13.5% rouble bonds due 2014		**–**		–		611
8.75% rouble bonds due 2015		**–**		69		119
9.95% rouble bonds due 2015		**–**		267		458
8.40% rouble bonds due 2016		**165**		356		611
12.95% rouble bonds due 2019		**206**		–		–
Other liabilities		**–**		1		8
Fair value adjustment to liabilities assumed in business combination		**7**		20		27
Unamortised debt issue costs		**(54)**		(57)		(66)
Interest payable		**66**		74		90
	$	**6,34**	$	6,1	$	7,8

At 31 December 2015, 2014 and 2013, the borowings relating to the subsidiaries classified as held for sale (Note 12) amounted to $Nil, $Nil and $76 million of short-term loans. In the statement of financial position they were included in liabilities directly associated with the assets held for disposal.

At 31 December 2014, the liabilities under under 7.75% bonds due 2017 comprise $8 million, which were held by EVRAZ plc. In 2015, Evraz Group S.A. partially repurchased these bonds (Note 22 *Repurchase of US Dollar-Denominated Notes*).

22. Loans and Borrowings (continued)

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

	Long-term borrowings			Short-term borrowings		
	2015	**2014**	**2013**	**2015**	**2014**	**2013**
US dollar	**6.87%**	6.71%	7.29%	**2.86%**	2.72%	1.56%
Russian rouble	**11.84%**	9.00%	10.49%	**–**	–	7.21%
Euro	**5.57%**	3.55%	3.60%	**–**	–	3.75%
Canadian dollar	**–**	–	3.30%	**–**	–	–
South African rand	**–**	–	–	**–**	9.98%	–

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

US$ million	**2015**	**2014**	**2013**
US dollar	**$ 5,41**	$ 5,28	$ 5,74
Russian rouble	**621**	700	1,83
Euro	**368**	193	268
Canadian dollar	**–**	–	10
South African rand	**–**	8	2
Unamortised debt issue costs	**(54)**	(57)	(66)
	$ 6,34	$ 6,12	$ 7,80

Pledged Assets

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

At 31 December 2015 and 2014, a 100% ownership interest in EVRAZ Inc NA and 51% in EVRAZ Inc NA Canada were pledged against a $350 million liability under 7.5% senior secured notes due 2019. The subsidiaries represent approximately 34% of the consolidated assets at 31 December 2015 and generated almost 26% of the consolidated revenues in 2015. In addition, property, plant and equipment and inventory of these subsidiaries amounting to $1,052 million and $382 million, respectively, at 31 December 2015 (2014: $1,140 million and $607 million, respectively) were pledged as collateral under the notes.

At 31 December 2015, 2014 and 2013, 100% of shares of EVRAZ Caspian Steel were pledged as collateral under a bank loan with a carrying value of $107 million at the end of 2015. The subsidiary represented 0.9% of the consolidated assets at 31 December 2015 and generated 1.1% of the consolidated revenues in 2015. In addition, property, plant and equipment of EVRAZ Caspian Steel amounting to $55 million at 31 December 2015 (2014: $108 million, 2013: $108 million) were pledged as collateral under the same loan.

The Group's pledged assets at carrying value included the following at 31 December:

US$ million	**2015**	**2014**	**2013**
Property, plant and equipment	**$ 1,10**	$ 1,24	$ 108
Inventory	**383**	607	510

Issue of Notes and Bonds

In December 2015, the Group issued 8.25% notes due 2021 in the amount of $750 million. The proceeds from the issue of the notes were used to finance the purchase of 7.40% notes due 2017, 9.50% notes due 2018 and 6.75% notes due 2018 at the tender offer settled on 18 December 2015 and to refinance other current indebtedness of the Group.

In July 2015, the Group completed a placement of bonds in the total amount of 15,000 million Russian roubles ($206 million at 31 December 2015), which bear interest of 12.95% per annum and have the next put date on 26 June 2019. The currency risk exposure of these bonds was hedged (Note 25).

22. Loans and Borrowings (continued)

Issue of Notes and Bonds (continued)

In November 2014, the Group issued 7.5% senior secured notes due 2019 notes in the amount of $350 million. The proceeds from the issue of the notes were used for the partial repayment of the 8.25% notes maturing on 10 November 2015.

In April 2013, the Group issued notes for the amount of $1,000 million due in 2020. The notes bear semi-annual coupon at the annual rate of 6.50% and must be redeemed at their principal amount on 22 April 2020. The proceeds from the issue of the notes were used for the repayment of the 8.875% notes maturing on 24 April 2013, as well as certain bank loans.

Extension of the 9.25% Notes Due 2013

In March 2013, the holders of 9.25% rouble-denominated notes received an option to accept a new coupon of 8.75% per annum till 20 March 2015 or put the notes back to the Group at nominal value. By 26 March 2013, the date of the expiration of the option, the Group re-purchased back notes totalling 12,265 million roubles ($399 million at the exchange rate as of the transaction date). The remaining notes with the aggregate principal amount of 2,735 million roubles ($84 million at the exchange rate as of 31 December 2013) continue to be traded on the Moscow Exchange.

In April and May 2013, the Group resold part of the notes for 1,000 roubles each and received 1,150 million roubles ($35 million at the exchange rate as of 31 December 2013).

Repurchase of Rouble-Denominated Bonds

In March 2015, the Group fully settled the 8.75% bonds due 2015 with the nominal value of 3,885 million roubles ($65 million) at par. There was no gain or loss on this transaction.

In April 2015, the Group partially repurchased 9.95% bonds due 2015 for a cash consideration of $80 million. The nominal value of the repurchased notes was 4,150 million roubles ($81 million). As a result, the Group recognised a $1 million gain within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations. In October 2015, the Group settled the remaining 10,850 million roubles ($175 million) at par. There was no gain or loss on this transaction.

In July 2015, the Group partially repurchased 8.40% bonds due 2016 with the principal of 4,792 million roubles ($84 million at the exchange rate as of the date of the transaction) for a cash consideration of 4,696 million roubles ($82.5 million at the exchange rate as of the date of the transaction). In September 2015, the Group repurchased additional 3,159 million roubles ($48 million) at par. There was no gain or loss on this transaction. At 31 December 2015, the amount of outstanding bonds was 12,049 million roubles ($165 million).

In April 2014, the Group repurchased 13.5% bonds due 2014 for a nominal amount totalling 2,258 million roubles ($64 million). In October 2014, the Group settled the remaining 17,742 million roubles ($440 million). There was no gain or loss on these transactions.

Repurchase of US Dollar-Denominated Notes

In December 2015, the Group partially repurchased 7.40% notes due 2017 ($314 million), 9.50% notes due 2018 ($156 million) and 6.75% notes due 2018 ($54 million). The premium over carrying value on the repurchase in the amount of $14 million, $11 million and $1 million, respectively, was charged the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

In 2014, the Group partially repurchased 8.25% notes due 2015 for a cash consideration of $437 million. The nominal value of the notes was $439 million. As a result, the Group recognised a loss on extinguishment of debts in the amount of $6 million within gain/(loss) on financial assets and liabilities in the consolidated statement of operations. During 2015 the Group repurchased the remaining $138 million. There was no gain or loss on these transactions.

22. Loans and Borrowings (continued)

Repurchase of US Dollar-Denominated Notes (continued)

In 2014, the Group partially repurchased 7.75% bonds due 2017 (issued by Raspadskaya) for a cash consideration of $6 million. The nominal value of the bonds was $8 million. As a result, the Group recognised a gain on extinguishment of debts in the amount of $2 million within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations (Note 7). In October and November 2015, the Group repurchased through a tender offer and market transactions an additional $206 million at par. The difference between the carrying value of these bonds and the purchase consideration amounting to $7 million was credited to the Gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations.

Compliance with Financial Covenants

Some of the loan agreements and terms and conditions of notes provide for certain covenants in respect of EVRAZ plc and its subsidiaries. The covenants impose restrictions in respect of certain transactions and financial ratios, including restrictions in respect of indebtedness and profitability. EBITDA used for covenants compliance calculations is determined based on the definitions of the respective loan agreements and may differ from that used by management for evaluation of performance.

The €475 million facility from Gazprombank signed in April 2015 contained a restriction on the maximum ratio for the consolidated net indebtedness to 12-month consolidated EBITDA. As a result of an amendment signed in December 2015, this restriction was reset to a higher level while a portion of the facility amounting to €235 million was converted into roubles.

The $500 million pre-export credit facility received in 2014 from a syndicate of banks and other credit facilities totalling $929 million contain certain financial maintenance covenants. These covenants require EVRAZ plc to maintain two key ratios, consolidated net indebtedness to 12-month consolidated EBITDA and 12-month consolidated EBITDA to adjusted 12-month consolidated interest expense, within certain limits. Also the covenants contain a limitation on the amount of EVRAZ plc total consolidated indebtedness. A breach of one or both of these ratios or excess of the indebtedness limit would constitute an event of default under the facility which in turn may trigger cross default events under other debt instruments of the Group. The terms of certain facilities also set certain limitations on dividend payments by EVRAZ plc, acquisitions and disposals.

Notes due in 2017, 2018, 2020 and 2021 totalling $3,185 million issued by Evraz Group S.A., a holding company directly wholly owned by EVRAZ plc, have covenants restricting the incurrence of indebtedness by the issuer and its consolidated subsidiaries conditional on a gross leverage ratio. While the ratio level itself does not constitute a breach of covenants, exceeding the threshold triggers a restriction on incurrence of consolidated indebtedness, which is removed once the ratio goes back below the threshold. The effect of the restriction is such that Evraz Group S.A. and its subsidiaries are not allowed to increase the consolidated indebtedness at the level of Evraz Group S.A., but are allowed to refinance existing indebtedness subject to certain conditions.

The incurrence covenants are in line with the Group's financial strategy and, therefore, do not constitute any excessive restriction on its operations.

In addition to the incurrence covenants mentioned above, at 31 December 2015 the Group had a loan of $90 million, which is subject to financial maintenance covenants based on the consolidated figures of Evraz Group S.A. Under these covenants Evraz Group S.A. is required to maintain a ratio of consolidated net indebtedness to 12-month consolidated EBITDA within certain limits. A breach of the ratio would constitute an event of default under the above mentioned facility agreements, which in its turn may trigger cross default events under other debt instruments of EVRAZ plc and its subsidiaries.

22. Loans and Borrowings (continued)

Compliance with Financial Covenants (continued)

The $400 million 7.75% notes due 2017 issued by Raspadskaya in 2012, out of which $214 million are held by Evraz Group S.A. at 31 December 2015, have covenants similar to those of Evraz Group S.A., but with the ratio calculation based on the consolidated numbers of OAO Raspadskaya and the restrictions applying only to OAO Raspadskaya and its subsidiaries. These restrictions have the same effect on Raspadskaya, but no effect on EVRAZ plc and its other subsidiaries that are not part of the Raspadskaya Group.

The $350 million notes due 2019 issued by Evraz Inc NA Canada in November 2014 have certain covenants, that contain restrictions on the incurrence of new debt by EVRAZ North America plc, the parent company of Evraz Inc NA and Evraz Inc NA Canada, and its subsidiaries (together, “Evraz North America”) and restrictions on certain types of payments, including dividends, from Evraz North America.

During 2015 the Group was in compliance with all financial and non-financial covenants.

Unamortised Debt Issue Costs

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

Unutilised Borrowing Facilities

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

US$ million		**2015**		**2014**		**2013**
Committed	**$**	**317**	$	357	$	347
Uncommitted		**663**		1,22		811
Total unutilised borrowing facilities	**$**	**980**	$	1,58	$	1,15

23. Employee Benefits

Russian Plans

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

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

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

Ukrainian Plans (continued)

The Ukrainian subsidiaries make regular contributions to the State Pension Fund thereby compensating 100% of preferential pensions paid by the fund to employees who worked under harmful and hard conditions. The amount of such pension depends on years of service and salary.

23. Employee Benefits (continued)

Ukrainian Plans

In addition, employees receive lump-sum payments on retirement and other benefits under collective labour agreements. These benefits are based on years of service and level of compensation. All these payments are considered as defined benefit plans.

In 2013, the amended pension legislation introduced annual indexation of pensions, at least up to the level of CPI. The indexation of pensions in a particular year depends on the availability of financial resources in the State pension fund. The subsidiaries are obliged to pay preferential pensions indexed according to the government's decision. The Group determined the amount of defined benefit obligations based on the assumption that pensions will be indexed despite possible insufficiency of money in the State pension fund, which would result in a non-fulfilment of this law by the fund itself and, consequently, would cancel the obligations of Ukrainian enterprises to pay higher pensions.

In 2015, new conditions were introduced in the pension legislation: the period of working experience required for the preferential pension assignment will be gradually increased by 5 years during the next 10 years. The Group reduced the employee benefits liability by $2 million through past service cost in connection with these changes.

US and Canadian Plans

The Group's subsidiaries in the USA and Canada have defined benefit pension plans that cover specified eligible employees. Benefits are based on pensionable years of service, pensionable compensation, or a combination of both depending on the individual plan. The subsidiaries also have U.S. and Canadian supplemental retirement plans ("SERP's"), which are unqualified plans designed to maintain benefits for eligible employees at the plan formula level. The subsidiaries provide other unfunded postretirement medical and life insurance plans ("OPEB's") for certain of its eligible employees upon retirement after completion of a specified number of years of service. For the pension plans, SERP's and OPEB's, the subsidiaries use a measurement date for plan assets and obligations of 31 December.

Certain employees that were hired after specified dates are no longer eligible to participate in the defined benefit pension plans. Those employees are instead enrolled in defined contribution plans and receive a contribution funded by the Group's subsidiaries equal to 3–7% of annual wages, including applicable bonuses. The defined contribution plans are funded annually, and participants' benefits vest after three years of service. In addition, the subsidiaries have 401(k) defined contribution plans available for eligible U.S. and Canadian-based employees which the subsidiaries match a percentage of the participants' contributions.

In the third quarter of 2015, the Group's U.S. subsidiary made lump-sum settlement offers to former employees vested in one of its three U.S.-based pension plans. Eligible participants were provided with a one-time opportunity to choose either a lump-sum settlement immediately, or to begin receiving their annuity payments in December 2015, irrespective of the former employee's age or retirement status. Approximately 749 employees, or 61% of those eligible, elected to take the lump-sum settlement, triggering settlement accounting for two of the U.S. subsidiary's plans.

Other Plans

Defined benefit pension plans and defined contribution plans are maintained by the subsidiaries located in the Republic of South Africa and Italy.

Defined Contribution Plans

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

US$ million	**2015**	**2014**	**2013**
Expense under defined contribution plans	**$ 254**	$ 398	$ 488

23. Employee Benefits (continued)

Defined Benefit Plans

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

Except as disclosed above, in 2015 there were no significant plan amendments, curtailments or settlements.

The Group's defined benefit plans are exposed to the risks of unexpected growth in benefit payments as a result of increases in life expectancy, inflation, and salaries. As the plan assets include significant investments in quoted and unquoted equity shares, corporate and government bonds and notes, the Group is also exposed to equity market risk.

The components of net benefit expense recognised in the consolidated statement of operations for the years ended 31 December 2015, 2014 and 2013 and amounts recognised in the consolidated statement of financial position as of 31 December 2015, 2014 and 2013 for the defined benefit plans were as follows:

Net benefit expense (recognised in the statement of operations within cost of sales and selling, general and administrative expenses and interest expense)

Year ended 31 December 2015

US$ million	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Total**
Current service cost	**$ (4)**	**$ (2)**	**$ (23)**	**$ –**	**$ (29)**
Net interest expense	**(11)**	**(6)**	**(7)**	**–**	**(24)**
Net actuarial gains/(losses) on other long-term employee benefits obligation	**–**	**–**	**–**	**(1)**	**(1)**
Past service cost	**7**	**2**	**(3)**	**–**	**6**
Curtailment/settlement gain	**2**	**–**	**1**	**–**	**3**
Net benefit expense	**$ (6)**	**$ (6)**	**$ (32)**	**$ (1)**	**$ (45)**

Year ended 31 December 2014

US$ million	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Total**
Current service cost	$ (7)	$ (3)	$ (19)	$ –	$ (29)
Net interest expense	(15)	(7)	(6)	(2)	(30)
Net actuarial gains/(losses) on other long-term employee benefits obligation	22	–	–	–	22
Curtailment gain	6	–	–	–	6
Net benefit expense	$ 6	$ (10)	$ (25)	$ (2)	$ (31)

Year ended 31 December 2013

US$ million	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Total**
Current service cost	$ (12)	$ (4)	$ (23)	$ (1)	$ (40)
Net interest expense	(20)	(9)	(9)	(1)	(39)
Net actuarial gains/(losses) on other long-term employee benefits obligation	7	–	–	1	8
Past service cost	(7)	–	–	–	(7)
Curtailment gain	2	–	2	–	4
Net benefit expense	$ (30)	$ (13)	$ (30)	$ (1)	$ (74)

23. Employee Benefits (continued)

Gains/(losses) recognised in other comprehensive income

Year ended 31 December 2015

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	**$ –**	**$ –**	**$ (10)**	**$ –**	**$ (10)**
Net actuarial gains/(losses) on post-employment benefit obligation	**(8)**	**(5)**	**24**	**–**	**11**
	$ (8)	**$ (5)**	**$ 14**	**$ –**	**$ 1**

Year ended 31 December 2014

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$ –	$ –	$ 46	$ –	$ 46
Net actuarial gains/(losses) on post-employment benefit obligation	15	(17)	(78)	(1)	(81)
Effect of asset ceiling	–	–	2	–	2
	$ 15	$ (17)	$ (30)	$ (1)	$ (33)

Year ended 31 December 2013

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Return on plan assets, excluding amounts included in net interest expense	$ (1)	$ –	$ 30	$ –	$ 29
Net actuarial gains/(losses) on post-employment benefit obligation	52	(11)	48	1	90
	$ 51	$ (11)	$ 78	$ 1	$ 119

Actual return on plan assets was as follows:

US$ million	2015	2014	2013
Actual return on plan assets including:	**$ 13**	$ 73	$ 51
US & Canadian plans	**13**	73	52
Russian plans	**–**	–	(1)

23. Employee Benefits (continued)

Net defined benefit liability

31 December 2015

US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	**$ 90**	**$ 45**	**$ 691**	**$ 2**	**$ 828**
Plan assets	**(1)**	**–**	**(526)**	**–**	**(527)**
	89	**45**	**165**	**2**	**301**

31 December 2014

US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	$ 110	$ 58	$ 790	$ 14	$ 972
Plan assets	–	–	(608)	–	(608)
	110	58	182	14	364

31 December 2013

US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	$ 232	$ 83	$ 728	$ 14	$ 1,057
Plan assets	(1)	–	(564)	–	(565)
	231	83	164	14	492

23. Employee Benefits (continued)

Movements in net defined benefit liability/(asset)

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2012	**$ 250**	**$ 68**	**$ 256**	**$ 19**	**$ 593**
Change in net benefit liability due to business combination	58	–	–	–	58
Net benefit expense recognised in the statement of operations	30	13	30	1	74
Contributions by employer	(25)	(9)	(40)	(1)	(75)
(Gains)/losses recognised in other comprehensive income	(51)	11	(78)	(1)	(119)
Disposal of subsidiaries	(10)	–	–	–	(10)
Translation difference	(21)	–	(4)	(4)	(29)
At 31 December 2013	**231**	**83**	**164**	**14**	**492**
Net benefit expense recognised in the statement of operations	(6)	10	25	2	31
Contributions by employer	(13)	(6)	(34)	(2)	(55)
(Gains)/losses recognised in other comprehensive income	(15)	17	30	1	33
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	–	(1)
Translation difference	(86)	(46)	(3)	(1)	(136)
At 31 December 2014	**110**	**58**	**182**	**14**	**364**
Net benefit expense recognised in the statement of operations	6	6	32	1	45
Contributions by employer	(9)	(3)	(30)	(1)	(43)
(Gains)/losses recognised in other comprehensive income	8	5	(14)	–	(1)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	(11)	(12)
Translation difference	(25)	(21)	(5)	(1)	(52)
At 31 December 2015	**$ 89**	**$ 45**	**$ 165**	**$ 2**	**$ 301**

23. Employee Benefits (continued)

Movements in benefit obligation

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2012	**$ 251**	**$ 68**	**$ 793**	**$ 19**	**$ 1,131**
Change in benefit obligation due to business combination	58	–	–	–	58
Interest cost on benefit obligation	20	9	31	1	61
Current service cost	12	4	23	1	40
Past service cost	7	–	–	–	7
Benefits paid	(24)	(9)	(43)	(1)	(77)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	25	–	23	–	48
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(81)	11	(71)	(2)	(143)
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(3)	–	–	–	(3)
Curtailment gain	(2)	–	(2)	–	(4)
Disposal of subsidiaries	(10)	–	–	–	(10)
Translation difference	(21)	–	(26)	(4)	(51)
At 31 December 2013	**232**	**83**	**728**	**14**	**1,057**
Interest cost on benefit obligation	15	7	33	2	57
Current service cost	7	3	19	–	29
Benefits paid	(14)	(6)	(37)	(2)	(59)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	–	1	17	–	18
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(21)	13	71	1	64
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(16)	3	(10)	–	(23)
Curtailment gain	(6)	–	–	–	(6)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	–	(1)
Translation difference	(86)	(46)	(31)	(1)	(164)
At 31 December 2014	**110**	**58**	**790**	**14**	**972**
Interest cost on benefit obligation	11	6	30	–	47
Current service cost	4	2	23	–	29
Past service cost	(7)	(2)	3	–	(6)
Benefits paid	(8)	(3)	(35)	(1)	(47)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	(1)	–	(8)	–	(9)
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	14	2	(17)	1	–
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(5)	3	1	–	(1)
Curtailment/settlement gain	(2)	–	(1)	–	(3)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	(11)	(12)
Settlement of lump-sum payments	–	–	(31)	–	(31)
Translation difference	(25)	(21)	(64)	(1)	(111)
At 31 December 2015	**$ 90**	**$ 45**	**$ 691**	**$ 2**	**$ 828**

23. Employee Benefits (continued)

The weighted average duration of the defined benefit obligation was as follows:

Years	2015	2014	2013
Russian plans	**10.93**	9.8	10.0
Ukrainian plans	**8.76**	10.4	10.0
US & Canadian plans	**14.35**	14.6	14.4
Other plans	**9.66**	20.3	10.0

Changes in the fair value of plan assets

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2012	**$ 1**	**$ –**	**$ 537**	**$ –**	**$ 538**
Interest income on plan assets	–	–	22	–	22
Return on plan assets (excluding amounts included in net interest expense)	(1)	–	30	–	29
Contributions of employer	25	9	40	1	75
Benefits paid	(24)	(9)	(43)	(1)	(77)
Translation difference	–	–	(22)	–	(22)
At 31 December 2013	**1**	**–**	**564**	**–**	**565**
Interest income on plan assets	–	–	27	–	27
Return on plan assets (excluding amounts included in net interest expense)	–	–	46	–	46
Contributions of employer	13	6	34	2	55
Benefits paid	(14)	(6)	(37)	(2)	(59)
Effect of asset ceiling	–	–	2	–	2
Translation difference	–	–	(28)	–	(28)
At 31 December 2014	**–**	**–**	**608**	**–**	**608**
Interest income on plan assets	–	–	23	–	23
Return on plan assets (excluding amounts included in net interest expense)	–	–	(10)	–	(10)
Contributions of employer	9	3	30	1	43
Benefits paid	(8)	(3)	(35)	(1)	(47)
Settlement of lump-sum payments	–	–	(31)	–	(31)
Translation difference	–	–	(59)	–	(59)
At 31 December 2015	**$ 1**	**$ –**	**$ 526**	**$ –**	**$ 527**

The amount of contributions expected to be paid to the defined benefit plans during 2016 approximates $39 million.

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

	2015		2014		2013	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
US & Canadian plans:						
Equity funds and investment trusts	**50%**	**34%**	31%	49%	42%	38%
Corporate bonds and notes	**13%**	**1%**	13%	1%	15%	1%
Property	**–**	**–**	–	–	–	2%
Cash	**2%**	**–**	6%	–	–	2%
	65%	**35%**	50%	50%	57%	43%

23. Employee Benefits (continued)

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

	2015				2014				2013			
	Russian plans	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian Plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**
Discount rate	**9.6%**	**13.0%**	**3.9-4.5%**	**2.8-9%**	11%	15.0%	3.6-4.9%	2.8-8.8%	8%	14.0%	4.3-4.9%	3-9.5%
Future benefits increases	**8%**	**8%**	**–**	**3%**	8%	10%	–	3%	6%	6%	–	3%
Future salary increase	**8%**	**8%**	**3–3.3%**	**–**	8%	10%	3-3.3%	–	6%	7%	3.1-4%	–
Average life expectation, male, years	**68.5**	**65.5**	**86.3-87.5**	**78.1-79**	68.0	65.2	86.4-87.8	74.9-79	67.5	64.2	82.5-85.2	73.9-81
Average life expectation, female, years	**78.9**	**75.5**	**89-89.3**	**75.2-85**	78.5	75.3	88.9-89.8	73.4-85	78.3	74.7	86.7-87.7	73.0-87
Healthcare costs increase rate	**–**	**–**	**5.4-7%**	**8.8%**	–	–	5.5-7%	7.5-7.7%	–	–	6.1-7%	7.8-7.9%

The following table demonstrates the sensitivity analysis of reasonable changes in the significant assumptions used for the measurement of the defined benefit obligations, with all other variables held constant.

		Impact on the defined benefit obligation at 31 December 2015, US$ million				**Impact on the defined benefit obligation at 31 December 2014, US$ million**				**Impact on the defined benefit obligation at 31 December 2013, US$ million**			
	Reasonable change in assumption	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**
Discount rate	10%	$(8)	$(5)	$(35)	$–	$(11)	$(6)	$(53)	$(6)	$(16)	$(8)	$(45)	$(4)
	(10%)	10	6	37	–	14	7	58	6	19	10	52	5
Future benefits increases	10%	7	1	–	–	9	2	–	–	12	2	–	–
	(10%)	(6)	(1)	–	–	(8)	(2)	–	–	(11)	(2)	–	–
Future salary increase	10%	1	2	2	–	1	3	3	–	2	2	2	–
	(10%)	(1)	(2)	(2)	–	(1)	(2)	(2)	–	(2)	(2)	(2)	–
Average life expectation, male, years	1	1	–	14	–	1	–	15	–	2	1	14	–
	(1)	(1)	–	(14)	–	(1)	–	(15)	–	(2)	(1)	(15)	–
Average life expectation, female, years	1	1	–	4	–	1	–	4	–	2	–	4	–
	(1)	(1)	–	(4)	–	(1)	–	(4)	–	(2)	–	(5)	–
Healthcare costs increase rate	10%	–	–	–	–	–	–	–	3	–	–	1	2
	(10%)	–	–	–	–	–	–	–	–	–	–	(1)	(2)

24. Provisions

At 31 December the provisions were as follows:

US$ million	2015		2014		2013	
	Non-current	**Current**	**Non-current**	**Current**	**Non-current**	**Current**
Site restoration and decommissioning costs	**$ 145**	**$ 20**	$ 171	$ 34	$ 251	$ 29
Legal claims	**–**	**2**	–	3	–	9
Other provisions	**1**	**1**	2	4	3	7
	$ 146	**$ 23**	$ 173	$ 41	$ 254	$ 45

24. Provisions (continued)

In the years ended 31 December 2015, 2014 and 2013, the movement in provisions was as follows:

US$ million	Site restoration and decom-missioning costs	Legal claims	Other provisions	Total
At 31 December 2012	**$ 348**	**$ 13**	**$ 11**	**$ 372**
Additional provisions	49	6	24	79
Increase from passage of time	20	–	–	20
Effect of change in the discount rate	(33)	–	–	(33)
Effect of changes in estimated costs and timing	3	(2)	–	1
Utilised in the year	(11)	(3)	(20)	(34)
Unused amounts reversed	(7)	(5)	(5)	(17)
Change in provisions due to business combinations	16	–	1	17
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(72)	–	–	(72)
Translation difference	(33)	–	(1)	(34)
At 31 December 2013	**280**	**9**	**10**	**299**
Additional provisions	56	4	19	79
Increase from passage of time	15	–	–	15
Effect of change in the discount rate	(40)	–	–	(40)
Effect of changes in estimated costs and timing	72	–	–	72
Utilised in the year	(39)	(2)	(16)	(57)
Unused amounts reversed	(2)	(6)	(6)	(14)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(41)	–	–	(41)
Translation difference	(96)	(2)	(1)	(99)
At 31 December 2014	**205**	**3**	**6**	**214**
Additional provisions	13	3	4	20
Increase from passage of time	13	–	–	13
Effect of change in the discount rate	35	–	–	35
Effect of changes in estimated costs and timing	19	–	–	19
Utilised in the year	(20)	(1)	(6)	(27)
Unused amounts reversed	(4)	(2)	(2)	(8)
Loss of control over a subsidiary (Note 4)	(54)	–	–	(54)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(4)	–	–	(4)
Translation difference	(38)	(1)	–	(39)
At 31 December 2015	**$ 165**	**$ 2**	**$ 2**	**$ 169**

Site Restoration Costs

Under the legislation, mining companies and steel mills have obligations to restore mining sites and contaminated land. The respective liabilities were measured based on estimates of restoration costs which are expected to be incurred in the future discounted at the annual rate ranging from 1.5% to 12.8% in 2015 (2014: from 1.5% to 22.6%, 2013: from 1.1% to 14%). The majority of costs are expected to be paid after 2061.

25. Other Long-Term Liabilities

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

US$ million	**2015**	2014	2013
Derivatives not designated as hedging instruments	**$ 274**	$ 713	$ 219
Hedging instruments	**59**	–	–
Contingent consideration payable for the acquisition of Stratcor	**–**	2	8
Dividends payable under cumulative preference shares of a subsidiary to a related party	**16**	15	14
Employee income participation plans and compensations	**2**	6	5
Tax liabilities	**5**	5	9
Finance lease liabilities	**5**	4	6
Consideration for 50% share in Corber (Note 2)	**–**	491	491
Other liabilities to related parties	**1**	1	2
Other liabilities	**15**	8	47
	377	1,245	801
Less: current portion (Note 26)	**(281)**	(330)	(81)
Less: current portion (Note 16)	**–**	(491)	–
	$ 96	$ 424	$ 720

Derivatives Not Designated as Hedging Instruments

To manage the currency exposure on the rouble-denominated bonds, the Group partially economically hedged these transactions: in 2010-2013, the Group concluded currency and interest rate swap contracts under which it agreed to deliver US dollar-denominated interest payments at the rates ranging from 3.06% to 8.90% per annum plus the US dollar notional amount, in exchange for rouble-denominated interest payments plus the rouble notional amount. The exchange is exercised on approximately the same dates as the payments under the bonds.

The swap contracts, which were effective at 31 December 2015-2013, are summarised in the table below.

	Year of issue	Bonds principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
13.5 per cent bonds due 2014	2009	20,000	14,019	475	7.50% - 8.90%
9.95 per cent bonds due 2015	2010	15,000	14,997	491	5.65% - 5.88%
8.40 per cent bonds due 2016	2011	20,000	19,996	711	4.45% - 4.60%
8.75 per cent bonds due 2015	2013	3,885	3,735	121	3.06% - 3.33%

The aggregate amounts under swap contracts translated at the year end exchange rates are summarised in the table below.

US$ million	**2015**	2014	2013
Bonds principal	**$ 165**	$ 692	$ 1,799
Hedged amount	**165**	688	1,612
Swap amount	**430**	1,323	1,798

These swap contracts were not designated as cash flow or fair value hedges. The Group accounted for these derivatives at fair value which was determined using valuation techniques. The fair value was calculated as the present value of the expected cashflows under the contracts at the reporting dates. Future rouble-denominated cashflows were translated into US dollars using the USD/RUB implied yield forward curve. The discount rates used in the valuation were the non-deliverable forward rate curve and the interest rate swap curve for US dollar at the reporting dates.

25. Other Long-Term Liabilities (continued)

Derivatives Not Designated as Hedging Instruments (continued)

In 2015, 2014 and 2013, the change in fair value of the derivatives of $439 million, $(494) million and $(106) million, respectively, together with a realised gain/(loss) on the swap transactions, amounting to $(464) million, $(94) million and $51 million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

In 2015 and 2014, upon repayment of the 9.95%, 8.75% and 13.5% bonds, the related swap contracts matured.

Hedging Instruments

In July 2015, the Group completed a placement of bonds in the total amount of 15,000 million Russian roubles ($206 million at 31 December 2015), which bear interest of 12.95% per annum and have the next put date on 26 June 2019. The Group used an intercompany loan to transfer the proceeds from the bonds within the Group. To manage the currency exposure, the Group entered into a series of cross currency swap contracts with several banks under which it agreed to deliver US-dollar denominated interest payments at rates ranging from 5.90% to 6.55% per annum plus the notional amount, totaling approximately $265 million, in exchange for rouble-denominated interest payments at the rate of 12.95% per annum plus notional, totaling 14,948 million roubles ($205 million at 31 December 2015).

	Year of issue	Bonds principal, millions of roubles	Hedged amount, millions of roubles	Swap amount, US$ million	Interest rates on the swap amount
12.95 per cent bonds due 2019	2015	15,000	14,948	265	5.90% - 6.55%

The Group accounted for these swap contracts as cash flow hedges. In 2015, the change in fair value of these derivatives amounted to $(59) million. The realised gain on the swap transactions amounting to $5 million was related to the interest portion of the change in fair value of the swap. Under IFRS the lesser of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge is recognised in other comprehensive income and the remaining loss on the hedging instrument is recorded through the statement of operations. In 2015, the Group did not recognise any amounts in other comprehensive income. All the swaps were assessed as effective. The amount of $(59) million was recorded in the Foreign exchange gains/(losses) caption in the consolidated statement of operations.

Contingent Consideration Payable

Contingent consideration represents additional payments for the acquisition of Stratcor in 2006. This consideration could be paid each year up to 2019. The payments depend on the deviation of the average prices for vanadium pentoxide from certain levels and the amounts payable for each year are limited to maximum amounts. In 2015–2013, the Group was not required to pay this consideration due to the movements in the vanadium pentoxide market relative to the levels set in the agreement.

26. Trade and Other Payables

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

US$ million	**2015**	2014	2013
Trade accounts payable	**$ 616**	$ 772	$ 1,049
Accrued payroll	**122**	196	233
Other long-term obligations with current maturities (Note 25)	**281**	330	81
Other payables	**38**	57	28
	$ 1,057	$ 1,355	$ 1,391

The maturity profile of the accounts payable is shown in Note 28.

27. Other Taxes Payable

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

US$ million	**2015**	2014	2013
VAT	**$ 51**	$ 78	$ 88
Social insurance taxes	**30**	40	64
Property tax	**10**	15	15
Land tax	**4**	4	10
Personal income tax	**7**	7	14
Other taxes, fines and penalties	**5**	7	12
	$ 107	$ 151	$ 203

28. Financial Risk Management Objectives and Policies

Credit Risk

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

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

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. There are no significant concentrations of credit risk within the Group. The Group defines counterparties as having similar characteristics if they are related entities. In 2015, the major customers were Russian Railways and Enbridge Inc. (3.7% and 4% of total sales, respectively).

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

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

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

US$ million	**2015**	2014	2013
Restricted deposits at banks (Notes 13 and 18)	**$ 8**	$ 8	$ 22
Financial instruments included in other non-current and current assets (Notes 13 and 18)	**40**	55	90
Long-term and short-term investments (Notes 13 and 18)	**37**	49	68
Trade and other receivables (Notes 13 and 15)	**452**	658	937
Loans receivable	**28**	45	31
Receivables from related parties (Notes 13 and 16)	**165**	46	17
Cash and cash equivalents (Note 19)	**1,359**	1,048	1,603
	$ 2,089	$ 1,909	$ 2,768

28. Financial Risk Management Objectives and Policies (continued)

Credit Risk (continued)

Receivables from related parties in the table above do not include prepayments in the amount of $Nil, $11 million and $3 million as of 31 December 2015, 2014 and 2013, respectively.

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

US$ million	2015		2014		2013	
	Gross amount	**Impairment**	**Gross amount**	**Impairment**	**Gross amount**	**Impairment**
Not past due	**$ 543**	**$ –**	$ 540	$ –	$ 646	$ (1)
Past due	**150**	**(48)**	266	(57)	399	(59)
less than six months	**95**	**(8)**	178	(13)	328	(4)
between six months and one year	**9**	**(2)**	46	(8)	21	(8)
over one year	**46**	**(38)**	42	(36)	50	(47)
	$ 693	**$ (48)**	$ 806	$ (57)	$ 1,045	$ (60)

In the years ended 31 December 2015, 2014 and 2013, the movement in allowance for doubtful accounts was as follows:

US$ million	2015	2014	2013
At 1 January	**$ (57)**	$ (60)	$ (101)
Charge for the year	**(18)**	(40)	(8)
Utilised	**5**	14	36
Disposal of subsidiaries	**8**	1	7
Translation difference	**14**	28	6
At 31 December	**$ (48)**	$ (57)	$ (60)

Liquidity Risk

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

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

The Group prepares a rolling 12-month financial plan which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities as they arise. The Group exercises a daily monitoring of cash proceeds and payments. The Group maintains credit lines and overdraft facilities that can be drawn down to meet short-term financing needs. If necessary, the Group refinances its short-term debt by long-term borrowings. The Group also uses forecasts to monitor potential and actual financial covenants compliance issues (Note 22). Where compliance is at risk, the Group considers options including debt repayment, refinancing or covenant reset. The Group has developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

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

Year ended 31 December 2015

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	**$ –**	**$ 4**	**$ 188**	**$ 498**	**$ 3,0**	**$ 780**	**$ 4,4**
Interest	**–**	**8**	**301**	**309**	**517**	**35**	**1,17**
Finance lease liabilities	**–**	**–**	**–**	**–**	**1**	**5**	**6**
Financial instruments included in long-term liabilities	**–**	**1**	**278**	**2**	**107**	**17**	**405**
Total fixed-rate debt	**–**	**13**	**767**	**809**	**3,637**	**837**	**6,06**
Variable-rate debt							
Loans and borrowings							
Principal	**85**	**80**	**86**	**197**	**1,353**	**45**	**1,84**
Interest	**–**	**26**	**73**	**93**	**133**	**1**	**326**
Finance lease liabilities	**–**	**–**	**1**	**1**	**–**	**–**	**2**
Total variable-rate debt	**85**	**106**	**160**	**291**	**1,486**	**46**	**2,17**
Non-interest bearing debt							
Financial instruments included in other liabilities	**3**	**–**	**–**	**2**	**1**	**1**	**7**
Trade and other payables	**150**	**499**	**5**	**–**	**–**	**–**	**654**
Payables to related parties	**133**	**15**	**–**	**–**	**–**	**–**	**148**
Total non-interest bearing debt	**286**	**514**	**5**	**2**	**1**	**1**	**809**
	$ 371	**$ 633**	**$ 932**	**$ 1,1**	**$ 5,1**	**$ 884**	**$ 9,046**

Year ended 31 December 2014

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$ –	$ 73	$ 430	$ 382	$ 2,7	$ 1,0	$ 4,6
Interest	–	5	349	310	575	70	1,30
Loans from related parties							
Principal	–	–	–	55	–	–	55
Interest	–	–	3	3	–	–	6
Finance lease liabilities	–	–	–	–	–	2	2
Financial instruments included in long-term liabilities	–	62	281	447	7	24	821
Total fixed-rate debt	–	140	1,063	1,197	3,341	1,128	6,86
Variable-rate debt							
Loans and borrowings							
Principal	82	86	25	606	543	71	1,41
Interest	–	13	36	43	33	3	128
Finance lease liabilities	–	–	1	1	1	–	3
Total variable-rate debt	82	99	62	650	577	74	1,54
Non-interest bearing debt							
Financial instruments included in other liabilities	–	–	–	–	2	2	4
Trade and other payables	175	612	42	–	–	–	829
Payables to related parties	80	30	492	–	–	–	602
Total non-interest bearing debt	255	642	534	–	2	2	1,43
	$ 337	$ 881	$ 1,659	$ 1,8	$ 3,9	$ 1,2	$ 9,848

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

Year ended 31 December 2013

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$ –	$ 847	$ 635	$ 1,1	$ 3,0	$ 1,0	$ 6,7
Interest	–	6	482	407	617	105	1,61
Borrowings from related parties							
Principal	–	–	–	–	55	–	55
Interest	–	–	3	3	3	–	9
Finance lease liabilities	–	–	–	–	1	3	4
Financial instruments included in long-term liabilities	–	28	52	70	152	28	330
Total fixed-rate debt	–	881	1,172	1,664	3,862	1,175	8,75
Variable-rate debt							
Loans and borrowings							
Principal	81	148	18	25	672	66	1,01
Interest	–	10	25	33	31	5	104
Finance lease liabilities	–	–	1	1	2	–	4
Total variable-rate debt	81	158	44	59	705	71	1,11
Non-interest bearing debt							
Financial instruments included in other liabilities	–	–	1	2	2	2	7
Trade and other payables	234	815	28	–	–	–	1,07
Payables to related parties	326	23	6	491	–	–	846
Dividends payable	5	–	113	–	–	–	118
Total non-interest bearing debt	565	838	148	493	2	2	2,04
	$ 646	$ 1,8	$ 1,364	$ 2,2	$ 4,5	$ 1,2	$ 11,920

Payables to related parties in the tables above do not include advances received in the amount of $3 million, $Nil and $1 million as of 31 December 2015, 2014 and 2013, respectively.

Market Risk

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

Interest Rate Risk

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

The Group incurs interest rate risk on liabilities with variable interest rates. The Group's treasury function performs analysis of current interest rates. In case of changes in market fixed or variable interest rates management may consider the refinancing of a particular debt on more favourable terms.

The Group does not have any financial assets with variable interest rates.

Fair Value Sensitivity Analysis for Fixed Rate Instruments

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

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

28. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Cash Flow Sensitivity Analysis for Variable Rate Instruments

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

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

	2015			2014			2013		
	Basis points	Effect on PBT		Basis points	Effect on PBT		Basis points	Effect on PBT	
		US$ millions			*US$ millions*			*US$ millions*	
Liabilities denominated in US dollars									
Decrease in LIBOR	**(12)**	**$**	**2**	(2)	$	–	(2)	$	–
Increase in LIBOR	**50**		**(8)**	2		–	2		–
Liabilities denominated in euro									
Decrease in EURIBOR	**(25)**		**–**	(7)		–	(5)		–
Increase in EURIBOR	**25**	**$**	**–**	7	$	–	5	$	–
Liabilities denominated in roubles									
Decrease in Bank of Russia key rate	**(525)**		**13**	–		–	–		–
Increase in Bank of Russia key rate	**550**	**$**	**(14)**	–	$	–	–	$	–

Currency Risk

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

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

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

US$ million		2015		2014		2013
USD/RUB	**$**	**433**	$	(360)	$	(2,714)
EUR/RUB		**(399)**		(220)		(337)
CAD/RUB		**312**		372		774
EUR/USD		**118**		109		108
USD/CAD		**(499)**		(469)		(209)
EUR/CZK		**(1)**		(1)		(18)
USD/CZK		**6**		1		(155)
USD/ZAR		**(5)**		(34)		(32)
EUR/ZAR		**–**		10		26
USD/UAH		**(113)**		(248)		(48)
RUB/UAH		**1**		2		15
USD/KZT		**(157)**		(150)		(131)

28. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (continued)

Sensitivity Analysis

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

	2015		2014		2013	
	Change in exchange rate	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**
	%	*US$ millions*	*%*	*US$ millions*	*%*	*US$ millions*
USD/RUB	**(13.00)**	**(76)**	(28.74)	103	(10.10)	274
	40.00	**57**	28.74	(103)	15.00	(407)
EUR/RUB	**(15.00)**	**60**	(29.58)	65	(7.79)	26
	43.00	**(172)**	29.58	(65)	15.00	(51)
CAD/RUB	**(14.00)**	**(44)**	(28.37)	(105)	(10.10)	(78)
	35.00	**109**	28.37	105	15.00	116
EUR/USD	**(12.50)**	**(16)**	(6.23)	(7)	(7.76)	(8)
	12.50	**14**	6.23	7	7.76	8
USD/CAD	**(6.00)**	**30**	(6.21)	29	(5.83)	12
	14.50	**(72)**	6.21	(29)	5.83	(12)
EUR/CZK	**(3.50)**	**–**	(2.43)	–	(5.85)	1
	3.50	**–**	2.43	–	5.85	(1)
USD/CZK	**(12.50)**	**(1)**	(6.84)	–	(10.82)	17
	12.50	**1**	6.84	–	10.82	(17)
USD/ZAR	**(8.00)**	**–**	(11.33)	4	(16.21)	5
	38.00	**(1)**	11.33	(4)	16.21	(5)
EUR/ZAR	**(10.00)**	**–**	(11.34)	(1)	(15.17)	(4)
	43.00	**–**	11.34	1	15.17	4
USD/UAH	**(18.00)**	**20**	(28.90)	72	–	–
	67.00	**(76)**	28.90	(72)	30	(14)
RUB/UAH	**(33.50)**	**–**	(39.93)	(1)	–	–
	50.00	**–**	39.93	1	13	2
USD/KZT	**(20.00)**	**31**	(17.37)	26	(10.00)	13
	60.00	**(94)**	17.37	(26)	30.00	(39)

In addition to the effects of changes in the exchange rates disclosed above, the Group is exposed to currency risk on derivatives (Note 25). The impact of currency risk on the fair value of these derivatives is disclosed below.

	2015		2014		2013	
	Change in exchange rate	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**
	%	*US$ millions*	*%*	*US$ millions*	*%*	*US$ millions*
USD/RUB	**(13)**	**55**	(28.74)	228	(10.10)	183
	40	**(104)**	28.74	(126)	15.00	(213)

28. Financial Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments

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

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

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

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

	2015			2014			2013		
US$ million	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value									
Available-for-sale financial assets (Note 13)	**5**	**–**	**–**	17	–	–	30	–	–
Liabilities measured at fair value									
Derivatives not designated as hedging instruments (Note 25)	**–**	**274**	**–**	–	713	–	–	219	–
Hedging instruments (Note 25)	–	**59**	–	–	–	–	–	–	–
Contingent consideration payable for the acquisition of Stratcor (Note 25)	**–**	**–**	**–**	–	–	2	–	–	8

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

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

US$ million	2015		2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Long-term fixed-rate bank loans	**$ 397**	**$ 385**	$ 141	$ 142	$ 153	$ 172
Long-term variable-rate bank loans	**1,680**	**1,588**	1,235	1,059	776	814
USD-denominated						
8.25% notes due 2015	**–**	**–**	139	140	569	621
7.40% notes due 2017	**290**	**299**	606	531	605	634
7.75% bonds due 2017	**195**	**190**	425	284	431	417
9.50% notes due 2018	**354**	**379**	507	471	505	568
6.75% notes due 2018	**802**	**804**	856	730	855	858
7.50% bonds due 2019	**347**	**328**	345	345	–	–
6.50% notes due 2020	**1,009**	**955**	1,008	801	1,007	951
8.25% notes due 2021	**746**	**747**	–	–	–	–
Rouble-denominated						
13.50% rouble bonds due 2014	**–**	**–**	–	–	627	645
8.75% rouble bonds due 2015	**–**	**–**	71	70	122	121
9.95% rouble bonds due 2015	**–**	**–**	271	250	466	464
8.40% rouble bonds due 2016	**167**	**165**	358	299	614	592
12.95% rouble bonds due 2019	**205**	**208**	–	–	–	–
	$ 6,192	**$ 6,048**	$ 5,962	$ 5,122	$ 6,730	$ 6,857

28. Financial Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments (continued)

The fair value of the non-convertible bonds and notes was determined based on market quotations (Level 1). The fair value of long-term bank loans was calculated based on the present value of future principal and interest cash flows, discounted at the Group's market rates of interest at the reporting dates (Level 3). The discount rates used for valuation of financial instruments were as follows:

Currency in which financial instruments are denominated	2015	2014	2013
USD	**4.1 – 9.8%**	8.9 – 14.7%	4.5 – 8.2%
EUR	**1.8 – 6.2%**	1.9%	2.7%
RUB	**12.77%**	–	10.4%

Capital Management

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

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise the return to shareholders. The Board of Directors reviews the Group's performance and establishes key performance indicators. There were no changes in the objectives, policies and processes during 2015.

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

29. Non-cash Transactions

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

US$ million	2015	2014	2013
Liabilities for purchases of property, plant and equipment	**$ 60**	$ 41	$ 140
Loan issued to a partner of the Mezhegey coal field project	**–**	–	2

30. Commitments and Contingencies

Operating Environment of the Group

The Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group's major subsidiaries are located in Russia, Ukraine, the USA and Canada. Russia and Ukraine are considered to be developing markets with higher economic and political risks. Steel consumption is affected by the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions.

The global economic recession resulted in a significantly lower demand for steel products and decreased profitability. In addition, the political crisis over Ukraine led to an additional uncertainty in the global economy. The unrest in the Southeastern region of Ukraine and the economic sanctions imposed on Russia caused the depreciation of national currencies, economic slowdown, deterioration of liquidity in the banking sector, and tighter credit conditions within Russia and Ukraine. In addition, a significant drop in crude oil prices negatively impacted the Russian economy. The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. If the Ukrainian crisis broadens and further sanctions are imposed on Russia, this could have an adverse impact on the Group's business.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

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

Taxation

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

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these financial statements could be up to approximately $86 million.

Contractual Commitments

At 31 December 2015, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $151 million.

In 2010, the Group concluded a contract for the construction of an air separation plant and for the supply of oxygen and other gases produced by a third party at this plant for a period of 20 years. Due to a change in plans of the third party provider and in management's assessment of the extent of sales of gases to third parties the Group no longer considers this supply contract to fall within the scope of IFRIC 4 "Determining whether an Arrangement Contains a Lease" (Note 2 *Accounting Judgements*). At 31 December 2015, the Group has a committed expenditure of $518 million over the life of the contract, which is $76 million higher than the reported amount at 30 June 2015.This change was caused by the extension of the term of the contract to 25 years.

30. Commitments and Contingencies (continued)

Social Commitments

The Group is involved in a number of social programmes aimed to support education, healthcare and social infrastructure development in towns where the Group's assets are located. The Group budgeted to spend approximately $42 million under these programmes in 2016.

Environmental Protection

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

The Group has a number of environmental claims and proceedings which are at an early stage of investigation. Environmental provisions in relation to these proceedings that were recognised at 31 December 2015 amounted to $12 million. Preliminary estimates available of the incremental costs indicate that such costs could be up to $263 million. The Group has insurance agreements, which are expected to provide reimbursement of the costs to be actually incurred. Management believes that, as of now, an economic outflow of the additional costs is not probable and any pending environmental claims or proceedings will not have a material adverse effect on its financial position and results of operations.

In addition, the Group has committed to various environmental protection programmes covering periods from 2016 to 2022, under which the Group will perform works aimed at reductions in environmental pollution and contamination. As of 31 December 2015, the costs of implementing these programmes are estimated at $105 million.

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on the Group's operations or financial position.

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

31. Auditor's Remuneration

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

US$ million	**2015**	**2014**	**2013**
Audit of the parent company of the Group	**$ 2**	$ 2	$ 2
Audit of the subsidiaries	**3**	5	5
Total assurance services	**5**	7	7
Services in connection with capital market transactions	–	2	–
Other non-audit services	–	–	1
Total other services	–	2	1
	$ 5	$ 9	$ 8

32. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below.

Name	Country of incorporation	Non-controlling interests 2015	2014	2013
Raspadskaya	Russia	**18.05%**	18.05%	18.05%
EVRAZ Highveld Steel and Vanadium Limited	Republic of South Africa	**–**	14.89%	14.89%
New CF&I (subsidiary of EVRAZ Inc NA)	USA	**10.00%**	10.00%	10.00%

US$ million	2015	2014	2013
Accumulated balances of material non-controlling interest			
Raspadskaya	**$ 56**	$ 108	$ 262
EVRAZ Highveld Steel and Vanadium Limited	**–**	4	24
New CF&I (subsidiary of EVRAZ Inc NA)	**101**	98	90
Others	**(14)**	3	24
	143	213	400
Profit allocated to material non-controlling interest			
Raspadskaya	**(32)**	(58)	(30)
EVRAZ Highveld Steel and Vanadium Limited	**1**	(19)	(18)
New CF&I (subsidiary of EVRAZ Inc NA)	**3**	9	9
Others	**(31)**	(15)	(8)
	$ (59)	$ (83)	$ (47)

The summarised financial information of these 3 subsidiaries is provided below. This information is based on amounts before inter-company eliminations

Summarised statement of profit or loss

Raspadskaya

US$ million	2015	2014	2013
Revenue	**$ 420**	$ 444	$ 519
Cost of revenue	**(334)**	(437)	(481)
Gross profit/(loss)	**86**	7	38
Operating costs	**(79)**	(85)	(159)
Impairment of assets	**(91)**	(9)	–
Foreign exchange gains/(losses), net	**(114)**	(277)	(30)
Profit/(loss) from operations	**(198)**	(364)	(151)
Non-operating gains/(losses)	**(24)**	(32)	(39)
Profit/(loss) before tax	**(222)**	(396)	(190)
Income tax benefit/(expense)	**44**	77	33
Net profit/(loss)	**$ (178)**	$ (319)	$ (157)
Other comprehensive income/(loss)	**(152)**	(598)	(126)
Total comprehensive income/(loss)	**(330)**	(917)	(283)
attributable to non-controlling interests	**(51)**	(154)	(49)
dividends paid to non-controlling interests	**–**	–	–

32. Material Partly-Owned Subsidiaries (continued)

EVRAZ Highveld Steel and Vanadium Limited

US$ million	**From 1 January to 14 April 2015**	2014	2013
Revenue	**$ 145**	$ 544	$ 538
Cost of revenue	**(138)**	(539)	(510)
Gross profit/(loss)	**7**	5	28
Operating costs	**(21)**	(81)	(90)
Impairment of assets	**–**	(58)	(99)
Foreign exchange gains/(losses), net	**(2)**	(3)	–
Profit/(loss) from operations	**(16)**	(137)	(161)
Non-operating gains/(losses)	**20**	(7)	(7)
Profit/(loss) before tax	**4**	(144)	(168)
Income tax benefit/(expense)	**–**	13	46
Net profit/(loss)	**$ 4**	$ (131)	$ (122)
Other comprehensive income/(loss)	**(1)**	(7)	(45)
Total comprehensive income/(loss)	**3**	(138)	(167)
attributable to non-controlling interests	**–**	(20)	(24)
dividends paid to non-controlling interests	**–**	–	–

New CF&I

US$ million	**2015**	2014	2013
Revenue	**$ 635**	$ 922	$ 858
Cost of revenue	**(565)**	(768)	(738)
Gross profit/(loss)	**70**	154	120
Operating costs	**(52)**	(49)	(42)
Impairment of assets	–	–	–
Foreign exchange gains/(losses), net	–	–	–
Profit/(loss) from operations	**18**	105	78
Non-operating gains/(losses)	**20**	18	48
Profit/(loss) before tax	**38**	123	126
Income tax benefit/(expense)	**(12)**	(37)	(40)
Net profit/(loss)	**$ 26**	$ 86	$ 86
Other comprehensive income/(loss)	**4**	(10)	(15)
Total comprehensive income/(loss)	**30**	76	71
attributable to non-controlling interests	**3**	8	7
dividends paid to non-controlling interests	**–**	–	–

32. Material Partly-Owned Subsidiaries (continued)

Summarised statement of financial position as at 31 December

Raspadskaya

US$ million	**2015**	2014	2013
Property, plant and equipment	**$ 883**	$ 1,316	$ 2,350
Other non-current assets	**51**	32	12
Current assets	**279**	117	180
Total assets	**1,213**	1,465	2,542
Deferred income tax liabilities	**54**	93	213
Non-current liabilities	**507**	530	570
Current liabilities	**247**	107	107
Total liabilities	**808**	730	890
Total equity	**405**	735	1,652
attributable to:			
equity holders of parent	**348**	627	1,390
non-controlling interests	**57**	108	262

EVRAZ Highveld Steel and Vanadium Limited

US$ million	**2015**	2014	2013
Property, plant and equipment	**$ –**	$ 80	$ 137
Other non-current assets	**–**	30	66
Current assets	**–**	149	178
Total assets	**–**	259	381
Deferred income tax liabilities	**–**	–	15
Non-current liabilities	**–**	64	73
Current liabilities	**–**	169	129
Total liabilities	**–**	233	217
Total equity	**–**	26	164
attributable to:			
equity holders of parent	**–**	22	140
non-controlling interests	**–**	4	24

New CF&I

US$ million	**2015**	2014	2013
Property, plant and equipment	**$ 214**	$ 237	$ 235
Other non-current assets	**967**	929	812
Current assets	**125**	186	183
Total assets	**1,306**	1,352	1,230
Deferred income tax liabilities	**42**	85	90
Non-current liabilities	**81**	86	72
Current liabilities	**173**	201	164
Total liabilities	**296**	372	326
Total equity	**1,010**	980	904
attributable to:			
equity holders of parent	**909**	882	814
non-controlling interests	**101**	98	90

32. Material Partly-Owned Subsidiaries (continued)

Summarised cash flow information

Raspadskaya

US$ million	**2015**	2014	2013
Operating activities	**$ 107**	$ 120	$ 25
Investing activities	**(32)**	(61)	(73)
Financing activities	**(49)**	(41)	(89)

EVRAZ Highveld Steel and Vanadium Limited

US$ million	**From 1 January to 14 April 2015**	2014	2013
Operating activities	**$ –**	$ (15)	$ (30)
Investing activities	**(5)**	(15)	(19)
Financing activities	**(2)**	7	16

New CF&I

US$ million	**2015**	2014	2013
Operating activities	**$ 101**	$ 154	$ 140
Investing activities	**(101)**	(154)	(145)
Financing activities	**–**	–	5

33. Subsequent Events

There were no significant events after the reporting date.

Evraz Group S.A.
Consolidated Financial Statements

Year Ended 31 December 2014

Evraz Group S.A.

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Building a better working world

Ernst & Young
Société anonyme

7, rue Gabriel Lippmann
Parc d'Activité Syrdall 2
L-5365 Munsbach

Tel: +352 42 124 1

www.ey.com/luxembourg

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

To the Shareholders of
Evraz Group S.A.
1, rue de Louvigny
L-1946 Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 15 May 2014, we have audited the accompanying consolidated financial statements of Evraz Group S.A., which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statement of operations, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

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 as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". 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.

Building a better working world

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 judgement of the "réviseur d'entreprises agréé", 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 "réviseur d'entreprises agréé" 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 the Board of Directors, 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 give a true and fair view of the financial position of Evraz Group S.A. as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated annual management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the corporate governance statement.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Yves Even

Luxembourg, 31 March 2015

Evraz Group S.A.
Consolidated Statement of Operations
(in millions of US dollars, except for per share information)

	Notes	Year ended 31 December 2014	2013 restated*	2012 restated*
Continuing operations				
Revenue				
Sale of goods	**3**	**$ 12,501**	$ 13,666	$ 14,367
Rendering of services	**3**	**342**	353	359
		12,843	14,019	14,726
Cost of revenue	**7**	**(9,516)**	(11,141)	(11,803)
Gross profit		**3,327**	2,878	2,923
Selling and distribution costs	**7**	**(1,001)**	(1,163)	(1,211)
General and administrative expenses	**7**	**(680)**	(803)	(829)
Social and social infrastructure maintenance expenses		**(28)**	(48)	(51)
Loss on disposal of property, plant and equipment		**(40)**	(34)	(56)
Impairment of assets	**6**	**(530)**	(563)	(413)
Foreign exchange gains/(losses), net		**(697)**	(234)	(41)
Other operating income		**31**	53	75
Other operating expenses	**7**	**(76)**	(85)	(129)
Profit/(loss) from operations		**306**	1	268
Interest income	**7**	**18**	19	23
Interest expense	**7**	**(530)**	(637)	(653)
Share of profits/(losses) of joint ventures and associates	**11**	**(116)**	(45)	1
Gain/(loss) on derecognition of equity investments, net	**4**	**–**	(5)	–
Gain/(loss) on financial assets and liabilities, net	**7**	**(585)**	(43)	164
Gain/(loss) on disposal groups classified as held for sale, net	**12**	**136**	131	23
Gain on sale of subsidiaries to the Company's parent	**4**	**–**	–	200
Other non-operating gains/(losses), net		**–**	15	(6)
Profit/(loss) before tax		**(771)**	(564)	20
Income tax benefit/(expense)	**8**	**(284)**	52	(229)
Net loss		**$ (1,055)**	$ (512)	$ (209)
Attributable to:				
Equity holders of the parent entity		**$ (1,030)**	$ (494)	$ (182)
Non-controlling interests		**(25)**	(18)	(27)
		$ (1,055)	$ (512)	$ (209)
Earnings/(losses) per share:				
basic, for profit/(loss) attributable to equity holders of the parent entity, US dollars	**20**	**$ (6.92)**	$ (3.32)	$ (1.22)
diluted, for profit/(loss) attributable to equity holders of the parent entity, US dollars	**20**	**$ (6.92)**	$ (3.32)	$ (1.22)

***** The amounts shown here do not correspond to the 2013 and 2012 financial statements and reflect adjustments made in connection with the cessation of classification of subsidiaries as held for sale (Note 2).

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

Evraz Group S.A.
Consolidated Statement of Comprehensive Income
(in millions of US dollars)

	Notes	Year ended 31 December 2014	2013 restated*	2012 restated*
Net loss		**$ (1,055)**	$ (512)	$ (209)
Other comprehensive income/(loss)				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations into presentation currency		**(1,296)**	(185)	280
Exchange differences recycled to profit or loss	**12**	**(66)**	(22)	96
Net gains/(losses) on available-for-sale financial assets	**13**	**(11)**	7	4
		(1,373)	(200)	380
Effect of translation to presentation currency of the Group's joint ventures and associates	**11**	**(165)**	(38)	44
Net gains/(losses) on available-for-sale financial assets of the Group's joint ventures and associates	**11**	**(1)**	–	1
		(166)	(38)	45
Items not to be reclassified to profit or loss in subsequent periods				
Gains/(losses) on re-measurement of net defined benefit liability	**23**	**(43)**	103	(74)
Income tax effect	**8**	**15**	(30)	14
		(28)	73	(60)
Gains/(losses) on re-measurement of net defined benefit liability recognised by the Group's joint ventures and associates	**11**	**4**	7	(2)
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	**9**	**–**	(9)	–
Income tax effect	**8**	**–**	2	–
		–	(7)	–
Total other comprehensive income/(loss)		**(1,563)**	(165)	363
Total comprehensive income/(loss), net of tax		**$ (2,618)**	$ (677)	$ 154
Attributable to:				
Equity holders of the parent entity		**$ (2,591)**	$ (646)	$ 183
Non-controlling interests		**(27)**	(31)	(29)
		$ (2,618)	$ (677)	$ 154

***** The amounts shown here do not correspond to the 2013 and 2012 financial statements and reflect adjustments made in connection with the cessation of classification of subsidiaries as held for sale (Note 2).

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

Evraz Group S.A.
Consolidated Statement of Financial Position
(in millions of US dollars)

	Notes	2014	31 December 2013 restated*	2012 restated*
ASSETS				
Non-current assets				
Property, plant and equipment	**9**	**$ 4,368**	$ 7,008	$ 7,990
Intangible assets other than goodwill	**10**	**440**	586	735
Goodwill	**5**	**1,541**	1,988	2,203
Investments in joint ventures and associates	**11**	**186**	465	551
Deferred income tax assets	**8**	**60**	80	68
Other non-current financial assets	**13**	**136**	184	92
Other non-current assets	**13**	**38**	62	64
		6,769	10,373	11,703
Current assets				
Inventories	**14**	**1,333**	1,672	2,080
Trade and other receivables	**15**	**636**	883	944
Prepayments		**80**	114	143
Loans receivable		**24**	20	19
Receivables from related parties	**16**	**99**	28	14
Income tax receivable		**23**	44	59
Other taxes recoverable	**17**	**133**	245	328
Other current financial assets	**18**	**40**	72	713
Cash and cash equivalents	**19**	**1,021**	1,597	1,376
		3,389	4,675	5,676
Assets of disposal groups classified as held for sale	**12**	**4**	302	277
		3,393	4,977	5,953
Total assets		**$ 10,162**	$ 15,350	$ 17,656
EQUITY AND LIABILITIES				
Equity				
Equity attributable to equity holders of the parent entity				
Issued capital	**20**	**$ 404**	$ 404	$ 404
Additional paid-in capital	**20**	**1,570**	1,544	1,419
Revaluation surplus		**155**	162	173
Legal reserve	**20**	**39**	39	39
Unrealised gains and losses	**11,13**	**–**	12	5
Accumulated profits		**2,184**	3,380	4,505
Translation difference		**(3,184)**	(1,658)	(1,424)
		1,168	3,883	5,121
Non-controlling interests		**105**	138	168
		1,273	4,021	5,289
Non-current liabilities				
Long-term loans	**22**	**4,946**	5,559	6,372
Deferred income tax liabilities	**8**	**379**	629	928
Employee benefits	**23**	**350**	452	593
Provisions	**24**	**172**	248	332
Other long-term liabilities	**25**	**424**	229	181
		6,271	7,117	8,406
Current liabilities				
Trade and other payables	**26**	**1,327**	1,329	1,528
Advances from customers		**155**	180	157
Short-term loans and current portion of long-term loans	**22**	**755**	1,810	1,554
Payables to related parties	**16**	**120**	381	256
Income tax payable		**85**	57	48
Other taxes payable	**27**	**124**	180	195
Provisions	**24**	**39**	45	40
Dividends payable by the parent entity to its shareholders	**20**	**–**	113	–
Dividends payable by the Group's subsidiaries to non-controlling shareholders		**–**	5	8
		2,605	4,100	3,786
Liabilities directly associated with disposal groups classified as held for sale	**12**	**13**	112	175
		2,618	4,212	3,961
Total equity and liabilities		**$ 10,162**	$ 15,350	$ 17,656

* The amounts shown here do not correspond to the 2013 and 2012 financial statements and reflect adjustments made in connection with the cessation of classification of subsidiaries as held for sale (Note 2).

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

Evraz Group S.A.
Consolidated Statement of Cash Flows
(in millions of US dollars)

	Year ended 31 December		
	2014	**2013 restated***	**2012 restated***
Cash flows from operating activities			
Net profit/(loss)	**$ (1,055)**	$ (512)	$ (209)
Adjustments to reconcile net profit/(loss) to net cash flows from operating activities:			
Deferred income tax (benefit)/expense *(Note 8)*	**(69)**	(281)	(38)
Depreciation, depletion and amortisation *(Note 7)*	**720**	995	1,259
Loss on disposal of property, plant and equipment	**40**	34	56
Impairment of assets	**530**	563	413
Foreign exchange (gains)/losses, net	**697**	234	41
Interest income	**(18)**	(19)	(23)
Interest expense	**530**	637	653
Share of (profits)/losses of associates and joint ventures	**116**	45	(1)
(Gain)/loss on derecognition of equity investments, net	**–**	5	–
(Gain)/loss on financial assets and liabilities, net	**585**	43	(164)
(Gain)/loss on disposal groups classified as held for sale, net	**(136)**	(131)	(23)
Gain on sale of subsidiaries to the Company's parent	**–**	–	(200)
Other non-operating (gains)/losses, net	**–**	(15)	6
Bad debt expense	**41**	8	12
Changes in provisions, employee benefits and other long-term assets and liabilities	**(57)**	(67)	(55)
Expense arising from equity-settled awards (*Note 21)*	**30**	25	22
Other	**(1)**	(2)	(6)
	1,953	1,562	1,743
Changes in working capital:			
Inventories	**(91)**	217	121
Trade and other receivables	**(2)**	26	(78)
Prepayments	**(8)**	20	37
Receivables from/payables to related parties	**(306)**	116	142
Taxes recoverable	**21**	84	120
Other assets	**11**	(17)	18
Trade and other payables	**161**	(125)	95
Advances from customers	**27**	33	(1)
Taxes payable	**80**	6	(43)
Other liabilities	**(4)**	(5)	(1)
Net cash flows from operating activities	**1,842**	1,917	2,153
Cash flows from investing activities			
Issuance of loans receivable to related parties	**(4)**	(48)	(8)
Proceeds from repayment of loans issued to related parties, including interest	**8**	–	3
Issuance of loans receivable	**–**	(2)	(1)
Proceeds from repayment of loans receivable, including interest	**2**	1	4
Return of capital by a joint venture *(Note 11)*	**–**	–	38
Purchases of subsidiaries, net of cash acquired *(Note 4)*	**–**	(12)	(12)
Restricted deposits at banks in respect of investing activities	**1**	(2)	(2)
Short-term deposits at banks, including interest	**7**	672	(656)
Purchases of property, plant and equipment and intangible assets	**(517)**	(773)	(1,258)
Proceeds from disposal of property, plant and equipment	**13**	6	9
Proceeds from sale of disposal groups classified as held for sale, net of transaction costs *(Note 12)*	**311**	1	311
Proceeds from sale of subsidiaries to the Company's parent (Note 4)	**–**	–	244
Dividends received	**1**	1	88
Other investing activities, net	**19**	(15)	(61)
Net cash flows used in investing activities	**(159)**	(171)	(1,301)

***** The amounts shown here do not correspond to the 2013 and 2012 financial statements and reflect adjustments made in connection with the cessation of classification of subsidiaries as held for sale (Note 2).

Continued on the next page

Evraz Group S.A.
Consolidated Statement of Cash Flows (continued)
(in millions of US dollars)

	Year ended 31 December		
	2014	**2013 restated***	**2012 restated***
Cash flows from financing activities			
Issue of shares *(Note 20)*	$ –	$ 100	$ –
Purchase of treasury shares in the course of the Group's reorganisation *(Note 20)*	**–**	–	(4)
Purchase of shares of EVRAZ plc *(Note 18)*	**(7)**	(3)	–
Purchases of non-controlling interests *(Note 4)*	**–**	–	(1)
Dividends paid by the parent entity to its shareholders *(Note 20)*	**(262)**	(602)	(390)
Dividends paid by the Group's subsidiaries to non-controlling shareholders	**(3)**	(1)	(1)
Proceeds from loans provided by related parties *(Note 16)*	**267**	300	–
Repayment of loans provided by related parties, including interest *(Note 16)*	**(251)**	(300)	–
Proceeds from bank loans and notes	**2,524**	1,922	2,462
Repayment of bank loans and notes, including interest	**(3,178)**	(3,537)	(2,716)
Net proceeds from/(repayment of) bank overdrafts and credit lines, including interest	**(942)**	621	292
Payments for purchase of property, plant and equipment on deferred terms	**(34)**	–	–
Payments under covenants reset *(Note 22)*	**–**	(1)	(7)
Gain/(loss) on derivatives not designated as hedging instruments *(Note 25)*	**(94)**	51	81
Collateral under swap contracts *(Note 18)*	**14**	(21)	10
Payments under finance leases, including interest	**(1)**	(8)	(29)
Other financing activities	**(12)**	–	2
Net cash flows used in financing activities	**(1,979)**	(1,479)	(301)
Effect of foreign exchange rate changes on cash and cash equivalents	**(287)**	(47)	32
Net increase in cash and cash equivalents	**(583)**	220	583
Cash and cash equivalents at the beginning of the year	**1,597**	1,376	801
Add back: decrease/(increase) in cash of disposal groups classified as assets held for sale *(Note 12)*	**7**	1	(8)
Cash and cash equivalents at the end of the year	**$ 1,021**	$ 1,597	$ 1,376
Supplementary cash flow information:			
Cash flows during the year:			
Interest paid	**$ (476)**	$ (538)	$ (559)
Interest received	**14**	18	7
Income taxes paid by the Group	**(275)**	(218)	(298)

***** The amounts shown here do not correspond to the 2013 and 2012 financial statements and reflect adjustments made in connection with the cessation of classification of subsidiaries as held for sale (Note 2).

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

Evraz Group S.A.
Consolidated Statement of Changes in Equity
(in millions of US dollars)

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Legal reserve	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2013 (as previously reported)	**$ 404**	**$ –**	**$ 1,544**	**$ 162**	**$ 39**	**$ 12**	**$ 3,357**	**$ (1,660)**	**$ 3,858**	**$ 134**	**$ 3,992**
Cessation of classification of subsidiaries as held for sale *(Note 2)*	**–**	**–**	**–**	**–**	**–**	**–**	**23**	**2**	**25**	**4**	**29**
At 31 December 2013 (as restated)	**$ 404**	**$ –**	**$ 1,544**	**$ 162**	**$ 39**	**$ 12**	**$ 3,380**	**$ (1,658)**	**$ 3,883**	**$ 138**	**$ 4,021**
Net loss	**–**	**–**	**–**	**–**	**–**	**–**	**(1,030)**	**–**	**(1,030)**	**(25)**	**(1,055)**
Other comprehensive income/(loss)	**–**	**–**	**–**	**–**	**–**	**(12)**	**(23)**	**(1,526)**	**(1,561)**	**(2)**	**(1,563)**
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	**–**	**–**	**–**	**(7)**	**–**	**–**	**7**	**–**	**–**	**–**	**–**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**(7)**	**–**	**(12)**	**(1,046)**	**(1,526)**	**(2,591)**	**(27)**	**(2,618)**
Acquisition of non-controlling interests in subsidiaries	**–**	**–**	**3**	**–**	**–**	**–**	**–**	**–**	**3**	**(3)**	**–**
Share-based payments *(Note 21)*	**–**	**–**	**30**	**–**	**–**	**–**	**–**	**–**	**30**	**–**	**30**
Distribution to a shareholder – transfer of shares of EVRAZ plc to participants of Incentive plans *(Notes 20 and 21)*	**–**	**–**	**(7)**	**–**	**–**	**–**	**–**	**–**	**(7)**	**–**	**(7)**
Dividends declared by the parent entity to its shareholders *(Note 20)*	**–**	**–**	**–**	**–**	**–**	**–**	**(150)**	**–**	**(150)**	**–**	**(150)**
Dividends declared by the Group's subsidiaries to non-controlling shareholders *(Note 20)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**
At 31 December 2014	**$ 404**	**$ –**	**$ 1,570**	**$ 155**	**$ 39**	**$ –**	**$ 2,184**	**$ (3,184)**	**$ 1,168**	**$ 105**	**$ 1,273**

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

Evraz Group S.A.
Consolidated Statement of Changes in Equity (continued)
(in millions of US dollars)

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Legal reserve	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2012 (as previously reported)	$ 404	$ –	$ 1,419	$ 173	$ 39	$ 5	$ 4,500	$ (1,424)	$ 5,116	$ 168	$ 5,284
Cessation of classification of subsidiaries as held for sale *(Note 2)*	–	–	–	–	–	–	5	–	5	–	5
At 31 December 2012 (as restated)	$ 404	$ –	$ 1,419	$ 173	$ 39	$ 5	$ 4,505	$ (1,424)	$ 5,121	$ 168	$ 5,289
Net loss	–	–	–	–	–	–	(494)	–	(494)	(18)	(512)
Other comprehensive income/(loss)	–	–	–	(7)	–	7	82	(234)	(152)	(13)	(165)
Reclassification of additional paid-in capital to accumulated profits in respect of the disposed subsidiaries	–	–	2	–	–	–	(2)	–	–	–	–
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	(4)	–	–	4	–	–	–	–
Total comprehensive income/(loss) for the period	–	–	2	(11)	–	7	(410)	(234)	(646)	(31)	(677)
Issue of shares *(Note 20)*	–	–	100	–	–	–	–	–	100	–	100
Acquisition of non-controlling interests in subsidiaries *(Note 4)*	–	–	1	–	–	–	–	–	1	(3)	(2)
Non-controlling interests arising on acquisition of subsidiaries *(Note 4)*	–	–	–	–	–	–	–	–	–	3	3
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary *(Note 20)*	–	–	–	–	–	–	–	–	–	2	2
Share-based payments *(Note 21)*	–	–	25	–	–	–	–	–	25	–	25
Distribution to a shareholder – transfer of shares of EVRAZ plc to participants of Incentive plans *(Notes 20 and 21)*	–	–	(3)	–	–	–	–	–	(3)	–	(3)
Dividends declared by the parent entity to its shareholders *(Note 20)*	–	–	–	–	–	–	(715)	–	(715)	–	(715)
Dividends declared by the Group's subsidiaries to non-controlling shareholders *(Note 20)*	–	–	–	–	–	–	–	–	–	(1)	(1)
At 31 December 2013	$ 404	$ –	$ 1,544	$ 162	$ 39	$ 12	$ 3,380	$ (1,658)	$ 3,883	$ 138	$ 4,021

* The amounts shown here do not correspond to the 2013 and 2012 financial statements and reflect adjustments made in connection with the cessation of classification of subsidiaries as held for sale (Note 2).

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

Evraz Group S.A.
Consolidated Statement of Changes in Equity (continued)
(in millions of US dollars)

	Attributable to equity holders of the parent entity										
	Issued capital	Treasury shares	Additional paid-in capital	Revaluation surplus	Legal reserve	Unrealised gains and losses	Accumulated profits	Translation difference	Total	Non-controlling interests	Total equity
At 31 December 2011	$ 404	$ –	$ 2,289	$ 171	$ 39	$ –	$ 4,313	$ (1,846)	$ 5,370	$ 225	$ 5,595
Net loss*	–	–	–	–	–	–	(182)	–	(182)	(27)	(209)
Other comprehensive income/(loss)*	–	–	–	–	–	5	(62)	422	365	(2)	363
Reclassification of revaluation surplus to accumulated profits in respect of the disposed items of property, plant and equipment	–	–	–	2	–	–	(2)	–	–	–	–
Total comprehensive income/(loss) for the period*	–	–	–	2	–	5	(246)	422	183	(29)	154
Acquisition of non-controlling interests in subsidiaries *(Note 4)*	–	–	–	–	–	–	(31)	–	(31)	(6)	(37)
Derecognition of non-controlling interests on sale of subsidiaries *(Note 12)*	–	–	–	–	–	–	–	–	–	2	2
Contribution of a non-controlling shareholder to share capital of the Group's subsidiary *(Note 20)*	–	–	–	–	–	–	–	–	–	7	7
Buyback of own shares by a joint venture's subsidiary *(Note 11)*	–	–	–	–	–	–	(22)	–	(22)	–	(22)
Share-based payments *(Note 21)*	–	–	22	–	–	–	–	–	22	–	22
Distribution to a shareholder – transfer of shares of EVRAZ plc to participants of Incentive plans *(Notes 20 and 21)*	–	–	(11)	–	–	–	–	–	(11)	–	(11)
Disposal of a non-contolling interest due to sale of a subsidiary to the Company's parent *(Note16)*	–	–	–	–	–	–	–	–	–	(30)	(30)
Reclassification of distributed dividends to share premium account *(Note 20)*	–	–	(491)	–	–	–	491	–	–	–	–
Dividends declared by the parent entity to its shareholders *(Note 20)*	–	–	(390)	–	–	–	–	–	(390)	–	(390)
Dividends declared by the Group's subsidiaries to non-controlling shareholders *(Note 20)*	–	–	–	–	–	–	–	–	–	(1)	(1)
At 31 December 2012	$ 404	$ –	$ 1,419	$ 173	$ 39	$ 5	$ 4,505	$ (1,424)	$ 5,121	$ 168	$ 5,289

* The amounts shown here do not correspond to the 2013 and 2012 financial statements and reflect adjustments made in connection with the cessation of classification of subsidiaries as held for sale (Note 2).

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

1. Corporate Information

These consolidated financial statements were authorised for issue in accordance with a resolution of the directors of Evraz Group S.A. on 31 March 2015.

Evraz Group S.A. ("Evraz Group" or "the Company") is a joint stock company registered under the laws of Luxembourg on 31 December 2004. The registered address of Evraz Group is 1, rue de Louvigny, L-1946, Luxembourg.

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

At 31 December 2014, 2013 and 2012, EVRAZ plc (UK) held 100% in Evraz Group S.A.

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

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

	Effective ownership interest, %				
Subsidiary	**2014**	**2013**	**2012**	**Business activity**	**Location**
EVRAZ Nizhny Tagil Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Consolidated West-Siberian Metallurgical Plant	**100.00**	100.00	100.00	Steel production	Russia
EVRAZ Vitkovice Steel a.s.	**–**	100.00	100.00	Steel production	Czech Republic
EVRAZ Highveld Steel and Vanadium Limited	**85.11**	85.11	85.11	Steel production	South Africa
EVRAZ Dnepropetrovsk Iron and Steel Works	**96.90**	96.78	96.78	Steel production	Ukraine
EVRAZ Inc. NA	**100.00**	100.00	100.00	Steel production	USA
EVRAZ Inc. NA Canada	**100.00**	100.00	100.00	Steel production	Canada
Yuzhkuzbassugol	**100.00**	100.00	100.00	Coal mining	Russia
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	**100.00**	100.00	100.00	Ore mining and processing	Russia
Evrazruda	**100.00**	100.00	100.00	Ore mining	Russia
EVRAZ Sukha Balka	**99.42**	99.42	99.42	Ore mining	Ukraine

2. Significant Accounting Policies

Basis of Preparation

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

International Financial Reporting Standards are issued by the International Accounting Standard Board ("IASB"). IFRSs that are mandatory for application as of 31 December 2014, but not adopted by the European Union, do not have any impact on the Group's consolidated financial statements.

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

Going Concern

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

The Group's activities in all of its operating segments continue to be affected by the uncertainty and instability of the current economic environment (Note 30). In response the Group implemented a number of cost cutting initiatives, reduced capital expenditures and continues to reduce the level of debt.

Based on the currently available facts and circumstances the directors and management have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Restatement of Financial Statements

Subsidiaries that Ceased to Be Classified as Held for Sale

During the year the Group revised its plan to dispose of all of its investment in EVRAZ Highveld Steel and Vanadium Limited, which was classified as a disposal group held for sale as at 31 December 2012 and 2013. On 12 August 2014 the Group signed an agreement to sell a 34% shareholding (at 31 December 2014 the transaction continues to be pending as certain conditions of the sale have not been met) and to retain control over the remaining 51.1% ownership interest. However, management expects to recover the investment in EVRAZ Highveld Steel and Vanadium Limited principally through sale. At the end of 2014, the sale of the subsidiary within one year was not considered to be highly probable.

At 31 December 2013, the disposal groups held for sale relating to the other segment included an office building in Moscow. In the 2nd half of 2014, due to the current market conditions management decided not to sell this asset.

As a result of these changes in circumstances, EVRAZ Highveld Steel and Vanadium Limited and the subsidiary owning the office building ceased to meet the definition of a disposal group held for sale. In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" the Group restated its consolidated financial statements, including the relevant notes, for the periods in which the assets were classified as held for sale as if the subsidiaries had not been classified as assets held for sale in the past and all assets and liabilities and the results of operations had been accounted for in accordance with the applicable International Financial Reporting Standards as adopted by the European Union.

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

The effects of the restatements on the previously reported amounts are set out below.

Statement of Operations

	Year ended 31 December 2013		
	As previously reported	**Subsidiary that ceased to be held for sale**	**Restated**
Revenue			
Sale of goods	$ 13,666	$ –	$ 13,666
Rendering of services	353	–	353
	14,019	–	14,019
Cost of revenue	(11,108)	(33)	(11,141)
Gross profit	2,911	(33)	2,878
Selling and distribution costs	(1,133)	(30)	(1,163)
General and administrative expenses	(803)	–	(803)
Social and social infrastructure maintenance expenses	(48)	–	(48)
Loss on disposal of property, plant and equipment	(34)	–	(34)
Impairment of assets	(446)	(117)	(563)
Foreign exchange gains/(losses), net	(234)	–	(234)
Other operating income	53	–	53
Other operating expenses	(85)	–	(85)
Profit/(loss) from operations	181	(180)	1
Interest income	19	–	19
Interest expense	(637)	–	(637)
Share of profits/(losses) of joint ventures and associates	(45)	–	(45)
Gain/(loss) on derecognition of equity investments, net	(5)	–	(5)
Gain/(loss) on financial assets and liabilities, net	(43)	–	(43)
Gain/(loss) on disposal groups classified as held for sale, net	(25)	156	131
Other non-operating gains/(losses), net	15	–	15
Loss before tax	(540)	(24)	(564)
Income tax benefit/(expense)	7	45	52
Net profit/(loss)	$ (533)	$ 21	$ (512)
Attributable to:			
Equity holders of the parent entity	$ (512)	$ 18	$ (494)
Non-controlling interests	(21)	3	(18)
	$ (533)	$ 21	$ (512)
Earnings/(losses) per share: for profit/(loss) attributable to equity holders of the parent entity, US dollars, basic and diluted	$ (3.44)	$ 0.12	$ (3.32)

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Comprehensive Income

	Year ended 31 December 2013		
	As previously reported	**Subsidiary that ceased to be held for sale**	**Restated**
Net profit/(loss)	$ (533)	$ 21	$ (512)
Other comprehensive income/(loss)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations into presentation currency	(188)	3	(185)
Exchange differences recycled to profit or loss	(22)	–	(22)
Net gains/(losses) on available-for-sale financial assets	7	–	7
	(203)	3	(200)
Effect of translation to presentation currency of the Group's joint ventures and associates	(38)	–	(38)
	(38)	–	(38)
Items not to be reclassified to profit or loss in subsequent periods			
Gains/(losses) on re-measurement of net defined benefit liability	103	–	103
Income tax effect	(30)	–	(30)
	73	–	73
Gains/(losses) on re-measurement of net defined benefit liability recognised by the Group's joint ventures and associates	7	–	7
Decrease in revaluation surplus in connection with the impairment of property, plant and equipment	(9)	–	(9)
Income tax effect	2	–	2
	(7)	–	(7)
Total other comprehensive income/(loss)	(168)	3	(165)
Total comprehensive income/(loss), net of tax	$ (701)	$ 24	$ (677)
Attributable to:			
Equity holders of the parent entity	$ (666)	$ 20	$ (646)
Non-controlling interests	(35)	4	(31)
	$ (701)	$ 24	$ (677)

Statement of Changes in Equity

	Year ended 31 December 2013		
	As previously reported	**Subsidiary that ceased to be held for sale**	**Restated**
Accumulated profits	$ 3,357	$ 23	$ 3,380
Translation difference	(1,660)	2	(1,658)
Non-controlling interests	134	4	138

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Financial Position

	31 December 2013 As previously reported	31 December 2013 Subsidiaries that ceased to be held for sale	31 December 2013 Restated
ASSETS			
Non-current assets			
Property, plant and equipment	$ 6,769	$ 239	$ 7,008
Intangible assets other than goodwill	523	63	586
Goodwill	1,988	–	1,988
Investments in joint ventures and associates	465	–	465
Deferred income tax assets	80	–	80
Other non-current financial assets	180	4	184
Other non-current assets	62	–	62
	10,067	306	10,373
Current assets			
Inventories	1,569	103	1,672
Trade and other receivables	841	42	883
Prepayments	112	2	114
Loans receivable	20	–	20
Receivables from related parties	28	–	28
Income tax receivable	44	–	44
Other taxes recoverable	243	2	245
Other current financial assets	72	–	72
Cash and cash equivalents	1,569	28	1,597
	4,498	177	4,675
Assets of disposal groups classified as held for sale	804	(502)	302
	5,302	(325)	4,977
Total assets	$ 15,369	$ (19)	$ 15,350
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	$ 404	$ –	$ 404
Additional paid-in capital	1,544	–	1,544
Revaluation surplus	162	–	162
Legal reserve	39	–	39
Unrealised gains and losses	12	–	12
Accumulated profits	3,357	23	3,380
Translation difference	(1,660)	2	(1,658)
	3,858	25	3,883
Non-controlling interests	134	4	138
	3,992	29	4,021
Non-current liabilities			
Long-term loans	$ 5,557	$ 2	$ 5,559
Deferred income tax liabilities	615	14	629
Employee benefits	441	11	452
Provisions	188	60	248
Other long-term liabilities	229	–	229
	7,030	87	7,117
Current liabilities			
Trade and other payables	1,236	93	1,329
Advances from customers	179	1	180
Short-term loans and current portion of long-term loans	1,810	–	1,810
Payables to related parties	381	–	381
Income tax payable	57	–	57
Other taxes payable	179	1	180
Provisions	39	6	45
Dividends payable by the parent entity to its shareholders	113	–	113
Dividends payable by the Group's subsidiaries to non-controlling shareholders	5	–	5
	3,999	101	4,100
Liabilities directly associated with disposal groups classified as held for sale	348	(236)	112
	4,347	(135)	4,212
Total equity and liabilities	**$ 15,369**	**$ (19)**	**$ 15,350**

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Operations

	Year ended 31 December 2012		
	As previously reported	Subsidiaries that ceased to be held for sale	Restated
Revenue			
Sale of goods	$ 14,367	$ –	$ 14,367
Rendering of services	359	–	359
	14,726	–	14,726
Cost of revenue	(11,803)	–	(11,803)
Gross profit	2,923	–	2,923
Selling and distribution costs	(1,211)	–	(1,211)
General and administrative expenses	(829)	–	(829)
Social and social infrastructure maintenance expenses	(51)	–	(51)
Loss on disposal of property, plant and equipment	(56)	–	(56)
Impairment of assets	(413)	–	(413)
Foreign exchange gains/(losses), net	(41)	–	(41)
Other operating income	75	–	75
Other operating expenses	(129)	–	(129)
Profit from operations	268		268
Interest income	23	–	23
Interest expense	(653)	–	(653)
Share of profits/(losses) of joint ventures and associates	1	–	1
Gain/(loss) on financial assets and liabilities, net	164	–	164
Gain/(loss) on disposal groups classified as held for sale, net	18	5	23
Gain on sale of subsidiaries to the Company's parent	200	–	200
Other non-operating gains/(losses), net	(6)	–	(6)
Profit/(loss) before tax	15	5	20
Income tax expense	(229)	–	(229)
Net profit/(loss)	$ (214)	$ 5	$ (209)
Attributable to:			
Equity holders of the parent entity	$ (187)	$ 5	$ (182)
Non-controlling interests	(27)	–	(27)
	$ (214)	$ 5	$ (209)
Earnings/(losses) per share: for profit/(loss) attributable to equity holders of the parent entity, US dollars, basic and diluted	$ (1.26)	$ 0.04	$ (1.22)

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Comprehensive Income

	Year ended 31 December 2012		
	As previously reported	Subsidiaries that ceased to be held for sale	Restated
Net profit/(loss)	$ (214)	$ 5	$ (209)
Other comprehensive income/(loss)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations into presentation currency	280	–	280
Exchange differences recycled to profit or loss	96	–	96
Net gains/(losses) on available-for-sale financial assets	4	–	4
	380	–	380
Effect of translation to presentation currency of the Group's joint ventures and associates	44	–	44
Net gains/(losses) on available-for-sale financial assets of the Group's joint ventures and associates	1	–	1
	45	–	45
Items not to be reclassified to profit or loss in subsequent periods			
Gains/(losses) on re-measurement of net defined benefit liability	(74)	–	(74)
Income tax effect	14	–	14
	(60)	–	(60)
Gains/(losses) on re-measurement of net defined benefit liability recognised by the Group's joint ventures and associates	(2)	–	(2)
Total other comprehensive income/(loss)	363	–	363
Total comprehensive income/(loss), net of tax	$ 149	$ 5	$ 154
Attributable to:			
Equity holders of the parent entity	$ 178	$ 5	$ 183
Non-controlling interests	(29)	–	(29)
	$ 149	$ 5	$ 154

Statement of Changes in Equity

	31 December 2012		
	As previously reported	Subsidiaries that ceased to be held for sale	Restated
Accumulated profits	$ 4,500	$ 5	$ 4,505
Translation difference	(1,424)	–	(1,424)

2. Significant Accounting Policies (continued)

Basis of Preparation (continued)

Restatement of Financial Statements (continued)

Statement of Financial Position

	31 December 2012 As previously reported	31 December 2012 Subsidiaries that ceased to be held for sale	31 December 2012 Restated
ASSETS			
Non-current assets			
Property, plant and equipment	$ 7,718	$ 272	$ 7,990
Intangible assets other than goodwill	586	149	735
Goodwill	2,180	23	2,203
Investments in joint ventures and associates	551	–	551
Deferred income tax assets	68	–	68
Other non-current financial assets	92	–	92
Other non-current assets	64	–	64
	11,259	444	11,703
Current assets			
Inventories	1,978	102	2,080
Trade and other receivables	895	49	944
Prepayments	143	–	143
Loans receivable	19	–	19
Receivables from related parties	14	–	14
Income tax receivable	59	–	59
Other taxes recoverable	327	1	328
Other current financial assets	713	–	713
Cash and cash equivalents	1,314	62	1,376
	5,462	214	5,676
Assets of disposal groups classified as held for sale	930	(653)	277
	6,392	(439)	5,953
Total assets	$ 17,651	$ 5	$ 17,656
EQUITY AND LIABILITIES			
Equity			
Equity attributable to equity holders of the parent entity			
Issued capital	$ 404	$ –	$ 404
Additional paid-in capital	1,419	–	1,419
Revaluation surplus	173	–	173
Legal reserve	39	–	39
Unrealised gains and losses	5	–	5
Accumulated profits	4,500	5	4,505
Translation difference	(1,424)	–	(1,424)
	5,116	5	5,121
Non-controlling interests	168	–	168
	5,284	5	5,289
Non-current liabilities			
Long-term loans	$ 6,370	$ 2	$ 6,372
Deferred income tax liabilities	855	73	928
Employee benefits	577	16	593
Provisions	257	75	332
Other long-term liabilities	181	–	181
	8,240	166	8,406
Current liabilities			
Trade and other payables	1,411	117	1,528
Advances from customers	157	–	157
Short-term loans and current portion of long-term loans	1,542	12	1,554
Payables to related parties	256	–	256
Income tax payable	48	–	48
Other taxes payable	195	–	195
Provisions	32	8	40
Dividends payable by the Group's subsidiaries to non-controlling shareholders	8	–	8
	3,649	137	3,786
Liabilities directly associated with disposal groups classified as held for sale	478	(303)	175
	4,127	(166)	3,961
Total equity and liabilities	$ 17,651	$ 5	$ 17,656

2. Significant Accounting Policies (continued)

Changes in Accounting Policies

In the preparation of these consolidated financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the previous year, except for the adoption of new standards and interpretations and revision of the existing standards as of 1 January 2014.

New/Revised Standards and Interpretations Adopted in 2014:

- IFRS 10 “Consolidated Financial Statements”, IAS 27 “Separate Financial Statements”

IFRS 10 replaced the portion of IAS 27 “Consolidated and Separate Financial Statements” that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 “Consolidation — Special Purpose Entities”. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

- IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group’s financial position or performance.

- Amendments to IFRS 10, IFRS 12 and IAS 27

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

- IFRS 11 “Joint Arrangements”, IAS 28 “Investments in Associates and Joint Ventures”

IFRS 11 replaced IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly-controlled Entities” — Non-monetary Contributions by Venturers”. IFRS 11 removed the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 “Investments in Associates”, has been renamed IAS 28 “Investments in Associates and Joint Ventures”, and describes the application of the equity method to investments in joint ventures in addition to associates.

- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting.

- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-financial Assets

These amendments remove the unintended consequences of IFRS 13 “Fair Value Measurement” on the disclosures required under IAS 36 “Impairment of Assets”. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period.

2. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

- IFRIC 21 "Levies"

IFRIC 21 is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 Income Taxes) and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The Group early adopted IFRIC 21 (in the European Union it is effective for annual periods beginning on or after 17 June 2014).

The new standards, interpretations and amendments described above did not have a significant impact on the financial position or performance of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards Issued But Not Yet Effective in the European Union

Standards not yet effective for the financial statements for the year ended 31 December 2014	Effective for annual periods beginning on or after
▪ Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014
▪ Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions	1 February 2015
▪ Annual Improvements to IFRSs 2010-2012 Cycle	1 February 2015
▪ IFRS 14 "Regulatory Deferral Accounts"	1 January 2016*
▪ Amendments to IAS 1 – Disclosure Initiative	1 January 2016*
▪ Amendments to IFRS 11 – Accounting for Acquisitions of Interests	1 January 2016*
▪ Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016*
▪ Amendments to IAS 16 and IAS 41 – Bearer Plants	1 January 2016*
▪ Amendments to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016*
▪ Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exemption	1 January 2016*
▪ Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016*
▪ Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016*
▪ IFRS 15 "Revenue from Contracts with Customers"	1 January 2017*
▪ IFRS 9 "Financial Instruments"	1 January 2018*

*Subject to EU endorsement

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

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates

Estimation Uncertainty

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

Impairment of Property, Plant and Equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. In 2014, 2013 and 2012, the Group recognised an impairment loss of $183 million, $307 million and $404 million, respectively (Note 9).

The determination of impairments of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate that impairment exists.

The determination of the recoverable amount of a cash-generating unit involves the use of estimates by management. Methods used to determine the value in use include discounted cash flow-based methods, which require the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. These estimates, including the methodologies used, may have a material impact on the value in use and, ultimately, the amount of any impairment.

Useful Lives of Items of Property, Plant and Equipment

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

On 1 January 2014, the Group changed its estimation of useful lives of property, plant and equipment, which resulted in a $52 million decrease in depreciation expense as compared to the amounts that would have been charged had no change in estimate occurred.

Fair Values of Assets and Liabilities Acquired in Business Combinations

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

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Impairment of Goodwill

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

The carrying amount of goodwill at 31 December 2014, 2013 and 2012 was $1,541 million, $1,988 million and $2,203 million, respectively. In 2014, 2013 and 2012, the Group recognised an impairment loss in respect of goodwill in the amount of $330 million, $168 million and $Nil, respectively. More details of the assumptions used in estimating the value in use of the cash-generating units to which goodwill is allocated are provided in Note 5.

Mineral Reserves

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

Site Restoration Provisions

The Group reviews site restoration provisions at each reporting date and adjusts them to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities".

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the end of the reporting period based on the requirements of the current legislation of the country where the respective operating assets are located. The carrying amount of a provision is the present value of the expected expenditures, i.e. cash outflows discounted using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable judgement is required in forecasting future site restoration costs.

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

Post-Employment Benefits

The Group uses an actuarial valuation method for the measurement of the present value of post-employment benefit obligations and related current service cost. This involves the use of demographic assumptions about the future characteristics of the current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, disability and early retirement, etc.) as well as financial assumptions (discount rate, future salary and benefit levels, expected rate of return on plan assets, etc.). More details are provided in Note 23.

2. Significant Accounting Policies (continued)

Significant Accounting Judgements and Estimates (continued)

Estimation Uncertainty (continued)

Allowances

The Group makes allowances for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements. As of 31 December 2014, 2013 and 2012, allowances for doubtful accounts in respect of trade and other receivables have been made in the amount of $57 million, $59 million and $101 million, respectively (Note 28).

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

Deferred Income Tax Assets

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

Foreign Currency Transactions

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

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

The following exchange rates were used in the consolidated financial statements:

	2014		2013		2012	
	31 December	**average**	**31 December**	**average**	**31 December**	**average**
USD/RUB	56.2584	38.4217	32.7292	31.8480	30.3727	31.0930
EUR/RUB	68.3427	50.8150	44.9699	42.3129	40.2286	39.9275
EUR/USD	1.2141	1.3285	1.3791	1.3281	1.3194	1.2848
USD/CAD	1.1601	1.1048	1.0636	1.0301	0.9949	0.9994
USD/ZAR	11.5719	10.8488	10.4675	9.6508	8.4838	8.2137
EUR/ZAR	14.0668	14.4054	14.4210	12.8249	11.1902	10.5553
USD/UAH	15.7686	11.9064	7.9930	7.9930	7.9930	7.9910
RUB/UAH	0.2803	0.3050	0.2450	0.2512	0.2632	0.2574

2. Significant Accounting Policies (continued)

Foreign Currency Transactions (continued)

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

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

Basis of Consolidation

Subsidiaries

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

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

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

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

Acquisition of Subsidiaries

Business combinations are accounted for using the acquisition method.

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

Acquisition costs incurred are expensed and included in administrative expenses.

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

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

2. Significant Accounting Policies (continued)

Basis of Consolidation (continued)

Acquisition of Subsidiaries (continued)

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

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

Increases in Ownership Interests in Subsidiaries

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

Purchases of Controlling Interests in Subsidiaries from Entities under Common Control

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

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

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

Put Options over Non-controlling Interests

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

Investments in Associates

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

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

2. Significant Accounting Policies (continued)

Investments in Associates (continued)

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

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

Interests in Joint Ventures

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

Property, Plant and Equipment

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

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

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

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

	Useful lives (years)	Weighted average remaining useful life (years)
Buildings and constructions	15–60	21
Machinery and equipment	4–45	11
Transport and motor vehicles	7–20	8
Other assets	3–15	5

2. Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

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

Depletion of mining assets including capitalised site restoration costs is calculated using the units-of-production method based upon proved and probable mineral reserves. The depletion calculation takes into account future development costs for reserves which are in the production phase.

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

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

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures represent costs incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. The expenditures include acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources. These costs are expensed as incurred.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Group commences recognition of expenditures related to the development of mineral resources as assets. These assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Leases

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

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

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

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

2. Significant Accounting Policies (continued)

Goodwill

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

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

Intangible Assets Other Than Goodwill

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

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

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

The table below presents the useful lives of intangible assets.

	Useful lives (years)	Weighted average remaining useful life (years)
Customer relationships	1–15	11
Contract terms	10	9
Other	5–19	10

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

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

2. Significant Accounting Policies (continued)

Financial Assets

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

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

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

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

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the end of the reporting period or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of operations. Reversals of impairment losses in respect of equity instruments are not recognised in the statement of operations. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the statement of operations.

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

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

Accounts Receivable

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

2. Significant Accounting Policies (continued)

Accounts Receivable (continued)

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

Inventories

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

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

Value Added Tax

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

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

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

Cash and Cash Equivalents

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

Borrowings

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

Borrowing costs relating to qualifying assets are capitalised (Note 9).

Financial Guarantee Liabilities

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

2. Significant Accounting Policies (continued)

Equity

Share Capital

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

Treasury Shares

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

Dividends

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

Provisions

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

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

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

Employee Benefits

Social and Pension Contributions

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

Defined Benefit Plans

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

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

2. Significant Accounting Policies (continued)

Employee Benefits (continued)

Defined Benefit Plans (continued)

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. It is recorded within interest expense in the consolidated statement of operations.

The Group recognises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements in the consolidated statement of operations within “cost of sales”, “general and administrative expenses” and “selling and distribution expenses”.

Other Costs

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

Share-based Payments

The Group has management compensation schemes (Note 21), under which certain senior executives and employees of the Group receive remuneration in the form of share-based payment transactions, whereby they render services as consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with grantees is measured by reference to the fair value of the Company’s shares at the date on which they are granted. The fair value is determined using the Black-Scholes-Merton model. In valuing equity-settled transactions, no account is taken of any conditions, other than market conditions.

2. Significant Accounting Policies (continued)

Share-based Payments (continued)

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

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

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

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

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

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

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

Revenue

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

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

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

Sale of Goods

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

2. Significant Accounting Policies (continued)

Revenue (continued)

Rendering of Services

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

Interest

Interest is recognised using the effective interest method.

Dividends

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

Rental Income

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

Current Income Tax

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

Current income tax relating to items recognised outside profit or loss is recognised in other comprehensive income or equity and not in the statement of operations.

Deferred Income Tax

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

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

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

3. Segment Information

For management purposes, in 2013 and previous periods the Group was organised into business units based on their products and services, and had four reportable operating segments:

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

In 2014, the management reporting used by the chief operating decision maker for making decisions about resource allocation has changed to put more emphasis on analysis of the operating results of the coal segment and operations in North America. As such, new reportable segments were identified and the comparative segment information has been restated accordingly. The new reportable operating segments are:

- *Steel* segment includes production of steel and related products at all mills except for those located in North America. Extraction of vanadium ore and production of vanadium products, iron ore mining and enrichment and certain energy-generating companies are also included in this segment as they are closely related to the main process of steel production.
- *Steel, North America* is a segment, which includes production of steel and related products in the USA and Canada.
- *Coal* segment includes coal mining and enrichment. It also includes operations of Nakhodka Trade Sea Port as it is used to a significant extent for shipping of products of the coal segment to the Asian markets.
- *Other operations* include energy-generating companies, shipping and railway transportation companies.

Management and investment companies are not allocated to any of the segments. Operating segments have been aggregated into reportable segments if they show a similar long-term economic performance, have comparable production processes, customer industries and distribution channels, operate in the same regulatory environment, and are generally managed and monitored together.

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

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

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

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

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

3. Segment Information (continued)

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

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

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

Year ended 31 December 2014

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	**$ 9,135**	**$ 3,159**	**$ 540**	**$ 128**	**$ –**	**$ 12,962**
Inter-segment sales	**570**	–	**676**	**446**	**(1,692)**	**–**
Total revenue	**9,705**	**3,159**	**1,216**	**574**	**(1,692)**	**12,962**
Segment result – EBITDA	**$ 1,756**	**$ 282**	**$ 311**	**$ 31**	**$ 2**	**$ 2,382**

Year ended 31 December 2013

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 10,849	$ 3,056	$ 728	$ 142	$ –	$ 14,775
Inter-segment sales	370	–	706	468	(1,544)	–
Total revenue	11,219	3,056	1,434	610	(1,544)	14,775
Segment result – EBITDA	$ 1,352	$ 139	$ 141	$ 34	$ 142	$ 1,808

Year ended 31 December 2012

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue						
Sales to external customers	$ 10,824	$ 3,373	$ 195	$ 142	$ –	$ 14,534
Inter-segment sales	478	–	649	573	(1,700)	–
Total revenue	11,302	3,373	844	715	(1,700)	14,534
Segment result – EBITDA	$ 1,159	$ 358	$ 230	$ 147	$ 87	$ 1,981

3. Segment Information (continued)

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

Year ended 31 December 2014

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 9,705	$ 3,159	$ 1,216	$ 574	$ (1,692)	$ 12,962
Sales of Raspadskaya	–	–	(444)	–	–	(444)
Reclassifications and other adjustments	(186)	1	146	74	290	325
Revenue per IFRS financial statements	$ 9,519	$ 3,160	$ 918	$ 648	$ (1,402)	$ 12,843
EBITDA	$ 1,756	$ 282	$ 311	$ 31	$ 2	$ 2,382
Exclusion of management services from segment result	128	–	8	1	–	137
Unrealised profits adjustment	9	(1)	–	–	(51)	(43)
Reclassifications and other adjustments	19	(2)	8	5	–	30
	156	(3)	16	6	(51)	124
EBITDA based on IFRS financial statements	$ 1,912	$ 279	$ 327	$ 37	$ (49)	$ 2,506
Unallocated subsidiaries						(213)
						$ 2,293
Depreciation, depletion and amortisation expense	(389)	(165)	(154)	(4)	–	(712)
Impairment of assets	(196)	(261)	(71)	(2)	–	(530)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(20)	(1)	(19)	–	–	(40)
Foreign exchange gains/(losses), net	84	(21)	5	4	–	72
	$ 1,391	$ (169)	$ 88	$ 35	$ (49)	$ 1,083
Unallocated income/(expenses), net						(777)
Profit/(loss) from operations						$ 306
Interest income/(expense), net						$ (512)
Share of profits/(losses) of joint ventures and associates						(116)
Gain/(loss) on financial assets and liabilities						(585)
Gain/(loss) on disposal groups classified as held for sale						136
Profit/(loss) before tax						$ (771)

3. Segment Information (continued)

Year ended 31 December 2013

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 11,219	$ 3,056	$ 1,434	$ 610	$ (1,544)	$ 14,775
Sales of Raspadskaya	–	–	(520)	–	–	(520)
Reclassifications and other adjustments	(427)	(20)	62	120	29	(236)
Revenue per IFRS financial statements	$ 10,792	$ 3,036	$ 976	$ 730	$ (1,515)	$ 14,019
EBITDA	$ 1,352	$ 139	$ 141	$ 34	$ 142	$ 1,808
Exclusion of management services from segment result	186	–	10	1	–	197
Unrealised profits adjustment	(30)	2	(1)	–	(169)	(198)
Reclassifications and other adjustments	148	17	65	2	–	232
	304	19	74	3	(169)	231
EBITDA based on IFRS financial statements	$ 1,656	$ 158	$ 215	$ 37	$ (27)	$ 2,039
Unallocated subsidiaries						(212)
						$ 1,827
Depreciation, depletion and amortisation expense	(551)	(200)	(229)	(9)	–	(989)
Impairment of assets	(92)	(350)	(110)	(11)	–	(563)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(25)	(2)	(7)	–	–	(34)
Foreign exchange gains/(losses), net	(29)	(4)	(4)	–	–	(37)
	$ 959	$ (398)	$ (135)	$ 17	$ (27)	$ 204
Unallocated income/(expenses), net						(203)
Profit/(loss) from operations						$ 1
Interest income/(expense), net						$ (618)
Share of profits/(losses) of joint ventures and associates						(45)
Gain/(loss) on derecognition of equity investments, net						(5)
Gain/(loss) on financial assets and liabilities						(43)
Gain/(loss) on disposal groups classified as held for sale						131
Other non-operating gains/(losses), net						15
Profit/(loss) before tax						$ (564)

3. Segment Information (continued)

Year ended 31 December 2012

US$ million	Steel	Steel, North America	Coal	Other operations	Eliminations	Total
Revenue	$ 11,302	$ 3,373	$ 844	$ 715	$ (1,700)	$ 14,534
Reclassifications and other adjustments	136	(15)	49	53	(31)	192
Revenue per IFRS financial statements	$ 11,438	$ 3,358	$ 893	$ 768	$ (1,731)	$ 14,726
EBITDA	$ 1,159	$ 358	$ 230	$ 147	$ 87	$ 1,981
Exclusion of management services from segment result	148	–	8	3	–	159
Unrealised profits adjustment	44	–	–	–	(44)	–
Reclassifications and other adjustments	120	(5)	(14)	(15)	–	86
	312	(5)	(6)	(12)	(44)	245
EBITDA based on IFRS financial statements	$ 1,471	$ 353	$ 224	$ 135	$ 43	$ 2,226
Unallocated subsidiaries						(189)
						$ 2,037
Depreciation, depletion and amortisation expense	(576)	(204)	(460)	(12)	–	(1,252)
Impairment of assets	(415)	(1)	3	–	–	(413)
Gain/(loss) on disposal of property, plant and equipment and intangible assets	(41)	(2)	(13)	–	–	(56)
Foreign exchange gains/(losses), net	62	16	(3)	1	–	76
	$ 501	$ 162	$ (249)	$ 124	$ 43	$ 392
Unallocated income/(expenses), net						(124)
Profit/(loss) from operations						$ 268
Interest income/(expense), net						$ (630)
Share of profits/(losses) of joint ventures and associates						1
Gain/(loss) on financial assets and liabilities						164
Gain/(loss) on disposal groups classified as held for sale						23
Gain on sale of subsidiaries to the Company's parent						200
Other non-operating gains/(losses), net						(6)
Profit/(loss) before tax						$ 20

3. Segment Information (continued)

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

US$ million	2014	2013	2012
Steel			
Construction products	**$ 3,286**	$ 3,866	$ 4,053
Flat-rolled products	**487**	988	1,273
Railway products	**1,022**	1,324	1,241
Semi-finished products	**2,359**	2,028	2,066
Other steel products	**358**	423	452
Other products	**604**	788	879
Iron ore	**278**	389	347
Vanadium in slag	**27**	46	31
Vanadium in alloys and chemicals	**456**	477	465
Rendering of services	**58**	67	129
	8,935	10,396	10,936
Steel, North America			
Construction products	**337**	291	282
Flat-rolled products	**619**	788	1,048
Railway products	**513**	467	510
Tubular products	**1,499**	1,266	1,329
Other steel products	**1**	39	44
Other products	**177**	159	135
Rendering of services	**12**	10	9
	3,158	3,020	3,357
Coal			
Coal	**477**	326	211
Other products	**1**	1	1
Rendering of services	**71**	69	72
	549	396	284
Other operations			
Rendering of services	**201**	207	149
	201	207	149
	$ 12,843	$ 14,019	$ 14,726

3. Segment Information (continued)

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

US$ million	2014	2013	2012
CIS			
Russia	**$ 5,133**	$ 5,925	$ 6,191
Kazakhstan	**384**	456	355
Ukraine	**332**	494	473
Others	**209**	225	168
	6,058	7,100	7,187
America			
USA	**1,727**	1,940	2,293
Canada	**1,589**	1,233	1,234
Others	**213**	69	44
	3,529	3,242	3,571
Asia			
Taiwan	**485**	549	492
Indonesia	**429**	272	355
Thailand	**285**	332	451
Korea	**200**	99	118
Japan	**115**	45	59
China	**100**	163	178
Jordan	**88**	57	64
Philippines	**51**	99	87
United Arab Emirates	**43**	64	87
Mongolia	**26**	43	67
Vietnam	**8**	13	27
Syria	**–**	–	10
Others	**55**	145	120
	1,885	1,881	2,115
Europe			
Austria	**139**	173	160
Italy	**114**	157	224
Germany	**74**	163	204
Slovakia	**60**	123	96
Czech Republic	**58**	151	155
Poland	**37**	100	131
Other members of the European Union	**143**	183	261
Turkey	**242**	314	182
Others	**47**	21	37
	914	1,385	1,450
Africa			
South Africa	**363**	361	323
Others	**84**	43	74
	447	404	397
Other countries	**10**	7	6
	$ 12,843	$ 14,019	$ 14,726

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

3. Segment Information (continued)

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

US$ million		**2014**		2013		2012
Russia	**$**	**2,907**	$	5,356	$	6,062
Canada		**1,553**		1,837		2,046
USA		**1,468**		1,670		2,014
Ukraine		**302**		652		668
Republic of South Africa		**130**		232		486
Italy		**54**		197		204
Kazakhstan		**118**		119		65
Czech Republic		**35**		40		42
Other countries		**6**		6		29
	$	**6,573**	$	10,109	$	11,616

4. Acquisition of Subsidiaries

Acquisitions of Controlling Interests

Acquisition of a Controlling Interest in MediaHolding Provincia

In 2013, the Group acquired an additional 45.5% ownership interest in MediaHolding Provincia for a cash consideration of $11 million. The fair value of the equity interest previously held by the Group (30%) was $4 million. The Group recorded a $5 million loss on derecognition of the equity interest in MediaHolding Provincia held before the business combination. The Group recognised $4 million of goodwill on the transaction. Subsequently, the Group acquired all non-controlling interests ($3 million) settled by the transfer of property and recognised the excess of the carrying value of the acquired non-controlling interests over the amount of consideration amounting to $1 million in additional paid-in capital.

Disclosure of Other Information in Respect of Business Combinations

If this business combination had occurred as of the beginning of 2013, the revenue and net profit/(loss) of the combined entity would have not been changed.

Acquisition of Other Controlling Interests

In 2013, the Group paid $1 million to an entity under control of two major shareholders for an acquisition of Telekon, a broadcasting company in Nizhny Tagil, Russia. An independent appraiser valued that business at $5 million.

On 1 January 2012, the Group obtained control over the operating activities of Kachkanar Heat and Power Plant (Russia), for which the Group paid $20 million in 2011. This payment was included in other non-current assets as of 31 December 2011 (Note 13). Goodwill arising on this business combination amounted to $3 million.

In 2012, the Group paid $12 million for the scrap yards located in the USA. Goodwill arising on this acquisition amounted to $1 million.

Mezhegey Project

In June 2012, the Group acquired an additional 9.996% ownership interest in Actionfield Limited, which holds and operates the Mezhegey coal field project (Note 20). As a result, the Group increased its share in the project to approximately 60.016%. The fair value of the consideration amounted to $36 million. It was agreed to settle the liabilities for the purchase by an offset with a loan receivable by the Group. The excess of the consideration over the carrying value of the acquired non-controlling interest amounting to $30 million was charged to accumulated profits.

In September 2012, the Group sold its share in the project to EVRAZ plc for a cash consideration of $245 million and recognised in the consolidated statement of operations a gain of $200 million being the difference between the proceeds from the sale and carrying value of the ownership interest sold. At the date of sale, cash balances of the disposed subsidiaries amounted to $1 million.

5. Goodwill

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

US$ million	Gross amount	Impairment losses	Carrying amount
At 31 December 2011	**3,091**	**(911)**	**2,180**
Goodwill recognised on acquisition of subsidiaries (Note 4)	4	–	4
Adjustment to contingent consideration	(5)	–	(5)
Sale of subsidiaries (Note 12)	(72)	72	–
Translation difference	24	–	24
At 31 December 2012	**3,042**	**(839)**	**2,203**
Goodwill recognised on acquisition of subsidiaries (Notes 4 and 11)	18	–	18
Impairment	–	(168)	(168)
Claymont Steel	–	*(135)*	*(135)*
EVRAZ Highveld Steel and Vanadium Limited	–	*(19)*	*(19)*
Kazankovskaya	–	*(14)*	*(14)*
Adjustment to contingent consideration	(4)	–	(4)
Sale of subsidiaries (Note 12)	(14)	14	–
Translation difference	(61)	–	(61)
At 31 December 2013	**$ 2,981**	**$ (993)**	**$ 1,988**
Impairment	–	(330)	(330)
Oregon Steel Portland Mill	–	*(171)*	*(171)*
Calgary	–	*(90)*	*(90)*
EVRAZ Palini e Bertoli	–	*(69)*	*(69)*
Adjustment to contingent consideration	(7)	–	(7)
Sale of subsidiaries (Note 12)	(3)	–	(3)
Translation difference	(343)	236	(107)
At 31 December 2014	**$ 2,628**	**$ (1,087)**	**$ 1,541**

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

US$ million	2014	2013	2012
EVRAZ Inc. NA	**$ 825**	$ 996	$ 1,131
Oregon Steel Portland Mill	***241***	*412*	*412*
Rocky Mountain Steel Mills	***410***	*410*	*410*
OSM Tubular – Camrose Mills	***157***	*157*	*157*
Claymont Steel	***–***	*–*	*135*
General Scrap	***16***	*16*	*16*
Others	***1***	*1*	*1*
EVRAZ Inc. NA Canada	**634**	791	845
Calgary	***109***	*217*	*232*
Red Deer	***48***	*52*	*56*
Regina Steel	***340***	*373*	*397*
Regina Tubular	***118***	*128*	*137*
Others	***19***	*21*	*23*
EVRAZ Palini e Bertoli	**–**	79	76
EVRAZ Vanady-Tula	**36**	62	66
EVRAZ Vametco Holdings	**9**	16	20
EVRAZ Nikom, a.s.	**33**	37	39
EVRAZ Highveld Steel and Vanadium Limited	**–**	–	23
EVRAZ Kachkanar Heat and Power Plant	**2**	3	3
Provincia	**2**	4	–
	$ 1,541	$ 1,988	$ 2,203

6. Impairment of Assets

The summary of impairment losses recognition and reversals is presented below.

Year ended 31 December 2014

US$ million	**Goodwill and intangible assets**	**Property, plant and equipment**	**Inventory**	**Taxes receivable**	**Total**
EVRAZ Highveld Steel and Vanadium Limited	**$ (17)**	**$ (41)**	**$ –**	**$ –**	**$ (58)**
EVRAZ Inc. NA	**(171)**	**–**	**–**	**–**	**(171)**
EVRAZ Inc. NA Canada	**(90)**	**–**	**–**	**–**	**(90)**
EVRAZ Palini e Bertoli	**(69)**	**(43)**	**–**	**–**	**(112)**
Yuzhkuzbassugol	**–**	**(71)**	**–**	**–**	**(71)**
Others, net	**–**	**(28)**	**–**	**–**	**(28)**
	$ (347)	**$ (183)**	**$ –**	**$ –**	**$ (530)**
Recognised in profit or loss	**(347)**	**(183)**	**–**	**–**	**(530)**

Year ended 31 December 2013

US$ million	**Goodwill and intangible assets**	**Property, plant and equipment**	**Inventory**	**Taxes receivable**	**Total**
Evrazruda	$ –	$ 32	$ –	$ –	$ 32
EVRAZ Claymont Steel	(154)	(147)	(25)	–	(326)
EVRAZ Highveld Steel and Vanadium Limited	(50)	(67)	–	–	(117)
EVRAZ Dnepropetrovsk Iron and Steel Works	–	30	–	(2)	28
EVRAZ Inc. NA Canada	(19)	(6)	–	–	(25)
EVRAZ Nizhny Tagil Metallurgical Plant	–	(8)	–	–	(8)
EVRAZ Consolidated West-Siberian Metallurgical Plant	–	(20)	–	–	(20)
Kazankovskaya	(14)	–	–	–	(14)
Shipping companies	–	(11)	–	–	(11)
Yuzhkuzbassugol	–	(105)	–	–	(105)
Others, net	–	(5)	–	(1)	(6)
	$ (237)	$ (307)	$ (25)	$ (3)	$ (572)
Recognised in profit or loss	(237)	(298)	(25)	(3)	(563)
Recognised in other comprehensive income	–	(9)	–	–	(9)

Year ended 31 December 2012

US$ million	**Goodwill and intangible assets**	**Property, plant and equipment**	**Inventory**	**Taxes receivable**	**Total**
Evrazruda	$ (1)	$ (355)	$ –	$ –	$ (356)
EVRAZ Dnepropetrovsk Iron and Steel Works	–	(47)	–	(4)	(51)
Others, net	–	(2)	–	(4)	(6)
	$ (1)	$ (404)	$ –	$ (8)	$ (413)
Recognised in profit or loss	(1)	(404)	–	(8)	(413)

6. Impairment of Assets (continued)

The Group recognised the impairment losses as a result of the impairment testing at the level of cash-generating units. In addition, the Group made a write-off of certain functionally obsolete items of property, plant and equipment and recorded an impairment relating to VAT with a long-term recovery.

For the purpose of the impairment testing as of 31 December 2014 the Group assessed the recoverable amount of each cash-generating unit to which the goodwill was allocated or where indicators of impairment were identified.

The recoverable amounts have been determined based on calculation of either value-in-use or fair value less costs to sell. Both valuation techniques used cash flow projections based on the actual operating results and business plans approved by management and appropriate discount rates reflecting time value of money and risks associated with respective cash-generating units. For the periods not covered by management business plans, cash flow projections have been estimated by extrapolating the results of the respective business plans using a zero real growth rate. In determination of fair value less costs to sell the asset's value additionally includes the cashflows of future projects not started yet and the associated capital expenditure costs.

The major drivers that led to impairment were the changes in expectations of long-term prices for iron ore and steel products, the increase in forecasted costs, changes in forecasted production volumes and the increase in the discount rates.

The key assumptions used by management in the value-in-use calculations with respect to the cash-generating units to which the goodwill was allocated are presented in the table below.

	Period of forecast, years	**Pre-tax discount rate, %**	**Commodity**	**Average price of commodity per tonne in 2015**	**Recoverable amount of CGU, US$ million**	**Carrying amount of CGU before impairment, US$ million**
EVRAZ Inc. NA (all CGU)	5	9.75-12.95	steel products	$870	2,563	1,747
including Oregon Steel Portland Mill	*5*	*12.29*	*steel products*	*$833*	*579*	*750*
EVRAZ Inc. NA Canada (all CGU)	5	12.32-13.67	steel products	$905	1,936	1,423
including Calgary	*5*	*13.67*	*steel products*	*$1,244*	*243*	*333*
EVRAZ Palini e Bertoli	5	15.19	steel plates	€503	54	165
EVRAZ Vanady-Tula	5	15.96	vanadium products	$18,061	333	65
EVRAZ Vametco Holdings	5	14.51	ferrovanadium products	$24,898	105	23
EVRAZ Nikom, a.s.	5	13.26	ferrovanadium products	$21,136	64	35

6. Impairment of Assets (continued)

In addition, the Group determined that there were indicators of impairment in other cash generating units and tested them for impairment using the following assumptions.

	Period of forecast, years	Pre-tax discount rate, %	Commodity	Average price of commodity per tonne in 2015
EVRAZ Dnepropetrovsk Iron and Steel Works	5	27.14	steel products	$471
EVRAZ Nizhny Tagil Metallurgical Plant	5	15.96	steel products	$491
EVRAZ Consolidated West-Siberian Metallurgical Plant	5	16.83	steel products	$409
EVRAZ Caspian Steel	5	13.65	steel mill under construction	$490
EVRAZ Yuzhny Stan	5	14.44	steel mill under construction	–
EVRAZ Bagleykoks	5	18.34	coke	$168
EVRAZ Stratcor Inc.	5	13.98	ferrovanadium products	$33,741
Yuzhkuzbassugol	15	17.98	coal	$67
Mezhegeyugol	27	18.36	undeveloped coal field	$95
EVRAZ Kachkanarsky Mining-and-Processing Integrated Works	25	17.08	ore	$45
EVRAZ Sukha Balka	19	24.08	ore	$43
Evrazruda	20	17.87	ore	$60

The value in use of the cash-generating units for which an impairment loss was recognised or reversed in the reporting year was as follows at 31 December.

US$ million	2014	2013
Oregon Steel Portland Mill	$579	$788
Calgary	243	433
EVRAZ Palini e Bertoli	54	220

As management expects to recover investments in EVRAZ Highveld Steel and Vanadium Limited principally through sale, the recoverable amount of this cash-generating unit was measured at $107 million as fair value less costs of disposal, which was determined based on the share prices of the subsidiary (Level 1) at 31 December 2014.

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

Discount Rates

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rates have been determined using the Capital Asset Pricing Model and analysis of industry peers. Reasonably possible changes in discount rates could lead to an additional impairment at EVRAZ Stratcor Inc., EVRAZ Palini e Bertoli, EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If discount rates were 10% higher, this would lead to an additional impairment of $147 million.

6. Impairment of Assets (continued)

Sales Prices

The prices of the products sold by the Group were estimated using industry research. The Group expects that the nominal prices will fluctuate with a compound annual growth rate of (3.3)%-2.9% in 2015 – 2019, 2.5%-3.0% in 2020 and thereafter. Reasonably possible changes in sales prices could lead to an additional impairment at EVRAZ Palini e Bertoli, EVRAZ Stratcor Inc., EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the prices assumed for 2015 and 2016 in the impairment test were 10% lower, this would lead to an additional impairment of $156 million.

Sales Volumes

Management assumed that the sales volumes of steel products would increase by 1% in 2015 and would grow evenly during the following four years to reach normal asset capacity utilisation thereafter. Reasonably possible changes in sales volumes could lead to an additional impairment at EVRAZ Palini e Bertoli EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the sales volumes were 10% lower than those assumed for 2015 and 2016 in the impairment test, this would lead to an additional impairment of $15 million.

Cost Control Measures

The recoverable amounts of cash-generating units are based on the business plans approved by management. A reasonably possible deviation of cost from these plans could lead to an additional impairment at EVRAZ Dnepropetrovsk Iron and Steel Works, EVRAZ Sukha Balka, EVRAZ Stratcor Inc., EVRAZ Palini e Bertoli, EVRAZ Inc. NA and EVRAZ Inc. NA Canada cash-generating units. If the actual costs were 10% higher than those assumed for 2015 and 2016 in the impairment test, this would lead to an additional impairment of $175 million.

The unit's recoverable amount would become equal to its carrying amount if the assumptions used to measure the recoverable amount changed by the following percentages:

	Discount rates	**Sales prices**	**Sales volumes**	**Cost control measures**
EVRAZ Stratcor Inc.	8.7%	(8.4)%	–	2.1%
EVRAZ Sukha Balka	–	–	–	8.2%
EVRAZ Dnepropetrovsk Iron and Steel Works	–	–	–	6.9%
EVRAZ Inc. NA				
General Scrap	–	–	–	8.6%

7. Income and Expenses

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

US$ million		2014		2013		2012
Cost of inventories recognised as expense	**$**	**(7,774)**	$	(5,552)	$	(6,266)
Staff costs, including social security taxes		**(2,041)**		(2,437)		(2,398)
Depreciation, depletion and amortisation		**(720)**		(995)		(1,259)

In 2014, 2013 and 2012, the Group recognised (expense)/income on allowance or net reversal of the allowance for net realisable value in the amount of $(7) million, $35 million and $2 million, respectively.

Staff costs include the following:

US$ million		2014		2013		2012
Wages and salaries	**$**	**1,488**	$	1,791	$	1,766
Social security costs		**352**		443		412
Post-employment benefit expense		**31**		70		77
Share-based awards		**30**		25		22
Other compensations		**140**		108		121
	$	**2,041**	$	2,437	$	2,398

The major components of other operating expenses were as follows:

US$ million		2014		2013		2012
Idling, reduction and stoppage of production, including termination benefits	**$**	**(51)**	$	(56)	$	(77)
Restoration works and casualty compensations in connection with accidents		**(1)**		(7)		(8)
Other		**(24)**		(22)		(44)
	$	**(76)**	$	(85)	$	(129)

7. Income and Expenses (continued)

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

US$ million	2014	2013	2012
Bank interest	**$ (55)**	$ (98)	$ (103)
Interest on bonds and notes	**(423)**	(475)	(484)
Finance charges payable under finance leases	**(1)**	(1)	(3)
Net interest expense on employee benefits obligations (Note 23)	**(27)**	(35)	(37)
Discount adjustment on provisions (Note 24)	**(15)**	(19)	(19)
Other	**(9)**	(9)	(7)
	$ (530)	$ (637)	$ (653)

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

US$ million	2014	2013	2012
Interest on bank accounts and deposits	**$ 8**	$ 11	$ 13
Interest on loans and accounts receivable	**4**	5	6
Interest on loans receivable from related parties	**2**	–	–
Other	**4**	3	4
	$ 18	$ 19	$ 23

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

US$ million	2014	2013	2012
Gain/(loss) on derivatives not designated as hedging instruments (Note 25)	**$ (588)**	$ (55)	$ 177
Loss on extinguishment of debts (Note 22)	**(9)**	–	–
Other	**12**	12	(13)
	$ (585)	$ (43)	$ 164

8. Income Taxes

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

	2014	2013	2012
Russia	**20.00%**	20.00%	20.00%
Canada	**25.61%**	25.54%	25.54%
Cyprus	**12.50%**	12.50%	10.00%
Czech Republic	**19.00%**	19.00%	19.00%
Italy	**31.40%**	31.40%	31.40%
South Africa	**28.00%**	28.00%	28.00%
Switzerland	**9.65%**	9.87%	9.82%
Ukraine	**18.00%**	19.00%	21.00%
USA	**37.78%**	38.90%	38.20%

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

US$ million	2014	2013	2012
Current income tax expense	**$ (352)**	$ (223)	$ (336)
Adjustment in respect of income tax of previous years	**(1)**	(6)	69
Deferred income tax benefit/(expense) relating to origination and reversal of temporary differences	**69**	281	38
Income tax (expense)/benefit reported in the consolidated statement of operations	**$ (284)**	$ 52	$ (229)

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

US$ million	2014	2013	2012
Profit/(loss) before income tax	**$ (771)**	$ (564)	$ 20
At the Russian statutory income tax rate of 20%	**154**	113	(4)
Adjustment in respect of income tax of previous years	**(1)**	(6)	69
Deferred income tax expense arising on the adjustment to current income tax of prior periods and the change in tax base of underlying assets	**(5)**	4	(53)
Effect of non-deductible expenses and other non-temporary differences	**(118)**	24	(93)
Unrecognised temporary differences recognition/reversal	**(461)**	(179)	(165)
Effect of the difference in tax rates in countries other than the Russian Federation	**170**	105	31
Tax on dividends distributed by the Group's subsidiaries to parent company	**–**	–	(14)
Share of profits in joint ventures and associates	**(23)**	(9)	–
Income tax (expense)/benefit reported in the consolidated statement of operations	**$ (284)**	$ 52	$ (229)

8. Income Taxes (continued)

The increase in the amount of non-deductible expenses and unrecognised temporary differences is mostly caused by the significant forex exchange losses and losses on derivatives (Note 25), which either cannot be utilised or cannot be deductible for tax purposes in certain subsidiaries.

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

Year ended 31 December 2014

US$ million	2014	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to business combinations	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2013
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	$ 550	(42)	–	–	–	–	(201)	$ 793
Valuation and amortisation of intangible assets	112	(21)	–	–	–	–	(12)	145
Other	56	15	–	–	–	–	(20)	61
	718	(48)	–	–	–	–	(233)	999
Deferred income tax assets:								
Tax losses available for offset	116	6	–	–	–	–	(49)	159
Accrued liabilities	172	30	15	–	(5)	–	(31)	163
Impairment of accounts receivable	12	3	–	–	–	–	(7)	16
Other	99	(18)	–	–	5	–	–	112
	399	21	15	–	–	–	(87)	450
Net deferred income tax asset	60	(4)	3	–	–	–	(19)	80
Net deferred income tax liability	$ 379	(73)	(12)	–	–	–	(165)	$ 629

Year ended 31 December 2013

US$ million	2013	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to business combinations	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2012
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	$ 793	(91)	(2)	1	(9)	(1)	(50)	$ 945
Valuation and amortisation of intangible assets	145	(37)	–	3	–	–	(13)	192
Other	61	(8)	–	6	(3)	–	(7)	73
	999	(136)	(2)	10	(12)	(1)	(70)	1,210
Deferred income tax assets:								
Tax losses available for offset	159	66	–	–	3	9	(7)	88
Accrued liabilities	163	11	(30)	2	(16)	3	(9)	202
Impairment of accounts receivable	16	(12)	–	–	(1)	–	(3)	32
Other	112	80	–	(2)	7	–	(1)	28
	450	145	(30)	–	(7)	12	(20)	350
Net deferred income tax asset	80	7	(3)	–	–	13	(5)	68
Net deferred income tax liability	$ 629	(274)	25	10	(5)	–	(55)	$ 928

8. Income Taxes (continued)

Year ended 31 December 2012

US$ million	2012	Change recognised in statement of operations	Change recognised in other comprehensive income	Change due to business combinations	Change due to disposal of subsidiaries	Transfer to disposal groups classified as held for sale	Translation difference	2011
Deferred income tax liabilities:								
Valuation and depreciation of property, plant and equipment	$ 945	(64)	–	(1)	(26)	(14)	29	$ 1,021
Valuation and amortisation of intangible assets	192	(30)	–	–	–	–	1	221
Other	73	(9)	(3)	–	(4)	–	3	86
	1,210	(103)	(3)	(1)	(30)	(14)	33	1,328
Deferred income tax assets:								
Tax losses available for offset	88	(37)	–	–	(13)	(17)	4	151
Accrued liabilities	202	26	11	–	(12)	(4)	2	179
Impairment of accounts receivable	32	(2)	–	–	(1)	–	2	33
Other	28	(52)	–	–	(2)	(7)	2	87
	350	(65)	11	–	(28)	(28)	10	450
Net deferred income tax asset	68	(5)	1	–	(2)	(13)	5	82
Net deferred income tax liability	$ 928	(43)	(13)	(1)	(4)	1	28	$ 960

As of 31 December 2014, 2013 and 2012, deferred income taxes in respect of undistributed earnings of the Group's subsidiaries have not been provided for, as management does not intend to distribute accumulated earnings in the foreseeable future. The current tax rate on intra-group dividend income varies from 0% to 10%. The temporary differences associated with investments in subsidiaries were not recognised as the Group is able to control the timing of the reversal of these temporary differences and does not intend to reverse them in the foreseeable future.

In the context of the Group's current structure, tax losses and current tax assets of the different companies may not be set off against current tax liabilities and taxable profits of other companies, except for the companies registered in Cyprus and Russia where group relief can be applied. As of 31 December 2014, the unused tax losses carry forward approximated $7,222 million (2013: $6,907 million, 2012: $5,677 million). The Group recognised deferred tax assets of $116 million (2013: $165 million, 2012: $104 million) in respect of unused tax losses. Deferred tax asset in the amount of $1,719 million (2013: $1,542 million, 2012: $1,349 million) has not been recorded as it is not probable that sufficient taxable profits will be available in the foreseeable future to offset these losses. Tax losses of $6,585 million (2013: $6,054 million, 2012: $4,860 million) for which deferred tax asset was not recognised arose in companies registered in Luxembourg, Cyprus, Russia, Republic of South Africa, USA, Italy, Czech Republic and Ukraine. Losses in the amount of $6,331 million (2013: $5,572 million, 2012: $4,582 million) are available indefinitely for offset against future taxable profits of the companies in which the losses arose and $254 million will expire during 2015–2025 (2013: $481 million, 2012: $278 million).

9. Property, Plant and Equipment

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

US$ million	2014	2013	2012
Cost:			
Land	**$ 123**	$ 157	$ 183
Buildings and constructions	**1,792**	2,676	2,837
Machinery and equipment	**4,773**	6,326	6,322
Transport and motor vehicles	**206**	326	413
Mining assets	**1,639**	2,774	3,039
Other assets	**56**	66	77
Assets under construction	**269**	736	1,186
	8,858	13,061	14,057
Accumulated depreciation, depletion and impairment losses:			
Buildings and constructions	**(776)**	(1,193)	(1,222)
Machinery and equipment	**(2,562)**	(3,033)	(2,906)
Transport and motor vehicles	**(130)**	(194)	(232)
Mining assets	**(979)**	(1,585)	(1,651)
Other assets	**(43)**	(48)	(56)
	(4,490)	(6,053)	(6,067)
	$ 4,368	$ 7,008	$ 7,990

The movement in property, plant and equipment for the year ended 31 December 2014 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2013, cost, net of accumulated depreciation	$ 157	$ 1,481	$ 3,303	$ 131	$ 1,183	$ 17	$ 736	$ 7,008
Assets acquired in business combination	–	–	–	–	–	–	–	–
Additions	–	1	8	1	–	–	487	497
Assets put into operation	–	193	423	15	117	5	(753)	–
Disposals	(2)	(7)	(35)	(2)	(10)	–	(4)	(60)
Depreciation and depletion charge	–	(103)	(412)	(23)	(110)	(4)	–	(652)
Impairment losses recognised in statement of operations	(4)	(20)	(85)	–	(79)	–	(12)	(200)
Impairment losses reversed through statement of operations	–	5	10	–	–	–	2	17
Impairment losses recognised or reversed through other comprehensive income	–	–	–	–	–	–	–	–
Transfer to assets held for sale	–	(4)	(3)	–	–	–	–	(7)
Change in site restoration and decommissioning provision	–	6	(4)	–	64	–	4	70
Translation difference	(28)	(536)	(994)	(46)	(505)	(5)	(191)	(2,305)
At 31 December 2014, cost, net of accumulated depreciation	$ 123	$ 1,016	$ 2,211	$ 76	$ 660	$ 13	$ 269	$ 4,368

9. Property, Plant and Equipment (continued)

The movement in property, plant and equipment for the year ended 31 December 2013 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2012, cost, net of accumulated depreciation	$ 183	$ 1,615	$ 3,416	$ 181	$ 1,388	$ 21	$ 1,186	$ 7,990
Assets acquired in business combination	–	6	–	–	–	–	–	6
Additions	3	1	4	3	4	–	767	782
Assets put into operation	–	142	809	18	131	4	(1,104)	–
Disposals	–	(9)	(27)	(2)	(2)	–	(2)	(42)
Depreciation and depletion charge	–	(143)	(518)	(33)	(164)	(5)	–	(863)
Impairment losses recognised in statement of operations	(27)	(49)	(184)	(14)	(86)	(1)	(49)	(410)
Impairment losses reversed through statement of operations	1	21	31	–	56	–	3	112
Impairment losses recognised or reversed through other comprehensive income	–	(4)	(1)	–	(2)	–	(2)	(9)
Transfer to assets held for sale	(11)	(6)	(23)	(15)	(57)	–	(1)	(113)
Change in site restoration and decommissioning provision	15	4	7	–	(4)	–	–	22
Translation difference	(7)	(97)	(211)	(7)	(81)	(2)	(62)	(467)
At 31 December 2013, cost, net of accumulated depreciation	$ 157	$ 1,481	$ 3,303	$ 131	$ 1,183	$ 17	$ 736	$ 7,008

The movement in property, plant and equipment for the year ended 31 December 2012 was as follows:

US$ million	Land	Buildings and constructions	Machinery and equipment	Transport and motor vehicles	Mining assets	Other assets	Assets under construction	Total
At 31 December 2011, cost, net of accumulated depreciation	$ 187	$ 1,640	$ 3,440	$ 281	$ 1,708	$ 23	$ 1,027	$ 8,306
Assets acquired in business combination	3	7	14	–	–	–	–	24
Additions	–	2	4	8	8	1	1,292	1,315
Assets put into operation	1	210	590	59	277	4	(1,141)	–
Disposals	(1)	(12)	(43)	(3)	(3)	–	(5)	(67)
Depreciation and depletion charge	–	(152)	(534)	(42)	(467)	(7)	–	(1,202)
Impairment losses recognised in statement of operations	(3)	(96)	(81)	(15)	(199)	–	(28)	(422)
Impairment losses reversed through statement of operations	–	2	10	–	6	–	–	18
Transfer to assets held for sale	(8)	(62)	(92)	(121)	–	–	(12)	(295)
Sale of a subsidiary to the Company's parent	–	–	–	–	(69)	–	–	(69)
Change in site restoration and decommissioning provision	–	4	(3)	–	52	–	–	53
Translation difference	4	72	111	14	75	–	53	329
At 31 December 2012, cost, net of accumulated depreciation	$ 183	$ 1,615	$ 3,416	$ 181	$ 1,388	$ 21	$ 1,186	$ 7,990

9. Property, Plant and Equipment (continued)

Assets under construction include prepayments to constructors and suppliers of property, plant and equipment in the amount of $19 million, $92 million and $287 million as of 31 December 2014, 2013 and 2012, respectively.

On 1 January 2014, certain of the Group's subsidiaries reassessed the remaining useful lives of property, plant and equipment, which resulted in a $52 million decrease in depreciation expense as compared to the amounts that would have been charged had no change in estimate occurred.

Impairment losses were identified in respect of certain items of property, plant and equipment that were recognised as functionally obsolete or as a result of the testing at the level of cash-generating units (Note 6).

The amount of borrowing costs capitalised during the year ended 31 December 2013 was $9 million (2012: $16 million, 2011: $13 million). In 2013, the rate used to determine the amount of borrowing costs eligible for capitalisation was 4.8% (2013: 5.3%, 2012: 4.8%), which is the effective interest rate of borrowings that were outstanding during the period, other than borrowings made specifically for the purpose of obtaining qualifying assets.

10. Intangible Assets Other Than Goodwill

Intangible assets consisted of the following as of 31 December:

US$ million	**2014**	2013	2012
Cost:			
Customer relationships	**$ 981**	$ 1,054	$ 1,222
Water rights and environmental permits	**57**	57	57
Contract terms	**26**	45	–
Other	**63**	87	72
	1,127	1,243	1,351
Accumulated amortisation:			
Customer relationships	**(642)**	(606)	(568)
Water rights and environmental permits	**–**	–	–
Contract terms	**(3)**	(1)	–
Other	**(42)**	(50)	(48)
	(687)	(657)	(616)
	$ 440	$ 586	$ 735

As of 31 December 2014, 2013 and 2012, water rights and environmental permits with a carrying value of $57 million had an indefinite useful life.

10. Intangible Assets Other Than Goodwill (continued)

The movement in intangible assets for the year ended 31 December 2014 was as follows:

US$ million	Customer relation-ships	Water rights and environ-mental permits	Contract terms	Other	Total
At 31 December 2013, cost, net of accumulated amortisation	**$ 448**	**$ 57**	**$ 44**	**$ 37**	**$ 586**
Additions	**–**	**–**	**–**	**3**	**3**
Amortisation charge	**(60)**	**–**	**(4)**	**(7)**	**(71)**
Impairment loss recognised in statement of operations	**(16)**	**–**	**–**	**–**	**(16)**
Transfer to assets held for sale	**(1)**	**–**	**–**	**–**	**(1)**
Translation difference	**(32)**	**–**	**(17)**	**(12)**	**(61)**
At 31 December 2014, cost, net of accumulated amortisation	**$ 339**	**$ 57**	**$ 23**	**$ 21**	**$ 440**

The movement in intangible assets for the year ended 31 December 2013 was as follows:

US$ million	Customer relation-ships	Water rights and environ-mental permits	Contract terms	Other	Total
At 31 December 2012, cost, net of accumulated amortisation	$ 654	$ 57	$ –	$ 24	$ 735
Assets acquired in business combination	–	–	–	17	17
Additions	–	–	47	4	51
Amortisation charge	(86)	–	(1)	(6)	(93)
Impairment loss recognised in statement of operations	(68)	–	–	(1)	(69)
Translation difference	(52)	–	(2)	(1)	(55)
At 31 December 2013, cost, net of accumulated amortisation	$ 448	$ 57	$ 44	$ 37	$ 586

The movement in intangible assets for the year ended 31 December 2012 was as follows:

US$ million	Customer relation-ships	Water rights and environ-mental permits	Contract terms	Other	Total
At 31 December 2011, cost, net of accumulated amortisation	$ 750	$ 57	$ 12	$ 19	$ 838
Assets acquired in business combination	1	–	–	–	1
Additions	–	–	–	13	13
Amortisation charge	(99)	–	–	(4)	(103)
Emission allowances granted	–	–	–	4	4
Emission allowances used/sold/purchased for the period	–	–	–	(7)	(7)
Impairment loss recognised in statement of operations	–	–	–	(1)	(1)
Transfer to assets held for sale	–	–	(12)	–	(12)
Translation difference	2	–	–	–	2
At 31 December 2012, cost, net of accumulated amortisation	$ 654	$ 57	$ –	$ 24	$ 735

11. Investments in Joint Ventures and Associates

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

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

US$ million	Corber	Streamcore	Other associates	Total
Investment at 31 December 2011	**$ 613**	**$ 24**	**$ 18**	**$ 655**
Additional investments	–	–	5	5
Write-off of loan receivable (Note 16)	–	–	(5)	(5)
Share of profit/(loss)	(11)	7	–	(4)
Reversal of impairment of investments	–	5	–	5
Dividends paid	(86)	(2)	–	(88)
Acquisition of non-controlling interests	(22)	–	–	(22)
Return of capital	(38)	–	–	(38)
Unrealised gains on financial assets	1	–	–	1
Gains/(losses) on re-measurement of net defined benefit liability	(2)	–	–	(2)
Translation difference	42	2	–	44
Investment at 31 December 2012	**$ 497**	**$ 36**	**$ 18**	**$ 551**
Share of profit/(loss)	(54)	7	2	(45)
Dividends paid	–	–	(1)	(1)
Acquisition of controlling interests (Note 4)	–	–	(9)	(9)
Gains/(losses) on re-measurement of net defined benefit liability	7	–	–	7
Translation difference	(35)	(3)	–	(38)
Investment at 31 December 2013	**$ 415**	**$ 40**	**$ 10**	**$ 465**
Share of profit/(loss)	(126)	8	2	(116)
Dividends paid	–	–	(1)	(1)
Gains/(losses) on re-measurement of net defined benefit liability	4	–	–	4
Net gains on available for sale financial assets	(1)	–	–	(1)
Translation difference	(145)	(19)	(1)	(165)
Investment at 31 December 2014	**$ 147**	**$ 29**	**$ 10**	**$ 186**

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

US$ million	2014	2013	2012
Share of profit/(loss), net	**$ (116)**	$ (45)	$ (4)
Reversal of impairment/(impairment) of investments	**–**	–	5
Share of profits/(losses) of joint ventures and associates recognised in the consolidated statement of operations	**$ (116)**	$ (45)	$ 1

11. Investments in Joint Ventures and Associates (continued)

Corber

Corber Enterprises S.à.r.l ("Corber") was a joint venture established in 2004 for the purpose of exercising joint control over economic activities of Raspadskaya Mining Group. Since March 2014 Corber is registered in Luxembourg.The Group had a 50% share in the joint venture, i.e. at 31 December 2014, 2013 and 2012 it effectively owned approximately 41% in JSC Raspadskaya.

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

US$ million	**2014**	2013	2012
Mineral reserves	**$ 345**	$ 678	$ 742
Other property, plant and equipment	**482**	857	924
Other non-current assets	**110**	105	70
Inventories	**39**	73	111
Accounts and notes receivable	**51**	101	252
Cash	**27**	6	8
Total assets	**1,054**	1,820	2,107
Non-current liabilities	**509**	543	617
Deferred income tax liabilities	**80**	155	172
Current liabilities	**107**	107	106
Total liabilities	**696**	805	895
Non-controlling interests	**69**	187	223
Net assets	**$ 289**	$ 828	$ 989
Group's share of net assets	**145**	414	495
Add: cost of guarantee	**2**	2	2
Less: unrealised profits in inventory balance	**–**	(1)	–
Investment	**$ 147**	$ 415	$ 497

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

US$ million	**2014**	2013	2012
Revenue	**$ 443**	$ 545	$ 542
Cost of revenue	**(404)**	(473)	(460)
Other expenses, including income taxes	**(349)**	(200)	(112)
Net profit/(loss)	**$ (310)**	$ (128)	$ (30)
Attributable to:			
Equity holders of the parent entity	**$ (254)**	$ (105)	$ (23)
Non-controlling interests	**(56)**	(23)	(7)
Net profit/(loss)	**$ (310)**	$ (128)	$ (30)
50% of unrealised profits on transactions with the joint venture	**1**	(1)	1
Group's share of profits/(losses) of the joint venture	**$ (126)**	$ (54)	$ (11)

11. Investments in Joint Ventures and Associates (continued)

Buyback of Shares by Raspadskaya

In 2012, Raspadskaya, a subsidiary of Corber, the Group's joint venture, made a buyback of 9.94% of its shares from shareholders. At the end of February 2012, Corber sold 48,351,712 shares back to Raspadskaya for $248 million. As a result of the buyback, Corber effectively acquired an additional 1.95% share in Raspadskaya and its ownership interest increased to 81.95%.

The Group's share in the excess of the amounts of consideration over the carrying values of non-controlling interests acquired amounting to $22 million was charged to accumulated profits of the Group.

Return of Capital

In September 2012, the Board of directors of Corber decided to reduce its additional paid-in capital by $76 million by the return of funds to its shareholders. The Group received $38 million in cash.

Kazankovskaya

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

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

US$ million	**2012**
Other current assets	$ 2
Total assets	2
Non-current liabilities	9
Current liabilities	116
Total liabilities	125
Net liabilities	$ (123)

At 31 December the accumulated unrecognised losses in respect of Kazankovskaya amounted to:

US$ million	**2012**
Unrecognised losses	$ (39)

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

US$ million	**2012**
Revenue	$ –
Cost of revenue	–
Other expenses, including income taxes	(23)
Net loss	(23)
Group's share of loss of the associate	$ (12)

In January 2013, the Group acquired an additional 50% in Kazankovskaya from Magnitogorsk Steel Plant for a cash consideration of 167 US dollars. The primary reason for the business combination was a preparation for the subsequent sale of the mine. The Group fully impaired $14 million goodwill, which arose on this acquisition. In August 2013, Kazankovskaya was sold (Note 12).

11. Investments in Joint Ventures and Associates (continued)

Streamcore

The Group owns a 50% interest in Streamcore (Cyprus), a joint venture established for the purpose of exercising joint control over facilities for scrap procurement and processing in Siberia, Russia.

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

US$ million	**2014**	2013	2012
Property, plant and equipment	**$ 27**	$ 49	$ 55
Inventories	**5**	8	9
Accounts receivable	**51**	131	50
Total assets	**83**	188	114
Deferred income tax liabilities	**1**	2	3
Non-current liabilities	**–**	31	–
Current liabilities	**24**	75	39
Total liabilities	**25**	108	42
Net assets	**$ 58**	$ 80	$ 72
Group's share of net assets	**29**	40	36
	$ 29	$ 40	$ 36

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

US$ million	**2014**	2013	2012
Revenue	**$ 478**	$ 477	$ 504
Cost of revenue	**(450)**	(440)	(472)
Other expenses, including income taxes	**(12)**	(23)	(18)
Net profit	**$ 16**	$ 14	$ 14
Group's share of profit of the joint venture	**$ 8**	$ 7	$ 7

12. Disposal Groups Held for Sale

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

US$ million	**2014**	2013	2012
Property, plant and equipment	**$ 3**	$ 172	$ 96
Other non-current assets	**–**	14	35
Inventories	**1**	61	–
Accounts receivable	**–**	48	138
Cash and cash equivalents	**–**	7	8
Assets classified as held for sale	**4**	302	277
Deferred income tax liabilities	**–**	–	2
Non-current liabilities	**13**	2	31
Current liabilities	**–**	110	142
Liabilities directly associated with assets classified as held for sale	**13**	112	175
Non-controlling interests	**–**	–	–
Net assets classified as held for sale	**$ (9)**	$ 190	$ 102

The net assets of disposal groups classified as held for sale at 31 December related to the following reportable segments:

US$ million	**2014**	2013	2012
Assets classified as held for sale	**$ 4**	$ 302	$ 277
Steel production	**1**	289	261
Coal	**3**	–	16
Other operations	**–**	13	–
Liabilities directly associated with assets classified as held for sale	**13**	112	175
Steel production	**–**	112	134
Steel, North America	**13**	–	–
Coal	**–**	–	41

At 31 December 2013 and 2012, the disposal groups held for sale relating to the steel segment consisted mostly of the assets and liabilities of EVRAZ Vitkovice Steel sold in April 2014. In 2012, the difference between the carrying value of the net assets of the subsidiary and the expected consideration amounting to $78 million was recognised as a loss on disposal groups classified as held for sale and in 2013 it was fully reversed due to the change in the amount of consideration.

12. Disposal Groups Held for Sale (continued)

The table below demonstrates the carrying values of assets and liabilities, at the dates of disposal, of the subsidiaries and other business units disposed of during 2012–2014.

US$ million	**2014**	2013	2012
Property, plant and equipment	**$ 178**	$ 113	$ 130
Other non-current assets	**19**	16	13
Inventories	**79**	17	10
Accounts receivable	**64**	49	70
Cash and cash equivalents	**20**	23	2
Total assets	**360**	218	225
Deferred income tax liabilities	**–**	7	12
Non-current liabilities	**28**	114	7
Current liabilities	**100**	84	99
Total liabilities	**128**	205	118
Non-controlling interests	**–**	–	(2)
Net assets	**$ 232**	$ 13	$ 109

The net assets of disposal groups sold in 2012–2014 related to the following reportable segments:

US$ million	**2014**	2013	2012
Assets classified as held for sale	**$ 360**	$ 218	$ 225
Steel	**330**	130	78
Steel, North America	**9**	13	–
Coal	**–**	39	–
Other operations	**21**	36	147
Liabilities directly associated with assets classified as held for sale	**128**	205	118
Steel	**126**	103	88
Coal	**–**	70	–
Other operations	**2**	32	30
Non-controlling interests	**–**	–	(2)
Steel production	**–**	–	(2)

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

US$ million	**2014**	2013	2012
Net cash disposed of with subsidiaries	**$ (20)**	$ (23)	$ (2)
Cash received	**331**	24	313
Net cash inflow	**$ 311**	$ 1	$ 311

12. Disposal Groups Held for Sale (continued)

The disposal groups sold during 2012–2014 are described below.

EVRAZ Vitkovice Steel

On 3 April 2014, the Group sold its wholly-owned subsidiary EVRAZ Vitkovice Steel to a third party for a cash consideration of $287 million on a debt free and normalised working capital basis. Transaction costs amounted to $3 million. As of 31 December 2014, the Group owed $25 million to the purchaser of EVRAZ Vitkovice Steel. The Group recognised a $90 million gain on the sale of the subsidiary, including $61 million of cumulative exchange gains reclassified from other comprehensive income to the consolidated statement of operations. Cash disposed with the subsidiary amounted to $20 million.

Assets of Evrazruda

In 2014, the Group sold an iron ore mine and heat and power plant located in the Krasnoyarsk and Kemerovo regions of Russia. The gain on these transactions amounted to $25 million, including $5 million of cumulative exchange gains reclassified from other comprehensive income to the consolidated statement of operations.

In 2013, the Group sold 2 iron ore mines, ore processing plant and 2 electricity generating companies located in the Khakassia region of Russia. The gain on these transactions amounted to $21 million.

VGOK

In October 2013, the Group sold a wholly-owned subsidiary EVRAZ Vysokogorsky Iron Ore Mining and Processing Plant (“VGOK”) to NPRO URAL. The consideration comprised $20 million cash with a net present value of $18 million and the fair value of a 10-year agreement for the processing by VGOK of certain EVRAZ NTMK’s waste products. The fair value of this contract was measured based on an incremental income to the Group and approximated $47 million. It was recognised as an intangible asset within the Contract terms category.The Group recognised a $2 million loss on the sale of VGOK, including $23 million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations.

Central Heat and Power Plant

In September 2013, the Group sold Central Heat and Power Plant located in the Kemerovo region (Russia) for 300 US dollars. The Group recognised a $1 million loss on this transaction.

Mines of Yuzhkuzbassugol

In 2013, the Group sold 3 coal mines in the Kemerovo region of Russia: Yubileinaya, Gramoteinskaya and Kazankovskaya. The aggregate consideration amounted to 630 US dollars. The Group recognised a gain of $34 million on these transactions, including $1 million cumulative exchange gains reclassified from other comprehensive income to the consolidated statement of operations.

Evraztrans

In December 2012, the Group sold to a third party a business of its wholly owned subsidiary Evraztrans, which renders long-distance railway transportation services using own and rented railcars. Cash consideration amounted to $306 million. The Group recognised a gain of $190 million on this transaction.

Dneprodzerzhinsky Coke-chemical Plant

In August 2012, the Group sold to its parent a controlling interest in a loss-making coke-chemical plant located in Ukraine. Cash consideration amounted to $4. The Group recognised a $68 million loss on this sale, including $82 million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations.

12. Disposal Groups Held for Sale (continued)

Frotora Holdings Ltd.

In April 2012, the Group sold its ownership interest in a subsidiary whose assets comprised only rights under a long-term lease of land to be used for a construction of a commercial seaport in Ukraine. These rights were included in contract terms category of the intangible assets. In 2010, the Group recognised an impairment loss of $30 million in respect of these rights due to the change in plans for the use of this land. In 2012, the Group recognised a $20 million loss on sale of this subsidiary, including a $14 million of cumulative exchange losses reclassified from other comprehensive income to the consolidated statement of operations.

Other Disposal Groups Held for Sale

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

13. Other Non-current Assets

Non-current Financial Assets

US$ million	**2014**	2013	2012
Available-for-sale financial assets	**$ 16**	$ 28	$ 21
Derivatives not designated as hedging instruments (Note 25)	**–**	–	2
Restricted deposits	**7**	10	4
Loans receivable from related parties (Note 16)	**39**	45	–
Receivables from related parties	**1**	3	–
Loans receivable	**21**	7	12
Trade and other receivables	**4**	22	4
Other	**48**	69	49
	$ 136	$ 184	$ 92

Other Non-current Assets

US$ million	**2014**	2013	2012
Income tax receivable	**$ 4**	$ 20	$ 33
Input VAT	**11**	23	17
Other	**23**	19	14
	$ 38	$ 62	$ 64

Available-for-Sale Financial Assets

The Group holds approximately 15% in Delong Holdings Limited ("Delong"), a flat steel producer headquartered in Beijing (China). The investments in Delong are measured at fair value based on market quotations ($16 million, $28 million and $21 million at 31 December 2014, 2013 and 2012, respectively). The change in the fair value of these shares is initially recorded in other comprehensive income.

In 2013 and 2012, the Group recognised a gain of $7 million and $4 million, respectively, on the increase in market quotations in other comprehensive income. In 2014, an $11 million impairment loss relating to the decline in quotations of Delong shares was recorded through other comprehensive income and $1 million was recognised in the statement of operations.

14. Inventories

Inventories consisted of the following as of 31 December:

US$ million	2014	2013	2012
Raw materials and spare parts	**$ 575**	$ 751	$ 1,001
Work-in-progress	**287**	334	435
Finished goods	**471**	587	644
	$ 1,333	$ 1,672	$ 2,080

As of 31 December 2014, 2013 and 2012, the net realisable value allowance was $46 million, $56 million and $102 million, respectively.

As of 31 December 2014, 2013 and 2012, certain items of inventory with an approximate carrying amount of $25 million, $63 million and $319 million, respectively, were pledged to banks as collateral against loans provided to the Group (Note 22).

15. Trade and Other Receivables

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

US$ million	2014	2013	2012
Trade accounts receivable	**$ 668**	$ 882	$ 988
Other receivables	**23**	58	32
	691	940	1,020
Allowance for doubtful accounts	**(55)**	(57)	(76)
	$ 636	$ 883	$ 944

Ageing analysis and movement in allowance for doubtful accounts are provided in Note 28.

16. Related Party Disclosures

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

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

	Amounts due from related parties			Amounts due to related parties		
US$ million	2014	2013	2012	2014	2013	2012
Kazankovskaya	**$ –**	$ –	$ 23	**$ –**	$ –	$ –
Raspadskaya	**43**	11	2	**10**	27	42
Vtorresource-Pererabotka	**11**	4	3	**5**	13	45
Yuzhny GOK	**37**	5	4	**96**	336	163
Other entities	**10**	11	16	**9**	5	6
	101	31	48	**120**	381	256
Less: allowance for doubtful accounts	**(2)**	(3)	(34)	**–**	–	–
	$ 99	$ 28	$ 14	**$ 120**	$ 381	$ 256

In 2014, 2013 and 2012, the Group recognised an expense for bad and doubtful debts of related parties in the amount of $Nil, $Nil and $4 million, respectively.

16. Related Party Disclosures (continued)

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

US$ million	Sales to related parties			Purchases from related parties		
	2014	2013	2012	**2014**	2013	2012
Genalta Recycling Inc.	**$ –**	$ –	$ –	**$ 24**	$ 22	$ 14
Interlock Security Services	**1**	1	1	**39**	51	48
Kazankovskaya	**–**	–	1	**–**	–	1
Raspadskaya	**55**	22	8	**169**	106	127
Vtorresource-Pererabotka	**17**	16	14	**465**	462	485
Yuzhny GOK	**42**	62	66	**125**	150	124
Other entities	**5**	11	9	**16**	26	31
	$ 120	$ 112	$ 99	**$ 838**	$ 817	$ 830

In addition to the disclosures presented in this note, some of the balances and transactions with related parties are disclosed in Notes 4, 11, 13 and 25.

Genalta Recycling Inc. is a joint venture of a Canadian subsidiary of the Group. It sells scrap metal to the Group.

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

Kazankovskaya was an associate of the Group (Note 11). The Group purchased coal from the entity and sold mining equipment and inventory to Kazankovskaya. In 2012, the Group issued short-term loans to Kazankovskaya bearing an interest rate ranging from 8.1% to 8.5% per annum. At the reporting dates, the Group assessed the recoverability of these loans and recognised a loss, which was included in the other non-operating expenses caption of the consolidated statement of operations (2012: $5 million). In 2013, the Group acquired a controlling interest in Kazankovskaya (Note 11) and subsequently sold the subsidiary to a third party (Note 12), consequently, this entity ceased to be a related party to the Group.

Lanebrook Limited is a controlling shareholder of the Company. In 2008, the Group acquired from Lanebrook a 1% ownership interest in Yuzhny GOK for a cash consideration of $38 million (Note 18). As part of the transaction, the Group signed a put option agreement that gives the Group the right to sell these shares back to Lanebrook Limited for the same amount. In January 2014, the Group sold 0.14% of the shares to Lanebrook Limited for $6 million. The put option for the remaining shares expires on 31 December 2015.

In addition, in 2012 the Group sold one of its subsidiaries to Lanebrook (Note 12).

Raspadskaya (Note 11) sells coal to the Group and the Group sells steel products and renders services to Raspadskaya.

Vtorresource-Pererabotka is a subsidiary of Streamcore, the Group's joint venture, acquired in 2012. It sells scrap metal to the Group and provides scrap processing and other services. In 2014, 2013 and 2012, the purchases of scrap metal from Vtorresource-Pererabotka amounted to $383 million (1,601,041 tonnes), $370 million (1,420,990 tonnes) and $399 million (1,366,423 tonnes), respectively.

Yuzhny GOK, an ore mining and processing plant, is an associate of Lanebrook Limited. The Group sold steel products to Yuzhny GOK and purchased sinter from the entity. In 2014, the volume of purchases was 1,486,415 tonnes. In 2014, the Ukrainian hryvnia has depreciated against the US dollar by 97%. As a result, the Group recognised a $88 million foreign exchange loss on the balances and transactions with Yuzhny GOK.

The transactions with related parties were based on prevailing market terms.

16. Related Party Disclosures (continued)

Loans Issued to / Received from Related Parties

On 1 April 2014, the Group received a non-interest bearing loan of 2,935 million Ukrainian hryvnias ($267 million at the exchange rate as of the date of disbursement) from Standart IP, an entity under control of one of the major shareholders. The proceeds were used for the purposes of short-term liquidity management for a Ukrainian subsidiary. The loan was fully repaid in several instalments by 10 April 2014.

As of 31 December 2014, the Group's non-current financial assets include a loan issued to Raspadskaya in the amount of $39 million (2013: $45 million). The loan earns interest of 4.7% per annum and matures on 31 July 2016.

In June 2013, the Group received from EVRAZ Greenfield Development S.A. a bridge loan of $300 million, which was repaid in July 2013. The loan bore interest of 3% per annum.

Compensation to Key Management Personnel

Key management personnel include the following positions within the Group:

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

In 2014, 2013 and 2012, key management personnel totalled 41, 48 and 49 people, respectively. Total compensation to key management personnel were included in general and administrative expenses in the consolidated statement of operations and consisted of the following:

US$ million	**2014**	2013	2012
Salary	**$ 17**	$ 19	$ 18
Performance bonuses	**29**	13	14
Social security taxes	**3**	3	3
Share-based payments (Note 21)	**14**	11	10
Termination benefits	**1**	–	–
Other benefits	**1**	1	1
	$ 65	$ 47	$ 46

17. Other Taxes Recoverable

Taxes recoverable consisted of the following as of 31 December:

US$ million	**2014**	2013	2012
Input VAT	**$ 64**	$ 179	$ 206
Other taxes	**69**	66	122
	$ 133	$ 245	$ 328

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

18. Other Current Financial Assets

Other current assets included the following as of 31 December:

US$ million		2014		2013		2012
Investments in Yuzhny GOK (Note 16)	**$**	**32**	$	38	$	38
Bank deposits		**–**		–		674
Restricted deposits at banks		**1**		12		–
Collateral under swap agreements (Note 25)		**7**		21		–
Shares of the parent company		**–**		1		1
	$	**40**	$	72	$	713

As of 31 December 2014, the Group had no shares of EVRAZ plc (143,068 and 146,731 at 31 December 2013 and 2012, respectively).

In 2014, the Group purchased 3,902,217 shares of EVRAZ plc for $7 million and transferred them to participants of Incentive Plans (Note 21). In addition, participants received 3,839,883 shares from EVRAZ plc. The cost of the shares gifted under Incentive Plans by the Group, amounting to $7 million, was charged to additional paid-in capital. The Group sold 143,068 shares to EVRAZ plc.

In 2013, the Group purchased 2,122,555 shares of EVRAZ plc for $3 million and transferred 2,126,217 shares to participants of Incentive Plans (Note 21). In addition, participants received 1,438,095 shares from EVRAZ plc. The cost of the shares gifted under Incentive Plans by the Group, amounting to $3 million, was charged to additional paid-in capital.

In 2012, the Group purchased 869,469 shares of EVRAZ plc for $4 million and transferred 1,498,148 shares to participants of Incentive Plans (Note 21). The cost of the shares gifted under Incentive Plans, amounting to $11 million, was charged to additional paid-in capital.

19. Cash and Cash Equivalents

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

US$ million		2014		2013		2012
US dollar	**$**	**884**	$	1,298	$	853
Russian rouble		**102**		189		343
Canadian dollar		**6**		50		80
Euro		**6**		9		74
South African rand		**10**		32		15
Ukrainian hryvnia		**3**		17		9
Other		**10**		2		2
	$	**1,021**	$	1,597	$	1,376

At 31 December 2014, 2013 and 31 December 2012, the assets of disposal groups classified as held for sale included cash amounting to Nil, $7 million and $8 million, respectively.

20. Equity

Share Capital

Number of shares	2014	2013	2012
Authorised			
Ordinary shares of €2 each	**257,204,326**	257,204,326	257,204,326
Issued and fully paid			
Ordinary shares of €2 each	**156,215,373**	156,215,373	156,214,373

The issued and fully paid share capital of Evraz Group S.A. included 7,333,333 shares which were issued at zero consideration in 2009.

2013 Share Issue

In July 2013, the Company issued 1,000 ordinary shares with par value of €2 each and received from its parent $100 million for these shares.

Treasury Shares

At 31 December 2014, 2013 and 2012, the Company had 7,333,333 treasury shares.

Earnings per Share

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

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

	2014	2013	2012
Weighted average number of ordinary shares for basic earnings per share	**148,882,040**	148,881,498	148,881,040
Effect of dilution: share-based awards	–	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution	**148,882,040**	148,881,498	148,881,040
Profit/(loss) for the year attributable to equity holders of the parent, US$ million	**$ (1,030)**	$ (494)	$ (182)
Basic earnings/(losses) per share	**$ (6.92)**	$ (3.32)	$ (1.22)
Diluted earnings/(losses) per share	**$ (6.92)**	$ (3.32)	$ (1.22)

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

In 2012-2014, share-based awards (Note 21) were antidilutive as the Group reported net losses.

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

20. Equity (continued)

Dividends

Evraz Group S.A. declared to its parent the following aggregate amounts of dividends:

	Dividends declared, US$ million	US$ per share
Interim for 2012	390	2.62
Interim for 2013	715	4.80
Final for 2013	150	1.01

On 15 May 2014, the Company declared final dividends for 2013 in the amount of $150 million, which were fully paid in 2014.

In addition, certain subsidiaries of the Group declared dividends. The share of non-controlling shareholders in those dividends was $3 million, $1 million and $1 million in 2014, 2013 and 2012.

Legal Reserve

According to the Luxembourg Law, Evraz Group S.A. is required to create a legal reserve of 10% of share capital per the Luxembourg statutory accounts by annual appropriations which should be at least 5% of the annual net profit per statutory financial statements. The legal reserve can be used only in case of a bankruptcy. This reserve was recorded within Other reserves in 2011.

Other Movements in Equity

Reclassification within Equity

In 2011, prior to the Group's reorganisation, Evraz Group S.A. declared interim dividends in the amount of $491 million, which were charged against accumulated profits. At the annual meeting held in 2012, the shareholders of Evraz Group S.A. approved the distribution of those dividends from share premium of Evraz Group S.A. Consequently, in 2012, the Group decreased its additional paid-in capital and increased accumulated profits by $491 million.

Non-controlling Interests in Subsidiaries

In 2012, the Group acquired non-controlling interests in certain subsidiaries (Note 4). The excess of consideration over the carrying value of non-controlling interests amounting to $30 million was charged to accumulated profits.

In 2012, the Group acquired an additional 9.996% ownership interest in the Mezhegey coal field project and its share increased to approximately 60.016% (Note 4). During 2012 the non-controlling shareholder contributed $7 million to the Mezhegey coal field project.

21. Share-based Payments

On 13 October 2011, 6 September 2012 and 24 September 2013 and 8 August 2014 the Group adopted Incentive Plans under which certain senior executives and employees ("participants") could be gifted shares of the parent company upon vesting.

The vesting date for each tranche occurs within the 90-day period after announcement of the annual results. The expected vesting dates of the awards outstanding at 31 December 2014 are presented below:

Number of Shares of EVRAZ plc	Total	Incentive Plan 2014	Incentive Plan 2013	Incentive Plan 2012
April 2015	10,315,580	3,927,623	3,527,250	2,860,707
April 2016	9,218,488	3,927,623	5,290,865	–
April 2017	11,182,538	5,891,428	5,291,110	–
April 2018	5,891,446	5,891,446	–	–
	36,608,052	**19,638,120**	**14,109,225**	**2,860,707**

21. Share-based Payments (continued)

The plans are administrated by the Board of Directors of EVRAZ plc. The Board of Directors has the right to accelerate vesting of the grant. In the event of a participant's employment termination, unless otherwise determined by the Board or by a decision of the authorised person, a participant loses the entitlement for the shares that were not gifted up to the date of termination.

There have been no modifications or cancellations to the plans during 2012–2014.

The Group accounted for share-based compensation at fair value pursuant to the requirements of IFRS 2 "Share-based Payment". The weighted average fair value of share-based awards granted in 2014, 2013 and 2012 was $1.51, $1.89 and $3.41 per share of EVRAZ plc, respectively. The fair value of these awards was estimated at the date of grant and measured at the market price of the shares of a parent company reduced by the present value of dividends expected to be paid during the vesting period. The following inputs, including assumptions, were used in the valuation:

	Incentive Plan 2014	**Incentive Plan 2013**	**Incentive Plan 2012**	**Incentive Plan 2011**
Dividend yield (%)	3.6 – 4.8	4.0 – 8.8	1.9 – 5.4	3.6 – 4.8
Expected life (years)	0.6 – 3.6	0.6 – 3.6	0.6 – 2.6	0.5 – 2.5
Market prices of the shares of EVRAZ plc	$1.68	$2.13	$3.61	$51.57

The following table illustrates the number of, and movements in, share-based awards during the years.

	2014	**2013**	**2012**
Outstanding at 1 January	**27,692,062**	12,069,571	4,460,547
Granted during the year	**20,220,620**	20,832,297	9,892,313
Forfeited during the year	**(3,064,281)**	(1,221,683)	(785,141)
Vested during the year	**(8,240,349)**	(3,988,123)	(1,498,148)
Outstanding at 31 December	**36,608,052**	27,692,062	12,069,571
Vested, not exercised	**–**	98,647	–

In 2014 and 2013, the actual quantity of the vested shares transferred by EVRAZ plc to the participants was reduced by 596,896 and 325,164 shares, respectively, that represent withholding taxes and other deductions.

The weighted average share price at the dates of exercise was $1.72, $1.52 and $4.31 in 2014, 2013 and 2012, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2014, 2013 and 2012 was 1.6, 1.7 and 1.2 years, respectively.

In the years ended 31 December 2014, 2013 and 2012, expense arising from the equity-settled share-based compensations was as follows:

US$ million	**2014**	**2013**	**2012**
Expense arising from equity-settled share-based payment transactions	**$ 30**	$ 25	$ 22

22. Loans and Borrowings

As of 31 December 2014, 2013 and 2012, total interest-bearing loans and borrowings consisted of short-term loans and borrowings in the amount of $164 million, $1,069 million and $285 million, respectively, and long-term loans and borrowings in the amount of $5,524million, $6,278 million and $7,647 million, respectively, including the current portion of long-term liabilities of $532 million, $660 million and $1,164 million, respectively.

22. Loans and Borrowings (continued)

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

US$ million		**2014**		2013		2012
Bank loans	**$**	**1,548**	$	2,006	$	2,569
8.875 per cent notes due 2013		**–**		–		534
8.25 per cent notes due 2015		**138**		577		577
7.40 per cent notes due 2017		**600**		600		600
9.5 per cent notes due 2018		**509**		509		509
6.75 per cent notes due 2018		**850**		850		850
7.5% senior secured notes due 2019		**350**		–		–
6.50 per cent notes due 2020		**1,000**		1,000		–
9.25 per cent bonds due 2013		**–**		–		494
13.5 per cent bonds due 2014		**–**		611		658
8.75 per cent bonds due 2015		**69**		119		–
9.95 per cent bonds due 2015		**267**		458		494
8.40 per cent bonds due 2016		**356**		611		658
Other liabilities		**1**		8		3
Unamortised debt issue costs		**(55)**		(64)		(113)
Interest payable		**68**		84		93
	$	**5,701**	$	7,369	$	7,926

At 31 December 2014, 2013 and 2012, the borowings relating to the subsidiaries classified as held for sale (Note 12) amounted to $Nil, $76 million and $65 million of short-term loans. In the statement of financial position they were included in liabilities directly associated with the assets held for disposal.

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

	Long-term borrowings			**Short-term borrowings**		
	2014	**2013**	**2012**	**2014**	**2013**	**2012**
US dollar	**6.79%**	7.46%	7.12%	**2.72%**	1.56%	2.15%
Russian rouble	**9.00%**	10.49%	10.51%	**–**	7.21%	11.52%
Euro	**3.55%**	3.60%	3.93%	**–**	3.75%	2.75%
Canadian dollar	**–**	3.30%	3.85%	**–**	–	–
South African rand	**–**	–	–	**9.98%**	–	–

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

US$ million		**2014**		2013		2012
US dollar	**$**	**4,855**	$	5,316	$	5,187
Russian rouble		**700**		1,837		2,349
Euro		**193**		268		381
Canadian dollar		**–**		10		108
South African rand		**8**		–		–
Unamortised debt issue costs		**(55)**		(64)		(113)
	$	**5,701**	$	7,367	$	7,912

22. Loans and Borrowings (continued)

Pledged Assets

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

At 31 December 2014, 2013 and 2012, the Group had inventory with a carrying value of $25 million, $63 million and $319 million, respectively, pledged as collateral under the loan agreements. At 31 December 2014, 100% shares of EVRAZ Caspian Steel were pledged as collateral under bank loans with a carrying value of $100 million. This subsidiary represented 1.4% of the consolidated assets at 31 December 2014 and generated $6 million of intra-group revenues in 2014.

Extension of the 9.25% Notes Due 2013

In March 2013, the holders of 9.25% rouble-denominated notes received an option to accept a new coupon of 8.75% per annum till 20 March 2015 or put the notes back to the Group at a nominal value. By 26 March 2013, the date of the expiration of the option, the Group re-purchased back notes totalling 12,265 million roubles ($399 million at the exchange rate as of the date of the transaction). The remaining notes with the aggregate principal amount of 2,735 million roubles ($84 million at the exchange rate as of 31 December 2013) continue to be traded on the Moscow Exchange.

The Group has a right to resell the repurchased notes on the market at any time and at its own discretion. In April and May 2013, the Group resold part of the notes for 1,000 roubles each and received 1,150 million roubles ($35 million at the exchange rate as of 31 December 2013).

Issue of Notes and Bonds

In November 2014, the Group issued 7.5% senior secured notes due 2019 notes in the amount of $350 million. The proceeds from the issue of the notes were used for the partial repayment of the 8.25% notes maturing on 10 November 2015.

In April 2013, the Group issued notes for the amount of $1,000 million due in 2020. The notes bear semi-annual coupon at the annual rate of 6.50% and must be redeemed at their principal amount on 22 April 2020. The proceeds from the issue of the notes were used for the repayment of the 8.875% notes maturing on 24 April 2013, as well as certain bank loans.

In April 2012, the Group issued notes in the amount of $600 million due in 2017. The notes bear semi-annual coupon at the annual rate of 7.40% and must be redeemed at their principal amount on 24 April 2017. The proceeds from the issue of the notes were used for the repayment of certain bank loans.

Repurchase of Notes and Bonds

In 2014, the Group partially repurchased 8.25% notes due 2015 for a cash consideration of $437 million. The nominal value of the notes was $439 million. As a result, the Group recognised a loss on extinguishment of debts in the amount of $6 million within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations (Note 7).

In 2014, the Group partially repurchased 7.75% bonds due 2015 for a cash consideration of $6 million. The nominal value of the bonds was $8 million. As a result, the Group recognised a gain on extinguishment of debts in the amount of $2 million within gain/(loss) on financial assets and liabilities caption of the consolidated statement of operations (Note 7).

In April 2014, the Group repurchased 13.5% bonds due 16 October 2014 for a nominal amount totalling 2,258 million roubles ($64 million at the exchange rates as of the dates of the transactions). In October 2014, the Group settled the remaining 17,742 million roubles ($440 million at the date of the transaction). There was no gain or loss on these transactions.

22. Loans and Borrowings (continued)

Compliance with Financial Covenants

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

$500 million pre-export credit facility received in 2014 from a syndicate of banks is subject to certain financial maintenance covenants. These covenants require EVRAZ plc to maintain two key ratios, consolidated net indebtedness to 12-month consolidated EBITDA and 12-month consolidated EBITDA to adjusted 12-month consolidated interest expense, within certain limits. Also the covenants contain a limitation on the amount of EVRAZ plc total consolidated indebtedness. A breach of one or both of these ratios or excess of the indebtedness limit would constitute an event of default under the facility which in turn may trigger cross default events under other debt instruments of the Group. The facility terms also set certain limitations on dividend payments by EVRAZ plc, acquisitions and disposals.

Notes due in 2015, 2017, 2018 and 2020 totalling $3,098 million issued by Evraz Group S.A., have covenants restricting the incurrence of indebtedness by the issuer and its consolidated subsidiaries conditional on a gross leverage ratio. While the ratio level itself does not constitute a breach of covenants, exceeding the threshold triggers a restriction on incurrence of consolidated indebtedness, which is removed once the ratio goes back below the threshold. The effect of the restriction is such that Evraz Group S.A. and its subsidiaries are not allowed to increase the consolidated indebtedness at the level of Evraz Group S.A., but are allowed to refinance existing indebtedness subject to certain conditions.

The $350 million notes due 2019 issued by Evraz Inc NA Canada in November 2014 have certain covenants, that contain restrictions on the incurrence of new debt by EVRAZ North America plc, the parent company of Evraz Inc NA and Evraz Inc NA Canada, and its subsidiaries (together, “Evraz North America”) and restrictions on the certain type of payments, including dividends, from Evraz North America.

OOO UK Mezhegeyugol, which is a direct subsidiary of EVRAZ plc, is not subject to restrictions imposed by the above mentioned covenants. However, as a borrower of a $195 million project loan by Gazprombank, it is restricted from incurring any additional indebtedness without the consent of the lender.

The incurrence covenants are in line with the Group’s financial strategy and, therefore, do not constitute any excessive restriction on its operations.

In addition to the incurrence covenants mentioned above, at 31 December 2014 the Group had loans with an aggregate principal amount of $341 million, which are subject to financial maintenance covenants. Under $251 million out of this amount the covenants require Evraz Group S.A. to maintain two key ratios, consolidated net indebtedness to 12-month consolidated EBITDA and 12-month consolidated EBITDA to adjusted 12-month consolidated interest expense, within certain limits, under the remaining $90 million only the first ratio is applicable. A breach of one or both of the ratios would constitute an event of default under the above mentioned facility agreements, which in its turn may trigger cross default events under other debt instruments of Evraz Group S.A. and its subsidiaries.

During 2014 the Group was in compliance with all financial and non-financial covenants.

22. Loans and Borrowings (continued)

Unamortised Debt Issue Costs

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

Unutilised Borrowing Facilities

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

US$ million	**2014**	2013	2012
Committed	**357**	347	231
Uncommitted	**1,225**	811	725
Total unutilised borrowing facilities	**$ 1,582**	$ 1,158	$ 956

23. Employee Benefits

Russian Plans

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

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

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

Ukrainian Plans

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

In 2011 and before, these preferential pensions were partially funded by the State Pension Fund. The Ukrainian subsidiaries gradually increased these contributions and starting from 2012 they pay 100% of preferential pensions. In addition, employees receive lump-sum payments on retirement and other benefits under collective labour agreements. These benefits are based on years of service and level of compensation. All these payments are considered as defined benefit plans.

In 2013, the amended pension legislation introduced annual indexation of pensions, at least up to the level of CPI. The indexation of pensions in a particular year depends on the availability of financial resources in the State pension fund. The subsidiaries are obliged to pay preferential pensions indexed according to the government's decision. The Group determined the amount of defined benefit obligations based on the assumption that pensions will be indexed despite possible insufficiency of money in the State pension fund, which would result in a non-fulfilment of this law by the fund itself and, consequently, would cancel the obligations of Ukrainian enterprises to pay higher pensions.

23. Employee Benefits (continued)

US and Canadian Plans

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

Other Plans

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

Defined Contribution Plans

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

US$ million	**2014**	2013	2012
Expense under defined contribution plans	**$ 352**	$ 443	$ 412

Defined Benefit Plans

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

In 2014, there were no significant plan amendments, curtailments, or settlements.

The Group's defined benefit plans are exposed to the risks of unexpected growth in benefit payments as a result of increases in life expectancy, inflation, and salaries. As the plan assets include significant investments in quoted and unquoted equity shares, corporate and government bonds and notes, the Group is also exposed to equity market risk.

23. Employee Benefits (continued)

The components of net benefit expense recognised in the consolidated statement of operations for the years ended 31 December 2014, 2013 and 2012 and amounts recognised in the consolidated statement of financial position as of 31 December 2014, 2013 and 2012 for the defined benefit plans were as follows:

Net benefit expense (recognised in the statement of operations within cost of sales and selling, general and administrative expenses and interest expense)

Year ended 31 December 2014

US$ million	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Total**
Current service cost	**$ (4)**	**$ (3)**	**$ (19)**	**$ –**	**$ (26)**
Net interest expense	**(12)**	**(7)**	**(6)**	**(2)**	**(27)**
Net actuarial gains/(losses) on other long-term employee benefits obligation	**16**	**–**	**–**	**–**	**16**
Curtailment gain	**6**	**–**	**–**	**–**	**6**
Net benefit expense	**$ 6**	**$ (10)**	**$ (25)**	**$ (2)**	**$ (31)**

Year ended 31 December 2013

US$ million	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Total**
Current service cost	$ (8)	$ (4)	$ (23)	$ (1)	$ (36)
Net interest expense	(16)	(9)	(9)	(1)	(35)
Net actuarial gains/(losses) on other long-term employee benefits obligation	3	–	–	1	4
Past service cost	(7)	–	–	–	(7)
Curtailment gain	2	–	2	–	4
Net benefit expense	$ (26)	$ (13)	$ (30)	$ (1)	$ (70)

Year ended 31 December 2012

US$ million	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Total**
Current service cost	$ (6)	$ (3)	$ (20)	$ –	$ (29)
Net interest expense	(17)	(8)	(10)	(2)	(37)
Net actuarial gains/(losses) on other long-term employee benefits obligation	(5)	–	–	–	(5)
Past service cost	(5)	–	(1)	–	(6)
Net benefit expense	$ (33)	$ (11)	$ (31)	$ (2)	$ (77)

23. Employee Benefits (continued)

Gains/(losses) recognised in other comprehensive income

Year ended 31 December 2014

US$ million	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Total**
Return on plan assets, excluding amounts included in net interest expense	**$ –**	**$ –**	**$ 46**	**$ –**	**$ 46**
Net actuarial gains/(losses) on post-employment benefit obligation	**5**	**(17)**	**(78)**	**(1)**	**(91)**
Effect of assets ceiling	**–**	**–**	**2**	**–**	**2**
	$ 5	**$ (17)**	**$ (30)**	**$ (1)**	**$ (43)**

Year ended 31 December 2013

US$ million	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Total**
Return on plan assets, excluding amounts included in net interest expense	$ (1)	$ –	$ 30	$ –	$ 29
Net actuarial gains/(losses) on post-employment benefit obligation	36	(11)	48	1	74
	$ 35	$ (11)	$ 78	$ 1	$ 103

Year ended 31 December 2012

US$ million	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Total**
Return on plan assets, excluding amounts included in net interest expense	$ –	$ –	$ 27	$ –	$ 27
Net actuarial gains/(losses) on post-employment benefit obligation	(20)	(5)	(75)	(1)	(101)
	$ (20)	$ (5)	$ (48)	$ (1)	$ (74)

23. Employee Benefits (continued)

Actual return on plan assets was as follows:

US$ million	2014	2013	2012
Actual return on plan assets	**$ 73**	$ 51	$ 50
including:			
US & Canadian plans	**73**	52	50
Russian plans	**–**	(1)	–

Net defined benefit liability

31 December 2014

US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	**$ 96**	**$ 58**	**$ 790**	**$ 14**	**$ 958**
Plan assets	**–**	**–**	**(608)**	**–**	**(608)**
	96	**58**	**182**	**14**	**350**

31 December 2013

US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	$ 192	$ 83	$ 728	$ 14	$ 1,017
Plan assets	(1)	–	(564)	–	(565)
	191	83	164	14	452

31 December 2012

US$ million	Russian Plans	Ukrainian plans	US & Canadian plans	Other plans	Total
Benefit obligation	$ 251	$ 68	$ 793	$ 19	$ 1,131
Plan assets	(1)	–	(537)	–	(538)
	250	68	256	19	593

23. Employee Benefits (continued)

Movements in net defined benefit liability/(asset)

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2011	**$ 202**	**$ 65**	**$ 230**	**$ 21**	**$ 518**
Net benefit expense recognised in the statement of operations	33	11	31	2	77
Contributions by employer	(16)	(8)	(54)	(2)	(80)
(Gains)/losses recognised in other comprehensive income	20	5	48	1	74
Disposal of subsidiaries	(1)	(5)	–	–	(6)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	–	(1)	(1)
Translation difference	12	–	1	(2)	11
At 31 December 2012	**250**	**68**	**256**	**19**	**593**
Net benefit expense recognised in the statement of operations	26	13	30	1	70
Contributions by employer	(23)	(9)	(40)	(1)	(73)
(Gains)/losses recognised in other comprehensive income	(35)	11	(78)	(1)	(103)
Disposal of subsidiaries	(10)	–	–	–	(10)
Translation difference	(17)	–	(4)	(4)	(25)
At 31 December 2013	**191**	**83**	**164**	**14**	**452**
Net benefit expense recognised in the statement of operations	(6)	10	25	2	31
Contributions by employer	(11)	(6)	(34)	(2)	(53)
(Gains)/losses recognised in other comprehensive income	(5)	17	30	1	43
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	–	(1)
Translation difference	(72)	(46)	(3)	(1)	(122)
At 31 December 2014	**$ 96**	**$ 58**	**$ 182**	**$ 14**	**$ 350**

23. Employee Benefits (continued)

Movements in benefit obligation

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2011	**$ 203**	**$ 65**	**$ 700**	**$ 21**	**$ 989**
Interest cost on benefit obligation	17	8	33	2	60
Current service cost	6	3	20	–	29
Past service cost	5	–	1	–	6
Benefits paid	(16)	(8)	(44)	(2)	(70)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	2	–	1	–	3
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	25	3	72	–	100
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(2)	2	2	1	3
Disposal of subsidiaries	(1)	(5)	–	–	(6)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	–	(1)	(1)
Translation difference	12	–	8	(2)	18
At 31 December 2012	**251**	**68**	**793**	**19**	**1,131**
Interest cost on benefit obligation	16	9	31	1	57
Current service cost	8	4	23	1	36
Past service cost	7	–	–	–	7
Benefits paid	(22)	(9)	(43)	(1)	(75)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	22	–	23	–	45
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(65)	11	(71)	(2)	(127)
Actuarial (gains)/losses on benefit obligation related to experience adjustments	4	–	–	–	4
Curtailment gain	(2)	–	(2)	–	(4)
Disposal of subsidiaries	(10)	–	–	–	(10)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	–	–	–	–	–
Translation difference	(17)	–	(26)	(4)	(47)
At 31 December 2013	**$ 192**	**$ 83**	**$ 728**	**$ 14**	**$ 1,017**
Interest cost on benefit obligation	12	7	33	2	54
Current service cost	4	3	19	–	26
Benefits paid	(12)	(6)	(37)	(2)	(57)
Actuarial (gains)/losses on benefit obligation related to changes in demographic assumptions	–	1	17	–	18
Actuarial (gains)/losses on benefit obligation related to changes in financial assumptions	(16)	13	71	1	69
Actuarial (gains)/losses on benefit obligation related to experience adjustments	(5)	3	(10)	–	(12)
Curtailment gain	(6)	–	–	–	(6)
Reclassification to liabilities directly associated with disposal groups classified as held for sale	(1)	–	–	–	(1)
Translation difference	(72)	(46)	(31)	(1)	(150)
At 31 December 2014	**$ 96**	**$ 58**	**$ 790**	**$ 14**	**$ 958**

23. Employee Benefits (continued)

The weighted average duration of the defined benefit obligation was as follows:

Years	2014	2013	2012
Russian plans	9.7	9.8	11.8
Ukrainian plans	10.4	10.0	9.9
US & Canadian plans	14.63	14.4	15.8
Other plans	20.3	10.0	10.7

Changes in the fair value of plan assets

US$ million	Russian plans	Ukrainian plans	US & Canadian plans	Other plans	Total
At 31 December 2011	**$ 1**	**$ –**	**$ 470**	**$ –**	**$ 471**
Interest income on plan assets	–	–	23	–	23
Return on plan assets (excluding amounts included in net interest expense)	–	–	27	–	27
Contributions of employer	16	8	54	2	80
Benefits paid	(16)	(8)	(44)	(2)	(70)
Translation difference	–	–	7	–	7
At 31 December 2012	1	–	537	–	538
Interest income on plan assets	–	–	22	–	22
Return on plan assets (excluding amounts included in net interest expense)	(1)	–	30	–	29
Contributions of employer	23	9	40	1	73
Benefits paid	(22)	(9)	(43)	(1)	(75)
Translation difference	–	–	(22)	–	(22)
At 31 December 2013	**$ 1**	**$ –**	**$ 564**	**$ –**	**$ 565**
Interest income on plan assets	–	–	27	–	27
Return on plan assets (excluding amounts included in net interest expense)	–	–	46	–	46
Contributions of employer	11	6	34	2	53
Benefits paid	(12)	(6)	(37)	(2)	(57)
Effect of asset ceiling	–	–	2	–	2
Translation difference	–	–	(28)	–	(28)
At 31 December 2014	**$ –**	**$ –**	**$ 608**	**$ –**	**$ 608**

The amount of contributions expected to be paid to the defined benefit plans during 2014 approximates $59 million.

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

	2014		2013		2012	
	Quoted	Unquoted	Quoted	Unquoted	Quoted	Unquoted
US & Canadian plans:						
Equity funds and investment trusts	**31%**	**49%**	42%	38%	43%	18%
Corporate bonds and notes	**13%**	**1%**	15%	1%	12%	12%
Government bonds and notes	**–**	**–**	–	–	–	8%
Property	**–**	**–**	–	2%	–	2%
Cash	**6%**	**–**	–	2%	–	5%
	50%	**50%**	57%	43%	55%	45%

23. Employee Benefits (continued)

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

	2014				2013				2012			
	Russian plans	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**
Discount rate	**11%**	**15.0%**	**3.6-4.9%**	**2.8-8.8%**	8%	14.0%	4.3-4.9%	3-9.5%	7%	14.0%	3.9-5.1%	2.0-8.8%
Future benefits increases	**8%**	**10%**	**–**	**3%**	6%	6%	–	3%	8%	8%	–	2%
Future salary increase	**8%**	**10%**	**3-3.3%**	**–**	6%	7%	3.1-4%	–	8%	8%	3.1-3.5%	3%
Average life expectation, male, years	**68.0**	**65.2**	**86.4-87.8**	**74.9-79**	67.5	64.2	82.5-85.2	73.9-81	65.8	64.2	83.0-84.7	73.3-81.1
Average life expectation, female, years	**78.5**	**75.3**	**88.9-89.8**	**73.4-85**	78.3	74.7	86.7-87.7	73-87	74.3	74.7	84.7-85.9	68.2-86.9
Healthcare costs increase rate	**–**	**–**	**5.5-7%**	**7.5-7.7%**	–	–	6.1-7%	7.8%-7.9%	–	–	6-7%	7.0-7.3%

The following table demonstrates the sensitivity analysis of reasonable changes in the significant assumptions used for the measurement of the defined benefit obligations, with all other variables held constant.

		Impact on the defined benefit obligation at 31 December 2014, US$ million				Impact on the defined benefit obligation at 31 December 2013, US$ million			
	Reasonable change in assumption	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**	**Russian plans**	**Ukrainian plans**	**US & Canadian plans**	**Other plans**
Discount rate	10%	$(10)	$(6)	$(53)	$(6)	$(13)	$(8)	$(45)	$(4)
	(10%)	12	7	58	6	15	10	52	5
Future benefits increases	10%	8	2	–	–	10	2	–	–
	(10%)	(7)	(2)	–	–	(9)	(2)	–	–
Future salary increase	10%	1	3	3	–	1	2	2	–
	(10%)	(1)	(2)	(2)	–	(1)	(2)	(2)	–
Average life expectation, male, years	1	1	–	15	–	2	1	14	–
	(1)	(1)	–	(15)	–	(2)	(1)	(15)	–
Average life expectation, female, years	1	1	–	4	–	2	–	4	–
	(1)	(1)	–	(4)	–	(2)	–	(5)	–
Healthcare costs increase rate	10%	–	–	–	3	–	–	1	2
	(10%)	–	–	–	–	–	–	(1)	(2)

24. Provisions

At 31 December the provisions were as follows:

US$ million	2014				2013				2012			
	Non-current		Current		Non-current		Current		Non-current		Current	
Site restoration and decommissioning costs	**$**	**170**	**$**	**32**	$	245	$	29	$	327	$	21
Legal claims		**–**		**3**		–		9		–		13
Other provisions		**2**		**4**		3		7		5		6
	$	**172**	**$**	**39**	$	248	$	45	$	332	$	40

In the years ended 31 December 2014, 2013 and 2012, the movement in provisions was as follows:

US$ million	Site restoration and decom-missioning costs		Legal claims		Other provisions		Total	
At 31 December 2011	**$**	**310**	**$**	**15**	**$**	**13**	**$**	**338**
Additional provisions		27		18		21		66
Increase from passage of time		19		–		–		19
Effect of change in the discount rate		35		–		–		35
Effect of changes in estimated costs and timing		(1)		(4)		–		(5)
Utilised in the year		(7)		(11)		(20)		(38)
Unused amounts reversed		(6)		(6)		(1)		(13)
Reclassification to liabilities directly associated with disposal groups classified as held for sale		(38)		–		(2)		(40)
Translation difference		9		1		–		10
At 31 December 2012		**348**		**13**		**11**		**372**
Additional provisions		48		6		25		79
Increase from passage of time		19		–		–		19
Effect of change in the discount rate		(32)		–		–		(32)
Effect of changes in estimated costs and timing		4		(2)		–		2
Utilised in the year		(11)		(3)		(20)		(34)
Unused amounts reversed		(7)		(5)		(5)		(17)
Change in provisions due to business combinations		9		–		–		9
Reclassification to liabilities directly associated with disposal groups classified as held for sale		(72)		–		–		(72)
Translation difference		(32)		–		(1)		(33)
At 31 December 2013	**$**	**274**	**$**	**9**	**$**	**10**	**$**	**293**
Additional provisions		54		4		19		77
Increase from passage of time		15		–		–		15
Effect of change in the discount rate		(37)		–		–		(37)
Effect of changes in estimated costs and timing		72		–		–		72
Utilised in the year		(39)		(2)		(16)		(57)
Unused amounts reversed		(2)		(6)		(6)		(14)
Reclassification to liabilities directly associated with disposal groups classified as held for sale		(41)		–		–		(41)
Translation difference		(94)		(2)		(1)		(97)
At 31 December 2014	**$**	**202**	**$**	**3**	**$**	**6**	**$**	**211**

Site Restoration Costs

Under the legislation, mining companies and steel mills have obligations to restore mining sites and contaminated land. The respective liabilities were measured based on estimates of restoration costs which are expected to be incurred in the future discounted at the annual rate ranging from 1.5% to 22.6% in 2014 (2013: from 1.1% to 14%, 2012: from 3.7% to 14%). The majority of costs are expected to be paid after 2061.

25. Other Long-Term Liabilities

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

US$ million	**2014**	2013	2012
Derivatives not designated as hedging instruments	**$ 713**	$ 219	$ 115
Contingent consideration payable for the acquisition of Stratcor	**2**	8	12
Deferred consideration payable for the acquisition of Inprom	**–**	–	10
Dividends payable under cumulative preference shares of a subsidiary to a related party	**15**	14	14
Employee income participation plans and compensations	**6**	5	7
Tax liabilities	**5**	9	18
Finance lease liabilities	**4**	6	13
Other liabilities to related parties	**1**	2	–
Other liabilities	**8**	47	16
	754	310	205
Less: current portion (Note 26)	**(330)**	(81)	(24)
	$ 424	$ 229	$ 181

Derivatives Not Designated as Hedging Instruments

To manage the currency exposure on the rouble-denominated bonds, the Group partially economically hedged these transactions: in 2010-2013, the Group concluded currency and interest rate swap contracts under which it agreed to deliver US dollar-denominated interest payments at the rates ranging from 3.06% to 8.90% per annum plus the US dollar notional amount, in exchange for rouble-denominated interest payments plus the rouble notional amount. The exchange is exercised on approximately the same dates as the payments under the bonds.

The swap contracts are summarised in the table below.

	Year of issue	**Bonds principal, millions of roubles**	**Hedged amount, millions of roubles**	**Swap amount, US$ million**	**Interest rates on the swap amount**
9.25 per cent bonds due 2013	2010	15,000	14,778	$ 500	5.75% - 5.90%
13.5 per cent bonds due 2014	2009	20,000	14,019	475	7.50% - 8.90%
9.95 per cent bonds due 2015	2010	15,000	14,997	491	5.65% - 5.88%
8.40 per cent bonds due 2016	2011	20,000	19,996	711	4.45% - 4.60%
8.75 per cent bonds due 2015	2013	3,885	3,735	121	3.06% - 3.33%

The aggregate amounts under swap contracts translated at the year end exchange rates are summarised in the table below.

US$ million	**2014**	2013	2012
Bonds principal	**$ 692**	$ 1,799	$ 2,305
Hedged amount	**688**	1,612	2,101
Swap amount	**1,323**	1,798	2,177

These swap contracts were not designated as cash flow or fair value hedges. The Group accounted for these derivatives at fair value which was determined using valuation techniques.

The fair value was calculated as the present value of the expected cashflows under the contracts at the reporting dates. Future rouble-denominated cashflows were translated into US dollars using the USD/RUB implied yield forward curve. The discount rates used in the valuation were the non-deliverable forward rate curve and the interest rate swap curve for US Dollar at the reporting dates.

25. Other Long-Term Liabilities (continued)

Derivatives Not Designated as Hedging Instruments (continued)

In 2014, 2013 and 2012, the change in fair value of the derivatives of $(494) million, $(106) million and $96 million, respectively, together with a realised gain/(loss) on the swap transactions, amounting to $(94) million, $51 million and $81 million, respectively, was recognised within gain/(loss) on financial assets and liabilities in the consolidated statement of operations (Note 7).

In 2014 and 2013, upon repayment of the 13.5% and 9.25% bonds, the related swap contracts matured.

Contingent Consideration Payable

Contingent consideration represents additional payments for the acquisition of Stratcor in 2006. This consideration could be paid each year up to 2019. The payments depend on the deviation of the average prices for vanadium pentoxide from certain levels and the amounts payable for each year are limited to maximum amounts. In 2014–2012, the Group was not required to pay this consideration due to the movements in the vanadium pentoxide market relative to the levels set in the agreement.

26. Trade and Other Payables

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

US$ million	**2014**	2013	2012
Trade accounts payable	**$ 755**	$ 1,003	$ 1,200
Accrued payroll	**185**	217	266
Other long-term obligations with current maturities (Note 25)	**330**	81	24
Other payables	**57**	28	38
	$ 1,327	$ 1,329	$ 1,528

The maturity profile of the accounts payable is shown in Note 28.

27. Other Taxes Payable

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

US$ million	**2014**	2013	2012
VAT	**$ 59**	$ 76	$ 87
Social insurance taxes	**35**	57	61
Property tax	**13**	13	11
Land tax	**4**	10	11
Personal income tax	**7**	13	14
Other taxes, fines and penalties	**6**	11	11
	$ 124	$ 180	$ 195

28. Financial Risk Management Objectives and Policies

Credit Risk

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

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

The Group's trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. There are no significant concentrations of credit risk within the Group. The Group defines counterparties as having similar characteristics if they are related entities. In 2014, the major customers were Russian Railways and Enbridge Inc. (3.7% and 4.5% of total sales, respectively).

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

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

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

US$ million	**2014**	**2013**	**2012**
Restricted deposits at banks (Notes 13 and 18)	**$ 8**	$ 22	$ 4
Financial instruments included in other non-current and current assets (Notes 13 and 18)	**55**	91	52
Long-term and short-term investments (Notes 13 and 18)	**48**	66	733
Trade and other receivables (Notes 13 and 15)	**640**	905	948
Loans receivable	**45**	27	31
Receivables from related parties (Notes 13 and 16)	**128**	73	14
Cash and cash equivalents (Note 19)	**1,021**	1,597	1,376
	$ 1,945	$ 2,781	$ 3,158

28. Financial Risk Management Objectives and Policies (continued)

Credit Risk (continued)

Receivables from related parties in the table above do not include prepayments in the amount of $11 million, $3 million and $Nil as of 31 December 2014, 2013 and 2012, respectively.

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

US$ million	**2014**		**2013**		**2012**	
	Gross amount	**Impairment**	**Gross amount**	**Impairment**	**Gross amount**	**Impairment**
Not past due	**$ 578**	**$ –**	$ 657	$ (1)	$ 798	$ (16)
Past due	**292**	**(57)**	407	(58)	296	(85)
less than six months	**185**	**(13)**	336	(3)	209	(11)
between six months and one year	**63**	**(8)**	21	(8)	21	(11)
over one year	**44**	**(36)**	50	(47)	66	(63)
	$ 870	**$ (57)**	$ 1,064	$ (59)	$ 1,094	$ (101)

In the years ended 31 December 2014, 2013 and 2012, the movement in allowance for doubtful accounts was as follows:

US$ million	**2014**	**2013**	**2012**
At 1 January	**$ (59)**	$ (101)	$ (108)
Charge for the year	**(39)**	(8)	(14)
Utilised	**14**	36	25
Disposal of subsidiaries	**1**	7	–
Translation difference	**26**	7	(4)
At 31 December	**$ (57)**	$ (59)	$ (101)

Liquidity Risk

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

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

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

The Group prepares a rolling 12-month financial plan which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities as they arise. The Group exercises a daily monitoring of cash proceeds and payments. The Group maintains credit lines and overdraft facilities that can be drawn down to meet short-term financing needs. If necessary, the Group refinances its short-term debt by long-term borrowings. The Group also uses forecasts to monitor potential and actual financial covenants compliance issues (Note 22). Where compliance is at risk, the Group considers options including debt repayment, refinancing or covenant reset. The Group has developed standard payment periods in respect of trade accounts payable and monitors the timeliness of payments to its suppliers and contractors.

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

Year ended 31 December 2014

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$ –	$ 73	$ 430	$ 382	$ 2,359	$ 1,031	$ 4,275
Interest	–	5	318	279	545	70	1,217
Finance lease liabilities	–	–	–	–	–	2	2
Financial instruments included in long-term liabilities	–	62	281	447	7	23	820
Total fixed-rate debt	–	140	1,029	1,108	2,911	1,126	6,314
Variable-rate debt							
Loans and borrowings							
Principal	82	86	25	606	543	71	1,413
Interest	–	13	36	43	33	3	128
Finance lease liabilities	–	–	1	1	1	–	3
Total variable-rate debt	82	99	62	650	577	74	1,544
Non-interest bearing debt							
Financial instruments included in other liabilities	–	–	–	–	2	2	4
Trade and other payables	170	600	42	–	–	–	812
Payables to related parties	81	38	1	–	–	–	120
Total non-interest bearing debt	251	638	43	–	2	2	936
	$ 333	$ 877	$ 1,134	$ 1,758	$ 3,490	$ 1,202	$ 8,794

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

Year ended 31 December 2013

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$ –	$ 847	$ 635	$ 1,183	$ 2,636	$ 1,038	$ 6,339
Interest	–	6	451	376	570	105	1,508
Finance lease liabilities	–	–	–	–	1	3	4
Financial instruments included in long-term liabilities	–	28	52	70	152	28	330
Total fixed-rate debt	–	881	1,138	1,629	3,359	1,174	8,181
Variable-rate debt							
Loans and borrowings							
Principal	81	148	18	25	672	66	1,010
Interest	–	10	25	33	31	5	104
Finance lease liabilities	–	–	1	1	2	–	4
Total variable-rate debt	81	158	44	59	705	71	1,118
Non-interest bearing debt							
Financial instruments included in other liabilities	–	–	1	2	2	2	7
Trade and other payables	213	793	25	–	–	–	1,031
Payables to related parties	327	47	6	–	–	–	380
Dividends payable	5	113	–	–	–	–	118
Total non-interest bearing debt	545	953	32	2	2	2	1,536
	$ 626	$ 1,992	$ 1,214	$ 1,690	$ 4,066	$ 1,247	$ 10,835

Year ended 31 December 2012

US$ million	On demand	Less than 3 months	3 to 12 months	1 to 2 years	2 to 5 years	After 5 years	Total
Fixed –rate debt							
Loans and borrowings							
Principal	$ 7	$ 501	$ 553	$ 678	$ 2,392	$ 1,378	$ 5,509
Interest	–	23	396	396	646	57	1,518
Finance lease liabilities	–	1	2	4	8	3	18
Financial instruments included in long-term liabilities	–	14	3	21	100	24	162
Total fixed-rate debt	7	539	954	1,099	3,146	1,462	7,207
Variable-rate debt							
Loans and borrowings							
Principal	170	119	112	359	1,601	76	2,437
Interest	–	22	68	84	121	7	302
Total variable-rate debt	170	141	180	443	1,722	83	2,739
Non-interest bearing debt							
Financial instruments included in other liabilities	–	1	–	3	2	2	8
Trade and other payables	265	907	66	–	–	–	1,238
Payables to related parties	218	39	–	–	–	–	257
Amounts payable under put options for shares of subsidiaries	–	–	4	6	–	–	10
Dividends payable	8	–	–	–	–	–	8
Total non-interest bearing debt	491	947	70	9	2	2	1,521
	$ 668	$ 1,627	$ 1,204	$ 1,551	$ 4,870	$ 1,547	$11,467

28. Financial Risk Management Objectives and Policies (continued)

Liquidity Risk (continued)

Payables to related parties in the tables above do not include advances received in the amount of $Nil, $1 million and $Nil as of 31 December 2014, 2013 and 2012, respectively.

Market Risk

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

Interest Rate Risk

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

The Group incurs interest rate risk on liabilities with variable interest rates. The Group's treasury function performs analysis of current interest rates. In case of changes in market fixed or variable interest rates management may consider the refinancing of a particular debt on more favourable terms.

The Group does not have any financial assets with variable interest rates.

Fair Value Sensitivity Analysis for Fixed Rate Instruments

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

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

Cash Flow Sensitivity Analysis for Variable Rate Instruments

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

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

	2014		**2013**		**2012**	
	Basis points	**Effect on PBT**	**Basis points**	**Effect on PBT**	**Basis points**	**Effect on PBT**
		US$ millions		*US$ millions*		*US$ millions*
Liabilities denominated in US dollars						
Decrease in LIBOR	**(2)**	**$ –**	(2)	$ –	(2)	$ –
Increase in LIBOR	**2**	**–**	2	–	2	–
Liabilities denominated in euro						
Decrease in EURIBOR	**(7)**	**–**	(5)	–	(4)	–
Increase in EURIBOR	**7**	**$ –**	5	$ –	4	$ –

28. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in currencies other than the functional currencies of the respective Group's subsidiaries. The currencies in which these transactions are denominated are primarily US dollars, Canadian dollars and euro. The Group does not have formal arrangements to mitigate currency risks of the Group's operations. However, management believes that the Group is partly secured from currency risks as foreign currency denominated sales are used to cover repayment of foreign currency denominated borrowings.

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

US$ million	2014	2013	2012
USD/RUB	**$ 132**	$ (2,191)	$ (1,476)
EUR/RUB	**(220)**	(337)	(382)
CAD/RUB	**372**	774	–
EUR/USD	**109**	108	109
USD/CAD	**(469)**	(209)	(24)
EUR/CZK	**(1)**	(18)	4
USD/CZK	**1**	(156)	(176)
USD/ZAR	**(34)**	(32)	(9)
EUR/ZAR	**10**	26	69
USD/UAH	**(248)**	(48)	(168)
RUB/UAH	**2**	15	28
USD/KZT	**(150)**	(131)	(73)

Sensitivity Analysis

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

	2014		2013		2012	
	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT	Change in exchange rate	Effect on PBT
	%	*US$ millions*	*%*	*US$ millions*	*%*	*US$ millions*
USD/RUB	**(28.74)**	**(38)**	(10.10)	221	(11.09)	164
	28.74	**38**	15.00	(329)	11.09	(164)
EUR/RUB	**(29.58)**	**65**	(7.79)	26	(8.12)	31
	29.58	**(65)**	15.00	(51)	8.12	(31)
CAD/RUB	**(28.37)**	**(105)**	(10.10)	(78)	–	–
	28.37	**105**	15.00	116	–	–
EUR/USD	**(6.23)**	**(7)**	(7.76)	(8)	(8.45)	(9)
	6.23	**7**	7.76	8	8.45	9
USD/CAD	**(6.21)**	**29**	(5.83)	12	(6.69)	2
	6.21	**(29)**	5.83	(12)	6.69	(2)
EUR/CZK	**(2.43)**	**–**	(5.85)	1	(6.38)	–
	2.43	**–**	5.85	(1)	6.38	–
USD/CZK	**(6.84)**	**–**	(10.82)	17	(12.64)	22
	6.84	**–**	10.82	(17)	12.64	(22)
USD/ZAR	**(11.33)**	**4**	(16.21)	5	(19.27)	2
	11.33	**(4)**	16.21	(5)	19.27	(2)
EUR/ZAR	**(11.34)**	**(1)**	(15.17)	(4)	(12.09)	(8)
	11.34	**1**	15.17	4	12.09	8
USD/UAH	**(28.90)**	**72**	–	–	(0.08)	–
	28.90	**(72)**	30	(14)	0.08	–
RUB/UAH	**(39.93)**	**(1)**	–	–	(11.07)	(3)
	39.93	**1**	13	2	11.07	3
USD/KZT	**(17.37)**	**26**				
	17.37	**(26)**				

28. Financial Risk Management Objectives and Policies (continued)

Market Risk (continued)

Currency Risk (continued)

Sensitivity Analysis (continued)

Except for the effects of changes in the exchange rates disclosed above, the Group is exposed to currency risk on derivatives not designated as hedging instruments (Note 25). The impact of currency risk on the fair value of these derivatives is disclosed below.

	2014		2013		2012	
	Change in exchange rate	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**	**Change in exchange rate**	**Effect on PBT**
	%	*US$ millions*	*%*	*US$ millions*	*%*	*US$ millions*
USD/RUB	**(28.74)**	**228**	(10.10)	183	(11.09)	271
	28.74	**(126)**	15.00	(213)	11.09	(217)

Fair Value of Financial Instruments

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

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

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

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

	2014			2013			2012		
US$ million	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value									
Available-for-sale financial assets (Note 13)	**16**	**–**	**–**	28	–	–	21	–	–
Derivatives not designated as hedging instruments	**–**	**–**	**–**	–	–	–	–	2	–
Liabilities measured at fair value									
Derivatives not designated as hedging instruments (Note 25)	**–**	**713**	**–**	–	219	–	–	115	–
Deferred consideration payable for the acquisition of Inprom (Note 25)	**–**	**–**	**–**	–	–	–	10	–	–
Contingent consideration payable for the acquisition of Stratcor (Note 25)	**–**	**–**	**2**	–	–	8	–	–	12

28. Financial Risk Management Objectives and Policies (continued)

Fair Value of Financial Instruments (continued)

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

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

US$ million	2014		2013		2012	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Long-term fixed-rate bank loans	**$ 141**	**$ 142**	$ 151	$ 172	$ 105	$ 131
Long-term variable-rate bank loans	**1,235**	**1,059**	776	814	2,115	1,956
8.875 per cent notes due 2013	**–**	**–**	–	–	542	554
8.25 per cent notes due 2015	**139**	**140**	569	621	562	643
7.40 per cent notes due 2017	**606**	**531**	605	634	604	642
9.5 per cent notes due 2018	**507**	**471**	505	568	503	591
6.75 per cent notes due 2018	**856**	**730**	855	858	854	889
7.50 per cent bonds due 2019	**345**	**345**	–	–	–	–
6.50 per cent notes due 2020	**1,008**	**801**	1,007	951	–	–
9.25 per cent bonds due 2013	**–**	**–**	–	–	506	508
13.5 per cent bonds due 2014	**–**	**–**	627	645	675	728
8.75 per cent bonds due 2015	**71**	**70**	122	121	–	–
9.95 per cent bonds due 2015	**271**	**250**	466	464	501	511
8.40 per cent bonds due 2016	**358**	**299**	614	592	661	630
Other liabilities	**–**	**–**	–	–	1	1
	$ 5,537	**$ 4,838**	$ 6,297	$ 6,440	$ 7,629	$ 7,784

The fair value of the non-convertible bonds and notes was determined based on market quotations (Level 1). The fair value of convertible bonds and long-term bank loans was calculated based on the present value of future principal and interest cash flows, discounted at the Group's market rates of interest at the reporting dates (Level 3). The discount rates used for valuation of financial instruments were as follows:

Currency in which financial instruments are denominated	2014	2013	2012
USD	**8.9 – 14.7%**	4.5 – 8.2%	7.5 – 8.6%
EUR	**1.9%**	2.7%	2.9%
RUB	**–**	10.4%	9.2%

Capital Management

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

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise the return to shareholders. The Board of Directors reviews the Group's performance and establishes key performance indicators. There were no changes in the objectives, policies and processes during 2014.

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

The capital requirements imposed by certain loan agreements included a $2,000 million minimum representing consolidated equity of Evraz Group S.A. less goodwill. In 2012–2013, the Group was in compliance with this requirement. In June 2013, this covenant was abolished.

29. Non-cash Transactions

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

US$ million	**2014**	2013	2012
Liabilities for purchases of property, plant and equipment	**$ 38**	$ 129	$ 144
Loan issued to a partner of the Mezhegey coal field project	**–**	2	7
Purchase of a non-controlling interest in the Mezhegey coal field project settled by an offset with a loan due to the Group (Note 4)	**–**	–	40

30. Commitments and Contingencies

Operating Environment of the Group

The Group is one of the largest vertically integrated steel producers globally and the largest steel producer in Russia. The Group's major subsidiaries are located in Russia, Ukraine, the European Union, the USA, Canada and the Republic of South Africa. Russia, Ukraine and the Republic of South Africa are considered to be developing markets with higher economic and political risks. Steel consumption is affected by the cyclical nature of demand for steel products and the sensitivity of that demand to worldwide general economic conditions.

The global economic recession resulted in a significantly lower demand for steel products and decreased profitability. In addition, the political crisis over Ukraine led to an additional uncertainty in the global economy. The unrest in the Southeastern region of Ukraine and the economic sanctions imposed on Russia caused the depreciation of national currencies, economic slowdown, deterioration of liquidity in the banking sector, and tighter credit conditions within Russia and Ukraine. In addition, a significant drop in crude oil prices in the latter half of 2014 negatively impacted the Russian economy. In December 2014, the rouble interest rates have increased significantly after the Central Bank of Russia raised its key rate to 17%.The combination of the above resulted in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth. If the Ukrainian crisis broadens and further sanctions are imposed on Russia, this could have an adverse impact on the Group's business.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

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

Taxation

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

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities. Possible liabilities which were identified by management at the end of the reporting period as those that can be subject to different interpretations of the tax laws and other regulations and are not accrued in these financial statements could be up to approximately $23 million.

30. Commitments and Contingencies (continued)

Contractual Commitments

At 31 December 2014, the Group had contractual commitments for the purchase of production equipment and construction works for an approximate amount of $152 million.

In 2010, the Group concluded an agreement for the supply of oxygen, nitrogen and argon by a third party for a period of 20 years. The contractual price comprises a fixed component and a variable component. The total amount of the fixed component approximates 256 million euro. The agreement is within the scope of IFRIC 4 “Determining whether an Arrangement Contains a Lease”. At 31 December 2014, the lease had not commenced.

Social Commitments

The Group is involved in a number of social programmes aimed to support education, healthcare and social infrastructure development in towns where the Group’s assets are located. The Group budgeted to spend approximately $66 million under these programmes in 2015.

Environmental Protection

In the course of the Group’s operations, the Group may be subject to environmental claims and legal proceedings. The quantification of environmental exposures requires an assessment of many factors, including changing laws and regulations, improvements in environmental technologies, the quality of information available related to specific sites, the assessment stage of each site investigation, preliminary findings and the length of time involved in remediation or settlement.

The Group has a number of environmental claims and proceedings which are at an early stage of investigation. Environmental provisions in relation to these proceedings that were recognised at 31 December 2014 amounted to $8 million. Preliminary estimates available of the incremental costs indicate that such costs could be up to $89 million. The Group has insurance agreements, which will provide partial reimbursement of the costs actually incurred. Management believes that, as of now, an economic outflow of the additional costs is not probable and any pending environmental claims or proceedings will not have a material adverse effect on its financial position and results of operations.

In addition, the Group has committed to various environmental protection programmes covering periods from 2015 to 2022, under which the Group will perform works aimed at reductions in environmental pollution and contamination. As of 31 December 2014, the costs of implementing these programmes are estimated at $159 million.

Legal Proceedings

The Group has been and continues to be the subject of legal proceedings, none of which has had, individually or in aggregate, a significant effect on the Group’s operations or financial position.

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

31. Auditor's Remuneration

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

US$ million	2014	2013	2012
Audit of the parent company of the Group	**$ 2**	$ 2	$ 2
Audit of the subsidiaries	**5**	5	5
Total assurance services	**7**	7	7
Services in connection with capital market transactions	**2**	–	–
Other non-audit services	–	1	1
Total other services	**2**	1	1
	$ 9	$ 8	$ 8

32. Material Partly-Owned Subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below.

		Non-controlling interests		
Name	**Country of incorporation**	**2014**	**2013**	**2012**
EVRAZ Highveld Steel and Vanadium Limited	Republic of South Africa	**14.89%**	14.89%	14.89%
New CF&I (subsidiary of EVRAZ Inc NA)	USA	**10.00%**	10.00%	10.00%

US$ million	2014	2013	2012
Accumulated balances of material non-controlling interest			
EVRAZ Highveld Steel and Vanadium Limited	**$ 4**	$ 24	$ 49
New CF&I (subsidiary of EVRAZ Inc NA)	**98**	90	83
Others	**3**	24	36
	105	138	168
Profit allocated to material non-controlling interest			
EVRAZ Highveld Steel and Vanadium Limited	**(19)**	(18)	(27)
New CF&I (subsidiary of EVRAZ Inc NA)	**9**	9	10
Others	**(16)**	(9)	(10)
	$ (26)	$ (18)	$ (27)

The summarised financial information of these 3 subsidiaries is provided below. This information is based on amounts before inter-company eliminations

32. Material Partly-Owned Subsidiaries (continued)

Summarised statement of profit or loss

EVRAZ Highveld Steel and Vanadium Limited

US$ million	2014	2013	2012
Revenue	**$ 544**	$ 538	$ 529
Cost of revenue	**(539)**	(510)	(597)
Gross profit/(loss)	**5**	28	(68)
Operating costs	**(81)**	(90)	(91)
Impairment of assets	**(58)**	(99)	–
Foreign exchange gains/(losses), net	**(3)**	–	3
Profit/(loss) from operations	**(137)**	(161)	(156)
Non-operating gains/(losses)	**(7)**	(7)	(5)
Profit/(loss) before tax	**(144)**	(168)	(161)
Income tax benefit/(expense)	**13**	46	(18)
Net profit/(loss)	**$ (131)**	$ (122)	$ (179)
Other comprehensive income/(loss)	**(7)**	(45)	(10)
Total comprehensive income/(loss)	**(138)**	(167)	(189)
attributable to non-controlling interests	**(20)**	(24)	(28)
dividends paid to non-controlling interests	**–**	–	–

New CF&I

US$ million	2014	2013	2012
Revenue	**$ 922**	$ 858	$ 915
Cost of revenue	**(768)**	(738)	(764)
Gross profit/(loss)	**154**	120	151
Operating costs	**(49)**	(42)	(43)
Impairment of assets	**–**	–	–
Foreign exchange gains/(losses), net	**–**	–	–
Profit/(loss) from operations	**105**	78	108
Non-operating gains/(losses)	**18**	48	46
Profit/(loss) before tax	**123**	126	154
Income tax benefit/(expense)	**(37)**	(40)	(51)
Net profit/(loss)	**$ 86**	$ 86	$ 103
Other comprehensive income/(loss)	**(10)**	(15)	(1)
Total comprehensive income/(loss)	**76**	71	102
attributable to non-controlling interests	**8**	7	10
dividends paid to non-controlling interests	**–**	–	–

Summarised statement of financial position as at 31 December

EVRAZ Highveld Steel and Vanadium Limited

US$ million	2014	2013	2012
Property, plant and equipment	**$ 80**	$ 137	$ 271
Other non-current assets	**30**	66	149
Current assets	**149**	178	215
Total assets	**259**	381	635
Deferred income tax liabilities	**–**	15	73
Non-current liabilities	**64**	73	94
Current liabilities	**169**	129	137
Total liabilities	**233**	217	304
Total equity	**26**	164	331
attributable to:			
equity holders of parent	**22**	140	282
non-controlling interests	**4**	24	49

32. Material Partly-Owned Subsidiaries (continued)

New CF&I

US$ million	**2014**	**2013**	**2012**
Property, plant and equipment	**$ 237**	$ 235	$ 231
Other non-current assets	**929**	812	720
Current assets	**186**	183	216
Total assets	**1,352**	1,230	1,167
Deferred income tax liabilities	**85**	90	98
Non-current liabilities	**86**	72	97
Current liabilities	**201**	164	139
Total liabilities	**372**	326	334
Total equity	**980**	904	833
attributable to:			
equity holders of parent	**882**	814	750
non-controlling interests	**98**	90	83

Summarised cash flow information

EVRAZ Highveld Steel and Vanadium Limited

US$ million	**2014**	**2013**	**2012**
Operating activities	**$ (15)**	$ (30)	$ (60)
Investing activities	**(15)**	(19)	(28)
Financing activities	**7**	16	13

New CF&I

US$ million	**2014**	**2013**	**2012**
Operating activities	**$ 154**	$ 140	$ 123
Investing activities	**(154)**	(145)	(117)
Financing activities	**–**	5	(6)

33. Subsequent Events

In March 2015 the Group fully settled the 8.75% notes due 2015 and the related liabilities under the swap contracts. The total cash outflow amounted $123 million.

On 31 March 2015, the Board of directors of Evraz Group S.A. proposed to declare final dividends for 2014 in the amount of $375 million.

REGISTERED OFFICE OF THE ISSUER

Evraz Group S.A.
13, avenue Monterey
L-2163 Luxembourg
Grand Duchy of Luxembourg

JOINT LEAD MANAGERS AND BOOKRUNNERS

Bank GPB International S.A.
15, rue Bender
L-1229 Luxembourg
Grand Duchy of Luxembourg

Deutsche Bank AG,
London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

VTB Capital plc
14 Cornhill
London
EC3V 3ND
United Kingdom

LEGAL ADVISERS TO THE ISSUER

As to English and United States Law

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

As to Russian Law

Linklaters (CIS)
Paveletskaya Square 2/2
15054 Moscow
Russian Federation

As to Luxembourg Law

Linklaters LLP
35, Avenue John F. Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

LEGAL ADVISERS TO THE JOINT LEAD MANAGERS AND BOOKRUNNERS

As to English and United States Law

Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

As to Russian Law

Latham & Watkins
Ul. Gasheka 6, Ducat III, Office 510
Moscow 125047
Russia

LEGAL ADVISERS TO THE TRUSTEE

As to English Law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

INDEPENDENT AUDITORS OF THE ISSUER

Ernst & Young Société Anonyme
35E avenue John F. Kennedy
L-1855
Luxembourg

TRUSTEE

BNY Mellon Corporate Trustee Services Limited
One Canada Square
London E14 5AL
United Kingdom

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

REGISTRAR

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building, Polaris
2-4 rue Eugene Ruppert
L 2453 Luxembourg
Grand Duchy of Luxembourg

U.S. PAYING AGENT

The Bank of New York Mellon,
New York Branch
101 Barclay Street
New York, NY 10286
United States of America

LISTING AGENT

Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland